

## Cash Limit by Directorate 2024/25

| <b>Directorate</b>                | <b>2024/25<br/>£'000</b> |
|-----------------------------------|--------------------------|
| Adults, Health & Communities      | 115,530                  |
| Children's Services               | 65,649                   |
| Culture, Strategy & Engagement    | 26,832                   |
| Environment & Resident Experience | 17,896                   |
| Placemaking & Housing             | 6,047                    |
| Chief Executive                   | 22                       |
| Corporate Governance              | 3,201                    |
| Finance                           | 66,876                   |
| <b>Council Cash Limit</b>         | <b>302,052</b>           |

The Finance Directorate budget line in the table above includes not just the costs associated with running that directorate but also corporate expenditure including contingencies, capital financing, central inflation provisions and levies.

## Haringey Council – Reserves Policy

### Background

1. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
2. CIPFA has issued Local Authority Accounting Panel (LAAP) Bulletin No.55, Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 (Local Authority Reserves and Provisions). Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
3. This note sets out the Council's policy for compliance with the statutory regime and relevant non-statutory guidance.

### Overview

4. The Council's overall approach to reserves will be defined by the system of internal control. The system of internal control is set out, and its effectiveness reviewed, in the Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision-making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management.
5. The Council will maintain:
  - a General Fund general reserve;
  - a Housing Revenue Account (HRA) general reserve; and
  - a number of earmarked reserves.
6. Additionally, the Council is required to maintain **unusable** reserves to comply with accounting requirements although, as the term suggests, these reserves are not available to fund expenditure.

### General Fund general reserve

7. The purpose of the general reserve is to manage the impact of emergencies or unexpected events. Without such a reserve, the financial impact of such events could cause a potential financial deficit in the general fund, which would be severely disruptive to the effective operation of the authority. The reserve should mitigate against immediate service reductions if there were any unforeseen financial impacts.
8. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. The level of the reserve will be a matter of judgement which will take account of the specific risks identified through the various corporate processes. It will also take account of the extent to which specific risks are supported through earmarked reserves. The level will be expressed as a cash sum over the period of the general fund medium-term

financial strategy. The level will also be expressed as a percentage of the general funding requirement (to provide an indication of financial context).

#### HRA general reserve

9. The purpose of the HRA general reserve is similar to the General Fund general reserve above except applied to the ring-fenced HRA. The financial plan has a target of an ongoing £8m minimum annual surplus (though in this MTFS period that is forecast to not be possible for all years). This is to provide an appropriate level of in-year financial cover, in recognition of the risks such as changes in government policies, operational factors and those associated with an extensive development programme. The plan also assumes a year on year working balance of £20m. This increased position was established at the end of 2021/22.

#### Earmarked reserves

10. The purpose of earmarked reserves is to enable sums to be set aside for specific purposes or in respect of potential or contingent liabilities where the creation of a provision is not required or permitted.
11. The Council will maintain the following earmarked reserves:
  - a. **Schools Reserve** - This balance represents the net balances held by the Council's 61 schools. The Secretary of State for Education allows Local Authorities to have within their Scheme for Financing Schools, a provision whereby surplus balances that are deemed excessive can be withdrawn from the school in question and applied elsewhere within the Dedicated Schools Budget.
  - b. **Transformation Reserve** - This reserve is earmarked for the costs associated with the Council's Transformation programmes including the investment necessary to deliver longer term efficiencies and change, together with the associated costs of redundancies and decommissioning.
  - c. **Services Reserve** - It is Council policy that services may request funds to be carried forward, subject to approval by the Cabinet in the year-end financial outturn report. This reserve earmarks those funds to either be carried forward to the following financial year or retained.
  - d. **PFI lifecycle Reserve** - The PFI reserve is increased by PFI grant received in excess of contractual payments. This will be utilised to fund future years' PFI related costs. The main report to Council provides further information on movements from the PFI reserve in 2023/24.
  - e. **Treasury Reserve** - this reserve represents funds the Council has set aside for debt related costs including the potential repayment of debt and for funding of future capital expenditure, and management of risk inherent within the Council's treasury management activities.
  - f. **Insurance Reserve** - The Council self-insures a number of risks including liability, property and theft. Insurance claims are erratic in their timings and so the Council maintains a reserve to smooth the charge to the

Council's revenue account in the same way as a premium to an external insurance provider would smooth charges to the revenue account.

- g. **Unspent Grants Reserve** - This reserve holds grant income recognised in the Comprehensive Income & Expenditure Statement (CIES) when received, but which will finance related expenditure in future years. These come with conditions setting out how the funding must be used.
- h. **Labour Market Growth Resilience Reserve** - It is beneficial for the Council to support people into work and this reserve will support activities which achieve that aim.
- i. **The Strategic Budget Planning Reserve** – This reserve is a key tool for managing the impact of financial plans from one year to another. This reserve requires balances to be at different levels year to year depending on the demand as identified through previous and current budget plans.
- j. **Resilience Reserve** - This reserve will be used as a one-off measure to offset non-delivery / delay of planned savings and other budget risks contained within the MTFS. It will provide additional robustness and financial resilience for the Council.
- k. **The Collection Fund Smoothing Reserve** – As local tax revenue has become a more significant source of income for the authority over recent years, this reserve is a vital tool to smooth funding streams across the MTFS period. It will also be used to manage the profiling of when the impact of government Section 31 hit the Council's General Fund.

#### Management and control

- 12. The schools reserve and the insurance reserve are clearly defined and require no further authority for the financing of relevant expenditure.
- 13. The use of all other reserves requires budgetary approval in the normal way.
- 14. All reserves are reviewed as part of the budget preparation, financial management and closing processes.

#### Reporting and review

- 15. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The Corporate Committee will consider actual reserves when approving the statement of accounts each year.
- 16. The Council will review the reserves policy on an annual basis.

## RESERVES AND THEIR ADEQUACY

### 1. General Fund General Reserve

- 1.1. The judgement on the adequacy of the general fund general reserve needs to reflect the risk management and financial control processes that are in place, and the residual risk of emergencies or unexpected events. For this purpose, identification of the key risks is done in three ways:
  - identification of risks during the financial planning and budget setting process as set out in the main report;
  - risk assessment of the agreed investment and savings proposals in the agreed budget package, and;
  - key risks identified, monitored and managed through the Council's risk management strategy and framework.
- 1.2. The calculation of the potential financial impact of these assessed risks has been undertaken and, in the light of this, it is considered that the maintenance of the General Fund un-earmarked balance at £15.2m during 2024/25 is appropriate.
- 1.3. The risks set out in Annex 3c assess a potential financial impact at £21.8m for 2024/25 with a potential £27.6m available to cover this which the Chief Finance Officer (CFO) regards as being sufficient to cover the assessed potential risks. However, the CFO continues to specifically highlight the need for robust budget management in 2024/25 including the efficient delivery of agreed savings.
- 1.4. The 2024/25 figure for general balances (£15.2m) represents 5% of the Council's budget requirement.
- 1.5. The estimates of the reserves position at 31.3.2024 (based on Qtr3 2023/24), including earmarked and un-earmarked reserves for the General Fund are detailed in the following table. It should be noted however, that by the nature of these reserves, the timing of when draw down may be required is uncertain and thus unless specific timeframes have been identified no draw down is assumed.
- 1.6. The projected General Fund balance of £15.2m on 31st March 2024 is subject to any amendments to the 2020/21, 2021/22 and 2022/23 Audits. The final position will be dependent on the Council's 2023/24 financial outturn.
- 1.7. The approved 2023/24 Budget agreed a £3.5m drawdown from the Strategic Budget Planning reserve which is still assumed to be required. The 2023/24 Qtr2 year end budget forecast was £20.8m overspend. The Cabinet and officers continue to work at reducing this figure down before year end however,

it must be accepted that a gap may remain. The Council has a £7.4m budgeted Corporate contingency which can be applied but any eventual overspend above that figure will need to be met from reserves, initially the Budget Resilience reserve which totals £7.3m. Should this not be sufficient, a drawdown from the Strategic Budget Planning reserve would be required.

