

London Borough of Waltham Forest

Report Title	Financial Monitoring: Month 9 (December)
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Meeting / Date	Cabinet, 22nd February 2024
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

Summary

- 1.1 This report presents the forecast year-end position in respect of the Council's revenue expenditure. The month 9 monitor currently identifies net pressures of £16.283 million which are due to a combination of pressures within across the directorates. This is an increase of £0.404 million from month 8.
- 1.2 There are currently a number of unknowns around the impacts of inflation, the cost-of-living crisis for residents and the increasing demand for temporary accommodation 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 Approve the transfer of £0.078 million from the contingency fund to Housing for the Housing Transformation Project as per paragraph 3.43.
3. Proposals
 - 3.1 As at month 9, the projected General Fund outturn is an overspend of £16.283 million, this is an increase of £0.404 million from month 8. Further details of the overall variance and changes since month 8 are outlined below.

- 3.2 The Council is monitoring and reviewing how the pressure can be managed to achieve a balanced position by the year end. Services have identified management actions totalling £12 million, some of these are already incorporated within the forecast and the balance will have an impact in 2024/25. The table below shows a summary of the position by Service Directorate.

Service Directorate	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	12	12	0	0	0
Deputy Chief Executive	10,342	11,530	1,188	1,227	(39)
People	142,749	156,248	13,499	13,656	(157)
Place	24,136	24,960	824	824	0
Neighbourhood and Environment	32,544	33,544	1,000	400	600
Resources	8,881	8,853	(28)	(28)	0
Corporate Expenditure	(218,664)	(218,864)	(200)	(200)	0
Total	0	16,283	16,283	15,879	404

- 3.3 It is anticipated that the service pressure will be funded predominantly from one-off corporate balances, additional business rates income from the eight-borough pool and a drawdown from reserves. However, it is dependent upon the final outturn position.
- 3.4 In addition to the above service pressures, there are potential additional risks that have not been reflected in the monitor. These risks include income pressures, in particular Planning and potential increases to those presenting as homeless. There is also a pressure, that is still being quantified, following the implementation of the Supported Living framework.
- 3.5 At the start of 2022/23, the Council embarked on an exercise to identify £10 million of savings to help mitigate rising budget pressure and contribute towards the budget gap in future years. As part of the exercise £6.746 million 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 £0.525 million was identified for 2024/25.
- 3.6 As at month 9, £0.259 million of savings were RAG rated red, or in other words undeliverable, no change from month 8. 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, no change from month 8. Green savings are on track or already delivered. The table below provides a summary of the savings by directorate.

Summary of current MTFS savings 2023/24 to 2024/25						
Directorate	2023/24 £'000	2024/25 £'000	Total £'000	Green £'000	Amber £'000	Red £'000
Deputy Chief Executive	1,045	75	1,120	862	0	259
Neighbourhood and Environment	1,355	195	1,550	1,550	0	0
Place	877	255	1,132	1,092	40	0
People	2,599	0	2,599	2,099	500	0
Resources	870		870	870	0	0
Totals	6,746	525	7,271	6,473	540	259
				88%	7%	4%

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

DEPUTY CHIEF EXECUTIVE DIRECTORATE - Shazia Hussain

The position for Deputy Chief Executive at month 9 is an overspend of £1.188 million, a reduction of £0.039 million compared to month 8. The table below shows forecast spend against the budget.

Deputy Chief Executive	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Deputy Chief Executive	(82)	(82)	0	0	0
Communications and Strategy	1,106	1,037	(69)	(48)	(21)
Technology Services	1,893	1,858	(35)	(35)	0
People Organisation Development and Business Support	(2)	674	676	678	(2)
Customer Strategy and Digital Channels	4,980	5,626	646	660	(14)
Change, Strategy Insight and Communities	1,599	1,569	(30)	(28)	(2)
Climate and Behaviour Change	848	848	0	0	0
Total	10,342	11,530	1,188	1,227	(39)

Customer Strategy & Digital Change

- 3.8 The overspend within the service is mostly in the Libraries, Registrars and Ceremonies service (£0.641 million) due to a shortfall in income against budget and salary overspends in the Library Service, these have been offset by underspends within Quality Assurance (£0.054 million) due to part year vacancies.

