


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 13 July 2023	
Report Title	FINANCIAL MONITORING: MONTH 2 (May)	
Cabinet Portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources	
Report Author/ Contact details	Ursula Gamble, Corporate Director of Financial Services Resources Directorate 020 8496 4636 ursula.gamble@walthamforest.gov.uk	
Wards affected	None specifically	
Public Access	OPEN	
Appendices	None	

1. SUMMARY

- 1.1 This report presents the forecast year-end position in respect of the Council's revenue expenditure. The month 2 monitor currently identifies net pressures of £15.955m which are due to a combination of pressures within Deputy Chief Executive's Directorate, Adult Social Care, Children's Social Care and SEND Services.
- 1.2 There are currently a number of unknowns around the impacts of inflation, the increasing cost of energy and the cost-of-living crisis for residents that could lead to additional pressures for the Council. These could all have an impact on the demand for services, as well as potential impact on the Council's ability to collect income from council tax, business rates, rents and other fees and charges.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
 - 2.1.1 **Note** the Council's financial ground rules that service directors are required to implement management actions to mitigate any pressures outlined in paragraph 3.1, before the use of corporate or reserves items are considered.

- 2.1.2 **Approve** £0.500m Investment in parks for the maintenance of play equipment and new provision to support 15 minute neighbourhoods to be funded from contingency.
- 2.1.3 **Approve** one off funding of up to £0.273m from contingency for 2023/24 and £0.574m in 2024/25, to implement a new operating model within Community Safety Service.
- 2.1.4 **Approve** £1.2m from contingency to fund the base budget issues for the Antisocial behaviour service for 2023/24, with ongoing resolution sought in the MTFS
- 2.1.5 **Approve** £0.938m for Accelerator Programmes resource costs across 2023/24 & 2024/25 to be funded from the budget strategy reserve.
- 2.1.6 **Approve** 0.153m for the Commissioning Quality Improvement project to be funded from the budget strategy reserve.
- 2.1.7 **Approve** £0.140m funding for Learning and Development Strategy Delivery Manager costs to be funded from the budget strategy reserve.
- 2.1.8 **Approve** funding from budget strategy reserve of £37k for additional hardware and £20k to fund technical upskilling in the Data & Intelligence service.
- 2.1.9 **Note** the transfer of £0.385m from the contingency to Technology and Digital Services to cover additional costs relating to telephony and licensing
- 2.1.10 **Note** the transfer of £0.013m from the contingency budget to Revenues and Benefits to cover the cost of collecting the Business Improvement (BID) Levy, following previous agreement that this would be funded corporately.

3. PROPOSALS

- 3.1 As at month 2 the projected General Fund outturn is an overspend of £15.955m due to various factors outlined below. The Council is monitoring and reviewing how the pressure can be managed to achieve a balanced position by the year end. Directorates are identifying plans to mitigate these pressures, in line with the financial ground rules. The table below shows a summary of the position by Service Directorate.

Service Directorate	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance Month 2
	£'000	£'000	£'000
Chief Executive	0	0	0
Deputy Chief Executive	9,132	10,256	1,124
People	144,733	159,721	14,988
Place	22,346	22,286	(60)
Neighbourhoods & Environment Directorate	28,991	28,991	0

Resources (Formerly Finance & Governance)	6,599	6,502	(97)
Total	211,801	227,756	15,955

3.2 At the start of 2022/23, the Council embarked on an exercise to identify £10m of savings to help mitigate rising budget pressure and contribute towards the budget gap in future years. As part of the exercise £6.746m was identified for the financial years 2022/23 and 2023/24 and these savings were removed from the base budget during the 2023/24 budget process. A further £0.525m was identified for 2024/25.

3.3 A recent exercise to track the progress of these savings was undertaken and identified £0.464m savings which were RAG rated red, or in other words undeliverable. Services have been asked to find alternative savings to mitigate the in year pressure. Savings rated amber are at risk of non-delivery or delayed and green savings are on track or already delivered. The table below provides a summary of the savings by directorate.

