SECTION 25 STATEMENT BY THE CHIEF FINANCE OFFICER

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

- The robustness of the estimates made for the purpose of the budget calculations (i.e. providing reasonable assurance that the budget proposed in this report is not likely to be materially overspent in year); and
- The adequacy of the financial reserves.

13.2 Given the Council's challenging financial position as set out in this 2026/27 budget report, this statement also provides the Chief Finance Officer's reporting on the Council's financial position, steps being taken to improve financial sustainability and the medium-term outlook.

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

13.4 Similar to that reported in last year's budget report and throughout 2025/26, Haringey's financial position continues to be challenging. The Council is not currently financially sustainable with an annual revenue budget gap of £52.2m in 2026/27 which is currently assumed to be capitalised through a Capitalisation Direction granted by the Secretary of State for Housing, Communities and Local Government (MHCLG). The annual revenue budget gap is modelled to increase to £291.71m by 2030/31.

13.5 This is on top of £10m of EFS required in 2024/25 and estimated requirement of £54m in 2025/26. The ongoing use of Capitalisation Directions increases the financial pressures on the Council's revenue budget by increasing its net cost of borrowing into the future, from £10m budgeted for 2026/27 to £44m projected for 2029/30 – this will equate to 11% of the Council's budget. This is not sustainable, or an effective use of public money in line with the Best Value Duty.

13.6 The remainder of this statement provides further details on the financial position and actions being taken by the Council to improve its financial sustainability over the next three years and reflects the national, London and local context.

13.7 The outcome of Fairer Funding 2.0 and as published in the Provisional Local Government Finance Settlement, means the Council will see an increase of £12.8m in Government funding over the next three years, of which £9.5m is planned for 2026/27 (see Section 8.7 for full details). However, this remains far short of the additional costs incurred year on year from increased demand and price of services. As a result, and as set out in Section 8, there is still an ongoing reliance on Exceptional Financial Support of £52.2m to set a balanced budget for 2026/27.

13.8 The long awaited three year government funding settlement published for 2026/27 to 2028/29 is welcome because it provides certainty for financial planning purposes and there is an imperative need to move towards medium term planning and setting a three year budget. However, even with the increase in government funding for Haringey, returning to financial sustainability and eliminating the ongoing reliance on EFS is going to be difficult to achieve. It will require ongoing reductions in spending and prioritising within a much smaller financial envelope. As set out in this report, based on the latest assumptions, there will remain a budget gap of up to £291.71m between 2026/27 and 2030/31 if everything else remains the same.

13.9 An emergency response has been in place since the start of the financial year, initially with GOLD and Silver arrangements and then subsequently overseen by the Financial Recovery Board. These arrangements remain agile and responsive, remain under review and will be further strengthened throughout 2026/27.

- Continued review and implementation of the revised financial resilience plan to take account of the latest position but also a more pragmatic approach to financial resilience. The current plan was built around a priority of not requiring EFS in 2025/26 or 2026/27 but in light on the latest position, this is no longer possible and therefore the framing of the plan is being re-visited.

- Continuing with the emergency governance and oversight arrangements that are established within the organisation and introducing further independence to the current Financial Recovery Board.

- Ensuring all budget holders are held to account for delivering within their allocated cash limits, recognising the work that has taken place to ‘right-size’ budgets. All Corporate Directors have signed off that their service budgets reflect known pressures for 2026/27, that savings assumed will be delivered and they will report a balanced position at the year end.

- Strengthening the spend control mechanisms that are already in place across the organisation in order to further drive a consistent commitment to value for money, namely:

    - Spend control panel for all non-essential spend over £1,000;
    - Recruitment Panel - agency and permanent recruitment restrictions on non essential roles;
    - Single point of governance for all of the capital programme (Strategic Capital Board);

- Single point of governance for all commissioning and procurements over £160,000 (Commissioning Panel and Board);
- All reports which involve spending over £25,000 to be reviewed by the Section 151 Officer.

- A strong focus on delivering the £30m of savings already contained within the 25/26 budget, and the £23.2m planned in the 2026/27 budget by 1st April 2026, in order to secure a full year effect.

- Full review of the Housing Revenue Account Business Plan to ensure its long- term sustainability and positive cashflow.

