Report for:	**Cabinet 15 July 2025**
Item number:	**11**
Title:	**Draft 2026-27 Budget and 2026-2031 Medium Term Financial Strategy Report**
Report authorised by :	**Taryn Eves, Corporate Director of Finance and Resources**
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 is the first report to Cabinet for the 2026/27 business planning process. The main purpose of this report is to specifically update on the budget preparations for 2026/27 and with a focus on the General Fund. Further updates on the Housing Revenue Account and Dedicated Schools Budget will be presented to Cabinet in December 2025.

1.2. It sets out the latest information and in particular changes in assumptions or information since the last 2025/26 Budget and 2025/2030 MTFS report agreed by Full Council on 3 March 2025. Work has been underway since then to identify the risks and opportunities for setting a balanced budget for 2026/27. These, together with the outcome of the annual review of the capital programme will be included in a report to Cabinet in October before being launched for consultation and scrutiny. The feedback from the consultation will be considered in developing the final draft budget that will be presented to Cabinet in February 2026.

1.3. The Council's annual budget, five-year capital programme and Medium Term Financial Strategy (MTFS) determine the financial resources for the delivery of the 10-year Borough Vision and the Council's priorities as set out in the Corporate Delivery Plan. This report is the starting point for the budget and business planning process for 2026/27. It explains the process for developing and agreeing business plans and the budget for 2026/27 as well as reviewing assumptions on which the current MTFS agreed in March 2025 is based. It then updates information arising from government and other announcements plus the on-going impact of challenges apparent in 2025/26 and new or emerging financial issues for 2026/27 and beyond which will be incorporated into the new MTFS.

1.4. The Budget and Business Planning process will continue through the autumn and winter. Based on the timetable proposed in this report, Council will set a budget for 2026/27, a medium-term financial strategy to 2030/31 and capital programme to 2030/31 in March 2026. This report provides context and background information as well as updates about the wider economic environment since the 2025/26 budget and Medium Term Financial Strategy was agreed in February 2025.

1.5. Although much of the current focus is on developing the draft budget for 2026/27 and minimising any ongoing reliance on Exceptional Financial Support from Government, work has also commenced on developing a longer-term approach to balancing the budget across the MTFS five-year period. Further details on the approach being taken are set out in Section 12. Efficiencies will continue to be explored, together with commercial opportunities to increase income generated and a focus on prevention to avoid the continued high spend in some areas across the medium term. It is likely that this will not be sufficient and there is a need for 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.

1.6. The multi-year forecast of reserve balances is set out in Section 18 (Table 7) and includes details of all known commitments. It shows that reserves allocated for risks and uncertainties will reduce to £0m by March 2026. Over the last two financial years, reserves have been utilised for both setting a balanced budget and also at the year ends to manage the final overspend position. As a result, reserves for managing risks and uncertainties are at a minimum level so 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, depending on the financial position.

1.7. There is considerable further work to be undertaken between now and 3 March when next year's budget is agreed. This will include lobbying central government in relation to the latest consultation on the funding formula which suggests that Haringey could lose Government funding over the next three years; looking at additional cost reductions and ensuring value for money is achieved for each pound spent; income generation strategies and wider transformation. Despite these significant challenges the Council still must set a balanced net budget in March 2026 in line with its legal requirements.

2. Cabinet Member Introduction

2.1 Haringey can point to a number of achievements over the past 4 years. Achievements driven by our priorities. From a 'Good' rating in Children's services, building hundreds of beautiful, high quality council homes, planting thousands of trees to improving our governance and internal processes. But we are a still a council where many of our residents, especially those in our eastern wards, continue to live in circumstances of poverty, ill health and poor outcomes. As a borough, we have had to make deep savings for over 10 years. Considered outer London, we did not receive the top ups that were awarded to some councils. But we also have an economy made up of low wages and small businesses, many working from home. We do not have the vast tracts of land for development and business, that our northern neighbours can utilise. We fall through the cracks.

2.2 The high level of need, increasing numbers of those over 65 and a large number in insecure private sector housing (over 50% in some wards) continues to drive the increasing cost of providing services that our residents rely on. Adult social care, children's social care, temporary accommodation. The three primary drivers seen up and down the country.

2.3 This paper looks at our current financial position and the medium term forecast, taking into account global, national and local predictions. As a council we are doing everything possible to make sure that every pound counts, while providing the services our residents rely on. While the current proposals for fairer funding do not improve our position, we will continue to lobby strongly for a recognition of our particular circumstances and our residents.

3. Recommendations

3.1 It is recommended that Cabinet:

a) Note the Council's current financial position as set out in this report which sets the foundations for the full budget for 2026/27 that will be presented to Cabinet in February 2026 and onward to Full Council in March 2026.

b) Note the agreed pressures for 2026/27 (Appendix 1) and any additional emerging budget challenges since the last update in March 2025 that have been identified for 2026/27 and across the medium term as set out in Section 12.

c) Note the agreed revenue savings proposals summarised in Section 12.1.

d) Note the risks and uncertainties in Section 18 that still remain.

e) Note that the General Fund Revenue Budget, Capital Strategy, Capital Programme, HRA 2026/27 Budget and Business Plan and Treasury Management Strategy Statement will be presented to Cabinet on 11 February 2026 to be recommended for approval to the Full Council meeting taking place on 3 March 2026.

f) Note the new Capital Delivery Governance Framework attached as Appendix 2.

4. Reasons for decision

4.1 The Council has a statutory obligation to set a balanced budget for 2026/27 and this report forms a key part of the budget setting process by setting out the approach to delivering this and a refreshed Medium-Term Financial Strategy (MTFS). It also highlights key updates in terms of funding, expenditure, risks and issues since the last report in March 2025. The final budget for 2026/27, Council Tax levels, Capital Programme, Treasury Management Strategy, Housing Revenue Account (HRA) budget and Business Plan will be presented to Cabinet in February 2026 for recommending to Full Council on 3 March 2026.

5. Alternative options considered

5.1 The Cabinet must consider how to deliver a balanced 2026/27 budget and sustainable MTFS over the five-year period 2026/31, to be reviewed and adopted at the meeting of Full Council on 3 March 2026.

5.2 This report is a key tool in achieving this as it sets out the approach, scope and timetable to delivering the 2026/27 Budget.

6 Medium Term Financial Strategy (MTFS)

6.1 Although the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate a clear understanding of their financial sustainability. Short-termism is counter to both sound financial management and governance.

6.2 The Medium-Term Financial Strategy (MTFS) provides the financial framework for the delivery of the Council's aims, ambitions, and strategic priorities as set out in the Corporate Delivery Plan (CDP). The aim of the MTFS is to:

- Plan the Council's finances over the next five years, taking account of both the local and national context.
- Provide the financial framework for the delivery of the Council's priorities and ensure that these priorities drive the financial strategy - allocating limited financial resources whilst also continuing to support residents.
- Manage and mitigate future budget risks by forward planning and retaining reserves at appropriate levels.

6.3 In December 2025, the Government will publish a three-year Local Government Finance Settlement which will give some certainty over funding levels. This will be based on the Spending Review published on 11 June 2025 and the consultation on the distribution of funding that was published on 20 June 2025. Although the certainty is welcomed, it is clear that the level of funding will still be insufficient to manage the growing pressures, particularly in social care and temporary accommodation and early indication suggest that the MTFS assumption of funding remaining at the 2025/26 level is at risk. It is therefore even more important to demonstrate a collective understanding of the best estimates of financial pressures, opportunities and funding over a longer timeframe, acknowledging financial pressures and risks.