Summary of Current MTF5 Savings 2023/24-2024/25							
Update May 2023							
Directorate	2023/24 £'000	2024/25 £'000	Total		Green £'000	Amber £'000	Red £'000
Deputy Chief Executive	1,045	75	1,120		514	241	365
Resources	870	-	870		870		
Neighbourhood and Environment	1,355	195	1,550		1,550		
Place	877	255	1,132		1,092	-	40
People	2,599	-	2,599		1,560	980	59
Overall Totals	6,746	525	7,271		5,586	1,221	464
					77%	17%	6%

3.4

3.5 These savings will be reviewed monthly, and any new savings approved will also be incorporated.

Accelerator Programme

3.6 Accelerator Programmes are flagship programmes that will act as a catalyst for positive change, particularly aligned to our 15 Minute Neighbourhood Framework and Marmot recommendations.

3.7 The four areas to be covered are Culture Walthamstow – developing Walthamstow into a premier cultural destination; Sports and Leisure- Create a truly connected and integrated collection of world class venues offering a diverse range of sporting opportunities (catalyst for addressing health inequalities); Whipps Cross Hospital- A coordinated campaign to deliver a new Whipps Cross Hospital fit for the future; and University of Portsmouth- In partnership, deliver a civic university in the borough, harnessing inward investment and which will act as a catalyst for a new approach to jobs, skills and employment.

DEPUTY CHIEF EXECUTIVE DIRECTORATE - Shazia Hussain

- 3.8 The position for Deputy Chief Executive at month 2 is an overspend of £1.124m, details of which are provided below. The table below shows forecast spend against the budget.

Deputy Chief Executive	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance Month 2
	£'000	£'000	£'000
Deputy Chief Executive	(101)	(101)	0
Communications & Strategy	149	149	0
Technology	1,468	1,468	0
People, Organisation Dev & Business Support	0	554	554
Change, Strategy, Insight & Communities	6,628	7,093	465
Customer Strategy & Digital	291	291	0
Climate and Behaviour Change	697	697	0
Bad Debt Provision	0	105	105
Total	9,132	10,256	1,124

People, Organisation Development & Business Support

- 3.9 The service is forecasting an overspend of £0.554m the majority of which sits in Business Support. The major variations are detailed below;
- 3.9.1 **Families Business Hub;** The £0.130m overspend in this area is mostly due to expenditure upgrading systems and equipment to improve the service. In addition, there is a small salary overspend.
- 3.9.2 **Corporate Business Hub;** The overspend of £0.383m in this area is mostly due to salary overspends

Customer Strategy & Digital Change

- 3.10 This service is forecasted to overspend by £0.561m as at month 2. This is mostly in the Libraries, Registrars and Ceremonies service (£0.593) due to a shortfall in income against budget and salary overspends both of which are mainly in the Library Service, these have been offset by underspends within Quality Assurance (£0.031m) as a result of part year vacancies
- 3.11 **Bad Debt**
- 3.12 There is a forecasted overspend of £0.105m within bad debt provision as at month 2. In line with the Council's policy, all debts over 181 days require a 100% bad debt provision to be set up.

PEOPLE – Heather Flinders

- 3.13 The month 2 position for People is a projected overspend of £14.988m. Adult Social Care is forecasting an overspend of £8.651m and a further

£4.285m relates to Children's Social Care. In addition, SEND Services is forecasting an overspend of £2.319m. These overspends are offset by an underspend of £0.267m in Traded Services. Further detail is provided in the paragraphs below, with a summary shown in the table;

People	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance Month 2
	£'000	£'000	£'000
Strategic Director of People Division	(1,071)	(1,071)	0
Children's Social Care	41,334	45,619	4,285
Education	1,354	1,354	0
School Support	17,369	17,369	0
Early Help	2,768	2,768	0
Adult Social Care	72,115	80,766	8,651
Public Health Ringfenced	(42)	(42)	0
Public Health Other	315	315	0
Waltham Forest Traded Services	2,895	2,628	(267)
SEND Services Division	7,696	10,015	2,319
Total	144,733	159,721	14,988

Adults Social Care

3.14 The service is projected to overspend by £8,651m as at month 2.

Adults Social Care	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance Month 2
	£'000	£'000	£'00
Home First	8,399	9,662	1,263
Care & Quality Standards	63,716	71,104	7,388
Total	72,115	80,766	8,651

