


## London Borough of Waltham Forest

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Report Title	Financial Monitoring – 2024/25 Month 6
Meeting / Date	Cabinet, 3 <sup>rd</sup> December 2024
Cabinet portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources
	
	[signed by Leader of the Council]
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Wards affected	None specifically
Public access	Open
Appendices	Appendix 1 – Summary Capital Programme Month 6 Appendix 2 – Capital Narrative 2024-25 Month 6

### 1. Summary

- 1.1 The Council approved its Medium-Term Financial Strategy (MTFS) for 2024/25 to 2026/27 and the detailed budget for 2024/25 at Budget Council on 29<sup>th</sup> February 2024. This report provides an update on the latest forecast outturn position for revenue expenditure for 2024/25, as well as providing the latest position for the Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and the Capital Programme.
- 1.2 The month 6 forecast for Revenue Expenditure shows a net overspend of £16.257 million, this is an increase of £2.219 million on the £14.038 million forecast at month 3. The overspends are predominantly in relation to Adults Social Care (£7.393 million), Children’s Social Care (£2.398 million) and SEND (£4.842 million), with smaller overspends across the other Directorates.
- 1.3 The month 6 forecast for the Housing Revenue Account (HRA) shows an overspend of £1.399 million in contrast to the net nil forecast at month 3.
- 1.4 The month 6 forecast for the Dedicated Schools Grant (DSG) indicates a projected in year deficit of £5.5m most of which £4.6 million is within the High Needs block.
- 1.5 The February 2024 Cabinet approved Capital Budget was £159.49 million for 2024/25, slippages largely due to contingency, Place and

HRA from prior year of £24.75 million increased the revised budget to £184.24m. Following a re-baselining exercise in July 2024, the in-year Capital budget was revised down to £153.38 million, as £46.64 million from contingency, Place and HRA was reprofiled into future years and new additions of £15.78 million for Place, Neighbourhoods & Environment are now added to the programme.

- 1.6 A further £1.24 million in Neighbourhoods and Place has been added in September 2024, which is fully funded by grants and developer contributions, making the latest 24/25 Capital budget £154.62 million.
- 1.7 The month 6 Capital programme is forecasting an underspend of £10.81 million against this year's budget of £154.62 million. £10.50 million of the underspend is due to delays in several programmes across HRA, Place and Neighbourhoods and are slippage into future year programme. There is total forecast underspend across the 10-year programme of £14.08 million when compared to the re-baselined budget. Further details are provided in the Appendix 1 and 2.

## 2. Recommendations

### 2.1 Cabinet is recommended to:

- 2.1.1 Note the forecast revenue outturn position.
- 2.1.2 Note the forecast Housing Revenue Account (HRA) outturn position.
- 2.1.3 Note the forecast Dedicated School Grant (DSG) position.
- 2.1.4 Note the forecast Capital position.
- 2.1.5 Approve a budget of £0.075 million from contingency to cover further commercial and legal advice, including the drafting and finalisation of the Collaboration Agreement and leading the negotiation with Bywater's and any legal advice in relation to implementing an injunction or commencing a Compulsory Purchase Order process.
- 2.1.6 Approve a budget of £0.427 million to be incorporated within the 2025/26 MTFS for a period of two years (2025/26 and 2026/27) for Digital, Data & Technology (DDaT) but is subject to a further business case in the New Year.
- 2.1.7 Approve a budget of £0.956 million to be incorporated within the 2025/26 MTFS for investment in the Housing Prevention and Assessment Team. This investment will be targeted at reducing pressure on the Housing General Fund by increasing opportunities to prevent homelessness and supporting residents to move on from temporary accommodation as quickly as possible.
- 2.1.8 Approve funding for Commissioning Health Check of £0.150 million funded from the budget strategy reserve providing clear recommendations for improvement to allow the Council to shift towards a more strategic, outcomes-focused commissioning approach.
- 2.1.9 Approve the continuation of the 8 Borough Business rates pool for 2025/26

2.1.10 Approve the re-baselined 24/25 Capital budget of £154.62m from the July 2024 approved budget of £184.24m.

### 3. Proposals

3.1 The approach adopted to deliver this monitor was to allow the budget holders, with support from Finance where appropriate, to determine the full year forecast. For social care placement spend, Finance have developed the forecast but agreed all assumptions with the services.