6.4 In developing the medium to long term financial strategy, the authority must test the sensitivity of its forecasts, using scenario planning for the key drivers of costs, service demands and resources.

6.5 The MTFS must be developed in alignment with the stated objectives and priorities in the Corporate Delivery Plan and more recently the Borough Vision and needs to be reviewed regularly to test that delivery of the agreed outputs and outcomes are still achievable within the financial envelope available. Where this is not the case, plans will need to be reassessed and re-set.

Budget Principles

In setting the budget each year, the Council does so in line with the following 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 offs not the solution).
- Not be an on-going reliance on reserves.
- Any use of reserves to balance the budget will need to be repaid.
- Estimates used for pay, price and demand based on data and evidence - pressures.
- Growth for increased service provision will be exceptional and considered on case-by-case basis.
- Loss of Government grant will result is same reduction in expenditure.
- All services will ensure value for money and productivity.

7 Borough Vision and Corporate Delivery Plan

7.1 On 15 October 2024, Haringey's Borough Vision was published with 'Making Haringey a place where everyone can belong and thrive 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.

7.5 The Budget and MTFS process is the way in which the Council seeks to allocate financial resources in order to support the delivery of this plan alongside analysing and responding to changes in demand, costs and external factors. In light of the financial pressures facing the Council and as the end of the current Corporate Plan period is approaching, the Council is taking stock of progress and considering whether the small number of activities currently RAG rated 'Red' (as reported in the 6 monthly update to Cabinet) can still be delivered as originally envisaged. Where this looks challenging, consideration is being given to whether the desired outcomes can be achieved in other ways, in particular whether this can be done within reduced resources.

8 National Financial Context

8.1 On 11 June 2025, Government published the outcome of its multi-year Spending Review which sets the financial envelope for all Government Departments over the three-year period from 2026/27 to 2028/29. Local government funding allocations will not be known until the provisional local government finance settlement in December 2025 but on 20 June 2025, Government published its consultation on funding reforms.

8.2 The announcements relevant to Local Government and London from the Spending Review are summarised below.

2025 Spending Review – Key Messages

8.3 Government's key announcement was the aim to prioritise growth and put public services back on track, with a boost for housing investment and funding for social care and homelessness.

8.4 The key headlines include:

- Core Spending Power (across England) will increase by an average of 2.6% a year over the next three years (assuming maximum council tax increases), front-loaded with a 3.8% in 2026/27 followed by increases of 1.9% and 2.2% for the subsequent two years, respectively. This includes £3.4bn of new grant funding over three years– with over £500m earmarked for Children's social care to help more children stay with their families, and £560m to refurbish and expand children's homes and foster care placements.

- Additional funding of £100m towards early interventions to prevent homelessness including £87m from the Transformation Fund in 2026-27 and 2027-28.

- An additional £760m to reform the SEND system in 2026/27 – with details set out in the schools White Paper in the autumn. Related Schools funding matters such as the DSG statutory override (where DSG deficits of Local Authorities can be excluded from main revenue budgets, preventing a breach in the statutory duty to balance the budget) will be incorporated into the local government funding reforms consultation.

- The schools' budget will rise by £2bn in real terms over the Spending Review period, with a £4.7bn annual cash increase by 2028-29, delivering 1.1% average growth per pupil.

- There were no significant announcements for adult social care as the government is waiting on the independent Casey Review, scheduled for release from 2026, which will focus on how to implement a national care service and longer-term recommendations for transformation of adult social care.

- The Household Support Fund and the Discretionary Housing Payment grants will be replaced by an £842 million annual Crisis and Resilience Fund.

- The government will provide £39bn of funding for the Affordable Homes Programme (AHP) over ten years from 2026-27 to 2035-36. This is an average annual spend of £3.9bn compared with the current five-year AHP's average annual spend of £2.3bn.

- There will be a 10-year social housing rent settlement increasing at CPI+1% annually, and the government will soon launch a consultation on implementing social rent convergence both of which will impact the Business Plan for the Housing Revenue Account that will be published later in the year. A fourth round of the Local Authority Housing Fund has been announced with £950m to be made available from 2026/27 to 2029/30.

- An integrated Settlement was confirmed for the GLA starting from 2026/27, covering economic development and regeneration, transport and local infrastructure, adult skills, employment support, housing and strategic planning, environment and climate change, health, wellbeing and public service reform.

- Investment of £200m to end housing asylum seekers in hotels in this parliament.

- For 2026/27 there is an assumption that all authorities raise council tax by the maximum permitted each year. For London boroughs, this will remain at 3% (main rate) and 2% for the ASC precept.

8.5 Government launched its consultation on Local Government Funding reform on 20 June 2025. This covers the proposed new methodology and data sources to distribute the total local government budget, agreed in the SR25. This has not been reviewed or updated for 10+ years, and the outcome will have major implications for individual authorities' funding allocations.

9. Haringey Context

9.1 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 24% higher in 2025 than it was in 2011.

9.2 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.

9.3 Haringey's local population has been hit hard by the increased cost of living which continues to have an impact.

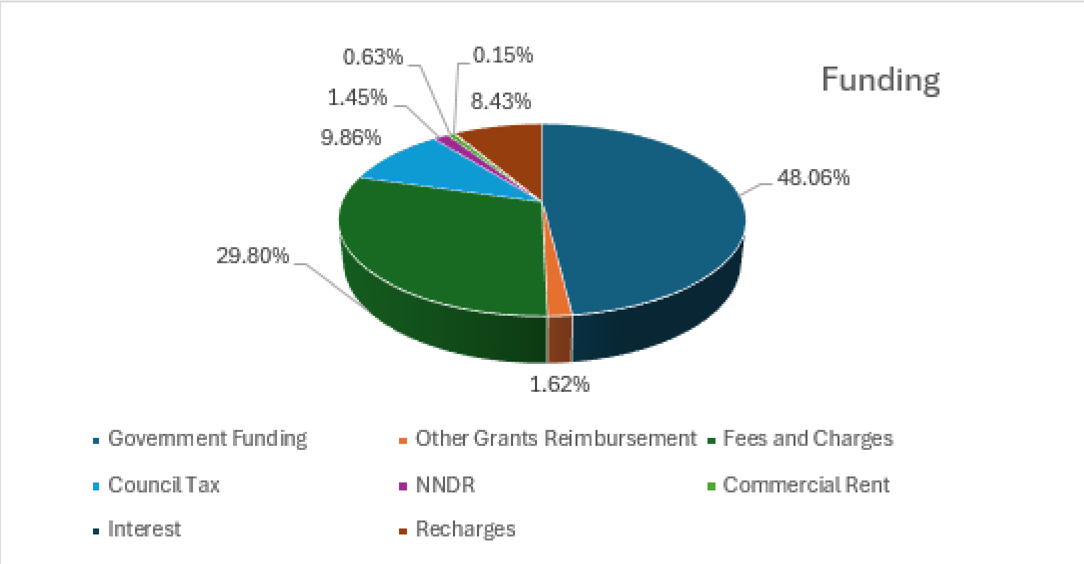
9.4 The most recently reported data shows that 25% of residents aged 16 to 65 were claiming Universal Credit in Haringey in May 2025 – over 47,000 people. 7.9% of residents aged 16+ were claiming unemployment-related benefits in Haringey in May 2025 – ca. 15,000 people, one of the highest figures of the last 3 years and higher than the averages for London and our statistical neighbours. One in five households have an active mortgage so may be impacted by the continuing high interest rates.

