

Report for: Cabinet – 6 December 2022

Item number: **To be added by the Committee Section**

Title: **2023-24 Budget and 2023-2028 Medium Term Financial Strategy**

Report authorised by: Jon Warlow, Director of Finance

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

Ward(s) affected: All

Report for Key/
Non Key Decision: Key

1. Describe the issue under consideration

- 1.1. 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.
- 1.2. 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.
- 1.3. Next years 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.
- 1.4. 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.

- 1.5. 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.
- 1.6. 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.
- 1.7. 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.
- 1.8. 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.

- 1.9. 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

- 1.10. 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.
- 1.11. 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

- 1.12. 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.
- 1.13. 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.
- 1.14. 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.
- 1.15. 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

- 1.16. 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.

- 1.17. 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.
- 1.18. 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.

2. Cabinet Member Introduction

- 2.1. Next year's budget is being developed against a backdrop of unprecedented economic uncertainty and high inflation. We know this is a really tough time for our residents with the cost of living crisis, and also businesses and communities and so we are absolutely focused on getting information, advice and support to those that need it most and achieving the best possible outcomes with the limited resources available to us.
- 2.2. For **2023/24** the emphasis has been on building on the Administrations ambitions of becoming a **competent, radical and collaborative** Council. Strategies cover:
- Looking to drive efficiencies from focussing on getting the basics right
 - Generating all the income due to the council
 - Improving commissioning strategies
 - Implementing 'Digital First' to modernise customer services and minimise transactional costs
- 2.3. Despite all the financial challenges that the Council is facing, this draft Budget for 2023/24:
- Ensures we can continue to meet the significant need of our most vulnerable residents – through further, year on year additional investment in Children's and Adult's services. (£10.9m in 2023/24)
 - Drives value for money through a significant efficiency agenda – with every area of the council contributing. (c£19m in savings and additional income)
 - Provides financial advice and support to residents who need it including through Council Tax Reduction, our Financial Support Team; and the Haringey Support Fund.
 - Maintains critical support for our children and young people with little direct funding by Central Government – including Free School Meals for an additional 650 children who are just above the entitlement threshold; Putting the funding for the Rising Green Youth Hub on a long-term footing.

- 2.4. 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. However, the draft capital programme continues to invest for the long term and we intend to put investment in:
- doubling the planned investment in the Active Life in parks programme and the Parks Asset Management for 2023/24
 - public realm including cycling and walking infrastructure, roads, pavements and street lights
 - parks and green spaces
 - school buildings
 - additional properties to be used for high quality, temporary accommodation
 - significant on-going investment in Council homes and delivery of the new Council homes agenda
- 2.5. I am pleased that this Budget update is assuming considerable additional investment in our care services with £11.9m growth in those Directorates. Though I do recognise that elsewhere the Authority faces the challenge of making considerable savings and that we still have a budget gap of c. £3m.

3. Recommendations

3.1. It is recommended that Cabinet:

- a) Note the draft General Fund revenue and capital budget proposals and financial planning assumptions set out in this report and note that they will be refined and updated after the final Local Government Finance Settlement is received in January 2023 and to incorporate further budget changes as required;
- b) Note the Draft General Fund 2023/24 Budget and MTFS 2023-28 detailed in this report and Appendix 1;
- c) Note the Draft revenue and capital budget growth proposals summarised in Sections 7 and 8 and Appendices 2 and 5 and note the draft revenue savings proposals summarised in Section 7 and Appendix 3;
- d) Note the Draft General Fund Capital Programme for 2023/24 to 2027/28 as set out in Appendix 4;
- e) Note the Draft Housing Revenue Account (HRA) Revenue and Capital Programme proposals and HRA Business Plan as set out in Section 9;
- f) Note the 2023/24 Draft Dedicated Schools Budget (DSB) and update on the DSG reserve position set out in Section 10;
- g) Note that the detailed proposals will be submitted to Overview and Scrutiny Committee / Panels in December 2022 and January 2023 for scrutiny and comments;

- h) Agree to commence consultation on the 2023/24 Budget and MTFS 2023-28;
- i) Note that an updated General Fund and HRA 2023/24 Budget and MTFS 2023-28 will be presented to Cabinet on 07 February 2023 to be recommended for approval to the Full Council meeting taking place on 02 March 2023;
- j) Delegate the final decision on whether or not to participate in the proposed 8 borough business rates pool from 1 April 2023 to the Director of Finance in conjunction with the Lead Member for Finance and Local Investment.
- k) Agree that some of the new homes delivered under the GLA's 2016-23 Affordable Homes Programme, 'Building Council Homes for Londoners' be let at London Affordable Rent (LAR) levels.

4. Reasons for decision

- 4.1. The Council has a statutory requirement to set a balanced budget for 2023/24 and this report forms a key part of the budget setting process by setting out the forecast funding and expenditure for that year at this point. 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. It should be noted that the final version of this will be presented to Full Council on 2 March 2023

5. Alternative options considered

- 5.1. The Cabinet must consider how to deliver a balanced 2023/24 Budget and sustainable MTFS over the five-year period 2023-28, to be reviewed and ultimately adopted at the meeting of Full Council on 02 March 2023.
- 5.2. The Council has developed the proposals contained in this report in light of its forecasts for future income levels and service demand. These take account of the Council's priorities, the extent of the estimated funding shortfall, the estimated impact of wider environmental factors such as inflation and legacy Covid-19 pandemic, and the Council's overall financial position. It is this appraisal that has led to these options being presented in this report.
- 5.3. These proposals will be subject to consultation, both externally and through the Overview and Scrutiny process, and the outcomes of these will inform the final budget proposals.
- 5.4. The Housing Revenue Account section of the report includes a consideration of the challenges presented by adverse economic changes on the HRA, including the increased cost of borrowing and inflation, meaning that the Council has had to consider how best to be able to maintain financial sustainability and continue a strong new build programme. A number of options have been modelled, including for some new homes, changing from formula rent to Shared Ownership or London Living Rent or London Affordable

Rent. The option which best ensures the long-term sustainability of the HRA is to use London Affordable Rent for some homes.

6. Funding Assumptions

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 (SR) and the Local Government Finance settlement.

6.2. The following paragraph provides an update on recent Government announcements on grant and other support to Local government along with wider economic factors impacting on budgetary assumptions. This is then followed by a section on each of the main sources of funding which set out the assumptions made in this draft Budget and MTFS.

Autumn Budget Statement and other Government Announcements

6.3. The Chancellor gave his Autumn Budget Statement on 17 November. This came very late in the Council's Budget planning process and the implications of his announcement will need time to work through. Furthermore, the detail of actual funding allocations will not be available until the Provisional Local Government Finance Settlement (PLGFS) is published which is not expected until the week of 19 December.

6.4. The key announcements likely to impact Haringey budgets (directly or indirectly) are:

- **Council Tax Threshold** – increased core CT threshold to 3% and Adult Social Care (ASC) precept to 2%
- **Household Support Fund** – extended to 31.3.2024 with £1bn available nationally
- **Delay to Dilnot social care charging reforms to October 2025** – funding earmarked for the implementation will be maintained within local government
- **Adult social care and hospital discharge** - £1bn for 2023/24 and £1.7bn 2024/25 (national figures) with funding to be shared between the NHS and Local Authorities.
- **Schools** - Increase to the Spending Review 2021 levels of per pupil funding in real terms. £2.76bn 23/24; £2.76bn 24/25 at a national level. Will impact on DSG funding
- **Social Housing Rent cap** – 7% ceiling for 2023/24 only. Will impact on the HRA
- **Levelling Up Agenda** – the Statement made clear that this is an on-going Government commitment. Most likely to manifest through re-distribution of funding per authority as part of the PLGS

Business Rates and Revenue Support Grant

- 6.5. 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.
- 6.6. The intention was for business rates baselines to be reset from April 2020 however, both SR19 and SR20 confirmed annual delays. SR21 was silent on the reset and it wasn't implemented for 2022/23. The Government has confirmed that it is pressing ahead with a revaluation in 2023 and it is unlikely that there will be departmental capacity to progress the reset alongside this. The draft Budget now assumes a reset in 2024 rather than 2023. As Haringey is a top up authority, even if this assumption proves incorrect, it is expected that a similar level of funding will accrue from a redistribution of business rates income in the form of additional/alternative grant.
- 6.7. Revenue Support Grant (RSG) and the amount provided to local government is just one part of the overall amount of funding determined during a Spending Review. However, for local authorities, since the introduction of the Business Rate Retention Scheme, Revenue Support Grant is the primary source of funding from central government and is calculated via the Settlement Funding Assessment (SFA) which consists of the local share of business rates, and Revenue Support Grant. The SFA is uprated year on year in line with the change in the small business multiplier (generally the September RPI) although for some years this has been CPI.
- 6.8. Both the 2023 business rates revaluation and the transfer of some business types from the local lists to the central lists are assumed to have a neutral impact on the budget.
- 6.9. 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 Covid 19 pandemic had had on the business community and therefore forecast revenues. Pooling was revisited for 2022/23 and, while a London-wide pool was not deemed viable, a smaller pool consisting of Haringey and 7 other London boroughs was put into place for this year.
- 6.10. Modelling was undertaken during September which showed that the continuation of this 8 Borough pool is expected to have a similar financial benefit in 2023/24 to the current year c. £1.5m/£2.0m. The Council has therefore already supported in principle the continuation of the smaller pool. The final decision to proceed or not does not need to be taken until 28 days after the publication of the provisional local government finance settlement and to enable final due diligence to be built into the process, as last year it is proposed that the final decision to participate in the pool is delegated to the Director of Finance in consultation with the Lead Member. Given the uncertainty over the actual financial benefit, and indeed if government confirm agreement, nothing has yet been built into the Budget/MTFS model.

- 6.11. Currently, the MTFS assumes an 8% inflationary increase in business rates income including RSG, in 2023/24. Given the late timing of Government announcements overall funding across these budget heads has been assumed broadly flat for 2024/25+ in this draft Budget. These figures will be revised for the final Budget presented in February.
- 6.12. In terms of net growth in the business rates taxbase / hereditaments, the planning assumption across the MTFS period is that there will be no net growth. This is in line with the previous assumptions.
- 6.13. The forecast income from business rates related income, including revenue support grant, is shown in table 6.1 below.

