


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 13 July 2023	
Report Title	REVENUE AND CAPITAL OUTTURN 2022/23	
Cabinet Portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources	
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Wards affected	Not ward specific	
Public Access	OPEN	
Appendices	1 - ANALYSIS OF SERVICE VARIANCES 2 - CAPITAL OUTTURN 2022/23 2(i) - CAPITAL CARRY FORWARD REQUESTS 3 - PROVISIONS AND RESERVES 4 – CAPITAL FIRST REVIEW	

1. SUMMARY

- 1.1 The Council approved its Medium Term Financial Strategy for 2022/23 to 2024/25 and detailed budget for 2022/23 at Budget Council on 3rd March 2022. This report updates Cabinet on the final year end outturn position for revenue and capital expenditure for 2022/23, as well as providing the final position for the HRA and Schools budgets. It assesses the effect on the Council's funds and balances as at 31st March 2023 and on the agreed budget strategy for 2023/24, providing explanations for major variances.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:

2.1.1. **Note** the Revenue and Capital Outturn for 2022/23.

2.1.2. **Approve** the Capital carry-forwards in respect of programme slippage totalling £50.5 million at Appendix 2(i).

2.1.3. **Note** the movement of reserves at Appendix 3.

2.1.4. **Approve** the Capital First Review Appendix 4.

3. PROPOSALS

3.1 Revenue Expenditure

3.1.1. The Council continues to operate in financially uncertain times. The impact of increases in inflation (consumer price index, CPI) has had a significant impact on the Council's as well as residents' finances. The 2022/23 budget strategy incorporated assumptions on pay and contract inflation, interest costs and energy pricing which looked reasonable at the time, but the final actual positions were very different. Looking forward, although CPI is beginning to reduce, it is unlikely that actual costs will reduce. The longer-term impact of the economic position on the Council is uncertain and the continuation of one year financial settlements for local government make it difficult to plan in the longer term. The Council has again experienced high demand in relation to both Adults and Children's Social Care and this has had a significant impact on the Service outturn position.

3.1.2. The final outturn position is a net nil variance after making a transfer of £0.773 million to the Budget Strategy Reserve. There was however, an overspend of £14.557 million against Service Directorates budgets which was offset by underspends against corporate expenditure budgets and additional income received in relation to Business Rates. The overspend for Service Directorates includes an increase in the bad debt provision of £3.5 million and predominantly explains the difference with the month 10 monitor.

3.1.3. All budgets are regularly reviewed for any on-going impact and any issues arising will be addressed in budget monitoring reports throughout the year.

3.1.4. A Directorate summary of the outturn for the General Fund for 2022/23 is set out below, showing a comparison against the latest budget and the month 10 variance. Full details and an explanation for the variances can be found in Appendix 1.

EXPENDITURE	Latest Budget	Actual Spend	Variance from budget	Variance as at Month 10	Movement since Month 10
		2022/23	2022/23	2022/23	2022/23
		£'000	£'000	£'000	£'000
Chief Executive	8	8	0	0	0
Deputy Chief Executive	13,946	14,568	622	1,047	(425)
Finance and Governance	10,721	10,300	(421)	0	(421)
People	144,454	158,107	13,653	9,188	4,463
Place	57,225	57,928	703	567	136
DIRECTORATE & SERVICE TOTAL	226,356	240,911	14,557	10,802	3,753
Corporate Budgets	681	(9,352)	(10,034)	0	(10,034)
TOTAL EXPENDITURE	227,037	231,559	4,523	10,802	(6,281)
Contribution to Budget Strategy Reserve	0	773	773	0	773
RESOURCES					
Council Tax Income	(121,409)	(121,409)	0	0	0
NNDR Local share	(26,370)	(32,784)	(6,414)	0	(6,414)
NNDR Top Up Grant	(49,439)	(48,439)	1,000	0	1,000
Collection Fund Surplus	(2,579)	(2,449)	131	0	131
Specific Government Grants	(27,238)	(27,251)	(14)	0	(14)
TOTAL RESOURCES	(227,035)	(232,332)	(5,296)	0	(5,296)
NET EXPENDITURE	0	(0)	0	10,802	(10,802)

3.1.5. Within Corporate Expenditure, there was an underspend of £10.034 million. This is made up two main elements, an underspend of £1.202 million on redundancies and ill health retirements budgets and a further £9.619 million underspend on the contingency budget, these are offset by minor overspends in relation to Interest and Capital Financing. Much of the underspend in contingency is one off and so will not be available to offset overspends in future years.