3.2 The month 6 revenue projection is a forecast overspend of £16.257 million against budget, this is an increase of £2.219 million on the £14.038 million forecast at month 3. The largest changes have been in Adults and Children's Social Care. The highest proportion of the overspend is in Adult Social Care and is related to care packages. The other significant overspends are against Children's Social Care and SEND services.

3.3 The table below summarises the position by Directorate, with further detail provided in the following paragraphs.

<b>Revenue Expenditure</b>	<b>2024/25 Latest Budget</b>	<b>Projected Outturn Month 6</b>	<b>Variance from budget</b>	<b>Variance from Month 3</b>	<b>Movement Since month 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executives	4,161	4,206	45	0	45
Adult Social Care	76,394	83,787	7,393	8,923	(1,530)
Children's and Education	69,266	76,204	6,938	4,949	1,989
Stronger Communities	19,757	20,101	344	973	(629)
Neighbourhoods & Environment	36,108	37,017	909	1,200	(291)
Place	17,240	17,570	330	216	114
Resources	6,754	7,052	298	102	196
Corporate Expenditure	(229,680)	(229,680)	0	0	0
Social Care Grant	0	0	0	(2,325)	2,325
<b>Total</b>	<b>0</b>	<b>16,257</b>	<b>16,257</b>	<b>14,038</b>	<b>2,219</b>
<b>HRA</b>	<b>0</b>	<b>1,399</b>	<b>1,397</b>	<b>0</b>	<b>1,397</b>

\*The Social Care grant has now been allocated in month 6 and is incorporated within the forecast figures for Adult Social Care.

3.4 In response to the overspend a new financial strategy has been put in place to identify £10 million savings, in-year, to reduce this overspend. Services are currently working on proposals and to date, proposals totalling £9.019 million have been designed.

3.5 The current forecast overspend is subject to a number of risks, in particular for:

- Adult Social Care as the provision to fund any increases in client numbers or need has been utilised.

- Children Social Care as the forecast position is subject to the delivery of MTFs and transformation savings in year.
- The increasing demand for Temporary Accommodation as placements across London has increased by 10% over the last 12 months. Households are also staying in Temporary Accommodation longer due to the lack of affordable Private Sector homes and social housing.
- An increasing pressure in SEND both in transitions within the General Fund and increasing costs within the High Needs Block.

### **Chief Executive**

3.6 The Chief Executive's Directorate is currently forecasting an overspend of £0.045 million, compared to the net nil forecast reported at month 3. The change since month 3 is due to an overspend in the Communications team due to the use of interim resource to fill vacant posts, this is partly offset by an underspend due to vacancies held in the Change team. The table below provide a breakdown by service area.

<b>Chief Executive</b>	<b>2024/25 Latest Budget</b>	<b>Projected Outturn Month 6</b>	<b>Variance from budget</b>	<b>Forecast at Month 3</b>	<b>Movement since Month 3</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Chief Executive	12	12	0	0	0
Communications and Leadership	809	911	102	0	102
Culture & Workforce Development	2,182	2,182	0	0	0
Change, Strategy and Insight	1,158	1,101	(57)	0	(57)
<b>Chief Executive Directorate</b>	<b>4,161</b>	<b>4,206</b>	<b>45</b>	<b>0</b>	<b>45</b>

### **Adult Social Care**

3.7 The Service is projected to overspend by £7.393 million as at month 6, a favourable movement of £1.530 million from month 3 after applying social care grant funding of £2.325 million. Excluding the use of the grant funding, the actual movement would be an adverse movement of £0.795 million. The table below provides a summary of the overall figures.