Table 6.1

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue Support Grant	£'000	£'000	£'000	£'000	£'000	£'000
RSG	(22,797)	(24,624)	(23,262)	(23,722)	(24,197)	(24,197)
NNDR Top Up Grant	(60,770)	(63,100)	(73,392)	(70,192)	(70,192)	(72,192)
NNDR Income & Fees	(21,218)	(19,192)	(22,291)	(22,737)	(23,192)	(23,192)
Section 31 Grants	(6,737)	(16,160)	(4,000)	(5,283)	(6,631)	(6,631)
Bus Rates Pool Benefit	(2,000)	-	-	-	-	-
NNDR (Surplus)/Deficit	225	271	-	-	-	-
Total	(113,298)	(122,805)	(122,945)	(121,934)	(124,211)	(126,211)

- 6.14. There continues to be uncertainty around the business rates regime beyond 2023/24. A reset of the baseline is still assumed to take place although no actual date has been set; wider reforms to the existing system have been expected for some years but again, no date or definite decisions have been announced.

Council Tax

- 6.15. The detailed financial modelling in this draft budget was prepared in advance of the Chancellor's Statement. The following assumptions were made about Council Tax:-
- A 1.99% increase in Council Tax in 2023/24 and for each subsequent year
 - 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 1.5% in 2023/24 responding to the upswing in building activity post pandemic whereafter assumed growth returns to 1% pa to the end of the MTFS planning period
 - The collection rate is assumed to continue on a post pandemic improvement and is forecast at 96.0% in 2023/24 before increasing to 97.00% in the subsequent years. These assumptions will be kept under review between now and the final budget report to assess any negative impact of the cost of living crisis. Further ahead, the Council must aspire to increase collection rates.
 - 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. This has now been further amended to remove any surplus beyond 2024/25.
- 6.16. The resulting projections for Council Tax income and Band D rates are set out in Table 6.2 below. These figures are subject to confirmation of the council tax

base, which is due to be finalised in January 2023 and formal Council ratification of Council Tax Rates in March 2023.

Table 6.2

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Taxbase before collection rate	80,151	82,823	84,065	84,906	85,755	86,613
Taxbase change	3.50%	1.50%	1.00%	1.00%	1.00%	1.00%
Taxbase for year	82,823	84,065	84,906	85,755	86,613	87,479
Collection Rate	95.75%	96.00%	97.00%	97.00%	97.00%	97.00%
Taxbase after collection rate	79,303	80,702	82,359	83,182	84,015	84,855
Council Tax increase	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care precept	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%
Band D rate	1,484	1,529	1,574	1,606	1,637	1,670
Council Tax Before Surplus	117,696	123,353	129,649	133,550	137,570	141,710
Previous Year (Estimated) Surplus	1,950	1,950				
Council Tax Yield	119,646	125,303	129,649	133,550	137,570	141,710

Grants

- 6.17. 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. As described earlier, it is expected that many of these grant figures will change before February.

Social Care Grants

- 6.18. The SR21 announced that specific grants would remain 'cash flat' and this draft Budget and MTFS assumes that this doesn't change. Table 6.3 shows Social Care related grants and assumptions.

Table 6.3

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant						
Better Care Fund (BCF) - (CCG Contribution)	6,047	6,388	6,388	6,388	6,388	6,388
Improved & Add'l Imp Better Care Fund (iBCF)	9,806	9,847	9,847	9,847	9,847	9,847
Social Care Support Grant	11,905	12,045	12,045	12,045	12,045	12,045
Mkt Sustainability & Fair Cost of Care Fund	775	tbd	tbd	tbd	tbd	
Total	28,533	28,280	28,280	28,280	28,280	28,280

- 6.19. It should also be noted that all these social care grants have been allocated directly against the relevant service budget heads rather than being kept corporately.

Housing Prevention Grant (HPG)

- 6.20. The Government has been consulting on the funding arrangements for the HPG for 2023/24 onwards with the stated aim of deriving a new funding formula based on current homelessness pressures, with the aim of ensuring that funding is distributed fairly to local authorities and is driven by a current picture of need.
- 6.21. The final methodology has not yet been confirmed by Government. They are though proposing to mitigate against any financial losses or gains in the short-term, by introducing transitional arrangements and capping the percentage

change in funding for each local authority at 5% in 2023/4 and 10% in 2024/25.

6.22. This draft Budget has made no adjustments to the existing grant funding level of £8.4m. This will be kept under review and an update provided in February.

Core Grants

6.23. The current assumptions about the level of Core grants anticipated to be received in 2023/24 and across the remainder of the MTFS are set out below:

- Revenue Support Grant (RSG) is a core grant but fundamentally linked to the Business Rates system and so discussed in the Section above.
- The Local Council Tax Support Administration grant and the Housing Benefit Admin grant are assumed to be cash flat but continue across the MTFS;
- The Public Health (PH) grant is currently still assumed as cash flat across the MTFS however in recent years some uplift has been applied. Announcements of the final value are normally received after the final budget reports but it must be noted that this grant is ring-fenced to PH activity;
- New Homes Bonus, Lower Tier Services Grant and the 2022/23 Service Grant – the current MTFS already assumed that these grants would be phased out. This continues to be the thinking however, based on the last SR21 announcements, the draft MTFS assumes that a similar level of cash flat funding as received in 2022/23 will continue across the whole period. This funding is one of the greatest risks regarding any further decisions at central government level around the Levelling up agenda. Final figures will be included in the February report.

6.24. Table 6.4 shows the Core grant values across the MTFS period currently assumed.

Table 6.4

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Grant	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax Support Admin Grant	(457)	(457)	(457)	(457)	(457)	(457)
Housing Benefit Admin Grant	(1,351)	(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) / Replacement Funding	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)
2022/23 Service Grant / Replacement Funding	(5,652)	(5,652)	(5,652)	(5,652)	(5,652)	(5,652)
Lower Tier Services Grant / NHB Replacement	(796)	(796)	(796)	(796)	(796)	(796)
Total	(29,817)	(29,817)	(29,817)	(29,817)	(29,817)	(29,817)
RSG	(22,797)	(24,624)	(23,262)	(23,722)	(24,197)	(24,197)
Total (inc. RSG)	(52,614)	(54,441)	(53,079)	(53,539)	(54,013)	(54,013)

Fees and Charges

6.25. 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.

- 6.26. 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.
- 6.27. 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.
- 6.28. Each year the Council reviews the level of its fees and charges through consideration of a report by the Cabinet and its Regulatory Committee where it is a requirement that they are considered and approved outside of the Executive.
- 6.29. The proposed 2023/24 fees and charges will be presented to Cabinet in February 2023.

Use of Reserves

- 6.30. 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.
- 6.31. In setting a balanced budget for 2022/23 the Council agreed to use £4.7m of the Strategic Budget Planning reserve which had been previously earmarked for this purpose, in anticipation of the timescales that would be associated with responding to future budget changes. Last year's MTFS assumed the balance of this reserve, a further £5.5m, would be utilised to balance the 2023/24 Budget, again in recognition of the need to part smooth the step-up in savings requirements. The draft 2023/24 Budget now presented still assumes the need to draw down on this £5.5m.
- 6.32. The March 2023 Full Council report will provide a more comprehensive review of the overall sufficiency of Council reserves as part of the S151 statement included in the Final Budget/MTFS report. 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 Funding Assumptions

6.33. A summary of the currently assumed funding levels and sources is set out in Table 6.5 below.

Table 6.5

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Funding Source	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	(117,884)	(123,353)	(129,649)	(133,550)	(137,570)	(141,710)
Council Tax Surplus	(1,925)	(1,950)	-	-	-	-
RSG	(22,797)	(24,624)	(23,262)	(23,722)	(24,197)	(24,197)
Top up Business Rates	(60,770)	(63,100)	(73,392)	(70,192)	(70,192)	(72,192)
Retained Business Rates	(21,218)	(19,192)	(22,291)	(22,737)	(23,192)	(23,192)
Section 31 Grants	(6,737)	(16,160)	(4,000)	(5,283)	(6,631)	(6,631)
NNDR Surplus/(Deficit) - C19 impact	225	271	-	-	-	-
NNDR Pool	(2,000)	-	-	-	-	-
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	(8,256)	(8,256)	(8,256)	(8,256)	(8,256)	(8,256)
Total External Funding	(262,924)	(277,925)	(282,410)	(285,300)	(291,598)	(297,738)
Contributions from Reserves	(4,564)	(5,500)	-	-	-	-
Total Funding	(267,487)	(283,425)	(282,410)	(285,300)	(291,598)	(297,738)

7. General Fund Revenue Assumptions

7.1. 2022/23 Financial Performance – General Fund Revenue

7.2. The 2022/23 Budget Update report, also part of this Cabinet agenda, provides an update on the Qtr2 budget position. It continues to differentiate between the base budget pressures and forecast non-delivery of MTFS savings.

7.3. Already at Qtr1, services were forecasting £15.7m variance from the agreed budget. The forecast at Qtr2 has stayed relatively constant, now showing £16.1m an increase of £0.4m compared to Qtr1.

7.4. The £16.1m consists of £8.1m base budget pressures and £8.0m non-delivery of agreed savings. The base budget pressures are largely driven by the two care services as they continue to report not only increased demand but also increased complexity and acuity which has a big impact on the cost of the care package. This pressure is being offset by underspends elsewhere.

7.5. Challenges in delivering the agreed MTFS savings is being felt across most Directorates and arise mainly due to capacity in the service, reassessment of the original proposals or wider environmental changes. Where it is not possible to achieve plans in this year, savings have been re-profiled into future years; where genuinely not deliverable because the original assumptions are no longer viable or are unable to deliver to the value originally intended, this has been recognised and they have been written out of the draft Budget.