9.5 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 33 schools are carrying budget deficits.

10 Revenue Budget – Income

10.1 With a statutory requirement to set a balanced budget each year, the Council's spending power is determined by its income levels. The Council's main funding sources for 2025/26 are set out in Chart 1 and includes Government Grant, Council Tax and Business Rates, fees and charges and rental income and other partner contributions, such as from health.

Chart 1: 2025/26 Gross Income



<u>Government Funding</u>

10.2 Core Spending Power is used by the Government as a measure of resources available to local authorities to fund service delivery and is a combination of Government funding and Council Tax.

10.3 The provisional local government finance settlement which includes details of the level of Government funding is published in December of each year, followed by final settlements published in the February.

10.4 Current financial plans assume that Government funding for 2026/27 will be in line with that of 2025/26 and the Spending Review 2025 did not include anything that would suggest any change to this assumption. The more recent consultation on funding reforms would suggest that the level of Government funding for London as a whole is reducing and for Haringey there is a real risk that Government funding will fall over the next three years. As a Council already reliant on EFS this poses a significant challenge to the financial position next year and over the medium term.

10.5 Over and above the grants published in the Local Government Finance Settlement, there are a number of service specific grants which are included in individual service budgets. Financial Plans for 2026/27 also currently assume that these service specific grants continue at the same level as in 2026/27. In line with budget principles, any reductions in Government Grant must result in an equivalent reduction in spend.

Business Rates

10.6 Business rates are set nationally. The valuation of business premises is set by the Valuation Office and Government sets the multiplier which determines the pence per pound paid in tax. The Council is currently a ‘top up’ authority which means that it does not generate sufficient business rates income to meet the needs of residents in the borough and therefore receives a top up amount on baseline business rates funding. Each year, the business rates baseline funding is increased in line with inflation as of September. With inflation rates still volatile no changes have yet been assumed about any potential changes in business rates baseline funding.

10.7 Furthermore, the Government has been consulting on plans to finally deliver a reset to the individual authority baselines which have not been revised since the current business rate retention scheme was created in 2013. The consultation asked for views on a range of factors covering the period between this and future resets; the inter-relationship between this and appeals and bad debt provisions. It is unclear on the implications for Haringey and how this aligns with the impact from the funding reforms.

10.8 The approach to the reset is further complicated by it coinciding with a revaluation and new multipliers. This will result in the business rates system being more complex, uncertain and possibly less responsive to local economic conditions.

10.9 It is unclear when the outcome of the consultation will be shared but any outcome (positive or negative) will most likely only be known when the provisional local government finance settlement is published.

10.10 In 2025/26, Haringey is part of an eight borough Business Rates Pool with other London boroughs which is expected to generate a financial benefit of £2.1m in 2025/26. Any decision to continue the pool is subject to review each year and with the proposed changes to business rates as highlighted in the paragraphs above no assumption has been made for 2026/27, either in terms of participation in the pool or any financial benefit.

Council Tax

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

10.12 Financial Plans currently assume that the council tax base will increase by an average of 1% in 2026/27 to reflect the Council's ambitious housebuilding programme and takes into account the number of households receiving Council Tax reduction and other discounts. The average Council Tax band is expected to remain as Band C – the average across London is a Band D.

10.13 The Spending Review and recent consultation on funding reforms assumes all authorities raise council tax by the maximum permitted each year. For London boroughs, this will remain 3% (main rate) and 2% for the ASC precept. The March assumptions for 2026/27 council tax increases was 1.99% (main rate) and 0% for the ASC precept. Any final Council Tax increases are part of the budget setting process and agreed by Full Council each March. Through this report the financial position is presented as three scenarios – no increase to the 2025/26 rate: a 1.99% Council Tax increase and a 4.99% increase. Each 1% increase in Council Tax generates approximately an additional £1.4m in income after taking into consideration the impact of the Council Tax Reduction Scheme.

10.14 The table below exemplifies the financial impact of 1.99% and 4.99% Council Tax increases across the MTFS period.

Table 1 – Scenarios for 1.99% and 4.99% Council Tax Increase 2026-2031

Scenario	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000
Income from 1.99% increase	149,617	154,071	158,660	161,797	166,667
Income from 4.99% increase	153,971	163,174	172,933	181,691	192,664
Increase in income	4,354	9,102	14,273	19,893	25,997

10.15 The 2024/25 Council tax was an estimated surplus, with the Council's share totalling £2.46m. This will be recognised in 2025/26. It is too early in the year to make any concrete assumptions about any surplus/deficit impacting 2026/27 however, it should be recognised that the overall collection rate for 2024/25 was only 94.03% against a target of 96.75%. Collection rates are dropping across many of Haringey's statistical neighbours and Haringey's target for 2025/26 was set at 95.75% (96.75% 2024/25). Performance against this will continue to be measured on a monthly basis and this will help inform overall council tax income built into the 2026/27 budget.

Fees and Charges

10.16 Income from fees and charges (including rents from commercial and operational properties) is around 29.8% of the Council's income. Many of these are set by Government but there are many which the Council has discretion over the level.

10.17 Each year, all fees and charges are subject to review which is also expected to identify any opportunities to introduce new services which could contribute additional income. This review process is currently underway, and proposed changes will be approved by Cabinet in December. Every 1% increase in fees and charges equates to approximately £4.3m of additional income.

10.18 For budget planning purposes, it is assumed that all fees and charges will increase by the inflation level as at October 2025 in line with our budget principles, with exception to those which are already at full cost recovery or analysis shows it would be detrimental to income levels to increase by inflation. Full details will be included in the report to Cabinet in December 2025.

11 Revenue Expenditure

11.1 Spending patterns are volatile and each year there are new pressures. Medium term financial planning and the budget for 2026/27 aims to review both existing pressures and understand new pressures emerging to enable a budget to be set that is robust and achievable. The starting position is a review of the financial position in the previous and current financial years.

2024/25 Budget Outturn

11.2 The revenue outturn position for 2024/25 is an overall net overspend of £10m which is expected to be met via a capitalisation direction from government allowing the authority to fund the overspend via borrowing or capital receipts. The final outturn incorporated an overspend of £37.8m on service budgets, offset by an underspend on non-service budgets (including Contingency) of £20.4m and additional income of £4.0m on financing budgets. It also required unbudgeted drawdowns from reserves of £9.3m in addition to the £5.1m that had been agreed when the budget was set in March 2024 which leaves the Council's useable reserve balances largely depleted.

11.3 The overspend on service budgets included £7.5m (37%) non-delivery of savings. Of these, £440,000 was written out of budget plans for 2025/26 as unachievable but the remainder is still expected to deliver albeit on a delayed profile.

11.4 The report to Cabinet in February 2025 acknowledged the service pressures manifesting during 2024/25 which remained consistently around £37m throughout the year and £56m additional budget was allocated to services in 2025/26, primarily, adults and children's social care and temporary accommodation but this was only possible by assuming a £37m use of Exceptional Financial Support (EFS). The £37m is a one off and through borrowing from Government, incurring borrowing costs over the next 20 years and therefore the Council has put in place a Response and Recovery

Plan to reduce the reliance on EFS in future years. This means that with a budget gap of £44m for 2026/27, the next budget would need to reduce by £81m for the Council to not be reliant on EFS in 2026/27.

<u>2025/26 Budget Position</u>

11.5 Despite an additional £56m being provided to services in 2025/26, early indications suggest that demand and cost of services is continuing to increase. Internal monthly monitoring of spend is in place and the first update will be reported to Cabinet in September based on the forecast position at the end of Quarter 1. All services must remain within their budget and mitigating actions will need to be taken for any areas forecasting an overspend or non delivery of their assumed in year savings.