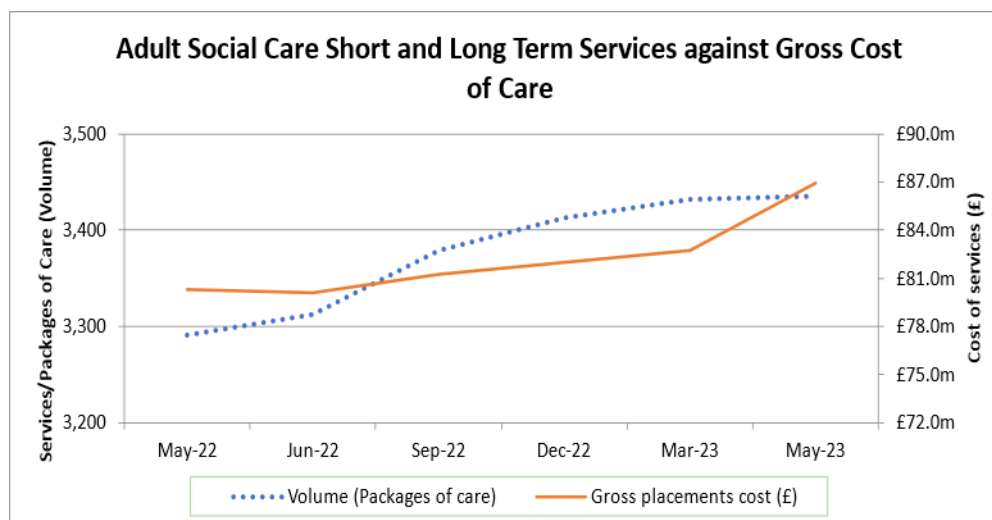
3.15 The overspend in this area is predominantly related to Care placements and packages across all Adults cohorts, both 18 to 64 and 65 plus, approximately £8 million. The remaining pressure in the forecast includes Community Equipment and Telecare, both currently being reviewed.

3.16 There continues to be significant and increased pressure on Adult's placement's needs, volume and costs. There is evidence of inflationary pressures on unit prices and increasing pressure from both 18-64 and 65 plus cohorts. This area is very volatile so a detailed review each month is carried out to refresh the forecast. In addition to last year's pressure the forecast also includes:

- (a) The full year impact of the net increase in client numbers during 2022/23 of 209 (i.e. 180 net increase for working age and 29 net increase in 65+) It should be noted that Residential / Nursing placements have only increased by 4 last year, the remaining numbers are in community/home-based care. This illustrates the services intention to keep people at home and

independent for as long as possible. The estimated impact of this, on the forecasts for 2023/24 is around £1.7 million

- (b) Assumptions of increased demand and inflationary uplifts for the full year 2023/24 of around £3 million have been built into Month 2 forecast. This will be reviewed each month.
- (c) The continuation of the discharge to assess protocol and reviewing the use of reablement and its impact of reducing the ongoing costs.
- (d) The loss of one-off benefits in 2023/24 compared to last year are contributing to the pressure, including overall Hospital Discharge Funding.
- (e) Increased complexity of packages and pressures in the provider market, especially the impact of the cost-of-living crisis is seen in increasing rates in newer care packages
- (f) Some of these additional costs are mitigated in part by the ASC Precept, the increase in the Market Sustainability Grant and increase in the Social Care Grant allocation for 2023/24. This additional funding broadly covers the increased in year demand and costs for 2023-24.
- (g) The Graph shows overall External Placements care packages and spend in Adults Social Care.

