Report for: Full Council 4th March 2024

Item number:

Title: 2024/25 Budget and Medium-Term Financial Strategy 2024/29

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 2024/25 Budget and 2024/29 Medium Term Financial Strategy (MTFS) report at their meeting held on 6th February 2024 and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2024/25 by Full Council in accordance with the Council's constitution.

1.2. The 2024/25 Budget & 2024/29 MTFS Cabinet report of 6th February included Cabinet's response to feedback from the budget consultation, the views of Overview and Scrutiny Committee held on 18th January and 1st February and also the outcome of the overall equalities assessment. Relevant budgetary allocations announced in the Provisional Local Government Finance settlement on 18th December 2023 were also included along with the estimated effect of a late announcement on 24th January of an additional £600m for England.

1.3. Due mainly to timings, there are a limited number of changes to the proposed General Fund Budget and MTFS since the 6th February report. The Final Local Government Finance Settlement figures were agreed by Parliament on 7th February 2024. The final settlement included the £600m late additional monies the majority of which is ringfenced to social care. The final notified figures were not significantly different and changes and proposed treatments are discussed in Section 7 of this report. A limited number of technical adjustments and clarifications have also been required. These have been set out in Annex 6.

1.4. The financial planning process this year has continued to be influenced by the economic environment such as on-going high Bank of England interest rates, uncertainty over continuing inflation rate falls and the impact that this continues to have on residents and businesses. Furthermore, there continues to be unrest internationally and a UK general election that must take place before the end of January 2025. And, once again, the local government sector has only been provided with a one year funding settlement the level of which is insufficient to meet the demands and increased cost base of providing services.

1.5. Faced with such a wide range of financial and social challenges, the budget process has been extremely challenging and also protracted as the Council was unable to present a balanced draft budget in December. It must be remembered that Haringey is not alone in this plight, with at least 3 Councils issuing Section 114 Notices during 2023/24 and many already highlighting that, without recourse to additional funding, they may be unable to set legitimate budgets for 2025/26.

1.6. The Cabinet are now able to propose a balanced 2024/25 Budget to this meeting of Full Council. Given the level of additional growth required in the demand led services of £25.5m, even after a proposed savings programme of £19.3m to be delivered in 2024/25 alone, a use of corporate reserves of £5.01m is still required. This draw down of reserves is slightly less than assumed at the 6 February 2024 Cabinet meeting as a consequence of the final local government finance settlement announcements.

1.7. Based on modelling at this point, the budget gap for 2025/26 in the MTFS is £14.0m rising to c. £26.5m by 2027/28. This is an extremely concerning picture and the Council must be under no illusion about the continuing challenging budget position beyond 2024/25.

2. Cabinet Member Introduction

2.1. This report proposes a balanced budget to full council. Up and down the country, councils are struggling to make ends meet, to cope with increased costs, interest rates and need. We have worked hard to carefully examine how to support our residents and services while presenting a balanced budget tonight.

2.2. Over the past 14 years, funding for our borough has been reduced by about £143 million in real terms. Haringey is a borough with amongst the highest levels of deprivation in London, with corresponding higher need for social care and other services. Rising need and high inflation are driving up what we must spend on statutory services. To ensure we support local people who rely on council services the most, we will continue our year-on-year investment in adult social care, children's services, and homelessness.

2.3. Haringey Council is ambitious for our borough's future. Our council house building programme remains on track, and we will deliver our key commitment of 3000 new Council homes by 2031. This investment will make a real difference to local people; affordable, high-quality, modern, eco-friendly council homes at council rents.

2.4. We are committed to invest in our council housing. We have put in measures to ensure that our Housing Revenue Account is in good health in order to support improvements to our housing services, additional investment in fire prevention works and additional costs in dealing with issues such as damp and mould. We are also putting considerable capital funding into major works. Our council homes must be a place where our tenants and leaseholders are safe and happy to live.

2.5. We will continue to pursue our climate and air quality goals: creating more school streets and increasing tree planting; making our homes climate-change proof through retrofitting and smart design; and encouraging active travel through installing more cycle lanes and bike hangars. Climate justice is social justice – and this administration's commitment to building a fairer, greener Haringey remains at the heart of our decision making.

2.6. The cost of borrowing for capital works has soared. To set a balanced budget and to reduce the gap in future years, we have carefully examined our capital programme. Over the term of the MTFS, we have reduced our General Fund capital programme, by removing proposals that are either no longer required or cannot be progressed because their business case no longer works. The impact of this rigour when comparing the agreed programme in March 2023 and the projection to 2027/28, is a reduction of 40%. So unfortunately, this has meant that we are no longer able to proceed with all schemes and some will need to be reconsidered in future years, if the financial circumstances are more favourable.

2.7. As a Council, we are focused on delivering value for money by continuing to drive down spending on agency staff, consultants, and senior managers. We are also tightening our procurement procedures, to ensure value for money across the organisation.

2.8. Local authorities across the political spectrum have campaigned for government to provide fairer funding and longer term settlements. Despite promises, this has not occurred. The government has called on councils with budget shortfalls to use their reserves to fill the gap. This is not a sustainable long-term solution. Reserves can only be spent once, so as a responsible local authority we have sought to minimise their use.

2.9. The government belatedly notified an intention to increase funding via the Social Care Grant, which for Haringey amounts to just over £2.5m this year. While any increase in funding is welcome, coupled with limited other funding changes they represent nowhere near enough to cover the increased cost of delivering adults and children’s care services, and do nothing to address the scale of our future funding pressures. For example, the Household Support Fund provided an invaluable resource for residents during these difficult times. Haringey’s allocation was £4.8m. This vital funding has not been continued and we will no longer be able to provide much of the support that has been in place to those most in need in our communities.

