Report for: **Cabinet – 9 December 2025**

Title: **2025/26 Finance Update Quarter 2 (Period 6)**

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Ward(s) Affected: All

Report for Key/ Non-Key Decision Key

1. **Introduction**

1.1 This budget report covers the position at Quarter 2 of the 2025/26 financial year including General Fund (GF) Revenue, Capital, Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) budgets. The report focuses on significant budget variances compared to when the budget was set in March 2025.

General Fund

1.2 The Council's financial forecast for Quarter 2 is £23.4m an improvement of £10.7m since Quarter 1. This is a significant positive movement, although welcomed, still represents a forecast overspend of £23.4m with an additional £37m of budgeted spend funded from Exceptional Financial Support (EFS). Improvements totalling £3.8m are seen across some directorates notably Children's, Adult Social Care and Housing Benefits. Most other services are broadly in line with the Quarter 1 forecasts. The real improvement in the Quarter 2 forecast is due to revised forecasts in corporate budgets and external income.

1.3 The forecast overspend is based on the latest available information and current assumptions about demand to the end of the year. Many services are impacted by external factors such as inflation and capacity within particular systems which are harder to accurately predict; housing is notably subject to this which is why the continued focus on reducing reliance on costly nightly paid emergency accommodation is critical. Although numbers across all demand led services remain high, there have been improvements since the last quarter where the number of older adults in a placement has stabilised at a similar level as this point last financial year at 2,059. Overall numbers in temporary accommodation (TA) continue to decrease, as a result of strong performances in both prevention and outflow from Temporary Accommodation (TA).

1.4 There remain a number of potential, unquantifiable risks within the £23.4m such as inflationary pressures, unfunded costs within schools due to falling rolls and additional bad debt provision requirements.

1.5 Since the last report, there has been some additional application of contingency largely for one-off projects which are expected to mitigate or avoid costs. At this point, circa £6m remains unallocated which, if not called on in the second half of the year, will be available to mitigate the final overspend at year end. Any request for contingency is reviewed by the collective Corporate Leadership Team and where appropriate by the Financial Recovery Board. This helps to ensure that decisions on this scarce resource are taken with the widest available background knowledge, there is evidence that funding will mitigate or avoid costs and appropriate prioritisation can take place.

1.6 The Council has implemented additional spend control measures since the last report which includes reduced use of purchase cards, Section 151 scrutiny of all contract and decision reports above £25,000 and also a refreshed governance process by establishing the Finance Recovery Board chaired by the Chief Executive. Since the start of the year, the controls on spend have avoided close to £1m across revenue and capital. Each of these actions help to reduce the final Exceptional Finance Support (EFS) required at year end, which reduces future annual repayment commitments which cost circa £62,000 for every £1m borrowed. The work on rationalising the council's assets also continues, and receipts realised from surplus assets, under government dispensation, can also be used to mitigate the need to borrow to fund overspends.

1.7 Therefore, despite these controls, the Council is still forecast to spend £322.4m on day to day services, of which 72% of service spend is on supporting the most vulnerable through adult services, children's and education and temporary accommodation. There have been notable reductions in spend forecasts in Children's and Adult social care this quarter; the former due to refinements to assumptions on cost of care for children's placements; the latter due to updated income forecasts following a review of all income streams which has reduced the net cost of care package. In terms of capital investment, it is anticipated that £160.9m on capital investment will continue into schools, roads, the environment and its commercial and operation estate.

Dedicated Schools Grant (DSG)

1.8 The Dedicated Schools Grant (DSG**)** forecast at Quarter 2 stands at £3.1m (£2.97m Qtr1) overspend. The pressure remains in the High Needs Block (HNB) which supports provision of delivery to children with Special Education Needs and Disabilities (SEND). This position is £1.5m off the target set out in the Safety Valve agreement, where the programme is expected to bring the HNB back into surplus by March 2028. Increased placement costs and greater complexity of need are driving the increased forecast spend against target and the service are currently undertaking analysis to inform steps to address this overspend.

Housing Revenue Account (HRA)

1.9 At Quarter 2 the Housing Revenue Account is reporting a projected underspend of £514,000 driven by mitigating actions put in place to address the overspends reported in Quarter 1 which includes delays to recruitment. Key risks remain in the areas of disrepair legal cost, rental income recovery and a delay in the delivery of capital works is resulting in a forecast underspend on borrowing costs. Continued focus on recruitment, procurement, and cost control will be essential to managing the year end position and remaining in surplus.

1.10 The underspend is largely from Housing Management (£645,000), mainly from staffing vacancies and reduced emergency hotel accommodation costs. However, future demand from damp and mould casework under Awaab's Law could increase pressures by year end and will be closely monitored. Rental income is under-recovering which will be partly offset by lower capital financing costs from the capital programme slippage. Minor underspends in Asset Management and the Housing Improvement Programme offer further mitigations. There will be a continued focus on recruitment, procurement, and cost control to manage year-end risks remain in surplus.

Capital

1.11 In September 2025, the Council agreed a revised Quarter 1 General Fund capital budget of £184.034m. The revised budget as set out in this report is £180.175m which incorporates Quarter 2 budget adjustments of £3.860m, given current status of projects. Using this revised budget of £180.175m, the General Fund capital forecast spend at Quarter 2 is £160.9m which is £19.2m under the revised budget.

1.12 In March 2025, Council agreed HRA capital budget of £333.767m. This was revised to £341.653 following cabinet approval of carry forward budget of £7.886m from 2024/25. Using this revised budget of £341.653m, The HRA capital forecast spend is £281.944m, which is £59.709m under the revised budget.

1.13 The budget adjustments proposed against the general fund capital programme in Quarter 2 amount to £3.9m. The table below provides an overview of these Quarter 2 budget adjustments and further details are set out in Appendix 8.

