

London Borough of Waltham Forest

Report Title	Budget and Performance Scrutiny Committee: Pre-decision scrutiny of the 2024-25 budget
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Meeting / Date	Cabinet, 22 February 2024
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Directorate	Resources
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Cllr Keith Rayner, Chair of Budget and Performance Scrutiny Committee

Wards affected	All
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Public access	Open
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Appendices	None
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1. Summary

1.1 This report summarises the activity undertaken by the Budget and Performance Scrutiny Committee in 2023/24 to review the refresh of the Medium Term Financial Strategy (MTFS) and as part of this the budget-setting process for 2024/25.

2. Recommendations

2.1 Budget and Performance Scrutiny Committee recommend that Cabinet:

2.1.1 Note the activity of the Committee relating to the Medium Term Financial Strategy and budget-setting process, including the Committee's support for:

(a) the proposed budget and the core Council Tax increase of 2.99% for 2024/25.

(b) the proposal to raise the Adult Social Care Precept by 2%.

2.1.2 Agree that the authority should:

(a) Identify earlier where service risks and pressures are emerging, then track the necessary management actions required to manage these risks down, alongside a regular review of the section 25 report risks through the financial monitor.

(b) Use corporate performance indicators more widely to understand the risk to the council and for these to drive deep dive reviews or risk-based reporting in a financial context.

- (c) Review corporate performance indicators more regularly (e.g. a monthly basis where practical), better aligning performance with finance.
- (d) Set targets for corporate performance indicators that are measured against appropriate benchmarks.

2. Background

2.1 Scrutiny is a statutory function of the Council, and its [terms of reference are set out in Part 7 of the Council's constitution](#). One of its principal responsibilities is scrutinising the budget setting process, as set out in paragraph 2.1 of [these terms of reference](#). The Budget and Performance Committee is the delegated committee with this responsibility.

2.2 The Committee scrutinises the Medium-Term Financial Strategy (MTFS) throughout the year and, within this context, the budget-setting proposals for the following year. The Committee is notified of external and internal funding pressures. The Committee have also participated in a number of informal workshops and briefings throughout the year, allowing a more depth understanding and a high level of engagement throughout the budget setting process.

2.3 The Committee participated in a joint scrutiny meeting with Adult Social Care Scrutiny committee focusing on Adult Social Care pressures and the plans to address them in January 2024.

2.4 In 2023/24, the Committee has used its meetings to review the following:

- 2.4.1 29 June 2023: Revenue and Capital Outturn 2022/23
- 2.4.2 31 October 2023: MTFS Workshop
- 2.4.3 30 November 2023: MTFS 2023/24 – 2026/27
- 2.4.4 10 January 2024: Joint meeting with Adult Social Care Scrutiny committee, MTFS and Adult Social Care
- 2.4.5 7 February 2024: Proposed Budget workshop
- 2.4.6 20 February 2024: Proposed Budget and Council Tax Setting 2024/25

2.5 It presents its findings below for consideration by Council and response by the Cabinet.

3. Budget and Performance Committee Findings

3.1 The Committee noted throughout 2023/24 the Council were contending with additional financial pressures and uncertainties such as high levels of inflation, the cost-of-living crisis, increases in service demand and continuing social care pressures. The turbulent national picture of financial pressures meant emerging gaps had been identified in the Medium Term Financial Strategy refresh. To respond to these funding

gaps, the Council has agreed an approach including a focus on managing current service pressures, budget savings, voluntary redundancy and a transformation programme which intends to deliver long-term financial sustainability.

- 3.2 **Process** – The Committee began by reviewing the Revenue and Capital Outturn for 2022-23 and noted the impact of social care pressures on the outturn position. At the MTFs workshop in October, the Committee were informed of the significant financial pressures the Council was facing, particularly around the rate of inflation, a higher than anticipated pay settlement, the lack of clarity around funding beyond 24/25 and that the implementation of mitigations to meet service pressures had not been sufficient to offset overspends. Officers confirmed they were continually reviewing the position. The Committee reviewed the MTFs Refresh at its November meeting and noted that the month seven monitor reported an overspend of £15.8m, and that savings would need to be achieved to address this. The Committee also noted that officers had identified a £28m budget gap across the MTFs period to 2026/27, meaning long-term considerations such as efficiency improvements would need to be implemented. The Committee noted that the provisional local government settlement was due in late December 2023.
- 3.3 **Risks** – The Council is currently operating in financially uncertain times, with unprecedented demands on all services, cost of living crisis and inflationary cost pressures. The loss of the Household Support fund was unexpected and the reduction of the Service Grant more aggressive than anticipated. Despite the Core Spending Power being increased by £19.9m (73%), this is against a background of double digit inflation resulting in continual pressure on the authority's finances.
- 3.4 Waltham Forest, consistent with the national picture, continues to see a high demand for both Adults and Children's Social Care. The provisional settlement included an increase of £3.161m in the Social Care Grant, this will be used across both services to support both cost and demand increases. However, ongoing high demand means social care pressures continue to rise. To ensure sustainability the Committee supports the proposed social care precept of 2%.
- 3.5 The average rate of inflation was significantly higher than anticipated in the 2023/24 budget, at 4% for both pay and contract inflation. The final pay award for 2023/24 averaged at 6% and from 1 April 2024 there will be significant increases in the national minimum wage, which is likely to put further pressure on the Council's contract and pay budgets.
- 3.6 The Government again produced a one-year rather than multi-year settlement, leaving limited certainty for future years and potential for more significant changes, from 2025/26. This, in addition to the impact of growth in demand and ongoing uncertainty has resulted in a budget gap for future years in the Medium-Term Financial Strategy.
- 3.7 Officers have produced a series of projections based on current and future funding levels, alongside anticipated demand. The Committee

recognises and commends the detailed work that has been undertaken in this respect.

3.8 The Committee have noted the relevance of a robust corporate performance framework to support management action to mitigate the risks within the MTFs and welcomes the priority given to this by the Executive and leadership team.

3.9 The Committee has therefore made recommendations (para 2.1.2) that reflect the detailed consideration that they have given to corporate performance and the relevance of performance metrics in the context of budget pressures and risk.

4. Consultation

4.1 Consultation is not a requirement for the Committee in reviewing the MTFs proposals, though the views of Cabinet have been sought during the process.

5. Implications

5.1 Finance, Value for Money and Risk

5.1.1 There are no additional financial implications as a result of this report going to Cabinet or Council. The scrutiny function contributes to good governance through its input into the development of MTFs proposals, and by ensuring that there is appropriate 'critical friend' challenge to Cabinet.

5.2 Legal

5.2.1 In accordance with paragraphs 6.1.1. and 7 of the Constitution, the Committee has asked for its views to be referred to the Cabinet and Council.

5.3 Equalities and Diversity

5.3.1 There are no implications as result of this referral to Cabinet.

5.4 Sustainability (including climate change, health, crime and disorder)

5.4.1 There are no implications as result of this referral to Cabinet. Any changes considered by Cabinet in respect to funding climate emergency initiatives will set out the relevant implications at that time.

5.5 Council Infrastructure.

5.5.1 There are no implications as result of this referral to Cabinet.

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

None.