

**Report for:** Climate Community Safety and Environment Panel, 14 November 2024

**Item number:**

**Title:** Scrutiny of the 2025/26 Draft Budget and Medium Term Financial Strategy 2025/2030

**Report authorised by:** Taryn Eves, Director of Finance and Section 151 Officer

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

**Ward(s) affected:** N/A

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

**1. Describe the issue under consideration**

- 1.1 To consider and comment on the Council's Draft 2025-26 Budget and 2025-2030 Medium Term Financial Strategy Report proposals relating to the Scrutiny Panels' and Scrutiny Committee remit.

**2. Recommendations**

- 2.1 That the Panels and Committee scrutinise the proposals presented in the report attached in Appendix 1 and provide recommendations on the Budget proposals to the Overview and Scrutiny Committee (OSC) Committee on 20 January 2025.

**3. Background information**

- 3.1 The Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) state: "The Overview and Scrutiny Committee shall undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee".
- 3.2 Also laid out in this section is that "the Chair of the Budget Scrutiny Review process will be drawn from among the opposition party Councillors sitting on the Overview and Scrutiny Committee. The Overview and Scrutiny Committee shall not be able to change the appointed Chair unless there is a vote of no confidence as outlined in Article 6.5 of the Constitution".

**4. Overview and Scrutiny Protocol**

- 4.1 The Overview and Scrutiny Protocol lays out the process of Budget Scrutiny and includes the following points:

- a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their recommendations shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC.
- b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.
- c. Overseen by the lead member referred to in paragraph 4.1.b, each Scrutiny Review Panel shall hold a meeting following the release of the Draft Budget/MTFS Cabinet paper. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that the Cabinet Member for Finance and/or Senior Officers attend these meetings to answer questions.
- d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC meeting on 20 January 2025 containing their recommendations/proposals in respect of the budget for ratification by the OSC.
- e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/proposals made by the OSC in relation to the budget.

**5. 2025/26 Draft Budget and MTFS 2025/30 – Key Messages from report presented to Cabinet on 12/11/2024 (Appendix 1 to this report)**

**Introduction / Background**

- 5.1 The main purpose of this report is to specifically update on the budget preparations for 2025/26 and with a focus on the General Fund. Further updates on the Housing Revenue Account and Dedicated Schools Budget will be presented to Cabinet in December 2024.
- 5.2 It sets out the latest information and based on the most up to date assumptions that underpin the budget and sets out the details of the draft revenue and capital proposals for balancing the budget and Capital Programme for 2025/26. Proposed budget reductions are being launched for consultation and scrutiny. The feedback from the consultation will be considered in developing the final draft budget that will be presented to Cabinet in February 2025.
- 5.3 The last update was published in March 2024 and showed an estimated £14m budget gap for 2025/26. This report describes how the current forecasts have moved and what the key drivers for the revised position are. The most significant movement has been the increase in both demand and costs of providing social care services and addressing homelessness. Acknowledging and providing for this, is vital to enable the Council to continue to provide services to the most vulnerable requiring extra support and help to both manage risk and prevent escalation of need. This has led to an additional £39.6m

needed for next years' service budgets with consequential impact on increasing the budget gap. Extensive modelling has been undertaken to arrive at this figure which represents the current best assumption. This is an extremely volatile landscape that the Council is operating within. These figures will be kept under review right up to the presentation of the final Budget to Cabinet in February 2025.

- 5.4 Whilst there have been improvements to the macroeconomic position such as underlying inflation now close to the target of 2%, this isn't translating into similar reductions in costs in particular social care placement costs for adults and children. The Bank of England base rate fell by 0.25% in August and, while estimates are that this will continue to fall, it is unlikely to be at pace and therefore there is likely to be little improvement in borrowing costs in the short to medium term.
- 5.5 The Autumn Budget took place on 30 October; the Office for Budget Responsibility (OBR) also published its updated economic and fiscal outlook for the next 5 years. The Budget announced £1.3bn new grant funding for local government in 2025/26, £600m of which will be earmarked for social care. While new funding is positive, the distribution methodology is as yet unknown and any additional funding will not meet the significant increase in financial pressures set out in this report.
- 5.6 As highlighted in previous reports, the reserve balances of the authority are unsustainably low and do not provide the capacity to bridge the forecast budget gap.
- 5.7 In summary, despite the work undertaken over the last 6 months, the 2025/26 budget update presented in this report is still not balanced with a remaining budget gap of £32m, even if all the proposals in this report are agreed. Therefore, there is considerable further work to be undertaken between now and 3 March when next year's budget is agreed. This will include lobbying central government for additional funding; looking at additional cost reductions and ensuring value for money is achieved for each pound spent; income generation strategies and wider transformation. Despite these significant challenges, in 2025/26, the Council is expected to still be setting a balanced net budget in March that will result in spending of almost £310m on day-to-day services to our 264,000 residents and which is an increase on the current year.