Table 1 - General fund capital programme adjustments

Qtr. 2 General Fund Budget Adjustment	(£'000)
Capital budget slippage	(4,906)
External funding recognition	3,923
S106 Funding recognition	167
Budget duplicate deletion	(3,044)
	(3,860)

(i) **£4.9m reduction in Capital Spend Budget.** Capital budget slippage consists of: £1.4m on Asset Management of Council buildings, £1.3m on Your Seven Sisters project, £1.0m on the Wood Green Regeneration projects, £0.9m on the General Fund element of High Road West and £0.3m on Waste Management (deferred utilisation of a DEFRA grant).

(ii) **£3.9m increase in Capital income budget**. External funding recognition mainly consists of: £1.4m revised 2025/26 TFL Local Implementation Plan budget allocation, £0.9m Football Foundation Play Zones funding, £0.7m 2025/26 UK Shared Prosperity Fund (UKSPF); and other minor capital grants and contributions.

(iii) **£3.0m reduction in Capital Spend Budget**. Budget duplicate deletion is in relation to the deletion of budget double counting within the Walking & Cycling Action programmes (3 schemes), Road danger reduction, School streets and Streetspace plan (Low Traffic Neighbourhood) capital schemes. The programmes are a mixture of funding from SCIL and TfL LIP spread over six schemes. The review identified the double count. However, as the schemes are all externally funded, the resolution of the position does not result in additional resources being available.

Finance Response and Recovery Plans

1.14 As a result of the Council's financial position and the reliance on Exceptional Financial Support, Financial Response and Recovery Plans are in place and aimed at taking the necessary action to reduce the reliance on EFS and restore the Council's financial resilience and sustainability. Additional spend control measures have been implemented since the previous report alongside revised governance arrangements and programme support. Close to £1m spend has been avoided in the first two quarters of the year and progress continues to be made against the actions in the agreed plans. Further details can be found in Section 7 and Appendix 10 of the report.

2. Cabinet Member Introduction

2.1 This report provides an update of our financial position for Quarter 2 of 2025/26. While the report still shows an overspend on the general fund of £23.4m, it is encouraging that this has reduced since the Quarter 1 update brought to Cabinet. Of specific note is that there is an improved position in both Adult social care and Temporary Accommodation: the two services with the greatest pressure.

2.2 Officers are working across the council, to examine and reduce the amount we spend. While the measures in place have reduced spend, the definition of what is essential may need to be revised going forward.

2.3 The Housing Revenue Account (HRA) is affected by the rising cost of repairs and associated works including damp and mould and disrepair cases. The increased investment is necessary to bring our homes up to standard, so that all our tenants and leaseholders live in homes that are well maintained and comfortable. A place they are proud to call home.

2.4 Our capital programme is under constant review to reduce the revenue costs of borrowing – and a number of projects have been paused. However, our priority capital investments are continuing – especially where they save us revenue costs in the long-run. We will continue to build new council homes – creating affordable homes that our residents need and reducing the costs that unaffordable housing causes for other public services.

2.5 Despite all the measures we have and are putting in place, the level of need does not match the funding we have. We recognise the uplift in funding that the new government has provided to Haringey – and that they were never of course going to be able to reverse a decade and a half of austerity overnight. But we continue to lobby and to make the case for fair funding for boroughs such as ours.

3. Recommendations

Cabinet is recommended to:

3.1. Note the forecast total revenue outturn variance for the General Fund of **£23.4m** comprising **£14.72m** base budget pressures and **£8.7m** non delivery of savings delivery. (Section 6, Table 2 and Appendices 1 to 7).

3.2. Note the net DSG forecast of £3.1m overspend. (Section 6 and Appendix 1).

3.3. Note the net Housing Revenue Account (HRA) forecast underspend is £514,000 (Section 6 and Appendix 7).

3.4. Note the forecast General Fund and HRA Capital expenditure of £441.4m, which equates to 85**%** of the total 2025/26 quarter two revised budget position. (Section 9).

3.5. Approve the revenue budget virements and receipt of grants as set out in Appendix 8.

3.6. Approve the proposed budget adjustments and virements to the capital programme as set out in Table 5 and Appendix 8.

3.7. Note the debt write-offs approved in Quarter 2 2025/26 which have been approved by the Corporate Director of Finance and Resources under delegated authority, or for those above £50,000, by the Cabinet Member for Finance (Appendix 9) as set out in the Constitution.

3.8. Note the Finance Response and Recovery Plans and progress against actions as at Quarter 2 (Appendix 10).

3.9. Note the decision not to participate in the 8 Authority Pool during the 2026/27 financial year taken by the Director of Finance and Corporate Resources, following consultation with the Lead Member for Finance and Corporate Services.

4. Reason for Decision

4.1 A strong financial management framework, including oversight by Members and senior management is an essential part of delivering the council's priorities as set out in the Corporate Delivery Plan and to meet its statutory duties. This is made more critically important than ever because of the uncertainties surrounding the Council's challenging financial position, which is being impacted by Government funding, high demand for services, particularly for the most vulnerable and the wider economic outlook. This is creating an ongoing reliance on Exceptional Financial Support.

5. Alternative Options Considered

5.1 The report of the management of the Council's financial resources is a key part of the role of the Corporate Director of Finance and Resources (Section 151 Officer) in helping members to exercise their role and no other options have therefore been considered. The remainder of this report and the accompanying appendices sets out the current forecast budget position in more detail.

6. General Fund Revenue Outturn and Un-forecast Risks & Issues

Forecast Revenue Outturn

6.1. Table 2 below sets out the end of year financial forecast as at Quarter 2 for services against the revised budget which reflects virements transacted during the year and Corporate overheads. These are presented by directorate and illustrate where variances are a result of pressures on the base budget or from the non-delivery of anticipated savings in the year. The forecast of the Dedicated Schools Grant (DSG) and the Housing Revenue Account (HRA) is also shown to provide the overall Council position.

