

Report for: Budget Scrutiny Panels

- Adults and Health Scrutiny Panel, 8th December 2022
- Housing and Regeneration Scrutiny Panel, 12th December 2022
- Environment and Community Safety Scrutiny Panel, 15th December 2022
- Children and Young People Scrutiny Panel, 3rd January 2023
- Overview and Scrutiny Committee, 12th January 2023
- Overview and Scrutiny Committee, 19th January 2023

Item number: 7

Title: Scrutiny of the 2023/24 Draft Budget and 5 Year Medium Term Financial Strategy 2023/2028

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

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

Ward(s) affected: N/A

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

1. Describe the issue under consideration

1.1 To consider and comment on the Council's 2023/24 Draft Budget and 5 Year Medium Term Financial Strategy (MTFS) 2023/2028 proposals relating to the Scrutiny Panels' remit.

2. Recommendations

2.1 That the Panels consider and provide recommendations to Overview and Scrutiny Committee (OSC), on the Council's 2023/24 Draft Budget and 5 Year Medium Term Financial Strategy (MTFS) 2023/2028 proposals relating to the Scrutiny Panels' remit.

3. Background information

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

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

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

4. Overview and Scrutiny Protocol

- 4.1 The Overview and Scrutiny Protocol lays out the process of Budget Scrutiny and includes the following points:
- a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their recommendations shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC.
 - b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.
 - c. Overseen by the lead member referred to in paragraph 4.1.b, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the Draft Budget/MTFS. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that the Cabinet Member for Finance and/or Senior Officers attend these meetings to answer questions.
 - d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC meeting on 19th January 2023 containing their recommendations/proposals in respect of the budget for ratification by the OSC.
 - e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/proposals made by the OSC in relation to the budget.

5. 2023/24 Draft Budget and MTFS 2023/28

- 5.1 This report sets out details of the draft General Fund (GF) Budget for 2023/24; the Medium Term Financial Strategy (MTFS) 2023/28; the draft HRA Budget 2023/24 and its draft Business Plan including estimated income (funding) and expenditure adjustments, as well as the draft capital programmes for both funds.
- 5.2 The Chancellor’s Autumn Statement was only very recently made on 17 November 2022, which will have wide reaching implications for both the Council’s General Fund and its HRA. The Provisional Local Government Finance Settlement (PLGFS) is not expected until week commencing 19th December, and it is not until this is received that we will be able to understand all the key financial consequences to the General Fund of the recent announcements. Therefore, the details here represent a positional statement on the Council’s budgets and longer term financial plans, with the final balanced position being reported to Cabinet on 7 February 2023. This report

recommends that the draft budget proposals here are released for public consultation and Scrutiny consideration.

- 5.3 Next year's Budget comes on the back of two years of the Covid 19 pandemic whose legacy is still very much being felt, particularly in the care services where the incidence of complexity and acuity of those presenting to the Council for services has increased putting additional strain on the finite resources. This is despite adding growth totalling £13.7m into these service budgets for 2022/23 alone; £6.6m for Children's and £7.1m for Adults.
- 5.4 Despite these pressures the Council set a balanced Budget for this year, 2022/23, and in doing so was clear that a markedly different approach had been taken to the financial planning process. This was to enable the Council to have more time and space to determine the new programme of change required to address the structural c£20m budget gap in the medium term, and in doing so made use of one-off funding from the Strategic Budget Planning reserve. It also allowed the Council to better focus this year, in a difficult post pandemic environment, on the delivery of the already agreed sizeable 2022/23 savings programme of £12m and any existing savings plans slipped from 2021/22.
- 5.5 It became clear early on in this year that the financial situation had worsened for most local authorities, this Council included, and this has been key in shaping the approach to the financial planning work for 2023/24. Strategies have been aimed at driving efficiencies from focussing on getting the basics right, collecting all the income due to the Council, improving commissioning strategies, implementing 'Digital First' to modernise customer services and minimise transactional costs, and putting a challenge to the existing and proposed capital programme.
- 5.6 The number of identified pressures, unknowns and overall volatility is concerning and makes setting a balanced 2023/24 Budget challenging. Furthermore, many of the issues are outside the Council's direct control. The financial planning process to date has sought to acknowledge and respond to these factors but due to timings and matters still evolving, this cannot as yet be finalised. This draft Budget incorporates the Council's current best estimate of the level of government funding for 2023/24. The detailed draft funding allocations following the Chancellor's Statement will be announced in the Provisional Local Government Funding Settlement in late December, after this report is published. It is clear though that this is the start of a challenging period. Therefore, it is essential that a strong focus is maintained on decisions impact on the sustainability of the future years of the MTFs.

