

**Report for:** Cabinet 08 February 2022

**Title:** 2022-23 Budget and 2022-2027 Medium Term Financial Strategy

**Report authorised by :** Jon Warlow, Director of Finance

**Lead Officer:** Frances Palopoli, Head of Corporate Financial Strategy & Monitoring & Thomas Skeen, AD Finance

**Ward(s) affected:** All

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

## **1. Describe the issue under consideration**

- 1.1 The Draft Budget presented to Cabinet on 7<sup>th</sup> December 2021 made explicit that a markedly different approach had been taken to the financial planning process this year. Directing assumed improvements in government grant funding to addressing essential budget growth and a considered use of one-off funding from the Strategic Budget Planning reserve would 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 also align with the launch of the Council's new Borough plan.
- 1.2 The Provisional Local Government Finance Settlement (PLGFS) was announced on December 16<sup>th</sup> 2021 and didn't suggest any change to this strategy was required. The PLGFS provided funding figures for one year only, despite SR21 covering three years. This approach was taken to enable Government to complete the Fair Funding review work in tandem with the Levelling Up agenda to ensure future funding allocations are based on up to date assessments of need and resources. For the Local Government sector, this continues to create difficulties in medium term planning with any certainty and builds in further risk.
- 1.3 The PLGFS confirmed the December report funding assumptions as sound but also provided an overall net improvement of £5.8m the majority of which is now assumed as on-going. £2m related to increased social care grants, £1.8m inflationary increases on business rates income and the final £2m from the council's participation in the new 8 borough London business rate pool which received approval in the PLGFS. Outside the PLGFS, confirmation was provided that the Homelessness Prevention Grant would continue in 2022/23 at the same level for Haringey.
- 1.4 Revised estimates of both the NLWA levy and Concessionary Fares charges for 2022/23 have now been received which provide short-term improvements to the budget assumptions in December.

- 1.5 Whilst there have been some budgetary improvements, there is increased concern over the level of pressures faced by local authority care services, which was highlighted in the Qtr2 Finance report. Further assessment has been undertaken, particularly in the light of the exposure to upward inflationary pressures in these services, and it is now recommended that, with the improvement to funding since December, further budget provision be allocated here. When combined with the growth allocations proposed in December's draft paper, this provides a total additional funding this budget round of £6.0m to Adults and £6.6m to Children's. This is on top of pre-agreed growth in Adult's of £1.1m.
- 1.6 Additionally, due to the on-going upward inflationary trends in the economy the Budget and MTFS propose some augmented assumptions for both pay and non-pay.
- 1.7 Overall, the funding changes and assumptions since the December report have enabled an additional £6m to be added to the People Priorities (Adults & Children's) on an on-going basis and the proposed contributions from reserves across the MTFS has been re-balanced with £4.5m now assumed for 2022/23.
- 1.8 The PLGFS also confirmed that local authorities could increase their Council Tax up to 1.99% without referendum and also allowed for an additional 1% 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 assumptions.
- 1.9 The Budget and MTFS have been revised to include the impact of the funding and expenditure changes outlined above and take due regard to the consultation feedback, recommendations from the Council's Overview and Scrutiny Committee and Equalities impact.
- 1.10 In accordance with the Local Government Finance Act (LGFA) 1992, Full Council must approve the Budget for the forthcoming year and agree council tax for that year by the statutory deadline of 11<sup>th</sup> March. This report forms a key part of this budget setting process by setting out the planned funding and expenditure for that year. 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. Full Council will consider the Budget package contained in this report at their meeting on 1st March 2022.
- 1.11 Additionally, in order to ensure the Council's finances over the medium term are built on a sound basis, the Council always maintains a five year future forecast of its finances via its MTFS. The structural budget gap still remains. After the above assumptions and taking account of carefully planned use of reserves (£10m), the major step up in gap is now forecast for 2024/25 which is a year later than previously assumed. This extra period will allow for the finalisation of the re-framed priorities in the new Borough Plan and to benefit from greater clarity over the future national funding distribution. In summary, this financial strategy will best ensure that future resource plans are driven by the re-freshed priorities and align with clearer knowledge of the Council's future funding.

- 1.12 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 and Early Years blocks.
- 1.13 The report includes the draft Housing Revenue Account (HRA) revenue budget and HRA Capital programme. The HRA financial plan demonstrates how the authority will finance and afford both significant investment in it's current stock and an expansive/build acquisition programme. This revised HRA financial plan, which is in its fourth year, recognises 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.
- 1.14 In summary, this report finalises the Council's General Fund and HRA 2022/23 Budgets and Medium-Term Financial Strategies for 2022-2027.
- 1.15 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 and any other late notifications from government departments – again there are no indications that this will bring forward any / material changes to the provisional figures already received.
- 1.16 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.

## **2. Cabinet Member Introduction**

- 2.1 Our 2022/23 budget, is the first one in years that balances itself without the need for additional savings (and even allowing for some, much needed, investments in the development of vital services), whilst maintaining our prudent fiduciary approach (with adequate balances, reserves and contingencies) and at the same time containing the levels of council tax and other charges for council services within inflation, with additional measures for protecting as much as possible the more vulnerable and less wealthy.
- 2.2 Significantly our budget also continues and accelerates our efforts to align all aspects of our operations to our future updated Borough Plan and political priorities.
- 2.3 This has been achieved against the devastating impact of the pandemic on our citizens and local businesses. This follows on from a decade in which local councils like ours have been forced into spending reduction programmes following the decade of austerity measures.

- 2.4 The Council's approach to its annual budget setting has also been markedly different this year, in that it reflects the fundamentally changed environment we operate in as we recover from the pandemic. Our communities will continue to feel the ongoing effects of the pandemic for many years to come, and this will translate into increased demand for our services on many fronts, but particularly in our demand led areas (Children, Adults and Temporary Accommodation). Taking into account this increased demand, our funding position looking forward will remain challenging, and we are therefore clear that the Council will need to progress a change agenda to ensure we continue to best support residents in a financially sustainable way. We have therefore adopted a strategy which makes calculated investments in key priority service areas and will enable the Council to focus on developing its change agenda for delivery in future years, which will align with the launch of the Council's new updated Borough plan.
- 2.5 The provisional local government finance settlement has been announced since the draft budget report was published in December 2021. As is set out in this report, this, along with some other changes due to our continuing "leaving no stone unturned" approach, have led to a short-term betterment in our financial position, which will allow us to further increase the resilience of our demand led social care budgets. However, we are clear that in the medium term the Council will only be able to keep setting balanced budgets by finding more ways to reduce costs, and raise funds, which will be challenging for the organisation to deliver given this follows on from a decade of austerity measures, and in the new context of rising demand for our service post the pandemic.
- 2.6 The provisional local government finance settlement covered a 1 year period only, despite the spending review being for a 3 year period. The government have signalled their intention to review the funding mechanisms for the local government sector as a whole, over the next year. We will engage thoroughly as an organisation with this work: we strongly believe that a fair redistribution of resources within the sector which takes account of the inherent need within our communities, would lead to increased funding for our borough. However there is a risk that the new funding allocation mechanisms adopted by the government worsen our funding position. This is something we will keep under a close review in the coming year.
- 2.7 As part of this budget the Council proposes to raise Council tax by 1.99% for the general council services, plus a further 1% social care precept, which adds up to a total of 2.99%, (ie lower than the anticipated rate of inflation). In practice this would mean that the increase for a Band D property (excluding the GLA element) will be 83 pence per household per week, and we continue to have a comprehensive Council Tax Reduction Scheme that means that over 16,000 residents pay no Council Tax at all. We recognise that even this modest council-tax increase at this challenging time will be an additional ask for some. However, without these resources we would have to cut back our support and services for the most vulnerable in our borough. We do not believe that this is the right thing to do.
- 2.8 In summary, I am pleased to be able to present here the 2022/23 Budget and 2022/23-26/27 MTFS: despite unprecedented organisational challenges we have adopted a realistic budget strategy, to support the work of the Council.
-

### **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 2022/23 nor to the MTFS 2022/27.
- 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 2022/23 nor to the MTFS 2022/27.
- 3.3 Propose approval to the Council of the 2022/23 Budget and MTFS 2022/27 Budget Proposals as set out in Appendix 2.
- 3.4 Propose approval to the Council of the 2022/23 General Fund Revenue Budget as set out in Appendix 1, including specifically a General Fund budget requirement of £262.923m, 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) 2022-2027 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 2022/23 will be £1,484.13 per Band D property, which represents a 1.99% increase on the 2022/23 Haringey element and with an additional 1% 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 79,303 for the financial year 2022/23.
- 3.8 Propose approval to the Council of the 2022/23 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) 2022-2027 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 and Sheltered/Supported 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 Propose approval to the Council of the 2022/23 – 2026/27 General Fund capital programme detailed in Appendix 4.

- 3.13 Propose approval to the Council of the 2022/23 – 2026/27 Housing Revenue Account (HRA) capital programme detailed in Table 9.5.
- 3.14 Propose approval to the Council of the Capital Strategy detailed in Section 8 of this report.
- 3.15 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).
- 3.16 Propose to the Council the Dedicated Schools Budget (DSB) allocations for 2022/23 of £282.282m as set out in Appendix 7.
- 3.17 Note the funding to be distributed to primary and secondary schools for 2022/23 based on the figures advised to Schools Forum and submitted to the Education Funding Agency in January 2022 set out in Section 10.
- 3.18 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.
- 3.19 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.
- 3.20 Delegate to the Section 151 officer, in consultation with the Cabinet Member for Finance, the power to make further changes to the 2022/23 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 2022/23 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 2022/23 Budget and sustainable MTFs over the five-year period 2022/27, to be reviewed and ultimately adopted at the meeting of Full Council on 1<sup>st</sup> March 2022.



- 5.2 Clearly there are options available to achieve a balanced budget and the Council 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, the estimated impact of wider environmental factors such as the Covid-19 pandemic and the Council's overall financial position.
- 5.3 These final proposals now presented take into consideration the funding allocations announced in the Provisional Local Government Finance Settlement, the responses to the consultation and the Overview & Scrutiny process.

## **6. Background information**

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

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

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

The Provisional Local Government Finance Settlement (PLGFS) was announced on 16 December 2021. The figures published 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 into the report to Full Council on 1<sup>st</sup> March. The section immediately below highlights the main messages from the PLGFS and its impact for Haringey. The specific sections have then been updated to show the funding assumptions now built into the 2022/23 Budget & 2022-2027 MTFS.

### **Provisional Local Government Finance Settlement 2022/23**

- 6.2 The PLGFS was published on 16 December 2021 and, despite the Government setting a multi-year Spending Review (SR21), the settlement only provided for a single financial year (2022/23). The Government has stated that this was 'to prioritise certainty'.
- 6.3 Nationally the settlement increases core spending power by up to £3.5bn nationally, which the government has stated is a 4% real terms increase for the 22/23 year, and is slightly increased from the assumed £3.3bn announced earlier in the year at the spending review (the difference being the government's assumptions about the growth in the council tax).

- 6.4 The spending review announced £4.8bn of new funding for the sector, over three years (roughly £1.6bn per annum) and the December report assumed this would be a net benefit to Haringey of c.£5.5m per annum.
- 6.5 The PLGFS provides some inflationary increases to existing grants, but the bulk is directed into two new grants:

- New Social Care Grants - £700m nationally: this includes £3.2m additional grant for Haringey
- New '2022/23 services grant' of £822m nationally: Haringey's share is £5.7m. The government has stated that although the funding remains, this specific grant is for one year only and, going forwards, will work with the sector to determine the future distribution methodology. This funding is also expected to cover the cost to the Council of increased national insurance contributions which will be a cost of c. £1.5m to Haringey, which means the net betterment would be anticipated to be £4.2m.

Overall, this represents a net improvement of £2m compared with the December budget assumption.