6.2. The forecast directorate overspend has improved to £26.3m from the £30.1m reported in Quarter one. Although the most significant areas of overspend continue to be seen in the demand led services (Adult Social Care, Children's and Housing Demand), each of these have shown downward movements since the last report, in total a reduction of £3.2m.

6.3. This improvement has been offset by the need to recognise an unbudgeted need for additional bad debt provision. An estimated figure of £3.9m has been included in the forecast this quarter but further due diligence is being undertaken and there is a risk that this figure may need to be increased by Quarter 3.

6.4. The Quarter one overspend in property related services of £4.3m has increased to £4.6m. Work continues with the longer term plans as well as short term options to mitigate the spend pressures and income collection shortfalls. A bid for one-off contingency resource has been agreed to build capacity to recover outstanding commercial property related debt and collect additional income expected following lease and rent reviews.

6.5. Following rigorous work undertaken by the Benefits team to improve quality within the administration of housing benefits it is expected that full subsidy will be claimed for official error overpayments created in 2025/26. This has improved the position by £775k. This is a direct result of a reduction in the number of official error overpayments being created, alongside revised guidance from the Department for Work and Pension (DWP) about the reclassification of historical overpayments. Following engagement by officers in the Benefits team with the DWP in respect of historic overpayments and subsidy loss calculations alongside the subsequent reclassification, the council is also now able to claim for a further £1.56m for overpayments created in 2024/25 but it is not clear yet on when this additional funding will be received.

6.6. The Benefits budget does however remain under pressure from partially subsidised statutory supported accommodation payments, which are estimated to be £1.14m, and the reduction of overpayment income from both repayments and government subsidy continues to reduce due to the migration to Universal Credit.

6.7. Finally, the Benefits team remains under significant workload pressures due to a high volume of work needing to be processed. A one off use of contingency has been agreed to target the backlog and ensure that changes to claimants' circumstances are processed as quickly as possible.

6.8. Detailed forecasts have been undertaken since Quarter 1 on both Treasury and Capital financing budgets. A commissioned review by external advisors last year made recommendations to amend the approach to historic minimum revenue provisions (MRP). These recommendations were not included in the revised capital strategy and programme agreed by Full Council in March and therefore has resulted in a £2m underspend against budget to be forecast.

6.9. The existing Treasury Management Strategy Statement (TMSS) also agreed in March included assumptions about in year bank interest rates and capital expenditure. Now halfway through the year, these assumptions have been tested against actual spend to date and forecasts to the end of the year. As capital expenditure is now expected to be lower than budgeted, £3.4m underspend is forecast; £1.7m in relation to interest repayments and £1.7m in interest income as cash balances fir investment are higher than forecast.

6.10. The Corporate Director of Finance and Corporate Resources has undertaken a detailed review of the current reserve balances over the last few months. This work is largely completed and should enable some funds to be released before year end to offset the current overspend. The final figure will be included in the Quarter 3 report.

6.11. A mid year review of arrears across all key income streams has also taken place. Most service areas have determined either that existing provisions are adequate or have already included an estimate of increased value in the Quarter 2 forecasts. However, largely because of the on-going cost of living pressure on residents and businesses, a holding figure has been added to the corporate budgets to cover any as yet un-forecast provision needed across the second half of the year.

6.12. Finally, £5.2m of prior year unbudgeted collection fund surplus' has now been built into the year end forecast.

6.13. In total, £6.9m of the improved forecast relates to corporate budgets. To date circa £3.5m of the corporate general contingency has been allocated in Quarter 2 leaving a remaining balance of around £6m which at year end, which if not utilised would offset the final outturn position.

Table 2 – Revenue Budget Monitoring Forecast for Quarter 2 2025/26

Management Area	Revised 2025/26 Budget	Total Full Year Forecast	Base Budget (over/under-spend)	Non Delivery of Savings	Q2 Total Variance	Q1 Total Variance	Movement Q1 to Q2
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Children's Services	78,673	81,659	466	2,521	2,987	4,094	(1,107)
AHH Director of Adult & Social Services	105,247	110,956	4,702	1,008	5,710	7,561	(1,851)
AHH Housing Demand	28,385	39,620	11,235		11,235	11,430	(195)
AHH Director of Public Health							
Environment & Resident Experience	17,341	18,367	1,276	(249)	1,027	1,085	(58)
Environment & Resident Experience HB	1,829	2,131	302		302	1,077	(775)
Culture, Strategy & Communities	12,598	13,017	183	236	419	494	(75)
Finance and Resources	2,133	6,747	4,613		4,613	4,310	303
Directorate Service- Total	**246,205**	**272,497**	**22,776**	**3,516**	**26,292**	**30,051**	**(3,759)**
Capital Financing Charges	22,293	20,259	(2,034)		(2,034)		(2,034)
Contingency	9,285	14,473	(1)	5,189	5,188	5,189	(1)
Treasury Management Charges	17,350	13,900	(3,450)		(3,450)		(3,450)
Other Corporate Budgets	35,595	34,345	(1,251)		(1,251)	(1,155)	(96)
Bad Debt Provision		3,900	3,900		3,900		3,900
Exceptional Finance Support	(37,020)	(37,020)					
Corporate Budgets - Non Service Total	**47,503**	**49,857**	**(2,835)**	**5,189**	**2,354**	**4,034**	**(1,680)**
General Fund-Directorate Service & Non-Service	**293,708**	**322,354**	**19,941**	**8,705**	**28,646**	**34,085**	**(5,439)**
External Finance	(293,707)	(298,930)	(5,223)		(5,223)		(5,223)
GENERAL FUND TOTAL	**1**	**23,424**	**14,718**	**8,705**	**23,423**	**34,085**	**(10,662)**
DSG	()	3,067	3,067		3,067	2,974	93
HRA	(1)	(515)	(514)		(514)	574	(1,088)
HARINGEY TOTAL	**()**	**25,976**	**17,271**	**8,705**	**25,976**	**37,633**	**(11,657)**

Progress against 2025/26 Savings

6.14. The 2025/26 budget agreed by Council on 3 March included planned savings of £29.3m. It is forecast that £23.0m (78%) of savings are expected to be delivered and £14.9m (45%) savings remain ragged Amber or Red.