2.10. I would like to extend my thanks to all the residents who participated in the budget consultation, whose feedback shaped our thinking and approach. I'm grateful to the Council officers who, through their hard work identifying efficiencies, have helped us once again set a balanced budget this year. After 14 years of austerity, every year of funding cuts compound to make each budget round more demanding than the last.

2.11. Efficiency savings and the use of reserves have not been enough to address the overwhelming pressure on our budget, and some difficult decisions have been taken. To set a balanced budget we have had to find savings in our non-statutory services and be prudent about the affordability of borrowing. Despite all the challenges we will proudly continue to resource our fantastic libraries, children’s centres, parks, leisure facilities, affordable homes, and youth services. This budget invests in the local services that our communities value and invests in Haringey's future as a fairer, greener borough.

3. Recommendations

3.1. Council are asked:

(a) To approve the proposed 2024/25 Budget and Medium-Term Financial Strategy (2024/29) agreed by Cabinet on 6th February 2024 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 2024/25 of £302.05m, net of Dedicated Schools Budget, as set out in Section 7.22 of this report;

(d) To approve the Cash Limits for 2024/25 of £302.05m as set out in Annex 2;

(e) To approve the 2024/29 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 Appendix 6 of Annex 1 to this report;

(g) To approve the Housing Revenue Account (HRA) Budget 2024/29 as set out in Table 9.6 of Annex 1 to this report;

(h) To approve the 2024/29 HRA Capital Programme set out in Table 9.7 of Annex 1 to this report;

(i) To note the Greater London Authority (GLA) precept (para. 7.21);

(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 2024/25 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 the budget consultation as set out in Appendix 7 of Annex 1 which has been updated since the 6 February 2024 Cabinet meeting to include an additional 111 consultee responses.

4. Reasons for decision

4.1. The Council has a statutory duty to set a balanced budget by 11 March each year.

4.2. The report and recommendations from the Cabinet meeting on 6th February 2024, were agreed in full and are attached as Annex 1.

4.3. The Budget now proposed has been updated to reflect the final funding allocations announced in the Final Local Government Finance Settlement. Taking all relevant factors into account, this report sets out Cabinet's 2024/25 Budget and 2024/29 MTFS proposals, including the level of Council tax for 2024/25, for the Council to consider and approve.

5. Alternative options considered

5.1. The Council has a statutory duty to set a balanced budget for 2024/25 by 11 March 2024, accordingly, no other options have been considered.

5.2. Therefore, in accordance with legislation and the Council's constitution, this report recommends that the Council should approve the proposed 2024/25 Budget and 2024/29 Medium Term Financial Strategy agreed by Cabinet on 6th February 2024, 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 2024/25.

6. Background information

6.1. On 6th February 2024 Cabinet agreed a proposed 2024/25 Budget and 2024/29 MTFS for submission to this meeting of the Council, including: a General Fund revenue budget for 2024/25; the Dedicated Schools Budget and the Housing Revenue Account (HRA) revenue budget for 2024/25; and the 2024/29 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 6th February 2024 (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 2024/25;
- The decisions of levying bodies and precepting authorities;
- Considerations in setting the Council Tax;
- The Director of Finance's Section 25 Statement on the robustness of the Council's budget process and the adequacy of the Council's reserves *and*
- The Treasury Management Strategy Statement 2024/25.

6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2024/25.

7. Key Developments and Updates

Final Local Government Finance Settlement and Other Grant Announcements

7.1. The Final Local Government Settlement (FLGFS) was mainly in line with the budgetary assumptions built into the February Cabinet report. The FLGFS included the additional £600m of measures for England authorities announced on 24 January, the majority of which is ringfenced to social care. Estimated figures for this Council's allocation of the additional grant were built into the 6 February Cabinet report. The budget figures have been reviewed in the light of the FLGFS leading to the following changes: -

(a) Final Social Care grant allocation was £0.902m greater than assumed in the 6 February Cabinet report and this reduces the overall drawdown from the Strategic Financial Planning reserve;

(b) Final Services grant allocation was £0.019m greater than assumed in the 6 February Cabinet report. When applied, it will further reduce the overall drawdown from the Strategic Financial Planning reserve.

7.2. The net impact of these changes on the 2024/25 Budget is to reduce the call on reserves to £5.01m.

7.3. Government has also now confirmed the final Public Health grant allocations for 2024/25. Haringey will receive £22.727m (£22.203m 2023/24) which consists of a uniform 1.36% uplift on the 2023/24 core public health grant, plus a share of £27.4 million uplift for the additional recurrent pay pressures due to the 2023 to 2024 consolidated NHS Agenda for Change pay award. This represents £0.523m more than had previously been assumed in the 6 February Cabinet report. The Public Health budget and corresponding grant figure have been increased accordingly and therefore there is no net improvement on the Council's overall General Fund position.

7.4. Alongside the FLGFS, the Government confirmed that it will require councils to publish local productivity plans – agreed by Council Leaders and members - by 28 July 2024, identifying ways to unlock productivity improvements and setting out the key implementation milestones. The expectation is that they cover the following main areas:

- transformation of services to make better use of resources;
- opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
- ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
- barriers preventing activity that Government can help to reduce or remove.

7.5. Councils will have to provide Government with regular updates on progress. The details of how this will operate have yet to be shared.

7.6. In another important potential development, the Government has recently consulted on providing additional capital flexibilities for local authorities however, none of the proposals consulted upon address the long-term financial sustainability of local authorities. No date has been announced for the outcome of this exercise.

Greater London Authority (GLA) Free School Meals Support

7.7. The GLA 2024/25 draft Budget included £44 million to fully implement the delivery of free school meals to all primary school children for the remainder of the **2023-24 academic year**; and to continue to support Londoners by supplying another approximately 10 million meals to low-income families across the city during the school holidays. It also includes £140 million to continue the Universal Free School Meals programme in the **2024-25 school year.**

7.8. The final decision on the budget took place at the London Assembly (Mayor's Question Time) meeting on 22nd February 2024. Final Borough allocations for the free school meals programme will not be known until after that date and will be reported in the regular Finance Update reports to Cabinet.