Financial Management Code

13.10 In relation to the annual budget setting process and the development of the proposed budget in this report, Haringey is fully compliant with the CIPFA Financial Management (FM) Code. However, as reported last year, there is scope for improvement. The review planned in 2025/26 has not yet taken place due to the focus on the development of the financial recovery plan and putting in place the emergency arrangements and controls across the organisation to reduce spend. This review of the FM Code will need to take place in 2026/27 and review progress against the objectives and strengthening financial management across the organisation. A more detailed action plan will be published and progress reported to Audit Committee through the Annual Governance Statement (AGS).

13.11 On 24 November 2025, full Council agreed the revised and updated Financial Regulations. The last review was carried out in 2021. Some of the updates this time were general, such as updating of job titles but the financial regulations now include clear responsibilities of budget managers, Directors and Corporate Directors to work within their approved budgets. This was not previously explicit in the regulations. In early 2026, a structured engagement plan will be implemented with all relevant officers to reset responsibilities and accountability for good financial management and spending in line with budget.

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

CIPFA Resilience Index

13.13 CIPFA has released the data for its 2024/25 financial resilience index and this evidences much of the conclusions made by myself as Section 151 Officer within this statement. The chart below shows the relative ranking (high or low risk) for each indicator which is used to measure the financial stress of council's by CIPFA. Bars closer to the left indicate a higher risk of financial stress for that authority relative to comparable authorities (London Boroughs).

