Report for:	**Cabinet**
Item number:	**9**
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:	**Key**

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 £979m (net revenue and capital budgets) on services for the 294,000 residents within the borough. Of this, £499m 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 reminder 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 £148m (excluding EFS) 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 £83m 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 have considered the feedback and although there are no changes to the draft budget as a result, the feedback provided has been extremely valuable and will be considered as part of the implementation of the proposals. The recommendations from Overview and Scrutiny Committee, together with the responses from Cabinet Members is set out in Appendix 6. No changes have been made to the draft budget as a result of these recommendations.

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 new proposals were reviewed by the Overview & Scrutiny Committee on 30 January 2025 and their recommendations, together with Cabinet Member responses is set out in Appendix 6. No changes to the draft budget have been made as a result of these recommendations.

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 £29.5m 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, £29.5m 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 £148m 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, 4 and 8.

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 zero 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 Vision and Corporate Delivery Plan. It includes the full details of the proposed five-year capital programme which will see £148m (excluding EFS) 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 agreed 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. Cabinet Member Introduction

2.1 Haringey is a borough rich in diversity, creativity and talent. It is also a borough where life expectancy drops 8 years from west to east and where levels of deprivation are amongst the highest in the country. Our driving ambition is to create a fairer and greener borough, where everyone can belong and thrive.

2.2 It is within those parameters that our budget is set. After successive changes to the funding formulae from 2010, Haringey has lost circa £143m to our budget. Haringey is also still considered an outer London borough for funding purposes (although an inner London borough for statistical ones) and receives less funding than our inner London neighbours. In the current financial year, like other boroughs, we have seen significant increases in the demand for and cost of local services – primarily in adult social care and temporary accommodation. The cost of temporary accommodation went up 68% in London last year.

2.3 While significant savings are proposed, we have worked very hard to protect the local services that our residents rely on and need.

2.4 In 2025/26 will invest almost £1bn to deliver our many local public services. We will build hundreds of new council homes, help hundreds of people into work, fix hundreds of roads and pavements, plant hundreds of street trees – among many other key actions to make this borough fairer and greener.

2.5 This is not only because it is the right thing to do, in a borough such as ours, but because many of our local services are preventative. Further cuts to frontline services (with many already made in the previous 15 years) can result in increased costs to our statutory services, with our residents and council less resilient in the face of increased need.

2.6 We have applied to the government for a maximum of £37m in Exceptional Financial Support (EFS). While this is required in order for us to set a balanced budget, we appreciate that this is not a sustainable position. We will continue to work, across the council, to reduce costs and to make every penny count – and minimise use of EFS as much as possible.

2.7 In the longer term we need fair funding reform from the government. The government is reviewing funding allocations to local government and is due to have proposals for 2026/27. We are pressing for changes that make sure that funding is driven by local need.

2.8 We are grateful for the funding allocated to us by the new government from the Recovery Grant, which was based on levels of deprivation and Haringey's relatively low council tax base. While insufficient to close our budget gap, this indicates a willingness to reverse the short sighted and harmful decisions that saw Haringey lose so much funding post 2010.

2.9 There are very real challenges at the moment, but there's also a real opportunity to reset the foundations – locally and nationally. This year and in future years our council budget will start with local priorities, focus on the needs of local people and build towards our shared ambition of a fairer and greener borough.

3. Recommendations

3.1 It is recommended that Cabinet:

a) Consider the outcome of the budget consultation as set out in Appendix 5, to be included in the report to Council.
b) Approve the responses made to the Overview and Scrutiny Committee recommendations following their consideration of the draft budget proposals as set out in Appendix 6

c) Propose approval to the Council of the 2025/26 Budget and MTFS 2025/30 Budget, new budget requirements and savings proposals as set out in Appendices 2 and 3.
d) Propose approval to the Council of the 2025/26 General Fund Revenue Budget as set out in Appendix 1, including specifically a General Fund budget requirement of £348.9m, but subject to final decisions of the levying and precepting bodies and the final local government finance Settlement.
e) Propose approval to the Council of the General Fund Medium Term Financial Strategy (MTFS) 2025/2030 as set out in Appendix 1.
f) Propose approval to the Council that the overall Haringey element of Council Tax to be set by London Borough of Haringey for 2025/26 will be £1,717.56 per Band D property, which represents a 2.99% increase on the 2024/25 Haringey element and with an additional 2% for the Adult Social Care Precept amount.
g) Note the Council Tax Base of the London Borough of Haringey, as agreed by the Section 151 Officer under delegated authority (Article 4.01(b), Part 2, of the Constitution), as 82,589 for the financial year 2025/26 (Appendix 7).
h) Propose approval to the Council of the Capital Strategy 2025/26 to 2029/30 (Appendix 8), including the General Fund capital programme detailed in Annex 1 of the strategy.
i) Propose approval to Council of the strategy on the use of flexible capital receipts to facilitate the delivery of efficiency savings including capitalisation of redundancy costs (Appendix 8, Annex 2).
j) Propose approval to Council of the 2025/26 Minimum Revenue Policy (Appendix 8, Annex 3).
k) Propose to the Council the Dedicated Schools Budget (DSB) allocations for 2025/26 of £253m as set out in Table 15.
l) Note the funding to be distributed to primary and secondary schools for 2025/26 based on the figures advised to Schools Forum and submitted to the Education Funding Agency in January 2025 set out in Section 15.
m) Note the budgets (including the use of brought forward DSG) for the Schools Block, Central Services Block, High Needs Block and Early Years Block set out in Table 15.
n) Delegate to the Director of Children Services, following consultation with the Cabinet Member for Children, Education and Families, authority to amend the Delegated Schools Budget to take account of any changes to Haringey’s total schools funding allocation by the Education and Skills Funding Agency.
o) Delegate to the Section 151 officer, following consultation with the Cabinet Member for Finance and Corporate Services, authority to make further changes to the 2025/26 draft budget to Full Council up to a maximum limit of £1.0m.

4. Reasons for decision

4.1 The Council has a statutory obligation to set a balanced budget for 2025/26 and this report forms part of the budget setting process for setting out the forecast funding and expenditure for 2025/26 which will be presented to Full

Council on 3 March 2025. As part of good financial management and transparency, this report also sets out the current funding and expenditure assumptions for the following four years in the form of an updated Medium-Term Financial Strategy (MTFS). The final budget for 2025/26, Council Tax levels, Capital Programme, Treasury Management Strategy, Housing Revenue Account (HRA) budget and Business Plan will be recommended to Full Council on 3 March 2025 following consideration at Cabinet on 11 February 2025.

5. Alternative options considered

5.1 The Cabinet must consider how to deliver a balanced 2025/26 budget and sustainable MTFS over the five-year period 2025/30, to be reviewed and adopted at the meeting of Full Council on 3 March 2025.

5.2 The Council has developed the proposals contained in this report in light of its current forecasts for future income levels and service demand. These take account of the Council's priorities; the extent of the estimated funding shortfall; the estimated impact of wider environmental factors such as inflation, interest rates, household incomes and, in some service areas, the legacy of the Covid-19 pandemic.

6 External Context

Economic Factors

6.1 The Office for Budget Responsibility (OBR) published an update of national economic and fiscal outlook on 30 October 2024. That report estimated real Gross Domestic Product (GDP) growth is forecast to be 1.1% in 2024, 2.0% in 2025 and 1.8% in 2026 before falling back to 1.5% thereafter.

6.2 Consumer Price Index (CPI) inflation is forecast to be 2.6% in 2025 decreasing to around 2% per year for the remainder of the forecast. Interest rates are expected to fall from 5.0% to 3.5% but not until the final year of the forecast, 2029/30 and it remains unclear the pace of the reduction in the intermediate years. The unemployment rate is expected to fall from 4.3% in 2024/25 to 4.0% in 2026, before stabilising at 4.1% by 2028.

6.3 The Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. The MPC adopts a medium-term and forward-looking approach to determine the monetary stance required to achieve the inflation target sustainably.

6.4 At its last meeting on 18 December 2024, the MPC voted to maintain the Bank Rate at 4.75%. Since the MPC's previous meeting, twelve-month Consumer Price Index (CPI) inflation has increased to 2.5% in December 2024 from 1.7% in September. This was slightly higher than previous expectations and headline CPI inflation is expected to continue to rise slightly in the short term.

6.5 Most indicators of UK short term economic activity have declined. The Bank expects (GDP) growth to have been weaker at the end of the year than projected in the November Monetary Policy Report. The Committee now judges that the labour market is broadly in balance. Annual private sector regular average weekly earnings growth picked up quite sharply in the three months to October but has tended to be more volatile than other wage indicators. The latest intelligence suggests that average pay settlements in all sectors in 2025 will be within a range of 3 to 4%. There remains significant uncertainty around developments in the labour market.

6.6 The Government has confirmed that it will provide £515m to compensate local government for the increase in employer National Insurance (NI) contributions and is expected to fund the increased costs to the Council of its direct employees. However, the short to medium term impact of this increase on some of the Council's key social care provider contracts is unpredictable, particularly in a sector which has struggled to recruit and maintain staffing. Haringey's allocation of this total funding is unlikely to be known until the final Local Government Finance Settlement is published in February 2025.

6.7 The international outlook continues to be volatile which could impact negatively on the current inflation and bank rate forecasts which would directly impact on the current budget assumptions.

National Policy Developments

6.8 The Government published a Policy Statement on the 2025/26 local government finance settlement on 28 November 2024. This confirmed proposals for local government finance and is set within a broader context of reform, including enhanced devolution, increased housing development and a reset of the relationship between central and local government.

6.9 On finance reform, they will 'build on' the 'Fair Funding Review' (or 'Review of Relative Needs and Resources'), with 'a similar approach' to the previous Conservative administration, which ground to a halt with two consultation papers published in December 2018. This will be delivered through the promised multi-year settlement from 2026/27 onwards.

6.10 A long-overdue 'reset' of accumulated business rates growth is promised, allowing Ministers to reallocate some or all locally accumulated growth using revised and up-to-date relative needs formulas. (Freeports, Enterprise Zones and Investment Zones will be exempt.) A reset was first discussed in 2019.

6.11 The 2025/26 government proposals show clear evidence of the emerging short-term financial priorities of the new government - social care, deprivation, grant consolidation without bidding processes and supporting financial resilience through more efficient allocation of resources.

6.12 The longer-term proposals aim to make best (most efficient) use of available resources, through allocations based on relative needs and the resources available locally to fund these needs. The likely main elements of the review are:

- Updating the relative needs formulas and the data utilised in the calculations.
- A reset of accumulated business rates growth (through the business rates retention system).
- Adjustment of allocations to take account of varying costs of delivery across the country (including rural and urban areas).
- Resources equalisation (levelling the playing field) of the council tax taxbase between authorities.
- An approach to transition from the current baseline to the new arrangements, perhaps based on a 'glidepath' over time.

6.13 As part of the Provisional Local Government Finance Settlement published on 18 December 2024, two key consultations were confirmed.

Funding Reform (as per 28.11.2024 Policy Statement)

Alongside the settlement, the government launched its Local authority funding reform consultation. This consultation seeks views on the approach to determining new funding allocations for local authorities and fire and rescue authorities. The deadline is **12 February 2025** and covers:

- Objectives and principles.
- Measuring differences in demand for services and the cost of delivering them.
- Measuring differences in locally available resources
- The New Homes Bonus.
- Implementing changes and keeping allocations up to date.
- Ways to reduce demands on local government to empower them to deliver for communities.
- Sales, fees and charges reform.

Local Government Audit Reform

The government also launched a consultation of Local Government Audit Reform. Submissions were due **29 January 2025** and the scope of this consultation includes a series of measures to fix the local audit system, including:

- A new local audit vision.
- The creation of a new Local Audit Office and its proposed functions.
- Mandating audit committees.
- Simplifying reporting requirements.
- Initiatives to enhance audit capacity (i.e., public provision).

6.14 On 16 December 2024, the Ministry of Housing, Communities and Local Government (MHCLG) published its English Devolution White Paper. Key announcements include:

- The Government has stated its aim that all parts of England should have a Strategic Authority (a Combined Authority of some shape or form).
- The Government will facilitate a programme of reorganisation for two-tier areas and unitary councils where there is evidence of failure or where their size or boundaries may be hindering their ability to deliver sustainable and high-quality public services. This is a longer-term programme, with a target of an ambitious first wave in this Parliament. The target size of new unitaries is 500,000 residents or more but decisions will be taken on a case-by-case basis.
- The government will respond to the recommendations of multiple external reviews, including the Redmond and Kingman reviews that have called for much simpler leadership and regulation of local audit.
- MHCLG has recommitted to the English Devolution Bill, to be presented in this session of Parliament if time allows.

6.15 The closure of the Office for Local Government (Oflog) was announced during December 2024. MHCLG will continue to have a small function which will measure local government performance, with a focus on the government's key missions, objectives and outcomes.

7 Internal Context

Borough Vision and Corporate Delivery Plan

As a Council, Haringey delivers hundreds of different and diverse services to almost 294,000 residents.

7.1 On 15 October 2024, Haringey's Borough Vision was published with 'Making Haringey a place where everyone can belong and thrive and is at the heart of a new shared vision for the borough'. The aim of the vision is to galvanise the actions not just of the council but also of partners, residents and businesses behind a set of common objectives. Haringey 2035 identifies the six key areas for collaborative action over the next decade:

- Safe and affordable housing.
- Thriving places.
- Supporting children and young people's experiences and skills.
- Feeling safe and being safe.
- Tackling inequalities in health and wellbeing.
- Supporting greener choices.

7.2 This builds on the Haringey Deal which sets out the council's commitment to developing a different relationship with residents, alongside the Corporate Delivery Plan (CDP) which sets out the organisational priorities every two years.

7.3 The most recent CDP was approved by Cabinet in July 2024 and can be found here - [The Corporate Delivery Plan 2024-2026 (haringey.gov.uk)](). It outlines the strategic objectives, priorities, and initiatives aimed at creating a fairer, greener borough. The plan is set out in eight separate 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.

