

Report for: Overview & Scrutiny Committee 30 January 2025

Title: Draft 2025/26 Budget and 2025/2030 Medium Term Financial Strategy Report

Report authorised by: Taryn Eves, Director of Finance

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

Ward(s) affected: All

Report for Key/ Non Key Decision:

1. Describe the issue under consideration

- 1.1. This report sets out details of the proposed General Fund (GF) Budget for 2025/26; the Medium-Term Financial Strategy (MTFS) 2025/30, as well as the capital programme. It also includes the proposed dedicated school's budgets for 2025/26. The proposed budget and capital programme for the Housing Revenue Account (HRA) is included as a separate agenda item.
- 1.2. The proposed budget and capital programme is set within the context of the Corporate Delivery Plan (CDP) which covers the activity the Council will focus on delivering during the second half of the cycle between April 2024 and April 2026, before the local elections that are set to take place in May 2026. The Corporate Delivery Plan outlines the Council's strategic objectives, priorities, and initiatives aimed at creating a fairer, greener borough.
- 1.3. The plan is set out in eight themes:
- Resident experience and enabling success
 - Responding to the climate emergency
 - Children and young people
 - Adults, health and welfare
 - Homes for the future
 - Safer Haringey
 - Culturally rich borough
 - Place and economy

These themes demonstrate how the Council is focussed on working collaboratively, in line with the Haringey Deal, with residents, businesses and partners to tackle the biggest issues affecting communities.

- 1.4. Despite the significant financial challenges, vital services will continue, and the Council is focusing on doing more for less and putting values into action to deliver for residents. Within a smaller financial envelope, it is prioritising services

to protect those in most need while also continuing to deliver services that are valued by all residents.

General Fund Revenue Budget

- 1.5. In 2025/26, the Council is expected to spend in total £974m (net revenue and capital budgets) on services for the 294,000 residents within the borough. Of this, £494m is on general services and £480m on supporting over 20,000 households in Council housing. The latter is covered in detail in the Housing Revenue Account Business Plan which is a separate report on the agenda. The remainder of this report provides details of the £494m of spend on general services, of which £351m is spent on the day to day running of services and £143m on longer term capital investment. To enable this spending, the Council will need to increase Council Tax by the maximum allowable amount of 4.99% and seek special permission from Government to allow the Council to use capital receipts and borrowing (referred to as Exceptional Financial Support) of £37m for its day to day running costs and supporting the borough's most vulnerable residents.
- 1.6. The reliance on exceptional Government support is not sustainable and must be considered a short-term solution if it is agreed at the end of February. The Council continues to explore ways to improve its efficiency and maximise value for money to reduce costs and increase income which in turn can be used to fund vital services.
- 1.7. The last report, published on 12 November 2024 provided full details of the Council's budget pressures going into 2025/26, particularly within social care, and temporary accommodation and supporting those with education health and social care plans. This resulted in £39.6m of additional budget that would be needed compared to that reported in March 2024. Further budget was also built in for corporate pressures, notably for an increase in the council's corporate contingency from £7m to £10m which was felt prudent given the sizeable savings programme to be delivered and on-going extremely challenging financial landscape. A further update is provided in Section 9 of this report which shows additional budget totalling £84m will now be needed to manage services and risks.
- 1.8. The same report in November, included proposed new savings of £18.8m on top of the existing savings of £8.6m for 2025/26.
- 1.9. The external budget consultation on the draft budget proposals published in November ran from 28 November to 6 January and the specific responses and general feedback received are summarised in App 5. Cabinet will consider these responses in preparing the final budget on 11 February 2025.
- 1.10. Since this date, further work has continued to develop the draft budget. On 28 November 2024, Government published the Local Government Finance Policy Statement and on 18 December 2024 the provisional local government finance settlement. The later showed a 6.3% increase in core spending power for Haringey, which is higher than the London average of 4.9%. 'Core Spending Power (CSP)' is a headline figure used by government to represent the key revenue resources available to local authorities but includes an estimate of

council tax (assuming the maximum increase and an estimated taxbase) and business rates (assuming authorities collect at their baseline level) income.

