

Report for: Full Council 2nd March 2023

Title: 2023/24 Budget and Medium-Term Financial Strategy 2023/28

Report authorised by: Jon Warlow – Director of Finance – (Chief Finance Officer and Section 151 Officer)

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. Cabinet considered the 2023/24 Budget and 2023/28 Medium Term Financial Strategy (MTFS) report at their meeting held on 7th February 2023 and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2023/24 by Full Council in accordance with the Council's constitution.
- 1.2. It should also be noted that on 6 February the Final Local Government Settlement figures were notified to the Council, the effect of which to this Council was small and therefore no changes are required to the Budget figures. The Council Tax and savings proposals remain unchanged from those in the Cabinet report.

2. Cabinet Member Introduction

- 2.1. My comments on the 2023/24 budget which can be found in the Cabinet report of 7 February 2023 attached at Annex 1 remain unchanged.

3. Recommendations

3.1. Council are asked:

- (a) To approve the proposed 2023/24 Budget and Medium-Term Financial Strategy (2023/28) agreed by Cabinet on 7th February 2023 as set out in Annex 1;
- (b) To approve the increase of 2.99% in Haringey's element of the Council tax and an additional 2% for the Adult Social Care Precept;
- (c) To approve the General Fund budget requirement for 2023/24 of £279.517m, net of Dedicated Schools Budget, as set out in Appendix 1 of Annex 1 to this report;
- (d) To approve the Cash Limits for 2023/24 of £279.517m as set out in Annex 2;
- (e) To approve the 2023/28 General Fund Capital Programme set out in Appendix 4 of Annex 1 to this report;
- (f) To approve the strategy on the flexible use of capital receipts as set out in and Appendix 6 of Annex 1 to this report;
- (g) To approve the Housing Revenue Account (HRA) Budget 2023/28 as set out in Table 9.3 of Annex 1 to this report;
- (h) To approve the 2022/27 HRA Capital Programme set out in Table 9.4 of Annex 1 to this report;
- (i) To note the Greater London Authority (GLA) precept (para. 7.13-7.14);
- (j) To approve the budgeted level of non-earmarked General Fund balance and the specific and other reserves as set out in Annex 3b;
- (k) To approve the reserves policy including the Chief Finance Officer's (CFO) assessment of risk and the assessment of the adequacy of reserves, as set out in Annex 3 (a – c);
- (l) To note the report of the Chief Finance Officer under Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of proposed reserves set out in section 9;
- (m) To approve the Treasury Management Strategy Statement 2023/24 set out in Annex 4; and
- (n) To pass the budget resolution including the level of Council Tax, in the specified format, and to determine that the Council's relevant basic amount of Council Tax for the year is not excessive as set out in Annex 5.
- (o) To note the results of consultation as set out in Appendix 8 of Annex 1.

4. Reasons for decision

- 4.1. The Council has a statutory responsibility to set a balanced budget each year. The financial planning process this year has been markedly influenced by the economic environment specifically high rates of interest, cost of living crisis and the war in Ukraine. Furthermore, ongoing high demand for services overlaid with increased acuity has led to forecast overspends in the current financial year which have had to be addressed in the construct of the 2023/24 Budget.
- 4.2. The 2023/24 Budget & 2023/28 MTFS Cabinet report of 7th February included Cabinet's response to feedback from the budget consultation, the views of Overview and Scrutiny Committee held on 19th January 2023 and also the outcome of the overall equalities assessment. Relevant budgetary allocations announced in the Provisional Local Government Finance settlement on 19th December 2022 were also included. The Final Settlement ratified by Parliament on 8th February 2023 was in line with the Budget assumptions in the attached documents.
- 4.3. The report and recommendations from the Cabinet meeting on 7th February 2023, were agreed in full and are attached as Annex 1.
- 4.4. Taking all relevant factors into account, this report sets out Cabinet's 2023/24 Budget and 2023/28 MTFS proposals, including the level of Council tax for 2023/24, for the Council to consider and approve.