<b>Adults Social Care</b>	<b>2024/25 Latest Budget</b>	<b>Projected Outturn Month 6</b>	<b>Variance from budget</b>	<b>Forecast at Month 3</b>	<b>Movement since Month 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total</b>	<b>76,394</b>	<b>83,787</b>	<b>7,393</b>	<b>6,599</b>	<b>794</b>

3.8 The main reasons for the adverse movement of £0.795 million are.

- Net Care Packages and Placements £0.995 million. There have been a combination of several high cost, backdated cases and some transfers from SEND that have impacted the overall forecast. Work in the service is ongoing to ensure cases are input

into Mosaic in a timely manner, this will be part of the ASC in year management programme.

- The adverse increase has been partly offset by utilisation of some HSF funding of £0.200 million.

3.9 The total overspend in ASC is predominantly related to pressure from care placements and support packages driven by increased demand, more complex needs, an ageing population, and limited options within current commissioning arrangements. In some cases, the increased complexity relates to Nursing and/or Health needs which the department is not funded to meet.

3.10 The number of service users at month 6 is 3,578 an increase of 55 compared to the 31st of March 2024 and average unit prices have increased by 5%.

3.11 There are several assumptions built into the forecasts at this early stage in the year. These will be reviewed monthly and include.

- All rolled over existing placements from 2023-24, including the full year impact of those that started part way through last financial year. As at month 6, the estimated full year impact of those that started last year is approximately £1.3 million of the overall projection.
- Agreed inflation awards for 2024-25, around £1.1 million not yet input against individual care packages.
- All the above assumptions will be reviewed in future monitors, as more information on numbers and costs becomes available.
- All relevant additional funding (Government Grants etc) has been included in the forecasts.
- Staffing costs will be in budget for 2024-25.
- All MTFs savings/cost avoidance proposals for 2024-25 still to be signed off and delivered in 24-25 (around £0.6 million left to be completed) are included in the overall projection. It should be noted that despite some of the savings already being signed off and those reductions included in the forecasts, there are other pressures that will potentially cancel them out in the bottom-line forecast.

3.12 In addition to expenditure on Placements, there is an increase in expenditure on community equipment activity contract. It has been identified that the Integrated Care Board (ICB) are allocating significantly more equipment than the value they have placed in the joint fund. The ICB will be required to balance this position by year end.

3.13 As part of the council's overview of the current financial position, directorates are required to reduce the current pressure by £10 million in year. Within Adults Social Care work is in progress to identify areas for mitigations.

#### **Children's Services Directorate**

3.14 The month 6 position for the Children's Services Directorate is a projected overspend of £6.938 million, this is an adverse movement of

£1.989 million since month 3. Children's Social Care is forecasting a £2.398 million overspend and SEND Services is forecasting an overspend of £4.842 million. These overspends are offset by an underspend of £0.328 million in Traded Services. Further detail is provided in the paragraphs below, with a summary shown in the table below;

Children's and Young People/Persons	2024/25 Latest Budget	Projected Outturn Month 6	Variance from budget	Forecast at Month 3	Movement from Month 3
	£'000	£'000	£'000	£'000	£'000
Children's Social Care	39,216	41,614	2,398	1,271	1,127
Education	1,788	1,814	26	1	25
School Support	17,833	17,833	0	3	(3)
Waltham Forest Traded Services	2,998	2,670	(328)	(309)	(19)
SEND Services Division	7,431	12,273	4,842	3,983	859
<b>Total</b>	<b>69,266</b>	<b>76,204</b>	<b>6,938</b>	<b>4,949</b>	<b>1,989</b>