- 6.6 The Spending Review (SR21) announced additional core funding for social care of £3.6bn over 3 years, to cover the costs to local authorities of making the changes announced in the autumn which cap individuals' contributions to paying for their care and change the contribution thresholds. The bulk of this funding will impact the 23/24 and 24/25 financial years, however a small amount will impact on 2022/23 via the Market Sustainability and Fair Cost of Care Fund. The government is proposing to allocate £162 million through the ASC Relative Needs Formula (RNF) to support Local Authorities prepare their markets for reform and move towards 'paying providers a fair cost of care'. It is unclear as yet the impact this will have on Haringey, or our share of funding, or indeed exactly what this activity is intended to fund, however the assumption is that this will not be a betterment to Haringey budgets, and that any new funding will come with new burdens attached. Haringey's allocation is £0.775m.
- 6.7 The settlement announced a continuation of the lower tier services grant, and New Homes Bonus for 2022/23. This is in line with the assumptions in the December budget and MTFs, these total £0.8m and £1.2m respectively.
- 6.8 Confirmation was provided that the main council tax referendum principle will be 2% with an additional 1% Adult Social Care (ASC) Precept.
- 6.9 The government has signalled that the 22/23 settlement is intended to provide for stability, but that its longer term aim is to ensure funding allocations are based on up to date assessments of need and resources. The settlement goes on to state that this data has not been updated by the government in several years but that a review will take place over the next year, with the sector. This signals the potential for reallocations of resourcing from 2023/24 onwards within local government. It is unclear whether this will be beneficial for Haringey or not, however it does create a level of uncertainty that was not anticipated at the time of the three year spending review announcements in October.

#### **Other Announcements Since December 2021**



- 6.10 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 Homelessness Prevention Grant and the allocations for 2022/23 were published on 21 December. Haringey will receive £8.4m, the same as the 2021/22. Originally this funding was seen as time-limited however given that it has been in existence for a number of years it was built into Housing base budgets during last year's budget process.
- 6.11 Notable allocations still to be announced include the Public Health Grant and the Supporting Families programme.

### **Business Rates**

- 6.12 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.
- 6.13 The intention was for business rates baselines to be reset from April 2020 however, both SR19 and SR20 confirmed annual delays. The last formal announcement was for a reset in April 2022. While the SR21 was silent on this point the wider local government sector expects another postponement and this has been modelled in the current budget assumptions.
- 6.14 The Council participated in the London Pool for three years (2018/19 – 2020/21). London chose not to continue the Pool in 2021/22 due to the significant impact that the C19 pandemic had had on the business community and therefore forecast revenues. A London-wide pool for 2022/23 was modelled but wasn't able to make a sufficiently robust economic case for taking forward. However, the Council has been invited to be part of a smaller 8 London borough pool, and the PLGFS confirmed Government approval for this pool to proceed. Further analysis since the December draft budget report confirms that participation is expected to be beneficial to Haringey with a one-off £2m benefit now built into the Budget for 2022/23. The final decision to participate in this pool was delegated by Cabinet at its meeting on 7 December 2021 to the Director of Finance in conjunction with the Lead Member and this has now been formally approved and confirmed to the City of London, the Lead borough.
- 6.15 SR21 announced a continuation of the freeze to the business rates multiplier in 2022/23. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain unchanged however, the Council will be fully reimbursed for this via a Section 31 under-indexation multiplier grant.
- 6.16 The PLGFS confirmed that RSG would be increased by 3.1% in line with what would have been the increase to the multiplier.
- 6.17 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.

- 6.18 The C19 pandemic continues to have a more fundamental impact on income collection from businesses than residents. This will impact on the targeted collection rate set for 2022/23. Any shortfall against this target will manifest as a deficit in a future year.
- 6.19 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<br>Income Forecast | 2021/22<br>£'000 | 2022/23<br>£'000 | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue Support Grant                                     | 22,115           | 22,797           | 23,047           | 23,262           | 23,722           | 24,191           |
| Business Rates Top Up                                     | 58,412           | 60,770           | 62,770           | 66,134           | 67,416           | 68,724           |
| Retained Business Rates                                   | 22,137           | 21,218           | 21,218           | 22,291           | 22,737           | 23,192           |
| NNDR Surplus/(Deficit)                                    | (225)            | (225)            | (225)            | -                | -                | -                |
| S31 Grants / Redistributed Growth Funding<br>(post reset) | 6,515            | 6,737            | 6,737            | 4,000            | 4,000            | 4,000            |
| Share of Pool Growth                                      | -                | 2,000            | -                | -                | -                | -                |
| <b>Total</b>  | <b>108,954</b>   | <b>113,298</b>   | <b>113,548</b>   | <b>115,687</b>   | <b>117,876</b>   | <b>120,108</b>   |

- 6.20 There continues to be uncertainty around the business rates regime beyond 2022/23 although SR21 and recent announcements suggest that no large-scale amendments to the model as it exists are to be expected. However, a date for the business rate baseline reset is still to be confirmed as is the outcome of the Fair Funding Review. This will impact on business rates as it derives each authority's baseline funding against which growth is measured.
- 6.21 Because of the uncertainty beyond 2022/23, the assumptions in Table 6.1 and their impact on the MTFS are open to significant risk.

### **Council Tax**

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

- A 1.99% increase in Council Tax in 2022/23 and for each subsequent year is assumed (subject to the referendum limits set by Government)
- A 1% increase in ASC Precept for 2022/23 to 2024/25 inclusive, as announced in the SR21
- The tax base is forecast to grow by 3.5% in 2022/23 after a budgeted reduction of 1.5% in 2021/22 due to assumptions about the negative impact on the building trade caused by the C19 pandemic. 1.5% is assumed in 2023/24 whereafter assumed growth returns to 1% pa to the end of the MTFS planning period

- The collection rate is now assumed to improve to 95.75% for 2022/23 and 96.0% 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 surplus was refined and reduced as part of last year's financial planning process to reflect the forecast impact of the C19 pandemic on revenues. These forecasts remain unchanged in this Budget and MTFS.

6.23 These assumptions have been used to derive the 2022/23 council Taxbase of 79,303 (Decision report attached as Appendix 11) and will be used for the formal Council ratification of Council Tax Rates in March 2022.

**Table 6.2 Council Tax Assumptions**

| COUNCIL TAX ASSUMPTIONS                  |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 |
| Taxbase before collection rate           | 81,392          | 80,151          | 82,823          | 84,065          | 84,906          | 85,755          |
| Taxbase change                           | -1.5%           | 3.5%            | 1.5%            | 1.0%            | 1.0%            | 1.0%            |
| Taxbase for year                         | 80,151          | 82,823          | 84,065          | 84,906          | 85,755          | 86,613          |
| Collection Rate                          | 95.50%          | 95.75%          | 96.00%          | 96.50%          | 96.50%          | 96.50%          |
| <b>Taxbase after collection rate</b>     | <b>76,544</b>   | <b>79,303</b>   | <b>80,702</b>   | <b>81,934</b>   | <b>82,754</b>   | <b>83,582</b>   |
| Council Tax increase                     | 1.99%           | 1.99%           | 1.99%           | 1.99%           | 1.99%           | 1.99%           |
| Social Care precept                      | 3.00%           | 1%              | 1%              | 1%              | 0%              | 0%              |
| Band D rate                              | £1,441.05       | £1,484.13       | £1,528.50       | £1,574.19       | £1,605.51       | £1,637.45       |
| <b>Council Tax Before Surplus (£000)</b> | <b>£110,304</b> | <b>£117,696</b> | <b>£123,353</b> | <b>£128,980</b> | <b>£132,862</b> | <b>£136,861</b> |
| Previous Year (Estimated) Surplus        | £1,925          | £1,925          | £1,925          | £2,175          | £2,175          | £2,175          |
| CIPFA Counter Fraud Income               | £25             | £25             | £25             | £25             | £25             | £25             |
| <b>Council Tax Yield (£000)</b>          | <b>£112,254</b> | <b>£119,646</b> | <b>£125,303</b> | <b>£131,180</b> | <b>£135,062</b> | <b>£139,061</b> |

## Grants

6.24 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

6.25 The PLGFS announced additional social care grant funding which provided an additional £3.2m for Haringey. It also confirmed an inflationary increase to the Better Care Fund and Improved Better Care Fund. A small inflationary increase has been assumed for 2023/24 then reverts to cash flat given the expected fundamental review of government resource allocation methodology across the next 2 years.

6.26 Government outlined at Spending Review 2021 that social care reform funding would be part of Core Spending Power. In 2022/23, this will be the **Market Sustainability & Fair Cost of Care Fund** worth £162 million nationally. Government proposes to distribute this funding using the existing ASC RNF.

This funding for 2022/23 is designed to ensure local authorities can prepare their markets for reform (particularly the impact of section 18(3)) and move towards paying providers a fair cost of care, as appropriate to local circumstances. Haringey's allocation is £0.775m but is assumed to be fully required to comply with the specific grant conditions and therefore no net overall benefit to the Council's bottom line.

- 6.27 Government have confirmed that they will work closely with local government to determine appropriate grant conditions, national guidance and distribution mechanisms for funding allocations in 2023 to 2024 and 2024 to 2025. Given that no further information is available on the methodology or conditions, no grant figures have been projected forward. It should be noted that any allocations for those years are expected to come with expenditure commitments and therefore is unlikely to add to the Council's overall funding.
- 6.28 Forecast figures for 2023/24 onwards remain uncertain and should these assumptions not materialise, it could have a significant impact on the current forecast gap across those years.
- 6.29 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

| Original Grant Name                          | 2021/22<br>£'000 | 2022/23<br>£'000 | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'001 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Better Care Fund (BCF) - (CCG Contribution)  | 6,017            | 6,047            | 6,388            | 6,388            | 6,388            | 6,388            |
| Improved & Add'l Imp Better Care Fund (iBCF) | 9,518            | 9,806            | 9,847            | 9,847            | 9,847            | 9,847            |
| Social Care Support Grant                    | 8,726            | 11,905           | 12,045           | 12,045           | 12,045           | 12,045           |
| Mkt Sustainability & Fair Cost of Care Fund  | 0                | 775              | tbd              | tbd              | tbd              | tbd              |
|  |                  |                  |                  |                  |                  |                  |
|  |                  |                  |                  |                  |                  |                  |
| <b>Total</b>                                 | <b>24,261</b>    | <b>28,533</b>    | <b>28,280</b>    | <b>28,280</b>    | <b>28,280</b>    | <b>28,280</b>    |

### Core Grants

- 6.30 The following sets out the most up to date notifications or assumptions built into the Budget/MTFS:
- The **Local Council Tax Support Administration** grant is assumed to be cash flat for 2022/23 and across the MTFS;
  - The **Housing Benefit Administration Subsidy (HBAS)** grant is estimated to reduce by £0.140m for 2022/23 as the Government have now moved fully to the revised methodology which is based on the latest available caseload figures rather than estimates. The progress with the full rollout of Universal Credit is still slow and therefore, the grant figure beyond 2022/23 is currently assumed to hold at the 22/23 level. This will be revisited at the next MTFS refresh;

- The **Public Health** grant for 2022/23 has still not been announced. SR21 indicated an inflationary increase to this grant however, as the funding is ring-fenced to Public Health activities both income and expenditure budgets will be updated based on the actual grant figures. The table below therefore still reflects current grant levels.;
  - The PLGFS confirmed that the **Council Tax Support** grant provided in 2021/22 ceases as this was provided purely to mitigate the impact of the C19 pandemic on numbers eligible for council tax support schemes. Notwithstanding the discontinuation of this grant, the Council continues to budget for the same level of CTRS support;
  - **Business rates S31 grants** – this has been addressed in the Business Rates section above;
  - The PLGFS confirmed that for 2022/23 the government intended to maintain the current approach to the **New Homes Bonus** scheme and also to honour previously announced legacy payments in the 2022/23 allocations. Although this is likely to be the final year of the scheme, the funding is expected to remain within the Local Government funding sector and therefore the MTFS assumes that a similar level of funding will be provided from 2023/24;
  - **Lower Tier Services Grant** – the PLGFS confirmed that this would continue for 2022/23 and is assumed to continue across the MTFS at the same level;
  - The PLGFS announced a new, **2022/23 Services Grant**, with £5.652m allocated to Haringey. Government confirmed that this is a one-off allocation and is expected to cover the costs for the increase to the employer National Insurance contributions. Government will work with the local government sector on how best to use this funding from 2023/24. The MTFS assumes that Haringey will continue to receive this level of funding under the new methodology.
  - **Homelessness Prevention Grant** - allocations for 2022/23 were published on 21 December. Haringey will receive £8.4m, the same as the 2021/22. Originally this funding was seen as time-limited however given that it has been in existence for a number of years it was built into Housing base budgets during last year's budget process (so excluded from table below). DLUHC have since advised that they will be reviewing the formula currently used to allocate funding and that future funding is likely to have some element of performance related payment. Given the size of this grant, there is a risk to next year's budget if the value decreases significantly.
- 6.31 The table below shows assumptions about these grants over the 5-year MTFS period.