5. Alternative options considered

- 5.1. The Council has a statutory requirement to set a balanced budget for 2023/24. Therefore, in accordance with legislation and the Council's constitution, this report recommends that the Council should approve the proposed 2023/24 Budget and 2023/28 Medium Term Financial Strategy agreed by Cabinet on 7th February 2023, including the outcomes from the budget consultation exercise, budget scrutiny and equalities review, which is attached as Annex 1 and approve the Council tax for 2023/24. Accordingly, no other options have been considered.

6. Background information

- 6.1. On 7th February 2023 Cabinet agreed a proposed 2023/24 Budget and 2023/28 MTFs for submission to this meeting of the Council, including: a General Fund revenue budget for 2023/24 of £279.517m; the Dedicated Schools Budget and the Housing Revenue Account (HRA) revenue budget for 2023/24; and the 2023/28 Capital Programmes for both the General Fund and HRA. Cabinet agreement to these proposals was subject to the decisions of levying and precepting authorities, not available at that time.
- 6.2. The Cabinet report of 7th February 2023 (attached as Annex 1 to this report), and the proposed Budget/MTFS recommended to Full Council by Cabinet are the subjects of discussion at this meeting.
- 6.3. This report also addresses:
 - The final local government finance settlement 2023/24;
 - The decisions of levying bodies and precepting authorities;
 - Considerations in setting the Council Tax;
 - The robustness of the Council's budget process;
 - The adequacy of the Council's reserves; and,
 - The Treasury Management Strategy Statement 2023/24.
- 6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2023/24.

7. Key Developments and Updates

Final Local Government Finance Settlement

- 7.1. The Final Local Government Settlement (FLGFS) was in line with the budgetary assumptions built into the February Cabinet report. The government did release the contingency sum that they had held back at the provisional settlement. This lately advised impact for Haringey has been minimal with the allocation of an additional £0.130m to the Services grant. This will be temporarily added to the corporate contingency until the administration has directed how this will be utilised and will be reported on in subsequent Finance update reports.

Greater London Authority (GLA) Free School Meals Support

- 7.2. In a recent development the Mayor of London has announced that the GLA is stepping in with a one-off emergency funding to ensure that healthy free school meals are universally available to all primary school children for one academic year from September 2023.
- 7.3. Further work is required with the GLA to understand exactly how this will complement the existing expanded FSM programme (which does not cover the full primary school cohort) already built into the 2023/24 Budget. Once further information is available it will be reported in the regular Finance Update report to Cabinet.

Levying Bodies

North London Waste Authority

- 7.4. The Council is one of seven constituent boroughs of the North London Waste Authority (NLWA). NLWA handles waste disposal on the Council's behalf and recovers the costs from the Council by way of a levy. Borough levies are apportioned between the constituent boroughs in accordance with an Inter-Authority Agreement entered in 2015.
- 7.5. The Board of the North London Waste Authority (NLWA) met on 9 February 2023 and agreed an overall levy, after the application of balances, of £63.87m (£57.04m 2022/23) which is a 12.5% increase over the 2021/22 position.
- 7.6. The increase is largely driven by the impact of inflation. However, due to high electricity prices during 2022/23, the NLWA has received higher than normal income from the sale of electricity to the National Grid. Because of this additional income, the Board meeting also agreed to approve a one-off windfall payment of £10.2m to boroughs as a deduction from the approved levy. Once applied, the 2023/24 average levy would represent a 5.3% reduction compared to 2022/23. The final levy on Haringey approved by the NLWA Board for 2023/24 is £6.916m. This windfall payment had been expected and a one-off £3m reduction built into the final 2023/24 Budget proposals considered by Cabinet on 7 February.
- 7.7. The MTFs continues to assume growth in future years from 2024/25 to address the expected increase in the NLWA levy to fund the costs associated with the new Energy and Resource Recovery Facility.
- 7.8. The NLWA is presently undertaking a refresh of its treatment infrastructure in the North London Heat & Power Project (NLHPP). This project involves £1.2bn (2019 cash price base) of expenditure on new assets including a 700,000 tonne Energy Recovery Facility and a Resource Recovery Facility. As a result of this and partly because the current treatment assets are fully depreciated, the NLHPP will cause an increase to the Council's levy, by 2033-34 the increase will be in the range £3m-£7m per year. This increase will impact on the levy as the assets come into use, with most of the increase being in place by 2027-28. Constituent boroughs have been kept up to date by NLWA on likely levy increases arising from the NLHPP since 2019.
- 7.9. This will need to be kept under review and the MTFs adjusted when more up to date figures are available.