### Children Social Care

- 3.15 This month's forecast includes an increase in the projections from month 3 of £0.201 million for Legal fees, resulting in a projected total overspend of £0.873 million for both the Service Level agreement and the use of Barristers. This increase is a result of greater cost of legal representation in cases involving the use of barristers. The service is working closely with our Legal department to take measures to control and reduce expenditure where possible. The Families First Transformation programme is also developing options and solutions to the system and practice challenges that lead to increased legal expenditure.
- 3.16 Month 6 overspend includes a £0.163 million reduction in the forecast pressure for Alternative Homes, specifically in our residential and use of external Fostering agencies. This reduction is in part due to innovative work with our in-house Foster Carers being supported to care for children with complex needs that would otherwise have to be met within costly residential settings. Furthermore, the forecast is built on the successful "right-sizing" of other residential care packages as a number of our children prepare for adulthood and independence.
- 3.17 The Alternative Home forecast is built on mitigations of 33 children leaving our care due to their age this financial year, plus an additional 15 children achieving permanency through either Adoption or Special Guardianship. Nevertheless, there remains an unpredictable and unknown element in forecasting expenditure for Alternative Homes and there is also a known pressure for a small number of children who are anticipated to require Residential packages of care.
- 3.18 The s17 budget remains under pressure, with a £1.220 million overspend, £0.110 million reduction from month 3. There has been

reduced costs associated with family support, transport and ad hoc support but the last month has shown a sustained demand for accommodation of “intentionally homeless” families. In order to manage these pressures, the service has strengthened oversight of decision making for s17 and is working with Finance colleagues to enable enhanced accountability of s17 decisions, with stringent oversight applied by Assistant Directors and Directors and Team Managers and Heads of Service being accountable for delivery.

- 3.19 In relation to staffing costs, whilst showing no movement this month, the forecasts reflect the successful recruitment of 15 new social workers within the ASYE scheme and the service are working to “on-board” six Social Workers following our successful recruitment event on the 1st of October.
- 3.20 Within the Asylum Services, the demographic shift is forecast to have a negative impact on the financial projections, this is primarily due to the anticipated reduction in external government grant funding for those aged 18+, which is an increasing feature of the cohort supported. This has resulted in a £0.780 million reduction in projected underspend from £2.324 million to £1.544 million between months 3 and 6.
- 3.21 Other significant movements since month 3 include an increase in spend projections for the Day care service, now forecasting an overspend of £0.062 million, a £0.198 million increase in spend. Leyton Green Residential Children’s Home is also forecasting a £0.142 million increase in spend compared to month 3.
- 3.22 The other service areas within Children social care account for the remaining £0.080 million increase from the month 3 position.
- 3.23 The additional in-year mitigations for children social care comprise of three key elements: Social Worker headcount reduction, return of transformation monies for Family Group Conferencing and allocation of Grant funding.

#### Special Educational Needs and Disability Service

- 3.24 The SEND service is forecasting an overspend of £4.842 million for 2024/25 at month 6, this is an adverse movement of £0.859 million since Month 3.
- 3.25 Travel assistance is forecast to overspend by £2.129 million, a £0.013 million adverse movement since month 3. The overspend relates primarily to the impact of increased demand and operational costs of providing the service via the contracted provider and additional costs for taxis for the more complex cases. Work is in progress to review and monitor these services, working towards greater efficiency and cost effectiveness.
- 3.26 Preparing for Adulthood services is forecasting a net overspend of £2.248 million, showing significant increase of £1.615 million from month 3. The Assistant Director for SEND is taking steps to scrutinise these costs and develop a more robust approach to monitoring spend

by reviewing the Preparing for Adulthood services with the Service team to identify and analyse the factors contributing to the overspend which will lead to proposing mitigation steps.

- 3.27 Expenditure on Education Psychologists is forecast to overspend by £0.029 million, an improvement of £0.180 million from month 3 position due to demand and subsequent need for Locums not increasing as previously projected. A review of this service has been included in the SEND Transformation proposals, with recommendations of new working practice to reduce the demand for locum EPs.
- 3.28 Within staffing, there was a forecast underspend of £0.292 million at Month 6, compared to £0.337 million overspend reported at Month 3.
- 3.29 Other spend pressures on agency spend, legal costs and therapy support. The Transformation plan will propose changes in the 'Business as Usual' of SEND statutory services, these will reduce dependency on agency, reduce complaints and legal costs.
- 3.30 Also, the development of a SEND commissioning function will be more cost effective in the procurement of therapy support.
- 3.31 There are currently some proposals/business cases seeking funding approval for Transformation funding to fund ongoing pressures within SEND, which may include potential inflationary uplifts.