- 7.6. It is not clear at this point the extent that the cost of living crisis will have on residents ability to pay council tax and other fees and charges and businesses ability to pay business rates. This will be reviewed in detail as part of the closure of the 2022/23 accounts when existing provisions for bad debt are re-calculated.
- 7.7. The impact of the persistent high levels of inflation is playing into the base budget pressures. The 2022/23 Budget was set including prudent assessments of pay and general inflation rates, albeit these were necessarily constrained by the availability of funding. The nationally negotiated pay settlement was c.1.2% higher than budgeted for which is adding an additional pressure of c. £1.6m to 2022/23 and will also impact on the 2023/24 budgets. Inflationary pressure on index linked contracts is manifesting as supply side costs linked to foreign currencies where the pound sterling has fallen. Borrowing costs have risen due to these wider economic factors and this is also being closely tracked as we progress through the year.
- 7.8. The number of identified pressures and overall volatility is concerning and makes forecasting in year open to considerable challenges. Furthermore, many of the issues are outside the direct control of Council.
- 7.9. Despite this, the financial planning process to date has sought to acknowledge and respond to these factors and to ensure that as far as possible they are addressed in the draft Budget for 2023/24.
- 7.10. **The 2023/24 Budget and 2023/28 MTFs Strategy**
- 7.11. 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. There has been a further step-up in finance and budget dialogue with managers throughout the Council, mirrored by Cabinet members.
- 7.12. Strategies are 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.
- 7.13. 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.
- 7.14. 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.

- 7.15. For 2023/24 the emphasis has been on building on the Administrations ambitions of becoming a **competent, radical and collaborative** Council. Strategies will cover:
- Looking to drive efficiencies via focussing on doing things well
 - Recognising that optimising Value for Money (VFM) (Efficiency, Effectiveness and Economy) is central to protecting services
 - Looking to improving income collection
 - Fees and charges review work
 - Digital – to improve and modernise customer services, making it easier for residents to access services and to minimise transactional costs
 - Tight control on the Capital programme
- 7.16. For 2024/25+, given the poor forecasts for local authority finances, the Council must plan early for the change work and other measures necessary to ensure our services meet needs and commitments while maintaining financial sustainability.
- 7.17. **Budget Growth / Pressures**
- 7.18. The main corporate assumptions across the MTFS period are outlined below followed by a section focussing on the policy priorities and service specific items.
- 7.19. **Pay Inflation**
- 7.20. The pay deal for 2022/23 has recently been agreed at a flat rate / employee. This amounted to an average 5.4% increase which is c. £1.6m above the funding set aside for this purpose.
- 7.21. Although inflation continues in double digits currently, the forecast in the Autumn statement is for this to only fall back to c. 7.4% during the course of 2023/24. This draft Budget, assembled before this update, currently assumes 4% for 2023/24 before reverting back to more stable 2% across the remainder of the MTFS period.
- 7.22. **Non-Pay Inflation**
- 7.23. The impact of inflationary increases in the demand led services is addressed as part of the overall annual demand modelling exercise. This draft Budget has assumed a 5% inflationary increase for the social care purchasing budgets for 2023/24 which totals £5.0m. This budgetary increase is currently assumed to be offset by an equal level of savings. These will focus on improved commissioning and efficiencies; looking to reduce or eliminate the need for out-of-borough care and build internal capacity; increased integration and collaboration across the social care sector.

- 7.24. 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.
- 7.25. Due to the current inflation levels, pressure on energy costs and volatility of the sterling, services are forecasting significantly higher needs and as such c.£4.0m has been provided for 2023/24. Due to the various services impacted, the % increases vary from 14% to 25%. From 2024/25 the budget allowance returns to a more stable figure of c. £1.5m pa.
- 7.26. **Employer Pension Contributions**
- 7.27. The latest triennial valuation, covering the period 2023/24 - 2025/26, confirmed no change required for 2023/24 but that the Council would need to increase its contribution rate by 0.5% across each of the years 2024/25 & 2025/26. This is estimated to have a £0.6m budgetary impact each year and has been built into the draft Budget.
- 7.28. No assumptions have been made about the financial impact of the next triennial valuation (2026-2028).
- 7.29. **Treasury & Capital Financing**
- 7.30. The GF Budget and MTFs were updated to reflect the implications of the updated capital programme but subsequently interest rate costs have risen markedly as described in the Treasury section below (Section 8). The current estimates indicate that this could push treasury costs to be c. £3m higher than currently modelled in this updated Budget for 2023/24. The degree of volatility and uncertainty associated with markets at this moment is such that this needs to be reviewed between now and February. This represents one of the significant budget risks.
- 7.31. These figures may also require revision depending on the outcome of consultation and scrutiny of the capital investment proposals between now and the final Cabinet report in February 2023 & the final Treasury Management Strategy Statement presented to Full Council later that month. Government funding announcements with further detail following the Autumn budget statement SR21 may also cause some of these figures to be revisited (for example where it becomes clear that grant funding will be made available to fund certain capital schemes).
- 7.32. **Levies**
- 7.33. The current assumption that all Levy costs except the North London Waste Authority (NLWA) levy will remain broadly in line with the 2022/23 figures across the period.

7.34. The NLWA has seen significant increased income and cost savings so far this financial year. Less waste and higher recycling rates are forecast compared with the budget. On the back of this, the NLWA waived the November 2022 levy payment to each authority which represented £0.655m for Haringey. Due to the rising value of electricity, London Energy Ltd is also earning considerably more for electricity. NLWA are indicating that this additional income, coupled with retained surpluses, will be applied to reduce the 2023/24 levy.

7.35. Their next meeting will take place after the publication of this draft Budget report with final figures confirmed in February 2023 and therefore the impact of any benefit will be built into the final Budget report.

7.36. **Contingency**

7.37. 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. This Budget assumes that the contingency for 2023/24 and across the remainder of the MTFs is £7.4m.

7.38. **Policy Priorities**

7.39. Despite the challenges outlined in this report, this draft Budget for 2023/24:

- Ensures we can continue to meet the significant need of our most vulnerable residents – through further, year on year additional investment in Children’s and Adult’s services. (£6m in 2023/24)
- Drives value for money through a significant efficiency and reform agenda – with every area of the council contributing. (c£19m in savings and additional income)
- Provides financial advice and support to residents who need it including through Council Tax Reduction, our Financial Support Team; and the Haringey Support Fund.
- Maintains critical support for our children and young people with little direct funding by Central Government – including Free School Meals for an additional 650 children who are just above the entitlement threshold; Putting the funding for the Rising Green Youth Hub on a long-term footing.

7.40. **Service Growth Budget Adjustments**

7.41. The existing MTFs contains a level of growth assumed which has been reviewed and still be required.

7.42. The financial planning process this year again sought to identify and address existing budget challenges that could not be mitigated by services as well looking ahead and estimating new requirements largely driven by demographic change, inflation and the cost of living crisis.

7.43. Appendix 2 details the proposed additions by Directorate and these are summarised in the table below.

Growth	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Culture Strategy & Engagement	1,130	(334)	(165)	(187)	(134)	310
Environment & Neighbourhoods	2,546	-	-	-	-	2,546
Adults, Health & Communities	6,000	-	-	-	-	6,000
Children's Services	4,875	312	-	-	-	5,187
Placemaking & Housing	230	(230)	-	-	-	-
Total	14,781	(252)	(165)	(187)	(134)	14,043

7.44. Attention is drawn to the c.£11.0m growth being added to the social care which is on top of the sums already built into the current MTFS.

7.45. The growth in the other Directorates is largely addressing recurring base budget pressures.

7.46. Budget Reduction Proposals / Savings

7.47. The Council has previously agreed £1.394m savings to be delivered across the period 2023-2026 as outlined in the table below.

Management Area	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/ £'000	2027/28 £'000	Total £'000
Culture Strategy & Engagement	6					6
Environment & Neighbourhoods	(1,370)	1,360	170			160
Adults, Health & Communities	586	12				598
Children's Services	130	230				360
Placemaking & Housing	100	100	70			270
Corporate Budgets						-
Total	(548)	1,702	240	-	-	1,394

7.48. The 2022/23 financial planning process did not propose any additional savings, instead acknowledged that the new and any brought forward delivery programme for 2022/23, which became £20m, was challenging.

7.49. As is the practice at this Council, existing savings plans have been reviewed and challenged robustly to ensure that they can still be met as originally agreed and if not, looks to re-profile. If after all actions have been explored, the savings targets are still acknowledged to be undeliverable, they are proposed to be written out of the financial plans.

7.50. This outcome of this process is shown in the table below and the implications built into this draft Budget. In total c.£8.9m of savings won't be delivered as planned, though nearly £3m of these will be in later years.

Amended Savings	2023/24	2024/25	2025/26	2026/27	2027/28	Total £'000
Culture Strategy & Engagement	2,967	(525)	(1,860)			582
Environment & Neighbourhoods	490					490
Adults, Health & Communities	5,421	(486)				4,935
Children's Services						-
Placemaking & Housing						-
Total	8,878	(1,011)	(1,860)	-	-	6,007

- 7.51. It should be noted that the major adjustment in Culture, Strategy and Engagement relates to the cross-council Digital Together saving. This programme has now been refocussed and requires a wider timeframe to deliver; hence it has been re-profiled out across 2024/25 & 2025/26. In Adults, Health and Communities, the majority of the final year of a challenging savings programme has been removed but has been replaced by a similar level of new proposals (see below).
- 7.52. The table below sets out the new savings proposals in this budget, by Directorate across the period. It can be seen that the majority of these are planned for delivery in 2023/24.
- 7.53. The main components of the Environment and Neighbourhoods proposals relate to parking and highways and are based on our current policy of implementing LTNs. We have committed to reviewing the operation of the LTN schemes and if changes are made as part of that process, these projections will be adjusted to reflect that. Appendix 3 provides further details of the proposals

New Savings	2023/24	2024/25	2025/26	2026/27	2027/28	Total £'000
Culture Strategy & Engagement	(1,157)	(870)	(210)	(5)	(5)	(2,247)
Environment & Neighbourhoods	(6,614)	869	(1,289)	6	(44)	(7,072)
Adults, Health & Communities	(8,462)	(3,055)	159	100	-	(11,258)
Children's Services	(1,500)	-	-	-	-	(1,500)
Placemaking & Housing	(370)	(10)	-	-	-	(380)
Total	(18,103)	(3,066)	(1,340)	101	(49)	(22,457)

- 7.54. Overall, the impact of the above proposals delivers a net savings programme totalling £15.0m across the MTFs with the majority (£9.8m) to be delivered in 2023/24. This is seen in the table below.

Net Savings Proposed 2023-2028	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/ £'000	2027/28 £'000	Total £'000
Culture Strategy & Engagement	1,816	(1,395)	(2,070)	(5)	(5)	(1,659)
Environment & Neighbourhoods	(7,494)	2,229	(1,119)	6	(44)	(6,422)
Adults, Health & Communities	(2,455)	(3,529)	159	100	-	(5,725)
Children's Services	(1,370)	230	-	-	-	(1,140)
Placemaking & Housing	(270)	90	70	-	-	(110)
Corporate Budgets	-	-	-	-	-	-
Total Savings	(9,773)	(2,375)	(2,960)	101	(49)	(15,056)

7.55. It should be noted that these figures do not reflect any un-delivery of 2022/23 savings which would add to these totals.