- 1.8. It should be noted that 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.
- 1.9. 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 to the Strategic Budget Resilience Reserve and the table below has been updated to reflect this. The PFI agreement ends in September 2025.
- 1.10. Apart from the reserves discussed in the paragraphs immediately above, the other earmarked reserve balances are forecast to remain relatively constant at the end of the 2023/24 financial year compared to the opening balances.

### **Projected Reserves Position (Based on the position at Qtr3 2023/24)**

| Description (£'000)                       | Forecast to end of 2023/24 |                     |                      |                     | Forecast to end of 2024/25 |                           |
|---|----------------------------|---------------------|----------------------|---------------------|----------------------------|---------------------------|
|   | Balance at 31/03/23        | Transfer In 2023-24 | Transfer Out 2023-24 | Balance at 31/03/24 | Assumed Use during 2024/25 | Est Balance at 31/03/2025 |
| <b>General Fund Reserve</b>               | <b>(15.20)</b>             | <b>0.00</b>         | <b>0.00</b>          | <b>(15.20)</b>      | <b>0.00</b>                | <b>(15.20)</b>            |
| <b>General Fund earmarked reserves:</b>   |                            |                     |                      |                     |                            |                           |
| Insurance reserve                         | (7.54)                     | 0.00                | 0.00                 | (7.54)              |                            | (7.54)                    |
| Strategic Budget Planning *               | (6.73)                     | (13.10)             | 3.50                 | (16.33)             | 5.01                       | (11.32)                   |
| Transformation reserve                    | (8.11)                     | 0.00                | 3.90                 | (4.21)              |                            | (4.21)                    |
| Schools reserve                           | (7.85)                     | 0.00                | 0.00                 | (7.85)              |                            | (7.85)                    |
| Services reserve                          | (11.25)                    | 0.00                | 0.18                 | (11.07)             |                            | (11.07)                   |
| PFI lifecycle reserve                     | (19.23)                    | 0.00                | 13.10                | (6.13)              |                            | (6.13)                    |
| Debt repayment (Cptal Fncg) reserve       | (1.07)                     | 0.00                | 0.00                 | (1.07)              |                            | (1.07)                    |
| Unspent grants reserve                    | (11.46)                    | 0.00                | 0.61                 | (10.85)             |                            | (10.85)                   |
| Labour market growth resilience reserve   | (0.37)                     | 0.00                | 0.00                 | (0.37)              |                            | (0.37)                    |
| Budget resilience reserve                 | (7.30)                     | 0.00                | 0.00                 | (7.30)              |                            | (7.30)                    |
| CF Smoothing                              | (1.23)                     | 0.00                | 0.00                 | (1.23)              |                            | (1.23)                    |
| <b>GF earmarked reserves:</b>             | <b>(82.14)</b>             | <b>(13.10)</b>      | <b>21.30</b>         | <b>(73.94)</b>      | <b>5.01</b>                | <b>(68.93)</b>            |
|   |                            |                     |                      |                     |                            |                           |
| <b>Total General Fund Usable Reserves</b> | <b>(97.34)</b>             | <b>(13.10)</b>      | <b>21.30</b>         | <b>(89.14)</b>      | <b>5.01</b>                | <b>(84.13)</b>            |

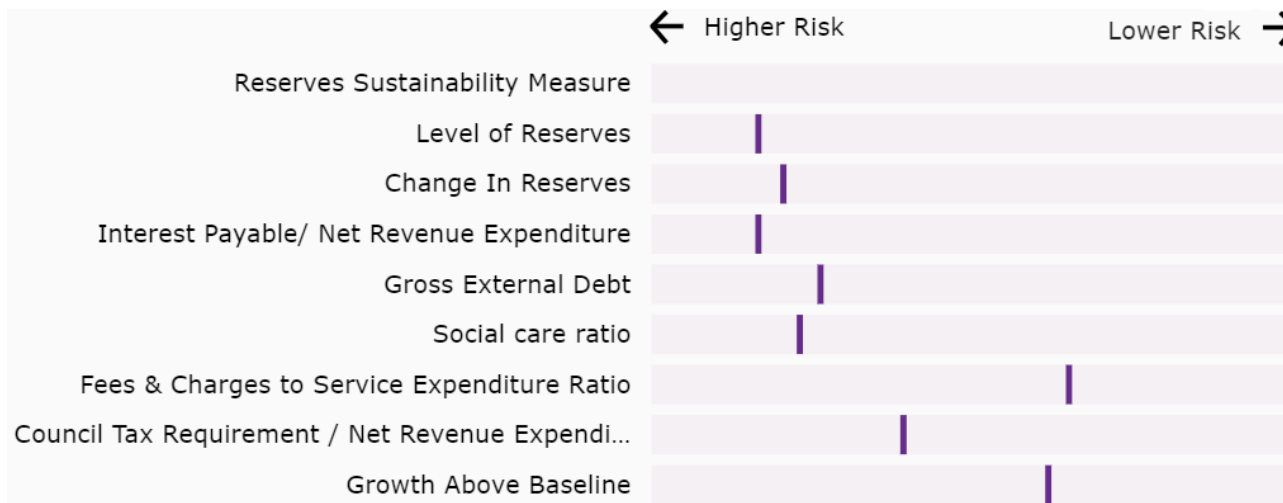
\* The £5.01m assumed use of the Strategic Budget Planning reserve during 2024/25 is the reserve requirement to balance the 2024/25 General Fund Budget as described elsewhere in this report.

| <b>Adequacy of Reserves - Risk Assessment 2024/25</b>  |                            |  |                        |
|--|----------------------------|--|------------------------|
| <p>Three key assessment areas:</p> <ol style="list-style-type: none"> <li>1. Identification of risks during the financial planning and budget setting process as set out in the main report;</li> <li>2. Risk assessment of the agreed investment and budget reductions proposals in the proposed budget package, and;</li> <li>3. key risks identified, monitored and managed through the Council's risk management strategy in the corporate risk register.</li> </ol> |                            |  |                        |
|  | <b>Net Budget Exposure</b> | <b>Risk</b>  | <b>Residual Impact</b> |
|  | <b>£m</b>                  | <b>%</b>   | <b>£m</b>              |
| <b>1. Budget Process</b>   |                            |  |                        |
| Children's Services  | 65.6                       | A High level risk assessment (10%) has been applied to the budget amount potentially at risk | 14.9                   |
| Adults Social Services   | 71.9                       |  |                        |
| Temporary Accommodation  | 11.0                       |  |                        |
| <b>2. Budget Reduction Proposals</b>   |                            |  |                        |
| - Delivery Programme   | 19.8                       | High level risk (10%) on savings proposals for 2023/24                                       | 2.0                    |
| <b>3. Other Service Unidentified Risks</b>   |                            | Estimated  | 5.0                    |
| <b>Total Risks</b>   |                            |  | <b>21.8</b>            |
| <b>Less</b> Corporate Contingency  |                            |  | 7.4                    |
| <b>Less</b> estimated available useable earmarked reserves *   |                            |  | 5.0                    |
| <b>Less</b> un-earmarked (General) reserves available  |                            |  | 15.2                   |
| <b>Available after risks</b>   |                            |  | <b>5.8</b>             |