6.15. Through the Financial Recovery Plan, stronger controls for monitoring and reporting on the delivery of all savings have been implemented. This includes additional reporting and challenge around delivering the agreed changes, regular review by the Financial Recovery Board and more focused support as larger cross cutting savings are now being governed and delivered as Category A projects. The Council needs to be in a position that all savings agreed each year are delivered in full and progress continues to be reported to Corporate Leadership Team (CLT) monthly.

6.16. A summary of progress by Directorate/Service is shown in Table 3 below which is based on a weighted analysis of the projected savings to date. A more detailed analysis of delivery against the £29.3m can be found in the Directorate Appendices 1-7.

Table 3 - Total Savings and Management Actions Delivery

Directorate	2025/26 FY Savings £'000s	2025/26 YTD Savings Delivery £'000	2025/26 Projected Full Year Savings £'000s	2025/26 Shortfall	Green	Amber	Red
Adults, Housing & Health ASC	-3,963	-20	-2,955	-1,008	-2,230	-1,333	-400
Adults, Housing & Health HD	-3,438	-101	-3,438	0	-3,438	0	0
Adults, Housing & Health PH	-295	0	-295	0	-295	0	0
Children's Services	-3,065	0	-544	-2,521	-150	-100	-2,815
Environment and Resident Experience	-5,417	-758	-5,666	249	-2,365	-125	-2,927
Environment and Resident Experience (CTRS)	-2,000	-4,400	-4,400	2,400	-2,000	0	0
Finance & Resources	-3,329	0	-3,329	0	-3,329	0	0
Culture, Strategy and Communities	-1,791	0	-1,555	-236	-1,465	-90	-236
CEO	-250	0	-250	0	-250	0	0
Cross Council _ to be allocated	-5,749	0	-560	-5,189	-460	0	-5,289
Total	**-29,297**	**-5,279**	**-22,992**	**-6,305**	**-15,982**	**-1,648**	**-11,667**

Cross Council Saving Initiatives

6.17. The savings programme includes a number of council-wide initiatives. These include 5% workforce spend reductions factored into directorate savings budgets and £5.7m currently held corporately as work is still ongoing to identify the service budgets where these savings will be realised. These mainly include:

- £3.2m Commissioning Procurement and Contract Management
- £1.0m Enabling Services
- £1.29m Commercial Income.
- £360,000 Service Modernisation

More detail on these savings is set out below.

5% Workforce Savings

6.18. The 2025/26 budget for staffing costs is £186m which reflects the agreed 5% reduction equating to £8.5m. Most services are on track to deliver by the year end with the exception of children's services and Environment and Resident Experience where alternative mitigations will need to be identified. There are however, risks on delivery in other areas and these are highlighted within the individual service appendices. There is no single approach and services are using a range of tools, including:

- Restructures to reduce the number of posts, including senior management.
- Reduce spend on agency staff.
- Holding vacancies for non-essential roles.

In addition, there are tighter controls on recruitment of non-essential roles through the Recruitment Panel. The latest People Report indicates that these measures are having an impact on staffing numbers, particularly agency staff, which fell by 170 between September 2024 and June 2025, reducing the annual sum spent on agency staff by more than £10m to £22.7m annualised cost. Appointments of permanent staff also slowed down with the result that the total size of the workforce across permanent and temporary staff fell slightly by 1.6%. It is important that the focus to date is maintained to ensure full delivery of the committed staffing savings and to help mitigate the forecast overspend. Further updates will be provided in the Quarter 3 report.

Enabling Services

6.19. A review of all enabling services is underway to reduce spend on staffing across all services. This will develop new delivery models that will reduce duplication across services and ensure efficient support to all frontline services across the organisation. The first service to be reviewed is ‘project management’ resource and there is now a pipeline of similar reviews planned over the next two years, including, finance, HR, business support, procurement, digital and communication and engagement. Savings of £2.5m are planned over the next three years of which £1m was expected in 2025/26. As highlighted in the previous report, delays in the commencement of this work means that it is now unlikely to be achieved this year. Mitigations continue to be explored but prudently at Quarter 2 the saving continues to be forecast as red.

Service Modernisation

6.20. Over the next three years, the Council is working to deliver £6.8m of reductions from investment into digital tools and services. Delivery is being enabled through the Service Modernisation Programme Service which includes 16 live projects and a pipeline of over 60 additional projects, with a focus on reducing the cost of delivering services and/or improving the resident experience and more efficient ways of working for staff using digital technology. Currently, £1m savings have been identified for 2026/27 with a further £1.7m in the pipeline.

6.21. The priority to date has been on Adult Services, Children’s Services and Housing given the high spend in these areas. The implementation of Netcall as a key technology platform to enable user-friendly services with automation and self-service is nearing completion. All services will be subject to review over the next two years, and this explains why some Directorate are reporting their proportion of the savings as RED in year. It is recognised that moving through the process of identifying a saving, prioritising resources, discovery, design and implementation requires time to provide assurance of successful delivery. Consequently, the £2m saving target for 2026/27 has been re-profiled to 2028/29 and the 2026/27 budget report presented to Cabinet on 11 November reflects this re-profiling.

