

London Borough of Waltham Forest

Report Title	Capital and Revenue Outturn 2023-24
Meeting / Date	Cabinet, 9 th July 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	Appendix 1 – Revenue Outturn Narrative Appendix 2 – Capital Outturn Narrative Appendix 2(i) Capital Slippage Appendix 3 – Provisions and Reserves



1. Summary
 - 1.1 The Council approved its Medium Term Financial Strategy for 2023/24 to 2025/26 and the detailed budget for 2023/24 at Budget Council on 2nd March 2023. This report updates Cabinet on the final year end outturn position for revenue and capital expenditure for 2023/24, 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 2024 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 2023/24.
 - 2.1.2 Approve the Capital slippage figures in Appendix 2(i).
 - 2.1.3 Note the movement in Reserves in Appendix 3.
3. Proposals
 - 3.1 **Revenue Expenditure**

- 3.1.1 The Council continues to operate in financially uncertain times. Whilst inflation has now started to reduce, the impact of previous higher inflation rates has had an impact on both salary, utility and contract costs, in particular social care during 2023/24, with all being higher than originally budgets. 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 in line with other Local Authorities, again experienced high demand in relation to Adults and Children's Social Care and Special Educational Needs and Disabilities (SEND). The impact of this demand combined with inflation pressures has had a significant impact on the service outturn position for 2023/24.
- 3.1.2 The final outturn position is a net nil variance after making a transfer of £0.641 million to the Budget Strategy Reserve. There was however, an overspend of £18.363 million against service directorates budgets which was offset by underspends against corporate expenditure budgets and additional income received in relation to Business Rates, one off reductions in relation to concessionary fares and prepayment discounts for historic pension contributions.
- 3.1.3 The final position in relation to service budgets is a difference of £2.120 million since the month 10 forecast, with the change predominantly in Adults and Children's Social Care and SEND Services.
- 3.1.4 A Directorate summary of the outturn for the General Fund for 2023/24 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.

	Latest Budget	Actual	Variance to Latest Budget	Month 10 Variance	Variance from month 10
	2023/24	2023/24	2023/24	2023/24	2023/24
	£'000	£'000	£'000	£'000	£'000
EXPENDITURE					
Chief Executive Directorate	229	229	(0)	0	(0)
Deputy Chief Executive Directorate	15,739	16,240	501	844	(343)
Resources Directorate	11,291	10,806	(485)	(475)	(10)
People Directorate	143,329	160,131	16,802	14,275	2,527
Place Directorate	26,928	28,097	1,169	849	320
Neighbourhoods and Environment Directorate	37,923	38,300	377	750	(373)
DIRECTORATE & SERVICE TOTAL	235,440	253,803	18,363	16,243	2,120
Corporate Budgets (exc Resources)	43,986	28,570	(15,417)	0	(15,417)
TOTAL EXPENDITURE	279,426	282,373	2,947	16,243	(13,296)
Contribution to/(from) Earmarked Reserves	(34,437)	(33,762)	675	0	675

RESOURCES					
Council Tax	(129,909)	(129,909)	0	0	0
NNDR Local share	(36,674)	(40,296)	(3,622)	0	(3,622)
NNDR Top Up	(49,863)	(49,863)	(0)	0	(0)
Collection Fund Surplus	(2,689)	(2,689)	0	0	0
Revenue Support Grant	(21,772)	(21,772)	0	0	0
New Homes Bonus Grant	(1,243)	(1,243)	(0)	0	(0)
Other Government Grants	(2,837)	(2,837)	(0)	0	(0)
TOTAL RESOURCES	(244,989)	(248,611)	(3,622)	0	(3,622)
NET EXPENDITURE	(0)	0	0	16,243	(16,243)

3.1.5 Within Corporate Expenditure, there was an underspend of £15.417 million. This is predominantly due to four elements; an underspend of £12.650 million on the contingency budget; additional Interest payments due to higher than budgeted interest income totalling £2.200 million; a prepayment discount of £0.800 million in relation to historic pension contributions which had not been factored into the figures during budget setting but have for subsequent years and finally a one off rebate of £0.359 million from TFL in relation to concessionary fares due to reduced passenger

3.1.6 Within the Grants and Taxation income there was an underspend of £3.622 million. This is predominantly made up of two elements, the first relates to the estimated income from the Business Rates pool for 2023/24 as well as an additional payment for 2022/23, which together total £3.020 million. In addition, there was a one-off rebate from the NNDR levy surplus account of £0.588 million, which is paid out when amounts due in levy payments outweigh the total of safety net payments in relation to the Business rates retention system.