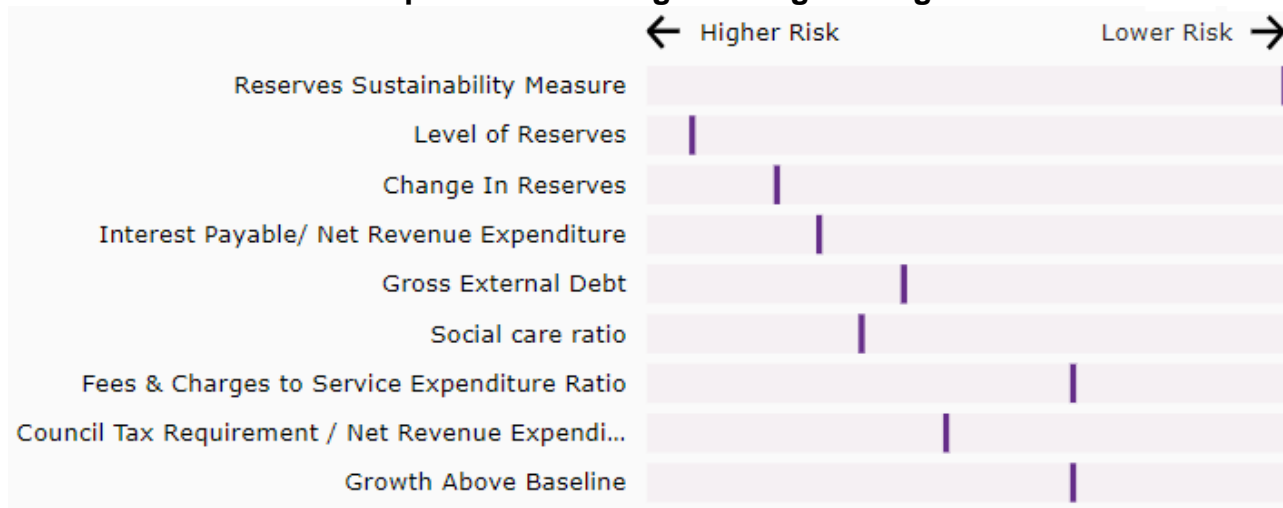
\* This figure is dependent on the final 2023/24 financial year overspend which is unable to be fully met from the corporate contingency budget.



### CIPFA Financial Resilience Index 2023 – Comparison with London Boroughs



### CIPFA Financial Resilience Index 2023– Comparison with Neighbouring Boroughs



| <b>Indicator</b>                            | <b>Description</b>   | <b>Relationship to risk and interpretation</b>   |
|---|--|--|
| Reserves Sustainability Measure             | This indicator is the ratio between the current level of reserves and the average change in reserves in each of the past three years. A negative value (which implies reserves have increased) or one greater than 100 is recoded to 100.                                    | The indicator provides a measure of how long (in years) it will take for a council to completely denude its reserves, if they continue to use reserves at the same rate as in the previous three years. A low value suggests that there is a risk that the authority will run out of reserves. A high value says, that on current trends, they are unlikely to deplete their reserves. |
| Level of Reserves                           | This is the ratio of the current level of reserves (total useable excluding public health & schools) to the council's net revenue expenditure. We have set the figure at 100% for a small number of district councils to remove the impact of extreme outliers.              | A low level of reserves may indicate that a council has low capacity to cope with financial shocks. It will also face a risk should expenditure exceed income.   |
| Change in Reserves                          | This indicator shows the average percentage change in reserves (total useable excluding public health and schools) over the past three years.  | A council that is using up its reserves may be at risk if they do not move to a more balanced budget.  |
| Interest Payable / Net Revenue Expenditure  | This indicator is the ratio of Interest Payable and Net Revenue Expenditure.   | This indicator aims to provide a better insight in terms of the budget flexibility of a council. Should a council have a high proportion of its expenditure dedicated to repaying debt, this could limit the council's flexibility to make further savings.  |
| Gross External Debt                         | This indicator compares the gross external debt held by the council to the total revenue reserves (excl. Schools and Public Health).   | This is a cover ratio that would give some idea of how proportionate a council's borrowing activity is compared to the reserves of the authority.  |
| Social care ratio                           | This indicator is the ratio of total spending on adults' and children's social care to net revenue expenditure.  | This indicator provides a measure of the degree of flexibility within a council's budget. Spending on these items is less likely to be reduced compared to other categories. A high ratio suggests the council has little flexibility to make further savings, potentially leading to risk.  |
| Fees & Charges to Service Expenditure Ratio | This indicator shows the proportion of fees and charges against the council's total service expenditure.   | Fees and charges are an increasing source of income. Thus, compared to the service expenditure a council incurs, a relatively low level of fees and charges may suggest a limited capacity to ensure budget flexibility.   |
| Council Tax Requirement / NRE               | This indicator shows the ratio of council tax as a proportion of net expenditure.  | As locally raised council tax becomes more important, a lower ratio may be associated with difficulties in raising the income necessary to support spending.   |
| Growth Above the Baseline                   | The Growth above the baseline figure is calculated as the difference between the baseline funding level and retained rates income, over the baseline funding level. The data for this is obtained from the RO and the 2019/20 Business Rates Levy and Safety net calculator. | A higher growth above the baseline may indicate a larger risk.   |

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## London Borough of Haringey

### Treasury Management Strategy Statement 2024/25

#### 1. Introduction

- 1.1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3. Investments held for service purposes or for commercial profit are considered in a different report.

#### 2. External Context – provided by the Council's appointed treasury advisor, Arlingclose

##### **Economic background**

- 2.1. The Council's treasury management strategy for 2024/25 will be significantly influenced by several factors, including inflation, higher interest rates, a weakening economic outlook, an uncertain political climate due to an upcoming general election, and ongoing conflicts in Ukraine and the Middle East.

##### **UK inflation, interest rates and economic growth outlook**

- 2.2. 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. The table below shows an extract of the Bank of England's Bank Rates throughout the year.

|               | Jan-23 | Mar-23 | Jun-23 | Sep-23 | Dec-23 |
|---------------|--------|--------|--------|--------|--------|
| BoE Bank Rate | 3.5%   | 4.25%  | 5.00%  | 5.25%  | 5.25%  |

- 2.3. The November quarterly Monetary Policy Report (MPR) forecasted an extended period of low Gross Domestic Product (GDP) growth, with the potential for a 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.

- 2.4. The forecast for UK Consumer Price Index (CPI) inflation was considered highly uncertain, with potential upside risks to CPI reaching the 2% target in the near term. These risks are driven primarily by potential energy price increases, strong domestic wage growth, and the persistence of price-setting.
- 2.5. 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 the previous month. Looking ahead, the Bank of England (BoE) anticipates that CPI inflation will continue to fall slowly based on the interest rate path implied by financial markets. However, it is projected to take until early 2025 to reach the 2% target, and then fall below target in the second half of 2025 and into 2026.
- 2.6. Despite the challenging economic environment, demand for labour has remained strong. The table below shows an extract of the reported annual unemployment rate over the past four quarters.

|                   | Jan-23 | Mar-23 | Jun-23 | Sep-23 |
|-------------------|--------|--------|--------|--------|
| Unemployment rate | 3.7%   | 4.9%   | 4.2%   | 4.2%   |

- 2.7. Looking ahead, the Monetary Policy Report (MPR) indicates that the unemployment rate is expected to gradually increase over the forecast period and reach approximately 5% by late 2025 or early 2026.

#### **Global economic outlook**

- 2.8. Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve (Fed) decided to pause in September and November, keeping the Fed Funds rate target at this level. It is likely this level represents the peak in the Fed's rate hiking cycle, after it struck a more cautious and accommodating tone following the December 2023 meeting.
- 2.9. In the Eurozone, inflation has been steadily declining since the beginning of 2023, reaching an annual rate of 2.4% in November 2023. Economic growth has been weak, with GDP contracting by 0.1% in the three months leading up to September 2023. In line with other central banks, the European Central Bank has raised its rates, bringing the deposit facility, fixed rate tender, and marginal lending rates to 4.00%, 4.50%, and 4.75% respectively.