Traded Services

- 3.32 Traded Services are projected to underspend by £0.328 million largely due to underspends on salaries, which is a small change since month 3. This forecast projection includes an in-year mitigation of £0.050 million relating to income maximisation. The forecast underspend at month 6 without the in-year mitigation would be £0.278 million.

**Dedicated School Grant (DSG)**

- 3.33 The month 6 forecast for the 2024/25 DSG indicates a projected in-year deficit of £5.5 million.

Dedicated Schools Grant	2024/25 DSG Allocation £'m	2024/25 Forecast Spend £'m	2024/25 Forecast In-year surplus/ (deficit) £'m	Cumulative surplus/ (deficit) at 01.04.2024 £'m	Forecast Cumulative surplus/ (deficit) 31.03.2025 £'m
<b>Schools</b>	239.6	239.6	0	0.9	0.9
<b>High Needs</b>	58.5	63.1	(4.6)	(5.0)	(9.6)
<b>CSSB</b>	1.6	1.7	(0.1)	0.1	(0.0)
<b>Early Years</b>	35.2	36.0	(0.8)	3.1	2.3
<b>Total</b>	<b>334.9</b>	<b>340.4</b>	<b>(5.5)</b>	<b>0.9</b>	<b>(6.4)</b>

- 3.34 The latest forecast for the 2024/25 High Needs Block indicates an in-year deficit of £4.6 million. This represents a £4.1 million increase



compared to the 2023/24 in-year deficit of £0.5 million. The main reasons for this £4.1 million increase since last year are:

- £2.9 million due to a lower level of Higher Needs DSG funding increase from the Department of Education (DFE) in 2024/25; this follows a few years of large funding increases. The funding increase for 2023/24 was £4.8 million (11%) whereas the increase for 2024/25 was only £1.9 million (4%).
- £1.2 million due to an increase in the numbers of pupils with complex needs.

3.35 Expenditure on the High Needs DSG should continue to be monitored carefully as the Council continues to develop its strategy to contain costs within the DSG High Needs Block for 2024/25 and beyond. Without mitigations this annual pressure on the High Needs block is likely to continue and would lead to very significant cumulative deficits in future years. The DFE are due to meet council officers in January 2025 for an update on the Council's High Needs DSG position and its plan to mitigate future deficits.

3.36 The £0.8 million in-year deficit on the Early Years block is due to a funding adjustment/clawback from DFE based on actual claims.

### Stronger Communities

3.37 The Stronger Communities Directorate is currently forecasting an overspend of £0.344 million. The overspend is predominantly in relation to the Residents, Communities and Culture Service. The table below provides a summary by service;

Stronger Communities	2024/25 Latest Budget	Projected Outturn Month 6	Variance from budget	Variance from Month 3	Adverse/ (Favourable) movement since last month
	£'000	£'000	£'000	£'000	£'000
Director of Stronger Communities	(243)	(243)	0	0	0
Commissioning	1,598	1,598	0	0	0
Public Health RF	(284)	(284)	0	0	0
Early Help and Prevention	12,250	12,253	3	229	(226)
Digital, Data and Technology	3,293	3,253	(40)	(6)	(34)
Residents, Community & Culture	3,143	3,524	381	750	(369)
<b>Total</b>	<b>19,757</b>	<b>20,101</b>	<b>344</b>	<b>973</b>	<b>(629)</b>

### Public Health Ringfenced Grant

3.38 The overall grant for 2024-25 is £17.8 million. Public Health (ring-fenced) is forecast to require usage of the public health reserve of approximately £0.300 million as at month 6 for 2024-25 to meet cost pressures. This cost pressure is primarily relating to out of borough sexual health costs, extrapolated from Quarter 1 information, and is currently being reviewed.