- 5.7 While the draft General Fund Budget is not yet finalised, it is significantly updated from the original forecasts for 2023/24. It now provisionally includes additional new growth of £14.8m, with £6.0m for Adults and £4.9m for Children's. This has been made possible by assumptions of £9.8m net additional budget savings coupled with other service and corporate adjustments. The delay in detailed Government announcements on the likely level of funding for 2023/24 for the Sector has prevented the Council from finalising its Budget proposals. At this interim point, the Council is however c.£3m from a balanced position. This continues to assume a contribution of £5.5m from the Strategic Planning Reserve and a further c.£4m of other one-off solutions in 2023/24.
- 5.8 The Final Budget for 2023/24 and Medium Term Financial Strategy (MTFS) 2023/28 to Cabinet on 7 February 2023 will include its response to the consultation received and Overview and Scrutiny's recommendations, to go onto Full Council on 2 March 2023. The report will include a recommendation on the level of Council Tax, taking regard of the Chancellor's recently announced flexibility on Council Tax referendum thresholds and additional Adult Social Care precepts.
- 5.9 The Council's Fees and Charges for 2023/24 will also be presented to the 7th February Cabinet meeting, recognising that they are part of the outstanding budget deliberations.

Capital

- 5.10 Our capital programme also provides important opportunities to address our communities' needs, however the Council's finances are tightly constrained, so affordability is a key consideration in this year even more than previously.
- 5.11 The draft capital programme continues to invest for the long term, though increased costs are making it increasingly difficult to achieve self-financing business cases for those schemes where this is expected.

HRA

- 5.12 Like the General Fund, it has been an extremely challenging year for the HRA. The HRA financial plan contains a long-term assessment of the need for investment in assets, such as new homes development, major works and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent standards, and future developments. The recent increases in energy cost, inflation and interest rates rises presents a level of challenge and difficulty in delivering our capital programmes now and the viability of our HRA in the medium to long term.

- 5.13 On 17 November 2022, the government announced in the Autumn Statement 2022 that social housing rent increases for 2023/24 would be capped at 7%, to help tenants with the increased cost of living. The rent increase in this report has been modelled on the recently announced rent increase cap of 7% and the February report will make a recommendation for the actual rent increase to be implemented for 2023/24.
- 5.14 The council will continue to let most of its new lettings for its homes at the relevant formula rent and the HRA financial plan is built on that basis. The challenges presented by adverse economic changes, including the increased cost of borrowing and inflation mean that the Council has had to consider how best to sustain a strong new build programme. To do so, it is now recommended that the Council lets some of the new homes funded by Building Council Homes for Londoners (BCHFL) grant at London Affordable Rent.
- 5.15 The Council must agree an HRA Budget and longer-term plan which are prudent and sustainable. However, due to very high level of uncertainty related to some of the key assumptions underpinning the current plan, particularly interest rates, this represents a provisional HRA budget/MTFS at this time. A final HRA budget/MTFS will be presented in February.

Dedicated Schools Budget

- 5.16 For schools, the indicative Dedicated Schools Budget (DSB) funding, which is ring fenced for the delivery of education services, is also outlined. This includes the concerning implications of the on-going budget pressure on the High Needs Block (HNB) from legislative changes to service provision responsibilities introduced in the 2014 Children and Families Act.
- 5.17 Haringey has been invited to join the Department for Education (DfE) Safety Valve Programme, which targets local authorities with the highest DSG deficits to identify plans to bring spend more in line with agreed budgets over the short to medium term. When a local authority can demonstrate sufficiently that their plans create lasting sustainability, including reaching an in-year balanced budget, the DfE will enter into an agreement with the authority to provide financial support to address the cumulative deficit. Final proposals were submitted to the DfE on 6th October 2022 and are currently still subject to Ministerial approval. In addition, an application for DfE capital funding to invest in key proposals to support Haringey's Safety Valve programme has also been submitted.
- 5.18 The Autumn Statement announced additional funding for schools at a national level. The implications for Haringey will not be known until after this report is published.