Chart 1 – CIPFA Financial Stress Indicators

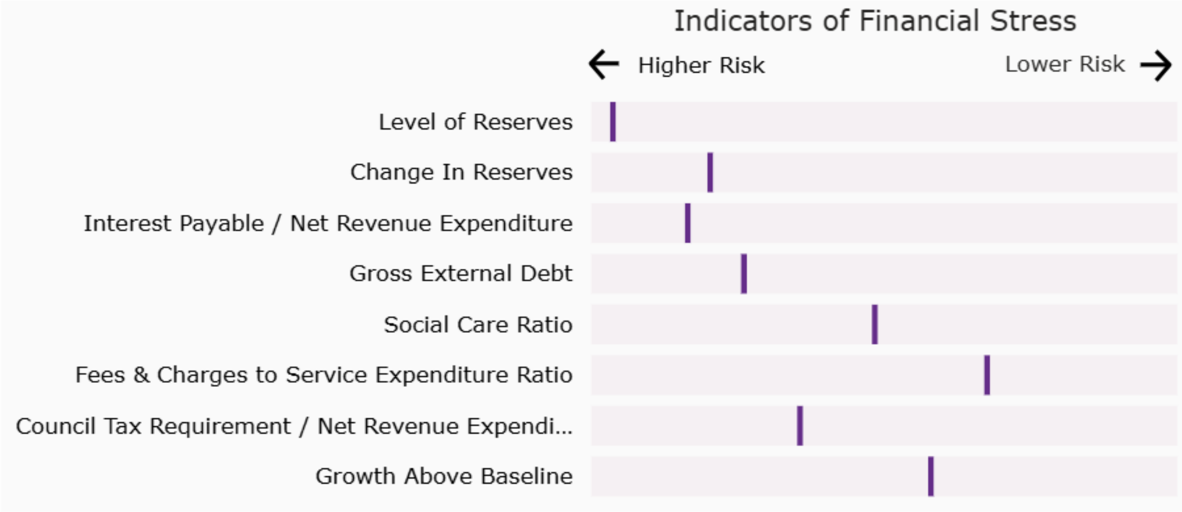


Chart 2 – Reserve Balances 2024/25

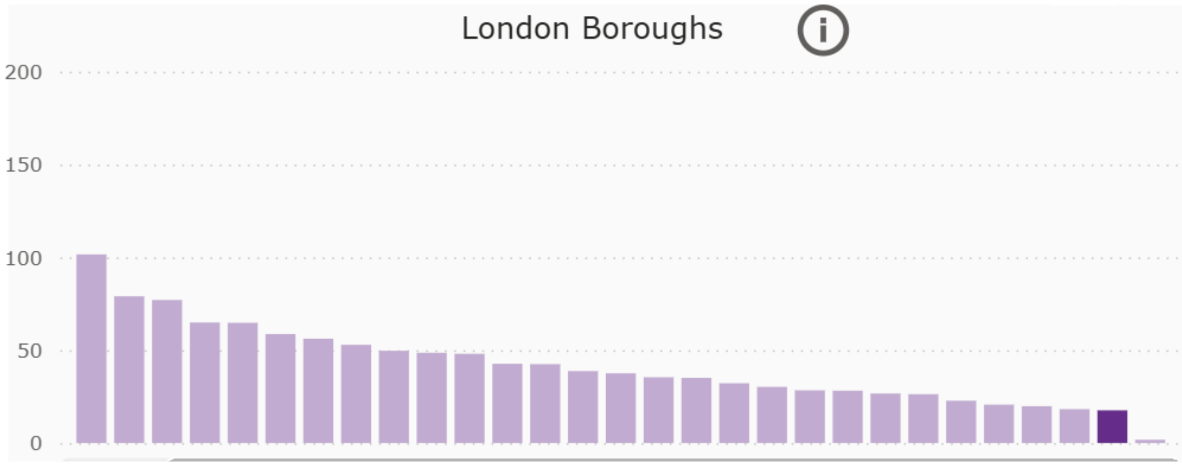
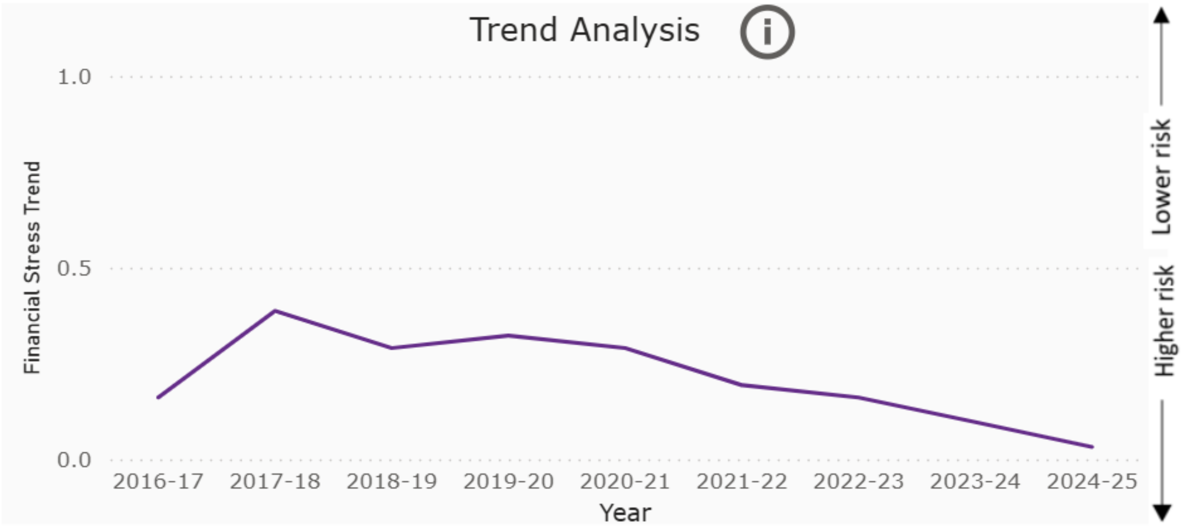


Chart 3 – Change in Reserves



13.14 Use of reserves to fund on-going expenditure is not a sustainable solution for any Local Authority but Haringey's low levels mean this does not even provide a one off solution in the short term. A full review of all reserves has been undertaken in 2025/26 and £1.4m from the Services Reserve and Unspent Grants Reserve has been identified as being available and will be used to reduce the in-year overspend in 2025/26. Therefore, there is no other available use of reserves to contribute to balancing the budget for 2026/27.

13.15 Recognising these low levels are not sustainable, the MTFS from 2027/28 assumes a £3m contribution to the budget planning reserve to improve financial resilience but the feasibility of this contribution will be reviewed each year depending on the Council's financial position and reliance on EFS.

13.16 The change in reserves from 2016/17 to 2024/25 as shown in Chart 3 is also highlighted as high risk and the year-on-year reduction is due to the reliance on previous use of reserves for balancing the budget and managing an in-year overspend. The level of reserves as a percentage of income is 11%, the lowest percentage across statistical neighbours.

13.17 Levels of debts are showing as higher compared to others. A key indicator used by CIPFA is the level of debt as a percentage of income, which for Haringey is 223%, the third highest percentage across London (our statistical neighbours) and indicating a high level of risk to financial sustainability.