7.4 The Haringey Deal is 'how' we do things. The Council is changing the way it works. This starts with foundational principles of Knowing Our Communities and Getting the Basics Right. Across all services the Council is striving to build stronger relationships with residents and hear more from those often overlooked; build on the borough's incredible strengths, and work in partnership to solve challenges. Key metrics for each theme have been set to determine if activities are having the intended effect and are reported to Cabinet and the Overview and Scrutiny Committee every six months.

7.5 The Budget and MTFS process is the way in which we seek to allocate financial resources to support the delivery of this plan alongside analysing and responding to changes in demand, costs and external factors.

Haringey as a Place

7.6 Haringey is an outer London borough – receiving outer London levels of funding but which exhibits many inner London characteristics including levels of deprivation, high housing costs and urban density. Unlike many other London boroughs, it also continues to have a growing population – with the number of over 65s being 24% higher in 2024 than it was in 2010 but also an 8% decrease in children under 15. Haringey has a population density of about 9,916 people per square kilometre, making it the 12th most densely populated borough in London.

7.7 The core grant funding available from government for Haringey to deliver services and meet the needs of residents is around £143m less in real terms than it was in 2010/11.

7.8 Haringey's local population has been hit hard by the Covid pandemic and the cost-of-living crisis.

7.9 The most recently reported data shows that 22.5% of residents aged 16 to 65 were claiming Universal Credit in Haringey in Aug 2024 - over 42,000 people. The same data showed 8.1% of residents aged 16+ were claiming unemployment-related benefits in Haringey in August 2024 - over 15,000 people and, one of the highest figures of the last 3 years and is the third highest in the UK. One in five households have an active mortgage so may be impacted by the continuing high interest rates.

7.10 For schools, falling rolls in primary classes are adding additional pressures on stretched budgets particularly as grant income is linked to pupil numbers. Even where numbers have been relatively stable, cost inflation on key items such as utilities and building maintenance, continues to provide challenges and increasing numbers of local schools are now carrying budget deficits. Further details are set out in Section 15.

8 Draft Budget 2025/26

8.1 Developing a draft budget for 2025/26, requires a set of budget principles to be adhered to and a number of factors to be taken into consideration which are set out in full throughout this section.

Budget Principles

- To support the delivery of the Council Plan and priorities.
- Financial Planning will cover at least a 4/5 year period.
- Revenue and capital of equal importance.
- Cost reductions and income generation required.
- Sustainable budget for future years (one off reductions are not the solution).
- No on-going reliance on reserves.
- Any use of reserves to balance the budget will need to be replenished.
- Estimates used for pay, price and demand should be based on data and evidence – referred to as pressures.
- Growth for increased or enhanced service provision will be exceptional and considered on case by case basis.
- Loss of Government grant will result in same reduction in expenditure.
- All services will ensure value for money and high levels of productivity.

Budget Factors

- Impact of macro-economic conditions, such as inflation and interest rates for 2025/26 will use the latest forecast published by OBR on 30 November 2024, as set out in Section 6.
- Government Funding and the allocations published in the Provisional Local Government Finance Settlement on 18 December 2024 have been used.
- Estimates of other potential income sources, including Council Tax, Business Rates, fees and charges and other contributions.
- Forecast increase in demand and price pressures will be based on the latest data and trends and consider any risks in the estimates.

- Net budget reductions (savings) include both reducing costs and increasing income.

Draft Revenue Budget 2025/26 – Funding

8.2 As highlighted above, the Council is expected to spend net £351m on day to day services and this will be funded through a number of different sources such as:

- Council Tax
- Business Rates
- Government Grants (Core)
- Government Grants (Service Specific)
- Customer Receipts (including fees, charges, parking)
- Rental Income
- Investment Income

8.3 The main revenue sources are set out in Table 1.

Table 1 – Key Revenue Sources 2025/26

Income Source	**£'000**
Council Tax	(139,850)
SFA – (Business Rates baseline, S31 grants and top up, RSG)	(139,404)
Government Grants	(41,480)
Total	**(320,734)**

Government Funding

<u>Core Government Grants</u>

8.4 On 18 December 2024, Government published the Provisional Local Government Finance Settlement (PLGFS) for 2025/26. This is subject to consultation and the Council submitted its response by the deadline. The final settlement is expected to be published mid-February 2025, and any changes will be reflected in the final report to Council on 3 March 2025. The proposed budget set out in this report assumes that there will be no further changes.

8.5 Much of the PLGFS is focused on 'Core Spending Power' (CSP) which is a Government measure of the resources available to local authorities to fund service delivery. It includes the following:

- Revenue Support Grant (RSG) and notional Business rates (both income retained locally and the top up received from Government). These are collectively known as 'Settlement Funding Assessment' (SFA). The Local

Government Finance Policy statement published in November 2024 confirms this will increase by September CPI of 1.7%.

- Section 31 grants (estimated) in relation to business rates to compensate authorities for government decisions on business rate reliefs and holding the multiplier below inflation (under indexation).
- Council Tax Requirement – a calculated notional figure based on national taxbase growth levels and an assumption that all authorities have and will apply the maximum council tax increase.
- Specific grants – including Social Care related grants, the new Children's Social Care Prevention grant, new Recovery Grant and New Homes Bonus.
- Adjustments for any discontinued, merged or rolled in grants and adjustments to deliver the funding guarantee which protects all local authorities from year-on-year reduction in CSP.

8.6 In 2025/26, the Council will receive additional Government funding of £15.9m compared to that received in 2024/25 as set out in Table 2.

Table 2 – Provisional Government Grants 2025/26

Government Grant	**2025/26 £'000**	**2024/25 £'000**	**Change £'000**
Improved Better Care Fund	(12,100)	(9,806)	(2,294)
Social Care Grant	(29,740)	(24,832)	(4,908)
Adult Social Care Market Sustainability and Improvement Fund	(5,023)	(5,023)	0
Discharge Fund (rolled into iBCF from 25/26)	0	(2,291)	2,291
Children's Social Care Prevention Grant - **New**	(1,330)		(1,330)
New Homes Bonus	(320)	(1,790)	1,470
Recovery Grant **- New**	(5,360)		(5,360)
Services Grant		(573)	573
Total within Core Spending Power	**(53,873)**	**(44,315)**	**(9,558)**
Extended Producer responsibility - **New**	(2,889)	0	(2,889)
Total Homelessness Grants	(13,771)	(10,800)	(2,971)
Public Health Grant	(23,187)	(22,700)	(487)
Grand Total	**(93,720)**	**(77,815)**	**(15,905)**

Service Specific Grants

8.7 In addition to the Government grants set out in Table 2, there are a number of other service specific grants which are included in the proposed service budgets for 2025/26. For those grants that have not yet been confirmed, the 2025/26 value has been assumed at the 2024/25 level. In line with the Council's budget principle, any loss of service specific government grant will result in a corresponding reduction in expenditure unless otherwise agreed as part of the annual budget process.

Business Rates

8.8 Business Rates are set nationally. The value of business premises is determined by the Valuation Office and the Government set the multiplier which specifies the pence per pound paid in tax.

8.9 Government announced in the Autumn Statement on 30 October 2024, that business rates will increase by CPI at 1.7% but the small business multiplier (for those businesses with a rateable value of less than £51,000) will be frozen. This means that for 2025/26, the standard multiplier will be 55.5p – an increase from 54.6p and the small business rate multiplier will remain at 49.9p.

8.10 It was also announced that businesses within the retail, leisure and hospitality sector will receive a 40% reduction on their business rates bill for 2025/26, recognising the long term impact the pandemic has had on this sector and a change in consumer behaviour. Although the Council will be fully compensated for this loss of income through a Section 31 grant from Government, for this business sector having to pay 60% is a large step up from the level of relief provided over the last few years and may lead to some struggling to pay.

8.11 The number of hereditaments (business premises) in 2025/26 is forecast to remain broadly similar to the current year. Based on the collection rate achieved in 2023/24 (93.6%), the period 9 in year forecast of 93% and the potential impact of the reduction in relief for the retail, leisure and hospitality sector, a stretch target of 94% collection is currently assumed.

Business Rates Pooling

8.12 A business rates pool of eight Authorities was created for the 2022/23 financial year involving the City of London, and the London Boroughs of Tower Hamlets, Hackney, Waltham Forest, Enfield, Barnet, Brent and Haringey. This was because of the financial benefit to the eight authorities involved based on the levels of business rate growth in some of the boroughs. This Pool has continued each year since 2022/23 delivering on average a £2m per annum benefit to Haringey.

8.13 Modelling for the 2025/26 financial year suggests that the continuation of the pool will continue to deliver similar financial benefits.

8.14 This pool will continue to share the risks and rewards of pooling as follows:

- 40% of any growth or loss will be retained by the City of London.
- 60% of any growth or loss will be retained by the other 7 boroughs in equal shares.

8.15 For 2025/26, the authorities will pool once again and this was confirmed within the Provisional Local Government Finance Settlement published on 18 December 2024 and has been agreed by the Section 151 Officer in consultation with the Cabinet Member for Finance and Corporate Services under delegated authority. A financial benefit of around £2m is expected and has been assumed within the proposed budget in this report. As in previous years, this is only assumed as a one-year benefit particularly in the light of expected business rate reset from 2026/27 which may impact on the viability of continuing the existing pool.

Council Tax

8.16 Income collected through Council Tax is determined by the level of tax and the Council tax base.

8.17 The proposed budget is based on a 4.99% increase in the level of Council Tax (2.99% general increase and 2% Adult Social Care Precept) and is in line with the referendum thresholds published by Government as part of the Provisional Local Government Finance Settlement.

8.18 The overall impact is that an average Band D property increase from £1,635.92 to £1,717.56, an increase of £81.64. The average Band C property will increase from £1,454.16 to £1,526.72. Full details are set out in Table 3.

Table 3 – Proposed Council Tax Levels – 2025/26

Band	Haringey 2024/25 Council Tax £	Haringey 2025/26 proposed Council Tax £	Haringey Change £
A	1090.62	1145.04	54.42
B	1272.39	1335.88	63.49
C	1454.16	1526.72	72.56
D	**1635.92**	**1717.56**	**81.64**
E	1999.47	2099.24	99.77
F	2363.01	2480.92	117.91
G	2726.55	2862.6	136.05
H	3271.86	3435.12	163.26

Council Tax Base

8.19 The Council tax base is the number of properties in Bands A to H in the borough but expressed as the number of equivalent band D's. In most areas, Band D is the average but for Haringey, the average is Band C. This is a notable point because Government, when calculating Core Spending Power use Band D as the average. The proposed budget assumes an increase in the tax base of 0.85% for 2025/26 based on the latest properties on the ratings list and those forecast for next year. The assumed Council Tax base increase is 82,589. This assumption will remain under review over the next few years to reflect house building ambitions in the borough.

Council Tax Reduction Scheme

8.20 In 2025/26, the Council will continue to fully fund the local Council Tax reduction (local Council Tax benefit) scheme and as the cost of living crisis continues to impact on many households, will protect vulnerable residents on low incomes who might otherwise pay more. Currently just under 25,000 households receive a Council Tax reduction. The total spend on the scheme is expected to be approximately £34.0m.

8.21 The Council has plans to improve the support offer for residents who are at risk of or experiencing financial crisis, including those who are in debt to the council. A new Tackling Inequality service will be established to bring together and strengthen existing work in this area, to provide timely, empathetic and practical support to help residents increase their income and reduce their debt. A reduction in the number of Council Tax Support claimants will be one of the ways to track the impact of this service on those with the lowest incomes.

Greater London Authority Precept

8.22 The draft Greater London Authority Band D Council Tax figure for 2025/26 was published on 15 January as £490.38, a 4% increase or £18.98. The final 2025/26 precept will be issued after the London Assembly meets on 25 February 2025. Any changes will be reported to Council on 3 March 2025. Full details of the draft rates by Bands A to H are set out in Table 4.

Table 4 – Proposed GLA Council Tax Levels 2025/26

Band	GLA 2024/25 Council Tax £	GLA 2025/26 proposed Council Tax £	Change £
A	314.27	326.92	12.65
B	366.64	381.41	14.77
C	419.02	435.89	16.87
D	471.40	490.38	18.98
E	576.16	599.35	23.19
F	680.91	708.33	27.42
G	785.67	817.30	31.63
H	942.80	980.76	37.96

8.23 Taking into account both the proposed increase in Haringey Council Tax and GLA increase, a summary is set out in Table 5.

Table 5 – Total Proposed Council Tax Level 2025/26

Band	Haringey 2025/26 proposed Council Tax £	GLA 2025/26 proposed Council Tax £	Total £	% of dwellings in each band
A	1145.04	326.92	1471.96	3%
B	1335.88	381.41	1717.29	11%
C	1526.72	435.89	1962.61	27%
D	**1717.56**	**490.38**	**2207.94**	**26%**
E	2099.24	599.35	2698.59	14%
F	2480.92	708.33	3189.25	8%
G	2862.60	817.30	3679.90	9%
H	3435.12	980.76	4415.88	2%

8.24 Cabinet is asked to recommend to Council on 3 March 2025, the final council tax and budget figures to enable the council tax resolution to be passed.

Collection Fund

8.25 The Collection fund is a separate account which receives the income collected from Council Tax and Business Rates payers and then makes payments to the Council, GLA and Government.

8.26 The Local Authorities (Funds) (England) Regulations 1992 (as amended) require an annual projection of the balance on 31 March each year. This is because precepting authorities share surpluses / deficits and need to take account of these when setting the budget.

8.27 The projected balance on the collection fund on 31 March 2025 is estimated at £4.081m. The business rates proportion of this is £1.785m. The Council Tax element is £2.296m.

Fees and Charges

8.28 Income from fees and charges (including rents from commercial and operational estates) is approximately 13.3% of the Council's income. On 12 December 2024, Cabinet approved the fees and charges for 2025/26 which was based on an average of 5% increase and the increased income has been assumed in the proposed budget set out in this report.

