Report for: Cabinet - 11 November 2025

Title: Draft 2026-27 Budget Proposals 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 second report to Cabinet for the 2026/27 financial planning process. The main purpose of this report is to specifically update on the new or revised budget proposals for 2026/27 and beyond and recommend commencing consultation. It will also provide an update on key financial announcements by Government. Updates on the Housing Revenue Account and Dedicated Schools Budget will be presented to Cabinet in December 2025 when fuller information will be available. Fees and Charges for 2026/27 will also be presented to Cabinet in December for approval.

1.2. The financial position of Haringey, in common with many other London boroughs, is very challenging.

1.3. Following more than a decade of government underfunding Haringey now operates with around £143m less in core government funding in real terms each year than it did in 2010/11. At the same time we have seen escalating demand for our services, which now cost more to provide. Despite year-on-year efficiency savings, spending reductions and increases in income generation, Haringey's financial position has reached a tipping point.

1.4. Whilst councils across the country are struggling with rising costs and insufficient funding Haringey faces some additional unique challenges. Haringey's government grant is 15 per cent less than the national average. The council has been funded lower levels than many neighbouring boroughs with whom we share many traditionally 'inner London' characteristics. This includes, high levels of temporary accommodation with more than 24,000 supported through the council tax reduction scheme and our relatively low numbers of residents who can fund their own adult social care.

1.5. In 2025/26 Haringey was only able to meet its legal requirement to set a balanced budget with the assistance of £37m of Exceptional Financial Support from government. This is money the council has been allowed to

borrow to fill its funding gap. It is not a grant and will need to be repaid with interest charges.

1.6. However, despite its depleting financial resources, the council's priority continues to be to deliver services to the most vulnerable as well as those more universal services valued by all residents, visitors and businesses.

1.7. Demand for statutory services continues to increase year on year alongside the price paid and is far outstripping the government grants received and the amount of income that can be generated locally. In 2026/27, estimated new budget pressures are £30.1m, primarily in social care and temporary accommodation. It is anticipated the Council will need to spend a net £349m on day to day running costs to deliver services and meet statutory responsibilities.

1.8. In addition, and subject to the outcome of the budget consultation following this report, it is anticipated that £200m of capital investment will be made next year in keeping schools open, maintaining roads, and other highways infrastructure to a safe standard, keeping the Council's operational estate health and safety compliant and the much needed investment into Wood Green and Tottenham. The proposed capital programme will be presented to Cabinet in February 2026 with a focus on health and safety and other essential investment to maintain the delivery of key services but also 'invest to save' opportunities, such as expanding leisure centre provision and commercial properties, both of which are expected to increase much needed income for the Council.

1.9. Although the council tax base is expected to increase by 1% next year, partly driven by the Council's ambitious council house building programme, the collection rates are falling, the average council tax band remains a Band C and numbers claiming council tax reduction support is increasing. Income from Council Tax is expected to be £145.3m in 2026/27, a reduction of £2.7m from the forecast in the last update in July 2025.

1.10. The current planning assumption is that fees and charges will increase by 3.8% in line with inflation but the increased income will address the current shortfall in income targets across services rather than contributing towards closing the budget gap for next year.

1.11. New savings and efficiencies for 2026/27 of £7.0m have been identified to date but it is increasingly difficult to identify further reductions needed to set a balanced budget. This will require more radical change and transformation including in how statutory services are delivered. Currently, 80% of service budgets are spent on social care and temporary accommodation. Changes of the scale needed takes time and any benefits will not materialise in time for the 2026/27 budget that will be set in March 2026.

1.12. The Council recognises it needs to do more to deliver already agreed savings and therefore over the next 6 months will focus its limited capacity relentlessly on this. Priority will be given to the delivery of £30.0m of savings

that were agreed for delivery in 2025/26 budget and the £21.9m in 2026/27 – made up of savings already agreed for next year (£14.9m) and the new proposals set out in this report (£7.0m).

1.13. Identifying internal efficiencies and improved ways of delivering existing services will not stop. So at the same time, every service will look at every £ it spends, improve its income collection and continue to improve the commissioning, procurement and contract management arrangements on all contracts.

1.14. The council has put in place robust Financial Recovery Plan and a set of organisational arrangements to support its delivery. Stringent spending controls on all non-essential spend over £1,000 will continue with the aim of reducing over-spends in the current year and minimising the use of EFS in 2026/27. The Council's Financial Recovery Plan that was prepared early in the year will be re-visited given the deteriorating financial position, with an aim of minimising reliance on EFS and restoring financial sustainability over the next 5 years. Plans are also being put in place to introduce an 'independent sounding board'. This will bring in a range of independent sector experts to oversee and hold the council to account for the delivery of the new Financial Sustainability Plan.

1.15. The draft budget for 2026/27 despite these efforts, forecasts that government funding and other forms of income will not be sufficient to cover the increasing demand for services and there is a forecast shortfall of at least £57m as set out in this report.

1.16. This is before the impact of the government's Fair Funding review. The consultation period has ended the outcome is unlikely to be known until early December after the Chancellor's Autumn Budget.

1.17. Analysis of the proposals on which the government consulted indicated that the Council could lose up to £10m in 2026/27 and between £22m and £40m over the next three years. This would only exacerbate an already challenging financial position. The council has undertaken extensive lobbying over the last 4 months to highlight the impact of the changes in Haringey, a Council already heavily reliant on Exceptional Financial Support. Final grant allocations for the next three years will not be known until December 2025 but if the proposals do not change, the Council will not be in a position to set a balanced budget next year without significant new Exceptional Financial Support of at least £57m, which will be on top of the EFS requirement in 2025/26, which is at least £37m and therefore potentially over £90m in total.

1.18. This position is not sustainable as it simply adds to council debt for the next 20 years. In 2026/27, borrowing costs for EFS alone are expected to be £1.4m.

1.19. The remainder of this report sets out further details of the position but it is noted by the Council's Section 151 Officer that setting a balanced budget in 2026/27 will only be possible if government agree Exceptional Financial

Support, and agreement on this will not be known until February 2026, around the time that the final 2026/27 Local Government Finance Settlement is published.

1.20. Officers have also commenced the work to identify the more transformational changes that will be needed for 2027/28 to further reduce spending. This will focus on transformational changes to statutory services to focus on prevention, reducing demand; changes in how statutory services are delivered through learning from others who spend less per head; and maximising and commercialising the Council's assets. Officers are planning for a scenario that could see some of these new proposals presented to the new administration in September 2026 and decisions to be made on these more transformational changes to reduce spending.

2. Cabinet Member Introduction

2.1 Setting the Haringey Council budget gets more challenging every year. Due to historic government underfunding, Haringey now operates with around £143m less in real terms in core government funding than it did in 2010/11. At the same time, we have seen rising demand for our services, which now cost more to provide. Despite year on year efficiency savings, spending reductions and increases in income Haringey will again be utilising Exceptional Financial Support from government to balance our budget in 2025/26.