People, Organisation Development & Business Support

- 3.9 The service is forecasting an overspend of £0.676 million, a small improvement from month 8. the majority of which relates to Business support.
- 3.9.1 Recognising these financial challenges, proactive management measures, including a recruitment freeze, are being implemented,

alongside a Business Support Review to identify, and implement strategies for addressing these financial pressures.

PEOPLE – Christopher Spencer

- 3.10 The month 9 position for People is a projected overspend of £13.499 million, a decrease of £0.157 million since month 8. The following services are forecasting an overspend; £6.796 million relates to Adult Social Care, £3.641million to Children’s Social Care and £3.561 million to SEND Services. These overspends are offset by an underspend of £0.420 million in Traded Services and £0.080 million in Education. Further detail is provided in the paragraphs below, with a summary shown in the table.

People	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Strategic Director of People Division	(876)	(876)	0	0	0
Children's Social Care	41,430	45,071	3,641	4,047	(406)
Education	1,696	1,616	(80)	(80)	0
School Support	17,578	17,578	0	0	0
Early Help	1,687	1,687	0	0	0
Adult Social Care	71,447	78,243	6,796	6,851	(55)
Public Health Ring Fenced	(6)	(6)	0	0	0
Public Health Other	322	322	0	0	0
Waltham Forest Traded Services	2,795	2,375	(420)	(230)	(190)
SEND Services Division	6,676	10,237	3,561	3,068	493
Total	142,749	156,248	13,499	13,656	(157)

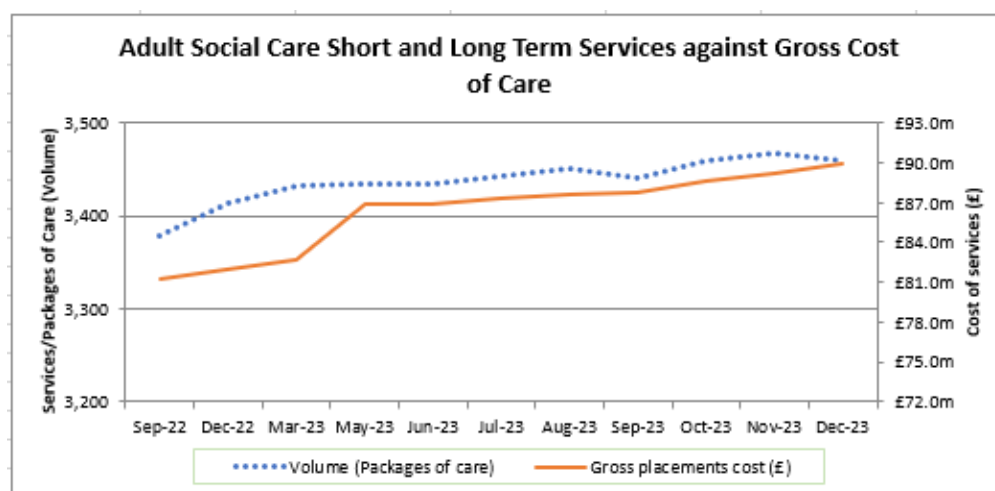
Adults Social Care

- 3.11 The service is projected to overspend by £6.796 million as at month 9, an improvement of £0.055 million from month 8.

Adults Social Care	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Home First	9,663	10,713	1,050	1,198	(148)
Care & Quality Standards	61,784	67,530	5,746	5,653	93
Total	71,447	78,243	6,796	6,851	(55)

- 3.12 The improvement is predominantly related to placements as result of a review of high-cost packages.

- 3.13 The overspend is predominantly related to Care placements and packages across all Adult cohorts, both 18 to 64 and 65 plus, totalling £6.3 million. The remaining pressure in the forecast includes Community Equipment and Telecare, both currently being reviewed.
- 3.14 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:
- Assumptions of increased demand and inflationary uplifts have been built into the Month 9 forecast. This will be reviewed each month, checked against actual movement, and adjusted where relevant to do so.
 - The continuation of the discharge to assess protocol and the review of the use of reablement which should reduce ongoing costs.
 - 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.
 - The Graph shows overall External Placements care packages and spend in Adults Social Care.