Income Generation

6.22. Income generation is a vital part of the Council’s financial sustainability and protecting services so all opportunities need to be identified. Previously approved income opportunities and £500,000 of new opportunities have been combined for 2025/26. This was planned to be delivered via a new cross Council Income Generation programme however, early indications have highlighted that this approach was not delivering as expected and is now being picked up through the Finance Recovery programme.

Asset Management

6.23. A review of the Council's operational and commercial estate is underway and continues to maximise income from the commercial portfolio, efficient use of the operational estate and capital receipts from properties surplus to requirement. Savings are achieved through increased income and reduced borrowing costs on the capital programme. In 2025/26, £868,000 of savings / income are assumed. The Council has reviewed and achieved a significant proportion to date and further in the pipeline, which subject to contract will enable the £868,000 target to be achieved, in conjunction with capital receipts via the disposal programme.

Capital Financing and Treasury Management

6.24. Capital Financing and Treasury Management costs are primarily the costs associated with the borrowing undertaken to finance the Council's Capital Programme. The Council will invest sums it receives in advance of utilisation to generate an income in the form of interest received. The income and expenditure detailed in the paragraph below are driven by projected activity levels of the Capital Programme and fluctuations in interest rates.

6.25. Detailed forecasts have been undertaken since Quarter One.

6.26. A commissioned review by external advisors last year made recommendations to amend the approach to historic minimum revenue provision (MRP). These recommendations were included in the revised capital strategy agreed by Full Council in March 2025 but not reflected within the budget and therefore a £2m underspend against budget is forecast.

6.27. The existing Treasury Management Strategy Statement (TMSS) also agreed in March 2025 included assumptions about in year bank interest rates and capital expenditure. Now halfway through the year, these assumptions have been tested against actual spend to date and forecasts to the end of the year. As capital expenditure is now expected to be lower than budgeted, £3.4m underspend is forecast; £1.7m in relation to interest repayments and £1.7m in interest income as cash balances are higher than forecast.

6.28. A component of the forecast cost is the financing cost of the Exceptional Financial Support (EFS) provided by Central Government. If the assumed £37m EFS for 2025/26 is fully utilised as well as the £10m covering the 2024/25 overspend. This means that in 2025/26, it is expected that the Council will bear an additional £2.91m (£47m x 6.2%) of capital financing costs it could otherwise utilise elsewhere in the provision of service. Any eventual overspend at year end will need to be funded either from capital receipt income or from additional borrowing. If additional borrowing is required, this will change the current forecast.

Collection Fund Forecast

6.29. Collection rates for both in year bills and arrears against both Council Tax and Business Rates are monitored and reviewed monthly. Progress is assessed against the agreed collection targets which for Council Tax is 95.75% and 94% for Business Rates.

6.30. Nationally published statistics on Council Tax collection rates since 2020/21 show that collection picked up post a COVID pandemic drop but since 2023/24 rates have started to fall again. The Outer London average collection for last financial year (2024/25) was 95.3% and for Inner London was 93.8%. In 2024/25 Haringey achieved 94.03%, higher than many nearest neighbours.

6.31. Unfortunately, the downward trend is continuing in year and at Quarter 2, the collection rate was 2.93% down against a target of 95.75%. A small use of corporate contingency has been agreed to bring in external resources to tackle the backlog in. It is expected that this will increase income received and an update on progress will be provided for Quarter 3.

6.32. Collection of Business Rates is also below the 94% target, by 2.10% however, some of this is due to delays in receiving due funds from the DfE in relation to schools.

6.33. Recovery of money owed from previous years, 'arrears', is tracking ahead of the targets. Some of this recovery activity is funded by grant from the GLA.

Risks, Reserves and Contingency

<u>Risks and Issues</u>

6.34. External factors can negatively impact the Council's budgetary position. At Quarter 2 inflation remained above the Government target of 2%. The latest reported CPI for September 2025 was 3.8% an increase of 0.2% compared to June and significantly higher than the 1.7% in September 2024. Inflation impacts all residents and businesses to some extent which may be linked to the falling Council Tax and Business Rates collection rates. Council service providers will seek to recoup inflationary increases via higher charges which are being seen in the care services.

6.35. The Bank of England (BoE) base rate remains at 4%, the same as the previous quarter. The Autumn Budget may lead to a change in this rate as markets respond to the Chancellor's statement. Any increase will impact on borrowing but could also mean additional investment income.

6.36. Officers continue to monitor these national indicators and work closely with external treasury advisors to keep abreast of future forecasts notably on bank rates. This is vital given the expected increase in use of Exceptional Financial Support via borrowing due to the overspend forecast.

6.37. With inflation remaining above the 2% target, collection of money owed to the Council is likely to remain challenging and therefore additional provision may be required to be made this financial year to cover bad debts. A mid year review of the main income areas. Any known additional requirement has been built into forecasts already or current provisions deemed as sufficient. Despite this work, 6 months of the year remain, and it must be recognised that increased provisions may be required as part of the year end accounting.

6.38. Overall, the current overall general fund forecast at Quarter 2 is in line with the outturn last year. However, this is significantly above the 2025/26 budgeted figure and there also remains an unquantifiable risk that the forecasts themselves may not be as accurate because of incorrect assumptions, unreliable data or unforeseen pressures. This is always a risk and made more significant this year due to the Council's weak financial position. The Finance Response and Recovery plans which together set out actions to reduce the need to draw down on EFS in the current year and beyond and improve financial resilience and sustainability will be critical in helping to mitigate this. Details of these plans and progress is in Appendix 10 of the report.