Financial Recovery

11.6 In light of the Council's financial position and the reliance on Exceptional Financial Support from Government in 2024/25 and 2025/26, emergency financial controls have been put in place across the organisation to reduce non-essential spend. This includes:

- Spending Control Panel who meet twice weekly to consider all non essential spend over £1,000.
- Recruitment Panel who meet fortnightly to consider all non essential recruitment requests.
- Emergency Planning arrangements across the whole organisation, overseen by GOLD and SILVER arrangements whose focus is on implementation of the Council's Financial Response and Recovery Plans.

The implementation of the Financial Response and Recovery Plan is aimed at taking the necessary action to restore the Council's financial stability and reducing the reliance on EFS.

12 Approach to 2026/27 Financial Planning

12.1 The council's revenue budget supports a range of service provisions which contributes to the council's priorities and the Borough Vision. Most of these services continue from one year to the next.

12.2 Due to the continuity of service provision, the first step in building the budget for 2026/27 will be to roll forward 2025/26 budgets. This starting point will then be adjusted for changes planned for 2026/27 built into the MTFS agreed in February 2025. This is then further refined throughout the year until final proposals are recommended to Cabinet and Full Council in February and March 2026.

12.3 Work began on a structured budget planning process for setting the 2026/27 budget early in the 2025/26 financial year. This process consists of the Council's leadership team working together to collectively understand the budget position and what is driving any spend pressures; to share information across directorates, review external benchmarking and learn from best practice service delivery in similar authorities to identify cross - directorate and directorate specific savings proposals to address the financial challenge. The outcome of this process will be presented to Cabinet in October 2025 to agree any proposals to be launched for budget consultation over the winter.

12.4 A key strand of understanding the budget position and the gap between forecast income and expenditure to maintain services is to analyse the spend pressures and understand in detail the drivers, such as demand, cost or level of service. This will start with considering the 2024/25 outturn position and any data or insight from the first quarter of 2025/26. Scenario planning is underway to provide a range of figures backed up by detailed assumptions and consideration of the impact on services by making different choices in how services are provided and to what level. This activity is also considering the benefits of 'invest to save' projects although these might be limited due to the lack of available balances to forward fund spending.

12.5 Benchmarking is a key tool in both understanding service pressures but also in identifying possible new saving streams.

To date services have produced initial estimates of new pressures above that already assumed in the current MTFS that was published in March 2025. However, these require further review and challenge before they can be built into the 2026/27 financial budget but indications are that pressures continue to be increasing.

12.6 Budget growth proposals are requests for increased spending power to increase or enhance services. These are unlikely to be agreed given the tight budget position facing the council.

<u>Pressures</u>

12.7 The existing MTFS published in March 2025 provided for £15.7m of service pressures and £30.7m of corporate pressures over and above existing budgets as set out in the table below.

Table 2 – Previously Approved Pressures (2026-2030)

Management Area	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Children's Services	3,496	1,772	1,772	1,680
Adults, Housing & Health	11,446	9,210	9,200	7,920
Environment and Resident Experience *	-849	-134	-2,000	0
Culture, Strategy & Communities	559	23	23	23
Finance & Resources	1,000	0	0	0
Chief Executive Office	0	0	0	0
Capital Financing Charges	2,619	2,360	2,000	2,000
Contingency	10,149	10,134	10,000	10,000
Treasury Management Charges	422	3,122	23	23
Other Corporate Budgets	17,505	15,938	17,736	21,289
TOTAL	**46,347**	**42,425**	**38,754**	**42,935**

* The negative pressure figures in Environment and Resident experience relate to the unwinding of additional budget built into the Housing Benefit service in 2025/26 which is expected to reduce as the transition of claimants to universal credit completes and the policy on support exempt accommodation providers embeds.

Service Pressures for 2026/27

12.8 The estimated pressures are based on a series of assumptions with the best-known information at the current time. Many of these assumptions will carry risk and uncertainty and therefore for demand led services, such as social care and housing, scenario planning is undertaken to identify a best case and worst-case scenario before a judgement is made and forms the basis for estimating future service pressures. At this stage in the process, firm figures are not provided, and the pressures assumptions remain as at March 2025.

12.9 Work is underway to review all pressures for 2026/27 and based on the outturn position outlined in 11.2, it is highly likely that the service pressures have increased from that reported in March 2025 in Table 2. An assumed £10m has been built into the budget gap for 2026/27 pending this further analysis. A further update will be provided in October 2025. Details in Appendix 1.

Adults Social Care

12.10 The adult social care market continues to be challenging with providers faced with London living wage increases as well as increased employer national insurance; Brexit has also removed an accessible pool of workers. Consequently, when new placements are being made, especially for residential, prices are continuing to rise with very few providers now prepared to accept the Council's usual maximum rates. The current MTFS allows for a £8.4m increase in costs in 2026/27.

12.11 Over the past five years the number of older adults (65+) with a care package has increased by 31%, for younger adults (18-64) it has increased by 26%. This trend in numbers requiring support is only likely to continue as we see the proportion of older adults needing care and support increasing and younger adults requiring support increasing where the number young people supported by SEND have increased significantly in recent years.

12.12 Work is underway to model various scenarios around future numbers requiring support using a range of available data.

12.13 With respect to the cost of care, the weekly care commitments have increased by 56% for younger adults and 58% for older adults over the past five years reflecting major changes to the care market where employee pay has increased significantly in that period and providers have increasingly driven prices upwards. At the same time, the support needs of individuals have become more complex, with double handed care packages becoming more frequent.

Housing Demand (Homelessness)

12.14 The current MTFS allows for a £3m increase in Temporary Accommodation costs in 2026/27. Work is underway to assess the sufficiency of this allowance, and an update will be provided to Cabinet in October.

Children's Social Care

12.15 The current MTFS allows for a £3.5m increase in costs in 2026/27. Whilst the number of young people supported may have marginally decreased over the past five years across most areas apart from early help, the cost of providing support has significantly increased over the same period where annual spend has increased by 30%. This reflects the concern that the market may be considered to be "broken", and steps need to be taken to change the balance between provider and commissioner.

12.16 Work is underway to model scenarios around future numbers and cost.

Other Services

12.17 The current MTFS allows for a £0.7m for other service pressures increases in costs across other services in 2026/27. Work is underway to assess the sufficiency of this allowance and an update will be provided to Cabinet in October.

12.18 All assumptions will remain under review over the next few months as new information emerges and the budget for 2026/27 can be set on the most up to date, realistic and reliable estimates of service pressures.

Council Wide Pressures for 2026/27

12.19 The current MTFS has built in £30.7m for corporate related pressure in 2026/27. The majority of this is for estimated inflation increases (pay award, corporate contracts), concessionary fares, NLWA levy, capital financing.

Details provided in Appendix 1. The sections below provide narrative on the key budget heads.

Price Inflation

12.20 Based on the latest March 2025 forecast by the Office for Budget Responsibility (OBR) published in June 2025, the Consumer Price Index is expected to rise to 3.21% in 2025 and then fall rapidly to around the 2.0% target from mid-2026 onwards. A further updated forecast from the OBR is expected to be shared at the same time as the Autumn Statement.

12.21 These updated forecasts are in line with the assumptions made in March. Although considerably lower than a couple of years ago, inflation continues to be volatile and on the larger budgets, such as pay and social care/housing contracts and a small increase can be significant. At this stage the budget assumptions have not been amended but will be kept under review up to the end of the planning process. This does remain a key risk for the authority.