2.2 Local Authorities across the country are struggling financially but Haringey faces some unique financial challenges. Our government grant is 15 per cent less than the national average, income from council tax is lower than average in Haringey; and we have been funded at lower levels than many neighbouring boroughs with whom we share many 'inner London' characteristics.

2.3 The new government was never going to be able to reverse years of austerity overnight and we have had a constructive conversation with Ministers about their proposed future Fair Funding model for local government. The impact of the initial proposals are set out in this report but due to representations made by us, London Councils, the Mayor of London and others we are hopeful that they will be amended to better reflect the true cost of providing services in London. In either scenario these changes are not expected to change our budget position fundamentally.

2.4 Our draft budget for 2026/27 does not contain new savings proposals capable of closing the budget gap. This reflects the difficulty of continuing to identify yet more savings and income generation opportunities year after year. More than 80% of our service budgets are already spent on social care and temporary accommodation. Whilst these areas are not exempt from the need to achieve the best possible value for money it does limit our ability to reduce costs when so much is spent on meeting our legal obligations in these areas. However, it does include £7m of new proposals, including spending reductions and income generation measures in addition to more than £15m

of measures that have been previously agreed to be delivered next year. We will be focusing relentlessly on achieving these savings alongside the delivery of the £30m of savings that are in this year's budget.

2.5 This is vital in order to reduce the amount of Exceptional Financial Support we use. EFS is money the council is allowed to borrow to fill its funding gap. It is not a grant and will need to be repaid, with interest in future years.

2.6 Despite all the challenges this is a budget which reflects our values as a council as we continue to deliver services to the most vulnerable at the same time as maintaining vital investment in the things that matter to every resident including our fabulous parks, leisure centres and libraries.

3. Recommendations

3.1 It is recommended that Cabinet:

a) Note the Council's current financial position as set out in this report which builds on the work undertaken since the previous report to Cabinet in July 2025.

b) Note the proposed new savings, pressures and capital programme changes for 2026/27 – 2030/31 (Appendices 1 to 6).

c) Note the current estimated budget gap for 2026/27 and the remaining period of the Medium-Term Financial Strategy (MTFS) and the key changes since the last update in July 2025 (Section 13.5).

d) Note the new risks and uncertainties in Section 15.

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) Approve the launch of consultation on the revenue budget proposals and proposed changes to the capital programme as set out in this report.

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 July 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 on 11 February 2026 for recommending to Full Council on 2 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 2 March 2026.

5.2 This report is a key tool in achieving this because 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) and Borough Vision.

6.3 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.

6.4 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.

6.6 In December 2025, the Government will publish a three-year Local Government Finance Settlement which will give some certainty over Government funding levels. This will be based on the Spending Review published on 11 June 2025 and the outcome of the consultation on the

distribution of funding that took place between 20 June and 8 August. 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. Furthermore, although externally provided modelling was undertaken to forecast the impact for Haringey of the new distribution methodology under the Fair Funding Review 2.0, these cannot be accurate and therefore the currently presented funding assumptions contain a high level of 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.

Budget Principles

6.7 In setting the budget each year, the Council does so in line with the following principles:

- To support the delivery of the Council Delivery 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.

7.4 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. This is the final year of the current Council Plan and a new plan will be developed next summer with the new administration in line with wider 10 year Borough Vision.

7.5 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. The Spending Review figures for 2028/29 and beyond are provisional only and will be subject to review as part of a Spending Review in 2027 and the Autumn Budget that will be delivered on 26 November 2025.

8.2 Local government funding allocations for 2026/27 will not be known until the provisional local government finance settlement in December 2025. These allocations will be based on the new funding regime following the Fair Funding Review 2.0 consultation held with the sector over the summer.

8.3 The outcome of the consultation is not yet known but modelling from a couple of external resources suggests that, if the proposals progress, there will be significant shifts in funding distribution across the country with inner London, including Haringey and the South East set to lose funding from 2026/27.

8.4 The following paragraphs set out the key messages.

Fair Funding Review 2.0 – Key Messages

8.5 The Government's aim from the recent consultation was to seek views on the approach to determining new funding allocations for local authorities, and fire and rescue authorities, building on the local authority funding reform: objectives and principles consultation which the government has provided a summary to in parallel.

8.6 The consultation covered - determining local authority funding allocations; approach to consolidating funding; measuring differences in demand for services and the cost of delivering them; measuring differences in locally available resources; the New Homes Bonus; transitional arrangements and keeping allocations up to date.

8.7 It also covered - long-term approach to the business rates retention system; devolution and wider reforms, including how we can bring Strategic Authorities closer to the Local Government Finance Settlement; ways to reduce demands on local government to empower them to deliver for communities; and sales, fees and charges reform.

8.8 The lack of information has prevented Haringey along with all other authorities from being able to engage fully in the consultation process. Notably by not involving the sector in 'road testing' new formulae (particularly children's services and adult social care); a lack of evidence or rationale for changes in the Area Cost Adjustment; and lack of local authority level calculations for key elements of the proposals, such as the Working Age Council Tax Support formula.

8.9 This has led to modelled outcomes which the Council has not been able to accurately predict, understand or explain the impact. It is also potentially leading to perverse outcomes, notably in the new Children's formulae. This is creating the most significant change in the proposals and has the single largest impact on London boroughs' funding share.

8.10 Senior officers and Cabinet have made representations to ministers ahead of the publication of the consultation and continued to do so when it became clearer what the likely funding impact would be. The Council has been working directly with civil servants and Ministers to provide concrete evidence of level of need and drivers of this need. Recent changes to portfolio leads

at the national level, has required further engagement to ensure new ministers are fully appraised of the concerns from Haringey.

8.11 The Council's response to the consultation was appended to the 2025/26 Quarter 1 Finance Update Report and can be accessed here: Fair Funding Review 2.0

8.12 Modelling undertaken by London Councils and a sector expert suggests that Haringey could lose up to £40m in funding before transition. With proposed transitioning only covering three years, there is the potential for a significant 'cliff edge' beyond 2028/29. With this uncertainty, Haringey may be forced to plan for potentially unnecessary reductions.

8.13 A further product of the modelling is that Haringey will be forced to continue to require Exceptional Financial Support (EFS) for the foreseeable future. EFS was supposed to be a temporary and exceptional solution but is now becoming more widespread and less sustainable. In effect, the Council is likely to be running a structural deficit from year-to-year. The existing EFS regime does not support councils to move out of financial distress. Once any viable surplus assets have been sold and capital receipts exhausted, support comes in the form of additional borrowing over the next 20 years, which simply leads to growing financing costs and, ultimately, the need to borrow even more.