#### **Credit Outlook**

- 2.10. Credit Default Swaps (CDS) are financial derivatives that investors use as insurance to offset their credit risk with that of another investor. Throughout 2023, CDS prices were volatile. They spiked in March due to concerns of banking sector contagion following the insolvency of Silicon Valley Bank and the takeover of Credit Suisse by UBS. After declining in Q2 of the calendar year, CDS prices began to steadily rise in the second half of the year.
- 2.11. Factors contributing to this increase include higher interest rates and inflation, and the ongoing war in Ukraine, and now the Middle East. However, on an annual basis, the volatility of CDS prices was lower in 2023 compared to 2022.
- 2.12. Moody's, a US-based credit rating agency, has revised its outlook on the UK sovereign from negative to stable. This change reflects their view of restored political predictability.



|   |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Fund CFR                        | 649.8          | 698.5          | 779.6          | 855.8          | 907.8          | 949.5          | 1,000.3        |
| HRA CFR                                 | 471.1          | 516.1          | 643.5          | 838.5          | 1,081.4        | 1,329.9        | 1,471.3        |
| <b>Total CFR</b>                        | <b>1,142.9</b> | <b>1,214.6</b> | <b>1,423.1</b> | <b>1,694.3</b> | <b>1,989.2</b> | <b>2,279.4</b> | <b>2,471.6</b> |
| Less: Other debt liabilities*           | -22.0          | -17.7          | -13.2          | -10.6          | -9.9           | -9.2           | -8.5           |
| <b>Loans CFR</b>                        | <b>1,120.9</b> | <b>1,196.9</b> | <b>1,409.9</b> | <b>1,683.7</b> | <b>1,979.3</b> | <b>2,270.2</b> | <b>2,463.1</b> |
| Less: Internal borrowing                | -337.6         | -316.5         | -332.7         | -352.4         | -364.1         | -366.0         | -374.8         |
| <b>CFR Funded by External Borrowing</b> | <b>783.3</b>   | <b>880.4</b>   | <b>1,077.2</b> | <b>1,331.3</b> | <b>1,615.2</b> | <b>1,904.2</b> | <b>2,088.3</b> |
| <b>Breakdown of External Borrowing:</b> |                |                |                |                |                |                |                |
| Existing borrowing**                    | 783.3          | 760.4          | 677.3          | 661.3          | 645.3          | 629.3          | 613.3          |
| New borrowing to be raised              | -              | 120.0          | 399.9          | 670.0          | 969.9          | 1,274.9        | 1,475.0        |

\* leases and PFI liabilities that form part of the Authority's total debt

\*\* shows only loans to which the Authority is committed and excludes optional refinancing

- 3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during the medium-term financial strategy (MTFS) forecast period.
- 3.4. The Council has an increasing CFR due to the capital programme, but minimal treasury investments, therefore there will be a new borrowing requirement of up to £1,475m over the forecast period 2024/25 to 2028/29 (See Table 1). Table 2 below shows a breakdown of the forecast borrowing position at each financial year end to finance both the General Fund and the Housing Revenue Account's (HRA) capital programmes.

**Table 2: Year-end Borrowing Position Summary**

|                        | 31.3.23<br>Actual<br>£m | 31.3.24<br>Estimate<br>£m | 31.3.25<br>Forecast<br>£m | 31.3.26<br>Forecast<br>£m | 31.3.27<br>Forecast<br>£m | 31.3.28<br>Forecast<br>£m | 31.3.29<br>Forecast<br>£m |
|------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund borrowing | 421.9                   | 410.2                     | 477.9                     | 535.6                     | 578.2                     | 620.9                     | 663.6                     |
| HRA borrowing          | 361.4                   | 470.2                     | 599.3                     | 795.7                     | 1,037.0                   | 1,283.3                   | 1,424.7                   |
| <b>Total borrowing</b> | <b>783.3</b>            | <b>880.4</b>              | <b>1,077.2</b>            | <b>1,331.3</b>            | <b>1,615.2</b>            | <b>1,904.2</b>            | <b>2,088.3</b>            |

- 3.5. The Council's capital plans are the primary driver of the Council's borrowing requirement, and they are outlined in detail in the Council's main budget report, specifically in the Capital Strategy section. The Council's capital programme is robustly scrutinised and tested to ensure that the capital plans are affordable and prudent. Table 1 shows the five-year effects of the Council's capital programme; however, all capital plans are assessed in their entirety (i.e., some schemes are for a greater than five year time frame).

### **Liability Benchmark**

- 3.6. The liability benchmark has been calculated to compare the Council's actual borrowing against an alternative strategy. The liability benchmark shows the lowest risk level of borrowing. This assumes the same borrowing forecasts as table 1 above, but that cash

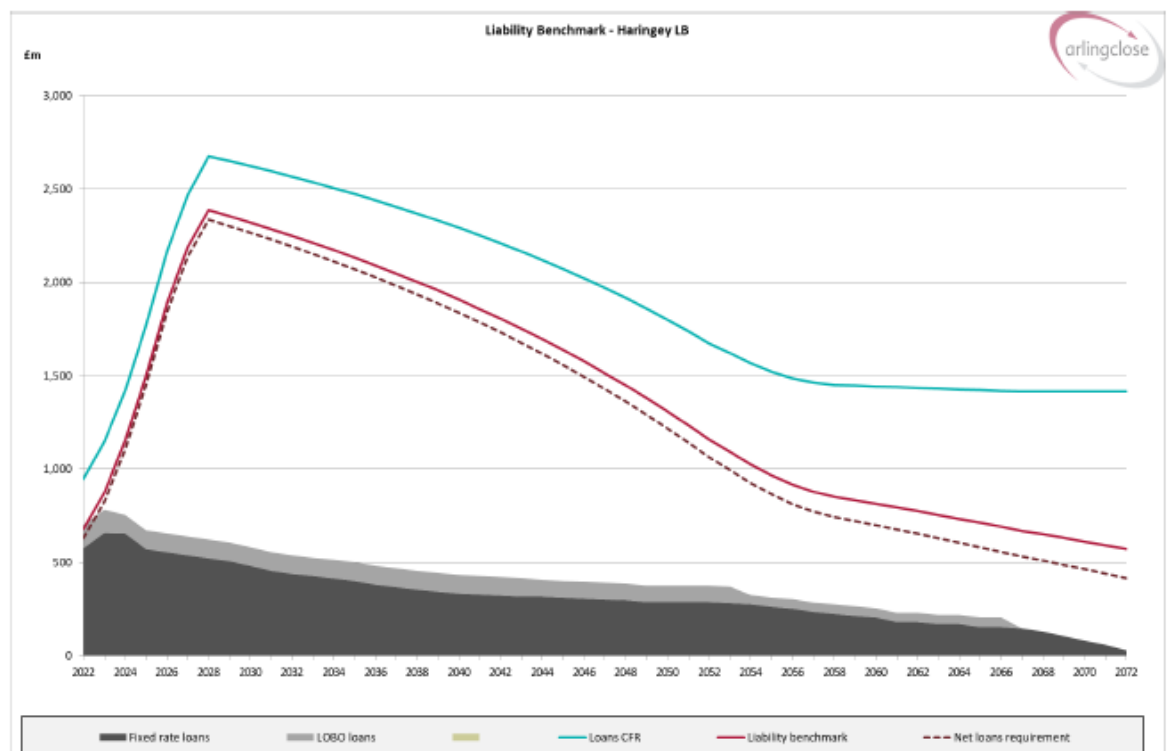
and investment balances are kept to a minimum level of £20m at each year-end to maintain sufficient liquidity but minimise credit risk.