12.22 The 2025/26 London Living Wage (LLW) saw an increase 5.3%. The Council has made a commitment to ensure LLW is paid to all direct employees and those through contracts. This is of particular importance for the Adults budget as pay levels in the care sector are heavily influenced by the National Living Wage (NLW) and LLW. Government has yet to confirm the indexation which will be applied to maintain its value now that its original policy objective has been met. The Low Pay Commission, which advises Government on the rate at which the NLW should be set, has published a projection for April 2026 of between £12.50 per hour and £12.80. Its central estimate is £12.65, which would represent growth of 3.5%. The LLW will be a higher percentage increase.

Pay inflation

12.23 The Council employs approximately 2,260 staff, excluding schools and staff funded from the HRA, and has a pay budget for 2025/26 of around £165m. Annual pay awards are determined by national agreement which are invariably confirmed post the annual budget approval. For planning purposes, it is currently assumed that for 2026/27 onwards pay will rise by 2%. The cost of a 1% pay award is approximately £1.7m. No change to this assumption is being made at this point.

Interest Rates and Treasury Management

12.24 The 2025/26 budget agreed in March 2025 assumed new treasury investments will be made at an average rate of 4.00%, and new long-term loans will be borrowed at an average rate of 5.50%. In May 2025, the Bank of England's reduced the base rate to 4.25% (4.5% March 25). The June meeting agreed to hold the base rate at 4.25%. The Council borrows and invests sums of surplus money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. Fluctuations in interest rates impact on the expenditure required to service any borrowing the Council undertakes and therefore whilst reduced interest rates will reduce the revenue impact of borrowing to fund the capital programme, this will also result in reduced investment income. The 2026/27 budget gap assumes a net budget of £14.3m for treasury management activities.

12.25 Borrowing for local authorities receiving exceptional financial support (EFS), does not have to be made on the open market but can be borrowed from the Public Works Loan Board (PWLB), part of the Treasury department which offers a lower rate. However, this still equates to circa £72,000 for every £1m borrowed. The balanced budget for 2025/26 assumed the use of £37m EFS, with a further £10m assumed to meet the provisional 2024/25 outturn overspend. The cost of this borrowing has been built into the current MTFS assumptions. Any additional sums required to deliver a balanced 2026/27 budget, will need to be factored into the final budget proposals. The Council has a structured and planned asset management programme. Any disposals that result in capital receipts will be considered as a funding source for EFS and reduce the reliance on borrowing.

12.26 The Council has a Treasury Management Strategy Statement (TMSS) which sets out in detail the Council's approach to managing its cash flows, borrowing and investment activity, and the associated risks. Surplus cash is invested until required in accordance with the guidelines set out in the approved TMSS, whilst short term liquidity requirements can be met by short-term borrowing from other local authorities. The TMSS for 2026/27 will be considered by Audit Committee in January 2026 and Cabinet in February 2026 for recommendation for approval by Full Council in March 2026. The TMSS will also be considered by Overview and Scrutiny Committee in January as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.

Contingency Budgets

12.27 The MTFS assumes the maintenance of a corporate contingency budget at £10m across the whole period. There are currently no proposals to reduce this, in the light of the lack of useable reserves and the scale of the savings programme to deliver. Increasing the value of this budget is recommended but this is dependent on the final funding settlement from government, the size of any increased pressures that must be funded and the level of new saving proposals.

Other Corporate Budgets

12.28 All other key corporate budgets have been reviewed but most of the larger budget areas such as Concessionary Fares and the North London Waste Levy (NLWA) are determined by other bodies who are, like Haringey, still in the early stages of budget setting for 2026/27. For budget planning purposes these are assumed to increase by inflation.

12.29 The NLWA levy has been forecast to rise significantly for some years however there have been delays in progressing the new plant which has delayed planned increases. Indicative figures for 2026/27 will be available from late November with final levy published in February 2026. At this point no changes to current budget assumptions can be made however, this does remain a risk for the council. The 2025/26 levy is £11.3m and current estimates are that this will rise to £17m in 2028/29.

Budget Reductions

12.30 As reported in the 2024/25 Outturn report, £7.5m of savings were undelivered as at the end of March 2025. The majority of these relate to Adults Services and the delays in the delivery of these savings are largely as a result of challenges relating to workforce and vacancy levels.

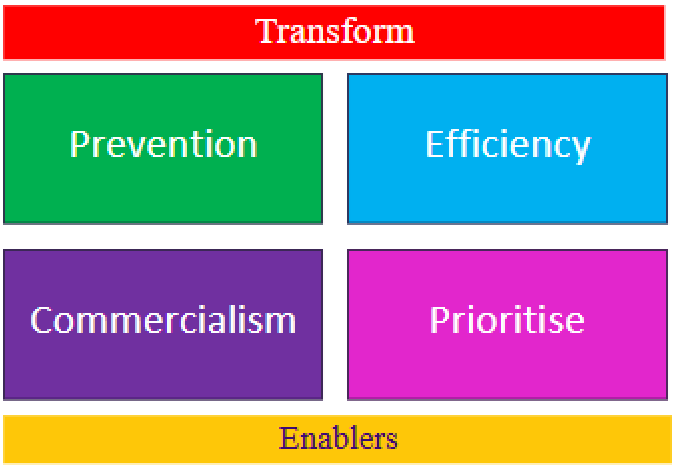
12.31 The existing budget for 2026/27 includes £17.9m of existing budget reductions (reduced spend and increased income) and these are set by Service in the table below and full details are within the budget report that was published in March 2025.

Table 3 – Previously Approved Savings

Management Area	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	TOTAL £'000s
Children's Services	320	365	50	735
Adults, Housing & Health	5,656	2,989	1,920	10,565
Environment and Resident Experience	1,133	1,257	886	3,276
Culture, Strategy & Communities	488	605	125	1,218
Finance & Resources	4,258	3,260	885	8,403
Council wide savings to be allocated	4,089	3,505	0	7,594
CTRS related schemes	2,000	0	0	2,000
TOTAL	**17,944**	**11,981**	**3,866**	**33,791**

Approach to New Savings

12.32 The focus of the Budget Series in 2025 has been to identify new savings options (reduce costs and increase income) for balancing the budget in 2026/27 and across the medium term. These have been considered in accordance with the four financial sustainability lenses shown in the graphic and with an overarching theme of transformation and service re-design.



Prevention

12.33 Reducing the high expected demand for social care and housing services expected over the medium term, it is critical that the Council has a greater focus on prevention and early intervention. There is evidence that supporting people at an earlier stage leads to better outcomes for the individuals as well as reducing costs to the Council.

Efficiency

12.34 Achieving efficiencies must be part of the annual budgeting setting process across all services to ensure value for money. This will include modernising the way we work and deliver services, reducing and removing waste and consolidating and streamlining processes to consider how we achieve the same value with less resource or deliver more value for the same resource.

Commercialism

12.35 Increasing income provides an opportunity to protect the Council's spending on priority services. An annual review of fees and charges to reflect full cost recovery will be undertaken and will include an improvement in internal processes to ensure income due can be collected as well as making it easier for residents, businesses and visitors to make payment through increased use of technology and digital channels. The Council will also consider opportunities on how the Council can generate additional revenue through greater utilisation of its assets and services, through partnership and shared working across the public and the private sector, maximising opportunities for external funding and considering alternative arrangements for protecting service delivery such as shared services.