London Pension Fund Authority (LPFA)

- 7.10. The London Pension Fund Authority (LPFA) levy is raised to meet expenditure on premature retirement compensation and outstanding personnel matters for which LPFA is responsible and cannot charge to the pension fund. These payments relate to former employees of the Greater London Council (GLC), the Inner London Education Authority (ILEA) and the London Residuary Body (LRB). The levy has reduced by 90% for 2023/24 (see *change in table below) however, the LPFA have raised a new payment demand for £240.7k as agreed under the Pensions Agreement dated 12 October 2022 which provides a mechanism for addressing the funding deficit in relation to the pension liabilities for the former GLC and ILEA. Together, these sums due to the LPFA are in line with the total payable in 2022/23 and therefore there are no budgetary

implications associated with this change in how these liabilities are being addressed.

- 7.11. The levies payable to all other bodies have remained stable and can be accommodated within the current proposed budget.
- 7.12. The below table provides a summary of levy charges to Haringey Council in 2022/23 and 2023/24.

Table 7.1: Summary of 2022/23 and 2023/24 Levies

Contributions to Other Organisations	Amount Paid 2022/23 £'000	Amount Due 2023/24 £'000	
Environment Agency	187	189	
Lee Valley Regional Park Authority	188	203	
London Borough Grants Scheme	197	197	
London Pensions Fund Authority *	266	26	*
North London Waste Authority (NLWA)	7856	6916	
Total Paid/ To Pay	8,694	7,529	

The Greater London Authority Precept

- 7.13. The Mayor's final draft budget proposals for the 2023/24 consolidated budget will be considered by the London Assembly on Thursday 23 February 2023. The current draft proposals set a band D precept of £434.14 an increase of £38.55 (9.7%) over the 2022/23 figure. This reflects the Mayor's decision to apply the maximum £15 allowable increase in the precept for local policing bodies which has been allocated to MOPAC as well as the maximum 2.99 per cent increase in the core non-police precept which is allocated in full to the London Fire Commissioner. Finally, a £20 increase at Band D to fund TfL's transport services.
- 7.14. It is possible that the proposed increase in the precept may change before the final Budget is approved – including the possibility of a change at the GLA meeting on the 23 of February 2023. Therefore, the amounts shown in respect of the GLA precept in Annex 5, the formal Budget resolution, may change. If this happens, the revised figures will be added as an addendum item to this report. The Council as a billing authority is required to reflect the level of any relevant precept notified to it and so it is not a decision of the Council as to whether the level of the GLA precept should be approved or not. It is, however, imperative that the Council Tax information produced by the Council as the Billing Authority reflects the final decision taken by the GLA.