3.2 **Leaders Priorities Fund**

3.2.1 A revised process was set up during 2023/24 to monitor the Leaders Priority fund. Ongoing budgets for items such as free swimming and holiday activities were allocated directly to services to manage, leaving a discretionary annual amount for which services have to submit bids alongside a short business case.

3.2.2 During 2023/24, the total spend on the leaders fund was £0.987 million, details are set out on the table below. The balance on the Priorities reserve at year end is 1.066 million.

Project Name	2023-24 Project spend £'000
Violence Reduction Partnership	250.0
Windrush 75th Anniversary	50.0
Eid al-Adha	20.0
My Neighbourhood Improvements	169.4
Retrofit grant and other cost of living/climate initiatives	118.0
Youth Space delivery	200.0
Citizen Deliberation for Community Safety	160.0
Young Creators Programme	20.0
Total New 2023/24 schemes	737.4

3.3 Capital Expenditure

- 3.4 The approved budget for the 2023/24 was £144.8 million and actual spend against this was £176.5 million (excluding the appropriation from the GF to the HRA £32.7 million). The programme includes investment into schools, highways and streetlighting, property, area regeneration, the delivery of new and affordable homes, investment into our response to the Climate Emergency and investment into council-owned homes via the HRA.
- 3.5 Included in the in-year expenditure is the acquisition of 9 Osier Way, at a total cost of £56.4m. This was a one-off strategic acquisition of affordable homes as part of the Council's Refugee Housing Programme, agreed by Cabinet in November 2023.
- 3.6 Excluding this acquisition, the total expenditure was £120.1 million and an underspend of £24.7 million. This underspend will be carried forward into 2023/24 as slippage and profiled as part of the capital first review. The table below provides a summary of the budget and expenditure by directorate.
- 3.7 £0.6m capital expenditure has been incurred by maintained schools within the borough. This expenditure has been incorporated as part of the maintained school accounts consolidation.
- 3.8 The key areas of slippage are Neighbourhoods (£3.2 million), Property and Delivery (£4.0 million), Housing Delivery/Operations GF (£4.3 million). Acceleration occurred in Housing Delivery/Operations HRA (£85.7 million acceleration – further details are available in this report), and the School's Programme (£0.8 million).
- 3.9 Further details on the Capital programme and the financing related to it, are provided in Appendix 2. The table below shows a summary of approved budgets and expenditure at directorate and service area level for 2023/24.

DIRECTORATE	2023/24 Cabinet Approval July 2023/24	2023/24 Expenditure	Variance Adv/(Fav)
	£m	£m	£m
STRONGER COMMUNITIES DIRECTORATE			
ICT	6.6	6.6	0.0
COMMUNITIES	0.1	0.4	0.3
sub-total	6.7	7.0	0.3
PEOPLE DIRECTORATE			
ADULT SOCIAL CARE	0.2	0.0	-0.2
sub-total	0.2	0.0	-0.2
NEIGHBOURHOODS & ENVIRONMENT DIRECTORATE			
NEIGHBOURHOODS	10.7	8.3	-2.4
CLIMATE EMERGENCY FUNDING	1.5	0.7	-0.8
sub-total	12.2	9.0	-3.2
PLACE DIRECTORATE			
REGENERATION, PLANNING AND DELIVERY	3.2	4.2	1.0
PROPERTY AND DELIVERY	34.6	30.6	-4.0
SCHOOLS PROGRAMME	13.8	14.6	0.8
HOUSING DELIVERY/OPERATIONS (GF)	10.8	6.5	-4.3
HOUSING DELIVERY/OTHER (HRA)	22.8	108.5	85.7
HOUSING ASSETS (HRA)	28.6	28.0	-0.6
sub-total	113.8	192.5	78.7
SCHOOLS CONSOLIDATION			
SCHOOLS CONSOLIDATION	0.0	0.6	0.6
sub-total	0.0	0.6	0.6
CONTINGENCY			
CONTINGENCY (GF)	11.9	0.0	-11.9
sub-total	11.9	0.0	-11.9
FUND			
GENERAL FUND TOTAL	81.5	72.1	-21.3
HRA TOTAL	51.4	136.5	85.1
TOTAL CAPITAL PROGRAMME	144.8	209.2	64.4
Adjustment - Sales from GF to HRA		-32.7	
TOTAL CAPITAL PROGRAMME	144.8	176.5	31.7
Osier Way Acquisition		-56.4	
TOTAL CAPITAL PROGRAMME	144.8	120.1	-24.7