Draft Revenue Budget 2025/26 – Expenditure

8.29 The starting position of setting the budget for 2025/26 is the financial position in previous and current financial years.

8.30 Although the 2024/25 budget had undertaken analysis to derive realistic estimates of service demands and the cost of services, the Quarter 2 monitoring position (published on 10 December) estimates an overspend of £37m by the year end, of which 71% is driven by adult social care and demand for temporary accommodation. A copy of the full report is here Q2 Finance Update_Cabinet 10Dec24 Ver1.0.docx_17.54.pdf and the pressures in the current year directly align with those forecast to continue into 2025/26.

Spending Pressures 2025/26

8.31 In March 2024, the estimated additional budget required in 2025/26 of service pressures was £11.90m. Based on the current in year position, benchmarking, population trends and inflation forecasts, an additional £45m will be required. Table 6 below is a summary of the total pressures required for 2025/26 and set out in full in Appendix 2.

Table 6 – Forecast Budget Pressures 2025/26

Directorate	£'000
Adult Social Care	30,940
Housing Demand (Temporary Accommodation)	12,097
Children and Young People Services (including Education)	6,538
Environment and Resident Experience (exc Housing Benefit)	1,370
Environment and Resident Experience (Housing Benefit)	3,500

Directorate	£'000
Placemaking and Housing (excluding HRA)	1,710
Culture, Strategy and Engagement	637
Finance, Audit and Procurement (including CEO Office)	0
Total	**56,792**

Pay and Prices

8.32 **Contract Inflation** - the additional budget for 2025/26 to fund increases in contract prices (excluding social care and temporary accommodation) is £1.85m. This is based on an average inflationary increase of 6.7% on non social care contracts. Any increase above this allocation will need to either be absorbed within individual service budgets by identifying alternative reductions or agreed to be funded through the corporate contingency allocation.

8.33 **Pay Award** – The pay award for 2024/25 has been agreed and is reflected within the current 2024/25 budgets but negotiations have not yet started for 2025/26 and therefore the outcome is unlikely to be known until part way through the next financial year. The proposed budget in this report has set aside £5m, equivalent to an average of a 3% increase. Any increase above this allocation will need to either be absorbed within individual service budgets by identifying alternative reductions or agreed to be funded through the corporate contingency allocation.

Other Corporate Pressures

8.34 **Pension** – the 12 November 2024 draft budget report included £813,000 increase to cover recent inflationary increases in pension payments to historic employees under previous scheme rules. This was on top of an already budgeted increase of £600,000 arising from the last triennial valuation.

8.35 **Redundancy costs** - the 12 November 2024 draft budget included the creation of a corporate redundancy provision of £750,000 partly to cover any costs not eligible to be funded via flexible capital receipt application but also in recognition of the potential implications of the council's financial position on the size of the establishment. This has now been increased by a further £500,000 to also recognise the potential costs arising from necessary school restructures on the back of falling roll numbers.

8.36 **Levies** – The Council contributes to some London wide services (referred to as levies). These are:

- North London Waste Authority (NLWA)
- London Pension Fund Authority (LPFA)
- Lee Valley Regional Park Authority (LVRPA)
- Environment Agency

8.37 Confirmation of final levy figures are not yet known and will be reported to Council on 3 March 2025. However, for planning purposes most levy costs, with the exception of NLWA are forecast to remain broadly in line with the 2024/25 figures across the MTFS period. A 2% annual increase has been assumed.

8.38 The latest NLWA estimated levy for 2025/26 was received in mid November 2024 and indicated a levy of £12m. This is £2m more than the 2024/25 levy and has required an additional £1.4m to be built in over and above that which was assumed in the November report. NLWA has been informed that it will receive around £14m funding from Defra as part of the extended producer responsibly (EPR) scheme. Discussions on how to utilise this unbudgeted sum are on-going and the final decision will be made at the NLWA budget meeting on 13 February 2025 alongside confirmation of the 2025/26 borough levy.

8.39 **Capital Financing** – due to the considerable work undertaken over the last couple of years to review and reduce the general fund capital programme and further reductions for 2025/26, particularly that funded by borrowing, the new borrowing for 2025/26 has been reflected in the Budget. The budget has also been adjusted for any additional borrowing associated with the Council's application for exceptional financial support, subject to it being approved in principle at the end of February.

8.40 **Concessionary Fares** – usage numbers continue to increase after a significant dip during COVID and for 2025/26 are estimated to reach 84% of pre-COVID rates. The budget requirement for 2025/26 is £14.4m, which is a 16.65% increase on 2024/25 (£12.4m) but is in line with the forecast reported in the March 2024 Budget/MTFS report. From 2026/27 the estimated charge is higher than previously assumed due to fares and 66+ population increases. This has been factored into financial plans for 2026/27 onwards.

8.41 **Corporate Contingency** - In 2024/25, the Council will spend its full contingency allocation given the level of overspend currently being forecast.

8.42 Despite building in additional budget of £56.8m to address service demand and price pressures in 2025/26, given the level of risk and uncertainty, the Council has increased its corporate contingency provision from £7.6m to £10m to manage unforeseen circumstances, risks to the full delivery of savings or increases in demand over and above those currently estimated.

8.43 As in previous years, any use of contingency will be subject to approval by the Section 151 Officer and will be reported quarterly through the finance monitoring report.

8.44 The total existing and new budget built into 2025/26 for corporate pressures is summarised in Table 7.

Table 7 – Corporate Budget Pressures 2025/26

Description	**2025/26 £'000s**
Concessionary Fares levy forecast increase	1,332
Creation of Feasibility Studies budget to support the capital programme	1,000
Forecast Pay Inflation	5,000
Increase in Capital Financing Budget requirement	6,886
Increase in Corporate Contingency	2,234
Levies forecast increase at 2%	2,049
Non Pay Inflation	410
Other Minor Adjustments	90
Pension forecast	1,413
Provision for Redundancy Costs	1,250
Reserve movements	4,252
Write off of Open Banking saving proposal	300
TOTAL	**26,216**

Budget Reductions

8.45 The proposed budget for 2025/26 includes £22.1m of new budget reductions (reduced spend and increased income) and these are set out in full in Appendix 3. Of these, £18.8m were published for Cabinet in November 2024. Consultation took place between 28 November 2024 and 6 January 2025. This included an online public consultation, engagement with businesses, review by all scrutiny panels and Overview and Scrutiny Committee. The recommendations are summarised in Appendix 5 with responses by Cabinet Members. Cabinet have considered the feedback and although there are no changes to the draft budget as a result, the feedback provided has been extremely valuable and will be considered as part of the implementation of the proposals.

8.46 Given the scale of the financial challenge for next year and that a significant budget gap remained, throughout December and early January, work has continued to identify additional budget reductions and opportunities for income generation to move closer to being able to recommend a balanced budget. This work identified £3.3m of further proposals which were considered by Overview and Scrutiny Committee on 30 January 2025. Their recommendations are included in Appendix 3, together with responses by Cabinet Members. No changes have been made to the draft budget as a result of these recommendations.

8.47 In addition, the proposed budget includes, £9.5m of previously approved reductions for 2025/26 that were agreed as part of previous budget setting processes.

8.48 Therefore, in total, £29.5m of budget reductions will be delivered in 2025/26 to contribute towards balancing the budget as set out in Table 8 and in full in Appendix 3.

8.49 A review of the existing savings in 2024/25 has been undertaken as part of the quarterly monitoring process and the budget preparations. This has identified that the delivery profile of the agreed CTRS saving could be reprofiled to deliver the total £2m against 2025/26. This review has also identified that £440,000 are no longer deliverable and have been written off and are highlighted in the relevant service sections of Appendix 4. This has added to the budget gap position for 2025/26. This therefore assumes that the remaining £19.78m of savings in 2024/25 that have not yet been delivered will be delivered in full in 2025/26. Close monitoring will take place during the year and reported through the quarterly monitoring process.

8.50 In summary and for completeness, the total savings to be delivered by all Directorates in 2025/26 is set out in Table 8 and in full in Appendix 3.

Table 8 – Total Savings 2025/26

Directorate	£’000
Adult Social Care	(2,966)
Housing Demand (Temporary Accommodation)	(2,600)
Children and Young People Services (including Education)	(885)
Environment and Resident Experience (exc Housing Benefit)	(4,008)
Environment and Resident Experience (Housing Benefit)	(313)
Placemaking and Housing (excluding HRA)	(868)
Culture, Strategy and Engagement	(1,945)
Finance, Audit and Procurement (including CEO Office)	(550)

Directorate	£'000
Council Wide Savings (to be allocated to Directorates before 1.4.2025)	(13,410)
Council Tax Reduction Scheme (CTRS)	(2,000)
Total	**(29,545)**

Balanced Budget 2025/26

8.51 Taking account of the pressures, budget reductions and other corporate adjustments described above, the Council is forecast to need to spend £351m on the day to day running of local services from the general fund, protecting the most vulnerable and delivering good quality services to all residents.

Table 9 – Net Spend 2025/26

Directorate	Net Spend £'000
Adult Social Care	129,542
Housing Demand (Temporary Accommodation)	17,553
Children and Young People Services (including Education)	68,354
Environment and Resident Experience (exc Housing Benefit)	4,329
Environment and Resident Experience (Housing Benefit – Council element)	8,871
Placemaking and Housing (excluding HRA)	6,645
Culture, Strategy and Engagement	28,845
Finance, Audit and Procurement (including CEO Office)	6,485
Corporate	80,974
Total	**351,598**

8.52 The movements from the 2024/25 agreed budget are summarised in Table 10 and further detail of movements by Directorate are set out in Appendix 4.

Table 10 – Analysis of Movements 2024/25 to 2025/26 Budget

	£'000
Net Expenditure Budget 2024/25	302,052
Pay and Price Inflation	5,630
Service Pressures (see Table 6)	56,792
Other Corporate Pressures (see Table 7)	20,806
Total Budget Requirement 2025/26	**385,280**
Council Tax income (assumed 4.99% increase)	(137,850)
Other Government Funding and Grants (including Business Rates, RSG)	(172,044)
Other Contributions	(8,841)
Total Funding 2025/26	**(318,735)**
Budget Gap 2025/26	**66,545**
Savings (see Table 8)	(29,545)
Revised Budget Gap	**37,000**

Exceptional Financial Support (EFS)

8.53 As set out in Table 10, after taking account of known movements compared to the 2024/25 budget, there remains a budget gap of £37m.

8.54 To enable the Council to meet its legal requirements and set a balanced budget for 2025/26, an application for Exceptional Financial Support (EFS) has been made to the Ministry of Housing, Communities and Local Government. The outcome of the application will not be confirmed until the end of February 2025 but the proposed budget in this report has been prepared on the basis of it being agreed.

8.55 The request for EFS is a necessary response to the circumstances and this support is provided through an agreement by Government that the Council can capitalise part of its day to day running costs. In practice this means that the Council has permission to either borrow or use capital receipts from the sale of assets to fund day-to-day expenditure. Haringey's application is a combination of the two. Capital receipts already received and those planned from the disposal of surplus assets during 2025/26 equate to £10.0m but borrowing of up to £27m may be required. The associated borrowing costs have been factored into the treasury management budget from 2025/26.

8.56 Further details are set out in the Chief Finance Officer's Section 25 Statement in Section 13, including the conclusion that this is not a long term sustainable financial strategy, and that work must continue to further identify savings and income opportunities to reduce the amount of EFS drawn down in 2025/26 and plans in place to avoid the need for any EFS from 2026/27 onwards.

8.57 The remainder of this section sets out a narrative summary by Directorate of proposed spending plans for 2025/26 with full budget breakdowns provided in Appendix 4. The draft budget figures in this report are presented as per the corporate management structure in place at the Full Council date of 3 March 2025. A new structure will be in place from 1 April 2025 and the budgets will be updated following the Full Council meeting to reflect this. This has no impact on the overall net budget requirement now presented.

Adult Social Care

8.58 Adult social care supports the wellbeing and independence of people within the community. The Council meet the evidenced needs of diverse communities, assisting with daily living and provide support and respite services for carers. Support is provided to older adults, disabled adults and those with learning disabilities and those with lived experience of mental health needs.

8.59 The planned spending of £129m will be on providing support to people with a range of eligible care needs as set out in the Care Act, through professional advice, guidance and signposting where needed. Care is planned according to need and tailored through engagement with individuals and their families.

8.60 Adult Social Care is directly funded by a number of specific social care grants of £39.5m, shared funding of care and support by local health partners and where appropriate contributions towards care and support from individuals of around £11.5m.

8.61 Taking account of income contributions relating to grants and contributions the proposed net budget is £129m and which assumes that an additional £31m is required to manage the forecast increase in demand and inflationary pressures.

8.62 In 2025/26 it is anticipated that around 2,000 older adults and 1,800 younger adults will be supported in a long-term care package. These numbers reflect the ageing population and the prevalence of health and care need in the borough.

8.63 During 2025/26, the council will continue to explore opportunities to maximise independence of everyone who approaches the council for support, giving each individual choice and control in what, where and how that support is delivered.

8.64 As a large proportion of services are commissioned from the provider market, work will continue to commission services in the most cost-effective manner in challenging circumstances where many providers costs continue to rise at rates higher than general inflation.

8.65 Working within the health and care system the council will continue to explore ways to develop closer working with the local health partners to meet joint care needs in the most effective way and maximise the benefits of health and care integration for our community.

Housing Demand (Temporary Accommodation)

8.66 The housing demand service provides temporary and emergency accommodation for those facing homelessness.

8.67 The 25/26 budget proposes additional budget of £12.097m is required for housing demand. This assumes that on average over the year, the Council will be supporting over 2,600 households in temporary accommodation and an anticipated increase in demand of 6% in 2025/26. Whilst the numbers requiring support is increasing the budget requirement, the price of temporary and emergency accommodation (including bed and breakfast and nightly paid accommodation) is the more significant driver of the budget pressure for next year, with average nightly pay rates expected to increase further over the year, as a result of current market conditions and a lack of supply driving increased costs.