7.56. **Summary Revenue Budget Position 2023/24 – 2027/28**

7.57. After taking into account the proposed amendments to existing plans and funding, the new savings and growth proposals discussed in the sections above, the current draft revenue Budget position for next year and across the MTFS period is set out in the table below. The proposed 2023/24 General Fund Budget currently has a budget gap of £3.1m after the planned application of £5.5m from the Strategic Budget Planning reserve. Work will continue to ensure completion of a balanced final Budget.

	2022/23 Budget £'000	2023/24 Draft Budget £'000	2024/25 Projected £'000	2025/26 Projected £'000	2026/27 Projected £'000	2027/28 Projected £'000
Directorate						
Adults, Health & Communities	109,648	114,586	114,135	117,082	120,003	120,003
Children's Services	52,006	57,300	57,590	57,610	57,630	57,230
Culture, Strategy & Engagement	31,581	34,763	33,034	30,799	31,157	31,018
Environment & Neighbourhood	14,785	12,387	16,902	19,043	19,049	19,005
Placemaking & Housing	8,000	7,148	6,433	6,363	6,333	6,333
Chief Executive	287	295	295	295	295	295
Corporate Governance	1,531	1,809	1,809	1,809	1,809	1,809
Finance	45,086	52,774	66,760	75,581	83,630	91,664
Council Cash Limit	262,924	281,062	296,958	308,582	319,906	327,357
Planned Contributions from Reserves	(4,564)	(5,500)				
Further Savings to be Identified	-	(3,138)	(14,548)	(23,282)	(28,308)	(29,619)
Total General Fund Budget	258,360	272,425	282,410	285,300	291,598	297,738
Council Tax	(117,884)	(123,353)	(129,649)	(133,550)	(137,570)	(141,710)
Council Tax Surplus	(1,925)	(1,950)	-	-	-	-
RSG	(22,797)	(24,624)	(23,262)	(23,722)	(24,197)	(24,197)
Top up Business Rates	(60,770)	(63,100)	(73,392)	(70,192)	(70,192)	(72,192)
Retained Business Rates	(21,218)	(19,192)	(22,291)	(22,737)	(23,192)	(23,192)
Section 31 Grants	(6,737)	(16,160)	(4,000)	(5,283)	(6,631)	(6,631)
NNDR Surplus/(Deficit)	225	271	-	-	-	-
NNDR Growth	(2,000)	-	-	-	-	-
Total Main Funding	(233,107)	(248,108)	(252,594)	(255,483)	(261,781)	(267,922)
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	(8,256)	(8,256)	(8,256)	(8,256)	(8,256)	(8,256)
Total Core/Other External Grants	(29,817)	(29,817)	(29,817)	(29,817)	(29,817)	(29,817)
Total Income	(262,924)	(277,925)	(282,410)	(285,300)	(291,598)	(297,738)

7.58. After taking into account the proposed amendments to existing plans and funding, the new savings and growth proposals discussed in the sections above, the current draft revenue Budget position for next year and across the MTFS period is set out in the table below. The proposed 2023/24 General Fund Budget currently has a budget gap of £3.1m after the planned

application of £5.5m from the Strategic Budget Planning reserve. Work will continue to ensure completion of a balanced final Budget.

7.59. Review of assumptions and risks 2023/24 – 2027/28

7.60. 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 2023 and will draw on independent assessments of the Council's financial resilience where available however, it is critical that this report outlines the assumptions and approach to risk taken when arriving at the budget proposals included in the draft Budget & MTFS.

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

7.62. The main uncertainties and risks identified to date which may impact on the Council's budget for 2023/24 and over the period of the MTFS are:

- Detailed grant funding figures for 2023/24 and beyond have yet to be announced and are subject to the final local government settlement expected in January 2023; and it is likely that current assumptions will need significant revisions.
- The ongoing economic impact of inflation and the war in Ukraine is likely to continue to put pressure on costs and supply chain.
- Level of interest rates and their subsequent impact on borrowing costs.
- These will continue to place stress on individuals and businesses manifesting in the cost of living crisis.
- While significant progress has been made working with the DfE on the Safety Valve programme, final confirmation of support has yet to be received; furthermore, delivery of the agreed strategy will be challenging.
- The Levelling Up agenda and associated funding distribution methodologies could be negative for this Council's funding allocations.
- Planned actions to increase Council managed temporary accommodation options do not progress at the pace expected.
- The Council's savings programmes do not deliver the required savings, do not deliver savings quickly enough.
- Any further deterioration in the forecast 2022/23 position including non-delivery of in year savings
- The ability to retain and attract suitably qualified and skilled workforce hampers the delivery of the Council's ambitions.

8. Council's Capital Strategy and Capital Programme 2023/24 – 2027/28

- 8.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of public services in Haringey. It also provides an overview of how the risks of the capital programme are managed and the implications for future financial sustainability.
- 8.2 The current economic environment has impacted the capital programme in a number of ways. Inflation and the subsequent Bank of England response in raising interest rates has meant that the interest that the Council pays on the borrowing that it undertakes to fund the capital programme (both the existing capital programme and the proposed additions) has increased significantly. The increase in inflation has impacted the cost of raw materials and the tightness in the supply chain for capital works (labour and materials) has added both cost and time to schemes. In addition, the increased costs are making it increasingly difficult to achieve self-financing business cases for those schemes where this is expected.
- 8.3 Looking forward, the Council's capital investment proposals include continued investment in the school estate. The budget proposals include the potential development of Edwards Drive into a centre for adults with learning difficulties as well as funding for the locality's strategy.
- 8.4 There is increased investment in the infrastructure of the borough's parks and streets. The proposals double the planned investment in the Active Life In Parks programme and the Parks Asset Management for 2023/24. 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 level of support to borough's as it used to. The Council's proposals allow for funding of the type of work previously funded by TfL in 2023/24 to be met by Council borrowing. In future years it has been assumed that external grant will be available to fund these works. There is also significant new investment in the Cycling & Walking Action Plan in 2023/24 and again in future years the investment is dependent on the Council identifying external funding.
- 8.5 The Council is continuing to invest in its economic infrastructure with funding for the construction for the Wards Corner, the Gourley Triangle and the Selby Urban Village schemes. Progression to construction will be subject to a successful business case for each scheme. There is also additional investment in school streets and investment in School Clean Air Zones and investment in the Council's commercial and operational property.
- 8.6 The Council is also investing in its digital offering to ensure that our customers receive the best possible service as well enhancements to its digital infrastructure.
- 8.7 The Council continues to invest in housing through its new homes programme. This expenditure is contained within the housing revenue account (HRA).

Background

- 8.8 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.
- 8.9 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.
- 8.10 The key objectives for the Council's capital programme are to deliver the borough plan and assist the Council in meeting the service and financial challenges that it continues to face.

Capital expenditure and financing

- 8.11 Capital expenditure is where the Council spends money on a project, with the view to derive societal, service and economic benefit from the expenditure, for a period longer than twelve months. This can also include spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 8.12 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 2023/24-2027/28, 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 2023/24 - 2027/28

	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	Total (£'000)
Previously Agreed							
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
Total =	536,570	699,552	487,344	329,786	269,072		2,322,324
Proposed							
General Fund Account (GF)		289,385	196,864	207,825	232,451	15,355	941,880
Housing Revenue Account (HRA)		262,962	289,102	322,107	305,880	246,218	1,426,269
Total =		552,347	485,966	529,932	538,331	261,573	2,368,149

8.13 The capital programme is composed of individual directorate programmes. Within these directorate 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.

8.14 Where additional funding is proposed for an existing scheme, this will be added to the scheme rather than creating a new scheme. A full list of proposed additions to the capital programme are contained in appendix 5.

8.15 About 20% of the capital programme, down from a 33% last year, is composed of schemes that are wholly funded by Council borrowing and not self-financing or met from external resources. 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 as they are core to the Council's operation.

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.

8.16 The Children's Services capital programme is largely reliant on Council borrowing. For the period 2023/24-2027/28 the Council is planning to spend £74.5m, of which approximately £25.1m is funded through government grant leaving a borrowing requirement of £49.4m. The cost of the increased borrowing investment in schools falls on the Council's revenue account through increased borrowing costs.

- 8.17 The Adults, Health & Communities Services capital programme is £92.6m, of which much of the programme is self-financed at £75.9m. In addition, there is £11m of grant funded expenditure.
- 8.18 Within the Environment & Neighbourhoods directorate, the proposed capital programme for the period 2023/24-2027/28 is broadly estimated at £89.4m of which approximately £23.4m is externally funded.
- 8.19 The Placemaking & Housing capital programme has an estimated value of £600m, of which £232m is funded externally and £303.4m is self-financing. Council borrowing in this part of the capital programme is proportionately lower than in others at £64.6m. The majority of this borrowing is to match fund schemes in the South Tottenham Regeneration projects, the Wood Green Regeneration Strategy and the Corporate Landlord remediation works.
- 8.20 The basic premise for the Placemaking & Housing programme is to provide a funding envelope within the budget and policy framework (through the creation of enabling budgets) which equips the council with the ability to respond to opportunities in a timely way. This means that this capital programme is both front loaded and prone to reporting slippage.
- 8.21 The Culture, Strategy & Engagement capital programme is estimated at £91.2m with the majority, £72.3m funded through self-financing. £52.9m of this self-financing relates to the Civic Centre refurbishment and £20.1m relates to the Bruce Castle Museum restoration work.
- 8.22 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.
- 8.24 Service managers bid annually as part of the Council's budget setting process. The bids are assessed against their response to need in relation to the Council's priorities, 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, and to jobs.
- 8.25 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.
- 8.26 The Capital Programme for 2023/24 has considered and been reviewed to ensure that it delivers in line with the Council's Carbon Reduction ambition. There are no projects that will increase the carbon footprint of the Council. There are several projects however, where there is the opportunity that these can be designed to ensure that at the delivery stages Zero Carbon requirements will be delivered. These include:

- Land Purchases for future development. At the development stage these projects will have to deliver on site the zero carbon requirements for Planning and the long-term asset owners and occupiers.
- Construction works (such as the Parkland Walk Bridge). The procurement for these works will include carbon within the selection for materials and contractors works.
- Road Safety Programme and Highways Maintenance. To deliver transport infrastructure that is safe and supports active travel options.
- School's capital Maintenance – the Council has just completed its Energy Action Plan for its schools, and this capital funding will deliver this through including carbon reduction measures (insulation, glazing, low carbon heating) within these programmes.
- Local Business Space Energy Improvements – With local SME's struggling with energy costs the Council will review its commercial portfolio and improving the energy efficiency levels, the heating and lighting systems
- Street Light upgrades – continuing the upgrades of lights to LED and new street light columns that can house electric vehicle charging points in the base.
- Parks Improvements – creating new biodiversity areas, tree planting, activity areas and active travel options in and around our parks.
- Active and health spaces around our schools - We are increasing the funding for our successful School Streets programme and introducing Healthy Schools Zones to improve air quality in our most polluted schools of the borough. Creating safe space and infrastructure to encourage active travel options.
- Delivering on our Walking and Cycling Action Plan - funding to successfully deliver on the Council's active travel ambition with improved and new infrastructure.