3.10 Reserves and Provisions

3.10.1 At 31 March 2024, the authority held provisions totalling £10.935 million (excluding bad debt provisions), and earmarked reserves of £64.813 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.

3.10.2 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 2024, these total £17.460 million.

3.10.3 The balance of Capital Grants Unapplied has decreased from £3.793 million to £3.345 million at the end of 2023/24 to fund in-year capital expenditure.

Provisions

3.10.4 The Council is obliged to set aside provisions for known liabilities, but where the timing is uncertain. The balance at 31 March 2024 totals £10.935 million. The insurance provision is £5.333 million and represents the estimated value of all potential claim liabilities incurred to 31 March 2024.

3.10.5 There is also a provision for Business Rate Appeals of £1.627 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

3.10.6 The Council hold earmarked reserves of £91.717 million as at 31st March 2024, this is a reduction £12.4 million or 12% from the £104.103 million held at 1st April 2024.

3.10.7 Central reserves total £57.056 million. Within this is the Budget Strategy Reserves (BSR) of £25.415 million which is an integral part of the budget strategy, providing support to maintain a balanced budget over the MTFS period and funding for the transformation programme. Other key central reserves include

- The £11.361 million Tax Base Fluctuation Reserve (This includes £4 million allocated at year end in relation to unbudgeted section 31 grant), this reserve allows for fluctuations in the tax base and council tax and business rates income.
- The £7.682 million levies equalisation reserve which allows for changes in the North London Waste Levy and will be required for future use to mitigate the impact on the MTFS of the increases forecast in subsequent years.
- The £6.914 million Revenues and Benefits Reserve, which is held to mitigate fluctuations in Housing Benefit subsidy and Overpayments following the introduction of Universal Credit. This year a drawdown of £1,282 million was made from the reserve to fund the cost of extending the Local Council Tax Support scheme.

3.10.8 The table below provides a summary of the earmarked reserves currently held.

Reserves	31 March 2023	31 March 2024
	actual £'000	est. £'000
Capital programme related	2,209	1,551
Contingencies for known risks / Committed revenue	21,341	13,176
To Support the Budget Strategy	15,139	25,415
Technical Reserves	27,434	21,815
Operational Reserves	3,600	2,267
Statutory Accounts	682	581
External Income Related	8	8
Earmarked Reserves	70,412	64,813
Grant Related Reserves	22,227	17,460
Total General Fund	92,639	82,273
Housing Revenue Account	1,651	1,178
Schools Revenue Reserves	9,823	8,266
Total Reserves	104,113	91,717

3.10.9 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

3.10.10 At the start of the year the Budget Strategy Reserve (BSR) had a value of £15.139 million, following a prior year adjustment to the 2022/23 accounts. On 29th February Council approved the transfer of £11.564 million into the BSR from other reserves which were no longer required

3.10.11 After drawdowns totalling £4.737 million, the balance in the BSR at 31st March 2024 is £25.415 million. This will be used to support the delivery of the MTFs and fund any investment required to deliver future savings. The table below shows a summary of contributions and drawdowns against the reserve during 2023/24.