8.14 This position is not sustainable, equitable for local taxpayers or in line with the Council's Best Value Duty.

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. The recently published Indices of Multiple Deprivation show Haringey ranked highest in London for deprivation and 47nd in the country. 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

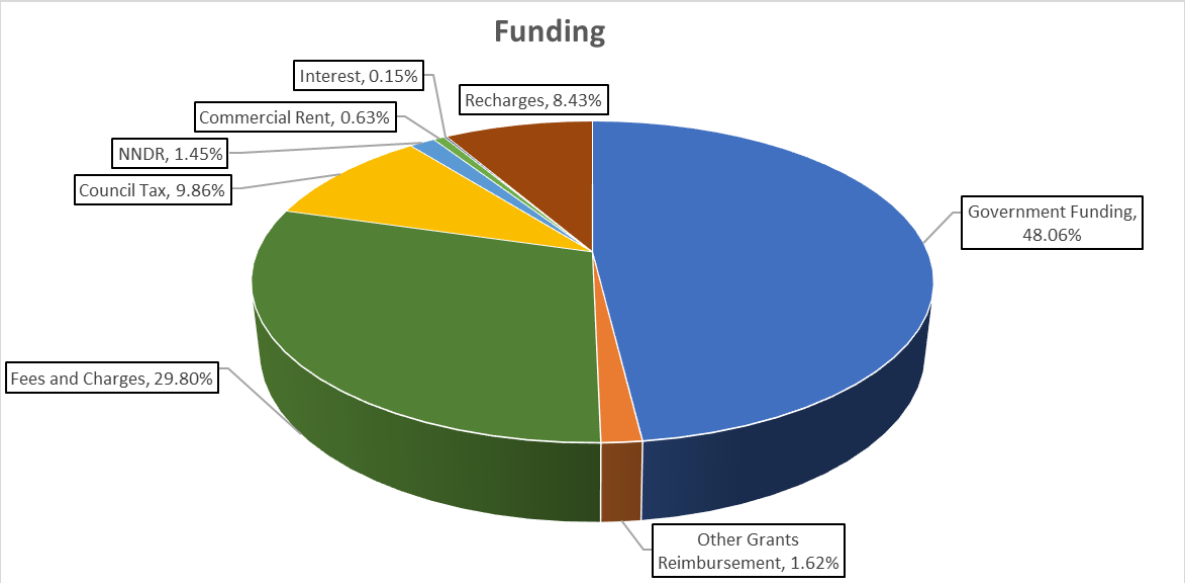
figures of the last 3 years and higher than the averages for London and statistical neighbours. One in five households have an active mortgage so may be impacted by the continuing high interest rates.

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



Government Funding

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 sector was expecting an announcement on the outcome of the FFR2.0 consultation and a related policy paper to be published in October but this is now not expected until at least November and the provisional Local Government Finance Settlement for 2026/27 until week beginning 15 December due to the late Autumn budget date. These will cover the period

2026-2028. Following a consultation period, the final settlements will be published in February 2026.

10.4 Current financial plans assume that Government funding for 2026/27 at an England level 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 strongly suggests 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 set out above. 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 2025/26. 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.

10.7 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. Due to the impact of the new funding regime and expected

changes to the business rate system it is very unlikely that a Pool would be viable for 2026/27. The Government have now requested expressions of interest, and this will be submitted before the deadline. The budget assumption in relation to Pooling therefore remains as is i.e. no benefit from pooling for 2026/27 and across the MTFS period.

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 continue to assume that the council tax base will increase by an average of 1% in 2026/27 and across the remaining MTFS to reflect the Council's ambitious housebuilding and development 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. While decisions on the final Council Tax increases are part of the budget setting process and agreed by Full Council each March, given the severe financial challenges facing the authority, the financial modelling now assumes that council tax will be raised by the maximum allowable across the whole MTFS period. 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 2024/25 Council Tax was an estimated surplus, with the Council's share totalling £2.46m. This will be recognised in 2025/26. Work is underway to estimate any surplus/deficit impacting 2026/27 and may lead to a forecast deficit mainly due to the challenges of collecting the sums billed. 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). The quarter 2 performance data shows that collection is 2.93% behind target and national published data for the last 4 years shows outer London boroughs have seen declining collection after an immediate uplift post Covid. Based on this insight, the previously assumed council tax collection rates for 2026/27 and beyond have now been reduced.

10.15 This has had a negative impact on overall forecast Council tax income. Performance will continue to be measured on a monthly basis and this will help inform the final council taxbase for 2026/27 when it is agreed in January 2026.

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. Early indications are that because of historic shortfalls against income targets, this increase will not deliver any, or at least any significant additional net income into the General Fund.

10.18 For budget planning purposes, it is assumed that most fees and charges will increase by the inflation level as at September 2025 in line with budget principles. However, consideration will also be given to those already at full cost recovery, those where increases could be detrimental to income generation and those where current fees and charges are significantly below those charged by statistical neighbours.

10.19 Full details will be included in the report to Cabinet on 9 December 2025 and to the Licencing Committee in January 2026 for the fees and charges under their remit.

11 Revenue Expenditure

11.1 Spending patterns are volatile and each year there are new pressures and potential opportunities. The annual financial planning process assesses existing and any emerging pressures or reductions to enable a budget to be set that is robust, realistic and achievable. The starting position is a review of the financial position in the previous and current financial years.

Financial Response and Recovery

11.2 In the light of the estimated 2024/25 budget overspend and forecast budget gaps across the 2026-2030 financial planning periods, a Financial Response and Recovery plan was put in place. This was produced following internal and external challenge and input.

11.3 Delivery of the agreed actions is a corporate responsibility, and progress is reviewed bi-weekly by the Financial Recovery Board (FRB) and every 6 weeks by Cabinet. Operational delivery has been delegated across existing or specifically constituted boards who report on progress against the actions to FRB.

11.4 A quarterly update is included in the quarterly finance update reports to Cabinet. The first was included as Appendix 10 in the 2025/26 Quarter One Finance Update report considered by Cabinet on 16 September 2025 16 September Cabinet Report.

11.5 In light of the Council's deteriorating financial position, the Financial Response and Recovery Plan will be reviewed and re-framed as a Financial Sustainability Plan aimed at taking the necessary action to restore the Council's financial stability and reducing the reliance on EFS.

2025/26 Forecast Budget Position

11.6 The Quarter 1 Finance Update report was presented to Cabinet on 16 September Cabinet Report.

11.7 The forecast outturn for the Council's General Fund (GF) was an overspend of £34.1m. Of this, £30.1m was Directorate based and the most significant areas of overspend continues to be seen in the demand led services (social care and temporary accommodation) which together account for 67.7% (£23m) of the total forecast overspend; Housing Demand at 33.5% (£11.4m), Adult Social Care at 22.2% (£7.6m) and Children's at 12% (£4m).