8. Considerations in setting the Council Tax

- 8.1. The Localism Act 2011 gave electors the right to veto excessive Council tax rises. Councils that set 'excessive' council tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 8.2. The provisional Local Government Finance Settlement Government announced that those authorities with Adult Social Care functions could implement a 2% Adult Social Care (ASC) precept for 2023/24. This is on top of the previous legislation which allowed up to 2% in 2016/17, a maximum of 6% between 2017/18 and 2019/20, and 3% in 2021/22 and a further 1% in 2022/23. For those years, Haringey applied the full 8% between 2016/17 and 2018/19, 3% in 2021/22 and 1% in 2022/23. The ASC precept must be allocated entirely towards Adults Social Care costs and specific information must also be made available on the face of the Council tax bill highlighting this to taxpayers.
- 8.3. The final Local Government Finance Settlement confirmed the above Council Tax referendum principles and therefore, for 2023-24, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2023/24 is 5.00% or more than 5% (comprising 2% for expenditure on adult social care, and 3.0% for other expenditure) or more than 4.99%, greater than its relevant basic amount of council tax for 2022/23. The Budget now proposed assumes that both allowable elements will be charged to residents i.e. a 2.99% increase in basic Council Tax and a 2% increase in the Adult Social Care element. These proposals are below the levels that would trigger a referendum.
- 8.4. Council is therefore recommended to resolve the relevant basic amount as not excessive at paragraph 6 of the Formal Budget Resolution (Annex 5).
- 8.5. The projected income from Council tax in 2023/24 is £124.2m (£117.7m in 2022/23) based on 79,718 Band D equivalent dwellings (the Tax Base) (79,303 in 2022/23), a collection rate of 96% (95.75% in 2022/23) and the proposed Band D Council tax rate of £1,558.18 (£1,484.13 in 2022/23).
- 8.6. These proposals result in total net available funding (the 'Budget Requirement') for 2023/24 of £279.517m, as set out in recommendation 3.1(c), above.

9. Statements of the Designated Chief Finance Officer

- 9.1. Local authority financial resilience continues to be of great significance after a prolonged period of austerity, the impacts of the Covid-19 pandemic and more recently high levels of inflation.
- 9.2. Considerable care is taken in the financial reporting to Members both during the time of budget setting and also during the course of the year to ensure that a full and fair perspective is given of the financial position and resilience of the Council. This takes account of issues and opportunities, trends, risk analysis and service and corporate developments. In addition to this, the CIPFA Financial Resilience Index is a useful tool as it provides an independent view for the local leadership on the overall financial resilience of their Council.
- 9.3. The underlying data used for the Index is necessarily based on publicly available data and is therefore historic in nature.

- 9.4. Haringey's 2021/22 position compared to other London Boroughs is shown in Annex 3d along with further description and interpretation for each of the indicators and their relationship to risk.
- 9.5. The key messages to note are that:
- Level of reserves has worsened relative to the comparator group. A key factor within this is that some other authorities saw a net improvement in their financial position as a consequence of their level of Covid 19 related grants and spend. This authority effectively utilised its grant money during the pandemic period.
 - Social Care spend ratio to Total Net Service expenditure has slightly worsened and remains a notable risk.
 - The highest risks indicated by the model are now gross external debt and the ratio of interest payable to net revenue expenditure. This risk is amongst the highest when compared with the rest of London Boroughs. However, the risk has remained stable for the past few years.
 - Fees and Charges to Service Expenditure Ratio continues to be the lowest risk for Haringey. Although the financial stress indicator has worsened in 2020/21 due to loss of income resulting from COVID, there has been some improvement back to level seen previously.
- 9.6. The Council's Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the final budget calculations.
- 9.7. To meet the scale of the financial challenge facing the Council, the Council refreshes its five-year MTFs on an annual basis to ensure that assumptions, especially those around budget reductions and evidenced demand are reviewed and updated as necessary.
- 9.8. The Spending Round 2021 (SR21) announced on 27 October 2021 confirmed departmental resource and capital budgets for a three-year period (2022-2025), the first time since 2016. However, the 2022/23 Local Government Finance Settlement (LGFS) only provided allocations for a single financial year.
- 9.9. The LGFS for 2023/24 was again only for a single year however, the Government also issued a Policy Statement on 12 December which set out some planning assumptions for the 2024/25 settlement including details for the majority of the funding streams.
- 9.10. Key points of note from this are:
- The Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.
 - The council tax referendum principles will continue the same as 2023/24.
 - Revenue support grant will continue and be uplifted in line with baseline funding levels (assumed now to be now based on September 2023 CPI), while social care grants will increase as set out in the table above.