Household Support Fund

7.9. The Government's Household Support Fund was first launched on 6th October 2021 during the COVID19 pandemic and has been extended several times. The grant was provided to support the most vulnerable households in the local area. The latest extension lasts until 31st March 2024 and Haringey's allocation for 2023/24 was £4.8m. Despite significant lobbying from the local government sector, no announcements have been made for 2024/25 and the future of the Household Support Fund remains uncertain.

7.10. It is possible that an announcement will be made on this grant as part of the Spring Budget on 6th March. In the absence of this, this Budget includes the continuation of the Council's own Haringey Support Fund totalling £0.2m for 2024/25.

Levying Bodies

North London Waste Authority

7.11. 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.

7.12. The Board of the North London Waste Authority (NLWA) met on 8th February 2024 and agreed an overall levy, after the application of balances, of £72.9m

(£63.87m 2023/24) which is a 14.1% (12.5% increase 2023/24) over the 2023/24 position. The higher increase is due to lower balances being available as waste levels have started to increase again post pandemic. Taking out the application of balances in both 2023/24 and 2024/25 for comparative purposes, the variance in the levy is £1.2m / 11.7%. This gives a truer sense of the year-on-year change. Balances are likely to remain at lower levels than seen in the previous years.

7.13. The overall NLWA net expenditure budget for 2024/25 is £93.9m and reflects:

- Inflation pressures
- Running costs for the new Resource Recovery Facility (RRF) which will become fully operational (£2.8m allowed)
- Borrowing payback - Minimum Revenue Provision (MRP) and interest being recognised due to the RRF coming online
- Sale of recyclates decreasing due to market conditions, and
- Mobilising NLWA corporate overheads given large facilities coming into operation, compounded by upcoming office rent reviews.

7.14. The impact of these decisions for Haringey is a levy of £10.098m after the application of balances and represents a £1.9m/23% increase on the net levy for 2023/24. This is driven by the pressures outlined above along with lower balances to apply as waste volumes in Haringey have increased over the past year.

7.15. For 2025/26, the levy is forecast to increase a further 17.7% to £11.9m, assuming there will be no balances available, and driven largely by costs of the Minimum Revenue Provision on the new RRF. This is in line with the overall NLWA-wide levy increase forecast of 17.5%.

7.16. Both the 2024/25 final levy and the forecast for 2025/26 are in line with the Budget and MTFS proposed to Full Council.

7.17. The MTFS continues to assume growth in future years to address the expected increase in the NLWA levy to fund the costs associated with the new Resource Recovery Facility. This is a large-scale project and will continue to be kept under regular review and the MTFS adjusted when more up to date figures are available.

London Pension Fund Authority (LPFA)

7.18. The London Pension Fund Authority (LPFA) levy and Payment Amount under the Pensions Agreement 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). At the LPFA Board meeting on 8th December 2022, it agreed that the Inner London Levy and the Greater London Levy would be set at a total of £8m for the period 2023/24 to 2025/26. Under the Pensions Agreement dated 12rd October 2022, a portion of the amount previously raised as levies is being collected from boroughs and paid into the LPFA Pension Fund to address a funding deficit in respect of former GLC, ILEA and LRB employees. Together, these sums due to the LPFA are in line with the total payable in 2022/23, prior to the Pensions Agreement and therefore there are no budgetary implications associated with this change in how these liabilities are being addressed.

7.19. The levies payable to all other bodies have remained stable and can be accommodated within the current proposed budget.

7.20. The below table provides a summary of levy charges to Haringey Council in 2023/24 and 2024/25.

Table 7.1: Summary of 2023/24 and 2024/25 Levies

	Amount Paid 2023/24 £'000	Amount Due 2024/25 £'000
Environment Agency	189	195
Lee Valley Regional Park Authority	203	212
London Borough Grants Scheme	197	197
London Pensions Fund Authority	26	26
North London Waste Authority (NLWA)	6916	10098
Total Paid/ To Pay	**7,529**	**10,728**

The Greater London Authority (GLA) Precept

7.21. The Mayor's final draft budget and proposed council tax precept for 2024-25 was approved by the London Assembly unamended on Thursday 22nd February 2024 and the Mayor has now signed the relevant Decision approving the final GLA precept. The Band D precept is therefore as previously advised: a band D precept of £471.40 (£434.14 in 2023/24) an increase of £37.26 (8.6%) over the 2023/24 figure. This increase comprises £20 for TfL, £13 for the Met Police and £4.26 for the London Fire Brigade. This is in line with the maximum increase permitted under the GLA's referendum limit which is a monetary one rather than a percentage.

Final 2024/25 General Fund Budget and MTFS Position 2024-2029

7.22. After taking into account all of the above and the updates described in full in Annex 6, the **General Fund budget requirement for 2024/25 is £302.05m**. The final summary budget position for the General Fund across the whole period of the MTFS is:

Directorate	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Projected £'000	2026/27 Projected £'000	2027/28 Projected £'000	2028/29 Projected £'000
Adults, Health & Communities	108,701	115,530	123,376	130,749	130,025	128,805
Children's Services	62,949	65,649	66,009	66,369	65,604	65,554
Culture, Strategy & Engagement	33,569	26,842	23,693	23,703	23,698	23,698
Environment & Neighbourhood	14,565	17,896	20,185	18,421	17,049	16,182
Placemaking & Housing	7,829	6,047	5,519	4,854	4,119	3,434
Chief Executive	305	22	(229)	(229)	(229)	(229)
Corporate Governance	2,283	3,201	3,201	3,201	3,201	3,201
Finance	52,815	72,363	84,169	94,187	103,356	104,026
Council Cash Limit	**283,017**	**307,549**	**325,922**	**341,255**	**346,823**	**344,671**
Planned Contributions from Reserves *	(3,500)	(5,483)	(294)	(145)	(11)	(11)
Further Savings to be Identified	-	(15)	(14,014)	(25,223)	(26,539)	(24,387)
Total General Fund Budget	**279,517**	**302,051**	**311,615**	**315,888**	**320,274**	**320,274**
Council Tax	(124,212)	(135,533)	(139,538)	(143,662)	(147,914)	(147,914)
Council Tax Surplus	-	(2,500)	(0)	(0)	(0)	(0)
RSG	(25,635)	(27,353)	(27,517)	(27,517)	(27,517)	(27,517)
Top up Business Rates	(59,451)	(63,686)	(95,991)	(95,991)	(95,991)	(95,991)
Retained Business Rates	(19,800)	(22,288)	(22,414)	(22,414)	(22,414)	(22,414)
Section 31 Grants	(21,546)	(22,251)	(0)	(0)	(0)	(0)
NNDR Surplus/(Deficit)	1,271	-	-	-	-	-
NNDR Growth	(2,000)	(2,000)	-	-	-	-
Total Main Funding	**(251,374)**	**(275,611)**	**(285,461)**	**(289,585)**	**(293,837)**	**(293,837)**
New Homes Bonus	(2,105)	(1,790)	(1,798)	(1,798)	(1,798)	(1,798)
Public Health	(21,502)	(22,727)	(22,727)	(22,727)	(22,727)	(22,727)
Other core grants	(4,536)	(1,923)	(1,923)	(1,923)	(1,923)	(1,923)
Total Core/Other External Grants	**(28,143)**	**(26,440)**	**(26,448)**	**(26,448)**	**(26,448)**	**(26,448)**
Total Income	**(279,517)**	**(302,051)**	**(311,909)**	**(316,033)**	**(320,285)**	**(320,285)**

7.23. The 2024/25 Planned Contributions from Reserve line above, marked with an *, includes £5.01m from the corporate Strategic Budget Planning reserve as well as £0.4m of planned drawdowns from the service reserve.

7.24. It should be noted that during the latter stages of the budget process, the need for a number of changes has been identified, which include the treatment of Public Heath monies and temporary accommodation savings, and the clarification of the approach to the delivery of library service savings. These have all been addressed and described in Annex 6.

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 2024/25. 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 and 2% in 2023/24. For those years, Haringey applied the full 8% between 2016/17 and 2018/19, 3% in 2021/22, 1% in 2022/23 and 2% in 2023/24. 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 2024/25, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2024/25 is 5.00% or more than 5% (comprising 2% for expenditure on adult social care, and 3.0% or more for other expenditure) greater than its relevant basic amount of council tax for 2023/24. 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 2024/25 is £133.9m (£124.2m in 2023/24) based on 81,875 Band D equivalent dwellings (the Tax Base) (79,718 in 2023/24), a collection rate of 97% (96% in 2023/24) and the proposed Band D Council tax rate of £1,635.92 (£1,558.18 in 2023/24).

8.6. These proposals result in total net available funding (the 'Budget Requirement') for 2024/25 of £302.05m, as set out in recommendation 3.1(c), above.

9. Statements of the Designated Chief Finance Officer

9.1. The Local Government Act 2003 (Section 25) requires that the chief financial officer reports the following matters to members when agreeing its annual budget and precept:

- the robustness of the estimates made for the purposes of the budget calculations, and
- the adequacy of the proposed financial reserves

9.2. Haringey is required to have regard to this report when making decisions about the budgetary assumptions. For members the Section 25 statement provides critical context for budgetary discussions. The provision of this information is a legal requirement and ensures that all members have regard to the professional advice provided by the authority's chief financial officer when final budget decisions are made being made. This statement must therefore be considered as an important part of the Budget Report and the contents noted by full council.

Introduction

9.3. The Council continues to experience the impact of the conditions in the national economy and post pandemic environment. The macro – economic uncertainty has had major implications on Haringey's 2024/25 Budget as inflation and cost of living remains high, costs of critical services increasing (particularly in care) and costly mortgages are driving up costs of Temporary Accommodation. High interest rates have also placed pressure on the funding of the Council's capital programme. All these factors are driving the need for £25.5m growth in Directorate budgets, predominately in the three demand led services, Adults, Children's and Temporary Accommodation.

9.4. The economic outlook also remains uncertain due to an upcoming general election and ongoing conflicts in Ukraine and the Middle East. A new government will need to address plans on future spending and taxation to address the significant underfunding of public services through the next Spending Review(s).

9.5. The Bank of England's (BoE) Monetary Policy Committee (MPC) continued to tighten monetary policy throughout 2023. The Bank Rate was raised to a peak of 5.25% in August 2023. However, contrary to expectations of another increase in September, the MPC decided to maintain this level for the rest of the year.

9.6. The November quarterly Monetary Policy Report (MPR) forecasted an extended period of low Gross Domestic Product (GDP) growth, with a potential slight decline due to continued weak economic activity. The BoE also anticipates that higher interest rates will constrain GDP growth, which is forecast to remain weak over the forecast period.

9.7. The future forecasts for UK Consumer Price Index (CPI) inflation are considered uncertain, with risks including potential energy price increases, strong domestic wage growth, and supply chain problems. The Office for National Statistics (ONS) reported that the annual CPI inflation measure for the UK was 3.9% in November 2023, down from 4.6% in October and 6.7% in September, the lowest rate since September 2021.

9.8. The 2024/25 Budget has sought to address the estimated impact on both its own staff pay award and third-party contracts though there remains risk that the estimates prove insufficient. This has been highlighted as one of the key financial risks for the forthcoming year.

9.9. Some Government grant funding for council services has not increased at the same rate as inflation with final allocations for the Service Grant and the New Homes Bonus less in 2024/25 than previously assumed.