The table below details the proposed capital expenditure plans by directorate.

Table 8.2: Capital expenditure plans by directorate

	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	Total (£'000)
Children's Services	33,694	24,671	14,301	1,831	0	74,496
Adults, Health & Communities	46,973	11,515	17,771	14,377	2,000	92,637
Environment & Neighbourhoods	23,539	21,578	19,268	15,391	4,069	83,845
Placemaking & Housing	133,622	114,281	144,265	198,676	8,886	599,730
Culture, Strategy & Engagement	51,557	24,820	12,220	2,176	400	91,173
Total General Fund (GF)	289,385	196,864	207,825	232,451	15,355	941,880
Housing (HRA)	262,962	289,102	322,107	305,880	246,218	1,426,269
Overall Total	552,347	485,966	529,932	538,331	261,573	2,368,149

8.27 Appendix 4 includes the previously agreed schemes plus any changes since the last budget (up to and including the December 2022 Cabinet), plus the new schemes and adjustments proposed. This indicates how each scheme is financed:

H is for schemes that are funded by borrowing,

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

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

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

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

8.28 Children's Services

There is one new scheme, the Safety Valve scheme, of £7m (subject to a successful application to the Department for Education) proposed for Children's Services. If successful, this would part fund the creation of in borough specialist provision for children special educational need and disabilities (SEND). This would provide high quality provision at a lower cost through not sending children out of borough. The site or sites for the provision have not been identified at this time.

8.29 Adult, Health and Communities

There are two new schemes proposed for the area. The first, Edwards Drive, which is intended to develop much needed supported living facilities with integrated on-site health and care services for learning disabled adults. The Council would need to acquire the property from the NHS. The budget for this is £21m and is subject to a successful business case. The second scheme is to

take forward the Council's localities strategy to bring integrated services from a range of providers (the Council, NHS, voluntary sector) into 4-6 hubs and has a budget of 3m

8.30 Environment & Neighbourhoods

The existing Environment & Neighbourhood 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 was 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.

It is proposed to invest a further £1m in the road casualty reduction initiative with Council borrowing, £0.8m, as there was very limited funding provided by Transport for London (TfL), £0.2m.

Additional investment is proposed of £3.495m for investment in a range of road and pavement infrastructure which is being funded by the Council through borrowing as there was no TfL funding allocated.

There is a proposal to double the amount of investment in the Active Life in Parks programme, by £0.23m, and to double the investment in the Parks Asset Management, by £0.3m. In addition, there is additional investment in the Parkland Walk Bridges programme. The programme also allows for the continuation of investment in street lighting and borough roads in future years.

The level of funding for the borough roads scheme and the accident reduction scheme are included in the programme as being funded by Haringey borrowing in 2023/24, with a slight downward adjustment compared to the existing budget. In future years it has been assumed that there will be external funding provided to undertake the works.

8.31 Placemaking & Housing

There is a significant increase in the investment proposed for the Wards Corner scheme (£66m), the Gourley Triangle scheme (£108m), the Selby Urban Village scheme (£46.7m) and the SME intensification scheme (£11.4m). The proposed investment is in addition to existing budgets and subject to successful business cases. The investments are included within the capital programme on the basis that they are self-financing.

The Walking & Cycling Action Plan is included in the capital programme. In 2023/24 the three elements, Cycle Route Delivery, £1.75m, LTN Delivery, £1.2m, and Cycle Parking (Hangers) Delivery are funded through SCIL and limited TfL funding. The expenditure in future years will proceed if funding is identified.

Also included are proposals for the expansion of school streets, £0.4m, investment for Clean Air School Zones, £0.4m which are funded by borrowing. The expenditure in future years will proceed if funding is identified.

Further investment in the Councils assets are proposed for the operational buildings and the commercial portfolio.

8.32 Culture, Strategy & Engagement

The initial proposals contain further investment in the Council's IT assts. The move from an analogue telephone system to a digital one by BT (known as the Big Switch Off) will mean the replacement of existing lines in a range of buildings and services. The proposals also allow for continued investment in the IT estate such as the laptop refresh.

8.33 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 2023/24-2027/28 is analysed in the table below and shows that the majority of schemes being proposed (80%) are either self-financing or funded via external resources:

Table 8.3: Financing Strategy

	General Fund Borrowing		External (£'000)	Total (£'000)
	Met from General Fund (£'000)	Self Financing met from Savings (£'000)		
Children's Services	43,672	5,700	25,124	74,496
Adults, Health & Communities	5,708	75,923	11,006	92,637
Environment & Neighbourhoods	54,938	6,779	22,128	83,845
Placemaking & Housing	64,285	311,435	224,010	599,730
Culture, Strategy & Engagement	18,842	72,331	0	91,173
Total	187,444	472,168	282,268	941,880

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

8.35 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

	2022/23 Forecasts (£'000)	2023/24 Forecasts (£'000)	2024/25 Forecasts (£'000)	2025/26 Forecasts (£'000)	2026/27 Forecasts (£'000)	2027/28 Forecast (£'000)
MRP	13,368	19,145	25,586	29,282	33,918	37,948

8.36 The Council's underlying need to borrow to finance its capital programme is measured by the capital financing requirement (CFR). This increases when new debt financed capital expenditure is incurred and reduces when MRP is made. The increase in MRP in 2022/23 is partially 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

	2022/23 Budget (£'000)	2023/24 Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)
CFR	1,375,493	1,540,063	1,901,188	2,293,138	2,568,101	2,713,322

Asset Management

8.37 The Asset Management Plan is the subject of a separate report and will be considered at the February Cabinet.

Asset Disposals

8.38 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 31st March 2025.

- 8.39 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 31st 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

- 8.40 The Council has a separate Treasury Management Strategy Statement (TMSS) that outlines in detail the Council's 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.
- 8.41 Treasury management is the management of the Council's investments, cash flows, its banking and capital market transaction and the effective control of the risks associated with those activities. Surplus cash is invested until required in accordance with the guidelines contained on the approved TMSS, while a short term liquidity requirements can 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

- 8.42 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.
- 8.43 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

	31/3/22 Actual (£'000)	31/3/23 Budget (£'000)	31/3/24 Budget (£'000)	31/3/25 Budget (£'000)	31/3/26 Budget (£'000)	31/3/27 Budget (£'000)	31/3/28 Budget (£'000)
Borrowing Debt	700,415	1,204,505	1,362,827	1,700,076	2,064,552	2,309,280	2,423,369
PFI & Lease Debt	26,701	19,471	17,421	12,690	9,802	8,849	8,849
Total Debt	727,116	1,223,976	1,380,247	1,712,766	2,074,353	2,318,129	2,432,218
Capital Financing Requirement	972,537	1,375,493	1,540,063	1,901,188	2,293,138	2,568,101	2,713,322

8.44 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

8.45 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

	2022/23 limit (£'000)	2023/24 limit (£'000)	2024/25 limit (£'000)	2025/26 limit (£'000)	2026/27 limit (£'000)	2027/28 limit (£'000)
Authorised limit – borrowing	1,286,022	1,452,642	1,818,497	2,213,336	2,489,252	2,634,473
Authorised limit – PFI & leases	25,702	22,995	16,751	12,938	11,681	11,681
Authorised limit – total external debt	1,311,724	1,475,637	1,835,249	2,226,274	2,500,932	2,646,154
Operational boundary - borrowing	1,236,022	1,402,642	1,768,497	2,163,336	2,439,252	2,584,473
Operational boundary – PFI & leases	23,366	20,905	15,228	11,762	10,619	10,619
Operational boundary – total external debt	1,259,387	1,423,547	1,783,726	2,175,098	2,449,871	2,595,092

8.46 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.

8.47 The table below shows the net estimated capital financing costs based on the capital programme and the revised set of assumptions. The table also shows how these forecasts compare to the budget that is currently built into the MTFS plan.

Table 8.8: Estimated Capital Financing Costs

	2022/23 Forecas t	2023/24 Forecas t	2024/25 Forecas t	2025/26 Forecas t	2026/27 Forecas t	2027/28 Forecas t
	£000	£000	£000	£000	£000	£000
MRP - pre 2008 expenditure	2,283	5,019	5,019	5,019	5,019	5,019
MRP - post 2008 expenditure	11,085	14,126	19,566	24,263	28,899	32,928
Total MRP	13,368	19,145	24,586	29,282	33,918	37,948
Interest Costs (General Fund)	11,274	19,345	25,090	29,492	32,050	33,281
Total Gross Capital Financing Costs (GF)	24,642	38,490	49,676	58,774	65,968	71,228
Offsetting Savings for self financing schemes	-8,835	-14,713	-21,788	-30,162	-36,196	-37,620
Total Net Capital Financing Costs (GF)	15,807	23,777	27,887	28,612	29,773	33,608
Existing MTFS Budgets	13,208	20,308	24,124	27,974	31,574	35,674
Interest Costs (HRA)	14,861	18,979	28,599	38,365	46,548	52,019

Table 8.9: Proportion of financing costs to net revenue stream

	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)	2026/27 Forecast (£'000)	2026/27 Forecast (£'000)
Financing Costs General Fund	15,807	23,777	27,887	28,612	29,773	33,608
Proportion of net revenue stream	6.01%	8.56%	9.87%	10.03%	10.21%	11.29%
Financing Costs HRA	14,861	18,979	28,599	38,365	46,548	52,019
Proportion of net revenue stream	13.12%	15.73%	21.62%	27.16%	30.95%	32.84%

8.47 It can be seen that over the MTFS period the General Fund ratio increases. 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.