6.39. The Dedicated Schools Grant historic deficit opening balance for 2025/26 was £9.5m, and with an in-year forecast deficit of £3.1m at Quarter 2, the total forecast closing deficit for 2025/26 is £12.5m. This deficit is held separately to the General Fund account. Funding is still passported to schools and the deficit position results in cash out from the Council exceeding available DSG budgets. This will have an impact on the Councils Treasury Budget because the council will have reduced cash balances, therefore less opportunity to receive investment income. The loss of investment income due to forecast DSG deficit balances is estimated to be circa £500,000 in 2025/26 assuming an average return of 4.00%.

6.40. In 2025/26, schools across Haringey continue to face financial difficulties in operating within their allocated budgets. Like most London Boroughs, Haringey is seeing a significant decline in primary school rolls and is now seeing the same impact in secondary schools, as a result of population trends of declining numbers of school age children. Appendix 1 includes a detailed update on the number of schools in deficit as well as the trend of reducing primary school rolls. Both are risks to the Council's General Fund. The Council is working closely with schools on their budget deficits however where it is known that a school has had to close because of falling rolls, the deficit becomes a pressure for the council either via redundancy costs or closure with deficit bank balances. In total, schools have moved from a surplus outturn of £11.2m in 2020/21 to a deficit outturn of £2.6m in 2024/25 and is now forecasting a year end deficit of £10.7m at Quarter 2 for 2025/26. Since 2020/21, this is a worsening position of nearly £22m over 5 years.

6.41. In summary, there remains a real risk that the current **£23.4m** forecast overspend could worsen by the year end. This would require additional exceptional financial support from government over and above the £37m already assumed when the budget was set. It is prudent to assume that this would need to be funded from borrowing which for every £1m adds an additional, £62,000 in revenue costs per annum for 20 years assuming principal is repaid on maturity.

6.42. The Corporate Director of Finance and Corporate Resources has undertaken a detailed review of the current reserve balances over the last few months. This work is largely completed and should enable some funds to be released before year end to offset the current overspend. The final figure will be included in the Quarter 3 report but is expected to result in only a small improvement to the position. It should be noted that use of reserves is a one off mitigation.

6.43. Appendices 1-7 and Table 2 set out the full details of service spend and end of year forecasts, together with details of any mitigating action.

General Contingency

6.44. In total, the 2025/26 budget was set with a £10.1m general contingency to meet any unplanned expenditure and mitigate against any non-delivery of savings or planned income. As at Quarter 2, £3.5m of this has been allocated,

6.45. Given the forecast outturn position at Quarter 2, full utilisation of the remaining contingency by year end has been assumed in the projections as the Council must mitigate down as far as possible the use of borrowing through EFS.

6.46. The 2025/26 budget also included £10.2m to cover the estimated cost of the pay award, redundancy costs not able to be met by the service and contractual inflation. The pay award has now been agreed and relevant budgets allocated to the service lines as has the majority of planned contract inflation. Any remaining budgets not yet allocated continue to be assumed to be fully allocated to services during the year and anything residual will be used to offset the overall council overspend.

Reserves

6.47. The Councils corporate reserves balance is currently forecast to be £42.8m in March 2026, of which £27.7m is assumed to be committed as presented in the table below. Effectively the only available cash balance at year end is the General Fund Reserve at just over £15.1m.

6.48. A forecast of reserve balances to 31 March 2028 is shown in Table 4. This will be updated quarterly on any in year movements and a more detailed forecast in the Budget report to Cabinet in February 2026.

Table 4: Reserves Forecasts to March 2028

Reserves	Actual	Forecast		
	31 March 2025	March 2026	March 2027	March 2028
	£'000	£'000	£'000	£'000
General Fund Reserve	15,140	15,140	15,140	15,140
Risks and Uncertainties				
Transformation Reserve	0	0	0	0
Labour market resilience reserve	186	0	0	0
Budget Planning reserve	1,141	0	0	3,000
Collection Fund	1,231	0	0	0
Total Risk and Uncertainties	**2,558**	**0**	**0**	**3,000**
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**	**42,815**	**42,815**	**46,815**

7 Financial Response and Recovery Plans

7.1 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.

7.2 The Council has implemented additional spend control measures since the last report which include reduced use of purchase cards, Section 151 scrutiny of all contract and decision reports above £25,000 and a refreshed governance process. This new process maintains the 6-weekly Financial Recovery Cabinet Group, chaired by the Leader to ensure clear political oversight of the emergency procedures but the previous Financial Recovery Gold and Silver groups have been replaced by a new Financial Recovery Board. This has oversight of the financial recovery and sets the strategy and direction to the organisation in respect of the Financial Recovery Plan. The group will also provide accountability and assurance in respect of progress against the delivery of the plan and the savings. It is now supported by dedicated staff seconded from across the Council specifically to ensure pace and delivery can be delivered and maintained.

7.3 Since the start of the year, the controls on spend have avoided close to £1m across revenue and capital. Each of these actions help to reduce the final Exceptional Finance Support (EFS) required at year end, which reduces future annual repayment commitments which cost circa £62,000 for every £1m borrowed. The work on rationalising the council's assets also continues, and receipts realised from surplus assets which under government dispensation can also be used to mitigate the need to borrow to fund overspends.

7.4 The implementation of the Financial Response and Recovery Plans is aimed at taking the necessary action to reduce the reliance on EFS (Finance Response Plan) and restore the Council's financial resilience and sustainability (Finance Recovery Plan). There are clear links between the two plans and delivery on the response plan should be considered alongside the recovery plan. It is recognised that the recovery plan will take longer to deliver and outcomes achieved.

7.5 The Council has made progress against the actions in these plans with the detail set out in Appendix 10.

8 Council Debt and Write Offs for Quarter 2

8.1 Appendix 9 provides a summary of the council debts which have been written off in Quarter 2, totalling **£4.844m,** of which 81% are Parking debts. Of the parking related debt, circa £1.5m related to cases that had been through the recovery process and the associated warrants were no longer valid (expiring after 12 months) and could not be pursued. Following review of the individual cases, these are deemed extremely unlikely to be recovered and have been approved for write off by the Corporate Director of Finance and Resources (S151 Officer) under delegated authority and as set out in the Financial Regulations.