11.8 A further £4.2m is forecast by the Finance and Resources Directorate, predominantly in the property related services. The strategic decision to move to a corporate property model to more effectively and efficiently manage the council's internal estate went live at the beginning of this financial year. The pre-work highlighted historical under-provision of budgets, and these are evident in the Quarter 1 forecast and an overspend of £676,000 mainly arising from pressure on business rates, energy and security costs. However, the consolidated operations are expected to drive efficiencies, and work will continue to mitigate this current overspend.

11.9 In addition, there is a £2.376m overspend forecast in Strategic Property Services (SPS) which manages the council's commercial estate. Extensive work is underway on reviewing the portfolio and review of leases and rent reviews which is leading to increased income. However, this is set in the context of overstated income budgets. This means a pressure is forecast to remain this year. The ongoing reliance on agency staff means high staffing costs but the expertise is required for the improvement plan on the portfolio. This is being addressed as part of the 2026/27 budget process in advance of a recruitment exercise that will be planned for next year.

11.10 The majority of the remaining forecast overspend is aligned to shortfall in delivery of savings.

11.11 The in-year position continues to be monitored on a monthly basis internally and by Corporate Leadership Team and the most recent forecasts suggest that the forecast remains at a similar scale. The next formal update to Cabinet will be December when they consider the Quarter 2 position. This report will include the outcome of work currently underway to re-scrutinise all reserve balances and other historic balance sheet items; to review treasury and Minimum Revenue Provision forecasts in the light of the review of the capital programme and likelihood of the authority requiring further EFS.

11.12 The Quarter 2 report will also incorporate the mid year assessment of bad debt provision requirement, the likelihood of any contingent liabilities crystallising into reality and an update on maintained schools such as any increase in those in deficit.

11.13 Taken together, this additional analysis could lead to the identification of additional pressures that were not included in the Quarter 1 forecasts. Even if the position does not deteriorate, it must be considered unlikely that any one-off contributions identified will be sufficient to offset the full forecast overspend. Therefore, the actual ask for EFS for 2025/26 is likely to be higher than the £37m assumed when the budget was set.

12 Approach to 2026/27 Financial Planning

12.1 The 15 July 2025 report outlined in detail the approach to the 2026 financial planning process 15 July Cabinet Report .

12.2 Initial budget proposals were reviewed and refined over the summer period and this activity has resulted in the new and / revised budget proposals now included in this report and appendices and are recommended for public consultation and member scrutiny.

12.3 Cabinet will review and consider all feedback derived from this process in early January before the final budget is prepared. It should also be noted that work will continue up to the publication of that report on further refining key assumptions notably around demand pressure estimates both service specific and corporate. This is important as levying bodies themselves have yet to finalise their budget processes and adjustments to external factors such as inflation, bank base rates, unemployment and national growth rates will inevitably impact on current assumptions. This will ensure that the final proposed budgets are as sound and realistic as possible.

12.4 Professional judgement will be used to assess the extent to which those final assumptions will need to be adjusted to take account of demand and other changes across 2026/27.

Updated 2026/27 Financial Position

12.5 The 2026/27 budget gap reported to Council on 3 March and then to Cabinet on 15 July 2025 has now been adjusted to reflect the following:

- Adjustments to Existing proposals
- New savings proposals which will be subject to consultation following Cabinet.
- New and revised budget pressures.
- Revised assumptions on Council Tax levels and collection rate.

- Business rates income amended to reflect latest CPI inflation, current estimates of the impact of the planned revaluation and reset.

12.6 The output of these adjustments have resulted in a movement of £13m and a revised budget gap for 2026/27 of £57.2m as set out in Table 1 below.

Table 1: 2026/27 Revised Budget gap

Description	2026/27 £'000
Adjusted Current Assumption (based on early 2025/26 budget forecasts)	**44,178**
Updates to existing proposals*	2,836
Updated Pressures	20,059
New Savings	(2,347)
New Management Actions	(4,628)
New Government & Other Funding Changes	(2,858)
Total	**57,240**
*Combination of reprofiling and corrections made to previous workforce savings assumptions in the MTFS that have now been fully allocated in 2025/26.	

12.7 The key drivers of the increased gap are provided below:

Budget Pressures

12.8 Work since July 2025 has suggested that an additional £30.1m will be required for 2026/27 with an additional £107.7m across the whole MTFS period. These estimates have taken into account the most up to date forecasts and modelling for the current (2025/26) financial year which at Quarter One was forecasting an overspend of £34.1m.

12.9 The table below summarises the total estimated additional budget required by Directorate for each year and further details are set out by Directorate in the Appendices.

Table 2: New Proposed Budget Pressures

Directorates	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Total £'000
Children's Services	2,152	-	(165)	-	-	**1,987**
Adult & Social Services	10,600	-	-	-	-	**10,600**
Housing Demand	10,854	-	-	-	-	**10,854**
Public Health	-	-	-	-	-	**-**

Culture, Strategy and Communities	1,655	(619)	75	75	1,230	**2,416**
Environment & Resident Experience	1,275	803	-	-	-	**2,078**
Finance & Resources	1,750	-	-	-	-	**1,750**
Corporate Budgets	1,773	14,997	14,898	14,777	31,558	**78,005**
Total	**30,059**	**15,181**	**14,808**	**14,852**	**32,788**	**107,690**

12.10 Assuming that the new pressures are built into 2026/27 to 2030/31 budget plans, the pressures across the 5 years of the MTFS would be as shown in the table below.

Table 3 – Estimated Total General Fund Budget Pressures 2026-2031

Directorates	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Total £'000
Children's Services	5,648	1,772	1,607	1,680	-	**10,707**
Adult & Social Services	19,046	7,210	7,200	6,920	-	**40,376**
Housing Demand	13,854	2,000	2,000	1,000	-	**18,854**
Public Health	-	-	-	-	-	**-**
Culture, Strategy and Communities	2,252	(1,146)	98	98	1,230	**2,532**
Environment & Resident Experience	226	669	(2,000)	-	-	**(1,105)**
Finance & Resources	2,712	-	-	-	-	**2,712**
Corporate Budgets	32,468	46,551	44,657	48,089	31,558	**203,325**
Total	**76,206**	**57,056**	**53,562**	**57,787**	**32,788**	**277,401**

Service Pressures for 2026/27

12.11 51% of the new budget pressures for 2026/27 relate to Adults and Children's social care and housing demand.

12.12 The estimated additional budget requirement for adult social care in 2026/27 is £19.0m - £8.4m identified at the last update in March 2025 and an additional £10.6m as set out in Table 2. This represents an increase in adults receiving care packages and an inflationary increase of 4%. Within this inflation assumption it is projected that the number of Older Adults with a Physical Disability primary need will increase from 1,578 to 1,704 by March 2027. For Younger Adults (18-64) with a Learning Disabilities primary need, the increase from a baseline of 734 is expected to reach 772 by March 2027, for those with a Mental Health primary need, an increase from 452 to 498 at March 2027 and for those with a Physical Disability primary need, an increase from 615 to 787 by March 2027. In addition, there is a £3.6m staffing cost pressure, driven by rising demand and increasingly complex care needs, particularly among older and younger adults.