Governance

- 8.48 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.

Draft HRA Financial Plan Overview

- 9.2 The 30-year HRA financial plan contains a long-term assessment of the need for investment in assets, such as new homes development, Major works (Haringey standard) and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent standards, and future developments.
- 9.3 The Plan includes 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. It considered the build costs, inflation, exposure to housing market and delivery capacity within the Council.
- 9.4 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. 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.
- 9.5 The plan recognises that to undertake the proposed extensive development programme, the HRA must be viable now and in the future. It also recognises that there will be ongoing gateway reviews to update and test viability before future programme phases are released. One of the measures of viability of the HRA is the annual revenue contribution to capital outlay (RCCO), which reduces the need to external borrowing. RCCO is the revenue surplus after expenditure; and it is key in assessing the HRA resilience. The financial plan, as in prior years, assumes an ongoing £8m minimum annual surplus. This provides an appropriate level of in year financial cover, in recognition of the

risks such as changes in government policies, operational factors those associated with an extensive development programme. The plan also assumes a working balance of £20m.

- 9.6 Given the current economic situation, this December's positional update of the plan showed some years of RCCO below the £8m minimum year on year. Further measures and mitigations are being considered to address this before the final version is submitted to Cabinet in February.

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

Housing rents

- 9.7 The Council is required to set the rent increases in council-owned homes every year but there are strict limits for existing tenants. From 2020/21, the government has permitted Local Authorities in England to increase existing tenants' rents by no more than the Consumer Price Index (CPI), at September of the previous year, plus 1%.
- 9.8 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.
- 9.9 The Government is expected to give a new directive to the Regulator of Social Housing. The Regulator will publish revised guidance for social housing rent setting for 2024/25 onwards.

Rents on New Builds

- 9.10 The maximum weekly rent allowed by the government for a tenant granted a new tenancy in a social rent home is formula rent (subject to national rent cap).
- 9.11 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.
- 9.12 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 be able to maintain financial sustainability and continue a strong new build programme. A number of options have been modelled, including for some new homes, changing from formula rent to Shared Ownership or London Living Rent or London Affordable Rent. The option which best ensures the long-term sustainability of the HRA is to use London Affordable Rent for some new homes. This is because, as a social housing product, this tenure qualifies for £100k per unit funding from the Building Council Homes for Londoners 2016-23 Grant Funding regime.
- 9.13 It is therefore recommended that some of the new homes delivered under the GLA's 2016-23 Affordable Homes Programme, 'Building Council Homes for Londoners' will be let at London Affordable Rent (LAR) levels. This is presently

estimated to apply to over 800 future properties. London Affordable Rent will not be applied to new homes at High Road West or Broadwater Farm as the Council intends to honour the landlord offer that has previously been made to residents there ahead of the Estate ballots. It will also not affect any homes that have either been completed and let or where lettings are in process.

London Affordable Rent

- 9.14 London Affordable Rent was introduced by the Mayor of London in 2016 as a social housing product for new affordable homes funded by Building Council Homes for Londoners (BCHFL) grant. It reflects the 2015/16 formula rent cap (i.e. the maximum level of social rent) uprated by CPI plus one per cent every year. These rents are at the same level anywhere in London. LAR homes are let by councils on secure tenancies, and by other registered providers.
- 9.15 The BCHFL grant programme allocated grant on the basis that homes for low-cost rent would be let at London Affordable Rent (LAR) rather than formula rent. The historically relatively low level of grant – a flat rate of £100,000 per unit – reflected that expectation.
- 9.16 The increasingly challenging financial environment has led to a reassessment of the Council’s planned use formula rents for these BCHFL properties. that decision. If the Council lets homes funded by BCHFL at formula rent, the current programme would no longer be financially viable.
- 9.17 Letting homes at LAR would support a financially viable programme. But it would also be genuinely affordable to tenants. Other than its near-equivalent formula rent, LAR is by some distance the cheapest kind of rent available.
- 9.18 The table below shows London Affordable Rents for 22/23.

	22/23 rents
Bedsit and 1-bedroom	£168.34
2 bedrooms	£178.23
3 bedrooms	£188.13
4 bedrooms	£198.03
5 bedrooms	£207.93
6 or more bedrooms	£217.82

- 9.19 Formula rent for new-build council homes would be at or close to the formula rent cap. LAR is 8.1% more than the formula rent cap: For 2022/23 that represents £12.61pw more for a one-bedroom home, £13.36 for a two-bed, £14.10 for a three-bed, and £14.85 for a four bed. Rents caps for 23/24 are still to be set.
- 9.20 LAR is significantly less than the Local Housing Allowance rate. This means that any tenant entitled to Housing Benefit, or the housing element of Universal Credit would have their housing costs covered.

- 9.21 There is a small number of Haringey households (just over 500) who are currently affected by the benefit cap – including ten who are council tenants and 24 who are housing association tenants. Half the housing association tenants affected by the cap are paying rents considerably higher than LAR.
- 9.22 A small cohort of households on the Housing Register would be affected by the benefit cap whether they bid for a new home at formula rent cap or LAR. There is likely to be another small cohort of households with three or more children who would be affected by the benefit cap if they moved into a new LAR home where they would remain unaffected if they moved into a home let at formula rent. Those households would need to find all or a part of the difference between LAR and formula rent from their existing benefits. However, since all relets on existing Council homes will be at formula rent levels, it is likely that these households will also be able to move into cheaper Council homes.

Formula rent

- 9.23 The national formula for setting social rent is intended to enable 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.
- 9.24 The formula is complex and uses national average rent, relative average local earning, relative local property value, and the number of bedrooms to calculate the formula rent.
- 9.25 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. As stated above, rent caps for 2023/24 are yet to be published:

Number of bedrooms	Rent cap 2022/23
1 and bedsits	£155.73
2	£164.87
3	£174.03
4	£183.18
5	£192.35
6 or more	£201.50

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

- 9.26 The government, through the Regulator, prescribes the formula for calculating social housing rents. These rents are also called formula rents and exclude service charges. formula rents are allowed to increase annually

- 9.27 The formula is complex and uses the average earnings for Greater London and the value of the property in 1999, and the number of bedrooms to calculate the formula rent for 2000/01, as the base year. From 2001/02, formula rents have increased by inflation annually. However, in 2016/17 until 2019/20, formula rents reduced by 1% annually, as prescribed in the Welfare Reform and Work Act 2016. From 2020/21, formula rents have increased annually by CPI plus 1%.
- 9.28 Individual council rents 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 housing 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 the early 2000s in order 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.
- 9.29 Since 2020/21, the rent payable by existing council tenants have increased by CPI inflation plus 1%. The current rent for 2022/23, approved by Cabinet on 8 February 2022, was set at the 2021/22 rent uplifted by 4.1%. The rent increase is due to the CPI rate in September 2021 of 3.1% plus 1% allowed by the government.
- 9.30 The CPI at September 2022 is 10.1%. Without the proposed rent ceiling, rents in council-owned housing would increase by 11.1% (CPI plus 1%) and the HRA would receive additional rental income of £11.6m in 2023/24.
- 9.31 After applying the 7% rent ceiling, the additional income to the HRA from tenant's rents in 2023/24 at £7.7m will be reduce by £3.9m lower than would have been raised if government had maintained the previous rent setting formula.to £7.7m. The updated HRA business plan has the reduced level of rent increase.
- 9.32 The rents for existing general needs and sheltered / supported housing tenants have been calculated to increase by no more than 7%. On this basis, the proposed average weekly rent will increase by £7.73 from £110.49 to £118.22 in 2023/24.
- 9.33 There is a range of rents across different sizes of properties. The table below sets out the proposed average weekly rents by property size if the maximum rent increase for 2023/24 is set at 7% with effect from 3 April 2023 (the first Monday in April).

Table 1

Number of Bedrooms	Number of Properties	Current average weekly rent 2022/23	Proposed average weekly rent 2023/24	Proposed average rent increase	Proposed percentage increase
Bedsit	130	£89.64	£95.91	£6.27	7.0%
1	5,288	£94.94	£101.59	£6.65	7.0%
2	5,173	£110.65	£118.40	£7.75	7.0%
3	3,706	£126.70	£135.57	£8.87	7.0%
4	608	£144.25	£154.35	£10.10	7.0%
5	110	£168.75	£180.56	£11.81	7.0%
6	15	£175.36	£187.64	£12.28	7.0%
7	2	£165.93	£177.55	£11.62	7.0%
All dwellings	15,032	£110.49	£118.22	£7.73	7.0%

9.34 The government is expected to continue allowing Local Authorities to charge formula rents when council homes are re-let following a vacancy.

Rents in Temporary Accommodation

9.35 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.

9.36 The HRA financial plan includes these rental incomes for a period of 7 years. 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.

9.37 From 3rd April 2023, all other council-owned properties used as temporary accommodation under a Council non-secure tenancy will have proposed rent increase of 7%.

Tenants' Service Charges

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

9.39 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. 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, if applicable.

- 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

9.40 The applicable charges for 2023/24 will be calculated and presented for Cabinet approval in February 2023 when the budgeted costs of providing each service is agreed.

9.41 This will follow the consideration by Cabinet in February 2023 and will include:

- Council housing rent charges for 2023/24
- Proposed weekly tenants service charges for 2023/24
- HRA hostel rent charges for 2023/24

9.42 The heating tariffs will be approved by cabinet as part of the budget to be presented to cabinet in February.

Rent consultation

9.43 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 2023/24 start on 3 April 2023.

HRA Expenditure

9.44 Significant items of expenditure in the HRA include the management cost, repairs cost, capital financing charge and depreciation. These four items constitute about 76% of the total HRA expenditure. The capital financing charge is the interest on HRA loans and internal funding and is budgeted at £2m above the 2022/23 level due to higher interest rate forecast for next year's potential borrowings. Depreciation is a cash charge to the HRA to reflect the need to finance the placement of components within HRA homes over time. The sum charges to the HRA are transferred into the Major Repairs Reserve

(MRR). The Major Repairs Reserve is used to build up capital sums that can be used to finance the capital programme.