8.68 The Council is proactively embarking on a range of initiatives to support more people to access longer term housing solutions and reduce the reliance on temporary accommodation. This includes, the purchase of additional properties, the extension of leases on private sector properties to secure accommodation for longer, and a review of supported accommodation for those in most need. This range of initiatives will not completely resolve the financial pressures in 2025/26 but together with an ongoing focus on prevention, it is hoped to be able to contain the pressures, although risks remain in relation to the volatility of market conditions.

8.69 During 2025/26, the Council will continue to explore additional initiatives to reduce the demand for temporary and emergency accommodation. Furthermore, the Council will be looking into increasing supply and more sustainable ways to improve lives of families through the ambitious house building programme and ongoing investment in existing housing stock, increasing acquisitions and reducing voids. The service will also review its contracts relating to housing support and identify more efficient ways of working to contribute towards the Council’s 5% reduction in staffing costs.

Children and Young People Services

8.70 The vision for Haringey is that all children and young people are equipped, supported and able to achieve their full potential. For the Council, this means providing high-quality, joined-up services that provide children, young people and families with holistic care and support, all the way through their childhood and adolescence.

8.71 The proposed net budget for 2025/26 is £68.4m. Main areas of spend and activity in 2025/26 are safeguarding and social work where planned net spending is £47.0m and the early help and prevention work where planned net spending is £15.6m. The service also spends £3.2m supporting schools and learning. The service will continue to receive a substantial amount of grant funding to support specific interventions and general service delivery - this is expected to total £15.5m in 2025/26. There is also a new social care prevention grant of £1.3m to support the government reforms set out in the new Children's Wellbeing Bill. This includes the expansion of the new families first for children (FFC) model which aims to further enhance early help for families, involving family networks more in decision making and establishing specialist child protection teams. This new grant will lay the groundwork for children's social care reform, enabling direct investment in additional prevention activity through transition to family help.

8.72 The number of children looked after and children with child protection plans has fallen over recent years, though challenges remain as numbers can fluctuate across the year. Children looked after numbers have reduced from 74 per 10,000 in 2018/19 to 59 in December 2024 and this is lower than statistical neighbours. Many factors influence this including the strength of early help services, the quality of social work practice and the stability of the workforce – our staff know our children and families well. External factors such as population mobility and partners' funding, practice and arrangements can all also have an impact. The aim is to continue to intervene early and prevent fewer children coming into care wherever possible. Whilst numbers have reduced, it should be noted that the acuity and complexity of support needed has increased with a corresponding pressure on finance.

8.73 Where possible the service is working to increase income to support the delivery of services such as Pendarren House, our outdoor education centre, and working with sponsors so that the offer of the John La Rose Bursary which ensures more young people have fairer access to higher education can continue.

8.74 Key risks in social care remain the cost of placements and the cost of agency staff. These are national challenges which all councils are working with. Requested increases in fees from providers will remain in excess of current inflation levels and the service continues to focus on reducing spend on agency staff wherever possible and through effective commissioning reducing or containing costs for placements in a challenging market.

8.75 Support for those young people with special educational needs remains a major financial challenge for the council and is also a national issue. The council is working within the Safety Valve High Needs Block recovery programme to bring the High Needs Block back into balance by March 2028. The programme remains on target though there remain challenges ahead with the numbers of education and health care plans fluctuating, trending upwards. Considerable effort is required to keep individual projects on track.

Environment and Resident Experience

8.76 The Environment and Resident Experience Directorate covers a range of different services accessed by the boroughs 294,000 residents, businesses and visitors who come to the borough for education, work and to access the many leisure and cultural activities.

8.77 In 2025/26, it is expected that net spend will be £13.2m after accounting for income, including collection of fees and charges and parking and highways income.

8.78 2025/26 is expected to be a challenging year following a comprehensive, systematic and iterative review of spend and income lines across the portfolio of services. Some legacy budget line pressures will continue into the next financial year, and these include the corporate reprovisioned digital savings, which are currently unallocated and subject to the development and implementation of digital roadmaps. However, as with 2024/25 it is anticipated these pressures will be managed by services with a key objective of delivering a balanced budget.

8.79 The main areas of spend are summarised below, together with some key areas of concern for 2025/26 which will require comprehensive budget management from the start of the financial year to ensure spend remains in line with budget and savings are either delivered or that any pressures arising from non-delivery are mitigated. This will require an agile response from budget holders and clinical execution of alternative operating models as necessary to ensure budget positions remain on track.

8.80 The Council's Highways, Traffic and Parking Service is an award-winning service, balancing the competing needs for both off and on street parking across the borough as well as managing low traffic neighbourhoods and delivering road safety initiatives. On average, £43m is collected in parking and highways income which is invested back into the boroughs transport infrastructure and services. The continuing ambition of maximising compliance within the Parking Enforcement area does however lead to a degree of volatility in the parking income account for income streams associated to the issuance of penalty charge notices (PCN). Increased compliance with the parking rules will invariably reduce income levels which is a positive outcome and signifies the success of the overall parking management objectives, but has a material impact on income, which although ringfenced under the 2004 Traffic Management Act is used on a range of services within highways, parking and transportation as well as funding the cost of concessionary fares. In 2025/26, the Council is forecast to invest £10.605m in our roads, footways, and bridges assets as set out in the Capital Programme in Appendix 8.

8.81 The development of a new approach to responding to Crime and Anti-Social Behaviour (ASB) has been developed resulting a new dedicated Community Safety Service working closely with the Police and other agencies to tackle the root cause of criminality in the borough. Two cross-organisational exercises are under way currently and have led to real term reductions in crime within the borough with crime levels now as low as they were during the covid pandemic. These initiatives are the Clear, Hold, Build tri-borough work in Finsbury Park, and the Tottenham Together initiative. The work in Finsbury Park is a joint approach between Haringey Council the Metropolitan Police, Hackney Council and Islington Council challenging criminal behaviour and implementing mechanisms to prevent increasing crime levels in the future. The Tottenham Together initiative focuses on work in Northumberland Park in both Haringey and Enfield boroughs and has seen a broad range of actions to reduce both incidents of ASB and crime and the potential for it to reoccur through the adoption of a public health approach to problem solving.

8.82 The Revenues and Benefits Services are responsible for the collection of council tax income from over 82,000 households in the borough and business rates from businesses with premises in borough. In 2025/26, the income collected is expected to be £280.5m and together are one of the main income sources for the Council to support the delivery of vital services. The Council Tax Reduction Scheme remains unchanged for 2025/26, which currently supports 27,000 households who need financial help with their Council Tax bills. The department also provides the administration of housing benefit payments on behalf of Department for Work and Pensions. The impact of the housing benefit overpayments and legacy Local Authority error levels seen in 2024/25 could continue into 2025/26 dependent on the findings of ongoing audits into historic processing issues. Whilst the service has identified problems and taken corrective action, leading to a substantial level of recovered income, the impact of historic errors could place further financial pressure on the authority in 2025/26 above the £3.5m that has been identified and built into the budget. During 2025/26, the directorate is forming a Tackling Inequality Department which will lead on developing a supportive offer to residents with low incomes through advocacy and guidance towards maximising their disposable income. Additionally, the department will review and implement a new ethical debt policy ensuring a considered and emphatic approach to debt management is in place across the organisation.

8.83 The Leisure and Sports services were transferred into direct council control in 2024/25, which has enabled significant improvement works to commence across the borough leisure centres and the Council will be investing £0.8m into these facilities in 2025/26 as set out in the capital programme in 2025/26, and £3.8m over the MTFS period. The assumptions on income generation and customer take of the new improved facilities are based on data provided by the previous operator but without a full set of accounts for the first operating year assumptions made on service and usage will need to be monitored closely and the services improvement action plan needs to be delivered at pace.

The borough has over a hundred parks and open spaces, of which 11 are ‘green flag status and are widely used. However, the income levels for events that are hosted in these parks are not on track to be delivered in 2024/25 following delays to the establishment of a new events management approach. Although this is now scheduled for 2025/26, there is an additional stretch target placed into the budget. The increased expectations are on track to be achieved through greater working between the parks team and the corporate events team who have developed a new operating model with commercialisation of assets through events at its core.

8.84 In 2025/26, an estimated gross expenditure budget of £28m will be spent on waste and recycling services, of which £26m relates to contracts with external organisations who provide waste collection and street cleaning services. In 2025/26, the waste and recycling services are to receive additional funding from government in respect of extend producer responsibility payments. The Government’s strategy is to encourage producers to reduce the environmental impact of the packaging used which is likely to lead to increased collection and disposal costs for the Council and the funding in 2025/26 will contribute towards the costs incurred by the Council. However, this funding will reduce as the materials become more recyclable (product design, processing improvements etc) and therefore in theory funding will reduce from producers. If the Council is unable to adequately capture waste from residents and businesses, there will be negative funding implications. The Council does not currently include plastic film collection/separation, and this will be mandatory from 2027. There could be costs in setting up the systems to ensure there is ability to collect this waste stream whilst additionally preparing for savings in other waste areas built into the MTFS and which are due to be delivered in 2027/28 with the retendering of the current waste contract.

Placemaking and Housing

8.85 The Directorate currently provides a range of services from delivering large parts of the capital programme, managing the Council’s commercial property portfolio, delivering Planning and Building Control services, Haringey Adult Learning, Haringey Works and area regeneration activity. This includes delivering the Council Housing Delivery Programme and delivering front line Housing services. The latter of which is covered in the Housing Revenue Account which is a separate report on the agenda.

8.86 The majority of the directorate costs are funded by income (statutory fees, income and external funding and capitalisation) which has been reduced substantially following the Capital Programme review, and charges to the HRA for all expenditure which relates to HRA assets. This means a small overall General Fund net budget position of £6.6m for 2025/26. A recent Capital programme review has also resulted in a reduction in Placemaking and Housing Capital programme, with many schemes which were not yet committed being reviewed. However, services will continue to support capital investment of £104m as set out in the Capital Programme in Appendix 8, 8.87 The Directorate are continually working to manage the current budgets and address financial challenges. Significant progress has been made – for example the Property team have already achieved a significant portion of the rental income against target, with further options being identified to be able to increase the target amount. In addition, last year 15 sites were identified for potential disposal, with a target of £21m of capital receipts and this list has now increased to 100 potential subject to review.

8.88 The Award-winning Council-Housing Delivery Programme underway and 700 complete. The Programme is well on the way to achieving the target of 3,000 new high quality homes by 2031. In addition, Housing Services are continuing on a number of fronts including significantly achieving compliance in the "big six" areas.

8.89 The Civic Centre project is progressing with Cabinet approving the final business Case and awarding the main construction contract. Having already achieved required savings in the scheme, the award of a Pre-Construction Services Agreement means the Council and the contractor can work proactively to continue to mitigate project risks, continue the detailed design elements and identify efficiencies within the current design and programme to maximise the benefits to the Council.

8.90 A senior level restructure has now been agreed and following implementation, individual teams within the Directorate will be realigned and/or merged with other areas of the Council. The relevant budgets and savings will be distributed as appropriate to the agreed service areas. This will be reflected within the Quarter 1 monitoring report to Cabinet in July 2025. The realignment of the Placemaking and Housing directorate will allow further reviews of services to take place, looking at implementing efficiencies and economies of scale as highlighted in the cross-cutting council savings proposals. This includes a 5% reduction in staffing costs, the review of the commercial and operational estate to reduce the running costs to the Council, maximising income from the commercial estate and disposal of surplus assets to generate capital receipts which can be used for reducing the level of borrowing in the capital programme or investment into transformation. There are two significant pressures for 2025/26.

8.91 Corporate Landlord - It should be noted that this pressure is being consolidated from across all directorates within the council and will be managed by the Strategic Asset Management team as part of the implementation of a Corporate Property Model (CPM). Costs for the operation of buildings are currently spread across a number of directorates and budget lines. The CPM is looking to bring these costs together within a single area so that a complete picture of the operational costs of each site can be known, and to enable a concise and efficient CPM to be implemented. This will result in clear co-ordinated oversight and a planned approach to operational management of the property estate in partnership with service areas and the community. Once implemented, the CPM will identify efficiencies to reduce the pressure in future years and therefore the additional £1.5m that has been allowed for in the budget will be held corporately until any longer-term pressures have been identified.

8.92 Strategic Asset Management Team - The team has been funded for a 3-year period through flexible use of capital receipts and one-off reserves as an investment into the service to deliver the improvement plan following an independent review of the service. Aspects of the improvement plan remain outstanding and the one-off additional resources will be funded for a further year to deliver the improvements. Team numbers are already held at a minimum and a further reduction of the team at this time will result in a significant risk to the delivery of identified savings.

Culture, Strategy and Engagement

8.93 Culture, Strategy and Engagement (CSE) is responsible for a mix of community-facing and internal enabling and support functions. Services include Libraries, Culture, Bruce Castle Museum & Archive and the Voluntary & Community Sector team. This is in addition to Digital Services, the teams supporting Change delivery, Policy and Communications, Complaints and Feedback, Human Resources, Legal, Democratic Services, Elections, Registrars and the Coroner's Court service.

8.94 The proposed budget in 2025/26 is £28.8m, and there is also a capital budget of £38.906m, mostly required for investment in the digital infrastructure, but also including £1.662m for essential works at Alexandra Palace and £26.097m for the Civic Centre works. The budget takes account of income contributions from Registrars, room hire and other income in Libraries, filming income and digital and on-street advertising.

8.95 Pressures in CSE are largely related to income generation targets, which are stretching and the services have historically struggled to meet them in full. To address this challenge, a cross-Directorate project and working group has been established to coordinate all income generation activities through pooling available delivery and implementation resources and more systematically identifying and maximising potential opportunities.