8.2 Under Haringey's constitution debts of £50,000 or more proposed for write off require the approval of the Cabinet Member for Finance and Resources or Cabinet. This quarter there are two such debts totalling **£315,222** which have been approved by the Cabinet Member for Finance and Resources. Details of these are set out in Appendix 9.

8.3 Corporate debt levels continue to rise. Key actions underway include:

- **Strategic Write-Offs**: Implementing a structured write-off process to eliminate debt deemed irrecoverable.
- **Data-Driven Recovery**: Using propensity-to-pay analytics to prioritise recovery efforts.
- **Debt Recovery Strategy**: Strengthening internal recovery mechanisms to maximise returns.
- **External Partnerships**: Exploring external service providers to support early-stage intervention and post-internal recovery efforts.

8.4 These measures aim to improve transparency, enhance recovery rates, and ensure resources are focused where they will have the greatest impact.

9 Capital Expenditure Forecast at Quarter Two

9.1 As shown in Table 5 the revised budget for the Capital Programme in 2025/26 is £525.7m, which includes the July Cabinet agreed carried forwards and September Cabinet agreed Quarter 1 budget adjustments. In Quarter 2 further budgets adjustments are being proposed with overall net reduction of £3.9m, taking the Quarter 2 revised Capital Programme budget to £521.8m. Of these budget adjustments, £3.9m can be attributed to General Fund capital schemes.

9.2 The Quarter 2 revised 2025/26 capital programme is £180.2m for General Fund and £341.7m for the HRA.

9.3 A detailed breakdown and explanation of the £3.9m Qtr. 2 capital budget adjustments for the General fund capital programmes are set out in Appendix 8.

9.4 After these adjustments, the General fund capital programme is forecast to spend £160.9m (89%) and £281.9m (83%) for the HRA.

Table 5 – 2025/26 Capital Expenditure Summary as at Quarter 2

Directorate	2025/26 Revised Budget (£'000)	2025/26 QTR. 2 Adjustments (£'000)	2025/26 Revised Budget (£'000)	2025/26 QTR. 2 Forecast (£'000)	2025/26 Budget Variance (£'000)	2025/26 Movt. Btw. QTR. 2 & QTR. 1 (£'000)
Children's Services	15,064	0	15,064	12,449	(2,615)	(2,559)
Adults, Housing & Health	9,653	10	9,663	9,326	(337)	13
Environment & Resident Experience	26,611	42	26,653	21,797	(4,856)	(4,539)
Culture, Strategy & Communities	56,426	(2,539)	53,886	50,624	(3,263)	(10,870)
Finance & Resources	29,025	(1,373)	27,652	19,475	(8,178)	320
Corporate Items	47,256	0	47,256	47,256	(0)	0
General Fund Total	**184,034**	**(3,860)**	**180,175**	**160,926**	**(19,249)**	**(17,636)**
HRA - Housing Revenue Account	341,653	0	341,653	281,945	(59,708)	(24,276)
Overall Total	**525,687**	**(3,860)**	**521,828**	**442,871**	**(78,957)**	**(41,912)**

9.5 The remainder of this section provides a high-level summary of the main areas of spend in the General Fund Capital Programme. Full details and reasons for the variations against budget are set out in the Directorate Appendices (1- 7).

9.6 The Civic centre works is showing a forecast spend to budget. Cabinet approved the award of contract and final business case on the 12th of November 2024, with an allocated budget for of £66m. The council are still working within this budget of £66m. As with any project, especially one with a Grade II listed element, there are risks but these are being managed within the total £66m budget via the project's contingency allocation.

The project is progressing at pace with the exciting stage of topping out planned for early in the new year. There is still a way to go with the project and risks to be managed; but these are monitored on a weekly basis by the Director of Capital Projects and Property alongside finance business partners; and reported to the programme board, which is facilitated by the Civic Centre Programme Director.

9.7 Alexandra Palace - Invest to Earn programme (scheme 634) is reporting no forecast spend against budget of £1.6m. This scheme has been paused, as higher priority schemes have been identified for inclusion in the 2026/27capital programme, such as the panorama room.

9.8 Asset Management of Council Buildings (capital scheme 316) is reporting a spend forecast of £5.7m against £7.8m revised budget. This anticipated forecast underspend can largely be attributed to the time lag between contract tendering and work commencement, thereby causing delays in project delivery/completion.

9.9 Similarly, Commercial property remediation (capital scheme 4011) and Energy Performance Certificate improvements (capital scheme 4012) are both showing a spend forecast of £1.5m, an underspend of £3.5m against a budget of £5.0m. The two planned schemes have been delayed due to a number of complex legal matters that need to be resolved before work can commence.

9.10 Corporate Laptop Refresh (capital scheme 657) is reporting a spend forecast of £0.8m against £1.7m revised budget. The ongoing Windows 11 upgrade is nearing conclusion. The forecast underspend of £0.9m will be revisited with the view of possible budget reprofiling to align with the corporate workforce plan.

9.11 Capital Support for Digital Outcomes (capital scheme 660) is reporting a forecast spend of circa £1.0m against revised budget of circa £2m and is linked to the Service Modernisation Programme that will deliver digital improvements over the next three years.