3.1.6. Within the Grants and Taxation income there was an underspend of £5.296 million. This is made up of two elements, the first is the income from the Business Rates pool and the second relates to additional section 31 grant received that was not originally budgeted. Both of these amounts are one off in nature.

3.2 Priorities Fund

3.2.1. The spend on the Priorities Fund totalled £1.265 million in 2022/23 and is set out in the table below. The balance on the Priorities Fund reserve at year end is £1.455 million.

Project Name	Actual Spend 2022/23 £'000
Holiday Activity Programme - Easter & Summer schools	435.0
Free swimming	175.0
Summer Universities (Youth)	60.0
Anti-Gang Funds	180.0
Hate Crime officer	56.7
Black History Month	7.3
EDI Making a Living Summit & Strategy	58.0
Windrush Commission	35.0
Jubilee Events programme	106.0
Laugharne Festival	20.0
Winter Response - Community Based Interventions	75.0
Innovation Fund for Democracy and Participation	4.5
Pride of Waltham Forest Awards	42.0
Chanukah Leytonstone Synagogue	5.0
Christmas Hampers	2.4
Lloyd Park Children's Charity Support	3.0
Total Expenditure	1,264.9

3.3 Capital Expenditure

3.3.1. Expenditure Budget for the year was £165.4 million and actual expenditure was £114.9 million. The underspend of £50.5 million represents slippage against the budget profile on a range of schemes across the programme. The table below shows a summary of expenditure at directorate level with details set out in Appendix 2.

Capital Summary	2022/23 Revised Budget	2022/23 Expenditure	2022/23 Variance
	£m	£m	£m
DEPUTY CHIEF EXEC'S DIRECTORATE			
ICT	6.7	5.4	(1.3)
STRATEGY INSIGHT AND COMMUNITIES	0.0	0.0	0.0
CLIMATE EMERGENCY FUNDING	1.5	0.5	(1.0)
sub-total	8.2	6.0	(2.3)
PEOPLE DIRECTORATE			
ADULT SOCIAL CARE	0.2	0.0	(0.2)
sub-total	0.2	0.0	(0.2)
PLACE DIRECTORATE			
NEIGHBOURHOODS	11.0	6.4	(4.6)
REGENERATION, PLANNING AND DELIVERY	5.1	2.2	(2.9)
PROPERTY AND DELIVERY	53.9	38.5	(15.4)
SCHOOLS PROGRAMME	15.7	14.4	(1.3)
HOUSING DELIVERY/OPERATIONS (GF)	8.8	11.8	3.0
HOUSING DELIVERY/OTHER (HRA)	23.6	12.0	(11.6)
HOUSING ASSETS (HRA)	38.9	23.7	(15.2)
sub-total	156.9	108.9	(48.0)
TOTAL CAPITAL PROGRAMME	165.4	114.9	(50.5)

- 3.3.2. Overall, the Capital Programme has slippage of £50.5 million. The capital carry forwards, detailed in Appendix 2(i), represent previously agreed funding being retained for capital schemes and will be incorporated into the capital programme first review for 2023/24.
- 3.3.3. As part of the Capital First Review officers have undertaken a detailed review of the forward looking capital portfolio financial programme, this review has established a revised annual budget for 2023/24's capital portfolio of £144.8 million and a revised 5 year capital budget of £485.1 million based on latest delivery plans.

3.4 PROVISIONS AND RESERVES

- 3.4.1. At 31 March 2023, the authority held provisions totalling £11.995 million (excluding bad debt provisions), and earmarked reserves of £69.402 million (excluding working balances, HRA, schools and grants related reserves). A summary of provisions and reserves are set out at Appendix 3. Details of service reserves utilised during the year are included in Appendix 1.
- 3.4.2. When the Council receives grants that have specific conditions and there is a possibility that they may have to repaid, any balances not used for that purpose given, remain as creditors on the balance sheet. All other grants are retained within the Council usable reserve balances on the balance sheet and at 31 March 2023, these total £22.227 million.
- 3.4.3. The balance of Capital Grants Unapplied has increased from £2.294 million to £3.793 million at the end of 2022/23 to fund in-year capital expenditure.