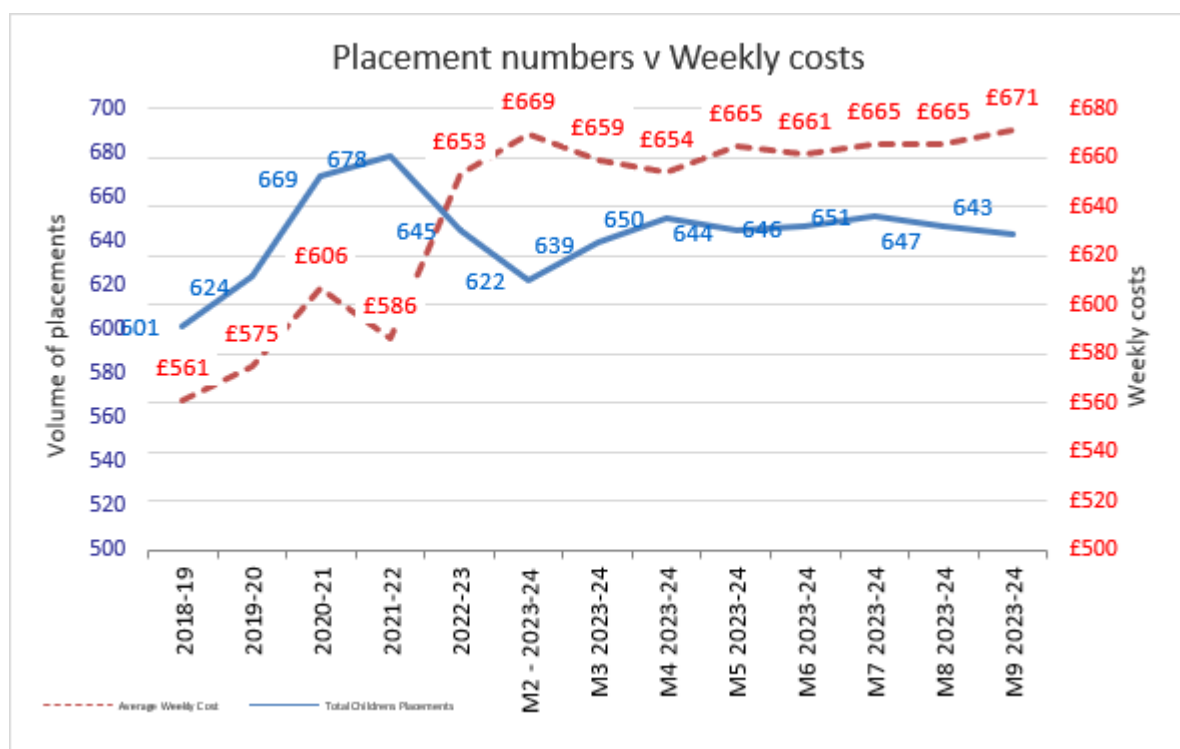


Children's Social Care

(Inclusive of the Youth and Family Resilience Service)

- 3.15 Children's Social Care is forecasting an overspend of £3.641 million against budget, an improvement of £0.406 million from month 8, due to several factors explained in more detail below.
- 3.16 The Youth and Family Resilience Service is forecast to balance by year end, having forecast a £0.015 million overspend in the prior period.

- 3.17 Staff costs are expected to overspend by £0.94 million, an improvement of £0.106 million from prior period due to a reduction in agency spend.
- 3.18 Alternative home costs are forecast to overspend by £2.098 million, £0.099 million less than in month 8 due to changes in client mix and needs, plus additional recharge to health and SEN for their share of client costs. The forecast includes a reduction of £0.097 million relating to a 10 week community stabilisation period for one young person.
- 3.19 There has been some success in reducing the number in Residential type accommodation, however, ongoing difficulties with finding suitable accommodation for the leaving care cohort is contributing to increased risk to the budgets for those areas. Currently, there are 22 in residential compared to 24 in month 8 and the forecast by year end is 17.
- 3.20 As reflected in the graph and tables below, average weekly costs have increased to £671 from £665 per week however, the number of young people being accommodated reduced by 4 from 647 to 643. (The graph relates to both Citizens and UASCs but excludes remands).



- 3.21 The number of the Looked after Children reduced by 9 from 348 to 339 compared to month 8. This includes a reduction in asylum of 5 from 50 to 45 and reduction of 4 in non-asylum, from 298 to 294.
- 3.22 Net of the grant, Remand costs are forecast to overspend by £0.314 million, an increase of £0.073 million due to one new admission in the last month. There are currently 3 in remand and 2 due to discharge early March.