**Table 6.4 – Core Grants**

| Grant Name                                  | 2021/22<br>£'000 | 2022/23<br>£'000 | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Council Tax Support Admin Grant             | 457              | 457              | 457              | 457              | 457              | 457              |
| Housing Benefit Admin Grant                 | 1,491            | 1,351            | 1,351            | 1,351            | 1,351            | 1,351            |
| Public Health Grant                         | 20,353           | 20,353           | 20,353           | 20,353           | 20,353           | 20,353           |
| New Homes Bonus (NHB)                       | 1,208            | 1,208            | 1,208            | 1,208            | 1,208            | 1,208            |
| Business Rates - Section 31 Grants          | 6,515            | 6,737            | 6,737            | 4,000            | 4,000            | 4,000            |
| Council Tax Support Grant                   | 3,606            | -                |                  |                  |                  |                  |
| 2022/23 Services Grant                      | -                | 5,652            | 5,652            | 5,652            | 5,652            | 5,652            |
| Lower Tier Services Grant / NHB Replacement | 756              | 796              | 796              | 796              | 796              | 796              |
| <b>Total</b>                                | <b>34,385</b>    | <b>36,554</b>    | <b>36,554</b>    | <b>33,817</b>    | <b>33,817</b>    | <b>33,817</b>    |

## Fees and Charges

- 6.32 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.
- 6.33 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.
- 6.34 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.
- 6.35 Each year the Council reviews the level of its fees and charges through consideration of a report by the Cabinet and its Licensing Committee where it is a requirement that they are considered and approved outside of the Executive. The 2022/23 Fees & Charges were approved by Cabinet at its meeting of the 7 December 2021 and the Licensing Committee on the 13 January 2022.
- 6.36 The impact of fees and charges increases have been included in the MTFS projections.

## Use of Reserves

- 6.37 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.
- 6.38 In setting a balanced budget for 2022/23 the Council will use £4.5m (slightly lower than had been assumed in the draft report in December) from the Strategic Budget Planning Reserve, which had been previously earmarked for this purpose. As part of its outturn for 2020/21 the council was able to assign £10m into this reserve in anticipation of the timescales that would be associated with responding to future budget changes. The 2023/24 General Fund forecast presently assumes that the balance of this £10m will be required in that year.



- 6.39 The March 2022 Cabinet and Full Council reports 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

- 6.40 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               | 2021/22        | 2022/23        | 2023/24        | 2024/25        | 2025/26        | 2026/27        |
|-----------|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
|           |                                 | £'000          | £'000          | £'000          | £'000          | £'000          | £'000          |
| Table 6.1 | Revenue Support Grant           | 22,115         | 22,797         | 23,047         | 23,262         | 23,722         | 24,191         |
|           | Top up Business Rates           | 58,412         | 60,770         | 62,770         | 66,134         | 67,416         | 68,724         |
|           | Retained Business Rates         | 22,137         | 21,218         | 21,218         | 22,291         | 22,737         | 23,192         |
|           | NNDR Growth                     | -              | -              | -              | -              | -              | -              |
|           | NNDR Surplus/(Deficit)          | (225)          | (225)          | (225)          | -              | -              | -              |
| Table 6.2 | Council Tax                     | 110,302        | 117,884        | 123,552        | 129,187        | 133,074        | 137,079        |
|           | Council Tax Surplus             | 1,950          | 1,925          | 1,925          | 2,175          | 2,175          | 2,175          |
| Table 6.4 | New Homes Bonus                 | 1,208          | 1,208          | 1,208          | 1,208          | 1,208          | 1,208          |
|           | Public Health                   | 20,353         | 20,353         | 20,353         | 20,353         | 20,353         | 20,353         |
|           | Other Core Grants               | 12,825         | 16,993         | 14,768         | 12,256         | 12,256         | 12,256         |
|           | <b>Total (External) Funding</b> | <b>249,077</b> | <b>262,924</b> | <b>268,616</b> | <b>276,866</b> | <b>282,942</b> | <b>289,179</b> |
|           | Contribution from Reserves      | 1,688          | 4,714          | 5,500          | -              | -              | -              |
|           | <b>TOTAL FUNDING</b>            | <b>250,765</b> | <b>267,637</b> | <b>274,116</b> | <b>276,866</b> | <b>282,942</b> | <b>289,179</b> |

## 7. General Fund Revenue Assumptions

### 7.1 2021/22 Financial Performance – General Fund (GF) Revenue

- 7.1.1 The 2021/22 Qtr2 Budget Update report highlighted an overall GF forecast variation from budget of £23.0m with £12.87m attributable to C19 and £10.2m to base budget pressures. The former has remained in the line with the forecast provided at Qtr1 and the £9.1m un-ringfenced emergency C19 grant plus other specific grants and income compensation are still expected to offset the £12.87m in full.
- 7.1.2 More worryingly, the forecast base budget pressure was an increase of £5m compared to Qtr1. The largest impact continues to be felt in the two care service priorities, accounting for £9m of the £10.2m; much of this appears driven by the legacy impact of C19. However, all other priority areas are forecasting pressures of over £1m totalling £15m gross. This figure is netted

down to the £10.2m by expected underspends on corporate budgets, predominately interest payments due to the lag in capital programme spend.

- 7.1.3 As outlined in Section 6, since the draft budget report was presented, there has been an overall betterment to the assumptions made then; a mixture of additional grant funding, improvements to Business Rates income and reductions in forecast payments to external bodies (NLWA & London Councils concessionary fares). This has enabled a further £6m of growth to be built into service budgets. Following an assessment of the specific pressures included in the Qtr2 forecasts, it is proposed to allocate this to the two care services with 60% (£3.6m) to Adults and 40% (£2.4m) to Children's. This is on top of the £11.8m growth recommended in the December report.
- 7.1.4 In response to the savings delivery forecasts included in the Qtr2 Finance Update report, the draft Budget presented to December Cabinet included a provision to mitigate these potential risks and this final Budget now proposes an allowance for re-profiling of £3.250m agreed savings and up to £0.750m to be permanently written out.
- 7.1.5 Covid-19 is expected to continue to impact on Business Rates and Council Tax (Collection Fund) income, both in year and arrears and the forecast impact has been built into the proposals presented in this report. The 2021/22 Budget and 2022/26 MTFS agreed last year spread the estimated business rates deficit over three years as required by legislation. It should also be noted that as part of the 2020/21 year end process bad debt provisions for all the council's key income streams were augmented to recognise as far as possible the estimated impact of C19 on individuals and businesses to fully settle their accounts with the council. With the ever increasing reliance on local tax revenues and other fees and charges to fund services more detailed quarterly reporting is proposed to be included in the Finance Update reports.
- 7.1.6 The year end Dedicated Schools Grant (DSG) forecast continues to be in deficit against the agreed budget. At Qtr2 £6.3m was forecast, all against the High Needs Block which continues to be driven by the increasing number of Education, Health and Care Plans (EHCP) in recent years. It should be stressed that following clear guidance last year, this is not a pressure that statutorily impacts the GF however it remains a significant concern for the whole sector.
- 7.1.7 In summary, as far as funding constraints allow, the key underlying budget pressures that have manifested during this financial year to date, which services cannot mitigate, have been taken account of and built in to the proposed 2022/23 Budget.

## **7.2 The 2022/23 Budget and 2022-26 MTFS Strategy**

- 7.2.1 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 is now starting to consider how the new four year borough plan should be framed, which will provide the essential framework for that change. Our 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 for 2022/23.

- 7.2.2 Our strategy 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. 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 sorts of timescales that would be associated with such future change.
- 7.2.3 The improved funding position post PLGFS has allowed additional budget to be directed into the care services from 2022/23 which has also enabled a re-balancing of the assumed use of this reserve. The overall impact on the MTFS is that the major step up in gap is now forecast for 2024/25, which is a year later than previously assumed.
- 7.2.4 Looking forward, this financial planning strategy will enable the Council to achieve a stronger platform to approach the new programme of change required to address the structural c. £20m gap and which will align with the priorities identified in the Council's new Borough plan.

### **Budget Growth / Pressures**

- 7.3 The main **corporate** assumptions across the MTFS period are outlined below followed by a section focussing on the **service** specific items.

### **7.4 Pay Inflation**

- 7.4.1 The pay deal for 2021/22 has still to be agreed as an offer of 1.75% was rejected and put to a ballot of members. Based on this challenge and also the forecasts for inflation next financial year alongside well documented increases in cost of living, the budget available for the pay award in 2022/23 has been increased to allow for c. 3%; a further 1.25% has been added to cover the employer share of the new NI levy. This falls back to c. 2.75% in 2023/24 reverting to 2% pa across the remainder of the MTFS period.

### **7.5 Non-Pay Inflation**

- 7.5.1 The impact of inflationary increases in the demand led services is addressed as part of the overall annual demand modelling exercise. For all other non-pay inflation, the assumption continues that the services will broadly have to manage within existing budgets, thus absorbing any inflationary pressures. However, in recognition that some contracts include inflation-linked increases and utility costs continue to be volatile and difficult to predict, an annual allowance is built into the budget to address these items should they arise. The inflation forecasts provided in SR21 suggested that RPI could reach 4.4%. Since then further increases have been projected and therefore c. 7% has been provided for contract items with 25% on energy. 7% has been assumed for

2023/24 whereafter it returns to 3% pa across the remainder of the MTFS period.

## **7.6 Employer Pension Contributions**

- 7.6.1 The outcome of the last triennial valuation, which covered the period 2020/21 – 2022/23, confirmed that the Pension Fund performance allowed for a decrease in the Council's contribution rate of 0.5% each year for those three years, equating to a saving of c. £0.5m per annum each year. A further £1m saving is now assumed to be delivered as part of the next triennial valuation.

## **7.7 Contingency**

- 7.7.1 The Council holds a single corporate contingency largely to manage any slippage to the agreed budget reduction programme in any one year as well as addressing unforeseen circumstances which cannot realistically be built into budget plans. The contingency for 2022/23 and across the remainder of the MTFS is £7.4m.

## **7.8 Treasury & Capital Financing**

- 7.8.1 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. These are consistent with the contents and recommendations in the draft Treasury Management Strategy Statement

## **7.9 Levies**

- 7.9.1 The current assumption is that all Levy costs except the North London Waste Authority (NLWA) levy will remain broadly in line with the 2021/22 figures across the period.
- 7.9.2 The NLWA's North London Heat and Power Project (NLHPP) 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.
- 7.9.3 The NLWA Board in December 2021 agreed to progress with the procurement for the Energy Recovery Facility Works contract which will enable the NLHPP project to progress. As highlighted in previous reports, the borrowing costs required to deliver the new facility will need to be met from increased borough levies. Based on the latest forecasts from NLWA, an additional £0.9m has been built into the base budget for 2023/24 with some smaller step ups in later years. The sufficiency of these budget assumptions will be kept under review.
- 7.9.4 It should also be noted that £0.5m is held on the balance sheet against the NLWA levy cost in order to smooth the profile of future increases.
- 7.9.5 In terms of the 2022/23 levy, this is likely to be considerably lower (£1.6m) than the figure assumed in the December budget report as there are brought forward

balances available to reduce the calculated figure. Although the final figure will not be available until the Full Council report it is unlikely to shift significantly and therefore the 2022/23 budget assumes this one-off saving.