- 3.7. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or a long-term investor in the future. This is important in developing the Council's strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

**Table 3: Prudential Indicator – Liability Benchmark**

|                               | 31.3.23<br>Actual<br>£m | 31.3.24<br>Estimate<br>£m | 31.3.25<br>Forecast<br>£m | 31.3.26<br>Forecast<br>£m | 31.3.27<br>Forecast<br>£m | 31.3.28<br>Forecast<br>£m | 31.3.29<br>Forecast<br>£m |
|-------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Loans CFR                     | 1,120.9                 | 1,196.9                   | 1,409.9                   | 1,683.7                   | 1,979.3                   | 2,270.2                   | 2,463.1                   |
| Less: Balance Sheet resources | -424.8                  | -419.0                    | -4,248.8                  | -429.5                    | -433.3                    | -440.4                    | -440.4                    |
| <b>Net loans requirement</b>  | <b>696.1</b>            | <b>777.9</b>              | <b>-2,838.9</b>           | <b>1,254.2</b>            | <b>1,546.0</b>            | <b>1,829.8</b>            | <b>2,022.7</b>            |
| Plus: Liquidity allowance     | 20.0                    | 30.0                      | 30.0                      | 30.0                      | 30.0                      | 30.0                      | 20.0                      |
| <b>Liability Benchmark</b>    | <b>716.1</b>            | <b>807.9</b>              | <b>-2,808.9</b>           | <b>1,284.2</b>            | <b>1,576.0</b>            | <b>1,859.8</b>            | <b>2,042.7</b>            |

- 3.8. The long-term liability benchmark assumes the same capital expenditure funded by borrowing as included in the CFR, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart on the following page together with the maturity profile of the Council's existing borrowing.



#### 4. Borrowing Strategy



- 4.1. On 31 December 2023, the Council held £787.1m of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council expects to increase its borrowing by up to £400m by the end of 2024/25. The Council may also borrow additional sums to pre-fund future years' borrowing requirements, provided this does not exceed the authorised limit for borrowing as set out in the Capital Strategy.

### **Objectives**

- 4.2. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change, is a secondary objective.

### **Strategy**

- 4.3. Given the significant cuts to public expenditure and, in particular, to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years. The scale of the Council's capital programme, and the need to diversify the Council's debt portfolio to further minimise refinancing risk means that long term borrowing will be required during 2024/25. Therefore, the Council's strategy will be to fulfil its borrowing requirement during the financial year with a mixture of short-term and long-term borrowing.
- 4.4. By doing so, the Council aims to reduce net borrowing costs and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.5. The Council has in recent years raised all its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pension funds and other local authorities, and may investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council has not done this in the past and intends to avoid this activity in order to retain its access to PWLB loans.
- 4.6. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.7. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

### **Sources of Borrowing**

- 4.8. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Haringey Pension Fund and the London Collective Investment Vehicle)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

#### **Other Sources of Debt Finance**

4.9. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire Purchase
- Private Finance Initiative
- Sale and Lease Back
- Similar asset based finance

#### **Municipal Bonds Agency**

4.10. The UK Municipal Bonds Agency was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Audit Committee.

#### **LOBOs**

4.11. The Council holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £50m of these LOBOs have options exercisable during 2024/25, and with interest rates having risen sharply recently, there is now a reasonable likelihood that lenders will explore their ability to exercise their options. If they do, the

Council will take the option to repay the LOBO loans to reduce refinancing risk in later years.

- 4.12. Some LOBO lenders may be open to negotiating premature exit terms from LOBO loans via payment of a premium to the lender. The Council's policy will be to exit LOBO agreements if the costs of replacing the loans, including all premium, transaction and funding costs, generate a material net revenue saving for the Council over the life of the loan in net present value terms, and all costs are consistent with Haringey's approved medium term financial strategy. The decision to repay a LOBO loan will be determined by the S151 Officer in consultation with the lead Cabinet member for Finance, in line with Haringey's constitution.
- 4.13. When loans are prematurely repaid, there is usually a premium payable to the lender, to compensate them for interest forgone at the contractual rate, where prevailing interest rates are lower. The Council would need to refinance LOBOs by raising borrowing for both the original sum borrowed, and the premium payable to the lender. However, this type of arrangement can prove beneficial where interest savings exceed premium costs. Replacing LOBOs that contain an option for lenders to increase the rate, with fixed rate debt would reduce refinancing and interest rate risk.

#### **Short-term and Variable Rate Loans**

- 4.14. These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.

#### **Debt Rescheduling**

- 4.15. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

#### **Borrowing Limits**

- 4.16. The Council's total borrowing limits are set out in table 4 below.
- 4.17. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e., not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The indicator separately identifies borrowing from other long-term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 4.18. The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit. The Operational Boundary and Authorised Limit apply at the total level.

- 4.19. The Chief Finance Officer has the delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Audit Committee.

**Table 4: Borrowing Limits**

|   | 2023/24<br>Limit<br>£m | 2024/25<br>Limit<br>£m | 2025/26<br>Limit<br>£m | 2026/27<br>Limit<br>£m | 2027/28<br>Limit<br>£m | 2028/29<br>Limit<br>£m |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Authorised limit - borrowing                      | 1,452.3                | 1,326.7                | 1,603.2                | 1,889.5                | 2,191.1                | 2,384.6                |
| Authorised limit - PFI & Leases                   | 23.2                   | 17.4                   | 13.9                   | 13.0                   | 12.1                   | 11.2                   |
| <b>Authorised limit - total external debt</b>     | <b>1,475.5</b>         | <b>1,344.1</b>         | <b>1,617.1</b>         | <b>1,912.5</b>         | <b>2,203.2</b>         | <b>2,395.8</b>         |
| Operational boundary - borrowing                  | 1,402.3                | 1,276.7                | 1,553.2                | 1,849.5                | 2,141.1                | 2,334.6                |
| Operational boundary - PFI & Leases               | 21.1                   | 15.8                   | 12.7                   | 11.8                   | 11.0                   | 10.1                   |
| <b>Operational boundary - total external debt</b> | <b>1,423.4</b>         | <b>1,292.5</b>         | <b>1,565.9</b>         | <b>1,861.3</b>         | <b>2,152.1</b>         | <b>2,344.7</b>         |

## **5. Treasury Investment Strategy**

- 5.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £37m and £165m, and similar levels are expected to be maintained in the forthcoming year.

### **Objectives**

- 5.2. The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) factors when making investment decisions.

### **Strategy**

- 5.3. As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The Council aims to maintain its policy of utilising highly creditworthy and highly liquid investments such as deposits with the Debt Management Office (DMO), AAA rated money market funds and other entities on the Arlingclose approved counterparty list.

### **ESG policy**

- 5.4. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

### **Business Models**

- 5.5. Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### **Approved Counterparties**

- 5.6. The Council may invest its surplus funds with any of the counterparty types in table 5 on the following page, subject to the limits shown.