13.18 There are two aspects of debt which the Council is working to address.

- Minimising increases in the level of debt associated with the capital programme. Significant reductions have been made across the General Fund capital programme over recent years. The latest annual review is removing 4 schemes equating to £6.421m that would otherwise have resulted in an increased borrowing requirement. Despite these reductions, the revenue budget for 2026/27 includes interest payable estimate of £36m and £19m for MRP. There is more that must be done as part of the 2027/28 annual review that will take place in summer 2026 to limit the programme to essential capital investment or that which is on an invest to save basis and therefore contribution to closing of the budget gap in future years. The 2026/27 capital programme also now includes the EFS requirement for previous and current years, 2026/27 and forecasts for future years. This is a forecast at this stage and will be revisited each year depending on the financial outlook.

- Reducing levels of customer debt (which is also too high) and improving collection rates. The focus over the last year has been on Adult Social Care debt and the project is proving successful but the pace is slow and this must continue through 2026/27 with the ongoing review of aged debt but also improvements in the financial assessment process to collect charges from those who have the ability to pay for their own care. Given the age of some debt, write offs are expected to increase and could be over and above the level of bad debts provision assumed within the revenue budget. This could increase the overspend position should they materialise.

- The same scrutiny and deep dive must now also be applied to other services where existing debt and collection is lower than expected, namely, parking, commercial property and council tax and this will be led by a newly formed Corporate Debt Board in 2026/27 that will be chaired by myself as the Section 151 Officer. The focus will be on improving process to ensure income is collected in a more timely manner, making it easier for people to pay, supporting those who cannot pay and therefore reducing levels of debt and consequently the amount that needs to be written off.

Financial Resilience Assessment

13.19 In Autumn 2024, I commissioned an external financial resilience assessment by CIPFA. The assessment highlighted the issues above around debt, reserves and financial sustainability and made 36 recommendations to the Council to address. These recommendations, together with the recommendations from the Section 151 Officer are the basis for the Council's Financial Recovery Plan which has been in place since April 2025 with its progress being reported quarterly to Cabinet.

13.20 Good progress has been made in some areas but there is still significant work for the Council to complete before the plan is implemented in full and this must remain the focus during 2026/27. The plan will also be subject to review and a revised financial sustainability plan will be published for end of March 2026.

2025/26 Financial Position

13.21 The 2024/25 financial year was a pivotal point for the Council in terms of its financial position, particularly in terms of adult social care and temporary accommodation but also children's social care and SEND that led to significant overspends. Some use of reserves and one off historic balances were required, as well as £10m of EFS to balance the budget at the year end.

13.22 The financial pressures have continued into 2025/26, and despite setting what was expected to be a balanced budget with £50m additional budget included for social care and temporary accommodation, the latest position is showing an overspend of £19.2m as at the end of November 2025. It should be noted that the 2025/26 budget was set with an assumed use of £37m of EFS.

13.23 The spending controls on all non essential spend and recruitment have been in place since the beginning of the year and to date have avoided almost a £1m of spending. These together with the other controls as set above is expected to continue to have an impact in the last quarter of the year to reduce the overspend position but should this position remain, the EFS requirement in year will exceed the £37m currently approved and a provisional application of £54m has been submitted to Government. The final EFS requirement for 2025/26 will not be known for certain until the accounts have been closed at the end of May 2026.

2026/27 Budget

13.24 The draft budget reflects the latest Government grant for 2026/27 as published in the provisional Local Government Finance Settlement on 17 December and the outcome of Fairer Funding 2.0. The additional £9.5m compared to what was assumed in previous finance updates is welcome but continues to be insufficient to meet the growing demand and increased price of services in Haringey.

13.25 The settlement includes a significant simplification of Government grants, with now previously separate grants rolled into the Fairer Funding Assessment. For grants that continue to sit outside of the settlement and their value is known, these are reflected throughout this report and where they remain unknown but are expected to continue, 2026/27 values have been assumed in line with the 2025/26 value. In line with the Council's budget principle, if grants reduce going forward, it is assumed that expenditure will reduce accordingly. This budget principle will need to be enforced going forward given the financial position.