- Business rates pooling will continue.
 - The Government will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement.
 - The 2024/25 settlement will include a new funding stream, subject to successful delivery of the Extended Producer Responsibility for packaging (pEPR) scheme as soon as is feasible within this financial year. Local authorities can expect to receive additional income from the scheme whilst being asked to submit data relevant to their waste collection services.
- 9.11. Based on the publication of this Policy Statement, and confirmation of funding totals at a national level for most grants, the 2024/25 budget has been updated to reflect our funding levels, assuming the same distribution methodology as used for 2023/24. Clearly these will need to be revisited again as part of next year's financial planning process but do provide a clearer picture of the likely resource envelope than provided in recent years.
- 9.12. The Bank of England's Monetary Policy Committee (MPC) voted to increase the Bank Rate to 4% at its meeting on 1 February 2023. The MPC noted that global consumer price inflation remains high, although it is likely to have peaked across many advanced economies, including in the United Kingdom. The MPC's updated projections showed CPI inflation falling back sharply from its current very elevated level, of 10.5% in December, in large part owing to past increases in energy and other goods prices falling out of the calculation of the annual rate. Annual CPI inflation was expected to fall to around 4% towards the end of 2023.
- 9.13. Although it is positive to see this forecast steep reduction in inflation rates, the impact will not be felt immediately. While the 2023/24 Budget has sought to address the estimated impact on both its own staff pay award and third-party contracts, there remains risk that the estimates prove insufficient. This has been highlighted as one of the key financial risks for the forthcoming year.
- 9.14. Government had provided several one-off measures to help offset the impact of the energy price increases for households and the business sector however these are not currently assumed to continue into the new financial year, particularly as global energy prices are falling. The Government has though announced the continuation of the Household Support Grant for a further year as well as a Council Tax Reduction grant. These will be used to provide financial support to residents struggling financially.
- 9.15. In the light of these considerable uncertainties, largely outside the Council's direct control, further weight is given to the S151 considerations on the adequacy of reserves and other balances.

Robustness of the budget process

- 9.16. The financial planning process this year has been markedly influenced by the economic environment specifically high rates of interest, cost of living crisis and the war in Ukraine. Furthermore, ongoing high demand for services overlaid

with increased acuity has led to forecast overspends in the current financial year which have had to be acknowledged in the construct of the 2023/24 Budget.

- 9.17. 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.
- 9.18. 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.
- 9.19. The number of identified pressures, unknowns and overall volatility has been concerning and has made setting a balanced 2023/24 Budget challenging. Furthermore, many of the issues, such as inflation and increased demand are outside the Council's direct control.
- 9.20. For **2023/24** with the Administration's emphasis on the importance of being a **competent, radical and collaborative** Council, the strategies have covered:
 - 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
- 9.21. 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.
- 9.22. Overall, an additional £22m growth has been built into 2023/24, on top of the sums already built into the MTFS. Over £17.0m of this is being added to Adults, Health and Communities (AHC) and Children's Services mainly to address increased demand and acuity along with rising costs of placements. A further £4.0m of the growth in AHC is from the two new specific grants, Discharge grant and Market Sustainability & Improvement Funding announced in the PLGFS which come with specific responsibilities. A net £1m growth has been added to the Temporary Accommodation budget in recognition of the inflationary pressure manifesting across London private sector rents. The remaining growth is largely addressing recurring base budget pressures and creating as robust and realistic budgets as possible.

- 9.23. This year Directors were tasked with identifying new savings to be delivered across the MTFs, and close to £20m has been identified and built into the MTFs as set out in the table below.