- 1.11. The provisional settlement announced £12.5m additional grant funding compared to what had been assumed in financial plans. Most of the increase was directed to addressing social care pressures (£6.2m) and homelessness prevention (£2.9m). Haringey will benefit from a new Recovery Grant that has been introduced, receiving £5.4m which has been allocated based on the borough's level of deprivation and relative ability to raise council tax. At the same time, the Council's allocation for Extended Producer Responsibility was announced at £2.9m - a total of £15.4m of additional funding.
- 1.12. Whilst Haringey benefited from the allocations at a regional level the relative shift in resources to the northern counties is noticeable. Full details of provisional allocations of Government funding are set out in Section 8.
- 1.13. Due to the size of the budget gap still to be bridged before a balanced budget could be set for next year, the Council commissioned a time-limited external review in the period leading to the publication of this report. This took the form of scrutiny of existing budgets to identify additional opportunities to reduce spend or increase income and to test the robustness of the existing savings programme. This work has been focussed on identifying immediate changes that will support the budget for 2025/26 but also in reducing the overspend position in the current year. It has included looking at all options to achieve best value for money and outcomes for residents and maximising income opportunities, including the best use of physical assets.
- 1.14. The outcome of this intensive piece of work has led to the identification of £3.3m of new budget reduction proposals to date. These will be reviewed by the Overview & Scrutiny Committee on 30 January 2025 and their recommendations reviewed by Cabinet on 11 February 2025 before the final budget is recommended to Council on 3 March 2025.
- 1.15. In 2025/26, the Council Tax base across the borough is forecast to increase by 0.85% with an assumed collection rate of 95.75% and this has been assumed within the proposed budget for this report together with a 4.99% Council Tax increase.
- 1.16. The proposed budget for 2025/26 has been set based on the latest available information and assumptions but there are a number of inherent risks and uncertainties on service pressures, such as prevailing economic conditions, and the delivery of the total budget reductions of £30.4m and demand pressures outstripping those that have been assumed. Details are set out in Section 8, along with the Council's approach to risk management. The cumulative impact of funding austerity since 2020/11, increasing demand and more latterly, inflation, has reduced available reserve balances to an extremely low level and therefore any use of reserves to balance the budget for 2025/26 is no longer a viable option.
- 1.17. Therefore, despite, £30.4m of proposed budget reductions, the Council is not in a position to set a robust balanced budget for 2025/26 and as part of its contingency planning, on 13 December 2024, submitted an application to the

Ministry of Housing, Communities and Local Government (MHCLG) for Exceptional Financial Support (EFS). The proposed budget for 2025/26 assumes £37m of financial support will be required. The outcome of the Council's application will not be known until the end of February 2025 after the final Local Government Finance Settlement 2025/26 is published.

- 1.18. It is the Section 151's view that any use of EFS must be a last resort and therefore, although the proposed budget for 2025/26 will be set based on this level of financial support from Government, the Council will continue to take the immediate actions to reduce spend and increase income so to reduce the final level of support that is needed to be drawn down and any reliance in future years. Further details are set out in Section 8 and in the Section 151's Section 25 Statement in Section 13.
- 1.19. Therefore, in summary, during 2025/26, the Council is expected to spend £351m (net) on day to day revenue services, an increase from £302m in 2024/25 and £143m through capital investment on regeneration, housing, schools, roads, the environment and the Council's operational and commercial estates. Full details are set out in Section 8 and Appendices 1 and 4.
- 1.20. The five-year forecast of reserve balances is set out in Section 9 (Table 11) and includes details of all known commitments. It shows that reserves allocated for risks and uncertainties will reduce to £0m by March 2026. As highlighted, any use of reserves for balancing the budget is not sustainable and replenishment of reserves for managing risks and uncertainties will commence from 2026/27.
- 1.21. The remainder of this budget report is largely focussed on the budget for 2025/26, but it is set within the context of the medium term over the next five years. A balanced budget is proposed for 2025/26 but there remains an estimated budget gap of £124m between 2026/27 and 2029/30. Further details are set out in Section 10. Before the end of the current financial year, work will start on developing a longer-term approach to balancing the budget. Efficiencies will continue to be explored but it will also require a deeper, structural and a cross organisation approach that considers how services are provided and prioritised within the Council's limited financial resources, using the Corporate Delivery Plan as the foundations to these discussions.
- 1.22. Government has published their consultation on funding reforms from 2026/27 onwards and through the Council's response to the consultation, there will be a need to use data and evidence to make the case to Government that they must recognise the demand pressures facing the Council. There will be proactive engagement in all planned consultations on a refreshed funding allocation methodology. It is unlikely this will provide the full solution to the Council's longer term financial sustainability but together with a longer term approach to financial planning, an expectation to re-build reserve balances to a more sustainable level for managing risk, the transformation and re-design of services to ensure every pound spent is offering good value for money, it is expected to improve the financial sustainability of the Council and protect key services.

Dedicated Schools Budget

- 1.23. On 28 November 2024, the national figures for 2025/26 schools' budgets were announced. Overall, Haringey's National Funding Formula (NFF) allocation for 2025/26 is an increase of 7.2%. This is based on the December 2024 published allocations, with the final school finance settlement confirmed usually in July 2025 for the updated Early Years Block census. Full details are set out in Section 15.