Prioritise

12.36 With a legal requirement to set a balanced budget each year and to minimise the use of Exceptional Financial Support, a smaller financial envelope will mean that some prioritisation of services will be required because not everything may be affordable. Protecting services for the most vulnerable will always be a priority and any prioritisation of services will be within the context of the Corporate Delivery Plan.

12.36 All services will continue to review all of their budgets in light of the benchmarking available and as the financial planning process progresses, all services will be required to demonstrate that services are delivering value for money. Where there is discretion, all fees and charges must be reviewed well ahead of the annual corporate collation process to ensure that they adhere to the agreed External Income Policy. This includes ensuring that the full cost of service provision is included in the charge where appropriate. Services are also reviewing opportunities to develop new discretionary services which can bring in net additional income into the council

13 Updated 2026/27 Financial Position

13.1 Based on the provisional 2024/25 outturn and the early spend projections for 2025/26, the 2026/27 budget gap reported to Council on 3 March has been adjusted. This adds a further £10m to the assumed budget gap for 2026/27. This is illustrated in Table 4 below. The table then builds on this to show the impact of various scenarios on this adjusted in 2026/27 budget gap.

Table 4: Impact of various scenarios on budget gap

	2026/27	**2026/27**	**2026/27**
	Current Assumption	**Best Case**	**Worst Case**
	£'000	**£'000**	**£'000**
Budget Gap (as at March 2025)	**34,178**	**34,178**	**34,178**
Early 2025/26 budget forecast service overspend/pressure	10,000	10,000	10,000
Adjusted Current Assumption (based on early 2025/26 budget forecasts)	44,178	44,178	44,178
Increase in service pressures by 3%			9,901
Review of Corporate Budget assumptions (increase by 1%)			578
Pay assumptions (increase by a further 1%)			1,654
Inflation assumptions (increase by 1%)			404
No increase in Council Tax and collection rate reduced to 95%			5,880
Revised Gap (as at July 2025)	**44,178**	**44,178**	**62,595**
Additional income from 2.99% Council Tax and 1.99% Adult Social Care precept and 97% collection rate		**-4,354**	
Revised Gap (as at July 2025)	**44,178**	**39,823**	**62,595**

13.2 Work will continue with the services over the next couple of months to further refine the pressures assumptions. An update on this and the overall gap will be provided in the next report to Cabinet in October 2025.

13.3 However, even if no additional pressures emerge before the budget is formally set, the Council still has at least £44.2m of budget reductions to identify before a balanced budget for 2026/27 can be approved in March 2026. This assumes that the £37m expected use of EFS in 2025/26 will continue to be borrowed year on year from the Government and no further EFS is required to balance the budget for future years. The ongoing borrowing of the £37m is not ideal but considered realistic at this stage given the new financial pressures the Council is dealing with over the next five years. The Council will continue to express its concern to Government that EFS and the impact this has on borrowing costs year on year is not a solution to dealing with the shortfall of funding in the sector.

13.4 It is therefore essential that any use of EFS in 2025/26 (currently assumed to be £37m) is kept to a minimum. This is being addressed through the implementation of the Financial Recovery Plan and the controls on non-essential spending that have been put in place as highlighted in paragraphs 11.5 and11.6.

13.5 All budget assumptions remain under review and therefore are subject to change. Any change will impact on the budget gap position. The next update will be published in October 2025.

14 Financial Position for 2027/28

14.1 The focus of this report has been on preparations for the 2026/27 budget. Financial planning across the medium term is more difficult because, although a three-year funding settlement will be published later in the year which will give some certainty on government provided grant income, spending pressures and other income streams remain volatile.

14.2 The SR25 published in June only provided government departmental budgets. Local authority allocations will not be known until late November or December. However, it is now clear from the SR25 documents and the recent consultation of funding reform that there is little new funding being put into the system, with the majority of the core spending power (CSP) growth being generated from assumed council tax increases. These documents also suggest that any new funding is front loaded.

14.3 Therefore, assuming a balanced budget is set for 2026/27, there will remain an estimated cumulative budget gap of £161.5m by 2029/30.

14.4 The key drivers of this cumulative budget gap are the estimated year on year increasing costs of providing demand led services; estimated inflationary provisions; corporate pressures such as capital financing costs and North London Waste Authority levy increases. The current assumption of no increase in government grant income adds further pressure, which we now know is a risk.

14.5 This forecast gap is based on the best estimates at this stage and includes:

- Government funding remains in line with 2025/26 allocations, which we know from the funding consultation is now a risk.
- Service demand pressures of £45.1m (2026/27-2030/31).
- Pay and price inflation of 2%.
- Interest rate of borrowing costs remain 5% however this under review and will be updated based on the latest forecast from Treasury Advisers and will form part of the October report to Cabinet.
- Council Tax base increase of 1% and Council Tax level increase of 1.99% for the remainder of the MTFS period.
- Delivery of £33.8m of savings for 2026/27 to 2028/29 that have been previously approved.
- Corporate Contingency remains at £10m.
- Services stay within their approved budget allocation and do not overspend.
- Contribution of £3m per year in 2026/27 to 2029/30 to the strategic budget planning reserve to replenish reserves

Table 5 - Budget Gap 2026/27 to 2029/30

Type	2026/27	2027/28	2028/29	2029/30	Total
	£'000	£'000	£'000	£'000	£'000
Previously Agreed Pressures	46,347	42,425	38,754	42,935	**170,461**
Previously Agreed Saving	-17,944	-11,981	-3,866	0	**-33,791**
Grant Funding Changes	12,640	100	150	200	**13,090**
Government & Other Funding Changes	-6,865	-10,318	-6,852	-4,209	**-28,244**
Cumulative Total	**34,178**	**20,226**	**28,186**	**38,926**	**121,516**
Early 2025/26 budget forecast service overspend/pressure	10,000	10,000	10,000	10,000	**40,000**
Adjusted Current Assumption (based on early 2025/26 budget forecasts)	**44,178**	**30,226**	**38,186**	**48,926**	**161,516**

14.6 Like 2026/27, the number of people requiring Council support is expected to continue to increase over the next five years. Addressing a budget gap of this scale will require a more fundamental review of Council services to determine which and how services are provided rather than the more traditional salami slicing across all budgets. In the future, not everything may be affordable, and the Council's limited financial resources will need to continue to be prioritised to the most vulnerable and ensure all spend is aligned to the priorities as set out in the Borough Vision and Corporate Delivery Plan. This may mean spending more in some areas of greater need and priority and more significant reductions in other areas.

15 Capital Strategy and Capital Programme

15.1 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy which will provide the following:

a) a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
b) an overview of how the associated risk is managed
c) the implications for future financial sustainability

15.2 The aim of the strategy is to ensure that all of the Council's elected members and other stakeholders fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

15.3 Cabinet, in March 2025, approved an initial version of the Capital Strategy for 2025/2026. It had been compiled in accordance with the Financial Management Code which:

a) Reinforces the need for Local Authorities to have capital programmes that are, in the long term, financially sustainable,
b) Ensures that the capital programme and strategy conform to the CIPFA Prudential Code for Capital Finance in Local Authorities; and,
c) That the Capital Programme and Capital Strategy directly inform the Treasury Management Strategy Statement.

15.4 It was also highlighted in the March report that Haringey's Capital Strategy would be revised and updated annually as we move incrementally from a compliant Strategy to one that is an exemplar of good practice.

15.5 The principles set out in the March report remain valid, so the majority of which won't be repeated here, however, certain key principles are worthy of restating here given their significant importance at a time of severe financial challenge, before we implement a revised Capital Strategy later in the year.