13.26 The draft budget reflects a 4.99% increase in Council Tax but this remains a decision for full Council on 2 March 2026. The Council Tax base calculation for budget setting purposes for 2026/27 has shown a reduction on previous years. Although there are more dwellings across the borough, this is not translating into additional revenue. This is in part because of the number of discounts and exemptions, however, this needs to be further investigated to truly identify the issue. The second driver for the reduction is collection rates, which although has seen a slight improvement in year, is still well below the target collection rate of 95.5%. The budget for 2026/27 assumes a collection rate of only 92.5%. More will need to be done in 2026/27 given this is a vital source of income for the council. This will include distinguishing between 'can't pay' and 'won't pay'. The solution is not yet known for each of these cohorts but must be a priority.

13.27 Fees and charges reflect a 3.8% increase on average in line with CPI in October 2025. For 2027/28, the Council will need to again undertake benchmarking against other neighbouring authorities to consider opportunities for new charges for services or where benchmarking shows we continue to remain below others.

13.28 The estimate of pressures for 2026/27, uses the latest 2025/26 forecast position and forecast demand and prices for 2026/27. Scenario planning is more widely used for demand led services than previously and includes an estimate of risk and uncertainty. The full details are set out in Appendix 2 and includes an additional £45.272m for service specific pressures. The main areas are as follows:

- £19.046m for adult social care
- £13.854m for housing demand and almost solely for temporary and emergency accommodation.

- £5.648m for children's services, including placements and home to school transport;

13.29 In addition, £42.4m additional budget has been included for council wide pressures. This includes:

- £6.071m for the staff pay award;
- £1.731m for inflation on non social care / housing contracts;
- £15.0m to increase corporate contingency to £25m to manage risks and uncertainties in year;
- £17.458m for capital financing relates costs; and
- £1.461m for the additional cost associated with concessionary fares on public transport.

13.30 The budget includes assumed savings of £23.2m for 2026/27, of which £14.9m are from previously approved budgets and £8.3m new savings. Given the Council's track record on the delivery of savings, the Council is focussing its attention and limited resources on the delivery of existing and those previously approved before adding further new savings on top. In total, by the end of March 2027, we will need to have delivered £53.2m of savings over the last two years, which is almost 15.5% of the net budget. Making reductions of this scale is challenging but the robustness of these estimates has been tested and delivery plans are already in place or to be developed before the start of the year. However, based on previous years, delivery can be volatile and the monthly monitoring process will continue to track not only the delivery of the financial savings but also progress with making the 'changes' needed to deliver the savings.

13.31 All the estimates in the draft budget are based on the best possible information and assumptions but do include an element of risk and uncertainty. Corporate contingency therefore has been increased to £25m for 2026/27 to manage some of this risk. Financial Plans assume this £25m is maintained every year over the next five years but this will be reviewed annually depending on the level of risk in the budget and the robustness of the estimate for demand and price pressures.

13.32 I have examined the assumptions used within the budget calculations and have also considered the appropriate risks set out in Section 9 of the main report.

Adequacy of Reserves

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

13.34 The appropriate level of reserves must be considered alongside an assessment of risk, taking into account the robustness of savings plans, levels of risk in estimates in demand and price and wider economic factors.

The adequacy of reserves is assessed as part of the budget process and monitored regularly throughout the year to the closure of accounts at the end of the year.

13.35 Throughout 2025/26, I have reported on the low levels of reserves for Haringey. The longer term sustainability of the Council relies on the need to avoid reliance on reserves to balance the annual budget in the future and to have a longer term plan to replenish reserves available for managing risks and uncertainties. In March 2025, the MTFS at that point assumed a £3m annual contribution to replenish the budget stabilisation reserve. Given the financial position, this has been reversed for 2026/27 but is still an assumption for 2027/28 onwards and will be reviewed as part of the annual budget setting process. It is by no means certain that I will be able to make this contribution in 2027/28.

13.36 There are no reserves available to balance the budget for 2026/27 because it is assumed any remaining uncommitted reserves will be used to fund the 2025/26 overspend and minimise the final request for EFS from MHCLG when the 2025/26 accounts are closed.

13.37 As set out in Section 9, there is no Transformation Reserve. However, addressing the financial challenges and the level of change required to processes and service provision over the next few years, some spend will be required on an invest to save basis. In the absence of a transformation reserve, the Council will utilise its flexibility to use capital receipts for this purpose and as set out in Appendix 8. This means fewer capital receipts available to fund EFS or the wider capital programme but it is the view of myself that longer term sustainability will require a longer term approach given that structural change cannot be fully delivered in one year.