12.13 In 2026/27, it is assumed that £13.9m additional budget will be required for housing demand - £3m identified at the last update in March 2025 and the additional £10.9m as set out in Table 2. Of this, £9.9m pressures are related to increased Temporary Accommodation (TA) costs mainly driven by an 18–19% annual increase in Nightly Paid Accommodation (NPA) costs, reduced availability of Private Sector Leased (PSL) and council-owned properties, and market pressures that have led to landlords withdrawing properties. There is also a £1.0m investment requirement for a proposed landlord incentive scheme which aims to retain and grow PSL stock, reducing reliance on costly accommodation and this is projected to deliver significant cost avoidance in future years.

12.14 Within Children and Family services, an additional £5.6m is expected to be needed - £3.5m identified at the last update in March 2025 and the additional £2.2m as set out in Table 2. The additional requirement is mainly due to a Families First Partnership Programme pressure from replacing a 2025/26 grant which was originally passported to the Council as a Section 31 Grant but is now ringfenced. Other pressures include additional staffing requirements to support SEND tribunals, direct payments and increased requests for Subject Access records.

12.15 The pressure highlighted in Environment and Resident Experience relates to challenges around management of housing benefits particularly unavoidable statutory costs, including pressures from Supported Exempt Accommodation, bad debt provision, and reduced Housing Benefit overpayment recovery due to Universal Credit migration.

12.16 The estimated additional budget requirement in Culture, Strategy and Communities is due to the service facing pressures which include a budget shortfall for the 2026 borough elections, HR and Estates renewal team funding gaps as previously capitalised staffing costs now need to be revenue funded, and Library staffing cost increases, requiring budget adjustments to maintain statutory duties and service delivery.

12.17 The main pressure identified in Finance and Resources has emerged following the recent creation of a Corporate Landlord model. These consolidated property related budgets into a central team, aim to drive forward efficiencies in spend as well standardising the offer. This has highlighted an under provision of budgets notably in relation to NNDR and utilities.

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.

12.19 Appendices 1 to 5 set out in in more detail the assumptions around the estimated pressures. Although still subject to change and challenge and

validation in light of the forecast in the current year between now and December, these have now been assumed in the financial planning models.

Corporate Pressures for 2026/27

12.20 Appendix 6 sets out the currently proposed corporate budget increases and key assumptions and show an increase of £32.5m is required. The main inflation assumptions are 3.5% for pay and an average of 6% for corporate contracts. The current Treasury Management Strategy Statement (TMSS) 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%. These assumptions remain at this stage and the updated TMSS will be reviewed by Audit Committee in January, Cabinet in February and Full Council in March.

12.21 Final figures from levying bodies will not be available until early in the new calendar year. Government policy decisions can have a significant impact on many of the corporate budgets which cover pay and corporate contract inflation and treasury and capital financing. Any announcements in the Chancellors Autumn Statement, planned for 26 November 2025 could also lead to changes to current figures.

Budget Savings

12.22 The approach to identifying new savings as part of this year's financial planning process was set out in detail in the July Cabinet report 15 July 2025 Cabinet

12.23 Work since July 2025 has identified an additional £7.0m new savings (including management actions) for 2026/27 with a total £11.0m new savings across the whole MTFS period as noted in the table below. These are on top of the existing, already approved, savings of £14.9m in 2026/27 and £32.2m across the whole MTFS period.

12.24 These are detailed in Appendices 1 to 5 and Cabinet are now recommended to commence external consultation and member scrutiny.

Table 4: New Proposed Budget Savings

Directorates	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Children's Services	(327)	(101)	(20)	-	-	**(448)**
AHH Adult & Social Services	(909)	-	-	-	-	**(909)**
AHH Housing Demand	(850)	(542)	(512)	(490)	-	**(2,394)**
AHH Public Health	-	-	-	-	-	**-**

Culture, Strategy and Communities	(100)	-	-	-	-	**(100)**
Environment & Resident Experience	(161)	-	(250)	(250)	-	**(661)**
Finance & Resources	-	-	-	-	-	**-**
Corporate Budgets	-	-	-	-	-	**-**
Management Actions	(4,628)	(848)	(605)	(200)	(200)	**(6,481)**
Total	**(6,975)**	**(1,491)**	**(1,387)**	**(940)**	**(200)**	**(10,993)**

12.25 Assuming that the new proposals are agreed and built into 2026/27 to 2030/31 budget plans, the savings programme across the 5 years of the MTFS would be as shown in the table below.

Table 5 – Estimated Total General Fund Savings Programme 2026-2031

Directorates	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Total
Children's Services	(847)	(466)	(70)	-	-	**(1,383)**
AHH Adult & Social Services	(3,765)	(1,689)	(1,920)	-	-	**(7,374)**
AHH Housing Demand	(3,450)	(1,842)	(512)	(490)	-	**(6,294)**
AHH Public Health	-	-	-	-	-	**-**
Culture, Strategy and Communities	(408)	(100)	(125)	-	-	**(633)**
Environment & Resident Experience	(1,075)	(1,238)	(1,136)	(250)	-	**(3,699)**
Finance & Resources	(1,342)	(3,260)	(2,885)	-	-	**(7,487)**
Corporate Budgets	(4,377)	(3,505)	-	-	-	**(7,882)**
CTRS related schemes	(2,000)	-	-	-	-	**(2,000)**
Management Actions	(4,628)	(848)	(605)	(200)	(200)	**(6,481)**
Total	**(21,893)**	**(12,948)**	**(7,253)**	**(940)**	**(200)**	**(43,233)**

12.26 It is acknowledged that the sum of new proposals is relatively low, however, the Council has already committed to deliver £33.9m savings, agreed in previous planning periods. This is not an insignificant sum. Therefore, the focus between now and April 2026 will be on ensuring these savings are delivered, with clear plans and strategies to unblock any perceived barriers to full delivery. This might include making decisions to re-allocate resources from other activity.

12.27 The Pension Fund tri-annual valuation is underway, which will include a review of employer contributions. An update will be presented to the Pension Committee and Board on 1 December and if known, any financial implications of this will be included in the final 2026/27 Budget report in February.

12.28 The 2025/26 Quarter 1 report underlined firmly that the Council's underlying spend levels will require the continuation of borrowing the £37m for EFS assumed for 2025/26. As set out above, despite ongoing efforts to offset the forecast in year pressures, it is expected that the final EFS requirement for 2025/26 will exceed the £37m. The 2026 Financial Planning process to date, including lobbying and meetings with MHCLG and Ministers, has clarified that EFS and/or increases in Council Tax above the 4.99% threshold are the only options for the authority in setting a budget for 2026/27 and indeed for any year of the MTFS.