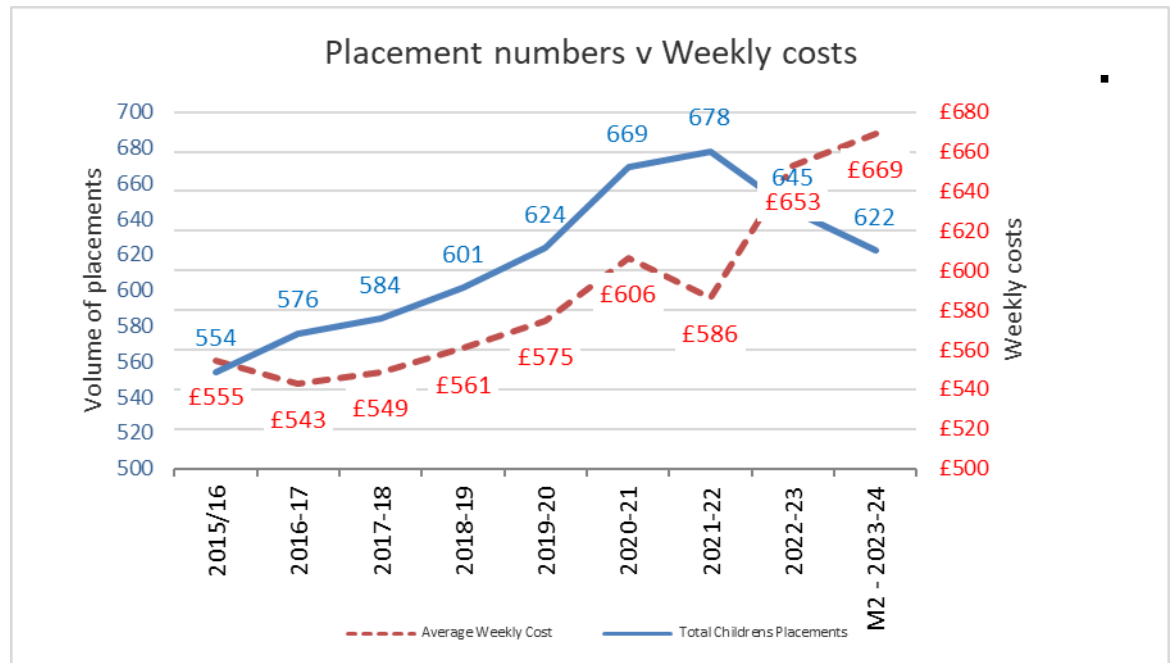


Children's Social Care

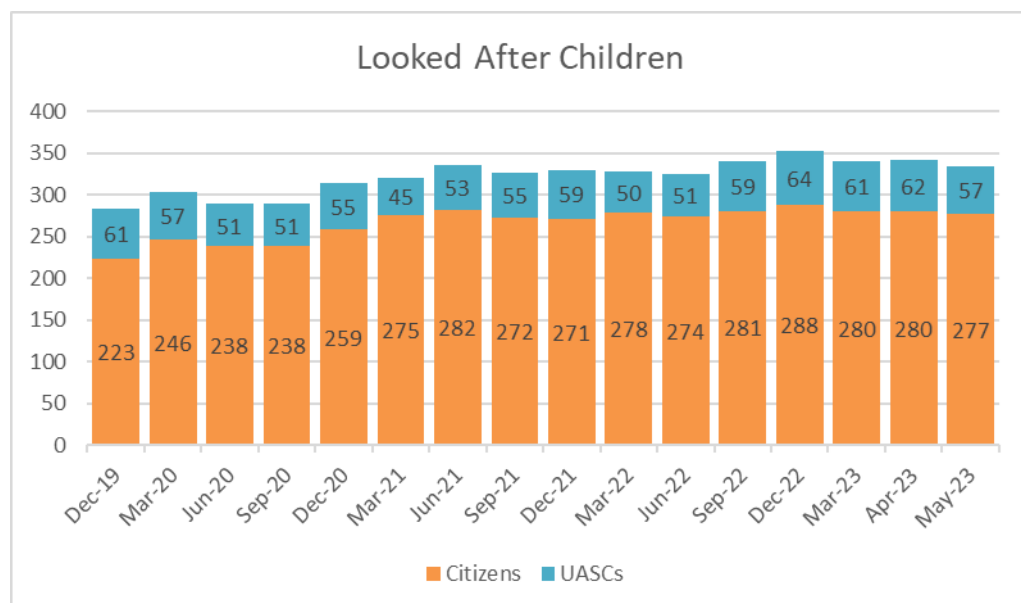
(Inclusive of the Youth and Family Resilience Service)

- 3.17 Children's Social Care is forecasting an overspend of £4.285m against budget. This is £2.4 million higher than the 2022-23 outturn figure but the budget for 2022-23 included £2 million of one-off corporate support.
- 3.18 Staff costs are currently expected to overspend by £1.019m. This is predominately due to agency costs.
- 3.19 Alternative home costs are forecast to overspend by £1.929m due to increased average costs charged by providers.