13.38 The five year forecast of reserves is set out in Section 9 of the main report.

13.39 It is my recommendation that the 'General Fund reserve should not be reduced below £15m, which equates to approximately 4.4% of the net budget of £343.4m. If any use of the reserve funds the 2025/26 overspend, this will need to be replenished as soon as practically possible.

Exceptional Financial Support (EFS)

13.40 Based on the current financial position in 2025/26 and the level of forecast expenditure for 2026/27, it is clear that the Council is not able to set a balanced budget for 2026/27.

13.41 The intention of EFS is to provide a temporary bridge for an authority during the transition towards a sustainable financial position. The latest guidance from CIPFA The Section 25 notice additional support states that ‘CIPFA is aware that EFS is no longer the temporary bridge envisaged when it was initially introduced and is now seen by many as a structural part of the local government finance system’.

13.42 Even where there is a need to borrow related to EFS, the Section 151 Officer is still required to observe the principles contained within the Prudential Code. This includes:

- Ensuring that all decisions remain governed by the Prudential Code and that capital and borrowing plans are affordable, prudent and sustainable. This is a challenging when the Council is not able to set a balanced budget without EFS but EFS remains a facility available to Local authorities to recommend a balanced budget.
- Recognising that borrowing increases pressure on the revenue budget, requiring principal and interest repayment. The draft 2026/27 revenue budget includes the costs of £89.2m of EFS required in 2026/27, as well as additional costs from borrowing associated with previous requirements. Full details are set out in the Treasury Management Strategy Statement at Appendix 10.
- Embedding robust forecasting and stress-testing within the medium-term financial plans, tracking debt servicing capacity under varied interest and economic conditions. As set out through this Section 25 Statement and this report, the draft budget has been developed based on best estimates of forecast budget pressures, using forecasting and stress testing, the financial risks facing the authority are clearly documented, the updated medium term financial position and actions the authority is taking over the next 6 months. The capital financing budget includes the interest and MRP for the capital programme and EFS in line with the MRP policy set out in the Treasury Management Strategy Statement and will be monitored and reported through the quarterly finance updates to Audit Committee and Cabinet.

13.43 It should be noted that although the forecast EFS requirements and associated borrowing costs have been assumed within the MTFS position in this report, these will be reviewed every year in light of the actions the Council is taking and any change in its financial position. Also, in line with the borrowing strategy in the Treasury Management Strategy Statement, actual borrowing will only be undertaken when needed and use of internal balances will be utilised first, should they be available. The timeliness of borrowing will be determined by the cashflow model and on advice from external treasury advisors.

13.44 An application has therefore been submitted to MHCLG for EFS for 2026/27. An in-principle decision will not be known until mid February 2026 but this report, the draft budget and MTFS, has been developed on the basis it will be agreed. This will mean that the Council will have a Capitalisation Direction which gives permission to fund day to day running costs of up to £52.2m for 2026/27 through the capital programme. This assumption is based on there being no available reserves to fund the 2026/27 shortfall because of their likely use to fund the 2025/26 overspend. Should any reserves be available, these will be utilised before any use of EFS and with borrowing as the last resort.

13.26 For the purposes of this draft budget, it is assumed that all of the EFS requirement in 2026/27 is funded through borrowing and these assumptions are accounted for in the Treasury Management Strategy Statement which is set out in Appendix 10 of the main report and the Capital Strategy, which is a separate report on the agenda – both will be subject to approval by full Council on 2 March 2026.

13.27 Every £1m of borrowing results in approximately £62,000 of revenue borrowing costs and the 2026/27 draft budget includes £10m for associated EFS borrowing costs. This is £8m for interest costs (based on PWLB average of 5% for the year) and £2m for MRP, both of which are payable over the next 20 years.

13.28 However, it should be noted that external borrowing is only taken when it is necessary to do so and internal borrowing, through the use of cash balances (subject to the treasury management limits), is utilised first and therefore the actual costs of borrowing may be below budgeted costs. Any variation will be reported through the quarterly monitoring report to Cabinet.

13.45 In my opinion, this decision to apply for EFS is considered a last resort but necessary for achieving a balanced budget. Although an assumption has been made on the level of support required for the purpose of meeting the legal requirement to set a balanced budget for 2026/27, work must continue to control and reduce spend that results in final EFS support required in 2026/27 being less than assumed.