12.29 The implications for this level of ongoing borrowing is far from ideal but considered realistic at this stage given the financial pressures the Council is dealing with over the next five years even after the implementation of a range of spending controls. 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. The Council will also continue to deliver the agreed financial sustainability plan.

12.30 Based on the forecast budget assumptions in this report and the resultant gaps, Chart 2 below sets out the forecast value of the Councils budget that will be funded through EFS across the MTFS period. Again, based on current budget assumptions, Chart 3 shows the forecast annual EFS interest charges to be incurred each year of the MTFS. These figures are based on a 20 year maturity PWLB Loan at 5.85% inclusive of certainty rate discount.

12.31 It must be stressed that the contents of the charts are not final but illustrative of the currently presented position in this report. The final ESF figure will be subject to agreement with Government and will depend on the outcome of the local government finance settlement, any internal revisions to current assumptions before February, the wider economic position and availability of capital receipts to bridge the budget gap.

Chart 2 – Forecast Council Budgets funded through EFS

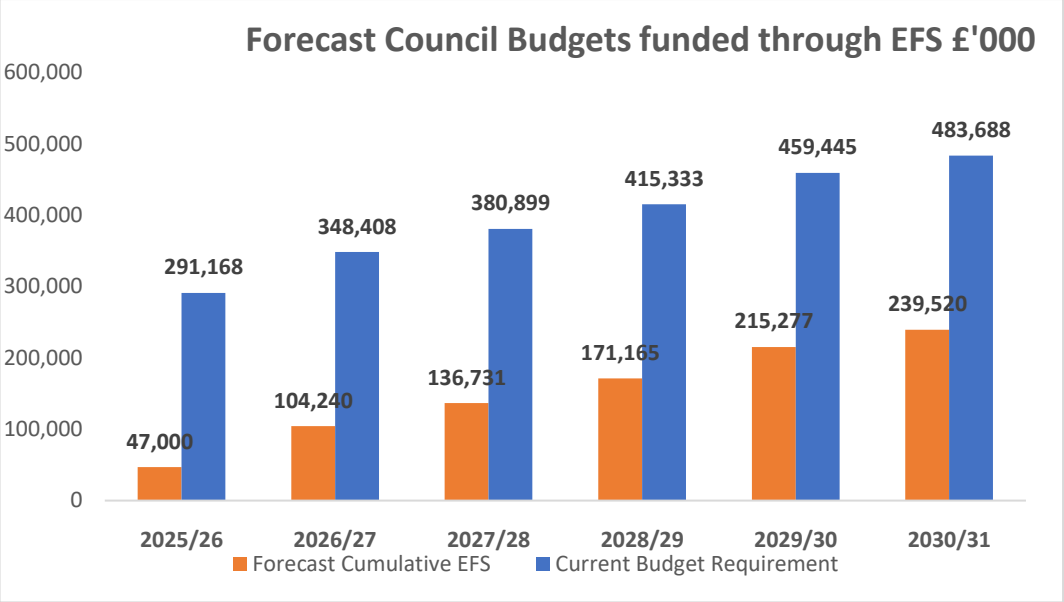
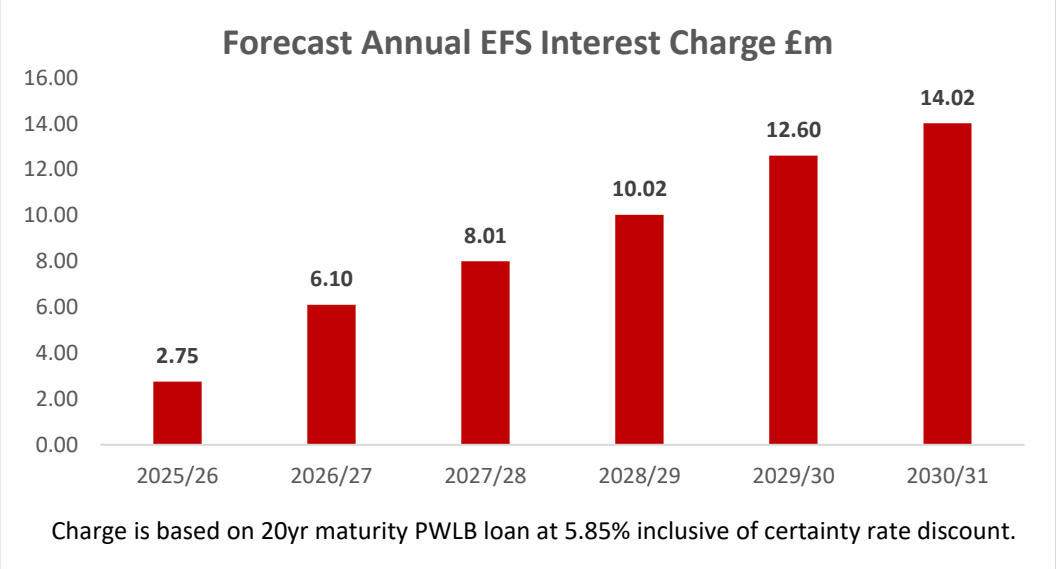


Chart 3 – Forecast Annual EFS Interest Charge



12.32 It must be noted that the currently presented 2026/27 figures will change before the final 2026/27 Budget report is proposed by Cabinet in February not least because consultation and scrutiny has yet to commence and the provisional local government finance settlement will not be announced before early December. The Government is also yet to confirm the outcome of the recent consultations on FFR2.0 and Resetting the Business Rates.

13 Financial Position for 2027/28 and beyond

13.1 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.

13.2 The Spending Review (SR25) published in June only provided government departmental budgets. Local authority allocations will not be known until December. However, it is now clear from the SR25 documents and the recent consultation of funding reform that there is little or no 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 which will make later years even more challenging.

13.3 Therefore, at this point there remains an estimated cumulative budget gap of £192.5m by 2030/31.

13.4 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 North London Waste Authority levy increases and finally capital financing costs which will start to compound as the authority becomes increasingly reliant on EFS to meet real costs. The current assumptions on government funding may prove to be significantly different to the final figures, adding additional risk. The on-going shift from direct government grant funding to funding based on locally generated tax from residents and businesses comes with further challenges as these are potentially harder to collect.

13.5 This forecast gap is based on the best estimates at this stage and as set out in Table 6 and includes:

- Government funding remains cash flat.
- Service demand pressures of £30.3m (2027/28 - 2030/31).
- Corporate demand pressures of £170.9m (2027/28 - 2030/31).
- Pay and price inflation reducing across the period to 2%, although with inflation not reducing at the pace expected this assumption carried significant risk.
- Interest rate of borrowing costs remain an average of 5.5%. This will be updated as part of the annual review of the TMSS and the impact of revised forecasts built into the February report to Cabinet.
- Council Tax base increase of 1% and Council Tax level increase of 4.99% for the remainder of the MTFS period.
- Delivery of £21.3m of agreed and proposed savings for 2027/28 to 2030/31.
- Corporate Contingency increases to £25m until 2029/30.