8.96 The libraries service is in the process of implementing a reduction in opening hours to deliver a delayed saving from 2024/25. The service will also be working with Friends of Libraries and other groups to develop a new Libraries Strategy for 2025/26 onwards setting out the Council's ambitions and vision for the service. This will form part of the steps being taken to implement the Council's recently agreed Arts and Culture Strategy, which, alongside the initiation of preparations for Haringey's London Borough of Culture award in 2027, will be a major initiative for the Directorate during this year.

8.97 The enabling services within the Directorate will be primarily focused on supporting the Council to deliver its challenging savings, efficiency and modernisation plans, utilising the new Digital and Change service and infrastructure that was put in place during 2024/25. This supports the

Council's Change Framework and also includes its new Enterprise Architecture and Digital Governance arrangements which together provide assurance that savings and modernisation plans will be delivered.

8.98 The Directorate is developing the HR, Organisational Development, Internal Communications and staff engagement mechanisms to support the whole organisation and its people, who are its most important resource. This means adapting and changing how we all work in order to deliver savings and modernisation in the most effective way. A particular focus will be support for all Council services to deliver challenging service modernisation savings of £6.8m over the coming three years. At the same time work will continue to make efficiencies across all CSE services, delivering savings from both staffing (5%) and contract management efficiencies in 2025/26, and laying the foundations for future potential savings, such as developing shared or federated legal services with other boroughs.

8.99 Finally, this Directorate leads in coordinating the Council's influencing and policy development work. The new Government has initiated important and long-overdue reforms in public services, for example launching a consultation on Local Authority Funding Reform, a White Paper on English Devolution: *Power & Partnerships, a Foundation for Growth*, and a new Bill on Children's Wellbeing and Schools reform. A focus of our work in the coming year will be ensuring that Haringey's voice is heard in debates on these proposed changes to the funding and delivery of public services so that we can ensure communities' needs are able to be met in the future.

Finance, Procurement and Audit

8.100 The finance, procurement and audit directorate also includes some of the Council's key enabling functions that support the delivery of the range of services provided by the Council. In 2025/26, the net budget is £6.5m.

8.101 As well of ensuring the Council meets its statutory functions of setting a balanced budget and closing the accounts on time, the service supports the development and embedding of good financial management across the organisation and compliance across all aspects of the Financial Management Code. The procurement service provides strategic support for contracts delivering over £600m each year of spending with third party organisations. During 2025/26, the service will evolve to improve and embed procurement and contract management across the organisation and meeting compliance with the Procurement Act 2023 which will come into effect from 24 February 2024, resulting in a significant increase in transparency reporting requirement for contracts.

8.102 The Audit service includes overseeing risk management, as well as the anti-fraud and insurance services to protect the organisation and ensuring the relevant controls and compliance are in place. In 2025/26, the audit plan will include activity of internal audit reviews to assess a range of services which will be determined through a risk assessment of where controls and compliance need to be subject to review and the monitoring of progress against any recommendation that emerge.

8.103 During 2025/26, the services will review its ways of working to contribute towards the Council's 5% reduction in staffing costs as well as prepare for the replacement of its finance and HR systems that are in much need of modernisation.

8.104 All services within this Directorate will play a pivotal role in helping the organisation to get onto a sound and sustainable financial footing, delivering on a recovery plan and reducing the Council's reliance on Exceptional Financial Support in the longer term.

Corporate / Non Directorate Budgets

8.105 The Corporate budgets deal with all non-Directorate specific spend and income. The key lines are:

- Treasury - borrowing costs and investment income.
- Capital financing budget which includes interest costs and to cover the minimum revenue provision (MRP) which is required to ensure the council can fully repay sums borrowed to finance investment.
- Levies which the Council pays as its contribution to London wide services such as the North London Waste Authority, Concessionary Fares (Freedom Pass) and a number of smaller ones.
- Council Contingencies. These budgets cover estimated pay increases; estimated inflationary increases on corporate contracts and utilities as well as the main Council-wide contingency built in to offset unknown but potential in year budgetary pressures.
- Bank charges.
- Subscriptions to national and regional organisations which support the Council in carrying out its Corporate and Democratic role.

8.106 As described in Section 8.37 above, a change in budget compared to the assumptions made in March 2024 relate to the Corporate Contingency which is now being proposed to be increased from circa £7m to £10m. This is driven by the exceptional finance situation that the Council finds itself in and will provide an enhanced level of cover for any under delivery of savings; increases in other budget pressures above those assumed in the budget and any other unplanned exceptional expenditure.

9. Risk Management

9.1 The Council has a risk management strategy in place and operates a risk management framework that aids decision making in pursuit of the organisation’s strategic objectives, protects the Council’s reputation and other assets and is compliant with statutory and regulatory obligations.

9.2 The Council recognises that there will be risks and uncertainties involved in delivering its objectives and priorities, but by managing them and making the most of opportunities it can maximise the potential that the desired outcomes can be delivered within its limited resources more effectively.

9.3 There is a need to plan for uncertainty as the future is unknown when formulating the budget. This is achieved by focussing on scenario planning which allows the Council to think in advance and identify drivers, review scenarios and define the issues using the most recent data and insight.

9.4 The Council’s Section 151 Officer has a statutory responsibility to assess the robustness of the Council’s budget and to ensure that the Council has sufficient contingency/reserves to provide against known risks in respect of both expenditure and income. This formal assessment is set out in Section 13.

9.5 Financial risks and uncertainties currently known are set out in the following paragraphs.

<u>Government Funding and Legislation</u>

9.6 There is a one-year funding settlement for 2025/26 and Government have now published their consultation of Local Authority Funding Reform from 2026/27 onwards and with a multiyear settlement expected from 2026/27. Spending Reviews are expected to be published every 2 years, with a 3-year outlook. The Council will submit a response to the consultation by the deadline of 19 February 2025, focussing on lobbying to ensure future settlements recognise the challenges facing Haringey and other council’s. However, this is an area of uncertainty and could impact on the longer term financial sustainability and the services delivered by Haringey if Government funding is not increased in future years to recognise the current volatile economic situation and with demand increasing across many services.

9.7 It remains unclear if all planned reforms and changes in legislation of the previous Government will be pursued or if there will be new legislation that increases the responsibilities of Local Authorities. Financial Plans currently assume that any changes in legislation and additional requirements will be fully funded but this is a risk to the current financial position.

Inspection and Regulation

9.8 Local Authorities are subject to increasing inspection and regulation, including by Ofsted, CQC and the Regulator of Social Housing as well as additional requirements that have emerged from the Grenfell Inquiry report. Where any implications are known, these are accounted for in the proposed budget in this report but there may be further financial implications which are not yet known.

Economic Conditions

9.9 The Office for Budget Responsibility (OBR) published the latest forecast for inflation and interest rates on 30 October 2024. Inflation has reduced compared to the last couple of years, but the OBR forecast is still 2.6% for 2025/26 and will not return to 2% until 2029. It should also be noted that national inflation figures are not always reflected in cost of services, such as social care so there remains a risk that the forecast additional budget assumed in this report for pay and price is not sufficient. Volatility is likely to continue for some time.

9.10 The high cost of living continues to impact residents and which results in more requiring support from the Council, particularly with housing support. A project is underway to review the early intervention and prevention support across the Council for those residents most at risk of facing financial hardship.

Estimate of Pressures for 2025/26

9.11 The proposed budget in this report uses the best-known information for demand and other service pressures in 2025/26 and has been based on the outturn position in 2023/24 and the latest in year monitoring position for 2024/25. There is a risk that the in year monitoring position could worsen when the Quarter 3 forecasts are available at the end of January that will not have been accounted for when setting the budget for 2025/26 and the £56.8m built in for service pressures will not be sufficient.

9.12 All services are considering actions and mitigations that continue to support the needs of our most vulnerable but in a more cost effective way to reduce these future pressures. However, small scale changes in these areas are not going to be sufficient and will require more fundamental changes in how we deliver these services and with a focus on prevention and early intervention which will take time to have an impact. Sufficient pace is needed to make these changes to protect the financial sustainability of the Council from 2026/27 but short term solutions are still needed for the 2025/26 budget to be sustainable.

Identifying and Delivery of Budget Reductions

9.13 The proposed budget assumes that £29.5m of savings will be delivered in 2025/26 and adequate assurance has been provided to build these into the budget but oversight of delivery will remain an area of focus in 2025/26. The proposed budget has been set assuming that these and previous years undelivered savings will be delivered in full. Monthly monitoring and a new governance process is being put in place to track delivery of all savings and any identified at risk during the year will need to be mitigated by alternative savings of the same value.

9.14 Despite this level of savings, a budget gap of £37m remains for 2025/26 and the Council has applied to Government for exceptional financial support to enable a balanced budget to be set. This is not a long term solution and any drawdown of that support should be kept to a minimum. Therefore, even after the final budget for 2025/26 is agreed by Council on 3 March 2025, work must continue to identify in year additional savings and take actions to reduce spend and address the increasing demand for services.

Changes in Accounting Practice

9.15 The Dedicated Schools Grant (DSG) currently has a statutory override which allows the Council to separate DSG deficits from local authority reserves which is in place until March 2026. Funding arrangements are not known after 2026 and there is a risk that this deficit will fall to the Council to fund from its own reserves. The Safety Valve programme is delivering well to reduce the spend on the high needs block and is in line with the agreed timetable but at the same time the Council continues to see increases in the number of children with Education Health and Social Care Plans over and above what had been assumed when agreeing the programme with the DfE. The Council's low level of reserves will make it particularly challenging if the funding of the DSG deficit falls to the Council after 2026 and work will continue with the DfE to find a longer-term solution to funding for schools and high needs.

Reserves and Contingency

9.16 Risks and uncertainties make planning for next year challenging and any change in the assumptions underpinning the proposed budget in this report could impact on the in-year position.

9.17 Although a prudent approach has been taken to the assumptions, it is important to hold sufficient levels of contingency funding within the budget and have a prudent level of reserves.

Contingency

9.18 In 2024/25, the Council will spend its full contingency allocation given the level of overspend currently being forecast.

9.19 Despite building in additional budget of £83m to address demand and price pressures in 2025/26, given the level of risk and uncertainty, the Council has increased its corporate contingency provision from £7.6m to £10m to manage unforeseen circumstances, risks to the full delivery of savings or increases in demand over and above those currently estimated.

9.20 As in previous years, any use of contingency will be subject to approval by the Section 151 Officer and will be reported quarterly through the finance monitoring report.

Reserves Policy

9.21 Section 25 of the Local Government Act 2023 requires the Chief Financial Officers to report on the robustness of estimates and the adequacy of reserves when setting the budget. This is reported in the Section 25 Statement by the Council's Section 151 Officer in Section 13.

9.22 The Section 151 Officer must also be satisfied that the level of General Fund working balances are adequate. The General Fund reserve will be maintained at £15m for 2025/26 which equates to 4.3% of the net budget.

9.23 Similar to contingency, reserves can be used to manage risks and uncertainties as they arise.

9.24 Based on known commitments this year, the forecast balance for March 2025 on reserves in the draft budget report published in November 2024 was £43.5m. That assumes no further drawdown in 2024/25 to fund the current overspend which, based on the current forecast overspend of £37m, is unlikely to be the case and a review of all reserves is underway and the latest five year forecast is included in the Table 11.

9.25 The Council's reserves fall into two categories – uncommitted reserves for managing risks and uncertainties and others which are deemed as committed. The review to date has particularly focussed on the Services Reserve and Unspent Grants Reserve. To date, this review has identified £2.125m which is now assumed to be utilised to offset the 2024/25 overspend. Analysis of some of the smaller reserves has resulted in a proposed transfer of £1.302m into the Budget Planning Reserve.

9.26 These changes, along with the forecast in year movement on the PFI reserve means a forecast year-end balance of £39.3m. The work on reviewing all balances will continue through to the year end. An update will be provided in the year end outturn report 2024/25 and updated Medium Term Financial Strategy – both published in July 2025.

9.27 Therefore, any use of reserves to balance the budget next year is not a viable option and across the medium term there will need to be a planned replenishment of reserves to a more sustainable level. Replenishment means making an annual contribution to reserves included in the budget agreed in March each year. Given the significant budget gap that remains for 2025/26, any replenishment will commence from the 2026/27 budget and £3m per year has been assumed.

Table 11: Reserves 2024/25 to 2028/29

Reserve	Actual March 2024 £'000	March 2025 Forecast £'000	March 2026 Forecast £'000	March 2027 Forecast £'000	March 2028 Forecast £'000
General Fund Reserve	15,140	15,140	15,140	15,140	15,140
Risks and Uncertainties					
Transformation Reserve	5,037	3,073	-	-	-
Labour market resilience reserve	230	-	-	-	-
Budget Planning reserve	5,096	1,302	-	3,000	6,000
Collection Fund	1,231	-	-	-	-
Total Risk and Uncertainties	**11,594**	**4,375**	**-**	**3,000**	**6,000**
Contracts and Commitments					
Services Reserve	11,747	10,707	10,707	10,707	10,707
Unspent grants reserve	12,706	11,052	11,052	11,052	11,052
PFI lifecycle reserve	5,533	3,474	3,962	3,962	3,962
Debt Repayment Reserve	1,072	-	-	-	-
Insurance Reserve	7,234	7,234	7,234	7,234	7,234
Schools Reserve	2,400	2,400	2,400	2,400	2,400
Total Contracts and Commitments	**40,692**	**34,867**	**35,355**	**35,355**	**35,355**
Grand Total	**52,286**	**39,242**	**35,355**	**38,355**	**41,355**

Transformation Reserve

9.28 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. It is anticipated use of this reserve will be required over the next two to three years to support planned transformation and service re-design across the Council needed to support financial challenges and sustainability.

Labour Market Resilience Reserve

9.29 This reserve has previously been held to contribute towards initiatives to support people into work. A separate reserve is no longer required and base budget exists for all known initiatives. In 2024/25, the small balance that remains will be transferred into the Budget Planning Reserve.