- 9.45 The proposed HRA capital programme supports the delivery of over £2bn investment in our existing stock over the next 30 years, and the delivery of over 3000 new council homes by March 2031.
- 9.46 There are of course risks such as the impact of the current inflation and interest rate rises on collection of rent, capacity to build, and overall sustainability of the HRA.
- 9.47 The impact of these meant that this iteration of the HRA budget/MTFS forecasts revenue contribution to capital outlay (RCCO) below the set minimum of £8m for later years in the MTFS period. There are further measures and mitigations being considered to bring the RCCO to the acceptable level. The HRA capital programme also assumes an increased working balance of £20m.
- 9.48 This is a complex plan and Members should be aware that further changes are anticipated before the final budget package is presented in February. A finalised version will be presented to Cabinet and Full Council for approval in February 2023 and March 2023 respectively.

Draft HRA 5 Years MTFS (2023/24-2027/28)

- 9.49 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 current inflation and interest rates and its impact in next year's rent charges. The HRA budget for 2023/24 is a balanced budget with a revenue contribution to capital (RCCO) of £8.87m. However, the later years RCCO as presently modelled is below the target minimum for the HRA and the further work before February will look to address this.

Table - Draft HRA 5-Year Revenue Budget (2023/24 – 2027/28)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income & Expenditure	2023-24	2024-25	2025-26	2026-27	2027-28	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Dwellings Rent Income	(98,570)	(108,477)	(116,572)	(124,725)	(131,822)	(580,166)
Void Loss	1,892	1,085	1,166	1,247	1,318	6,708
Hostel Rent Income	(1,791)	(1,855)	(1,920)	(1,986)	(2,055)	(9,607)
Service Charge Income	(12,084)	(12,639)	(13,304)	(14,000)	(14,647)	(66,674)
Leaseholder Income	(7,881)	(8,106)	(8,337)	(8,574)	(8,816)	(41,714)
Other Income (Garages /Aerials/Interest)	(2,230)	(2,271)	(2,312)	(2,355)	(2,398)	(11,566)
Total Income	(120,664)	(132,263)	(141,279)	(150,393)	(158,420)	(703,019)
Expenditure						
Repairs	22,974	23,237	24,459	25,738	26,929	123,337
Housing Management	25,314	23,355	23,188	22,660	22,051	116,568
Housing Demand	2,012	2,113	2,155	2,198	2,242	10,720
Housing Management cost	50,300	48,705	49,802	50,596	51,222	250,625
Estates Costs	11,203	11,240	11,465	12,068	12,699	58,675
Provision for Bad Debts (Tenants)	3,010	3,281	1,430	1,500	1,561	10,782
Provision for Bad Debts (Leaseholders)	189	195	200	206	212	1,002
Estate Costs and Bad Debt Provision	14,402	14,716	13,095	13,774	14,472	70,459
Other Costs (GF Services)	4,622	4,853	4,950	5,049	5,150	24,624
Other Costs (Property/Insurance)	2,026	2,127	2,170	2,213	2,257	10,793
Capital Financing Costs	18,979	28,599	38,365	46,548	52,019	184,510
Contribution to Major Repairs (Depreciation)	21,457	22,443	23,632	24,865	26,020	118,417
Revenue Contributions to Capital	8,878	10,820	9,265	7,348	7,280	43,591
Total Expenditure	120,664	132,263	141,279	150,393	158,420	703,019
HRA (Surplus) / Deficit	0	0	0	0	0	0

Draft HRA 5 Years Capital Programme (2023/24 – 2027/28)

- 9.50 This represents the capital implications of the new draft HRA financial plan where there is 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.
- 9.51 The HRA MTFs is geared towards maximising the use of other available resources and use of borrowing as last resort, while maintaining a working balance of £20m. The MTFs capital programme funding assumes a mix of grant funding, S106 monies, revenue contribution and prudential borrowing. The total capital investment in 2023/24 is £263m, fully funded from revenue contribution, grants, RTB retained receipt, Major Repairs Reserve and borrowing.

Table 9.4 - Draft HRA 5 Year Capital Programme (2023/24 – 2027/28)

Housing Revenue Account (HRA)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Investment & Financing	2023-24	2024-25	2025-26	2026-27	2027-28	5 Years
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Investment						
Major Works (Haringey Standard)	41,443	40,922	41,941	62,742	64,075	251,123
Carbon Reduction Works (Affordable Energy)	7,283	6,367	6,495	6,624	6,757	33,526
Fire Safety Works	5,470	7,573	7,577	7,729	6,757	35,106
Broadwater Farm Works	21,209	16,115	16,437	16,767	17,102	87,630
Total Existing Stock Investment	75,405	70,977	72,450	93,862	94,691	407,385
New Homes Build Programme	162,803	175,370	195,917	173,111	82,237	789,438
New Homes Acquisitions	3,306	21,093	31,428	15,926	45,620	117,373
TA Acquisitions	21,448	21,662	22,312	22,981	23,670	112,073
Total Capital Investment	262,962	289,102	322,107	305,880	246,218	1,426,269
Capital Investment Financing						
Grants (GLA)	62,411	27,807	40,869	40,818	38,964	210,869
Major Repairs Reserve	21,457	22,444	23,632	24,865	26,021	118,419
Revenue Contributions	8,878	10,820	9,265	7,348	7,280	43,591
RTB Capital Receipts	9,556	9,651	9,921	10,259	10,609	49,996
Leaseholder Contributions to Major Works	7,979	7,941	6,373	6,176	6,020	34,489
S.106 Contributions	3,500	0	0	0	0	3,500
Market Sales Receipts	0	2,964	4,714	72,129	44,118	123,925
Borrowing	149,181	207,475	227,333	144,285	113,206	841,480
Total Capital Financing	262,962	289,102	322,107	305,880	246,218	1,426,269

Major Works – Haringey Standard

- 9.52 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. Despite the challenging economic circumstances, the Council is maintaining the expenditure of its Major Works Programmes at its current level.
- 9.53 The Asset Management Strategy sets out the Council’s target to achieve 100% decent homes, and how this will be achieved.
- 9.54 The Council has agreed to work with partners to deliver these works for the long term, through a Partnering Contract. This Partnering Contract will run for ten years and is divided into four separate contracts over four geographical areas. Works under the Partnering Contract are expected to start in late 2023. The Partnering Contract has been designed to deliver value for money; ensure that the Council’s objectives to meet decent homes, as well as the other workstreams listed below, are met; contribute to wider corporate priorities in particular to bring good quality jobs and training opportunities to Haringey residents; and finally to ensure that those who are awarded large contracts by the Council are committed to Haringey and the success of the borough for the longer-term. The costs in this proposed capital programme budget recognises the estimated cost of the partnering contract.

Carbon Reduction Works

- 9.55 The budget provision would support extensive measures contained in the Council energy action plan. Despite the challenging economic circumstances, the Council is maintaining the expenditure on carbon reduction works at its current level.
- 9.56 The Council is finalising its Energy Action Plan which will set out how it will deliver the objectives of both the Climate Change Action Plan and the Affordable Energy Strategy. These are to reduce carbon emissions from the Council's housing stock so that the whole stock reaches an average EPC of Band B by 2035 and Band A by 2041, where technically feasible. In turn this will contribute to the objective to minimise energy costs for Council tenants and reduce fuel poverty.
- 9.57 The proposed approach is to firstly improve the fabric of the property. This means upgrading, where necessary, walls, roofs, windows, floors, and doors so as to reduce the need to expend energy to heat homes. The next stage is to incorporate low and zero-carbon heat and power. The worst performing homes will be targeted first. Works will be incorporated with the major works programme to minimise cost to the HRA and disruption to residents. The proposed HRA capital budget supports these works, but external funding is also sought whenever applicable.

Fire Safety Works

- 9.58 The proposed budget is to ensure that all housing stock continues to meet changing statutory requirements. The budget has been refreshed to ensure that the requirement of the recent Fire Safety (England) Regulations 2022 are met. 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

- 9.59 The council is setting aside significant capital expenditure for the regeneration of the Broadwater Farm estate and has reprofiled expenditure in line with our latest estimates. In 2018 the council identified structural faults with a number of buildings that has led to the development of comprehensive programme of improvement. This programme includes:

- The construction of 294 new homes, all at council rent, with 30% family sized units with three beds or more (contained in the new homes budget, below)
- The refurbishment of 800 homes, covering sustainability, fire safety and mechanical and electrical
- Improvements to the public realm and green spaces, tackling the legacies of the streets in the sky design from the 60s

New Homes Build and Acquisition

- 9.60 This Financial plan continues to provide for financial resources to meet the Council's commitment to the delivery of high-quality Council homes for social housing. 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 £907m over the period of the MTFS.
- 9.61 Over the past four years, the Council has established a housing delivery programme that is committed to delivering 3,000 new council homes for council rent by 2031. These are the first new council homes in Haringey for forty years.
- 9.62 The current Housing Delivery Programme comprises 3,600 homes on 87 sites that have either been completed, or started on site, or are under active development. 3,000 of those homes are currently planned as homes for letting at council rent.
- 9.63 Construction works for over 1,500 council homes have now started on site. 184 council homes have been completed and let at council rent.
- 9.64 The need for genuinely affordable homes in Haringey – as across the country – is urgent. More than 11,000 households are currently waiting for social housing on the Council's housing register. Just over 2,000 of these households are significantly overcrowded, and more than 2,500 are homeless and living in Temporary Accommodation.
- 9.65 Cabinet has so far included 80 sites of Council land with potential for development in the programme. Most are held in the HRA; others are in the General Fund and will need to be appropriated at cost into the HRA.
- 9.66 Sites in the HRA are underused land, generally on housing estates, typically garages, car parking spaces, or land between existing blocks. General Fund land ranges from the conversion of former shops into homes to large sites such as the former waste management depot at Ashley Road.
- 9.67 As an integral part of the programme, the Council also actively seeks opportunities to acquire homes to let as Council homes.
- 9.68 Climate change, carbon management, and sustainability are integral to the design of our new generation of Council homes. The Council targets zero-carbon for each of our developments.
- 9.69 More than 10% of new homes are fully wheelchair accessible, with a target of 20%. As part of the programme, through the Bespoke Homes programme we are actively identifying households on the housing register with specific accessibility needs in order to design new homes for their individual needs.