- Services stay within their approved budget allocation and do not overspend.
- Contribution of £3m per year from 2027/28 to the strategic budget planning reserve to replenish reserves but this remains subject to review each year depending on the Council's financial position.

Table 6 - Budget Gap 2026/27 to 2030/31

Type	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Previously Agreed Budget Pressures	46,147	41,875	38,754	42,935	0	**169,711**
Previously Agreed Budget Savings	(14,917)	(11,457)	(5,866)	0	0	**(32,240)**
Previously Agreed Grant Funding Changes	5,785	(10,218)	(6,702)	(4,009)	0	**(15,144)**
New Pressures	30,059	15,181	14,808	14,852	32,788	**107,690**
New Savings	(2,347)	(643)	(782)	(740)	0	**(4,512)**
New Management Actions	(4,628)	(848)	(605)	(200)	(200)	**(6,481)**
New Government & Other Funding Changes	(2,858)	(1,401)	(5,173)	(8,726)	(8,344)	**(26,503)**
Forecast Budget Gap	**57,240**	**32,490**	**34,434**	**44,112**	**24,244**	**192,520**

13.6 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 the Corporate Delivery Plan. This may mean spending more in some areas of greater need and priority and more significant reductions in other areas.

13.7 Officers are working on a range of more transformational changes to services and considering services that could be reduced. There is a scenario where these proposals could be presented in September 2026 based on this work undertaken.

14 Capital Programme Update

14.1 The 15 July 2026/26 Budget to 2026/2031 report reiterated the requirement for all local authorities to prepare a Capital Strategy which will provide:

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

14.2 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.

14.3 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 £62,000 per annum to pay the interest and repay the debt.

14.4 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.

14.5 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 schools, highways infrastructure and operational and commercial estate. Capital investment can also provide opportunities to deliver revenue savings, or additional income and will be considered.

14.6 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 'pre pipeline' and reviewed as part of the review of the capital programme each year.

14.7 Proposals for the 2026/27 capital programme were considered over the summer and autumn and reviewed against estimated resources available. The outcome of that review is set out below and will be subject to the budget

consultation process. Feedback from the consultation will be considered in developing the full programme that will be presented to Cabinet in February before agreement by full Council on 2 March 2026.

Proposed Capital Programme for 2026-2031

14.8 Over the summer, officers have been reviewing the existing capital programme to identify any schemes that could be reduced, deferred, deleted but also to identify any other new essential new investment that may be required.

14.9 The proposed changes are summarised in Tables 7 and 8 and are set out in full in appendices 1 to 5. If agreed in March 2026 by full Council, the approved 2026-2031 General Fund capital programme will increase from £475.827m to £485.463m. This is due in large part to the additional resources applied to the Children's Services programme for the school's estate, offset by reductions in other areas, the largest of which relates to the in-borough Children's respite facility which is now not going ahead as planned. However, the latter was previously included in the programme on the basis of it being self-financing so its removal does not reduce the cost of the capital programme.

14.10 A significant but essential programme that is underway is to identify a replacement for the Council's 20 year old finance, HR, payroll and procurement system. This system replacement is a significant undertaking but essential given the age and functionality of the current system and it is critical that the Council has a system that enables staff and suppliers to be paid on time, can support the Council in meeting its financial statutory requirements but also provides an opportunity to update and modernise processes and ways of working.

14.11 A full report will be presented to Cabinet later in the year and therefore the new capital investment that will be required is not yet included in Table 8 but will need to be reflected in the final report to Cabinet and Council on 2 March 2026. It is likely that the cost of the replacement will need to be met by using the capital receipts flexibility regime as current advice is that the ERP system is not a capital asset and therefore cannot be funded through borrowing.

Table 7 – Proposed Schemes to be removed from the 2026/27 capital programme

Short Description	Current Budget 2026/27 £'000	Proposed Value of reduction £'000	Proposed Budget 2026/27
Reduction in Digital Schemes	5,097	1,160	3,937
In borough children's respite facility	5,260	4,360	900
Locality Hub	501	501	0
Clean Air School Zones	400	400	0
Total	**11,258**	**6,421**	**4,837**

Table 8 – Proposed New Schemes to be included in the 2026/27 Capital Programme

Short Description	Value £'000	Summary Rationale
School Conditions Surveys	230	There is a need to update the School Conditions Survey results. Completion of these surveys will determine the essential investment required into the school's estate.
Schools Capital Programme	14,512	Essential repairs are required for 8 schools (6 primary and 2 secondary) that can't be contained within existing programme.
Moselle Brook	1,100	The Moselle culvert plays a critical role managing surface water flooding. A partial collapse of the culvert in 2024 requires urgency permanent works.
Alexandra Palace	5,000	This will be an investment into the Panorama Room and Kitchen that is the key facility used to host the darts and investment in Mothergrid and the stage to allow large performance to take place at the palace. This capital investment is expected to support the palace in delivering its income generation strategy and will be through a loan from the Council so no impact on the Council's revenue position.

Short Description	Value	Summary Rationale

	£'000	
Tree Planting Bid	898	Further capital required to continue post 2025 for tree planting. Opportunities for sponsorship and external funding will also be considered.
Purchase of Waste Vehicles	23,851	This purchase of the waste vehicles by the Council rather than them being leased through the waste contract is expected to be more cost effective. This will be validated when the tender process is complete and if confirmed purchase will proceed. The new waste contract will commence in 2027. This budget is already included in the capital programme for 2027/28 but the vehicles need to be purchased in advance of the contract start date and therefore this will bring forward the budget into 2026/27.
Total	**45,591**	

14.12 As part of the capital programme review, officers have also reviewed the individual schemes within the current programme for the investment into Wood Green and Tottenham areas of the borough. Across the scheme, there is £17.6m allocated which is funded through a combination of external funding and borrowing. Following a review of the funding assumptions, it has been identified that increased grants can be utilised without impacting on the overall projects planned.

14.13 Based on the revenue 2026/27 forecast position as set out in the report, if nothing else changes over the next few months of financial planning, it is clear that there is a significant requirement for new EFS to set a balanced budget in 2026/27. This new EFS requirement for 2026/27 is not yet included within the current agreed capital programme but will need to be reflected in the next iteration that will be agreed in March 2026. Where possible this will be funded from capital receipts but it is likely that the majority will need to be funded through borrowing.

Funding the Capital Programme

14.14 Work is underway to optimise the funding of the proposed capital programme. This will focus on limiting as far as possible the dependence on borrowing and will include maximising available external grant and external contributions; applicability of CIL and S106; potential to apply any historic reserve balances and a detailed assessment of uncommitted capital receipts for a refreshed update of forecast receipts from April 2026.