15.6 Like most authorities, the Council's capital investment requires a level of borrowing for which borrowing costs need to be funded through the revenue budget, allowing for the interest on borrowing and for the repayment of the debt (known as the minimum revenue provision). The current 2025/26 programme assumes that 68% is funded by borrowing. £132.5m (30%) will be borrowed for general fund and £167.9m for the HRA (38%). The general fund revenue budget includes £19.2m to cover the external interest (borrowing costs).

15.7 With interest rates remaining high in the short term at least, it is essential that levels of borrowing are kept to a minimum. It is estimated that for every £1m of capital expenditure that is funded through borrowing, the Council has to budget £72,000 per annum to pay the interest and repay the debt.

15.8 The Council will continue to identify external funding that can be utilised to fund the capital programme to reduce the need for borrowing, including grants and other contributions such as Section 106, CIL and the contributions parking income can make to eligible spend within the programme on essential maintenance to roads and other transport schemes across the borough.

15.9 Each year, there will also be a need for new capital investment and for 2026/27 this will be limited to only essential spending required for health and safety, maintenance and maintaining essential services and largely relates to the maintenance of the Council's highways infrastructure, operation and commercial estate. Capital investment can provide opportunities to deliver revenue savings or additional income and for 2026/27, it is proposed to invest in the Council's digital technology which will improve the efficiency across a range of services as well as improve the customer experience.

15.10 Given the more unpredictable nature of capital spending plans, the delivery plans and the profile of spend over the capital programme period continues to be the subject of review as the Council determines the level of borrowing required both in 2026/27 and over the on-going MTFS period.

15.11 Only schemes which are sufficiently developed, have approved outline business cases and have been subject to internal governance and decision-making processes (see below) will be included in the capital programme going forward and will be presented as either 'in delivery' or 'planned delivery' over the five-year capital programme period. All other schemes will be held in the 'pipeline' and reviewed as part of the review of the capital programme each year.

15.12 Proposals for the 2026/27 capital programme will be considered over the summer and autumn and reviewed against estimated resources available.

Capital Delivery Governance Framework

15.13 A new Capital Delivery Governance Framework has been produced and is set out in Appendix 2. This framework aims to standardise and strengthen the governance around capital programmes by establishing consistent processes including a single set of gateways for all general fund and HRA capital delivery, refreshed governance structures, guidance and templates.

15.14 The framework aims to:

- Enhance monitoring, control, and reporting
- Support agile and efficient project delivery
- Ensure appropriate oversight and management control over capital programmes and projects, via a single set of common gateways

- Enable robust portfolio management, including on the overall affordability of the Capital Programme

15.15 The framework is intended to facilitate and support wider culture change across the organisation and ensure that the agreed capital programme is deliverable and affordable, with a clear focus on forward planning. Project gateways, business case templates and a new governance framework are in the process of being implemented, pending Cabinet approval of this framework and while further phases of this work are developed.

Current Agreed Capital Programme 2025/26 to 29/30

15.16 Table 6 below sets out the current capital programme as agreed by Full Council in March 20205.

Table 6: 2025/26 to 29/30 Capital Programme agreed in March 2025

	2025/26 Budget	**2026/27 Budget**	**2027/28 Budget**	**2028/29 Budget**	**2029/30 Budget**	**Total**
	(£'000)	**(£'000)**	**(£'000)**	**(£'000)**	**(£'000)**	**(£'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**
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**

15.17 Given the more unpredictable nature of capital spending plans, the delivery plans and the profile of spend over the capital programme period will all be subject to review over the next few months and will determine the level of borrowing required both in 2026/27 and over the five-year MTFS period.

15.18 Only schemes which are sufficiently developed, have approved outline business cases and have been subject to internal governance and decision-making processes will be included in the capital programme going forward and will be presented as either ‘in delivery’ or ‘planned delivery’ over the five-year capital programme period. All other schemes will be held in the ‘pipeline’ and reviewed as part of the review of the capital programme each year.

15.19 There are significant levels of salary capitalisation within the capital programme to deliver the schemes. As the capital programme reduces there is a risk that the level of capitalised salaries will be unachievable, creating a pressure on revenue.

15.20 To manage a level of uncertainty with schemes, including inflation and other essential repairs, maintenance or health and safety requirements, it is proposed to increase the capital programme contingency by £5m in 2026/27.

16 HRA Update

16.1 This update on Financial Plans is primarily focussed on the Council's General Fund. A separate process is underway for reviewing the Housing Revenue Account (HRA) 30 year Business Plan and developing the draft revenue budget and capital programme for 2026/27. This will be presented to the Housing, Planning and Development Scrutiny Panel before being presented to Cabinet in February and for recommending to Council for approval on 3 March 2026.

16.2 The financial position of the HRA remains very challenging, particularly in the short term whilst the Council's new build programme and investment into existing stock is underway which longer term will increase the supply of permanent housing across the borough. Therefore, the work continues to identify efficiencies and opportunities to delay borrowing for the HRA capital programme to improve the position over the next two to three years.

17 Dedicated Schools Budget (DSG) Update

17.1 Haringey's National Funding Formula (NFF) allocation for 2025/26 was an increase of 7.2% 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. This was detailed in the last budget report (3 March 2025 Full Council Budget Report).

17.2 Cabinet will receive updates on DSG 2026/27 budgets in future reports which will include progress on delivery of the Safety Valve programme.

18 Risk Management

18.1 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.

18.2 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.

18.3 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.

18.4 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 will be made as part of the final report on the Council's budget in February 2026 and will draw on independent assessments of the Council's financial resilience where available. It is critical that this report outlines the number and breadth of potential risks and uncertainties the council faces when arriving at the budget proposals.

18.5 Risks and uncertainties currently known are set out in the following paragraphs.

Government Funding and Legislation

18.6 There will be a three year funding settlement from 2026/27 and Government published its consultation on the new funding formula on 20 June. Officers are currently considering the new formulas for the distribution and a fuller update will be in the next report in October, however it is clear that funding will reduce in London and likely for Haringey which poses a significant financial challenge in balancing the budget in future years. The financial position set out in this report for 2026/27 currently assumes that funding levels remain the same in 2025/26. The Council will respond to the consultation to make the case to Government on the need to recognise the deprivation levels within Haringey and the need for additional funding to meet increasing demands and consideration that Haringey is already reliant of EFS to set a legally balanced budget which is not sustainable. Funding allocations will be published in early December.

Inspection and Regulation

18.7 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. All of these could have financial implications for the Council in preparing and supporting the inspection as well as implementation of any recommendations.

Economic Conditions

18.8 The Office for Budget Responsibility published the latest forecast for inflation and interest rates in March 2025 and forecast details were published in the budget report in March 2025.

18.9 It should be noted that national inflation figures are not always reflected in cost of services, such as social care so there remain 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 from the on-going impact of wars and unrest internationally which will impact on the Council's cost of services and supply chains.

18.10 The high cost of living continues to impact on many of our residents which results in more requiring support from the Council, particularly with housing support. Since 2021 the Haringey Support Fund has provided hardship funding to more that 4,000 local residents and the HRA Tenant Hardship Fund provides one-off rent credits to tenants who have fallen into arrears. The Government has announced a new Crisis and Resilience Fund but allocations for Haringey are not yet known.