## **7.10 Policy Priorities**

7.10.1 Since 2018/19, 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
- 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

## **7.11 Service Growth Budget Adjustments**

7.11.1 As stated above, the 2022/23 Budget process has focussed on stabilising the Council's overall position by recognising existing and newly manifested pressures, many of which are products of the pandemic and on-going structural underfunding at a national level.

7.11.2 An extensive exercise was carried out over the summer and autumn to gather data and evidence to enable informed decisions to be made about where to direct the limited resources; not all items of growth put forward were able to be accommodated however the proposed budgets are as realistic as possible. The existing MTFS had a certain level of growth assumed which has been reviewed but found to still be sound.

7.11.3 Whilst there have been some funding improvements post PLGFS, there is increased concern over the level of pressures faced by local authority care services, which was highlighted in the Qtr2 Finance report. Further assessment has been undertaken, particularly in the light of the exposure to upward inflationary pressures and on-going C19 pandemic led and other demands in these services, and it is now recommended that, with the improvement to funding since December, further budget provision be allocated here. When combined with the growth allocations proposed in December's draft paper, this provides a total additional funding this budget round of £6.0m to Adults and £6.6m to Children's.

7.11.4 The table below summarises the total new service specific growth (£17.589m) proposed for 2022/23 as part of this year's process with a total of £23.757m across the MTFS period.

**Table 7.1 – New Service Growth Budget Adjustment Proposals**

|              | 2022/23<br>(£000) | 2023/24<br>(£000) | 2024/25<br>(£000) | 2025/26<br>(£000) | 2026/27<br>(£000) | TOTAL<br>(£000) |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|
| Housing      | 1,130             | 0                 | 0                 | 0                 | 0                 | <b>1,130</b>    |
| Adults       | 6,009             | (42)              | 0                 | 2,789             | 2,821             | <b>11,577</b>   |
| Children     | 6,572             | 144               | 420               | 620               | 20                | <b>7,776</b>    |
| Economy      | 865               | (385)             | (375)             | 0                 | (30)              | <b>75</b>       |
| Place        | 1,401             | 51                | (100)             | 0                 | 0                 | <b>1,352</b>    |
| Your Council | 1,872             | (575)             | 0                 | 0                 | 550               | <b>1,847</b>    |
|              |                   |                   |                   |                   |                   |                 |
| <b>TOTAL</b> | <b>17,849</b>     | <b>(807)</b>      | <b>(55)</b>       | <b>3,409</b>      | <b>3,361</b>      | <b>23,757</b>   |

7.11.5 As clear from the table, the service areas requiring the most growth continue to be the People related priorities of Adults, Health and Children. Some of this will be met from the application of the additional 1% ASC precept that is proposed to be levied in 2022/23 and the additional specific social care grants announced in PLGFS.

7.11.6 However, unavoidable or demand growth has been identified in all directorates. The following provide a flavour of what this growth will be used for with the full detail set out in Appendix 2:

- Significant investment to support vulnerable residents, with over £12m in our demand led budgets in Children's and Adults Social care and Temporary Accommodation.
- Investment in our VAWG agenda of £0.6m
- Investment in our climate and physical environment with increased funding of £0.5m for proactive tree maintenance, and £0.3m investment in highways drainage cleansing and maintenance
- Ensuring we remain a sustainable and fit for purpose organisation  
Investment of over £1m in our back-office functions such as legal, information governance, procurement and social care commissioning to ensure we are able to support and enable the organisation.

## **7.12 Budget Reduction Proposals / Savings**

7.12.1 The Council has previously agreed **£13.3m** of savings to be delivered across the period 2022-2026 and these are set out below.

**Table 7.2 – Agreed Savings 2022-2026**



| Priority                          | Total         |              |              |            |               |
|-----------------------------------|---------------|--------------|--------------|------------|---------------|
|                                   | 2022/23       | 2023/24      | 2024/25      | 2025/26    | Total Savings |
|                                   | £000          | £000         | £000         | £000       | £000          |
| Housing                           | 340           | 51           | 12           | 1          | 404           |
| People - Adults                   | 4,161         | 535          | -            | -          | 4,696         |
| People - Children                 | 1,679         | 130          | 230          | 0          | 2,039         |
| Place                             | 2,649         | (1,370)      | 1,360        | 170        | 2,809         |
| Economy                           | 100           | 100          | 100          | 70         | 370           |
| Your Council                      | 751           | 6            | -            | -          | 757           |
| <b>Total Savings - Priorities</b> | <b>9,680</b>  | <b>(548)</b> | <b>1,702</b> | <b>241</b> | <b>11,075</b> |
| Cross-Cutting Proposals           | 2,250         |              |              |            | 2,250         |
| <b>Total Savings</b>              | <b>11,930</b> | <b>(548)</b> | <b>1,702</b> | <b>241</b> | <b>13,325</b> |

7.12.2 No new budget reduction proposals are proposed for 2022/23 in line with the agreed financial planning strategy; instead focus has been placed on robustly challenging the existing agreed savings programme identifying where slippage might occur, how this could be mitigated and also acknowledging any savings that, largely due to wider economic conditions, were no longer deemed deliverable.

7.12.3 In response to the savings delivery forecasts included in the Qtr2 Finance Update report, the draft Budget presented to December Cabinet included a provision to mitigate these potential risks and this final Budget now proposes an allowance for re-profiling of £3.250m agreed savings and up to £0.750m to be permanently written out.

### 7.13 Summary Revenue Budget Position 2022/23 – 2026/27

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

**Table 7.3 – Summary Revenue Budget Position**

|   | 2021/22<br>Budget | 2022/23<br>Draft<br>Budget | 2023/24<br>Projected | 2024/25<br>Projected | 2025/26<br>Projected | 2026/27<br>Projected |
|---|-------------------|----------------------------|----------------------|----------------------|----------------------|----------------------|
| Priority Area                             | £'000             | £'000                      | £'000                | £'000                | £'000                | £'000                |
| Housing                                   | 16,102            | 16,939                     | 16,888               | 16,876               | 16,875               | 16,875               |
| People - Children                         | 58,289            | 61,169                     | 61,419               | 62,109               | 62,729               | 62,749               |
| People - Adults                           | 83,208            | 84,175                     | 85,386               | 88,488               | 91,277               | 94,098               |
| Place                                     | 23,999            | 19,642                     | 22,369               | 22,115               | 21,945               | 21,945               |
| Economy                                   | 6,166             | 7,154                      | 6,854                | 6,429                | 6,359                | 6,329                |
| Your Council                              | 32,995            | 36,333                     | 35,452               | 35,452               | 35,452               | 36,002               |
| Non-Service Revenue                       | 30,006            | 42,075                     | 50,794               | 57,616               | 65,172               | 72,672               |
| <b>Council Cash Limit</b>                 | <b>250,765</b>    | <b>267,487</b>             | <b>279,161</b>       | <b>289,084</b>       | <b>299,808</b>       | <b>310,669</b>       |
| Planned Contributions from Reserves       | (1,688)           | (4,564)                    | (5,500)              |                      |                      |                      |
| Further Savings to be Identified          | -                 | (0)                        | (4,820)              | (12,218)             | (16,867)             | (21,491)             |
| <b>Total General Fund Budget</b>          | <b>249,077</b>    | <b>262,923</b>             | <b>268,841</b>       | <b>276,866</b>       | <b>282,942</b>       | <b>289,179</b>       |
| Council Tax                               | 110,302           | 117,884                    | 123,552              | 129,187              | 133,074              | 137,079              |
| Council Tax Surplus                       | 1,950             | 1,925                      | 1,925                | 2,175                | 2,175                | 2,175                |
| RSG                                       | 22,115            | 22,797                     | 23,047               | 23,262               | 23,722               | 24,191               |
| Top up Business Rates                     | 58,412            | 60,770                     | 62,770               | 66,134               | 67,416               | 68,724               |
| Retained Business Rates                   | 22,137            | 21,218                     | 21,218               | 22,291               | 22,737               | 23,192               |
| NNDR Surplus/(Deficit)                    | (225)             | (225)                      | (225)                | -                    | -                    | -                    |
| <b>Total (Main Funding)</b>               | <b>214,691</b>    | <b>224,370</b>             | <b>232,288</b>       | <b>243,049</b>       | <b>249,125</b>       | <b>255,362</b>       |
| <b>Core/Other External Grants</b>         |                   |                            |                      |                      |                      |                      |
| New Homes Bonus                           | 1,208             | 1,208                      | 1,208                | 1,208                | 1,208                | 1,208                |
| Public Health                             | 20,353            | 20,353                     | 20,353               | 20,353               | 20,353               | 20,353               |
| Other core grants                         | 12,825            | 16,993                     | 14,768               | 12,256               | 12,256               | 12,256               |
| <b>TOTAL (Core/Other External Grants)</b> | <b>34,386</b>     | <b>38,554</b>              | <b>36,329</b>        | <b>33,817</b>        | <b>33,817</b>        | <b>33,817</b>        |
| <b>Total Income</b>                       | <b>249,077</b>    | <b>262,924</b>             | <b>268,616</b>       | <b>276,866</b>       | <b>282,942</b>       | <b>289,179</b>       |

7.13.1 The General Fund Budget 2022/23 proposed has a budget gap of £4.5m which will be met from a draw down from the Strategic Budget Planning reserve in line with the agreed financial planning strategy.

7.13.2 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.

## 7.14 Review of assumptions and risks 2022/23 – 2026/27

7.14.1 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 March 2022 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 Budget & MTFS.

7.14.2 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, inflation and changes to Government funding allocation methodology, underlines the need to maintain both a budgeted resilience contingency and keep general and earmarked reserves at current levels.

7.14.3 The main uncertainties and risks identified to date which may impact on the Council's budget for 2022/23 and over the period of the MTFS are:

- Funding assumptions for 2022/23 are subject to the final local government settlement expected in February 2022.
- On-going uncertainty about the final impact of the Covid-19 pandemic on 2021/22 budgets and also future years.
- The current inflation upwards trajectory could worsen or continue for longer than currently assumed
- The ongoing economic impacts of Brexit may continue to put pressure on costs and increase inflation; staffing in critical social care & health services, on local tax income levels
- 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 to be funded by general fund resources
- The expected Fair Funding Review and redesign of the Business Rates Retention scheme did not complete during 2021/22 as expected. The impact on funding for the Council on the eventual outcomes of both are not known at this time although these are expected to be overtaken by the Levelling Up agenda and associated funding distribution methodologies
- Increases in London Living Wage, or the minimum wage impacting the Council directly or through contracted spend 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. Conversely, in the immediate term, falls in numbers of families with children living in the borough are creating ongoing pressures for schools which are funded on a per pupil basis from the Government.
- 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.

- Any further deterioration in the forecast 2021/22 position including non-delivery of in year savings

## **8. Council's Capital Strategy and Capital Programme 2022/23 – 2026/27**

### **8.1 Introduction**

- 8.1.1 This is the fourth capital strategy report that has been prepared since it became a mandatory requirement upon local authorities. 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 deliverability of the Council's capital strategy, but the council has responded to the new challenges. In particular the capital programme for 2021/22 has continued 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 and works around school streets to make them safe. Despite the pandemic significant works have been undertaken to 8 schools and Pendarren.
- 8.1.3 Looking forward the Council's capital investment proposals include continued investment in the school estate, new investment in creating an in-borough Children's residential care provision, and increased investment in the infrastructure of the borough's parks and streets. Historically the Council received significant funding from TfL to support the highways of the borough. The pandemic hit TfL's finances hard, and it has not been able to provide the same level of support to boroughs. The Council's proposals allow for funding of the type of work previously funded by TfL in 2022/23 to be met by Council borrowing. In future years it has been assumed that external grant will be available to fund these works, in line with announcements made at SR21.
- 8.1.4 The Council has an accommodation strategy that is responding to the new ways of working and service demands. The strategy assumes that it will consolidate the Council's offices into the Civic Centre. This would be achieved through the necessary refurbishment of the Civic Centre and the creation of a new annex. There is also further investment in property to enable the Council to maximise the value of its property on Station Road. It is anticipated that investment in the annex will generate savings that will pay for the investment.
- 8.1.5 The Council is also investing in its digital offering to ensure that our customers receive the best possible service.
- 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.