13.46 The EFS application should be regarded as intended to provide an "interim measure" whilst wider national and regional policy issues are addressed as well as the Council developing its longer term financial strategy. Reliance on EFS is not a financially sustainable strategy but there is no alternative at this stage. It is the Council's aspiration to be able to set a balanced budget from 2028/29 without a new EFS requirement. This will rely on the Council delivering structural change in how services are delivered to reduce costs and prioritisation of services within a smaller financial envelope. Although an aspiration, I cannot give that assurance at this stage until the planned work during 2026/27 has been completed. In addition, officers and Members will need to work with Government to re-consider statutory requirements of local authorities and reforms to address the increasing demand and market forces that are driving the increases in social care and temporary accommodation costs.

13.30 If the application for EFS is not approved in February 2026, a balanced budget will not be able to be set and I would need, under a duty and an obligation, to issue a notice under section 114 of the 1988 Local Government and Housing Act (a "section 114 notice"). The consequences are that full Council would be required to meet to consider that notice and take action as appropriate. Other steps and interventions could also follow. Issuing a s114 notice would not resolve the financial challenge on its own – some form of capitalisation direction would still be required.

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

- Known risks have been identified.
- The estimates are based on the best available information at this stage.
- Known spending pressures of £45.3m have been built into service budgets based on the latest estimates of current and future demand and prices.
- Noting the risks, the increase in corporate contingency to £25m.
- The level of reserves for managing risks and uncertainties is £5.441m at the end of March 2026 which is low but the MTFS includes a replenishment of £3m per annum from 2027/28 onwards (if achievable).
- The level of General Fund Reserve is maintained at £15m (if achievable) which represents 4.4% of the net revenue budget.
- The budget reductions of £23.2m for 2026/27 have been subject to due diligence to ensure some certainty on the delivery of change to deliver the reductions and increased income during 2026/27. Progress will be monitored and reported monthly internally and quarterly to Cabinet and Scrutiny Panels.
- Work has already commenced on preparations for developing longer term financial planning. An update on the financial position over the next five years will next be updated in the MTFS to Cabinet in summer / autumn 2026 with Cabinet being asked to consider in year budget proposals to reduce the 2026/27 EFS requirement rather than waiting until February 2027.
- The HRA is included as a separate report on the agenda and is reporting a balanced position for 2026/27 and across the next 10 years. A full review of the HRA plan will be carried out during 2026/27 to identify efficiencies and savings to improve the position in the medium term and move closer to the internally set target of an £8m contribution to capital each year.
- There is no current deficit for financial instruments in accordance with IFRS9. All treasury investments are currently through the Debt Management Office and Money Market Funds.
- The current statutory over-ride on the DSG deficit has been extended to March 2028. The Government is expected to set out plans to reform services for children with special educational needs and disabilities, “including ensuring councils are properly funded to help support and protect the most vulnerable children”. The Council is part of the Safety

Valve programme and good progress is being made towards the target of alleviating the in year deficit on the high needs block by 2028. However, this programme carries an element of risk and uncertainty beyond the Council's control in terms of the cost of placements and ongoing increases in demand for EHCPs. If the statutory over-ride is not extended beyond 2028 or the proposed reforms do not address the financial issues within the current system, any remaining deficit on the DSG needs to be funded by the Council and there are currently insufficient reserves should this scenario arise.

Conclusions

- The law requires that local authorities set and deliver a balanced budget for the following year by 11 March. This statement is my assurance to the Council that what is being proposed in the budget and council tax setting report will meet that requirement, but only if the EFS requirement of £89.2m is agreed by MHCLG.
- The financial forecast of the Council's MTFS for 2026/27 to 2029/30 shows that there is no identified short-term remedial action to balance the budget and use of Government Exceptional Financial Support, therefore, has had to become a necessity for 2026/27 and likely to continue to be so over the next three years.
- I am satisfied that the budget calculations for 2026/27 takes account of liabilities and financial risks based on the latest information and accounting for risk and uncertainty.
- The level of unallocated reserves for managing risks and uncertainties are too low to say they are adequate but every effort will be made to maintain the General Fund reserve at £15m and the draft budget assumes increased corporate contingency of £25m, an increase from £12m in the current year.
- The Council has arrangements to fulfil its statutory duties but only if its application for EFS is agreed by Government in February 2026.