Capital Receipts - Forecasts

9.12 As at 31 March 2025. the Council had usable General Fund capital receipts of £31.04m. This is inclusive of £15.25m ringfenced High Road West (HRW) capital receipt and therefore available capital receipts is £15.79m. As part of the Council's budget setting the proposed application of these receipts was as follows:

Table 6 - Capital Receipts

Title	Description	2025/26 (£'000)	Total (£'000)
Corporate Support to all improvement programmes	To support a broad range of transformation projects across the Council	671	671
Counter fraud work	Details to be included	75	75
Strategic Asset Management	Support to improve the asset management function of the Council	1,500	1,500
Demand Management in Adult social Care	This covers a range of transformation and change initiatives in Adults social care to invest in prevention and reduce demand for high-cost services	500	500
New Change Framework	To develop and implement a new Change Framework to deliver transformation across the Council.	1,790	1,790
Temporary Accommodation Reduction Project	To invest in prevention and service re-design to reduce the overall level of demand for temporary accommodation	200	200
Invest to save	To provide funding for a range of initiatives in services to either reduce costs, increase income, or both	3,000	3,000
Grand Total		**7,736**	**7,736**

9.13 In June 2025, Cabinet agreed the Disposals Policy and disposals for 2025/26 which totalled an estimated £20m, of which £11.3m is in progress.

9.14 Five property sales have been approved by the Disposals Board, subject to Stage 2 final approval. Auction Sales are likely to be the timeliest methods of sale, provided Reserve Prices are met at auction.

9.15 To maximise the capital receipt, any outstanding lease events should be concluded to give greater certainty to purchasers via private treaty. This will delay sale completion dates.

9.16 Forecasting capital receipts for 2025/26 is a challenge, given a range of issues, market conditions, starting the programme and gearing up, but a total of £5m to £8m is likely to more realistic for 2025/26 with the remaining expected in 2026/27.

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

10.1 The Council's budget aligns to and provides the financial means to support the delivery of the Corporate Delivery Plan outcomes.

11 Carbon and Climate Change

11.1 The proposed recommendations have no direct impact on carbon emissions, energy usage or climate change adaptation.

12 Statutory Officers Comments

Finance

12.1 This is a report of the Corporate Director of Finance and Resources and therefore financial implications have been highlighted throughout the report. The factors with which the authority is facing and impacting on its financial position are challenging, caused by increasing demand, inflation and wider economic pressures. The Council is working to identify and put into effect additional mitigating actions in 2025/26 to reduce spending by the year and such mitigations and controls on non-essential spending.

12.2 This report includes the impact of budget pressures identified to date and it is very important that the focus to mitigate these pressures continues. This includes increasing control of major costs areas, including staff costs, contract costs and capital spend.

12.3 A further review of reserves and the Council's balance sheet is underway to determine any one-off contributions that can be utilised in year to fund the overspend position and limit the use of use of Exceptional Financial Support from Government.

12.4 The Council's reserves position is lower than average for a council of this size and a medium to long term objective must be to increase balances to manage the many risks and uncertainties and strengthen the Council's financial resilience.

Strategic Procurement

12.5 Strategic Procurement notes the contents of this report and will continue to work with services to support income generation, cost reduction and contract efficiencies where possible

Legal

12.6 The Director of Legal & Governance has been consulted on this report and makes the following comments.

12.7 The council is required by s151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. Section 7 of this report sets out the financial response and recovery plans to support the proper administration of the council's financial affairs.

12.8 The Council is under a duty to maintain a balanced budget and to take any remedial action as required. In exercising that duty, the Council must also take into account its fiduciary duties to the council tax payers of Haringey. Pursuant to section 28 of the Local Government Act 2003, the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties when taking necessary action to reduce any expected overspend.

12.9 Pursuant to the Executive 'Financial management and resources' function set out at Part Three, Section C of the Constitution, the Cabinet is responsible for approving both virements and debt write offs in excess of certain limits as set out in the Financial Regulations at Part Four, Section I, Regulations 5.31, 5.32 & 8.15(c) respectively.

12.10 In February 2025, government confirmed that in the financial year 2025/2026 it will provide a number of councils with support to manage financial pressures via the Exceptional Financial Support process. Haringey has an in principle agreement of £37m. Support via the framework is usually provided in the form of a capitalisation direction which permits a local authority to meet revenue costs through capital resources. There is a clear expectation that authorities continue to manage and mitigate their financial pressures. Support is provided on condition that each local authority is subject to an external assurance review.

12.11 In light of the above, there is no legal reason why Cabinet cannot adopt the Recommendations contained in the report.

Equalities

12.12 The Council has a public sector equality duty under the Equalities 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.

12.13 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

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

12.15 This budget report covers the position at Quarter 2 (Period 6) of the 2025/26 financial year including General Fund (GF) Revenue, Capital, Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) budgets. The report focuses on significant budget variances including those arising as a result of the forecast non-achievement of approved MTFS savings.

12.16 It also includes proposed budget virements or adjustments. The recommendations in the report are not anticipated to have a negative impact on any groups with protected characteristics. In addition to this, the Council's saving programme is subject to a cumulative equality impact assessment, which acts to mitigate against any potential impacts for those living and working in the Borough.

13 Appendices

Appendix 1 – Children's Directorate Level Forecast including Savings and Capital forecasts
Appendix 2 – Adults, Housing and Health Directorate Level Forecast including Savings and Capital forecasts
Appendix 3 – Culture, Strategy and Communication Directorate Level Forecast including Savings and Capital forecasts
Appendix 4 – Finance & Resources Directorate Level Forecast including Savings and Capital forecasts
Appendix 5 – Corporate Directorate Level Forecast including Savings and Capital forecasts
Appendix 6 – Environment and Residence Experience Directorate Level Forecast including Savings and Capital forecasts
Appendix 7 – Housing Revenue Account Directorate Level Forecast including Savings and Capital forecasts
Appendix 8 – Proposed Virements (Revenue and Capital)
Appendix 9 – Debt Write Off (includes less than £50,000 and greater than £50,000)
Appendix 10 - Finance Response and Recovery Plan

14 Background Papers (Local Government (Access to Information) Act 1985)

14.1 None