9.10. Government had provided several one-off measures in previous years to help offset the impact of the cost of living crisis, including energy price increases, to households and the business sector however government measures will not continue into 2024/25. The future of the Household Support Fund remains uncertain, which based on current year's allocation will result in the further loss of £4.8m vital government funding which Haringey has used to support those most in need.

9.11. In the light of these considerable economic uncertainties and risks, largely outside the Council's direct control, further weight is given to the S151 considerations on the council's adequacy of reserves and other balances.

External Assessments of Haringey's Financial Resilience

9.12. 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. Considerable care is taken in the financial reporting to Members both during the time of budget setting and 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. The CIPFA Financial Management Code also states:

‘Effective governance and financial management is focused on ensuring that the authority is able to operate sustainably in the long term. This means that the authority needs to look beyond the limited time horizons of its funding arrangements and to consider the longer-term financing of its operations and activities.’

9.13. 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 and has been utilised in this final Budget report since it was developed in 2018.

9.14. The underlying data used for the Resilience Index is necessarily based on publicly available data and is therefore historic in nature however, it provides useful, independent benchmarking.

9.15. Haringey’s 2022/23 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.

9.16. The key messages to note are:

- **Level of Reserves:** This highlights the comparative low level of Haringey’s reserves when compared across all London Boroughs. Haringey’s ratio of current reserves (total useable excluding public health and schools) to the council’s net revenue expenditure is 37.61% for 2022/23 year. When compared only to our Nearest Neighbour group, only one of our nearest neighbours has a lower percentage. Our planned use of reserves will reduce our percentage and may exacerbate our comparative position.

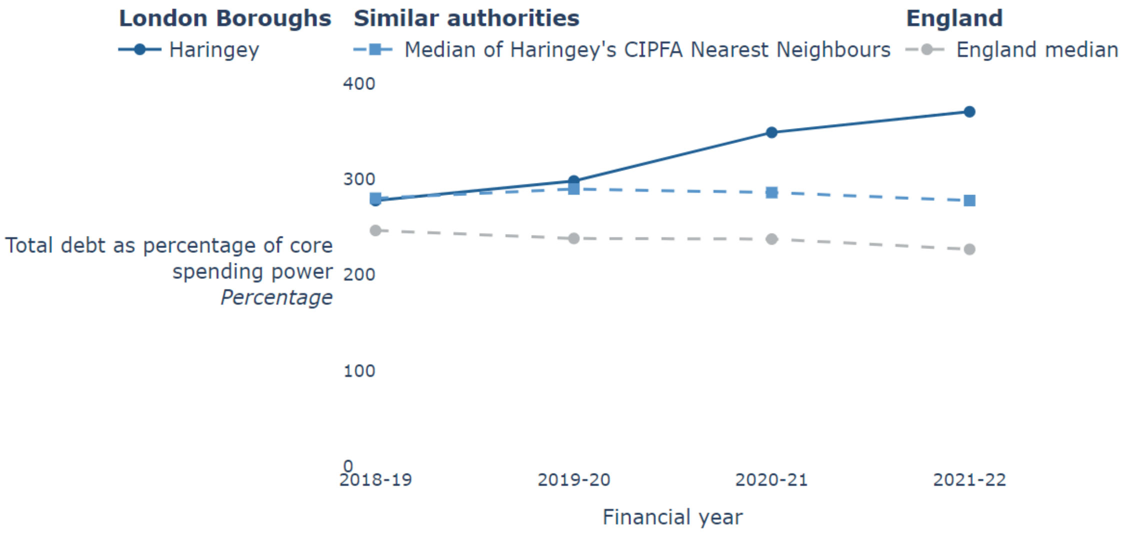
- **Interest Payable/Net revenue Expenditure (ratio of interest payable and net revenue expenditure excluding HRA):** This is Haringey’s second highest risk when compared to the Nearest Neighbour group with interest payable representing 9.49% of net revenue expenditure (excluding the HRA). As highlighted elsewhere in the report, this has been recognised as a key financial risk for the authority’s sustainability not just for the immediate year but across the MTFS. This is why significant focus has been placed on scaling back the current capital programme as part of this year’s financial planning.

- **Social Care Ratio (ratio of the sum of adult and children social care to net revenue expenditure):** The social care ratio is the 3rd highest risk for Haringey and the Borough remains in the top half of nearest neighbour boroughs. Since last year this ratio has slightly worsened in comparison to all London boroughs. This remains a notable risk which the authority is very much alive to. In response to the budget pressures manifesting during 2023/24, more than £22.5m growth has been built into the social care services for 2024/25.

- **Fees and Charges to Service Expenditure Ratio** continues to be the lowest risk for Haringey. This shows that the Council continues to have relatively low exposure to this source of income.

9.17. The **Office for Local Government (OFLOG)** is a new local government performance body in England, established in 2023. OFLOG's aim is to provide authoritative and accessible data and analysis about the performance of local government and support its improvement. The data used for the OFLOG is also publicly available and historic in nature. The table below illustrates OFLOG's total debt as a percentage of Core Spending Power for Haringey and shows that since 2019/20 total debt has since surpassed nearest neighbours and has remained relatively high. It should be noted that this is an OFLOG measure using both the General Fund and HRA debt position and until they are segregated it would be difficult to draw comparative conclusions with other Councils successfully.

Total Debt as a percentage of Core Spending Power (CSP)



Links to other OFLOG metrics for Haringey can be found here: [Corporate and finance - Local Authority Data Explorer]

9.18. The Capital expenditure for the General Fund and HRA over the MTFS, totals £2bn to 2028/29 (£583m for the General Fund and £1.413bn for the HRA) and will be kept under review over the MTFS period. This increase is significantly due to the scale of the HRA planned spend and reflects the Council's continued and growing capital investment plans to meet the needs of homeless households, improving existing stock, fire safety and the delivery of new homes.