**Table 5: Treasury Investment Counterparties and Limits**

| <b>Sector</b>                                 | <b>Time Limit</b> | <b>Counterparty Limit</b> | <b>Sector Limit</b> |
|---|-------------------|---------------------------|---------------------|
| The UK Government                             | 50 years          | Unlimited                 | n/a                 |
| Money Market Funds                            | n/a               | £10m                      | Unlimited           |
| Local authorities & other government entities | 25 years          | £5m                       | Unlimited           |
| Banks (secured)*                              | 2 years           | £5m                       | Unlimited           |
| Banks (unsecured)*                            | 13 months         | £5m                       | Unlimited           |
| Building societies (unsecured)*               | 13 months         | £5m                       | £20m                |
| Registered providers (unsecured)*             | 5 years           | £5m                       | £20m                |
| Strategic Pooled Funds                        | n/a               | £5m                       | Unlimited           |
| Real Estate Investment Trusts                 | n/a               | £5m                       | Unlimited           |

### **Minimum Credit Rating**

- 5.7. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

### **Government**

- 5.8. The Council may invest in loans, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

### **Bank Secured Investments**

- 5.9. Bank secured investments are investments that are secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

#### **Banks and Building Societies (unsecured)**

- 5.10. The Council may invest in accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

#### **Registered Providers (unsecured)**

- 5.11. The Council may invest in loans, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

#### **Money Market Funds**

- 5.12. Money market funds are pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over banks of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

#### **Strategic Pooled Funds**

- 5.13. Strategic pooled funds include bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

#### **Real Estate Investment Trusts (REITs)**

- 5.14. REITs are publicly traded companies that invest mainly in real estate and pay most of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

#### **Operational Bank Accounts**

5.15. The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

### **Risk Assessment and Credit Ratings**

5.16. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.17. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### **Other Information on the Security of Investments**

5.18. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

### **Reputational aspects**

5.19. The Council acknowledges that investing with certain counterparties, although financially secure, may subject it to criticism, whether valid or not, that could impact its public reputation. This risk will be considered when making investment decisions.

5.20. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will

be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

### Investment Limits

- 5.21. The Council's revenue reserves available to cover investment losses are forecast to be £30 million on 31st March 2024 and £30 million on 31 March 2025. In order that no more than 100% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 5.22. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

**Table 6: Additional Investment Limits**

|   | Cash Limit       |
|---|------------------|
| Any single organisation, except the UK Central Government | £10m each        |
| UK Central Government                                     | Unlimited        |
| Any group of organisations under the same ownership       | £10m per group   |
| Any group of pooled funds under the same management       | £10m per manager |
| Negotiable instruments held in a broker's nominee account | £10m per broker  |
| Foreign countries   | £10m per country |
| Registered providers and registered social landlords      | £10m in total    |
| Unsecured investments with building societies             | £10m in total    |
| Loans to unrated corporates                               | £10m in total    |
| Money market funds*                                       | £50m in total    |
| Real Estate Investment Trusts                             | £10m in total    |

\* These limits apply for both Haringey Council and Haringey Pension Fund, so the limit for Money Market Funds is £10m per MMF and £50m aggregate limit for the Council, and £50m for the Pension Fund.

### Liquidity Management

- 5.23. The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

## 6. Treasury Management Prudential Indicators

- 6.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

### Security

- 6.2. The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| Credit Risk Indicator | Target |
|-----------------------|--------|
|-----------------------|--------|



|                                 |                              |
|---------------------------------|------------------------------|
| Portfolio average credit rating | Above A, score of 6 or lower |
|---------------------------------|------------------------------|

### Liquidity

- 6.3. The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3-month period, without additional borrowing.

| Liquidity Risk Indicator             | Target |
|--------------------------------------|--------|
| Total cash available within 3 months | £30m   |

### Interest rate exposures

- 6.4. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

| Interest Rate Risk Indicator   | Target |
|--|--------|
| Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates | £2m    |
| Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates | £2m    |

- 6.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

### Maturity structure of borrowing

- 6.6. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing are shown on the following page:

| Refinancing Rate Risk Indicator | Upper Limit | Lower Limit |
|---------------------------------|-------------|-------------|
| Under 12 months                 | 40%         | 0%          |
| 12 months and within 24 months  | 40%         | 0%          |
| 24 months and within 5 years    | 50%         | 0%          |
| 5 years and within 10 years     | 50%         | 0%          |
| 10 years and above              | 100%        | 0%          |

- 6.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### Total short-term borrowing

- 6.8. In recent years, the Council has used short term borrowing (under 1 year in duration) from other local authorities to meet short-term liquidity requirements. Short term borrowing can also be raised from other counterparties such as banks. This approach offers increased flexibility for cash flow management by the Council and can serve as an alternative to borrowing from PWLB over a longer term.
- 6.9. Short-term borrowing exposes the Council to refinancing risk. This is the risk that interest rates may rise quickly over a short period of time, resulting in significantly higher rates when the loans mature. In such cases, there is a risk that the new replacement borrowing would need to be taken at higher interest rates compared to the maturing loans.
- 6.10. Bearing this in mind, the Council has set a limit on the total amount of short-term borrowing that has no associated protection against interest rate rises, as a proportion of all borrowing.

| Short term borrowing   | Target |
|--|--------|
| Upper limit on short-term borrowing that exposes the Council to interest rate rises as a percentage of total borrowing | 20%    |

### Long-term treasury management investments

- 6.11. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

| Price Risk Indicator                        | 2024/25 | 2025/26 | 2026/27 |
|---|---------|---------|---------|
| Limit on principal invested beyond year end | £10m    | £5m     | £5m     |

## 7. Related Matters

- 7.1. The CIPFA Code requires the Council to include the following in its treasury management strategy.

### Financial Derivatives

- 7.2. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).
- 7.3. The Council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk will be included to count against the counterparty credit limit and the relevant foreign country limit.
- 7.5. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### Housing Revenue Account

- 7.6. On 1<sup>st</sup> April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

### **Markets in Financial Instruments Directive**

- 7.7. The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Director of Finance (S151 Officer) considers this to be the most appropriate status.

## **8. Financial Implications**

- 8.1. The budget for investment income in 2024/25 is £2.4m based on an average investment portfolio of £50 million at an interest rate of 4.75%.
- 8.2. The budget for total debt interest paid in 2024/25 is detailed in table 7 below for both the General Fund and HRA. If the actual levels of investments and borrowing, or the actual interest rates, differ from those forecasted, the performance against the budget will be correspondingly different.
- 8.3. Table 7 demonstrates the revenue budgets in both the General Fund and HRA for both interest costs on borrowing and minimum revenue provision (MRP) charges.

**Table 7: Revenue budget for interest costs and MRP**

|  | 2023/24<br>Budget<br>£m | 2024/25<br>Forecast<br>£m | 2025/26<br>Forecast<br>£m | 2026/27<br>Forecast<br>£m | 2027/28<br>Forecast<br>£m | 2028/29<br>Forecast<br>£m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| MRP - pre 2008 expenditure                 | 5.0                     | 5.0                       | 5.0                       | 5.0                       | 5.0                       | 5.0                       |
| MRP - post 2008 expenditure                | 13.7                    | 12.8                      | 14.1                      | 15.1                      | 16.2                      | 16.7                      |
| <b>Total MRP</b>                           | <b>18.7</b>             | <b>17.8</b>               | <b>19.1</b>               | <b>20.1</b>               | <b>21.2</b>               | <b>21.7</b>               |
| Interest Costs (GF)                        | 16.9                    | 14.8                      | 20.0                      | 22.0                      | 24.5                      | 27.1                      |
| <b>Capital Financing Costs (GF)</b>        | <b>35.6</b>             | <b>32.6</b>               | <b>39.1</b>               | <b>42.1</b>               | <b>45.7</b>               | <b>48.8</b>               |
| Offsetting Savings for self-funded schemes | -12.7                   | -1.1                      | -2.7                      | -3.7                      | -4.2                      | -5.2                      |
| <b>Estimated Capital Financing Budgets</b> | <b>22.9</b>             | <b>31.5</b>               | <b>36.4</b>               | <b>38.4</b>               | <b>41.5</b>               | <b>43.6</b>               |
|  |                         |                           |                           |                           |                           |                           |
| <b>Interest Costs (HRA)</b>                | <b>18.6</b>             | <b>25.9</b>               | <b>36.0</b>               | <b>48.3</b>               | <b>60.8</b>               | <b>69.6</b>               |

## 9. Other Options Considered

- 9.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (S151 Officer), having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed on the following page.