- 3.23 As at month 9 there is a small increase in projections for both Section 17 and Unmet Housing needs costs which are still forecast to overspend by £0.583 million, and £0.266 million respectively.

Special Educational Needs and Disability Service

- 3.24 The SEND service is forecasting an overspend of £3.561 million, an adverse movement of £0.493 million from the month 8 forecast.
- 3.25 Travel assistance is forecast to overspend by £1.838 million, a reduction of £0.047 million from month 8 due to a decrease in bus call-back activity.
- 3.26 Care and Support (Domiciliary Care, Short Breaks & Direct Payments) has reduced by £0.054 million to £0.145 million.
- 3.27 Preparing for Adulthood services forecast net overspend of £1.435 million, an adverse movement of £0.619 million due to an increase in new clients (i.e., Staying put: 2 new clients £17k. Supported living: 3 new clients £245k. Day Care: 9 new clients £197k).

Education

- 3.28 The Education Division is projecting to underspend by £0.080 million at Month 9, unchanged from Month 8.

Traded Services

- 3.29 Traded Services are projected to underspend by £0.420 million, a favourable movement of £0.190 million from month 8 due to a reduction in catering costs.

Public Health

- 3.30 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 – Joe Garrod

- 3.31 As at Month 9, Place directorate is forecasting an overspend of £0.824 million, no change from Month 8. A £0.409 million overspend for Housing Revenue Account, a small decrease from month 8 which will be funded from HRA reserves. The table below shows the outturn position for the services:

Place	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Strategic Director of Place	173	173	0	0	0
Property & Delivery	5,662	6,491	829	829	0
Regeneration Planning & Delivery	5,399	5,399	0	0	0
Culture &	3,472	3,527	55	55	0

Destinations					
Housing General Fund	9,430	9,370	(60)	(60)	0
Total	24,136	24,960	824	824	0
Housing Revenue Account	0	409	409	431	(22)

Property and delivery

- 3.32 The Property Service is reporting an overspend of £0.829 million, unchanged from month 8.
- 3.33 There is a key financial risk relating to income from commercial property, which is impacted by the current market conditions and more specifically the collapse of Empire Cinema, which the Council is the landlord. The service will work to identify an alternative tenant to minimise void losses.
- 3.34 Due to the number of new properties added to the commercial portfolio there has been additional staff required for new lease negotiations. Whilst this has resulted in an in-year overspend, there is a significant increase in rental income that will now be achieved in future years.

Regeneration Planning & Delivery

- 3.35 There are budget and income risks within Regeneration Planning and Delivery which are being monitored closely. The position at month 9 is reported as breakeven but there is a risk of approximately £0.5 million. The service is planning to use CIL admin allowance to fund any residual staff cost pressure, if required, to ensure the outturn is in line with the current forecast.

Housing General Fund

- 3.36 The latest Housing General Fund (HGF) position has no change from Month 8 and is shown in the table below. This includes a pressure of £0.378 million however, £0.438 million relates to TA/Homelessness and will be funded from the current Homelessness reserves balance, leaving an underspend of £0.060 million. 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, we have started to see an increase during this financial year and is widely expected to continue to increase throughout 2023/24.

Housing General Fund	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Housing Advice, Prevention & Supply	2,670	3,326	656	734	(78)
Nightly, B&B & PSL / Property Mngt	3,261	3,339	78	93	(15)
Private Lettings	1,390	563	(827)	(827)	0

WF					
Rough Sleepers	0	0	0	0	0
Other	1,217	1,266	49	(44)	93
Overheads & ICT	892	876	(16)	(16)	0
Total	9,430	9,370	(60)	(60)	0

Housing Revenue Account (HRA)

- 3.37 The Housing Revenue Account (HRA) position is detailed in the table below and is currently projecting an overspend of £0.409 million for 2023/24, which will be funded from the HRA general reserve.