## **Background**

- 8.1.7 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.
- 8.1.8 Capital programmes can shape the local environment (e.g. through the provision of new housing, traffic schemes or regeneration schemes); positively impact people's lives (e.g. through creating appropriate housing for adults with learning difficulties or investment in parks and open spaces); transform the way the Council interacts with local residents (e.g. through the libraries investment programme or proposals for locality provision); and deliver fit for purpose schools. The Council continues to plan for its use of capital expenditure to positively impact people's lives.
- 8.1.9 The key objectives for the Council's capital programme are to deliver the outcomes described in the borough plan and assist the Council in meeting the financial challenges that it continues to face. However, affordability is also a key consideration, as investment in capital schemes which requires the Council to borrow to fund the schemes impacts on Council revenue budgets.

## **8.2 Capital 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, and 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 2022/23-2026/27 which shows the continued and growing capital investment that is being undertaken to support the achievement of the borough plan objectives and to improve people's lives.

**Table 8.1: Capital expenditure plans overview 2022/23 - 2026/27**

|                               | 2021/22<br>Budget<br>(£'000) | 2022/23<br>Budget<br>(£'000) | 2023/24<br>Budget<br>(£'000) | 2024/25<br>Budget<br>(£'000) | 2025/26<br>Budget<br>(£'000) | 2026/27<br>Budget<br>(£'000) | Total<br>(£'000) |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------|
| <b>Previously Agreed</b>      |                              |                              |                              |                              |                              |                              |                  |
| General Fund Account (GF)     | 288,854                      | 190,863                      | 150,613                      | 120,687                      | 67,469                       |                              | 818,485          |
| Housing Revenue Account (HRA) | 277,033                      | 346,575                      | 334,086                      | 375,571                      | 222,787                      |                              | 1,556,052        |
| <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> |
| <b>Proposed</b>               |                              |                              |                              |                              |                              |                              |                  |
| General Fund Account (GF)     |                              | 259,670                      | 245,718                      | 164,279                      | 101,153                      | 41,119                       | 811,939          |
| Housing Revenue Account (HRA) |                              | 276,900                      | 453,834                      | 323,065                      | 228,633                      | 227,953                      | 1,510,385        |
| <b>Total =</b>                |                              | <b>536,570</b>               | <b>699,552</b>               | <b>487,344</b>               | <b>329,786</b>               | <b>269,072</b>               | <b>2,322,324</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.
- 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 Whilst the overall General Fund capital programme is large, it is mostly composed of small schemes. However, there are a number of schemes which are multi year and of a significant value. The expenditure in year for these schemes incurs an interest charge. In future for such schemes, the interest cost during the construction period will be capitalised, along with the other costs of bringing the asset into operation. The Council's existing policy for Minimum Revenue Provisions (MRP) already works on this basis. This would ensure that current taxpayers would not be burdened with costs incurred on such schemes where the benefits are in future years.
- 8.2.7 The Children's Services capital programme is largely reliant on Council borrowing. For the period 2022/23-2026/27 the Council is planning to spend £92.9m on schools, of which approximately £28.9m is funded through government grant leaving a borrowing requirement of £64m. The majority of the cost of the increased investment in schools falls on the Council's revenue account through increased borrowing costs.



- 8.2.8 The Adults Services capital programme is £72.8m, the majority of the programme is self-financed at £56m. In addition there is £13.9m grant funded expenditure.
- 8.2.9 Within the Place priority the proposed capital programme for the period 2022/23-2026/27 is broadly estimated at £103.6m of which approximately £30.7m is externally funded.
- 8.2.10 The Economy capital programme has an estimated value of £367m, of which £133.5m is funded externally and £184.2m is self-financing. Council borrowing in this part of the capital programme is proportionately lower than in others at £49.3m. The majority of this borrowing is to match fund to the Tottenham Hale Regeneration project, the Tottenham High Road Strategy and the Wood Green Regeneration Strategy.
- 8.2.11 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.
- 8.2.12 The General Fund Housing programme has no schemes that rely on borrowing as they are all self-financing.
- 8.2.13 The Your Council capital programme is estimated at £92.1m with the majority, £59.7m funded through borrowing. £43.3m of this borrowing relates to the asset management function of the Council and the Civic Centre refurbishment, with investment of £15.4m in ICT to improve services.
- 8.2.14 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.
- 8.2.15 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 borrowing and contribute to the MTFS through making savings or increasing income. These schemes are known as self-financing schemes. The decision to proceed with these schemes will follow the production of a detailed business case that supports the investment and identifies reductions in expenditure.
- 8.2.16 Services 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.

8.2.17 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**

|                         | 2022/23<br>Budget<br>(£'000) | 2023/24<br>Budget<br>(£'000) | 2024/25<br>Budget<br>(£'000) | 2025/26<br>Budget<br>(£'000) | 2026/27<br>Budget<br>(£'000) | Total<br>(£'000) |
|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------|
| People - Children's     | 25,421                       | 26,694                       | 24,671                       | 14,301                       | 1,831                        | 92,916           |
| People - Adults         | 17,956                       | 40,474                       | 8,515                        | 3,471                        | 2,377                        | 72,794           |
| Place                   | 25,594                       | 22,445                       | 20,688                       | 18,988                       | 15,861                       | 103,576          |
| Economy                 | 157,969                      | 132,824                      | 87,506                       | 52,643                       | 17,600                       | 448,542          |
| Housing (GF)            | 1,000                        | 1,000                        | 0                            | 0                            | 0                            | 2,000            |
| Your Council            | 31,731                       | 22,281                       | 22,900                       | 11,750                       | 3,450                        | 92,112           |
| Total General Fund (GF) | 259,670                      | 245,718                      | 164,279                      | 101,153                      | 41,119                       | 811,939          |
|                         |                              |                              |                              |                              |                              |                  |
| Housing (HRA)           | 276,900                      | 453,834                      | 323,065                      | 228,633                      | 227,953                      | 1,510,385        |
|                         |                              |                              |                              |                              |                              |                  |
| Overall Total           | 536,570                      | 699,552                      | 487,344                      | 329,786                      | 269,072                      | 2,322,324        |

8.2.18 Appendix 4 includes the previously agreed schemes plus any changes since the last budget (up to and including the December 2021 Cabinet), plus the new schemes proposed. It also indicates how each scheme is financed.

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

#### 8.2.20 Children's Services

There is one new scheme proposed for Children's Services and that is for the creation of an in-borough residential centre. This would provide high quality provision at a lower cost. The site or sites for the provision have not been identified at this time. The scheme is included in the capital programme as self-financing.

#### 8.2.21 Adult Services

The continued focus of the Adults Services capital programme is to enhance the lives of disabled and older adults. The 2021/22 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.

### 8.2.22 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 parks to provide greener and more comfortable spaces. The programme also allows for the continuation of investment in street lighting and borough roads. The funding for the highways scheme and the accident reduction scheme are included in the programme as being funded by Haringey borrowing in 2022/23. In future years it has been assumed that there will be external funding provided to undertake the works, in line with announcements from SR21 about national funding for works for highways, potholes, resurfacing and bridges.

### 8.2.23 Economy

The new proposal, in relation to the HALS service and builds on this existing programme of funding of the Good Economy Recovery Plan. . In addition, the Economy capital programme now reflects the GLA grants for the HRW scheme.

### 8.2.24 Your Council

The initial proposals contain significant investment in Council assets and services. There is a new proposal for an annex to the Civic Centre which will consolidate most all Council offices onto one site and at the same time allow for new uses for the buildings on Station Road. The proposals also have significant investment in IT systems and infrastructure to ensure that the customer experience is as good as it can be.

### 8.2.25 Financing

All capital expenditure must be financed from either an external source (government grant or other contributions), the Council's own resources (revenue, reserves or capital receipts) or debt (borrowing, leasing, Private Finance Initiative). The Council's capital programme has moved to a financing strategy that seeks to ensure that investment via the capital programme is self-financing or funded from external resources wherever possible. The draft capital programme for 2022/23-2026/27 is analysed in the table below and shows that the majority of schemes being proposed (68%) are either self-financing or funded via external resources:

**Table 8.3: Financing Strategy**

|                     | General Fund Borrowing           |  | External       | Total          |
|---------------------|----------------------------------|--|----------------|----------------|
|                     | Met from General Fund<br>(£'000) | Self - Financing met from Savings<br>(£'000) |                |                |
| People - Children's | 57,808                           | 6,200  | 28,908         | <b>92,916</b>  |
| People - Adults     | 2,885                            | 56,020                                       | 13,889         | <b>72,794</b>  |
| Place               | 64,473                           | 8,413  | 30,690         | <b>103,576</b> |
| Economy             | 49,318                           | 184,237                                      | 214,987        | <b>448,542</b> |
| Housing - GF        | 0                                | 2,000  | 0              | <b>2,000</b>   |
| Your Council        | 59,662                           | 32,450                                       | 0              | <b>92,112</b>  |
| <b>Total</b>        | <b>234,146</b>                   | <b>289,319</b>                               | <b>288,474</b> | <b>811,939</b> |

8.2.26 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 (council borrowing). 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.

8.2.27 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**

|     | 2021/22<br>Budget<br>(£'000) | 2022/23<br>Budget<br>(£'000) | 2023/24<br>Budget<br>(£'000) | 2024/25<br>Budget<br>(£'000) | 2025/26<br>Budget<br>(£'000) | 2026/27<br>Budget<br>(£'000) |
|-----|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| MRP | 8,734                        | 13,368                       | 19,380                       | 23,383                       | 26,528                       | 28,848                       |

8.2.28 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 was addressed in detail in the Treasury Management Strategy considered by Council in February 2021.

**Table 8.5: Prudential Indicator: Estimates of Capital Financing Requirement**

|     | 2021/22<br>Budget<br>(£'000) | 2022/23<br>Budget<br>(£'000) | 2023/24<br>Budget<br>(£'000) | 2024/25<br>Budget<br>(£'000) | 2025/26<br>Budget<br>(£'000) | 2026/27<br>Budget<br>(£'000) |
|-----|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| CFR | 1,365,827                    | 1,375,493                    | 1,822,026                    | 2,164,106                    | 2,308,905                    | 2,353,152                    |

### **8.3 Asset Management**

- 8.3.1 The Asset Management Plan is to be the subject of a separate report at a later Cabinet meeting.

#### **Asset Disposals**

- 8.3.2 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. 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 2025.
- 8.3.3 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 2025) will be used to deliver cost reductions and/or transformation. There is a separate policy statement and schedule of proposed initiatives to utilise capital receipts flexibly.