9.19. The Council's General Fund 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 capital programme demonstrates this and has 31% of schemes wholly financed by Council's borrowing activity and largely reflect the statutory duties of the council. The inclusion of a scheme within the capital programme is not necessarily permission to spend and most schemes will be subject to the completion of an approved business case, assessing the risks and reviewed through robust governance arrangements.

Governance and Internal control

9.20. The Council reports its financial forecasts and budget monitoring to Cabinet and Full Council on a quarterly basis and is subject to an effective scrutiny process. Forecasts are devised and reported through the following well established and robust process:

- Monthly monitoring meetings with budget holders, with services leading on forecasts and a focus on identifying opportunities and risks, mitigations to reduce overspends and delivery of savings against targets.
- Established monthly performance Corporate Leadership Team meetings aligning the change framework, Corporate Delivery Plan, Capital Programme, Budget management reporting and performance monitoring process.
- Regular reporting to Members on budget monitoring, delivery of savings against targets and performance.
- Business Case development with good engagement from legal and finance
- Clarity of roles and responsibilities of budget holders with reference to the financial regulations, schemes of delegation and the constitution.
- An established internal audit function providing assurance on controls and processes.
- Quarterly reporting to the Corporate Leadership team on corporate risks, identifying the most significant risks in line with the Council's risk management strategy.

9.21. The scrutiny process was further strengthened this year, with more briefing provided to Panel and Committee Members with an additional and concluding Overview and Scrutiny session added in February to review the additional savings proposals identified following the December Draft Budget and PLGFS. All savings proposals put forward were accompanied by Equality Impact Assessments and Cabinet responses to Scrutiny Recommendations were provided.

9.22. The council established an Audit Committee in May 2023 and has delegated the responsibility for the monitoring of treasury management activities to this committee. The CIPFA Code requires the Committee responsible for monitoring treasury management activities to formulate the Treasury Management Strategy Statement (TMSS). The TMSS is then subject to scrutiny before being approved by Full Council.

9.23. The Council has published draft accounts for the Council and its Pension fund for 2020/21, 2021/22 and 2022/23. The External Audit however has not yet been completed for 2020/21 or undertaken for the other two years. This Council recognises the importance of the External Audit process and the independent source of financial assurance that comes from this and is disappointed that External Audits have not been done. We recognise that this situation is not unique to Haringey and the government has looked to resolve the national delays to Local audit. System partners including DLUHC, the Financial Reporting Council, National Audit Office and CIPFA have launched a consultation on how to resolve this and recommence timely annual audits. While this might lead to a process of Audit disclaimers for the years outstanding, we expect as a minimum to receive a Value for Money audit for all three years concerned, providing some level of assurance to Members about our financial position and related governance.

9.24. The Council is required to produce an Annual Governance Statement (AGS) for publication with the Council's annual accounts. The last accounts for 2022/23 were issued on 31st July 2023, and even though the accounts were not audited, we did issue an AGS on the same date. The Council's S151 officer has responsibility for ensuring that the Council has an effective process in place to demonstrate that the AGS has been reviewed and agreed by relevant senior managers across the authority and an appropriate member body and monitored regularly through the year by the Audit Committee. The AGS comments on the Council's governance framework as a whole and includes actions being taken to address any significant governance issues highlighted. The MTFS responds to the concerns raised in the AGS, which has been reflected in the body of the Budget report.

Robustness of estimates in the budget

9.25. The financial planning process this year has been heavily influenced by the economic environment, specifically the cost-of-living crisis and inflation and interest rates remaining high. Furthermore, ongoing demand for services in adults, children's and Temporary accommodation has led to a significant forecast overspend in the current financial year which has been acknowledged in the budget for 2024/25. With an early in year indication of a worsening financial situation for most local authorities, Haringey included, financial planning for 2024/25 started early and our approach was different compared to previous years. This led to a further step-up in finance and budget dialogues with managers across the Council and with Cabinet.

9.26. All senior managers participated in a Budget Fortnight, aimed at identifying cross directorate savings and efficiencies or where activities were duplicated across various Directorates. The output of this activity led to a number of saving and / or cost avoidance proposals which were then discussed with members of the Cabinet. Running parallel to this, Directorates were tasked with identifying any new savings proposals or management actions that could be put to Cabinet to drive further reductions in expenditure or generate additional income.

9.27. For 2024/25 with the Administration's emphasis on the importance of being a competent, radical and collaborative Council, the strategies have been aimed at:

- driving efficiencies founded on our one council culture, with cross council collaborative solutions and sustainable plans
- shifting resources from point of crisis to preventative
- drive through improvements and modernisation of digital solutions
- recognising the cost and opportunities of capital investment and the scope for property rationalisation
- commissioning appraisals for significant service delivery options, alive to full range of options and providers
- optimising Value For Money is central to protecting vital services
- importance of income generation (incl. fees and charges) – having a commercial mind set
- review the capital programme to remove or defer schemes to reduce borrowing and inflation costs.

9.28. The number of identified pressures, unknowns and overall volatility has been concerning and has made setting a balanced 2024/25 Budget challenging and required considerable and collaborative work across the council and significant resources and time to deliver. Furthermore, many of the issues, such as inflation and increased demand are outside the Council's direct control.

9.29. 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.

9.30. The Budget, through extensive modelling, has had to recognise the real pressures being seen in demand led services and build in realistic sums to cover on-going inflationary pressures. Overall, an additional £25.5m growth has been built into 2024/25 for these service areas, on top of the sums already built into the MTFS. £20.4m for Adult social care; £3.0m for Temporary Accommodation and £2.1m for Children's to address the increasing demand, increasing inflationary costs and reduction in supply of temporary accommodation driving up costs. The remaining growth is largely addressing recurring base budget pressures and creating as robust and realistic budgets as possible.

9.31. Any growth will inevitably require savings to be identified to balance the budget and so we have ensured savings proposals built into budgets are as realistic and deliverable as possible.