- 3.20 As reflected in the graph below average weekly costs have continued to increase but there is a reduction in the number of young people being accommodated. (The graph relates to both Citizens and UASCs but excludes remands). This is based on the roll over commitment from last year plus any changes in placements in April and May.



- 3.21 The number of Looked after Children (LAC) at the end of May 2023 decreased by 7 to 334 compared to 341 at the end of March 2023. 4 of whom are Unaccompanied Asylum Seeking Children (UASCs). LAC is a sub-set of all the children & young people accommodated, on top of the LAC there are care leavers 18+ and adoption orders, child arrangement orders and special guardianship orders to equal the total placement numbers above.



- 3.22 Net of the grant, Remand costs are forecast to overspend by £0.362m as there are currently 3 young people in Youth Justice Secure provision. This is not an avoidable cost to the Council and extremely difficult to predict.
- 3.23 Section 17 costs are currently forecast to overspend by £0.501m which is a decrease of £0.256m on the previous year. A review of Section 17 expenditure has been launched. (Section 17 of Children Act 1989 includes family assessments, temporary accommodation, and subsistence allowances, all of which ought to be short-term as well as funding family support workers.)
- 3.24 Unmet Housing needs for citizens are forecast to spend £0.307m, this is partially offset by a forecast underspend for families with No Recourse to Public Funds by £0.169m
- 3.25 The budget for the legal spend is projected to be exceed by £0.485m and the budget for Barristers fees is projected to be exceeded by £0.324m, due to an increased need in Children's cases.

Special Educational Needs and Disability Service

- 3.26 The SEND service is forecasting an overspend of £2.319 million, an increase of £0.070m on the prior year.
- 3.27 Travel assistance is forecast to overspend by £1.078m. The overspend comprises the full year effect of the new bus transport contract £0.798m; taxis £0.304m; other Local Authorities and independent travel training (£0.046m).
- 3.28 Preparing for Adulthood services is forecasting a net overspend of £0.973m. This net figure comprises overspends of £0.908m for places in residential homes, this compares to the 2022-23 outturn of £0.837m. There are 5 additional placements this year at £0.227m, offset by an increase in client contributions of £0.066m and a small drop in day care of £0.025m. The remaining overspend is made up of £0.100m for supported lodgings and £0.180m for day care; offset by extra income of £0.179m from direct payment recoupment and £0.100m from client contributions.

Traded Services

- 3.29 Traded Services are projected to underspend by £0.267m. This includes an overachievement of income targets for Governors and Schools HR Services.
- 3.30 The Catering Service is forecasting a favourable variance of £0.187m. This forecast has been based on the Mayor's new Universal Primary Free School Meals scheme which goes live in September 2023. The assumptions made assume an increase in schools' uptake of the service from September 2023 from 64% to 85% through to the end of March 2024, and 34 new staff recruited to cover this. This assumption is based on The Mayor's Office recommendations as well as advice from other LA's already delivering primary free school meals.

Public Health: Joe McDonnell

- 3.31 Public Health (both ring-fenced and non-ring-fenced) is forecasting to budget. The Public Health grant for 2023/24 is £17.6 million and the reserve currently is £4 million.

PLACE - Stewart Murray

- 3.32 Place directorate is forecasting a £0.060m underspend as at month 2. The table below shows the outturn position for the services:

Place	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance Month 2
	£000's	£000's	£000's
Strategic Director	163	163	0
Property & Delivery	5,589	5,589	0
Regeneration Planning and Delivery	5,000	5,000	0
Culture and Destinations	2,185	2,185	0
Housing General Fund	9,409	9,349	(60)
Housing Revenue Account	0	0	0
Total	22,346	22,286	(60)

Housing General Fund

- 3.33 The latest Housing General Fund (HGF) position is shown in the table below and is currently forecasting an underspend of £0.060m. The financial challenges within the HGF budget arise mainly from homelessness demand, although the number of households in temporary accommodation (TA) was on a downward trajectory throughout 2022/23, it is widely expected to increase during 2023/24.