#### **Treasury Management**

- 8.3.4 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.
- 8.3.5 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**

- 8.3.6 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.
- 8.3.7 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**

|                               | 31/3/21<br>Actual<br>(£'000) | 31/3/22<br>Budget<br>(£'000) | 31/3/23<br>Budget<br>(£'000) | 31/3/24<br>Budget<br>(£'000) | 31/3/25<br>Budget<br>(£'000) | 31/3/26<br>Budget<br>(£'000) | 31/3/27<br>Budget<br>(£'000) |
|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Borrowing Debt                | 555,915                      | 811,902                      | 1,204,505                    | 1,637,025                    | 1,977,612                    | 2,120,215                    | 2,161,266                    |
| PFI & Lease Debt              | 27,303                       | 28,164                       | 19,471                       | 15,297                       | 10,938                       | 8,421                        | 7,921                        |
| <b>Total Debt</b>             | <b>583,218</b>               | <b>840,066</b>               | <b>1,223,977</b>             | <b>1,652,322</b>             | <b>1,988,550</b>             | <b>2,128,636</b>             | <b>2,169,187</b>             |
| Capital Financing Requirement | 837,822                      | 1,365,827                    | 1,375,493                    | 1,822,026                    | 2,164,106                    | 2,308,905                    | 2,353,152                    |

8.3.8 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**

8.3.9 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**

|   | 2021/22 limit<br>(£'000) | 2022/23 limit<br>(£'000) | 2023/24 limit<br>(£'000) | 2024/25 limit<br>(£'000) | 2025/26 limit<br>(£'000) | 2026/27 limit<br>(£'000) |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Authorised limit – borrowing                      | 1,272,356                | 1,286,022                | 1,736,729                | 2,083,167                | 2,230,484                | 2,275,231                |
| Authorised limit – PFI & leases                   | 30,981                   | 25,702                   | 20,192                   | 14,438                   | 11,116                   | 10,456                   |
| <b>Authorised limit – total external debt</b>     | <b>1,303,337</b>         | <b>1,311,724</b>         | <b>1,756,921</b>         | <b>2,097,606</b>         | <b>2,241,600</b>         | <b>2,285,687</b>         |
| Operational boundary - borrowing                  | 1,222,356                | 1,236,022                | 1,686,729                | 2,033,167                | 2,180,484                | 2,225,231                |
| Operational boundary – PFI & leases               | 28,164                   | 23,366                   | 18,356                   | 13,126                   | 10,106                   | 9,506                    |
| <b>Operational boundary – total external debt</b> | <b>1,250,521</b>         | <b>1,259,387</b>         | <b>1,705,086</b>         | <b>2,046,293</b>         | <b>2,190,589</b>         | <b>2,234,737</b>         |

8.3.10 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: Estimated Capital Financing Costs**

|   | 2021/22<br>Budget | 2022/23<br>Budget | 2023/24<br>Budget | 2024/25<br>Budget | 2025/26<br>Budget | 2026/27<br>Budget |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | £000              | £000              | £000              | £000              | £000              | £000              |
| MRP - pre 2008 expenditure                      | 0                 | 2,283             | 5,019             | 5,019             | 5,019             | 5,019             |
| MRP - post 2008 expenditure                     | 8,734             | 11,085            | 14,361            | 18,364            | 21,509            | 23,829            |
| <b>Total MRP</b>                                | <b>8,734</b>      | <b>13,368</b>     | <b>19,380</b>     | <b>23,383</b>     | <b>26,528</b>     | <b>28,848</b>     |
| Interest Costs (General Fund)                   | 8,635             | 11,274            | 14,800            | 16,961            | 18,194            | 18,557            |
| <b>Total Gross Capital Financing Costs (GF)</b> | <b>17,369</b>     | <b>24,642</b>     | <b>34,181</b>     | <b>40,343</b>     | <b>44,722</b>     | <b>47,405</b>     |
| Offsetting Savings for self financing schemes   | -5,171            | -8,835            | -12,073           | -14,919           | -18,548           | -18,031           |
| <b>Total Net Capital Financing Costs (GF)</b>   | <b>12,198</b>     | <b>15,807</b>     | <b>22,108</b>     | <b>25,424</b>     | <b>26,174</b>     | <b>29,374</b>     |
|   |                   |                   |                   |                   |                   |                   |
| <b>Interest Costs (HRA)</b>                     | <b>16,242</b>     | <b>14,861</b>     | <b>21,022</b>     | <b>28,186</b>     | <b>32,545</b>     | <b>34,322</b>     |

**Table 8.9: Proportion of financing costs to net revenue stream**

|                                  | 2021/22<br>Budget | 2022/23<br>Budget | 2023/24<br>Budget | 2024/25<br>Budget | 2025/26<br>Budget | 2026/27<br>Budget |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | £000              | £000              | £000              | £000              | £000              | £000              |
| Financing Costs General Fund     | 12,198            | 15,807            | 22,108            | 25,424            | 26,174            | 29,374            |
| Proportion of net revenue stream | 4.86%             | 6.01%             | 8.36%             | 9.26%             | 9.33%             | 10.24%            |
| Financing Costs HRA              | 16,242            | 14,861            | 21,022            | 28,186            | 32,545            | 34,322            |
| Proportion of net revenue stream | 15.10%            | 13.12%            | 17.54%            | 21.77%            | 23.57%            | 23.93%            |

8.3.11 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**

8.3.12 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.

## **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 Financial Plan Overview**

- 9.1 This revised financial plan encapsulates the council's HRA 5-year Revenue & Capital Budget/MTFS. It is supported by 30-Year Financial model developed this year, which enables the Council to take a longer-term view of the HRA. This is particularly important in the context of sustained existing stock maintenance & new homes development and allows us to plan for the future of our housing stock more accurately and sustainably.
- 9.2 The plan enables the modelling of the revenue and capital implications of all planned work in the HRA to deliver Borough Plan priorities and provided the basis for understanding the affordability of current capital programme delivery plans and assessing options to ensure a viable HRA over a longer period.
- 9.3 Assumed rents on new builds and acquisition reflect recent valuation exercise across wards where development is taking place. Forecasts of the Public Works Loan Board (PWLB) borrowing rate and updated inflation (CPI – Consumer Price Index) which informs the existing homes rent charges and affects cost, have been incorporated into the HRA financial plan.
- 9.4 This Financial Plan supports the greater proportion of the new homes being developed for social rents, which has increased from 75% to 82%. This is made possible by increased grant in the Affordable Homes Programme (AHP) 2021-26, forecast reductions in borrowing costs, and Council rent increase.
- 9.5 The level of spend on major works (existing homes) and carbon reduction programmes highlights the Councils commitment to improving the quality of life of residents, ensuring residents live healthier lifestyle and combating climate change.
- 9.6 The comprehensive financial plan addresses the affordability of the entire HRA capital programmes, which includes the new homes build & acquisition programmes, existing stock maintenance, carbon reduction programmes for both existing stocks and new stocks, fire safety programmes and the BWF estate renewal programme.
- 9.7 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 are also reflected in the HRA financial plan.

- 9.8 Built into this revised financial plan is an increase in the level of HRA working balance to £20m this year, in recognition of the potential financial risk associated with such an extensive expansion programme in the HRA. There is a provision for one-off costs of change management of insourcing of housing functions, as currently managed by Homes for Haringey (HfH).

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

### **Housing rents**

- 9.9 The Council sets the rents in Council-owned properties every year, in accordance with the Government's social housing rent policy. The Government, through the Regulator of Social Housing, prescribes the formula for calculating social housing rents. These rents are also called formula rents and exclude service charges.
- 9.10 The national formula for setting social rent is intended to enable Local Authorities (LAs) to set rents at a level that allows them to meet their obligations to their tenants, maintain their stock (to at least Decent Homes Standard) and continue to operate a financially viable HRA, including meeting their borrowing commitments.
- 9.11 The formula is complex. It starts from a national average rent figure and then adjusts to take account of relative average local earnings, relative local property values, and the number of bedrooms, to calculate the formula rent for each property in a locality.
- 9.12 Formula rents are subject to a national social rent cap. The rent cap is the maximum level to which rents can be increased to in any one financial year, based on the size of the property. Where the formula rent would be higher than the rent cap for a particular property, the national social rent cap must be used instead. The national rent caps for 2022/23 are as follows:

| <b>Number of bedrooms</b> | <b>2021/22 Rent cap</b> | <b>2022/23 Rent cap</b> | <b>Percentage Increase</b> |
|---------------------------|-------------------------|-------------------------|----------------------------|
| 1 and bedsits             | £148.88                 | £155.73                 | 4.60%                      |
| 2                         | £157.62                 | £164.87                 | 4.60%                      |
| 3                         | £166.38                 | £174.03                 | 4.60%                      |
| 4                         | £175.12                 | £183.18                 | 4.60%                      |
| 5                         | £183.89                 | £192.35                 | 4.60%                      |
| 6 or more                 | £192.64                 | £201.50                 | 4.60%                      |

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

- 9.13 Individual Council rents in Haringey are below the formula rents in many properties. This is because historically Haringey rents were set lower than the formula rent. In contrast, many social landlords, particularly Housing Associations, have historic rents that were set higher than formula rent. To create a level playing field, the Government introduced rent restructuring in 2003 to converge actual rents towards the formula rent. The Government abandoned rent restructuring in 2015/16, when it imposed a 1% rent reduction for four years, under the Welfare Reform and Work Act 2016. The Council complied with the legislation and the 1% rent reduction ended in 2019/20.
- 9.14 The Rent Standard permits Local Authorities in England to increase tenants' rents every year by no more than the CPI at September of the previous year plus 1%, at least until 2024/25. Therefore since 2020/21, existing Council tenants' rents could only increase by no more than CPI inflation plus 1%. However, the Government allows Local Authorities to charge formula rents on homes when they are re-let following a vacancy.
- 9.15 The current rent for 2021/22, approved by Cabinet on 9 February 2021, was set at the 2020/21 rent uplifted by 1.5%. The rent increase was due to the CPI (inflation) rate in September 2020 of 0.5% plus 1% allowed by the Government.
- 9.16 The Council has the ability under the social housing rent standards to increase rent by no more than September CPI plus 1%. Given that the CPI at September 2021 is 3.1%, it is recommended that rents in council-owned housing stock would increase by 4.1% (CPI plus 1%) from 4 April 2022 (the first Monday in April). As such the average weekly rent would increase by £4.35 from £106.14 to £110.49.
- 9.17 Applying this rent increase of 4.1% would generate £3.4m of additional income to the Housing Revenue Account (HRA). This has been reflected in the HRA financial plan. There are also assumed annual rent increases of CPI of 2% plus 1% forecasted for the rest of the 5-year MTFS period, then CPI of 2% only from April 2029 for the remaining life of the HRA financial plan.
- 9.18 Proposed rents for sheltered/supported housing tenants for 2022/23 have also been calculated on the basis that they increase by 4.1% from 4 April 2022.
- 9.19 There is a range of rents across different sizes of properties. Table 1 sets out the proposed average weekly rents and the average rent increases for 2022/23 by property size.

**Table 9.1**

| <b>Number of Bedrooms</b> | <b>Number of Properties</b> | <b>Current average weekly rent 2021/22</b> | <b>Proposed average weekly rent 2022/23</b> | <b>Proposed average rent increase</b> | <b>Proposed percentage increase</b> |
|---------------------------|-----------------------------|--|---|---------------------------------------|-------------------------------------|
| Bedsit                    | 136                         | £86.11                                     | £89.64                                      | £3.53                                 | 4.1%                                |
| 1                         | 5,367                       | £91.20                                     | £94.94                                      | £3.74                                 | 4.1%                                |
| 2                         | 5,139                       | £106.29                                    | £110.65                                     | £4.36                                 | 4.1%                                |
| 3                         | 3,725                       | £121.71                                    | £126.70                                     | £4.99                                 | 4.1%                                |
| 4                         | 603                         | £138.57                                    | £144.25                                     | £5.68                                 | 4.1%                                |
| 5                         | 109                         | £162.10                                    | £168.75                                     | £6.65                                 | 4.1%                                |
| 6                         | 15                          | £168.45                                    | £175.36                                     | £6.91                                 | 4.1%                                |
| 7                         | 2                           | £159.39                                    | £165.93                                     | £6.54                                 | 4.1%                                |
| 8                         | 1                           | £180.44                                    | £187.84                                     | £7.40                                 | 4.1%                                |
| <b>All dwellings</b>      | <b>15,097</b>               | <b>£106.14</b>                             | <b>£110.49</b>                              | <b>£4.35</b>                          | <b>4.1%</b>                         |

### **Rents in New Council Homes – General Needs and Sheltered/Supported Housing**

- 9.20 The Council has an ambitious Council housing delivery programme, and over the next few years, a large number of newly built and newly acquired council homes will be delivered and ready for new tenants.
- 9.21 Consistent with its practice in setting rents on the relet of existing properties, the Council lets all new homes at formula rent (subject to national rent cap). The HRA financial plan includes additional rental income at the average formula rent for the new homes in the housing delivery programme. The table below shows the forecast average formula rents for new builds, which are below the national social rent cap. The actual rent will be higher than the average for some properties and lower for others, depending on the property value.