Estimate of Pressures for 2026/27

18.11 The update in this report uses the best-known information for demand and other service pressures in 2026/27 and has been based on the outturn position in 2024/25 and the latest in year monitoring position. There is a risk that the in year monitoring position could worsen when the quarter 1 report is published with further overspends continuing into 2026/27. In addition, the 2024/25 accounts are currently subject to External Audit and therefore the outturn position for last year remains provisional until the process is complete.

18.12 The £46.3m identified in Table 2 is based on a series of assumptions that will continue to be reviewed over next few months and therefore the position for 2026/27 is subject to change. 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 and the Council's stricter spending controls are limiting non essential spend. 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. Short term solutions are still needed for the 2026/27 budget to be sustainable.

18.13 There are also some budget increases that will not be known until later in the year, such as the increase of levy payments. Financial Plans currently assume minimal increase.

Identifying and Delivery of Budget Reductions

18.14 As set out in this report, a significant budget gap for 2026/27 remains and work is continuing to identify additional savings and actions to mitigate the significant additional budget required to meet demand pressures. There is a risk that insufficient proposals are identified and ongoing reliance of EFS is required.

18.15 The financial position and budget gaps set out in this report assume that all savings in 2025/26, previously approved savings and any new savings for 2026/27 when the budget is approved in March 2026 are delivered in full. In advance of the full draft budget being presented to Cabinet in February 2026, all assumed savings will need to have full delivery plans in place that provide assurance on delivery.

Changes in Accounting Practice

18.16 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 2028. Funding arrangements are not known after 2028 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 2028 and work will continue with the DfE to find a longer-term solution to funding for schools and high needs.

18.17 To recognise the financial impact of risks facing the Council and manage this uncertainty it is vital that adequate reserve levels are maintained and the budget each year includes a level of contingency. The current level of reserves is lower than the Council would want, and the aim is to increase levels over the course of the MTFS and where there is an unplanned drawdown of reserves they will need to be replenished.

Reserves and Contingency

18.18 The Councils corporate contingency budget for 2026/27 is currently assumed at £10m, the same as the previous year. With minimal useable reserves and significant savings programme and upward demand, the aspiration must be to increase this budget contingency before the final plans are recommended to Council in March. The General Fund reserve will be maintained at £15.2m, with other reserves forecast to total £27.7m in March 2026, much of which is assumed to be committed but this is subject to review in Quarter 1 of 2025/26.

18.19 Any use of reserves to balance the budget next year is not a viable option. The current MTFS assumes 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. This figure is currently set at £3m.

18.20 A forecast of reserve balances to 31 March 2028 is shown in Table 7. This will be updated for the Budget report to Cabinet in February 2026.

Table 7: Reserves Forecasts to March 20208

	Actual	Forecast		
Reserve	**31 March 2025**	**March 2026**	**March 2027**	**March 2028**
	£'000	**£'000**	**£'000**	**£'000**
General Fund Reserve	15,140	15,410	15,410	15,410
Risks and Uncertainties				
Transformation Reserve	0	0	0	0
Labour market resilience reserve	186	0	0	0
Budget Planning reserve	1,141	0	3,000	6,000
Collection Fund	1,231	0	0	0
Total Risk and Uncertainties	**2,558**	**0**	**3,000**	**6,000**
Contracts and Commitments				
Services Reserve	9,358	9,358	9,358	9,358
Unspent grants reserve	10,391	10,391	10,391	10,391
PFI lifecycle reserve	3,959	0	0	0
Debt Repayment Reserve	1,072	1,072	1,072	1,072
Insurance Reserve	5,510	5,510	5,510	5,510
Schools Reserve	1,344	1,344	1,344	1,344
Total Contracts and Commitments	**31,634**	**27,675**	**27,675**	**27,675**
Grand Total	**49,332**	**43,085**	**46,085**	**49,085**

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

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

20 Carbon and Climate Change

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

21 Statutory Officers comments (Director of Finance, Head of Procurement, Director of Legal and Governance, Equalities)

Finance

21.1 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.

21.2 Ensuring the robustness of the Council's 2026/27 budget and its MTFS 2026/27 – 2030/31 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.

21.3 The formal Section 151 Officer assessment of the robustness of the council's budget, including sufficiency of contingency and reserves to provide against future risks will be made as part of the final budget report to Council in March 2026.

Procurement

21.4 Strategic Procurement have been consulted in the preparation of this report and will continue to work with services to support delivery of the Council's financial strategy and corporate priorities.

Director of Legal & Governance

21.5 The Director of Legal and Governance has been consulted in the preparation of this report.

21.6 The Local Government Finance Act 1992 places a statutory duty on local authorities to produce a balanced budget each financial year. The Local Government Act 2003 requires the Chief Financial Officer of the authority to report to it on the robustness of the estimates made and the adequacy of the proposed financial reserves.

21.7 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. 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.

21.8 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.

21.9 The report proposes new savings proposals for the financial year 2026/27, which the council will be required to consult upon and ensure that it complies with the public sector equality duty.

Equality

21.10 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.

21.11 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 apply to the first part of the duty.

21.12 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

21.13 This report details the agreed budget proposals for 2026/27 and MTFS to 2030/31, including budget adjustments and capital proposals.

21.14 The proposed decision is for Cabinet to note the budget proposals and agree to commence consultation with residents, businesses, partners, staff and other groups on the 2026/27 Budget and MTFS. The decision is recommended to comply with the statutory requirement to set a balanced budget for 2026/27 and to ensure the Council's finances on a medium-term basis are secured through the four-year Medium-Term Financial Strategy.

21.15 Existing inequalities have widened in the borough in recent years because of the COVID-19 pandemic, national economic challenges, and persistently high inflation, with adverse impacts experienced by protected groups across many health and socioeconomic outcomes. Due to high inflation in the last two years, many residents are finding themselves less well off financially and more are experiencing, or on the periphery of, financial hardship and absolute poverty. Greater socioeconomic challenge in the borough drives demand for the Council's services, which is reflected in the impacts on spend for adult social care, children's services and temporary accommodation detailed elsewhere in this report.

21.16 A focus on tackling inequality underpins the Council's priorities and is reflected in the current Corporate Delivery Plan. Despite the significant financial challenge outlined in this report, the Council is committed to ensuring resources are prioritised to meet equality aims.

21.17 During the proposed consultation on Budget and MTFS proposals, there will be a focus on considering the implications of the proposals on individuals with protected characteristics, including any potential cumulative impact of these decisions. Responses to the consultation will inform the final package of savings proposals presented in February 2026.

21.18 Savings proposals identified between the publication of this report and the final package of proposals identified in February 2026 will undergo an equalities screening process to identify where negative impacts on protected groups may arise. Where such potential impacts are identified, a full Equalities Impact Assessment will take place to understand the impacts in full and describe the actions to mitigate those impacts. At this stage, the assessment of the potential equalities impacts of decisions is high level and, in the case of many individual proposals, has yet to be subjected to detailed analysis. This is a live process, and as plans are developed further, each service area will assess their proposal's equality impacts and potential mitigating actions in more detail.

21.19 Initial Equality Impact Assessments for relevant savings proposals will be published in February 2026 and reflect feedback regarding potential equality impacts gathered during the consultation, where proposals are included. If a risk of disproportionate adverse impact for any protected group is identified, consideration will be given to measures that would prevent or mitigate that impact. Final EQIAs will be published alongside decisions on specific proposals. Where there are existing proposals on which decisions have already been taken, existing Equalities Impacts Assessments will be signposted.

22 Use of Appendices

Appendix 1 – 2026/27 Previously Agreed Budget Pressures
Appendix 2 – Capital Delivery Governance Framework

23 Background papers

None