| <b>Alternative</b>  | <b>Impact on income and expenditure</b>  | <b>Impact on risk management</b>  |
|---|--|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income will be lower  | Lower chance of losses from credit related defaults, but any such losses may be greater   |
| Invest in a wider range of counterparties and/or for longer times     | Interest income will be higher   | Increased risk of losses from credit related defaults, but any such losses may be smaller   |
| Borrow additional sums at long-term fixed interest rates              | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain            |
| Borrow short-term or variable loans instead of long-term fixed rates  | Debt interest costs will initially be lower  | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |
| Reduce level of borrowing   | Saving on debt interest is likely to exceed lost investment income                       | Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain            |

## **Annex A – Arlingclose Economic & Interest Rate Forecast - December 2023**

### **Underlying assumptions:**

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

### **Forecast:**

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

### Interest Rate Forecast:

The table below shows the most recent interest rate forecast provided by Arlingclose.

|                                  | Current | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 |
|----------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Official Bank Rate</b>        |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.00   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 1.00   | 1.00   |
| Central Case                     | 5.25    | 5.25   | 5.25   | 5.25   | 5.00   | 4.75   | 4.25   | 4.00   | 3.75   | 3.50   | 3.25   | 3.00   | 3.00   |
| Downside risk                    | 0.00    | 0.00   | -0.25  | -0.50  | -0.75  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>3-month money market rate</b> |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.00   | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 1.00   | 1.00   |
| Central Case                     | 5.40    | 5.40   | 5.40   | 5.30   | 5.15   | 4.80   | 4.30   | 4.10   | 3.80   | 3.50   | 3.25   | 3.05   | 3.05   |
| Downside risk                    | 0.00    | 0.00   | -0.25  | -0.50  | -0.75  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>5yr gilt yield</b>            |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 3.77    | 3.75   | 3.75   | 3.75   | 3.70   | 3.60   | 3.50   | 3.50   | 3.40   | 3.30   | 3.30   | 3.30   | 3.35   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>10yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 0.85   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 3.72    | 3.75   | 3.80   | 3.80   | 3.80   | 3.80   | 3.80   | 3.80   | 3.75   | 3.65   | 3.60   | 3.65   | 3.70   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>20yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 0.85   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 4.16    | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.20   | 4.25   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |
| <b>50yr gilt yield</b>           |         |        |        |        |        |        |        |        |        |        |        |        |        |
| Upside risk                      | 0.00    | 0.25   | 0.75   | 0.85   | 0.85   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Central Case                     | 3.76    | 3.80   | 3.85   | 3.90   | 3.90   | 3.90   | 3.90   | 3.90   | 3.90   | 3.90   | 3.95   | 3.95   | 3.95   |
| Downside risk                    | 0.00    | -0.25  | -0.75  | -0.85  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  | -1.00  |

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate (Maturity Loans) = Gilt yield + 0.60%

## **Annex B – Existing Investment & Debt Portfolio Position - December 2023**

|                                   | <b>Actual portfolio<br/>£m</b> | <b>Average rate<br/>%</b> |
|-----------------------------------|--------------------------------|---------------------------|
| <b>External borrowing:</b>        |                                |                           |
| Public Works Loan Board           | 642.1                          | 2.9%                      |
| LOBO loans from banks             | 100.0                          | 4.7%                      |
| Local authorities                 | 45.0                           | 5.7%                      |
| <b>Total external borrowing</b>   | <b>787.1</b>                   | <b>3.3%</b>               |
| <b>Treasury investments:</b>      |                                |                           |
| The UK Government                 | 34.4                           | 5.2%                      |
| Money market funds                | 20.0                           | 5.3%                      |
| <b>Total treasury investments</b> | <b>54.4</b>                    | <b>5.2%</b>               |

## The Formal Budget Resolution

The Council is recommended to resolve, in accordance with the Local Government Finance Act 1992 (the 'Act'), as amended by the Localism Act 2011, as follows:

1. It is noted that on 16 January 2024 the Director of Finance and Section 151 Officer, after consultation with the Cabinet Member for Finance and Local Investment, calculated the 2024/25 Council Tax Base for the whole Council area as **81,875**.
2. The Council Tax Requirement for the Council's own purposes for 2024/25 is calculated as **£133,941,605**.
3. That the following amounts be calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Act:
  - a) **£1,145,574,941**  
being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;
  - b) **£1,011,633,336**  
being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;
  - c) **£133,940,950** being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year;
  - d) **£1,635.92**  
being the Council Tax Requirement at 3(c) above, divided by the Council Tax Base at 1, above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year;
4. To note that the Greater London Authority has issued a precept to the Council in accordance with Section 40 of the Act for each category of dwellings in the Council's area as indicated in the table below.
5. That the Council, in accordance with Sections 30 and 36 of the Act, hereby sets the aggregate amounts shown in the table below as the amounts of Council Tax for 2024/25 for each part of its area and for each of the categories of dwellings.



| <b>Haringey</b> |          |          |          |          |          |          |          |
|-----------------|----------|----------|----------|----------|----------|----------|----------|
| <b>A</b>        | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
| £               | £        | £        | £        | £        | £        | £        | £        |
| 1090.62         | 1272.39  | 1454.16  | 1635.92  | 1999.47  | 2363.01  | 2726.55  | 3271.86  |
| <b>GLA</b>      |          |          |          |          |          |          |          |
| <b>A</b>        | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
| £               | £        | £        | £        | £        | £        | £        | £        |
| 314.27          | 366.64   | 419.02   | 471.40   | 576.16   | 680.91   | 785.67   | 942.80   |
| <b>Total</b>    |          |          |          |          |          |          |          |
| <b>A</b>        | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> |
| £               | £        | £        | £        | £        | £        | £        | £        |
| 1404.89         | 1639.03  | 1873.18  | 2107.32  | 2575.63  | 3043.92  | 3512.22  | 4214.66  |

6. Pursuant to Section 52ZB of the Act and the principles determined by the Secretary of State to apply to local authorities in England in 2024/25 as set out in The Referendums Relating to Council Tax Increases (Principles) (England) Report 2024/25, it is determined that the Council's relevant basic amount of Council Tax for the year is not excessive.

### Technical Adjustments and Clarifications – Post Publication of 6 February 2024 Cabinet report

It should be noted that none of the following impact on the 2024/25 Budget considered by Cabinet on 6 February and subsequently agreed to be proposed to Full Council.

#### A. Technical Adjustments

1. During the 2023/24 financial year, the Public Health (PH) grant income on the Council's accounting ledger was moved from 'external finance' into the Public Health service line. This was to more obviously bring together all the PH expenditure and income within the financial reporting of the Adults, Health & Communities directorate. This had the impact of reducing down the General Fund net budget requirement.

Since the publication of the 6 February report, this practice has been reviewed and to maintain consistency of statistical reporting at this time it has been reversed. The PH grant income is now once again allocated against external finance on the Council's ledger. This has had no financial impact on the overall resources available to the authority or in practice to the departments.

It does though, increase the 2024/25 General Fund Revenue Budget to **£302.052m**

Therefore, Recommendation c in this 2024/25 Budget and 2024/29 MTFS report to Full Council has been adjusted and states: "To approve the General Fund budget requirement for 2024/25 of £302.05m, net of Dedicated Schools Budget"

This replaces Recommendation 4 to the 6 February 2024 Cabinet report which stated: "To propose approval to the Council of the 2024/25 General Fund Revenue Budget as set out in Appendix 1, including specifically a net **General Fund budget requirement of £279.305m**, but subject to final decisions of the levying and presenting bodies and the final local government finance Settlement".