9.32. This year Directors were tasked with identifying **new** savings to be delivered across the MTFS, and close to £30m (including management actions) has been identified and built into the MTFS as set out in the table below.

New Savings						
Management Area	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total Savings**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adults, Health & Communities	7,589	1,998	677	724	1,220	12,208
Children's Services	603	320	320	365	50	1,658
Environment & Resident Experience	2,770	1,502	1,920	1,194	867	8,254
Placemaking & Housing	1,404	528	635	735	685	3,987
Culture, Strategy & Engagement	1,703	1,239	497	0	0	3,439
Total Savings	**14,069**	**5,587**	**4,049**	**3,018**	**2,822**	**29,546**

9.33. When added to the savings agreed in previous financial planning rounds, the total policy savings and management actions to be delivered over the course of the MTFS total £37.4m (see table below). This has been front loaded, with £19.3m due to be delivered in 2024/25. 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.

Total Savings						
Management Area	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total Savings**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adults, Health & Communities	10,320	2,239	677	724	1,220	15,180
Children's Services	833	320	320	365	50	1,888
Environment & Resident Experience	3,921	1,821	1,914	1,238	911	9,806
Placemaking & Housing	1,514	598	635	735	685	4,167
Culture, Strategy & Engagement	2,738	3,149	502	5	0	6,394
Total Savings	**19,326**	**8,127**	**4,048**	**3,067**	**2,866**	**37,435**

9.34. This should also be considered in light of a very detailed review of the existing savings programme which has led to the £5.6m being written out of budget assumptions over the MTFS period. The changes to the Adults, Health and Communities existing programme represents their re-articulation of their approach which is now set out in their new savings proposals.

9.35. The Council Leadership Team (CLT) has established the new Change Framework providing 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 2024/25 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.

9.36. The final funding position for 2024/25 from the Local Government Finance Settlement coupled with a significant savings programme has enabled the reliance on reserves to be limited to £5.01m, significantly down compared to the £16.3m budget gap in the December Draft Budget report.

9.37. The Council also holds a corporate contingency which can 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 2024/25 and across the remainder of the MTFS is c.£7m.

9.38. The proposals in this Budget/ MTFS have been reviewed by Overview and Scrutiny, public consultation and assessed in the light of the Council's public sector equality duty. 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.

9.39. It is acknowledged that the current economic environment has also had major implications for the existing and future GF Capital Programme, resulting in one of the larger spend areas in the Councils budget–- capital financing costs. In response, the Council has undertaken a fundamental review of the existing capital programme, removing or deferring a number of schemes. A robust approach has been taken to the inclusion of any new proposed investment. The outcome of this review 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 the Capital Programme. The authority must continue to keep a close focus on its capital programme and the revenue implications in future years. This is due to the impact of increased borrowing rates on affordability and the increasing size of debt in future years.

9.40. The prevailing economic situation is also forecast to impact on the overall sustainability of the HRA financial plan with inflation and interest rate rises on collection of rent and delivery of capital programmes. To address the long-term sustainability of the HRA, the Council has reviewed its charges to tenants and the proposals will maintain an adequate annual surplus (though decreased in future years), providing an appropriate level of in-year financial cover. The financial plan recognises the management of the risks in those periods via the use of a working balance which currently stands at £20m. We recognise that our HRA position remains tight and will require close monitoring of our ongoing income and expenditure positions.

9.41. In summary, the MTFS recognises the impact of the 2024/25 Local Government Finance Settlement, the significant growth allocated to care service budgets and Temporary Accommodation, underpinned by a substantial savings programme and the need to use reserves to set a balanced budget.

9.42. Notwithstanding the size of our savings programme where we have identified ambitious savings proposals to meet these pressures, looking forward we still have an increasing structural budget gap which is forecast to reach c£25.2m by 2026/27 (Given the degree of economic and future funding uncertainties, our projections beyond this point were not able to be soundly modelled). The gap for 2025/26 is £14.0m alone and therefore the council must take steps to commence the 2025/26 financial and savings planning early in this new year and maximise time available to prepare new and robust proposals. Without the necessary increase in funding from government and given our reducing reserves, the Council's future financial position looks very difficult.

9.43. Furthermore, it is critical that the whole organisation continues to focus on successfully delivering the agreed savings programme and in the agreed timeframe. The new Change Framework will be a key factor in delivering the service change at the scale and pace required. Resources have been made available such as the Transformation reserve and the use of capital receipts direction flexibility. This challenging financial horizon also supports the proposed maintenance of the £7m annual contingency across the MTFS period.

Potential Future Development in Local Government Financial Regime

9.44. The Government is looking at new approaches to provide local authorities the flexibility necessary to use the resources at their disposal to address their massive financial challenges. It should be noted of course that most if not all local authorities preference would be for adequate government grant funding which would remove the need for the sort of measures being consulted upon now. Notwithstanding this, the Government has recently consulted on three additional capital flexibilities:

- To widen the scope of eligible costs that could be met funded from capital receipts. This would enable general cost pressures to be met from receipts. However, to do so the authority must put in place and commit to delivering an efficiency plan that returns the authority to financial sustainability.
- To extend the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest to save projects. This would allow those authorities who do not have access to capital receipts to borrow to fund invest to save projects. The consultation recognises that will generate additional interest costs and the need for higher minimum revenue provisions contributions.
- Allow additional flexibilities for using the proceeds of selling investment properties. This extends option 2 by allowing the capital receipts to increase reserves where low, and to repay PWLB debt without a premium.

9.45. In reality, none of these capital flexibility proposals increase the resources provided to meet local need and do not address the long-term financial sustainability of local authorities. Only significant and permanent funding increases above the rate of inflation and/or reforms will meaningfully address the escalating cost of service delivery.

9.46. Outside the General Fund, the position on the Dedicated Schools Grant continues to be an area of significant focus for Haringey with the DSG deficit solely due to pressures on the High Needs Block (HNB) of the DSG. 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.