**Table 9.2**

| <b>Number of bedrooms</b> | <b>Average weekly formula rent 2022/23</b> |
|---------------------------|--|
| 1                         | £111.68                                    |
| 2                         | £146.61                                    |
| 3                         | £165.40                                    |
| 4                         | £179.60                                    |

### **Rents in Temporary Accommodation**

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

- 9.23 The HRA financial plan includes these rental incomes from 2021/22 to 2028/29. From year eight, it recognises incomes from these properties at formula rent, with the normal annual rent increases of CPI, as these properties are assumed will revert to the HRA after 7 years of lease. It should be noted that there are other potential outcomes for these properties, including an extension of the seven-year period, subject to approval being sought and obtained from the Secretary of State.
- 9.24 From 4<sup>th</sup> April 2022, all other Council-owned properties used as temporary accommodation but not leased to HCBS will also have their rents increased by 4.1% from their current levels.

### **Tenants' Service Charges**

- 9.25 In addition to rents, tenants pay charges for services they receive which are not covered by the rent. The Council sets tenants' service charges at the start of each financial year to match budgeted expenditure.
- 9.26 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.
- 9.27 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
- 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



The applicable charges for 2022/23 are as stated in Table 9.3 below:

**Tenants' Service Charges with effect from 4 April 2022 (2022/23)**

| <b>Tenants' service charges</b>                                 | <b>Current Weekly Charge 2021/22</b> | <b>Proposed Weekly Charge 2022/23</b> | <b>Increase/ (decrease)</b> |      | <b>Draft Budget 2022/23</b> |
|---|--------------------------------------|---------------------------------------|-----------------------------|------|-----------------------------|
| Concierge   | £17.72                               | £18.44                                | £0.72                       | 4.1% | £1,812,000                  |
| Grounds Maintenance   | £3.13                                | £3.26                                 | £0.13                       | 4.2% | £1,518,000                  |
| Caretaking  | £4.54                                | £4.72                                 | £0.18                       | 4.0% | £1,783,000                  |
| Street Sweeping   | £5.23                                | £5.44                                 | £0.21                       | 4.0% | £2,432,000                  |
| Estates Road maintenance  | £0.60                                | £0.62                                 | £0.02                       | 3.3% | £286,000                    |
| Communal Lighting (Light & Power)                               | £2.24                                | £2.35                                 | £0.11                       | 4.9% | £1,065,000                  |
| Gas (Elderly Person)  | £10.12                               | £10.52                                | £0.40                       | 4.0% | £205,000                    |
| Gas (Not Elderly Person)  | £9.68                                | £10.07                                | £0.39                       | 4.0% | £56,000                     |
| GLC Heating   | £11.08                               | £11.52                                | £0.44                       | 4.0% | £36,000                     |
| District Heating 6  | £9.91                                | £10.31                                | £0.40                       | 4.0% | £1,000                      |
| District Heating 8  | £10.17                               | £10.58                                | £0.41                       | 4.0% | £326,000                    |
| Oil/Electricity (Elderly Person)                                | £7.93                                | £8.25                                 | £0.32                       | 4.0% | £17,000                     |
| TV aerial maintenance   | £0.33                                | £0.34                                 | £0.01                       | 4.1% | £153,000                    |
| Door entry system maintenance                                   | £0.90                                | £0.94                                 | £0.04                       | 4.1% | £333,000                    |
| Sheltered housing cleaning service                              | £1.87                                | £1.94                                 | £0.07                       | 3.7% | £92,000                     |
| Good neighbour cleaning service                                 | £1.32                                | £1.37                                 | £0.05                       | 3.8% | £30,000                     |
| Window cleaning   | £0.56                                | £0.57                                 | £0.01                       | 1.8% | £39,000                     |
| Converted properties cleaning                                   | £1.79                                | £1.86                                 | £0.07                       | 3.9% | £71,000                     |
| <b>Total Property Charge Income</b>                             |                                      |                                       |                             |      | <b>£10,255,000</b>          |
| Sheltered Housing Charge  | £28.31                               | £29.44                                | £1.13                       | 4.0% | £1,201,800                  |
| Good Neighbour Charge   | £12.64                               | £13.15                                | £0.51                       | 4.0% | £314,100                    |
| Additional Good Neighbour Charge                                | £2.76                                | £2.87                                 | £0.11                       | 4.0% | £6,200                      |
| <b>Total Support Charge Income</b>                              |                                      |                                       |                             |      | <b>£1,522,100</b>           |
| <b>Proposed Tenants' Service Charge Income Budget - 2022/23</b> |                                      |                                       |                             |      | <b>£11,777,100</b>          |

## **Rent consultation**

- 9.28 There is no requirement for tenant consultation because Haringey Council's rents are set in accordance with Government rent standard and no new charges are being introduced for the tenants' service charges. However, tenants must be given at least four weeks' notice before the new rents for 2022/23 start on 4 April 2022.
- 9.29 This will follow the consideration by Cabinet in February 2022 and will include:
- Council housing rent charges for 2022/23
  - Proposed weekly tenants service charges for 2022/23
  - HRA hostel rent charges for 2022/23

## **HRA Expenditure**

- 9.30 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 £44.9m for 2022/23. This is mainly made up of £20.8m for repairs and £22.2m for housing management, including staff cost increase and additional national insurance increase. Cabinet made a decision in December 2021 to bring HfH back in-house. It is expected that this will result in efficiencies and financial savings, which will be quantified and reported in the future and will be important in order to stay within the level of management budget included within this MTFS.
- 9.31 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 slightly lower level than that of 2021/22, made possible by a revised, more detailed HRA model.
- 9.32 The proposed HRA capital programme supports the delivery of over £2bn investment in our existing stock over the next 30 years, and now supports the delivery of approximately 3,898 homes, of which about 3,221 are for social rent. This is 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.
- 9.33 There are of course 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. Importantly, HRA budget and forecasts continue to assume a revenue contribution to capital outlay (RCCO) minimum of £8m (our internally set minimum level). This means that the operating surplus after expenditure should not be below £8m. It also includes an assumed increase in working balance to £20m, this being subject to the 2020/21 outturn and to be addressed in the outturn report.

- 9.34 In addition to the setting of a minimum operating surplus, a further metric to check the HRA viability has been introduced to ensure that there is adequate net income for repayment of interest, the interest cover ratio (ICR). This metric is used in Local Authorities and Housing Associations' development programmes and the plan was built to ensure that interest cover in any given year remains above 1.25. Over the MTFS period, the plan's ICR ranges from 1.27 to 1.54.

#### **HRA 5 Years MTFS (2022/23-2026/27)**

- 9.35 The HRA budget for 2022/23 is a balanced budget maintaining a reasonable revenue contribution to capital (RCCO) of £8.3m compared to £8.8m in last year's budget. This report sets out the proposed HRA 5 years Budget/MTFS in the table below. It accommodates the scale of development presently assumed within the business and financial planning in terms of its impact of the future years HRA revenue position. It also takes into consideration the September CPI and its impact in next year's rent charges.

**Table 9.4 - Draft HRA 5-Year Revenue Budget (2022/23 – 2026/27)**

| <b>Housing Revenue Account (HRA)</b>         | <b>Year 1</b>    | <b>Year 2</b>    | <b>Year 3</b>    | <b>Year 4</b>    | <b>Year 5</b>    | <b>Total</b>     |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Income &amp; Expenditure</b>              | <b>2022-23</b>   | <b>2023-24</b>   | <b>2024-25</b>   | <b>2025-26</b>   | <b>2026-27</b>   | <b>5 Years</b>   |
|  | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     | <b>£'000</b>     |
| <b>Income</b>                                |                  |                  |                  |                  |                  |                  |
| Dwellings Rent Income                        | (89,825)         | (95,289)         | (102,196)        | (110,957)        | (118,728)        | <b>(516,995)</b> |
| Void Loss                                    | 898              | 953              | 1,022            | 1,110            | 1,187            | <b>5,170</b>     |
| Hostel Rent Income                           | (2,342)          | (2,402)          | (2,464)          | (2,527)          | (2,593)          | <b>(12,328)</b>  |
| Service Charge Income                        | (11,777)         | (12,262)         | (12,900)         | (13,734)         | (14,449)         | <b>(65,122)</b>  |
| Leaseholder Income                           | (7,850)          | (7,882)          | (8,107)          | (8,337)          | (8,574)          | <b>(40,750)</b>  |
| Other Income (Garages /Aerials/Interest)     | (2,242)          | (2,282)          | (2,323)          | (2,366)          | (2,409)          | <b>(11,622)</b>  |
| <b>Total Income</b>                          | <b>(113,138)</b> | <b>(119,164)</b> | <b>(126,968)</b> | <b>(136,811)</b> | <b>(145,566)</b> | <b>(641,647)</b> |
| <b>Expenditure</b>                           |                  |                  |                  |                  |                  |                  |
| Repairs                                      | 20,838           | 21,255           | 20,862           | 22,210           | 23,367           | <b>108,532</b>   |
| Housing Management                           | 22,176           | 22,273           | 22,219           | 23,164           | 24,000           | <b>113,832</b>   |
| Housing Demand                               | 1,917            | 1,955            | 1,994            | 2,034            | 2,075            | <b>9,975</b>     |
| <b>Management Fee (HfH)</b>                  | <b>44,931</b>    | <b>45,483</b>    | <b>45,075</b>    | <b>47,408</b>    | <b>49,442</b>    | <b>232,339</b>   |
| Estates Costs (Managed)                      | 11,167           | 11,203           | 11,240           | 11,465           | 12,206           | <b>57,281</b>    |
| Provision for Bad Debts (Tenants)            | 2,817            | 2,958            | 3,138            | 3,365            | 3,568            | <b>15,846</b>    |
| Provision for Bad Debts (Leaseholders)       | 188              | 189              | 195              | 200              | 206              | <b>978</b>       |
| <b>Total Managed Expenditure</b>             | <b>14,172</b>    | <b>14,350</b>    | <b>14,573</b>    | <b>15,030</b>    | <b>15,980</b>    | <b>74,105</b>    |
| Other Costs (GF Services)                    | 5,379            | 5,487            | 5,597            | 5,708            | 5,823            | <b>27,994</b>    |
| Other Costs (Property/Insurance)             | 4,552            | 3,011            | 2,561            | 2,612            | 2,664            | <b>15,400</b>    |
| Capital Financing Costs                      | 14,861           | 21,022           | 28,186           | 32,545           | 34,322           | <b>130,936</b>   |
| Contribution to Major Repairs (Depreciation) | 20,919           | 21,773           | 22,907           | 24,395           | 25,663           | <b>115,657</b>   |
| <b>Revenue Contributions to Capital</b>      | <b>8,324</b>     | <b>8,038</b>     | <b>8,069</b>     | <b>9,113</b>     | <b>11,672</b>    | <b>45,216</b>    |
| <b>Total Expenditure</b>                     | <b>113,138</b>   | <b>119,164</b>   | <b>126,968</b>   | <b>136,811</b>   | <b>145,566</b>   | <b>641,647</b>   |
| <b>HRA (Surplus) / Deficit</b>               | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>         |

#### **HRA 5 Years Capital Programme (2022/23 – 2026/27)**

- 9.36 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.
- 9.37 The HRA capital programme is geared towards maximising the use of other available resources and use of borrowing as last resort. The capital programme funding assumes a mix of grant funding, S106 monies, revenue contribution and prudential borrowing. The total capital investment in 2022/23 is £277m, fully funded from revenue contribution, grants, right to buy (RTB) retained receipt, major repairs reserve and borrowing.