Existing Homes Acquisitions – Temporary Accommodation (TA)

9.70 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 a reduced allocation over the MTF5 period for this scheme compared to prior years. This is because of the restriction the new guidance on use of RTB retained receipts has placed on the Council’s ability to use these receipts for the purpose of acquiring existing homes. The new guidance means that the Council has a capped number of acquisitions in any year. The RTB retained receipts is now being applied to new build homes to match the acquisitions.

10. Dedicated Schools Budget (DSB)

10.1 Schools budgets are 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 2022-23 sets out the forecast year end position. This highlights the budget pressures in the High Needs Block which is estimated to add an additional £3.7m to the existing deficit of £21.6m to give a forecast deficit of £25.3m by the end of 2022-23.

10.3 Table 10.1 below sets out Haringey’s Dedicated Schools Grant allocations for 2021-22, the minimum rebased DSG baseline allocation for 2022-23 and the provisional National Funding Formula (NFF) allocation for 2023-24.

Table 10.1 Haringey’s Dedicated Schools Grant Allocation

Gross Dedicated Schools Grant	2021-22 £m	2022-23 £m	2023-24 Provisional NFF £m
Schools Block	211.75	**218.50	**219.56
Central School Services Block	2.91	2.78	2.71
Early Years Block ***	21.04	20.15	20.15
High Needs Block	44.46	51.35	54.42
Total DSG	280.16	292.78	296.84

** The 2022-23 Schools Block had an additional £5.979m Schools Supplementary grant. The Supplementary Grant was rolled into the 2023-24 DSG.

*** The Early Years Block allocation for 2022-23 has not yet been announced but is assumed to be at the same rate for 2023-24

10.4 In previous years, the teachers pay and pension grants were paid as separate grants.

10.5 Overall, Haringey’s provisional NFF allocation for 2023-24 is an increase of 0.49% equivalent to £1.061m. This is based on the October 2021 pupil census numbers and the final allocation will be based on the October 2022 pupil census numbers. Bearing in mind the pupil numbers will change from year to year, the cash impact of this provisional funding by block is:

- Schools Block - uplift of 0.49% equivalent to £1.061 m.
- Central School Services Block - has lost -2.5% equivalent to £0.07m.
- Early Years Block – Not applicable as the funding is to be announced.
- High Needs Block – uplift of 5.98% equivalent to £3.07m.

10.6 The actual financial position for the Dedicated Schools Grant is dependent on the final school’s finance settlement for 2023-24, which is due in December 2022.

10.7 The Schools Forum will consider these figures at their January 2023 meeting.

10.8 The DfE have consulted on the implementation of the hard National Funding Formula from 2023-24, which focuses on reforms to the School Block and Central School Services Block. The Council supports a funding system that continues to enable local discretion on the allocation of schools funding so that decisions being made are more responsive to the needs of schools.

DSG Reserves

10.9 As at Quarter 2, the DSG Reserves is expected to close with a cumulative deficit of £25.3m at the end of 2022-23. The pressure is in the High Needs Block (HNB) and is mainly due to the increase in the number of children with Education, Health and Care Plans (EHCPs) within the borough. The HNB funding allocation has increased by over 15.5% in 2022-23 compared to 2021-22, however the estimated increase in costs due to the increase EHCPs is greater than the funding available.

Table 10.2 2022-23 Year End DSG reserves forecast

Blocks	Opening DSG deficit at 01/04/2022 £m	Q2 2022-23 Forecast £m	Forecast closing DSG deficit 2022-23 £m
Schools Block	0.00	0.00	0.00
Central School Services Block	0.00	0.00	0.00
Early Years Block **	0.90	0.00	0.00
High Needs Block	-21.60	-3.70	-25.30
Total DSG	-20.70	-3.70	-25.30

** The Early Years Block has not yet been announced, however projected to be all passported to providers

10.10 The pressure on the DSG budget is acknowledged by government as a national issue. The DSG cumulative deficit currently totals £20.7m, forecast to be £25.3m by the end of 2022/23. Factoring assumptions on demand growth, mitigation of demand growth, inflation estimates and grant income projections the DSG is forecasting a cumulative deficit of over £80m by 2027/28 if no mitigating actions are taken. This deficit is forecasted solely within the High Needs Block.

10.11 The Department for Levelling Up, Housing and Communities (DLUHC), requires DSG deficits to be held in a separate reserve in local authorities' accounts. Regulations are in force to allow this accounting treatment up to and including the accounts for 2022/23. The forecasted cumulative deficit needs to be addressed as once the regulations to show deficits separately are removed, this will impact the Council's General Fund, resulting in a profound impact on statutory services in other areas

10.12 The DfE began the Safety Valve intervention programme in 2020/21 and have extended this programme in 2022/23, targeting the local authorities with the highest DSG deficits. The programme requires local authorities to develop and agree to substantial plans for reform to their high needs budget and escalating demands on SEND services, with an expectation to deliver an in-year balanced budget over the next 5 years. When a local authority can demonstrate sufficiently that their DSG management plan creates lasting sustainability and delivers good outcomes for children and young people, including reaching an in-year balanced budget, the DfE will enter into an agreement with the authority to provide financial support with funds to address the cumulative deficit, subject to Ministerial approval. Final proposals to address the pressures in the HNB were submitted to the DfE on 6th October 2022. Proposals were underpinned by the SEND strategy and Written Statement of Action with robust financial remodelling and have been endorsed by Cabinet and shared with key stakeholders. Subject to approval, Haringey would then enter the Safety Valve programme

10.13 An application for DfE capital funding to support Haringey's Safety Valve programme has also been submitted to invest in key proposals to deliver revenue savings to the DSG.

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.

11.2 As such a formal consultation is being planned, the result of which is expected in January, and will be shared with Cabinet to enable them to consider and reflect any amendments in the final February report.

- 11.3 Statutory consultation with businesses will also take place during this period and any feedback will be considered and, where agreed, incorporated into the final February report.
- 11.4 Additionally, the Council's budget proposals will be subject to a rigorous scrutiny review process which will be undertaken by the Overview and Scrutiny Panels and Committee during December/January. The Overview and Scrutiny Committee will then meet in January 2023 to finalise its recommendations on the budget package. These will be reported to Cabinet for their consideration. Both the recommendations and Cabinet's response will be included in the final Budget report recommended to Full Council in March 2023.
- 12. Statutory Officer Comments (Director of Finance (procurement), Head of Legal and Governance, Equalities) Finance**
- 12.1 This financial strategy begins the process of ensuring that the Council's finances are aligned to the delivery of the Council's priorities and the administration's manifesto commitments in the medium term. In addition, it is consistent with proper arrangements for the management of the Council's financial affairs and its obligation under section 151 of the Local Government Act 1972.
- 12.2 Ensuring the robustness of the Council's 2023/24 budget and its MTFS 2023/24 – 2027/28 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.
- 12.3 The draft General Fund Budget 2023/24 still shows a gap of c£3m despite the £18.1m new savings proposal and a planned draw down from reserves of £5.5m. This is a concerning position to be in particularly this late in the annual process but not unexpected considering the national economic outlook. It must be recognised that the nation is still in a difficult post pandemic environment and with the unprecedented inflation rate coupled with the cost of living and the uncertainties around the wider economic outlook it is has been very challenging setting the 2023/24 budget. The Chancellor's Autumn statement was announced on 17th November after the draft budget had been assembled. Work continues to ensure a balanced 2023/24 budget and a balanced 2023/24 budget will be presented to Cabinet in February.
- 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 equality duty under section 149 of the Equality Act 2010 in considering whether to adopt the recommendations set out in this report.
- 12.9 The report proposes new savings proposals for the financial year 2023/24, which the council will be required to consult upon and ensure that it complies with the public sector equality duty.
- 12.10 In view of the conclusion reached by the Director of Finance at paragraphs 12.1 to 12.4 above on the ability to set a balanced budget for 2023/24 and the Equalities comments below, there is no reason why Cabinet cannot adopt the Recommendations in this report.

Equality

- 12.11 The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:
- 12.12 Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- 12.13 Advance equality of opportunity between people who share those protected characteristics and people who do not;
- 12.14 Foster good relations between people who share those characteristics and people who do not.
- 12.15 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.
- 12.16 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.
- 12.17 This report details the draft Budget for 2023/24 and MTFS to 2027/28, including budget adjustments and capital proposals.
- 12.18 The proposed decision is for Cabinet to note the budget proposals and agree to commence consultation with residents, businesses, partners, staff and other

groups on the 2023/24 Budget and MTFS. The decision is recommended to comply with the statutory requirement to set a balanced budget for 2023/24 and to ensure the Council's finances on a medium-term basis are secured through the four-year Medium-Term Financial Strategy.

- 12.19 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.
- 12.20 During the proposed consultation on Budget and MTFS proposals, there will be a focus on considering the implications of the proposals on individuals with protected characteristics, including any potential cumulative impact of these decisions. Responses to the consultation will inform the final package of savings proposals presented in February 2023.
- 12.21 Additionally, budget savings proposals are undergoing an equalities screening process to identify where negative impacts on protected groups may arise. Where such impacts are identified, a full Equalities Impact Assessment will take place to understand the impacts in full and describe the action to mitigate those impacts. At this stage, the assessment of the potential equalities impacts of decisions is high level and, in the case of many individual proposals, has yet to be subjected to detailed analysis. This is a live process, and as plans are developed further, each service area will assess their proposal's equality impacts and potential mitigating actions in more detail. Final EQIAs will be published alongside decisions on specific proposals.
- 12.22 Initial Equality Impact Assessments for relevant savings proposals will be published in February 2023 and reflect feedback regarding potential equality impacts gathered during the consultation. If a risk of disproportionate adverse impact for any protected group is identified, consideration will be given to measures that would prevent or mitigate that impact. Where there are existing proposals on which decisions have already been taken, existing Equalities Impacts Assessments will be signposted.

13. Use of Appendices

Appendix 1 – Summary of Draft Revenue 2022-23 Budget and Medium Term Financial Plan 2023-2028

Appendix 2 – Summary of new Revenue budget growth proposals

Appendix 3 – Summary of total agreed Revenue budget reduction proposals 2023-2028

Appendix 4 – Draft General Fund Capital Programme 2023/24 – 2027/28

Appendix 5 – New Capital for 2023-24 MTFS Programme

14. Local Government (Access to Information) Act 1985

2022/23 Qtr 1 and Qtr 2 Budget Reports
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