14.15 The Corporate Director of Finance and Corporate Resources will assess the optimum use of these resources with the final proposals presented to Cabinet in February. The final capital programme for 2026/27 to 2030/31 will be presented to Full Council on 2 March and which will also include the approval of the proposed application and strategy for the use of capital receipts.

15 Risk Management

15.1 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.

15.2 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.

15.3 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.

15.4 The Council's Corporate Director of Finance and Resources (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.

15.5 The Draft 2026/27 Budget and 2026-2031 Medium Term Financial Strategy Report presented to Cabinet on 15 July 2025 included a comprehensive section on the risks and uncertainties known at the time (Section 16.0 15 July Cabinet Report). The majority remain valid however, notable updates or additions are set out below.

15.6 The most important change is the recognition that the Council's financial sustainability is now an issue rather than a risk. If nothing changes to the assessments set out in the sections above, it will be impossible to set balanced budgets across the entire MTFS period without new and on-going EFS approvals, that will require the Council to borrow money to fund its ongoing day to day expenditure.

Government Funding and Legislation

15.7 There will be a three year funding settlement from 2026/27 and Government published its consultation on the new funding formula on 20 June. Haringey submitted a response highlighting significant concerns over the proposals and the modelled loss of funding from April 2026 and across the SR period. Since the outcome of the consultation is not yet known, the figures quoted in this report are before the impact of any funding reductions. Haringey is already reliant on EFS to set a legally balanced budget which is not sustainable. Lobbying by officers and members took place over the summer and will continue until the final settlements are published.

Estimate of Pressures for 2026/27

15.8 The demand and other service pressures have been revisited over the summer and where required previous estimates have been updated. These estimates have been made with reference to the 2024/25 outturn and 2025/26 Quarter 1 forecast. However, a risk remains that these are not sufficiently robust or that external factors such as the economic position negatively impact on current assumptions. For this reason, assumptions will be kept under review and amendments must be expected before the final 2026/27 Budget and MTFS report is published in February.

Identifying and Delivery of Budget Reductions

15.9 This report includes details of the new savings, pressures and capital investment which Cabinet is recommended to commence consultation on. The net impact of these on the 2026/27 Budget projections has not been significant however, with a large previously agreed savings programme already agreed in previous planning periods, the focus for officers is firmly on getting these delivered fully and at pace.

15.10 The Council has reviewed its delivery of existing savings. Despite the additional focus that the finance recovery programme can provide, non-delivery remains a key risk for the authority. To mitigate this as far as possible, previous delivery plans are being reviewed, resources are being re-directed where possible.

15.11 Through the Value for Money Risk Assessments and in line with prior year work, the external auditors KPMG have highlighted for 2024/25 that the council has weaknesses in its processes in place to identify or monitor sufficient savings schemes to achieve a sustainable financial position. The

Value for Money Risk Assessment report will be presented to Audit Committee on the 10th of November. Improvements have been put in place for 2025/26.

15.12 With the lack of significant new saving proposals identified, ongoing reliance on EFS is required, at least for 2026/27 and as highlighted above, must be considered likely to be required on an ongoing basis.

North London Waste Authority

15.13 A significant project is underway to develop a new North London Heat and Power facility. This project is unlikely to complete before 2030 but is likely to result in significant costs to the Council through future levy payments made to NLWA. These costs are not yet known and therefore not included within the financial position for the MTFS period included in this report.

Reserves and Contingency

15.14 The Councils corporate contingency budget for 2026/27 is currently assumed at £25m, an increase of £15m on 2025/26. This is to provide further scope to deal with any under forecast or new pressures which emerge after the budget is set. The General Fund reserve is expected to be maintained at £15.2m. A forensic review of current reserve balances has been undertaken and the outcome of this will be included in the 2025/26 Quarter 2 budget update report to Cabinet. Any sums identified as available to release will be required to offset the 2025/26 forecast overspend.

15.15 Any use of reserves to balance the budget next year is not a viable option. The current MTFS assumes a planned annual replenishment of reserves to a more sustainable level from 2027/28. Replenishment means making an annual contribution to reserves included in the budget agreed in March each year. This figure is currently set at £3m.

15.16 Until the outcome of the recent review of reserve balances has concluded revised forecasts cannot be provided and therefore, the forecasts provided in the 15 July report remain the latest. This will be updated for the Budget report to Cabinet in February 2026. As outlined above, any identified useable balances from the review will need to be used to offset 2025/26 overspend.

16 Consultation and Scrutiny

16.1 The Council, as part of the process by which it sets its budget, seeks the views and opinions of residents and businesses on the draft budget and the proposals within it.

16.2 This consultation and engagement exercise will begin following the Call In period and will conclude in January 2026. The results will be shared with Cabinet so they can be taken into consideration in the setting of the final budget and the implementation of budget decisions.

16.3 There remains a significant budget gap for 2026 and work will continue until February 2026 particularly in refining estimated budget pressures, delivering efficiencies and management actions and also the impact of any government announcements on funding.

16.4 The consultation will focus on proposals which most directly impact residents and will allow responders to share how they believe they will be impacted and also any ideas they have for ways the council might bridge the budget gap.

16.5 Statutory consultation with businesses and engagement with partners will also take place during this period and any feedback will be considered and, where agreed, incorporated into the final February 2025 report.

16.6 Additionally, the Council's budget proposals will be subject to a rigorous scrutiny review process which will be undertaken by the Scrutiny Panels and Overview and Scrutiny Committee from November to January. The Overview and Scrutiny Committee will then meet in January 2026 to finalise its recommendations on the budget package. These will be reported to Cabinet for their consideration. Both the recommendations and Cabinet's response will be included in the final Budget report recommended to Full Council in March 2026.

16.7 Finally, the consultation when published will be clear in the report which proposals it is anticipated would be subject to further, specific consultation as they move towards implementation.

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

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

18 Carbon and Climate Change

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

19 Statutory Officers comments (Corporate Director of Finance and Resources, Head of Procurement, Director of Legal and Governance, Equalities)

Finance

19.1 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.

19.2 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.

19.3 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

19.4 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

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

19.6 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.

19.7 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.

19.8 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.

19.9 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

19.10 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.

19.11 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.

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

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

19.14 The proposed recommendation 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.

19.15 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 few 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.

19.16 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.

19.17 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.

19.18 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.

19.19 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.

20 Use of Appendices

Appendix 1 – Children's New and existing budget proposals 2026/27 +
Appendix 2 – Adults Housing and Health New and existing budget proposals 2026/27 +
Appendix 3 - Environment & Resident Experience New and existing budget proposals 2026/27 +
Appendix 4 **-** Culture, Strategy & Communities New and existing budget proposals 2026/27 +
Appendix 5 - Finance and Resources New and existing budget proposals 2026/27 +
Appendix 6 - Corporate New and existing budget proposals 2026/27 +
Clarification Note 03.11.2025

21 Background papers

2026/27 Budget and 2026/2031 MTFS 15 July 2025 – Cabinet report