9.47. In March 2023, Haringey was successful in joining 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, in return for support to deal with historic deficits. The accumulated deficit on the High Needs Block has benefited from Safety Valve Funding of £11.99m received in 2022/23. As a result, the closing and accumulated deficit was £11.55m as at 31st March 2023. The projected 2023/24 overspend for the High Needs Block is £2.5m and with further Safety Valve funding of £2.99m expected in year, brings the forecast accumulated deficit by March 2024 down to £11.04m.

9.48. Overall, the Chief Financial Officer is satisfied that the estimates underpinning the Cabinet's proposals for the 2024/25 Budget are robust however, challenges remain across the whole MTFS period.

Adequacy of Reserves

9.49. 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.

9.50. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.

9.51. The Council holds a number of reserves which are categorised as either Usable or Unusable. Usable reserves can be utilised to fund capital or revenue expenditure, whilst unusable reserves cannot fund revenue or capital expenditure but hold unrealised gains or losses for assets not yet disposed of and accounting adjustments, which are required by statute. Reserves held by the council have been included in Annex 3b and can be further categorised as follows:

- Un-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.

9.52. All earmarked reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.

9.53. Annex 3b also shows the projected movement on the reserves over the current (2023/24) financial year, based on the position at Q3.

9.54. The Council entered into a PFI scheme in respect of its secondary schools in 2000. Then in 2008 it entered into a suspension agreement to allow the building schools for the future programme to be undertaken. Over the period of the scheme to date the Council has maintained a PFI Reserve as is normal for such schemes, to smooth the difference between related income and expenditures over the life of the scheme. A review has identified that over the period since 2000, the Council has discharged £10.6m of its capital expenditure obligations under the PFI scheme via its capital programme, which the PFI funding arrangements would have expected to have been met from the reserve. There was also a previous year movement to the reserve of £2.5m which, through the review, we can conclude is not required. Therefore, it is now proposed that the Council will transfer £13.1m from the PFI reserve to the Strategic Budget Resilience Reserve, increasing the useable reserves available to the council. The PFI agreement ends in September 2025.

9.55. It is projected that the Council will have un-earmarked General Fund balance of c.£15m on 31st March 2024 (subject to any amendments to the 2020/21, 2021/22 and 2022/23 Audits). The final position will be dependent however on the Council's 2023/24 financial outturn.

9.56. After the PFI reserve movement, the Council has c. £23m of available useable reserves, in addition to the c. £15m within its General Fund balance. These are the resources that the Council has available to address:

- The final 2023/24-year end overspend which at Qtr2 was forecast to be £20m (which will be part mitigated by the application of the c. £7m general fund contingency budget);
- The planned £5.01m use of reserves to balance the 2024/25 Budget.

9.57. In financial monitoring reports during this year, the Director of Finance has stated that the reserves are lower than the Council would want and so it should look to increase their levels. Clearly it has not been possible to plan for this through this latest MTFS process, and given the forecast gap for 2025/26, this will also be difficult to achieve next year. This emphasises the importance of tight budgetary control.

9.58. Recognising their limitations, it is still imperative that the un-earmarked general reserves and contingencies are adequate to meet the net financial impact of the risks facing the Council over this next year. These risks have been assessed and based on knowledge at the current time, have been calculated at £21.8m 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.

Treasury Management

9.59. The Treasury Management Strategy Statement (TMSS) for 2024/25 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 Audit Committee on 18th January 2024 which recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.

9.60. The Council's Overview and Scrutiny Committee also considered the TMSS on 18th January 2024 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.

9.61. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 6th February 2024. It should be noted that any future decision by the Council to undertake further debt financed capital expenditure outside of the total of the programme, 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 2024/25 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 Council is required to determine whether its increase in Council Tax for 2024/25 is ‘excessive’ and, if so, would trigger a referendum. The proposal in this report is not an “excessive” increase.

10.3. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.

10.4. The Medium Term Financial Strategy 2024/2029 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.

10.5. The level of financial reserves is also reported, and those levels are considered to be adequate, though the Council must maintain its ambition to increase them when possible.

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.

Assistant Director for Legal & Governance Comments and legal implications

11.2. The Assistant Director of Legal & Governance (Monitoring Officer) 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 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. Accordingly, 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. 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 of the Local Government Act 2003, where the Council is making calculations for the purposes of setting council tax, the Director of Finance (section 151 Officer) must report to it on (a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. The Council shall have regard to the report when making decisions about the calculations of council tax. The 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.

11.6. 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.

11.7. 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 2024/25, that for 2024/25 an increase is excessive if the authority's relevant basic amount of Council tax for 2024/25 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 2023/24. 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, which amended section 52ZX of the 1992 Act. Essentially an authority's relevant basic amount of Council tax is the authority's own level of Band D Council tax. With the proposal of a 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.

11.8. 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.

11.9. Member's fiduciary duty (i.e. legal duty as trustee of the public purse) is a material consideration to reflect upon. In making its decisions, the Council must act rationally and reasonably and should balance the nature, quality and level of services which it considers should be provided against the costs of providing those services. In addition, 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.

11.10. Full Council has a legal duty to set a lawfully balanced budget. Given the contents of the section 25 report of the s151 Officer, it is considered that adoption of the recommendations in this report would fulfil the Council's statutory obligations in this regard.

Equalities and Community Cohesion Comments

11.11. Equality comments are included in the report to Cabinet dated 6th February 2024, attached as Annex 1.

12. Use of Appendices

Annex 1 – Cabinet report of 6th February 2024 including Appendices 1 - 10.

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 – Technical Adjustments and Clarifications post 6th February 2024 Cabinet 2024/25 Budget and 2024/29 MTFS report.

13. Background Papers

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

- Final Local Government Finance Settlement 2024/25.
- NLWA Budget Proposals report agreed 8th February 2024.
- GLA Budget proposals report agreed 22nd February meeting 2024.

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