Budget Strategy Reserve	£'000	£'000
Balance b/fwd 1st April 2023		15,139
<i>Commitments</i>		
Fair Deal/Reset	(1,428)	
Service improvement - Children's Social Care	(1,000)	
Soho Theatre - Costs of delay and Soft Launch	(400)	
Social Care Innovation Team	(306)	
Accelerator Programme	(238)	
Reshaping our Homelessness Support	(242)	
Commissioning Quality Improvement Programme	(153)	
Business Support Review	(115)	
Fund transformation costs	(146)	
Other - one off contributions to services to support delivery	(557)	
Funding for additional Brokerage Officers	(152)	
Total Commitments		(4,737)
<i>Transfers in</i>		
Pension Prepayment from legacy scheme	2,809	
Transfer in from Other Earmarked Reserves	11,564	
Transfer in net 2023-24 underspend	641	
Total Transfers in		15,014
Total Available		25,415

3.11 BALANCES

3.11.1 The General Fund working balance at year end is £14.906 million (6% 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 2024 is therefore within these parameters and is consistent with the MTFS assumptions.

3.11.2 The HRA working balance is currently £5.517m as at 31st March 2024.

3.12 COUNCIL TAX AND BUSINESS RATES

3.12.1 In year collection rates was slightly higher than the target of 95% with the final rate achieved for council tax being 95.2 % and the final rate for Business Rates was 93.5% which was lower than the 95% target rate.

3.12.2 Business rate income was higher than anticipated, with the NNDR collection fund achieving a surplus of £1.402 million, This was higher than the £0.974 million deficit estimated on 15th January 2024. The Waltham Forest Share (£0.147m) of the additional income can be utilised in the 2025/26 budget.

3.12.3 Overall Council tax income was lower than estimated in January 2024, with a final surplus of £0.227 million, in contrast to the £1.092 million estimated in January 2024. The Waltham Forest Share of the reduction (£0.677m) will need to be funded within the 2025/26 budget.

- 3.12.4 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 2023/24 is expected to be £1.6m 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 2024-25.

STATEMENT OF ACCOUNTS

2020/21

- 3.13 The audit has been completed and the accounts were provisionally signed off (subject to no further material changes) at the Audit and Governance Committee on the 16th April 2024. The council is now awaiting sign-off from the auditor EY, but due to resource issues they have been unable to do so by the expected date of end April.

2021-22 and 2022-23

- 3.14 The draft accounts were published for both years but the audit has not yet commenced due to a national backlog issue. The council is awaiting the outcome of the Government's backstop consultation however this has been delayed due to the announcement of the General Election on the 4th July. It is anticipated that both years will be subject to a disclaimer opinion but no further details are available at the time of writing this report. Prior to the General Election announcement, it was anticipated that the Audit opinion for all prior year accounts would have been resolved by Autumn 2024, but this timeline now looks unrealistic.

2023-24

- 3.15 The draft accounts are currently being prepared and are due to be published shortly. There has been a delay due to the overrun of the 2020-21 audit and a knock-on effect from the implementation of the new ERP system, Oracle, which took place in September 2023, midway through the financial year.

4. Options & Alternatives Considered

- 4.1 This report is for information only.

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

- 5.1 This whole report contributes towards the Council priority A Firm Financial Footing.

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 2023/24 outturn position is fully funded without any unbudgeted drawdowns from reserves. However, the outturn includes service pressures of £18.363 million which have been funded in-year from one-off sources of funding and underspends in corporate balances. If these service pressures continue or increase further and are not resolved from the implementation of management actions, there is a risk that reserves will be required to fund these pressures in future years. Due to the current level of the Councils general fund reserves, funding considerable overspends from reserves would not be a sustainable position.

- 7.1.2 Under the Local Government Finance Act 1988, the Section 151 officer has a duty to issue a Section 114 report, if they judge that the Council is unable to set a balanced revenue budget or to bring the budget back to a balanced situation during the year.

- 7.1.3 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