Budget Planning Reserve

9.30 This reserve is a key tool for managing the impact of financial plans from one year to another. It is used to provide a stable platform for financial planning through the term of the Medium-Term Financial Strategy. In recent years, this reserve has been utilised to address in year overspends and also for enabling a balanced budget to be set. As a result, the balance at March 2025 is expected to be zero because of the assumed drawdown of £5.5m when the 2024/25 budget was set in March 2024 and the use of the remaining to address the 2024/25 overspend. This position is not sustainable and therefore the five year forecast assumes replenishment of £3m per annum from 2026/27 and this has been factored into the financial position for these years.

Collection Fund

9.31 The Collection Fund reserve is to mitigate unknown risks associated with the Collection Fund (Council Tax and Business Rates) such as Covid19 Legacy, cost of living impact on collections. The remaining balance is assumed to be utilised in 2025/26 to address a shortfall in business rates income compared to forecast.

Services Reserve

9.32 It is Council policy that services may request funds to be carried forward, this is 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 longer term. Detailed work to date has identified £1m that can be released at year end to offset 2024/25 overspend. This review work continues, and an updated forecast will be provided in July as part of the 2024/25 outturn report

Unspent Grants Reserve

9.33 International Financial Reporting Standards require grants and other income to be recognised in the year received. This reserve holds grant income that has been received but where related expenditure will occur in future years. Detailed analysis to date of these balances has identified £1.25m where funding is no longer required. This sum will be released at year end to offset 2024/25 overspend. Any further adjustments will be reported in July as part of the 2024/25 outturn report.

PFI Lifecycle Reserve

9.34 The PFI reserve is ringfenced for using to fund future years' capital investment associated with PFI arrangements. In 2024/25, a payment of £0.651m was made to one school. It is forecast that there will be further payments to eligible schools during 2025/26, the final year of the arrangement. The forecast balance of £3.9m will be subject to final review before a decision over its application is proposed.

Debt Repayment Reserve

9.35 The debt repayment reserve represents funds the Council has set aside for the potential repayment of debt and for funding of future capital expenditure. In 2024/25, the remaining balance will be transferred to the Budget Planning Reserve and will be available to manage risks and uncertainties.

Insurance Reserve

9.36 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.

Schools Reserve

9.37 This reserve represents the net balances held by the Council's 63 schools.

General Fund Reserve

9.38 The purpose of the general fund 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.

10 The Medium-Term Financial Position – 2026/27 – 2029/30

10.1 Although a balanced budget is proposed for 2025/26 with £37m of exceptional financial support from Government, there remains a significant financial challenge to set a balanced budget from 2026/27 onwards that needs to be addressed. The focus over the last few months has been on planning for the 2025/26 budget and now the Council must move towards planning across the medium term. Table 12 sets out that there is a cumulative budget gap of £121.5m between 2026/27 and 2029/30. The key drivers remain the increasing demand for social care and temporary accommodation support and the estimated increases in the price of services.

10.2 The forecast gap is based on the following assumptions:

- Government funding remains in line with the 2025/26 Core Spending Power allocations.
- Service demand pressures of £44.7m.
- Pay and price inflation remain at 2% per annum.
- Interest rate on borrowing costs is an average of 5% per annum.
- Council Tax base increase of 1% and Council Tax increase of 1.99%.
- Delivery of £.9.5m of savings for 2026/27 to 2029/30 that have previously been approved.
- Corporate contingency remaining at £10m.
- Replenishment of the Budget Planning Reserve of £3m per annum from 2026/27 onwards.

Table 12 – Medium Term Financial Position 2026/27 to 2029/30

Type	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Total £'000
Directorate Pressures	15,236	10,871	8,995	9,623	44,725
Corporate Pressures	31,111	31,554	29,759	33,312	125,736
Agreed Savings	(3,167)	(3,311)	(3,041)	-	(9,519)
New Savings	(14,777)	(8,670)	(825)	-	(24,272)
Grant Funding Changes	12,640	100	150	200	13,090
Government & other Funding Changes	(6,865)	(10,318)	(6,852)	(4,209)	(28,244)
Total	**34,178**	**20,226**	**28,186**	**38,926**	**121,515**

10.3 Budget planning for future years will need to commence shortly and before the end of the current financial year. This will continue to identify efficiencies to ensure that every pound spent offers good value for money but more transformational and redesign of services will also be required with a focus on prevention and early intervention, commercialisation and income generation and commissioning and procurement. A fuller update was provided in the November Financial Plans report to Cabinet 12 Nov 24 Cabinet_ Draft 2025.265Budget and 2025.30MTFFS_FINAL.pdf and a further update will be provided in the next update of the Medium term Financial Strategy published in July 2025.

11 Treasury Management Strategy

11.1 The Treasury Management Strategy Statement (TMSS) for 2025/26 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was considered by Audit Committee on 27 January 2025 who will recommend it for approval by Full Council on 3 March 2025.

11.2 The Council's Overview and Scrutiny Committee also considered the TMSS on 20 January 2025 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.

11.3 The proposed prudential indicators are based on the proposed Capital Programme as set out in Appendix 8. It should be noted that any future decision by the Council to undertake further debt financed capital expenditure outside of the total of the programme, including any changes associated with the Capital Strategy will require a review of the prudential indicators and further approval by full Council.

12 Capital Strategy and Capital Programme

12.1 Investment in capital expenditure can support the Council to deliver on key priorities as set out in the Corporate Delivery Plan and also contribute towards the delivery of permanent revenue savings. However, in the current financial climate, it is more important than ever that the Council ensures that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable.

12.2 The recent economic environment has had major implications for the existing and future Capital Programme. Borrowing costs have increased and over the last few years, inflation has impacted the cost of raw materials and the tightness in the supply chain for capital works (labour and materials) which has added both cost and time to schemes. However, recently, these trends have started to ease and although inflation remains higher than the Government's 2% target, and materials and labour continue to be expensive, the supply is no longer a barrier to the delivery of the capital programme.

12.3 In 2024/25, the Council undertook a fundamental review of the existing capital programme, removing or deferring a number of schemes which resulted in a reduction of £396m. A similar review will be carried out annually and the remainder of this section sets out the outcome of the 2024 review and the proposed Capital Strategy and Capital Programme for the period 2025/26 to 2029/30.

12.4 The Capital Strategy for 2025/26 to 2029/30 is set out in Appendix 8 and provides the framework for the allocation of financial resources to fund capital expenditure and the approach for determining the Council's capital ambitions. Implementation of the strategy will ensure that the capital programme agreed each year is deliverable and affordable, is in line with the Corporate Delivery Plan and Borough Vision and there is a clear framework in place for tracking progress and adopting a forward planning approach.

12.5 The capital programme for the period 2025/26 to 2029/30 is included in the Strategy and reflects the outcome of the annual review that took place over the summer which includes:

- Removed schemes which were no longer a priority aligned to priorities in the Corporate Delivery Plan.
- Schemes moved out of the programme where there is no agreed business case or delivery timescales are unknown.
- New schemes added to reflect essential investment needed, such as roads, environmental improvements and maintenance and repairs of the operational estate.

12.6 These proposed changes have been subject to the budget consultation process. Feedback is set out in Appendix 5 and any recommendations from Overview and Scrutiny in Appendix.. The capital programme is summarised in Tables 13 and 14 and set out in full in Appendix 8 (Annex 1) and reflect these changes. The following schemes have been removed from the programme for 2025/26.

- Osbourne Grove Nursery Home
- Decentralised Energy Networks (DENS)
- Wards Corner
- Wood Green Integrated Hub

12.7 A review of spending profiles of all schemes remaining in the programme has also been completed to more accurately reflect known delivery timescales. Table 13 shows the capital spending plans by directorate (including the HRA).

Table 13 – Capital Programme 2025/26 to 2029/30.

	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)	Total (£'000)
Children's Services	28,276	12,206	5,031	5,031	5,031	**55,575**
Adults, Health & Communities	12,715	2,878	2,377	2,200	2,200	**22,370**
Environment & Resident Experience	21,438	18,420	41,104	15,827	10,880	**107,668**

	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	2029/30 Budget (£'000)	Total (£'000)
Placemaking & Housing	36,140	73,322	58,110	44,662	87,600	**299,834**
Culture, Strategy & Engagement	44,427	39,373	5,896	0	0	**89,696**
Corporate Items - GF Capital Continency	5,000	5,000	0	0	0	**10,000**
Corporate Items - EFS	37,000	0	0	0	0	**37,000**
Total General Fund (GF)	**184,996**	**151,198**	**112,518**	**67,720**	**105,711**	**622,143**
HRA	**333,768**	**278,291**	**278,991**	**273,873**	**241,412**	**1,406,335**
Total Capital Programme	**518,764**	**429,489**	**391,509**	**341,593**	**347,123**	**2,028,478**

12.8 The draft Capital Programme totals £518.8m for 2025/26 of which £185m relates to the General Fund and £337m relates to the HRA capital programme (details of which are set out in the HRA Business Plan elsewhere on the agenda). In terms of the General Fund, the Council has prioritised investment in the following:

- The Schools estate – to address identified health and safety issues.
- The Safety Valve programme to increase special needs school provision in borough.
- Aids and Adaptations to people’s homes so that they can stay at home longer.
- The public realm to ensure that the highway is operated safely.
- Flood Management.
- The leisure services of the borough to ensure that they are fit for purpose.
- Improving Parks.
- The walking and cycling action plan to encourage more sustainable modes of transport.
- Road Casualty Reduction.
- Waste collection Vehicles.
- Regeneration projects.
- Its commercial and operational estate.
- Digital Infrastructure to deliver transformation of service delivery.
- The cultural offer through improvements to Bruce Castle Museum and Alexandra Palace.

12.9 The full programme is set out in Annex 1 of the Capital Strategy in Appendix 8. As set out in previous reports, the presentation of the capital programme has been updated this year to identify those schemes which are in delivery and those which are planned for delivery, but works have not yet commenced. This revised presentation is aimed to improve the monitoring and reporting in year on progress but also ensure that the Council makes more realistic assumptions on the level of borrowing that will actually be required in year. All schemes which do not have an approved business case and proposed delivery timescales will not be included within the capital programme and instead will be re-visited as part of the annual review process undertaken in the summer of each year.

12.10 All schemes within the Capital Programme will be based on the best estimate of likely spend and as tested through the business case. However, similar to the revenue budget, there will always be an element of risk and uncertainty or urgent requests that come through in year, such as health and safety or other urgent repairs. From 2025/26, the capital contingency will be increased to £5m and £5m for 2026/27 with any request for the use of contingency to be agreed through the Council's Capital Board and reported through the quarterly finance monitoring reports to Cabinet.

12.11 The funding of the Capital Programme is delegated to the Section 151 Officer and Table 14 summarises the indicative funding sources of the programme. However, it will remain the responsibility of the Section 151 Officer to fund the programme in year in the most cost-effective way and in line with the Capital Strategy.

Table 14 – Funding of Capital Programme 2025/26 to 2029/30

	Borrowing Core Capital Programme (£'000)	**Borrowing Self Financing (£'000)**	**External (£'000)**	**Capital Receipts (£'000)**	**CIL (£'000)**	**Total (£'000)**
Children's Services	16,158	5,260	34,157	0	0	**55,575**
Adults, Health & Communities	1,370	10,000	11,000	0	0	**2,370**
Environment & Resident Experience	81,672	1,066	14,064	0	10,866	**107,668**
Placemaking & Housing	42,230	11,686	245,377	0	542	**299,834**
Culture, Strategy & Engagement	25,522	64,174	0	0	0	**89,696**
Corporate Items	37,000	-	-	10,000	-	**47,000**
Total	**203,951**	**92,186**	**304,598**	**10,000**	**11,408**	**622,143**

12.12 Information regarding the revenue implications of prudential borrowing is provided in the separate Treasury Management Strategy Statement to be considered by Audit Committee on 27 January and will be presented to full Council on 3 March 2025. Since publication of the TMSS for Audit Committee, the EFS requirement has been finalised. The total revenue impact of borrowing costs to deliver the Capital Programme in 2025/26, now including the EFS amount required as per this budget report, is forecast to be approximately £37.7m (£19.2m external interest payable and £18.5m minimum revenue provision (MRP). The proposed revenue budget in this report incorporates these costs and an updated and final TMSS will be presented to full Council on 3 March 2025 for approval.

Capital Programme Monitoring and Reporting

12.13 Monitoring of the full capital programme will be through the Strategic Capital Board in 2025/26 and reporting through the quarterly finance reports to Cabinet. This will include reporting on spend against the budget, timescales for delivery and the assumptions, including scope, as set out in the original business case. Full details of the governance and reporting framework is set out in the Capital Strategy in Appendix 8.

Capital Receipts Flexibility

12.14 The 2015 Spending Review announced the flexibility for local authorities to use capital receipts from the sale of non-housing assets to fund revenue set up costs of service reform and transformation projects. Eligible projects are those which are designed to generate ongoing revenue savings in the delivery of public services or transform service delivery to reduce costs or demand for services in future years. The Government have recently confirmed that this flexibility will be extended until 2030.

12.15 The budget assumption is that capital receipts will not fund capital expenditure or debt repayment (except for the EFS where in 2025/26 it is assumed that £10m of capital receipts will be used rather than borrowing). It is anticipated that the residual capital receipts received in the MTFS period will be used to support the delivery of cost reductions and/or transformation. There is a separate policy statement and schedule of proposed initiatives to utilise capital receipts flexibly as set out in Appendix 8, Annex 2.

13.0 Robustness of Estimates, Adequacy of Reserves and the Management of Risk (Section 25 Statement)

13.1 The Local Government Act 2003 (Section 25) requires that the Chief Financial Officer reports the following matters to Members when agreeing the annual budget and Council Tax level:

- The robustness of the estimates made for the purpose of the budget calculations; and
- The adequacy of the financial reserves.