Provisions

- 3.4.4. The Council is obliged to set aside provisions for known liabilities, but where the timing is uncertain. The balance at 31 March 2023 totals £11.995 million. The insurance provision is £5.535 million and represents the estimated value of all potential claim liabilities incurred to 31 March 2023.
- 3.4.5. There is also a provision for Business Rates Appeals of £1.249 million which relates to the Council's share of current appeals made by businesses with regards to the level of business rates they have been charged for. The remaining provisions predominantly relate to Term Time employees.

Reserves

- 3.4.6. Central reserves total £103.103 million. Within this is the Budget Strategy Reserves (BSR) of £14.129 million which is an integral part of the budget strategy providing support to maintain a balanced budget over the MTFS period. Total reserves have reduced by 15% or £18.4 million from £121.508 million at April 2022 to £103.103 million at 31st March 2023. A summary of the reserves is shown below

	1st April 2022 *	Contributions to funds	Use of funds	31st March 2023
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	£'000	£'000	£'000	£'000
Corporate/Cross cutting	47,238	6,975	12,034	42,180
Budget/Investment Strategy	17,482	8,384	11,737	14,129
Total Corporate reserves	64,721	15,359	23,771	56,309
Service Reserves	13,609	11,934	12,450	13,093
Total reserves	78,330	26,520	36,221	69,402
Grant related reserves	23,042	27,257	28,072	22,227
Schools reserves	16,514	6,937	13,628	9,823
HRA reserves	3,622	15,478	17,449	1,651
TOTAL	121,508	76,192	95,371	103,103

**The opening balance includes an adjustment to the opening balance of £6.7m in relation to schools reserves*

- 3.4.7. It should be noted that provisions and earmarked reserves can only be used for the purposes for which they were set up as per the financial ground rules - the S151 officer controls their use. Where reserves are requested for reasons other than they were set up, Member approval is sought through the monthly Financial Monitoring report. There is a policy to raise provisions and reserves up to a level where there is the ability to deal with financial pressures in-year without derailing the budget strategy for that year.

Budget Strategy Reserve

- 3.4.8. The Budget Strategy Reserve (BSR) stands at £14.129 million. This will be used to support the MTFS going forward, invested to deliver future savings through Members' priorities. The table below shows a summary of contributions and drawdowns against the reserve during 2022/23.

Budget Strategy Reserve (BSR)	£'000	£'000
Contributions in year		
Realignment of reserve balances	4,477	
Transfer net underspend to reserve	773	
		5,250
Soho Theatre	(359)	
2022/23 Pay award uplift	(4,334)	
Allocation of Pension deficit	(453)	
Funding for Family Change Team	(273)	
Funding for VHM ROI development cost	(127)	
Funding for Better Gov contract	(188)	
Families in Housing Need	(124)	
Digital innovation funding	(51)	
Capital Financing for Climate Change	(226)	
Fair Deal Programme	(2,314)	
Contributions from Fair Deal Funds	(154)	
		(8,603)
Total movement		(3,353)

Fair Deal programme funding

- 3.4.9. The Fair Deal programme reports total spend of £6.277 million across a number of different projects compared to an original budget of £10.838 million. The individual projects are included within the table below:

Fair Deal Programme	Total Approved Budget (all years)	Outturn 2022/23	Cumulative Spend to date (all years)
	£'000	£'000	£'000
Fair Deal Project	6,289	2,314	4,138
Capital - CSAMG	1,000	226	260
Climate Emergency	1,552	523	1,004
GLA Fund (MAP) (estimated)	250	0	-
Public Health Reserve	200	43	86
COMF	751	184	696
DfE's Regional Recovery Fund	196	0	-
Home Office Domestic Violence Funding	600	0	93
Total	10,838	3,290	6,277

- 3.4.10. The Fair Deal Project reports spend of £2.314 million in 2022/23 and total cumulative spend of £4.138m..
- 3.4.11. The spend to date for Climate Emergency is £1.004 million and the remaining budget if approved, programmed for 2023/24.
- 3.4.12. Capital funded projects, including CCTV Infrastructure and Critical Incident Management System which target community safety and Anti-Social Behaviour, the remaining budget is programmed for spend in 2023/24 and 2024/25.
- 3.4.13. All other projects will be reviewed during 2023/24 and budgets realigned if no longer required.