New Savings	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/ £'000	2027/28 £'000	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	(5,762)	(3,055)	159	100	-	(8,558)
Children's Services	(1,500)	-	-	-	-	(1,500)
Placemaking & Housing	(370)	(10)	-	-	-	(380)
Corporate Budgets						
Total	(15,403)	(3,066)	(1,340)	101	(49)	(19,757)

- 9.24. This is front loaded, with £15.4m due to be delivered in 2023/24. Although this is a significant target, these proposals have been reviewed and challenged at various forums since the start of the financial planning process and have been signed off by both Directors and the relevant lead member.
- 9.25. This should also be considered in the light of a very detailed review of the existing savings programme which has led to the £8.9m being written out of budget assumptions for 2023/24. 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; the cross-council Digital Together saving has not been written off, just re-profiled across the next three years.
- 9.26. The Council Leadership Team (CLT) has considered and signed off a new Change Framework which will be in place for the new financial year. This will provide greater oversight of progress on delivery of the high value, high risk proposals and allow for directed intervention at an early stage. This is one of the strategies in place to de-risk the proposed 2023/24 Budget. Alongside this, the budget process will continue to be supported by a regular cycle of budget management and reviews. The Council's Risk Management process also underpins all these activities.
- 9.27. The improved funding position for 2023/24 from the Local Government Finance Settlement coupled with a number of one-off budget adjustments has enabled the reliance on reserves to balance the Budget to be reduced from £5.5m to £3.5m. Equally the policy announcements from Government on the 2024/25 finance settlement allows for greater certainty over many of the funding forecasts for the second year of the MTFs. This is a positive step in terms of next year's financial planning process.
- 9.28. The Council also holds a corporate contingency which can also be called on to manage any slippage to the agreed budget reduction programme in any one year as well as addressing unforeseen circumstances which cannot realistically be built into budget plans. The contingency for 2023/24 and across the remainder of the MTFs is £7.4m.
- 9.29. The proposals in this Budget/ MTFs have been reviewed by Overview and Scrutiny, public consultation and assessed for any negative equalities' impacts. The implications of the proposed capital programme to the future revenue budgets of the authority were highlighted again during this process and have

also been highlighted as one of the authority's higher risks in the CIPFA resilience analysis.

- 9.30. It is acknowledged that one of the larger growth areas in the Councils budget is the capital financing costs associated with the impact of investment in the council's expansive capital programme. This has rightly been a focus throughout the budget setting and scrutiny process and the Cabinet budget reports have made clear the revenue implications associated with each project. The authority must continue to keep a close focus on its capital programme and the revenue implications of this in future years, more so this year due to the impact of increased borrowing rates on affordability.
- 9.31. In summary, the MTFs recognises the impact of the 2023/24 Local Government Finance Settlement on enabling a reduced reliance on reserves to set a balanced budget. The associated Policy statement has also provided more certainty around the funding envelope for the following year (2024/25) than has the case in recent years. This has both reduced the gap for that second year but has also brought down the forecast gap at the end of the MTFs period to £17.4m compared to the £21.5m assumed in last year's process.
- 9.32. However, the gap remains challenging, and the Council must take steps to quickly develop the financial planning framework for the 2024/25 process so that maximum time is available to prepare new and robust proposals.
- 9.33. Furthermore, it is critical that the whole organisation focuses on successfully delivering the agreed savings programme and in the agreed timeframe. The new Change Framework will be a key factor in this. To implement and deliver service change of the scale required will require recourse to one-off funding which confirms the need to maintain sufficient earmarked reserve funding specifically for this. The Transformation reserve and the use of capital receipts direction flexibility will be important in this respect.
- 9.34. This challenging financial horizon also supports the proposed maintenance of the £7.4m annual contingency across the MTFs period.
- 9.35. Overall, the Chief Financial Officer is satisfied that the estimates underpinning the Cabinet's proposals for the 2023/24 Budget are robust however, challenges remain across the whole MTFs period.

2022/23 Budgetary Position

- 9.36. The Qtr2 forecast was a £16.1m variance from the agreed budget consisting of £8.1m base budget pressures and £8.0m non-delivery of agreed savings. Indicative figures for Qtr3 show a reduction to the forecast base budget pressure which is positive.
- 9.37. 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.