13.2 For Members, the Section 25 Statement provides the context for budgetary discussions and Members should have regard to this report when making decisions in setting the Council's budget. This statement is a legal requirement and ensures that Members have all the professional advice by the Chief Finance Officer when budget decisions are being made.

13.3 Haringey's financial position is particularly challenging as set out in this report. Although the Council legally only has to set a one year budget for the year ahead, there is an imperative need to move towards medium term planning and setting a three year budget. The Government has committed to multi year local government funding settlements for 2026/27 which will support more forward planning but unless there is a significant increase in resources into the sector, financial sustainability will require significant reductions. If a balanced budget is agreed for 2025/26 as set out in this report, there will remain a budget gap of up to £121.5m between 2026/27 and 2029/30 is everything else remains the same.

Financial Management Code

13.4 In relation to the annual budget setting process and the development of the proposed budget in this report, Haringey is fully compliant with the CIPFA Financial Management Code. However, there is always scope for continuous improvement and a further review around progress against the objectives and strengthening financial management across the organisation will be undertaken early in 2025/26 and a more detailed action plan will be published as part of the 2024 Annual Governance Statement with the draft 2024/25 annual accounts in May 2025. Progress will be reported regularly to Audit Committee.

13.5 The Council is in compliance with all other codes and standards.

CIPFA Resilience Index

13.6 CIPFA has released the data for its 2023/24 financial resilience index and this evidences much of the conclusions made by myself as Section 151 Officer within this statement. Level of reserves and that which are unallocated are low and pose a financial risk to the Council's financial sustainability. There are no plans to use reserves to balance the budget for 2025/26 for the reasons set out in this Statement but the medium-term financial position includes an assumed £3m contribution to the budget planning reserve over the MTFS period to improve financial resilience.

13.7 The change in reserves from 2022/23 to 2023/24 is highlighted as high risk which is partly due to the reliance on previous use of reserves for balancing the budget and managing in year overspend.

13.8 Levels of debts are showing as higher compared to others and are as a result of the Council's large and ambitious capital programme. The annual review of the programme as set out in the capital strategy in Appendix 8 shows a reduction of £95.1m from last year but new borrowing costs of £6.9m (total of £19.2m) are forecast for 2025/26 and therefore further scaling back of the capital programme must be considered in year to reduce future year's programme. From 2026/27, the expectation is that the capital programme should be contained within the current financial envelope and therefore any new capital schemes should only go ahead if there are essential, externally funded or support invest to save opportunities. This may result in some schemes being de-prioritised.

13.9 The indicators show a higher reliance on council tax income for funding service requirements compared to others.

Financial Resilience Assessment

13.10 During the last financial year, a review of all elements of the Council's financial resilience has been underway. This includes, future financial pressures, assurance on savings delivery, the balance sheet, debt levels and the capital programme and governance arrangements for good financial management. This work will continue into 2025/26, but the work has identified there are a number of changes that need to be put in place if the Council is to strengthen its financial resilience, including more stringent immediate actions to create a culture of Finance First as well as a longer term approach to fully embed good financial management.

2024/25 Financial Position

13.11 The 2024/25 financial year is a pivotal point for the Council in terms of its financial position. Despite setting a robust and balanced budget in March 2024, financial pressures driven by demand and price of services, particularly in terms of adult social care and temporary accommodation but also children's social care and SEND, have led to significant forecast overspends.

13.12 Full details are set out in the Quarter 2 finance report that was reported to Cabinet in December 2024 and showed a forecast overspend of £37m by the year end or £29m after the application of full remaining uncommitted corporate contingency.

13.13 In previous years, an overspend has been able to be funded as a one off contribution from reserves. However, the current position on reserves as reported in Section 9 of the report means that use of reserves to fully fund the overspend is unlikely to be viable for 2024/25. Spending controls are being put in place to immediately reduce spend, which includes removal of all but essential purchase cards, tighter control over contract and third party spend, request for use of agency staff approved by recruitment panel and an 'emergency response' is being developed to manage the current position.

13.14 A detailed review of reserves considered as 'committed' is underway, specifically the services reserve, to identify any reserve balances that can be utilised to reduce the 2024/25 overspend. This is a one-off solution and is not sustainable and although the outcome of this review is likely to identify some benefit to the financial position, it will not be sufficient to address the full overspend.

13.15 As a result, the Council has applied to MHCLG for Exceptional Financial Support for 2024/25 as a contingency if the final end of year overspend cannot be funded through remaining available reserves. Exceptional Financial Support is not a long term solution and a recommendation from the Section 151 Officer is that this is a last resort and all actions should be taken to reduce the need for EFS. The application for EFS will not be known until the end of February 2025.

2025/26 Budget

13.16 The draft budget reflects the latest Government grant for 2025/26 as published in the provisional Local Government Finance Settlement on 18 December. The additional £15.4m announced is welcomed but continues to be insufficient to meet the growing demand and price of services in Haringey. Where grants remain unknown but are expected to continue, 2025/26 values are expected to be in line with 2024/25. If grants reduce going forward, it is assumed that expenditure will reduce accordingly. This budget principle will need to be enforced going forward given the financial position.

13.17 In terms of other income, the draft budget reflects a 4.99% increase in Council Tax and 0.85% increase in the tax base but collection rates are only at 95.75% and work must take place to improve collection rates for future years as this continues to be a valuable source of funding for vital services. Fees and charges reflect a 5% increase on average and the focus must be to ensure this income is collected through making it easier for people to pay and reducing levels of debt and the amount that needs to be written off.

13.18 Using the latest 2024/25 forecast position, forecast demand and prices has been taken into consideration in estimating the additional budget required for 2025/26. This has included scenario planning to include an element of risk and uncertainty in these forecasts. This is set out in Appendix 2. This includes £56.8m for service specific pressures. The main areas are as follows:

- £31m for adult social care
- £12m for housing demand and almost solely for temporary and emergency accommodation.
- £3.7m for children’s social care placements; and
- £1.4m for supporting children with home to school transport.

13.19 The budget includes assumed savings of £29.5m for 2025/26. The robustness of these estimates has been tested and delivery plans are already in place or to be developed before the start of the year as well as taking the lower range of savings that can be delivered. However, based on previous years, delivery can be volatile and a stronger monthly monitoring process will be put in place for all savings.

13.20 These estimates are based on the best possible information but do include an element of risks and uncertainty. Therefore, corporate contingency allocation has been increased to £10m for 2025/26.

13.21 The Section 151 Officer has examined the assumptions used within the budget calculations and has considered the appropriate risks set out in Section 9 of this report.

Adequacy of Reserves

13.22 The Council is required to maintain an adequate level of reserves to deal with unexpected events and pressures. Sections 32 and 43 of the Local Government Finance Act 1992 requires the Council to have regard to the level of reserves when calculating the budget requirement.

13.23 The appropriate level of reserves must be considered alongside an assessment of risk, taking into account the robustness of savings plans, levels of risk in estimates in demand and price and wider economic factors. The adequacy of reserves is assessed as part of the budget process and monitored regularly through the year to the closure of accounts at the end of the year.

13.24 Throughout 2024/25, the Section 151 Officer has reported on the low levels of reserves for Haringey. The longer term sustainability on the Council relies on the need to avoid reliance on reserves in the future and to have a longer term plan to replenish reserves available for managing risks and uncertainties and this has been assumed in the MTFS from 2026/27 onwards.

13.25 There is no planned use of reserves to balance the budget for 2025/26 because it is assumed any remaining uncommitted reserves will be used to fund the 2024/25 overspend. However, some use of the Transformation Reserve is expected during 2025/26 on an invest to save basis and the delivery of the budget reductions in 2025/26 and service changes. Any use of the reserve will be in line with the constitution and will be reported to Cabinet as part of the quarterly finance report.

13.26 A full review of reserves has been undertaken, together with a five year forecast as set out in Table 11.

13.27 It is the recommendation of the Section 151 Officer that the 'General Fund reserve should not be reduced below £15m, which equates to approximately 4.3% of the net budget of £351m. Any use of this reserve to fund the 2024/25 overspend will need to be replenished in future years.

Exceptional Financial Support (EFS)

13.28 Based on the current financial position in 2024/25 and the level of forecast expenditure for 2025/26, it is clear that the Council is not able to set a balanced budget for 2025/26. An application has therefore been submitted to MHCLG for EFS for 2025/26. An in-principle decision will not be known until the end of February but this report, the draft budget and MTFS has been developed on the basis it will be agreed. This will mean that the Council will have a Capitalisation Direction which gives permission to fund day to day running costs of up to £37m for 2025/26 through the capital programme. This assumption is based on there being no available reserves to fund the 2025/26 shortfall because of their likely use to fund the 2024/25 overspend. Should any reserves be available, these will be utilised before any use of EFS and with borrowing as the last resort.

13.26 Funding of EFS will be through the use of actual and forecast capital receipts and borrowing and these assumptions will be accounted for in the Treasury Management Strategy Statement which will be approved by Council on 3 March 2025 and the Capital Strategy (Appendix 8). For the purposes of this draft budget, it is assumed that £10m is funded through capital receipts and £27m through borrowing which increases borrowing costs in the revenue budget by £1.35m per annum. Borrowing will be the last resort.

13.29 The Section 151 Officer has noted that this decision to apply for EFS is considered a last resort but necessary for reporting a balanced budget. Although an assumption has been made on the level of support required for the purpose of meeting the legal requirement to set a balanced budget, for 2025/26, work must continue to control and reduce spend that results in final EFS support required in 2025/26 being less than assumed.

13.30 The EFS application should be regarded as intended to provide an “interim measure” whilst wider national and regional policy issues are addressed as well as the Council developing its longer term financial strategy. Reliance on EFS is not a financially sustainable strategy.

13.30 If the application for EFS is not approved at the end of February 2025, a balanced budget will not be able to be set and the Section 151 Officer may need to under a duty and an obligation to issue a notice under section 114 of the 1988 Local Government and Housing Act (a “section 114 notice”). The consequences are that the Council would be required to meet to consider that notice and take action as appropriate. That may include consideration of further options for savings. Other steps and interventions could also follow. Issuing a s114 notice would not resolve the financial challenge on its own – some form of capitalisation would still be required.

13.31 Although it is impossible to give absolute assurance, on the basis of the risks and issues set out in this report and the assumption that the application for EFS is successful, it is my opinion as Section 151 Officer that the budget should progress for approval on the basis that:

- Known risks have been identified.
- The estimates are robust within the confines of the risks noted in this report.
- Known spending pressures of £83m have been built into service budgets based on the latest estimates of current and future demand and prices.
- Noting the risks, the increase in corporate contingency to £10m.
- The level of reserves for managing risks and uncertainties is £4.3m at the end of March 2025 which is low but the MTFS includes a replenishment of £3m per annum from 2026/27 onwards.
- The level of General Fund Reserve is maintained at £15m which represents 4.3% of the net revenue budget, which the Section 151 considers is a prudent level in recognising the specific risks.
- The budget reductions of £29.5m for 2025/26 have been subject to due diligence to ensure some certainty on the delivery of change to deliver the reductions and increased income during 2025/26. Progress will be monitored and reported monthly internally and quarterly to Cabinet and Scrutiny Panels.
- Work has already commenced on preparations for developing longer term financial planning. An update on the financial position over the next five years will next be updated in the MTFS to Cabinet in July 2025.
- The current statutory over-ride on the DSG deficit has been extended to March 2026. It should be noted that a long-term solution to the financial position of the DSG is required by Government. If the statutory over-ride is not extended beyond 2026 or an alternative solution identified by Government, the current £10.8m deficit would need to be funded by the Council and there are currently insufficient reserves should this scenario arise.

13.28 Government has committed to a more fundamental review of the local government finance system to be implemented for 2026/27. The Government consultation is underway, and the Council will submit a response by the 12 February 2025 deadline. It is proposed that more funding is allocated and distributed to those boroughs with high levels of deprivation (in accordance with the IMD2024 index). Based on the provisional funding settlement for 2025/26, Haringey is likely to benefit from this revised methodology for determining distribution, but it is difficult to plan for this and funding reforms requires not only a fairer distribution methodology but also a large total settlement for the sector, recognising the diverse range of services provided and their pressures.

Conclusion

13.29 The Section 151 Officer therefore concludes:

- I am satisfied that the budget calculations are robust and that the budget is both sound and prudent in that it takes account of liabilities and financial risks.
- I consider that current levels of unallocated reserves for managing risks and uncertainties remain adequate if the application for EFS is approved in principle in late February 2025. In setting the level of general reserves and balances, account has been taken of the key financial assumptions underpinning the budget.
- Financial plans assume that over the planning period the Council is forecast to maintain a target General Fund reserve of £15m.
- With EFS from Government, the Council has arrangements to fulfil its statutory duties particularly the needs of vulnerable young people and adults.

14 HRA Update

14.1 This report is primarily focussed on the Council's General Fund. A separate report setting out the Housing Revenue Account (HRA) Business Plan and the 2025/26 revenue budget and capital programme is elsewhere on the agenda and will be presented Council for approval on 3 March 2025.

15 Dedicated Schools Budget (DSB)

15.1 Schools budgets are substantially funded from the ring-fenced Dedicated Schools Grant and two other funding streams (Pupil Premium and Post 16 Grant) which are, in effect, passported to schools. Spending must be consistent with the requirements of the prevailing schools and early years funding regulations. There are requirements for Schools Forum to act as a decision-making and/or a consultative role in determining budget levels for each year.

15.2 The total budget delegated to schools in 2025/26 is £146.0m. School rolls are falling in Haringey, a similar trend to across London and overall, there is a reduction of 795 pupils (-2.5%) which directly impacts on the funding available to individual schools.

15.3 The financial position reported at Quarter 2 of 2024/25 sets out the forecast in year end position of a deficit of £2.73m in line with the Safety Valve management plan. The accumulated deficit on the High Needs Block continues to benefit from Safety Valve Funding. As a result, the deficit at March 2024 has reduced to £10.80m. Progress remains on target to bring the High Needs Block into balance by end of 2027/28.