Housing General Fund	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance 2023/24
	£000's	£000's	£000's
Housing Advice, Prevention & Supply	2,670	2,670	0
Nightly, B&B & PSL / Property Mngt	3,218	4,078	860
Private Lettings WF	1,390	530	(860)
Rough Sleepers	(8)	(8)	0
Other	1,250	1,190	0
Overheads & ICT	890	890	0
Total	9,410	9,350	(60)

- 3.34 It is expected that the cost-of-living crisis could significantly increase demand on the Homelessness Service in 2023/24, with projected increases in expenditure between 25-40% (approx. £2.8m-£3.9m).
- 3.35 The over-arching strategy to mitigate future demand increases is to accelerate the Council's acquisition programmes and provide a ready supply of housing to support households to exit TA (and reduce the net cost to the HGF budget). The More Homes Waltham Forest joint venture completed its programme of acquisitions during 2021/22 and a

second joint venture is also being pursued to follow on from the first and ensure a stream of properties continue to be made available throughout the year.

Housing Revenue Account (HRA)

- 3.36 The Housing Revenue Account (HRA) position is detailed in the table below and is currently projecting to breakeven for 2023/24.

HRA Service	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance 2023/24
Rents	(64,753)	(65,003)	(250)
Right to Buy	(913)	(1,363)	(450)
Total Income	(65,666)	(66,366)	(700)
Asset Management	19,053	19,812	759
Housing Operations	11,527	12,371	844
Housing Strategy & Options	4,592	4,660	68
Housing Delivery	860	871	11
Corporate Items	29,634	28,652	(982)
Total Expenditure	65,666	66,366	700
HRA Total	0	0	0

- 3.37 The other key risk to have materialised on the HRA is the outcome of the appeal on the Thames Water test case involving the Royal Borough of Kingston (back in October 2020). Refunds have been made for current tenants and the team are currently in the process of issuing refunds for former tenants where applicable, there was a provision made in prior years meaning no impact on the HRA budget this year.
- 3.38 Some estimates in relation to energy costs, for both gas and electricity, and repairs and maintenance inflation have been revised versus the assumptions included in the business plan. In addition, there is increased income for Leaseholders service fees providing some mitigating cost savings which has helped to offset some increased costs within Asset Management relating to Waking Watch and backlog of works.
- 3.39 The rent increase for the year equated to an average of 7%, which represents the fourth year of rent increases under the current rent regime. Collection figures on rental income will be closely monitored throughout 2023/24 to assess the impact on the need to make greater provision for bad debt on both HRA income and rent collection for TA and at this stage an increase in rental income is projected.

NEIGHBOURHOODS AND ENVIRONMENT DIRECTORATE (Debbie Porter)

- 3.40 The Neighbourhoods and Environment Directorate is forecasting breakeven at month 2, subject to an increase in base budget funding in relation to community safety, mentioned in paragraph 2.1.3. Any risks identified that may lead to budget pressures are being monitored in anticipation of mitigating as much as possible within the directorate.

Neighbourhoods & Environment Directorate	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance 2023/24
Strategic Director	178	178	0
Neighbourhood Services	24,215	24,215	0
Regulatory Services and Contingency Planning	2,400	2,400	0
Community Safety	2,198	2,198	0
	28,991	28,991	0

- 3.41 At Month 2 Community Safety and Resilience is forecast a breakeven position. Community Safety relies on external funding and recharges to Housing which is currently subject to a review.

RESOURCES (Rob Manning)

- 3.42 As at month 2, the projected outturn position is a £0.097m underspend.

Resources	Latest Budget 2023/24	Projected Outturn 2023/24	Net Variance Month 2
	£000's	£000's	£000's
Director of Finance & Governance	(1)	(1)	0
Financial Services	(26)	(26)	0
Audit & Anti-Fraud	(10)	(10)	0
Revenues & Benefits	4,567	4,567	0
Treasury & Pensions	137	137	0
Return on Investment	506	506	0
Governance & Law	1,426	1,329	(97)
Total	6,599	6,502	(97)

- 3.43 The outturn position is due to vacancies being held within the Governance & Law Service, partly offset by projected overspends within the Coroners and Mortuary Services.

Council Tax

- 3.44 The table below summarises the collection rate trend for Council Tax.