- 9.38. The impact of persistent high levels of inflation is playing into the base budget pressures particularly within the care services. Furthermore, they continue to report both increased demand but also increased complexity and acuity which has a big impact on the cost of the care package. The financial planning undertaken has sought to collectively estimate realistic and affordable budgets in these key areas.
- 9.39. Outside the General Fund, the position on the Dedicated Schools Grant continues to be of concern to Haringey, with a projected overspend of £3.8m for 2022/23. Provisions have been put into the School and Early Years Finance (England) Regulations 2020 until 31st March 2026 which sets out on a statutory basis, a requirement that the DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the local authority not to do this. The Council must therefore carry forward its overall DSG deficit in an account established, charged, and used solely for the purpose of recognising deficits in respect of its school's budget. The DSG Deficit Reserve which is used to hold the DSG deficits totalled £20.5m as at 31st March 2022. The final 2022/23 year end overspend will need to be added to this balance. The DSG deficit is solely due to pressures on the High Needs Block (HNB) of the DSG. Haringey has been invited to join the DfE Safety Valve programme, which requires substantial plans for reform to the high needs budget with an expectation to deliver an in-year balanced budget within 5 years. Once plans demonstrate sustainability, the DfE will enter into an agreement to provide financial support with funds to address the cumulative deficit, subject to Ministerial approval. Haringey's Final Safety Valve proposals were submitted to the DfE on 6th October 2022 and subject to DfE approval Haringey would then enter the Safety Valve Programme. This will support the whole system approach needed to address the pressure on the HNB Budget.

Adequacy of Reserves

- 9.40. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Annex 3a, which the Council should formally review each year.
- 9.41. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 9.42. The Council holds a number of reserves which are detailed in Annex 3b and can be categorised as follows:
- **Non-earmarked (general) Reserves** - These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
 - **Earmarked (specific) Reserves** - These are held to cover specific known or predicted financial liabilities;

- **Other Reserves** - These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools' accumulated balances.
- 9.43. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.
- 9.44. Annex 3b also shows the projected movement on the reserves over the current (2022/23) financial year, based on the position at Period 10.
- 9.45. It is projected that the Council will have un-earmarked General Fund balance of £15.4m on 31st March 2023 (subject to any amendments to the 2020/21 and 2021/22 Audits). The final position will be dependent however on the Council's 2022/23 financial outturn.
- 9.46. It is imperative that the un-earmarked general reserves and contingencies are adequate to meet the net financial impact of the risks facing the Council. These risks have been assessed and based on knowledge at the current time, have been calculated at £20.0m as set out in Annex 3c. This risk can be covered by the existing Resilience reserve and the General Fund reserve. Accordingly, the proposed levels of general reserves set out above, together with the contingency provision in the Council's base budget are judged to be adequate within the meaning of the 2003 Act.
- 9.47. No change to the Council's Reserves Policy is recommended.

Treasury Management

- 9.48. The Treasury Management Strategy Statement (TMSS) for 2022/23 in Annex 4 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was considered by Corporate Committee on 2nd February 2023 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.
- 9.49. The Council's Overview and Scrutiny Committee also considered the TMSS on 19th January 2023 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.
- 9.50. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 7th February 2023. It should be noted that the 5 relevant tables have been updated post the Cabinet meeting to ensure they align to the calculations included in the final TMSS now presented. The revenue implications of the final TMSS have already been incorporated into the Budget and MTFs and therefore there are no changes to the revenue figures reported to Cabinet on 7th February. The updated tables are shown in Annex 6.
- 9.51. Any future decision by the Council to undertake further debt financed capital expenditure, including, in particular, any changes associated with the Capital Strategy will require a review of the prudential indicators and further approval by full Council.

10. Summary and Conclusions

- 10.1. This report finalises the Budget process for 2023/24 and proposes that Council Tax is increased by 2.99% with an additional 2% increase in relation to Adult Social Care precept.
- 10.2. The level of financial reserves is also reported, and those levels are considered to be adequate.
- 10.3. The Council is required to determine whether its increase in Council Tax for 2023/24 is 'excessive' and, if so, would trigger a referendum. The proposal in this report is not an "excessive" increase.
- 10.4. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.
- 10.5. The Medium Term Financial Strategy 2023/2028 recognises the risks arising predominantly from funding constraints and increases in demands for council services, but it remains essential that the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of budget reductions, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its resources.

11. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

- 11.1. As the report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

Head of Legal & Governance Comments and legal implications

- 11.2. The Head of Legal & Governance has been consulted in the preparation of this report and makes the following comments.
- 11.3. In accordance with section 67 of the Local Government Finance Act 1992 (the '1992 Act'), the functions of agreeing the budget and the calculation of Council tax are to be discharged by the Full Council.
- 11.4. The Local Authorities (Standing Orders) (England) (Regulations) 2001 set out the process of approving the budget and provide that the adoption of the budget and calculation of the Council tax by Full Council is to be on the recommendation of the Cabinet. The council tax and savings proposals remain unchanged since their consideration by the Cabinet on 7th February 2023. In reaching a decision Full Council may adopt the Cabinet's proposals, amend them, refer them back to Cabinet for further consideration, or substitute its own proposals in their place.
- 11.5. Under section 25 Local Government Act 2003, in considering decisions on the budget, and the level of Council tax, Full Council must take into account this report from the Council's Chief Finance Officer, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.
- 11.6. Full Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However, Members must take into

consideration their exposure to personal risk if they disregard clearly expressed advice.

- 11.7. Full Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil the statutory obligations in this regard.
- 11.8. In accordance with section 31A of the 1992 Act, Full Council is required to calculate the Council tax chargeable by way of a Council tax requirement. The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income, the difference is the Council's Council tax requirement for the year. The relevant basic amount of Council tax for the year is calculated by dividing the Council tax requirement after the deduction of levies by the Council tax base.
- 11.9. Under section 52ZB of the 1992 Act the Council is required to determine whether its proposed relevant basic amount of Council tax is excessive on the basis of criteria set by the Secretary of State. It has been confirmed by the Referendums Relating to Council tax Increases (Principles) (England) Report 2023/24 that for 2023/24 an increase is excessive if the authority's relevant basic amount of Council tax for 2023/24 is 5% (comprising 2% for expenditure on adult social care and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of Council tax for 2022/23. In such circumstances such an increase would be regarded as excessive and automatically trigger a referendum in the borough. The 'relevant basic amount' of Council tax was redefined by section 41 of the Local Audit and Accountability Act 2014, and accordingly section 52ZX of the 1992 Act has been updated. Essentially an authority's relevant basic amount of Council tax is the authority's own level of Band D Council tax. With the current proposals of 4.99% increase the Council is entitled to conclude in accordance with the Direction issued by the Secretary of State, that the relevant basic amount of Council tax is not excessive.
- 11.10. In accordance with section 30 of the 1992 Act, the Council is required to set the Council tax for the next financial year on or before 11 March. Under section 106 of the 1992 Act, any Member who is in arrears of two months or more Council tax must declare it at the meeting and abstain from voting upon this report.

Equalities and Community Cohesion Comments

- 11.11. Equality comments are included in the report to Cabinet dated 7th February 2023, attached as Annex 1.

12. Use of Appendices

Annex 1 – Cabinet report of 7th February 2023 including Appendices 1 - 11.

Annex 2 – Cash Limits analysed at Directorate Level

Annex 3 – Reserves

3a: Reserves Policy

3b: Reserves and their adequacy

3c: Risk evaluation

3d: Financial Resilience Indicators

Annex 4 – The Treasury Management Strategy Statement

Annex 5 – The Formal Budget Resolution

Annex 6 – Updated Borrowing Tables

13. Local Government (Access to Information) Act 1985

13.1. The following background papers were used in the preparation of this Report.

- Final Local Government Finance Settlement 2023/24.
- NLWA Budget Proposals report agreed 9th February 2023.
- GLA Budget proposals report agreed 23rd February meeting 2023.

For access to the background papers or any further information please contact Frances Palopoli – Head of Corporate Financial Strategy & Monitoring ext. 3896