Service	Budget £'000	Forecast £'000	Variance £'000
Dwelling Rents	(61,338)	(61,542)	(204)
Non-Dwelling Rents	(473)	(561)	(88)
Tenant Service Charges	(4,446)	(4,627)	(181)
Leaseholder Service Charges	(2,445)	(3,577)	(1,132)
Other Charges for Services and Facilities	(1,641)	(2,199)	(558)
Total Income	(70,343)	(72,506)	(2,163)
Housing Strategy & Systems	3,586	4,078	492
Housing Management & Assets	36,454	37,957	1,503
Housing Options & Support	2,457	2,460	3
Housing Delivery	897	829	(68)
Corporate Items	26,949	27,591	642
Total Expenditure	70,343	72,915	2,572
HRA Total	0	409	409

- 3.38 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.
- 3.39 The Leaseholders Service Charges budget line reflects increased income from final account calculations on leaseholder service charges relating to previous years and within Other Charges for Services & Facilities the underspend relates to additional income being received on heating charges.
- 3.40 The projected overspend within Housing Strategy & Systems largely relates to an increase in recharges including Transformation costs.

- 3.41 Within Housing Management & Assets, the projected overspend relates to:
- The Waking Watch service overspending by £0.324 million, due to delays in works being carried out and revised completion dates.
 - A projected increase in legal disrepair costs of £0.555 million.
 - The Grounds Maintenance and Caretaking services overspending by £0.234 million.
 - £0.276 million relating to agreed additional staff costs and unpaid service store invoices from previous years and the Assets Team overspending on staffing costs (including agency staff) although offset by the capitalisation of salary costs.
- 3.42 The Housing Delivery Team are projecting an underspend largely relating to salaries due to the restructure of the service and the large number of vacancies that have been carried during this financial year however, there has also been an increase in costs relating to the refurbishment of external walls at Wigg & Walsh and additional costs of sheltered/hostel works and estate capacity.
- 3.43 The agreed pay award has now been included within the relevant service budgets and removed from Corporate Items. This was higher than originally assumed in the MTFS.
- 3.44 Due to a workstream 'Review of Sixty Bricks' within the Housing Transformation Project it has been proposed that £0.078m will be provided from the contingency budget to support this.

NEIGHBOURHOODS AND ENVIRONMENT DIRECTORATE

(Debbie Porter)

- 3.45 The Neighbourhoods and Environment Directorate is forecasting a £1m overspend as at Month 9, an increase of £0.600m from Month 8.

Neighbourhood and Environment Directorate	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Strategic Director	178	178	0	0	0
Neighbourhood Services	28,045	28,245	200	0	200
Regulatory Services & Contingency Planning	2,213	3,013	800	400	400
Community Safety and Resilience	2,108	2,108	0	0	0
Total	32,544	33,544	1,000	400	600

- 3.46 Regulatory Services & Contingency Planning are forecasting a £0.800 million overspend as at month 9, an increase of £0.400m from the previous month. This is due to income risks for Selective Licensing which will continue to be monitored.

- 3.47 Neighbourhood Services are forecasting a £0.200 million overspend as at month 9. The change from month 8 is largely due to overspends within Highways, Traffic Management and Parking from a reduction in forecasted income from PCNs. Any further risks identified that may lead to budget pressures are being monitored in anticipation of mitigating as much as possible within the directorate.

RESOURCES - Rob Manning

- 3.48 As at month 9, the projected outturn position is a £0.028 million underspend, unchanged from month 8.

Resources	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Director of Finance & Governance	8	53	45	45	0
Financial Services	25	25	0	0	0
Audit & Anti-Fraud	8	8	0	0	0
Revenues & Benefits	4,696	4,696	0	0	0
Treasury & Pensions	143	143	0	0	0
Return on Investment	1,525	1,590	65	65	0
Governance & Law	650	512	(138)	(138)	0
Commissioning	1,470	1470	0	0	0
Total	8,525	6,497	(28)	(28)	0

Council Tax and Business Rates

- 3.49 The tables below summarise the collection rate trends for both Council Tax and Business Rates income.

Council Tax

- 3.50 The table below summarises the council tax collection rates. The current collection rate of 79.2%, is approximately 0.2% lower than this time last year and the target for this year but is an improvement on the collection rates experienced during the Pandemic. Work is ongoing to increase rates of collection and tackle outstanding council tax income.

	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	99.0	98.8	98.5	98.2	97.7	97.2	96.8	96.3	79.2

Business Rates

- 3.51 The table below summarises the collection rate trend for Business Rates. The current collection rate is 78.7% which is approximately 1.8% lower than this time last year and the current target for this year. This is a recent dip, as the collection rates were higher than target over the first five months of the year. This recent reduction will be closely monitored to better understand the situation and act as appropriate.

	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	99.5	99.3	99.0	98.7	98.1	95.7	96.6	96.4	78.7

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 MTF5. 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