- 5.19 As an aide memoire to assist with the scrutiny of budget proposals, possible key lines of enquiry are attached at **Appendix A**. This report is specifically concerned with Stage 1 (planning and setting the budget) as a key part of the overall annual financial scrutiny activity.
- 5.20 **Appendix B** is the Draft 2023/24 Budget and 2023/28 MTFS considered by Cabinet on 6th December 2022. This report sets out details of the draft General Fund (GF) Budget for 2023/24; the Medium Term Financial Strategy (MTFS) 2023/28; the draft HRA Budget 2023/24 and its draft Business Plan including estimated income (funding) and expenditure adjustments, as well as the draft capital programmes for both funds.
- 5.21 **Appendix C** provides details of the new revenue budget savings proposals relevant to each Panel/Committee.
- 5.22 **Appendix D** provides details of the new revenue budget growth proposals relevant to each Panel/Committee.
- 5.23 **Appendix E** lists the previously agreed MTFS savings relevant to each Panel/Committee.
- 5.24 **Appendix F** provides details of the new capital investment proposals relevant to each Panel/Committee. Details of the proposed funding source are clearly identified. The Council's Capital Programme provides a framework for spend but does not constitute the approval to spend on specific projects. Approval to spend on particular projects is usually granted by cabinet decisions (e.g., contract awards). All capital projects must be fully financed before proceeding. Sources of funding/finance can be external, such as grants, or S106/CIL, or if no external funding is available, the Council can borrow to fund the project.
- 5.25 Where the Council does have to borrow to finance a project, there is an ongoing cost to the Council's revenue budget to repay the debt and pay interest on the borrowing costs: a rule of thumb for an average project is that for each £1m of capital financed by borrowing there is a £61k per annum revenue cost. Many of the schemes within the capital programme are 'self-financing': these schemes are funded by borrowing however, they will generate an ongoing revenue betterment to the Council, which will offset the costs of borrowing once the scheme is completed.
- 5.26 **Appendix G** lists the total proposed 2023/2028 capital programme relevant to each Panel/Committee, comprised of the existing programme and any new projects included in this draft Budget as listed in Appendix F.
- 5.27 Attention is also drawn to the 2022/23 Quarter 2 Finance Update Report presented to Cabinet on 6th December 2022 which provides a summary of the in-year budget implications facing the authority and which has informed the 2023/24 Draft Budget proposals now presented. The Council's 2022/23 Budget Book provides details of service budgets for the current year.

6. Contribution to strategic outcomes

- 6.1 The Budget Scrutiny process for 2023/24 will contribute to strategic outcomes relating to all Council priorities.

7. Statutory Officers comments

Finance

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

Legal

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

Equality

- 7.4 The draft Borough Plan sets out the Council's overarching commitment to tackling poverty and inequality and to working towards a fairer Borough.
- 7.5 The Council is also bound by the Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 7.6 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 7.7 COVID-19 and the ongoing cost of living crisis have widened existing inequalities with adverse impacts experienced by protected groups across many health and socioeconomic outcomes. A focus on tackling inequality underpins the Council's priorities and this will be embedded in the upcoming corporate delivery plan. The Council is committed to targeting its interventions to reduce inequality despite the financial constraints detailed in this report. This commitment is evident through ongoing investment in policies that seek to improve outcomes for individuals with protected characteristics, such as Free School Meals, SEND Transport and addressing increased complexity in adult social care.
- 7.8 Any comments received will be taken into consideration and included in the Budget report presented to Cabinet on 7th February 2023.

8. Use of Appendices

Appendix A – Key lines of enquiry for budget setting
Appendix B – 2023/24 Draft Budget and 2023/2028 Medium Term Financial Strategy Report (presented to Cabinet 6th December 2022)
Appendix C – 2023/24 New Revenue Savings Proposals
Appendix D – 2023/24 New Revenue Growth Proposals
Appendix E – Previously Agreed Revenue Savings
Appendix F - 2023/24 New Capital Budget Proposals
Appendix G – 2023/2028 Proposed Capital Programme

9. Local Government (Access to Information) Act 1985

Background papers: 2022/23 Quarter 2 Finance Update Report - Cabinet 6th December 2022
<https://www.minutes.haringey.gov.uk/documents/s136640/12%202022-23%20Finance%20Update%20Quarter%202.pdf>

2022/23 Budget Book
<https://www.haringey.gov.uk/local-democracy/performance-and-finance/council-budget/council-budget-2022-23>