15.4 The DSG comprises four separate funding blocks – Schools, Central Services, Early Years and High Needs Block. Table 15 sets out Haringey's Dedicated Schools Grant allocations for 2022/23 and 2023/24, the minimum rebased DSG baseline allocation for 2024/25 and the National Funding Formula (NFF) allocation for 2025/26 that was published 18th December 2024.

Table 15 Haringey's Dedicated Schools Grant Allocation

DSG Block Allocations	Schools Block £m	High Needs Block £m	Central Schools Services Block £m	Early Years Block £m	Total DSG Allocation £m	Recoupment £m	Total DSG Received by Haringey £m	Outside Grants Rolled into Schools Block £m
2022/23	212.52	52.21	2.79	20.25	287.77	-79.11	208.66	0.00
2023/24	219.47	56.79	2.71	21.22	300.19	-84.78	215.41	5.78
2024/25	225.78	58.12	2.63	31.40	317.93	-83.70	234.23	7.12
2025/26 published	235.64	62.03	2.70	39.52	339.89	-86.85	253.04	15.56
Recoupment for 2025/26 is based on adjustment for academies within Haringey								**28.46**
The unit of funding within the schools block has increase by 7.2% but due to falling school rolls and reduction in growth fund the increase to Haringey before recoupment is 4.4%								
Early Years block is full year funding whereas the 2024/25 covered 9 months of new funding for 2 and 3 year ol								
The High Needs Block is subject to reduction for directly funded placements of £2.39m, the net increase is 7.2% as a result								
Teachers' pay and pensions grants (TPAG and TPECG) as well as core schools budget grant (CSBG) for 2024/25 have been rolled into the schools block								

15.5 Overall, Haringey's NFF allocation for 2025/26 is an increase of 7.2%. This is based on the December 2024 published allocations and is likely to change during the year due to Early Years Block indicative allocation based upon 2023/24 census and in year recoupment. Recoupment refers to sums within the Haringey NFF due to academies schools within the borough. The actual financial position for the Dedicated Schools Grant is dependent on the final school's finance settlement for 2025/26 and updated Early Years Block census which is usually in July 2025.

- <u>Schools Block</u> - uplift of 4.4% equivalent to £9.86m, unit funding increase of 7.2% year on year, includes rolling in teachers' pay award and pension changes, falling school rolls has had an offsetting impact of reducing by 2.5%.

- <u>Central School Services Block</u> - the Central Services Block is made up of two separate funding streams, one for ongoing responsibilities for the local authority and the second for historic commitments. Haringey have no historic commitments. This funding has increased by 2%, the equivalent of £54,000 reflecting the exceptional increase in copyright licenses, which are fully funded by the DSG in 2025/26.

- <u>Early Years Block</u> - this provides funding to enable children access to free childcare. Funding is estimated to increase by 29.2% in 2025/26, the equivalent to £8.9m (based on the January 2024 census) and reflects the increase in entitlement from 15 hours to 30 hours for eligible parents with children aged 2 and under.

- High Needs Block – this provides funding for children with Education Health and Social Care Plans, where numbers have been steadily increasing since the system was reformed in 2015 with the Children and Families Act extending to age 25 and Statements of SEN being replaced with EHCPs. The number of children currently with an EHCP is 2,974 compared to 2,813 in 2023. Government has recognised this pressure, and the 2025/26 allocations represent an increase of 7.2% equivalent to £3.993m, after accounting for directly funded placements. However, this remains a long way short of the funding required and it is the deficit position on this high needs block that is driving the overall deficit position on the DSG.

15.6 The Haringey Schools Forum noted the DSG funding allocations at their 16 January 2025 meeting and approved the consultation outcome on the formula to distribute the schools block for devolved school budgets subject to approval by the Education Skills and Funding Agency (ESFA).

Dedicated Schools Grant (DSG) Reserves

15.7 The DSG reserves now account for Safety Valve funding of £11.96 in 2022/23 and £2.99m in 2023/24 to report a deficit at March 2024 of £11.06m. The in year forecast position is expected to be in deficit by £2.73m, with further safety valve funding reducing the deficit to £10.80m at March 2025.

Table 16 2024/25 Year End DSG reserves forecast

DSG Blocks	Opening DSG deficit at 01/04/2024	Q2 2024/25 Forecast	Safety Valve Funding	Forecast closing DSG deficit 2024/25
	£m	£m	£m	£m
School Block	0.00	0.00	0.00	0.00
Central School Services Block	0.00	0.00	0.00	0.00
Early Years Block	0.00	0.00	0.00	0.00
High Needs Block	(11.06)	(2.73)	2.99	(10.80)
Total DSG	**(11.06)**	**(2.73)**	**2.99**	**(10.80)**

Safety Valve Programme

15.8 After the successful bid to join the Safety Vale Programme approved by DfE in March 2023. The Safety Valve Plan remains on track, reporting a deficit of £2.73m at Quarter 2 but within the target for this financial year. Workstreams are on track to bring the DSG deficit into a balanced position by 2027/28.

15.9 Successful delivery and progress in line with the DSG Management Plan would result in funding being released by DfE to support the reduction in the deficit and bringing the High Needs Block into a balance by 2027/28. The planned funding profile is as follows:

Year	£m
2022-23	11.96
2023-24	2.99
2024-25	2.99
2025-26	2.99
2026-27	2.99
2027-28	5.98

16 Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes

16.1 The Council's draft Budget aligns to and provides the financial means to support the delivery of the Corporate Delivery Plan outcomes.

17 Carbon and Climate Change

17.1 There are no direct carbon and climate change implications arising from the report.

18 Statutory Officers comments (Section 151 Officer, Head of Procurement, Assistant Director of Legal and Governance, Equalities)

Finance

18.1 The financial planning process ensures that the Council's finances align to the delivery of the Council's priorities as set out in the Borough Vision and Corporate Delivery Plan. In addition, it is consistent with proper arrangements for the management of the Council's financial affairs and its obligation under section 151 of the Local Government Act 1972.

18.2 Ensuring the robustness of the Council's 2025/26 budget and its MTFS 2024/25 – 2028/29 is a key function for the Council's Section 151 Officer (CFO). This includes ensuring that the budget proposals are realistic and deliverable. As the MTFS report is primarily financial in its nature, comments of the Chief Financial Officer are contained throughout the report.

18.3 The formal Section 151 Officer assessment of the robustness of the council's budget is set out in Section 13.

Procurement

18.4 Strategic Procurement have been consulted in the preparation of this report and will continue to work with services to enable cost reductions. Strategic Procurement note the recommendations in section 3 of this report do not require a procurement related decision.

Assistant Director of Legal & Governance

18.5 The Assistant Director of Legal & Governance (Monitoring Officer) has been consulted in the preparation of this report and makes the following comments.

18.6 In accordance with section 67 of the Local Government Finance Act 1992 (the '1992 Act'), the functions of agreeing the budget and the calculation of Council tax are to be discharged by the Full Council.

18.7 The Local Authorities (Standing Orders) (England) (Regulations) 2001 and the Budget and Policy Framework Procedure Rules at Part 4 Section E of the Constitution, set out the process that must be followed when the Council sets its budget. Accordingly, it is for the Cabinet to approve the proposals and submit the same to the Full Council for adoption in order to set the budget. However, the setting of rents and service charges for Council properties is an Executive function to be determined by the Cabinet.

Fiduciary Duty to Ratepayers

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

Consultation

18.9 Under section 65 of the 1992 Act, the Council is under a duty to consult persons or bodies appearing to it to be representative of persons subject to non-domestic rates as regards hereditaments situated in the area of Haringey. In addition to businesses, the Council has consulted local residents. The outcome of that consultation is contained in Appendix 5 to this report. In making its decisions, the Council must conscientiously take into account the consultation responses. It should also be noted that the consultation was in the context of the budget proposals and not necessarily on the specifics of whatever decisions may be implied by the adoption of the budget.

Savings Proposals

18.10 The report proposes new savings proposals for the financial year 2025/26 Depending on the nature of each proposal, the council may be required to take further steps prior to determining whether, how and when to implement those proposals. In addition, prior to considering implementing savings proposals, further steps may include e.g. carrying out further statutory consultation exercises, complying with requirements contained in legislation or guidance and carrying out full equalities impact assessments where appropriate so as to ensure that the Council complies with the public sector equality duty.

Public Sector Equality Duty

18.11 The Council must ensure that it has due regard to its public sector equality duty under section 149 of the Equality Act 2010 in considering whether to adopt the recommendations set out in this report. A full equalities impact assessment has been carried out and is contained in Appendix 9 of this report.

Flexible Use of Capital Receipts

18.12 The report recommends that Cabinet propose approval to Full Council on the strategy as regards the proposed flexible use of capital receipts (Appendix 8 Annex 2 to this report). The Local Government Act 2003, section 15(1) requires a local authority "… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …". Guidance on the use of capital receipts flexibility has been issued under section 15(1) of the Act and the Council is therefore required to have regard to it (c.f. Guidance on the flexible use of capital receipts (updated August 2022) - GOV.UK (www.gov.uk)).

18.13 Among other things, the Guidance notes that - Two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain guidance on capital receipts and local authority accounting that complement the Department for Levelling Up, Housing and Communities (DLUHC) guidance. These publications are:

- The Prudential Code for Capital Finance in Local Authorities
- The Code of Practice on Local Authority Accounting Local authorities are required to have regard to the current edition of The Prudential Code for Capital Finance in Local Authorities by regulation 2 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and to the Local Authority Accounting Code as proper practices for preparing accounts under section 21(2) of the Act.

Conclusion

18.14 In view of the conclusion reached by the Director of Finance above on the ability to set a balanced budget for 2025/26 and the Equalities comments there is no reason why Cabinet cannot agree the recommendations.

Equality

18.15 The Council has a public sector equality duty under the Equality Act (2010) to have due regard 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.

18.16 The three parts of the duty apply 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. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

18.17 An EQIA for this Budget/MTFS has been produced in full and is appended to this report which summarises potential impacts on the protected characteristics. Where indicated, individual EQIAs will be developed for each proposal, if approved.

18.18 The impact of the budget proposals on equalities should be seen within the context of residents' lives in Haringey. Longstanding inequalities persist in Haringey as they do nationally and globally. In recent years global events, like the COVID-19 pandemic, international conflict, geopolitical turmoil, inflation leading to cost-of-living pressures, and climate change have and continue to impact on people living in the borough, both directly and indirectly. Such complex challenges can drive ongoing health and economic inequalities, as well as negatively impact community cohesion and individual flourishing and wellbeing.

18.19 The primary equality challenge facing many Haringey residents in the last year continues to be the ongoing impact of the increased cost of living. It is recognised that these economic pressures which are experienced by individuals, households, businesses and public sector organisations can compound socio-economic disadvantage, a Haringey Council adopted protected characteristic. Furthermore, the impacts of such disadvantage frequently intersect with a range of other protected characteristics including disabled people, young people, and Black, Asian and minority ethnic residents who are more likely to live in the borough's more deprived wards.

18.20 The proposals in this budget have been developed against a backdrop of budget pressures for councils across the country. These are largely driven by the rising costs of adult and children's social care and the demand for temporary accommodation.

18.21 In this budget there is a 2.99% increase in Council Tax and a 2% increase in ASC Precept for 2025/26. The Council Tax Reduction Scheme will provide financial assistance with Council Tax bills for residents who are on a low income or less able to pay. A new Tackling Inequality service will be established to bring together and strengthen existing work in this area, to provide timely, empathetic and practical support to help residents increase their income and reduce their debt.

18.22 The council recognises that it continues to be a challenging time for our residents, businesses and communities. The proposed budget has been developed in this context, seeking to achieve the best possible outcomes within the limited resources available.

18.23 In this Budget/MTFS the council has sought to promote equality by:

- Continuing to meet the increased cost pressures in adult social care, children's social care and temporary accommodation caused by inflation thus ensuring the delivery of support to the most vulnerable residents whilst meeting statutory obligations
- Reviewing a range of services in adult social care, housing and communities to deliver value for money and positive outcomes for residents
- Securing the continued use of the much-valued Pendarren House for children in Haringey by transitioning to a self-sustaining financial model in future
- Identifying and implementing a range of back office/management savings which in turn helps to protect frontline services for residents that need them most

18.24 The EQIA appended to this report provides a line-by-line equalities analysis of policy proposals in this Budget/MTFS and should be consulted for further detail.

18.25 At this stage, potentially negative equalities implications have been identified in relation to removing the budget for the residents' survey which is currently undertaken via representative sampling face to face method. Removing this method means some residents with certain protected characteristics may not have the opportunity to participate in the survey. Those specifically impacted may include those who are digitally excluded for socio-economic reasons, or age groups who do not routinely participate in online surveys e.g. young people and some older people.

18.26 It is noted that within the context of severe financial constraints, the proposals cumulatively aim to deliver more with less. Therefore, where budget proposals are approved for implementation, it is important that the detailed EQIAs for each proposal (where indicated in the Appendix) use relevant data to identify any additional potential impacts. Where any disproportionate impacts are anticipated, mitigations should be proposed.

19 Use of Appendices

Appendix 1	Summary of Final revenue Budget 2025/26 Budget and Council Tax 2025/26 and Medium Term Financial Plan 2025-2029
Appendix 2	Revenue Budget Pressures 2025/26
Appendix 3	Revenue Savings 2025/26

Appendix 4	Service Budgets 2025/26 and Analysis of Movements 2024/25 to 2025/26
Appendix 5	Feedback from Public Budget Consultation and Engagement.
Appendix 6	Final Report from Overview and Scrutiny Committee and Cabinet Member responses.
Appendix 7	Council Taxbase Report 2025/26
Appendix 8	Capital Strategy 2025 to 2030, including Capital Programme
Appendix 9	Cumulative Equality Impact Assessment for 2025/26 Budget

20 Background papers

None