Capital Strategy and Capital Programme

- 1.24. The Capital Strategy is set out in Appendix 8 and is presented alongside the budget report for approval by the Full Council. It sets out a high-level, long term overview of how capital expenditure and capital financing activity contribute to the Council's key priorities in the Borough Plan and Corporate Delivery Plan. It includes the full details of the proposed five-year capital programme which will see £143m of capital expenditure in 2025/26 and £617m across the five year period of 2025/26 to 2029/30.
- 1.25. The Council's ability to prudentially borrow to fund capital schemes is limited by the budgetary pressures the Council continues to face. The financing costs of delivering the capital programme in 2025/26 is expected to be £37.7m (£19.2m interest and £18.5m MRP) and has been reflected within the 2025/26 revenue proposed budget within this report.
- 1.26. The Capital Strategy includes the Council's Flexible use of Capital Receipts Strategy which, as confirmed in the Government's policy statement published on 28 November 2024, has been extended to 2030 to allow local authorities to fund the revenue costs of projects that result in ongoing cost savings or improved efficiency. It has also removed the restriction with respect to redundancy costs. The Capital Strategy includes details of the proposed use of capital receipts in 2025/26 of which a proportion will be for investment into transformation on an invest to save basis. The remaining balance of receipts is assumed as a funding source of the Exceptional Financial Support that has been applied for by Government.

Treasury Management Strategy Statement

- 1.27. Treasury management and prudential borrowing are integral to the consideration of the Council's revenue budget. The Treasury Management Strategy Statement (TMSS) 2025/26 was considered by Overview and Scrutiny Committee on 20 January and by Audit Committee on 27 January 2025 before the final TMSS will be presented to Council on 3 March 2025 for approval. It sets out the Council's approach to Treasury Management activity.

Conclusion

- 1.28. In summary, this report presents the Council's draft General Fund revenue and capital 2025/26 budget and current medium-term financial position for 2025 to 2030.
- 1.29. The only items not confirmed at this stage are:

- Final 2025/26 Local Government Finance Settlement announcement (expected mid-February) and any other late grant notifications from government departments;
- Notification of final levy sums. These are not expected to be significantly different to the sums already assumed within the proposed budget; and
- Confirmation of the Greater London Authority (GLA) council tax element which will be confirmed on 25 February 2025.

1.30. The unknowns are not expected to have material implications for the 2025/26 proposed budget presented in this report, but any changes will be highlighted and addressed in the final budget report presented to Full Council on 3 March 2025.

2. Recommendations

2.1 The Overview and Scrutiny Committee are recommended to:

2.1.1 Note that the Council is not in a position to set a robust balanced budget for 2025/26 without an assumed £37m Exceptional Financial Support (EFS).

2.1.2 Note that any use of EFS must be a last resort and therefore, although the proposed budget for 2025/26 will be set based on this level of financial support from Government, the Council will continue to take the immediate actions to reduce spend and increase income so to reduce the final level of support that is needed to be drawn down and any reliance in future years.

2.1.3 Note that work undertaken since the publication of the 11 November 2024 draft 2025/26 Budget report has resulted in the identification of £3.3m of new budget reduction proposals. These are Housing Demand and Adult Social Care related, and the details can be found in Appendix 3 and also set out in Section 3 below.

3.0 New Budget reduction proposals

3.1 Housing Demand

Description	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s
More Cost-Effective Sources of Temporary Accommodation (TA)- The delivery of this saving is through the combination of a number of initiatives to reduce the overall cost of homes secured for temporary accommodation and to increase the amount of Local Housing Allowance recouped by the Council. Key initiatives to reduce our reliance on expensive nightly-paid accommodation include entering into longer term leases for properties; delivering a housing acquisition programme of 250 homes per annum and modernising the Council's rent setting policy	(2,600)	(2,600)	(1,300)	

for TA to ensure the Council is maximising the amount that it is legally entitled to recoup within housing benefit rules.				
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3.2 Adult Social Care

Description	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s
Developing Community Support model - Building on Locality model and in collaboration with NHS, Housing, Public Health, voluntary and community sector, review and refresh our focus on prevention and early intervention, supporting residents to access community services which can best meet their needs and reduce demand on statutory services. This will also include a review the Adult Social Care's 'front door' to include information advice as to eligibility, how residents access the Service, progress from contact to assessment and then to receiving and reviewing support – at each stage of the residents' journey, reviewing how a digital response can inform improved demand management, more timely responses, reduce administrative burdens on staff and inform cost reductions.	(181)	(550)	(250)	(250)
Review of the Council's Reablement model to ensure that it is consistently focused on maintaining independence and supports safe and well-planned hospital discharge for a wide range of our residents.	(100)	(250)		
Supported Living Contract - Releasing efficiencies through a new contract model for Supported Living that moves away from spot purchasing through a 'Dynamic Purchasing System' and onto a framework with agreed pricing and uplifts.	(400)	(600)		
TOTAL	(681)	(1,400)	(250)	(250)