### **Key Assumptions**

- 5.8 The following summarise the funding assumptions included in the draft 2025/26 Budget report considered by Cabinet on 12 November:
- Government funding for 2025/26 will be in line with that of 2024/25. Due to timing this has not yet been adjusted to reflect the impact of announcements made in the Autumn Budget Statement
  - Main Council Tax will increase by 1.99% and Adult Social Care precept by 3% (total 4.99%) for 2025/26
  - Bank of England base rate remains at or around 5%

- Inflation – assumptions vary according to the contract type and the market in which we are operating (see paragraphs 12.13 – 12.16)
- £39.6m budget built in for additional evidenced budgetary pressures
- No allowance for non-evidenced budgetary growth
- Previously agreed savings for 2025-2029 will be delivered in full, albeit there may be some delay in full delivery (see paragraph 12.24)

### **Next Steps**

- 5.9 The report is clear that the Council still has at least £32m of budget reductions to identify before a balanced budget for 2025/26 can be approved in March 2025 and this assumes that all the proposed budget reductions set out in this report are agreed following the consultation period. Any reductions not taken forward following consultation will need to be replaced with alternative savings on a £ for £ basis.
- 5.10 All services must continue to identify additional budget reduction proposals. The focus will be on efficiencies and management actions and mitigations to reduce the £39.6m of demand pressures that do not impact on outcomes for residents but with a gap remaining of this size, reductions in service provision cannot be ruled out at this stage.
- 5.11 The next update will be presented to Cabinet on 12 December 2024, which will also include any detailed financial implications for Haringey from the Budget Statement on 30 October if more becomes known when the Policy Statement is published by Government in November.

### **Financial Position for 2026/27 Onwards**

- 5.12 The report is clear that the focus of this report has been on preparations for the 2025/26 budget but a review of the assumptions across the next five years has also been undertaken.
- 5.13 Financial planning across the medium term is more difficult for the reasons set out in the report but the latest position shows that assuming a balanced budget is set for 2025/26, there will remain an estimated cumulative budget gap of £132.8m by 2029/30.
- 5.14 Budget planning for these future years will need to commence shortly. This will continue to identify efficiencies across all services, and this will be an integral part of the annual financial planning process because the Council will need to continue to demonstrate that every £ spent is offering the best value for money. The transformational changes that are also needed take longer to identify and implement and will focus around the areas set out in paragraphs 14.8 – 14.10 of the report.

### **Capital Programme Update (Section 15)**

- 5.15 Given the Council's challenging financial position, over the summer the existing capital programme has been reviewed to ensure that the schemes within it continue to contribute to the Corporate Delivery Plan and are essential. As a

result of this exercise, there are a number of schemes that are proposed for removing from the existing programme and these are summarised in Table 7 and set out in detail in Appendix 3.

- 5.16 Each year, there will also be a need for new capital investment and for 2025/26 this has been limited to only essential spending required for health and safety, maintenance and maintaining essential services and largely relates to the maintenance of the Council's highways infrastructure, operation and commercial estate. Capital investment can provide opportunities to delivery revenue savings or additional income and for 2025/26, it is proposed to invest in the Council's digital technology which will improve the efficiency across a range of services as well as improve the customer experience. Full details are set out in Appendix 3.

### **Risk Management (Section 18)**

- 5.17 The report outlines the known risks and uncertainties in paragraphs 18.6 – 18.17 and provides details of current estimates and assumptions on corporate contingency and reserves.
- 5.18 Paragraphs 18.19 and 18.20 emphasise that Council reserve balances remain unsustainably low.

### **Report Appendices (1, 2, 3)**

- 5.19 Appendix 1 summarises the additional budget proposed to be added to 2025/26 to address evidenced forecast pressures. These sums are over and above the £10.4m already assumed from last year's financial planning process for service pressures.
- 5.20 Appendix 2 – summarises new proposed savings and management actions for 2025/26 and beyond.
- 5.21 Appendix 3 – summarises the proposed changes to the Capital Programme 2025/26-2029/30

## **6 Further Useful Background Material**

- 6.1 **Document A** is an aide memoire to assist with the scrutiny of budget proposals including possible key lines of enquiry. This report is specifically concerned with Stage 1 (planning and setting the budget) as a key part of the overall annual financial scrutiny activity.
- 6.2 **Document B** 3 lists the previously agreed MTFS savings relevant to each Panel/Committee and details progress of delivery as at Q1 23/24.
- 6.3 The Finance Update report presented to Cabinet in September can be accessed [Here](#). It provides the forecast outturn position as at Quarter One.
- 6.4 The Council's 2024/25 Budget Book provides details of service budgets for the current year. It can be accessed [Here](#).

## **7 Contribution to strategic outcomes**

- 7.1 The Budget Scrutiny process for 2024/25 will contribute to strategic outcomes relating to all Council priorities.

## **8.0 Statutory Officers comments**

### **Finance**

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

### **Legal**

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

### **Equality**

- 9.4 The draft Borough Plan sets out the Council's overarching commitment to tackling poverty and inequality and to working towards a fairer Borough.
- 9.5 The Council is also bound by the Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
  - Advance equality of opportunity between people who share those protected characteristics and people who do not
  - Foster good relations between people who share those characteristics and people who do not.
- 9.6 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 9.7 Further equalities comments are provided in Appendix 1.

## **10. Use of Appendices and Other Appended Documents**

Appendix 1 – 2025/26 Draft Budget and MTFS 2025/30 Report (12 November 2024 Cabinet) + 3 Appendices

Document A – Key lines of enquiry for budget setting

Document B – Previously agreed savings 2024/25 – 2028/29 per O&S Panel/Cttee

**11. Local Government (Access to Information) Act 1985**

None.