**Table 9.5 - Draft HRA 5 Year Capital Programme (2022/2 – 2026/27)**

| <b>Housing Revenue Account (HRA)</b>       | <b>Year 1</b>  | <b>Year 2</b>  | <b>Year 3</b>  | <b>Year 4</b>  | <b>Year 5</b>  | <b>Total</b>     |
|--|----------------|----------------|----------------|----------------|----------------|------------------|
| <b>Investment &amp; Financing</b>          | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> | <b>2025-26</b> | <b>2026-27</b> | <b>5 Years</b>   |
|  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>     |
| <b>Capital Investment</b>                  |                |                |                |                |                |                  |
| Major Works (Haringey Standard)            | 44,967         | 57,049         | 60,024         | 61,425         | 62,743         | <b>286,208</b>   |
| Carbon Reduction Works (Affordable Energy) | 7,407          | 7,283          | 6,367          | 6,495          | 6,624          | <b>34,176</b>    |
| Fire Safety Works                          | 6,120          | 5,470          | 7,573          | 7,577          | 7,729          | <b>34,469</b>    |
| Broadwater Farm Works                      | 7,854          | 21,210         | 16,115         | 16,438         | 16,766         | <b>78,383</b>    |
| <b>Total Existing Stock Investment</b>     | <b>66,348</b>  | <b>91,012</b>  | <b>90,079</b>  | <b>91,935</b>  | <b>93,862</b>  | <b>433,236</b>   |
| New Homes Build Programme                  | 138,723        | 286,019        | 154,399        | 58,107         | 67,542         | <b>704,790</b>   |
| New Homes Acquisitions                     | 37,613         | 42,245         | 43,683         | 42,640         | 29,519         | <b>195,700</b>   |
| TA Acquisitions                            | 34,216         | 34,558         | 34,904         | 35,951         | 37,030         | <b>176,659</b>   |
| <b>Total Capital Investment</b>            | <b>276,900</b> | <b>453,834</b> | <b>323,065</b> | <b>228,633</b> | <b>227,953</b> | <b>1,510,385</b> |
| <b>Capital Investment Financing</b>        |                |                |                |                |                |                  |
| Grants (GLA)                               | 59,999         | 67,485         | 35,157         | 60,960         | 27,430         | <b>251,031</b>   |
| Major Repairs Reserve                      | 20,919         | 21,773         | 22,907         | 24,395         | 25,663         | <b>115,657</b>   |
| Revenue Contributions                      | 8,324          | 8,038          | 8,069          | 9,113          | 11,672         | <b>45,216</b>    |
| RTB Capital Receipts                       | 11,231         | 11,344         | 11,458         | 11,782         | 12,035         | <b>57,850</b>    |
| Leaseholder Contributions to Major Works   | 6,502          | 9,451          | 10,090         | 8,169          | 7,164          | <b>41,376</b>    |
| S.106 Contributions                        | 1,000          | 152            | 0              | 0              | 0              | <b>1,152</b>     |
| Market Sales Receipts                      | 287            | 172            | 5,888          | 44,800         | 98,752         | <b>149,899</b>   |
| Borrowing                                  | 168,638        | 335,419        | 229,496        | 69,414         | 45,237         | <b>848,204</b>   |
| <b>Total Capital Financing</b>             | <b>276,900</b> | <b>453,834</b> | <b>323,065</b> | <b>228,633</b> | <b>227,953</b> | <b>1,510,385</b> |

In comparison, the 5-year HRA capital programme in last year's MTFS was £1.56bn.

## **The HRA capital programme comprises:**

### **Major Works – Haringey Standard**

- 9.38** The major works investment standard has been designed to ensure that the Council maintains its statutory and legal duties and keeps homes safe and warm. It comprises internal, external and works to communal areas, including all items affecting decency.

### **Carbon Reduction Works**

- 9.39** The budget provision would support extensive measures including internal and external solid wall insulation, loft and cavity wall insulation, and renewables e.g., installation of solar panels.

### **Fire Safety Works**

- 9.40** The proposed £35m is to ensure that all housing stock continues to meet changing statutory requirements. The programme includes front entrance door replacements, window infill panel replacements, Automatic Fire Detection (AFD) to street properties, Automatic Fire detection and compartmentation works to timber clad buildings, Intrusive Fire Risk Assessments (FRA) and follow up works.

### **Broadwater Farm Works**

- 9.41** This allocation of £78m is to address major safety and refurbishment works on the estate, including the demolition of three blocks, strengthening and refurbishment works of remaining blocks, a new Decentralised Energy System, upgrade to cold water supply, and redesign works for the entire estate. The cost of replacement homes in Northolt, Tangmere and Stapleford North (Broadwater Farm) will be contained within the New Homes Build Budget.

### **New Homes Build and New Homes Acquisition**

- 9.42** This Financial plan continues to provide to meet the Council's commitment to the delivery of high-quality Council homes at social rents. This is an integral part of the Council's core HRA business, with a delivery programme that is viable in the long term. The total estimated cost of new build homes and acquisition in the financial plan is £900m over the period of the MTFS.

### **Temporary Accommodation (TA) - Existing Homes Acquisitions**

- 9.43** The Council's TA acquisition programme is based on the purchase of homes and subsequent leasing to the Haringey Community Benefit Society ('the CBS') to provide housing to households in housing need nominated to it by Haringey Council. This scheme will generate adequate rental income to cover the cost of capital and associated cost. There is also a General Fund (GF) saving generated by the provision of homes to homeless households in the HRA via reduction in the use of privately-owned temporary accommodation in GF. This financial plan has allocated £177m over the MTFS period for this scheme.

## 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 2021-22 set out the forecast year end position. This highlighted the budget pressures in the High Needs Block which is estimated to add an additional £6.4m to the existing deficit of £17.0m.

### 2022/23 Budget Allocation

- 10.3 The Final DSG allocation for Haringey's 2022-23 DSG Budget has seen increases in the Schools and High Needs Block and a reduction in the Central block allocation when comparing to 2021-22. Table A below sets out Haringey's DSG allocations for 2021-22 and the indicative National Funding Formula for 2022-23.

Table A: Dedicated Schools Grant Year on Year Allocations (including Academies)

|                                | 2021-22<br>Funding<br>allocation<br>£'000 | 2022-23<br>Indicative NFF<br>£'000 | Increase/<br>(Decrease)<br>£'000 |
|--------------------------------|---|------------------------------------|----------------------------------|
| <b>Dedicated Schools Grant</b> |   |                                    |                                  |
| Schools Block                  | 211,745                                   | 210,210                            | -1,535                           |
| Central School Services Block  | 2,912                                     | 2,785                              | -127                             |
| Early Years Block              | 21,036                                    | 19,217                             | -1,819                           |
| High Needs Block               | 43,406                                    | 50,070                             | 6,664                            |
| <b>Total DSG</b>               | <b>279,099</b>                            | <b>282,282</b>                     | <b>3,183</b>                     |

- 10.4 The Haringey Schools Block funding increased by 1.9% funding per pupil. However, falling rolls have impacted on overall funding leading to pressures in some individual schools.
- 10.5 The Central School Services Block has a 2.5% reduction in the per pupil rate and an overall reduction of £127k.
- 10.6 The Haringey High Needs Block allocation has increased by £6.7m before academy deductions. This equates to an increase of 15% from last year and reflects lagged funding for Special School Places and increased SEN pupil numbers. Children with Education and Healthcare Plans have been increasing at an average of 11% per annum. An ongoing service review is still to determine the final allocations.
- 10.7 The Early Years' Block has also seen a decrease of £1.8m to £19.2m in the 2022/23 allocations. Actual allocations to Early Years' settings are based on



actual attendance which has been significantly impacted due to COVID-19. The Children & Young people service is continuing to work with Early Years providers and the DfE to minimise 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. The Council considers that the responses to the consultation which were supportive of increased investment in adults and children's social care, are aligned to the Council's overall approach, and in particular the additional £6m that has been agreed to be invested in these areas since the draft budget was published.

### **Overview and Scrutiny**

- 11.4 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 2021 and early January 2022 and have scrutinised all the proposals presented in the 7<sup>th</sup> December 2021 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 20th January 2022 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 2022/23 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 budget growth proposals for 2022/23 will allow us to alleviate pressures in our main demand led services (Adults, Children's, and temporary accommodation) while bolstering budgets to support organisational change. The new growth proposals will ensure we can meet the needs of our most

vulnerable residents, including women and girls impacted by domestic and other forms of violence, tackle the climate emergency, expand our coproduction capabilities, and support long-term development of Haringey's public realm.

- 11.9 While no new budget reduction proposals are proposed for 2022/23 in line with the agreed financial planning strategy, further detail on the Council's future funding challenge is available on the Haringey website.
- 11.10 The council is proposing to increase council tax by 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.
- 11.11 The Council Tax Reduction Scheme will provide financial assistance with Council Tax bills for residents who are on a low income or less able to pay. The maximum level of Council Tax Reduction continues to be 100% for pensioners and working age claimants in receipt of disability related benefits.
- 11.12 The report attached as Appendix 10 considers the cumulative impact of those proposals and the ways any 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 (Director of Finance, Procurement, Head of Legal and Governance, Equalities)**

### **Finance**

- 12.1 Ensuring the robustness of the Council's 2022/23 budget and its MTFS 2022/23 – 2026/27 is a key function for the Council's Section 151 Officer. This includes ensuring that the budget proposals are realistic and deliverable. As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are essentially contained throughout the report.
- 12.2 The draft General Fund Budget 2022/23 requires a planned draw down from reserves of £4.5m in order to be balanced however, this is in line with the stated financial planning strategy adopted this year. This financial strategy will best ensure that future resource plans are driven by the refreshed Borough Plan priorities and align with clearer knowledge of the Council's future funding.
- 12.3 The Council's management of its finances generally and as set out in this budget, is aligned to the principles set out in the CIPFA Financial Management Code.
- 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 March.

### **Procurement**

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

## **Head of Legal & Governance**

---

- 12.6 The Head of Legal & Governance has been consulted in the preparation of this report and makes the following comments.
- 12.7 The Local Authorities (Standing Orders) (England) (Regulations) 2001 and the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution, set out the process that must be followed when the Council sets its budget. It is for the Cabinet to approve the proposals and submit the same to the Full Council for adoption in order to set the budget. However, the setting of rents and service charges for Council properties is an Executive function to be determined by the Cabinet.
- 12.8 The Council must ensure that it has due regard to its public Sector Equalities Duty under the Equality Act 2010 in considering whether to adopt the Recommendations set out in this report.
- 12.9 Cabinet must also have due regard to the outcome of the consultation exercise which took place on the budget proposals, and the views of Overview and Scrutiny Committee as part of its decision making process.
- 12.10 In noting at paragraph 7.12.2 of the report that no new budget reduction proposals are proposed for 2022/23, were that to change then 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 on any proposals developed. In addition, the process set out in the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution will need to be followed in order to make In-year changes to the budget framework.
- 12.11 In view of the conclusion reached by the Director of Finance at paragraph 12.2 above on the ability to set a balanced budget for 2022/23, coupled with the assurance provided at paragraph 7.13.2 above, and the Equalities comments below, there is no reason why Cabinet cannot adopt the Recommendations set out in this report.

## **Equality**

- 12.1 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
  - Advance equality of opportunity between people who share those protected characteristics and people who do not;
  - Foster good relations between people who share those characteristics and people who do not.
- 12.2 The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 12.3 This report sets out details of the proposed Budget for 2022/23 and MTFS to 2026/27, including budget adjustments and capital proposals.

- 12.4 The decision is recommended in order to comply with the statutory requirement to set a balanced budget for 2022/23 and to ensure the Council's finances on a medium-term basis are secured through the four-year Medium-Term Financial Strategy.
- 12.5 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 investments in Children's, Adults and Temporary Accommodation and the Violence against Women and Girls agenda.
- 12.6 Appendix 10 details the Equality Impact Assessments (EqIA) undertaken.

### **13. Use of Appendices**

|             |  |
|-------------|--|
| Appendix 1  | Summary of Draft Revenue 2022/23 Budget and Medium Term Financial Plan 2022-2027 |
| Appendix 2  | Summary of new Revenue budget growth proposals                                   |
| Appendix 3  | Summary of total agreed Revenue budget reduction proposals 2022-2027             |
| Appendix 4  | Draft General Fund Capital Programme 2022/23 – 2026/27                           |
| 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 2022/23   |
| Appendix 8  | Budget Consultation Summary of Responses   |
| Appendix 9  | Overview and Scrutiny Committee recommendations and Cabinet responses            |
| Appendix 10 | Equalities Impact Assessment   |
| Appendix 11 | Council Tax base Report 2022/23  |

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

2021/22 Qtr 1 and Qtr 2 Budget Reports  
2021/22 Budget & MTFS 2021-2026  
2022/23 Draft Budget & MTFS 2022-2027