3.5 BALANCES

- 3.5.1. The General Fund working balance at year end is £14.906 million (6.3 % of net expenditure). At Cabinet in September 2009, Members agreed a minimum level of General Fund reserves of £10 million and a maximum of £15 million. The balance as at 31 March 2023 is therefore within these parameters and is consistent with the MTFS assumptions.
- 3.5.2. The HRA working balance is currently £6m as at 31st March 2023.

3.6 COUNCIL TAX AND BUSINESS RATES

- 3.6.1. In year collection rates improved on recent years, with the final rate achieved for council tax being 95.3 % (94.9% in 2021/22) and the final rate for Business Rates was 95.1 % (91.48% in 2021/22).
- 3.6.2. Overall Council tax income was higher than anticipated and the final surplus on the council tax collection fund was £3.452 million, this is £0.24 million higher than estimated on 15th January 2023.
- 3.6.3. Business rate income was also higher than anticipated, with the NNDR collection fund achieving a surplus of £2.755 million, the first time a surplus had been achieved since 2019. This was higher than the £0.195 million deficit estimated on 15th January 2023 and the change is due to a reduction in the bad debt provision (£1.7 million) due to improved collection rates and also changes in reliefs which resulted in circa £1 million in additional income.
- 3.6.4. Waltham Forest is part of a Business rates Pool along with six other London Boroughs and the City of London. The income received from the Pool in relation to 2022/23 is £2.059 million, however this is based on estimates and the final figure may change once all Boroughs have submitted their accounts. Waltham Forest have agreed to continue to be in the pool for 2023-24.

3.7 STATEMENT OF ACCOUNTS

2019/20

- 3.7.1. The Council is in the process of finalising the 2019/20 statement of accounts with our auditors EY. The conclusion of the audit of these accounts has been delayed due to a national issue of material technical accounting nature in relation to the valuation of infrastructure assets. In order to resolve this issue CIPFA (the Chartered Institute of Public Finance and Accountancy) issued revised guidance to local authorities in January 2023 on the accounting treatment for infrastructure assets. In addition, the Government issued a statutory instrument [The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022]. The statutory instrument and revised CIPFA guidance have enabled the outstanding accounting issue to be resolved.
- 3.7.2. Following the resolution of these outstanding issues, it is anticipated that the final audited accounts for 2019/20 will be presented to the Council's Audit and Governance Committee in July for consideration and sign-off.

2020/21

- 3.7.3. The audit of the 2020/21 accounts is in progress and the Council is working with its external auditors EY on a timescale to draw this to a conclusion. It is anticipated that the audit will be concluded this summer and upon completion the final audited accounts will be presented to a future meeting of the Audit and Accounts Committee for consideration and sign-off.

2021/22

- 3.7.4. The Council is yet to commence the 2021/22 audit with our external auditors EY. The Council anticipates that this audit will commence in October 2023.

2022/23

- 3.7.5. The Accounts and Audit (England) Regulations 2011 require the Strategic Director of Finance & Governance to certify that the Statement of Accounts presents fairly the financial position of the Council each year by 31 May. The draft unaudited 2022/23 accounts were published on the Council's website on 22nd June 2023.
- 3.7.6. The Regulations also require Members to approve the Statement of Accounts by 30 September, after consideration of the External Auditor's Annual Governance Reports. Given that the audit of the 2022/23 accounts cannot commence until the prior year audits are completed, it is unlikely that the audit of the 2022/23 accounts will commence until at least early 2024.

CONCLUSION

- 3.8 Overall, there was a breakeven position compared to the revised budget.
- 3.9 The General Fund working balance as at 31 March 2023 is £14.906 million, which meets the target of having a balance between £10 million and £15 million. The levels of balances, reserves and provisions are considered adequate, to ensure that the Council is not exposed to significant financial consequences, should risks materialise and is broadly in line with the Reserves Strategy included as part of the MTFS.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 Carry-forward proposals were considered and are recommended for approval where there was sufficient justification.

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 Strategic Directors have consulted with Portfolio Holders and the Strategic Director of Resources has consulted with Directorate Heads of Finance in preparing this report.

7. IMPLICATIONS

7.1 Finance, Value for Money and Risk

- 7.1.1. The whole report is of a financial nature.

7.2 Legal

- 7.2.1. The proposals in this report are within the budget proposed by the Cabinet and agreed by Full Council.

7.3 Equalities and Diversity

- 7.3.1. There are no equalities and diversity impacts relating to this report.

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 (e.g. Human Resources, Accommodation or IT issues)**
- 7.5.1. There are no direct council infrastructure implications.

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

None