2. The 2024/29 MTFS presented to the 6 February Cabinet had a £2.291m growth requirement in 2025/26 against Adult Social Care. This entry was included to offset an assumed end of grant support for Discharges and Market Sustainability and Improvement. Having reviewed these assumptions post publication of the Final Local Government Finance Settlement, the MTFS has been adjusted and now assumes that this grant support will continue in 2025/26 and, if not, the related expenditure will also cease. In either case, the growth is no longer required and has now been removed. The impact is **to reduce the forecast budget gap reported to Cabinet on 6<sup>th</sup> February by £2.291m for 2025/26**. There is no impact on the 2024/25 Budget.

## B. Explanations of Further Changes and Clarifications to the Budget/MTFS since 6 February

3. The New Saving CSE24\_SAV\_002, was included in Appendix 3a to 6 February Cabinet report:

| Ref           | Description   | Directorate | 2024/25<br>£000s | 2025/26<br>£000s | 2026/27<br>£000s | 2027/28<br>£000s | 2028/29<br>£000s | Total |
|---------------|---|-------------|------------------|------------------|------------------|------------------|------------------|-------|
| CSE24_SAV_002 | The proposal is to introduce self-service technology in libraries. Further work is required to establish feasibility, based on learning from other boroughs; it would require investment in digital and other technologies eg CCTV but has the potential to reduce staffing by 40%. This could be introduced potentially along with a community run library service option as has been introduced in other boroughs (eg Camden and Barnet), and could also sit alongside use of library buildings by other public services and agencies, enabling users to access, check out or return library items when using those other services. No library building would be closed. The saving is modelled on a similar reduction in numbers of library staff to the previous proposal, but later in the MTFS period to enable the detailed feasibility work to be done. | CSE         | 0                | -304             | -372             | 0                | 0                | -676  |

The MINUTES OF MEETING Cabinet HELD ON Tuesday, 6th February, 2024,6.30 – 8.24pm stated:-

*“With regards to the savings figures allocated to the libraries service concerning self-service not going ahead, it was noted that these assigned savings figures would still stay in the budget. The service would be developing a comprehensive Library strategy, which would include areas for: income generation, working with different partners, and how the Council can work with trusts and grant awarding bodies to make sure that libraries develop a sustainable financial footing for the future”.*

To accurately reflect the revised approach to delivering this saving, the original saving CSE24\_SAV\_002 will be removed and replaced by the following:

| Directorate | Title of Option:   | Description  | 2024/25<br>£000s | 2025/26<br>£000s | 2026/27<br>£000s | 2027/28<br>£000s | 2028/29<br>£000s | Total |
|-------------|--|--|------------------|------------------|------------------|------------------|------------------|-------|
| CSE         | Work with residents to develop a Libraries Strategy for Haringey to ensure we have the most efficient and effective operating model. | Five years ago an LGA Libraries Peer Review recommended that Haringey produce a Libraries Strategy. Due to the pandemic this work was not carried out, although other recommendations from the review were taken forward such as the Branch Libraries Investment Programme which has greatly improved the accessibility and quality of our branch libraries. During 2024/25 we will consult and engage widely on creation of a Libraries Strategy for Haringey, which will safeguard and develop our libraries offer for the longer term. The strategy will seek to identify and capitalise on a number of new opportunities that are available to develop and maximise the use of our libraries as critical, public, community and social assets, including the Community Hubs programme, creation of a Culture Strategy and taking a more commercial approach to generate additional income to support the Council's work. The strategy will explore all options available to us to ensure the financial sustainability of the library service for the future within the reduced council funding envelope available, by identifying alternative funding sources, generating more income and ensuring we have the most efficient and effective operating model for the service. |                  | -£304            | -£372            |                  |                  | -676  |

4. The MINUTES OF MEETING Cabinet HELD ON Tuesday, 6th February, 2024,6.30 – 8.24pm stated:- *The Chair of Overview and Scrutiny referred to scrutiny recommendation 17, outlining a couple of errors identified by scrutiny members in the savings calculations and presentational issues regarding the growth figures, which, although had not that led to any errors in the budget itself, had made the whole process of scrutinising the proposed areas of growth quite challenging.* For clarity, the correct treatment is set out below:

- 4.1 The following four (4) Housing Demand savings were identified as having been duplicated.

| Service Area         | Category       | Description   | Reference   | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | Total |
|----------------------|----------------|---|-------------|---------|---------|---------|---------|---------|-------|
| Housing Demand (HfH) | Agreed Savings | Extended Provision (Lodge & Council-owned buildings)                    | AHC_SAV_006 | (361)   | (118)   |         |         |         | (479) |
| Housing Demand (HfH) | Agreed Savings | Use 1 bed social housing as Temporary Accommodation (TA)                | AHC_SAV_007 | (69)    | (69)    |         |         |         | (138) |
| Housing Demand (HfH) | Agreed Savings | Targeting families that have been in TA for significant number of years | AHC_SAV_009 | (400)   |         |         |         |         | (400) |
| Housing Demand (HfH) | Agreed Savings | Lease conversion Project  | AHC_SAV_010 | (175)   | (54)    |         |         |         | (229) |

The 6 February report was adjusted to remove the budgetary implication of the double count however, after the publication of the Cabinet report, it was clarified that, rather than treat the original savings as no longer deliverable and replacing them with new savings, the original savings should remain albeit with AHC\_SAV\_006 being reprofiled differently across the two years. All spreadsheets and documents have now been amended to reflect this.

- 4.2 Table 7.1b – New Growth in paragraph 7.42 of the 5 December 2023 Draft Budget report was incorrect as it had an erroneous line included. This meant that the totals for each year of the whole MTFS period was overstated. The total for the five years should have read £37.902m instead of the published £46.484m. It should be noted that this had no impact on the overall draft Budget figures considered by Cabinet as only the correct £37.902m had been built into the proposals. The growth table 7.1b in paragraph 7.40 included in the 6 February 2024 report was correct.

5. In paragraph 6.29 of the 6 February Cabinet report, it was stated that:  
*“The Revenues service have been given one-off resources to focus on the collection of arrears”.*  
 It can be confirmed that £45,000 has been built into the Revenues service, part of Environment & Resident Experience Directorate, for 2024/25 only.

**Capital:**

6. Scheme 604 ‘Continuous Improvement’ in the Capital Programme, set out in Appendix 4, was incorrectly described as “Haringey borrowing to fund mobile ICT assets (laptops) renewal”.  
 The correct description should read “This scheme funds upgrades to the Council’s IT infrastructure”.
7. Paragraph 8.4 of the 6 February Cabinet report read: *“The Environment & Resident Experience capital programme is highly reliant on Council borrowing with limited ability to generate external investment. The review identified several reductions to a range of schemes of £11m over the MTFS period.”*  
 The £11m was misquoted and the paragraph should have read *“The Environment & Resident Experience capital programme is highly reliant on Council borrowing with*

*limited ability to generate external investment. The review identified several reductions to a range of schemes of £6.4m over the MTF5 period.”*

**C. Explanation of Budget Gap Movement: 5 December 2023 to 6 February 2024 and to Full Council 4 March**

|   | <b>£'000</b> | <b>£'000</b>  |
|---|--------------|---------------|
| The £10.35m closure of the £16.3m gap in the Draft report has been achieved via 3 main themes:                |              | <b>16,300</b> |
| Net Corporate Budget Adjustments  | (514)        |               |
| Funding Changes - improved forecasts for Council Tax partially offset by a net worsening of government grants | (2,731)      |               |
| Savings and Directorate Adjustments   | (7,110)      |               |
| Total Solutions since 5.12.23   |              | (10,355)      |
| <b>Position at 6 February 2024 - to be funded from reserves</b>   |              | <b>5,945</b>  |
| Improvements since 6 February 2024 - due to finalisation of the budget including the FLGFS                    |              | (935)         |
| <b>Position at 4 March 2024 - to be funded from reserves</b>  |              | <b>5,010</b>  |