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
In year	%	%	%	%	%	%	%	%	%
15/16	96.0								
16/17	97.4	96.1							
17/18	98.0	97.4	96.1						
18/19	98.3	97.9	97.3	96.0					
19/20	98.5	98.2	97.8	97.1	95.8				
20/21	98.7	98.0	98.0	97.5	96.5	93.8			
21/22	98.7	98.6	98.2	97.8	97.2	96.2	94.9		
22/23	98.9	98.7	98.4	98.0	97.5	96.7	96.3	95.3	
23/24	98.9	98.7	98.4	98.0	97.5	96.8	96.4	95.2	10.7

Business Rates

- 3.45 The table below summarises the collection rate trend for Business Rates.

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
In year	%	%	%	%	%	%	%	%	%
15/16	97.2								
16/17	98.6	97.2							
17/18	99.0	98.4	97.5						
18/19	99.1	98.7	97.7	97.0					
19/20	99.3	98.8	98.4	97.6	96.0				
20/21	99.2	98.8	98.0	97.2	95.3	78.7			
21/22	99.3	99.1	98.5	98.0	96.8	91.0	91.5		
22/23	99.4	99.2	98.8	98.6	97.7	94.9	95.7	95.1%	
23/24	99.4	99.2	98.8	98.6	97.6	94.8	95.8	95.3%	8.2%

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 Much of this report is concerned with provision of information, for which alternative options is not a relevant consideration.

5. COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1. The entire content of this report contributes to the corporate priority to Achieve Excellence and Ensure Value for Money.

6. CONSULTATION

- 6.1 Executive Directors and Portfolio Holders have been consulted.

7. IMPLICATIONS

7.1 Finance, Value for Money and Risk

- 7.1.1 The whole report is of a financial nature. The key purpose of the report is to monitor the Council's overall financial performance against assumptions contained in the MTFs. To maintain the robustness of the

Council's finances and budget plans, effective budgetary control by services will continue to be essential and will help the Council to maximise the resources available to meet its priorities.

- 7.1.2 Given the nature of the Cost-of-Living emergency and the estimated financial exposure, the Council must have due regard to Section 114 of the Local Government Act 1988. The Section 114 powers of the chief finance officer (CFO) under the Local Government Finance Act 1988 require the CFO, in consultation with the Council's monitoring officer, to report to all the authority's members if there is, or is likely to be, an unbalanced budget. It remains a priority that the Council achieves a balanced budget that is sustainable for each financial year over the medium-term financial strategy period. Where there are significant pressures, it is expected to be mitigated by directorates in line with the ground rules for financial control. The current MTFS including reserves – means that Section 114 is unlikely to be needed in the current year. If the pressures are established to be on-going, they will need to be picked up in the MTFS refresh and potentially could result in a budget gap that would need to be resolved through the use of reserves or savings. Therefore, it is important that all services tightly control their budgets and bring forward surpluses or efficiencies if possible.
- 7.1.3 Many of these pressures relate to demand led services. There is a risk for years that these costs become on-going and put pressure on the MTFS. Therefore, it is essential that Strategic Director manage this risk by exploring changes to service delivery that will reduce demand pressures in future and efficiently manage the pressures that we are experiencing (both cost and volume) to protect the provision of services generally.
- 7.1.4 In relation to sanctions against Russian companies and individuals, the council have taken a high-level approach but have identified no direct link between Russia and the supply chain. The council have also looked at the pension fund and have not identified direct investments in Russia other than a small amount invested through the London Collective Investment Vehicle which is being managed.
- 7.2 **Legal**
- 7.2.1 There are no direct legal implications.
- 7.3 **Equalities and Diversity**
- 7.3.1 An initial equality analysis was undertaken, and if determined there was no negative impact arising from the information or changes proposed in this report on the advancement of equality. The support of No Recourse to Public Funds clients are areas that continue to contribute to the Council's commitment to protecting the most vulnerable and help meet the equality duty.
- 7.4 **Sustainability (including climate change, health, crime and disorder)**

7.4.1 A stable financial position means that the Council is more able to fund urgent health priorities as they arise. Services to older people experienced pressures and needed careful management.

7.5 Council Infrastructure

7.5.1 There are no direct council infrastructure implications.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None