- 3.39 Any variance to budget at the end of the year will be transferred to or from the Public Health Reserve. The reserve stands at £3 million at the start of the year, approximately £1.5 million is earmarked against various commitments for the year. A further £1 million is committed for 25/26, again mainly supporting costs in other departments.
- 3.40 Public Health Other is projecting to breakeven as at month 6 for 2024-25.
- 3.41 Resident Strategy, Community and Culture
- 3.42 The service is forecasting an overspend of £0.381 million. This is a reduction of £0.369 million since month 3. The change is due to management actions taken to reduce costs as well as implementation of the in-year savings. The overspend is focused on two main areas;
- Residents Strategy*
- 3.43 This service is forecasting a reduced overspend of £0.158 million across the Families & Corporate Business Hub, mainly due to salary overspends and software, this is after in year savings have been factored into the forecast. The reduction since month 3 has been achieved by freezing vacant posts and some additional recharges
- Culture and Heritage Service*
- 3.44 The Service is forecasting an overspend of £0.202 million, which is a decrease of £0.148 million on the month 3 figure following a review of budgets.
- 3.45 There are a number of factors resulting in increased budget pressures and the projected overspend at end of year. Pressures in the Destinations Business Plan including anticipated additional income from venues, in particular the Walthamstow Assembly Hall where an operator is not yet in place.

### **Neighbourhoods and Environment Directorate**

- 3.46 The Neighbourhoods and Environment Directorate is forecasting £0.909 million overspend at month 6 relating to the final year of the Selective Licensing Scheme. This is a positive movement of £0.291 million since month 3.

<b>Neighbourhoods &amp; Environment</b>	<b>2024/25 Latest Budget</b>	<b>Projected Outturn Month 6</b>	<b>Variance from budget</b>	<b>Forecast at Month 3</b>	<b>Movement from Month 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Strategic Director	(7)	(7)	0	0	0
Neighbourhood Services	30,511	30,310	(201)	0	(201)
Regulatory Services and Contingency Planning	2,287	3,487	1,200	1,200	0
Community Safety	2,473	2,473	0	0	0
Climate and Behaviour Change	844	754	(90)	0	(90)
	<b>36,108</b>	<b>37,017</b>	<b>909</b>	<b>1,200</b>	<b>(291)</b>

### Neighbourhood Management

- 3.47 Neighbourhood have started implementing their reduction in expenditure plan and so far, this has generated a forecasted underspend of £0.201 million. Neighbourhoods will continue with the plan to reduce costs and achieve target.

### Regulatory Services & Contingency Planning

- 3.48 Regulatory Services are forecasting £1.2m overspend at Month 6 from the forecast shortfall of income from the Selective Licensing scheme.
- 3.49 Selective Licensing is a ring-fenced account with strict conditions and is forecasting £1.2 million overspend from a shortfall in income. There continues to be income from licence applications (part A) and licence issues (part B). There has also been an increase in the issue of CPNs during the past year which following any representation by the landlord, will be confirmed as potential income.

### Community Safety and Resilience

- 3.50 At Month 6 Community Safety and Resilience is forecasting a breakeven position. Community Safety funding has reduced for the year and so costs have been reduced to manage spend within the approved budget. There remains a significant pressure for future years due to funding streams ending and we are considering options for how to manage.

### **Place**

- 3.51 For month 6, The Place Directorate is forecasting a net overspend of £0.330 million, mainly relating to Property and Delivery and is an increase of 0.114 million since month 3. The Housing General Fund forecast includes a £4.4 million use of the homelessness reserve relating to the cost of temporary accommodation (TA).
- 3.52 The Housing Revenue Account is forecasting an overspend of £1.397 million for month 6, in contrast to the net nil forecast at month 3.

<b>Place</b>	<b>2024/25 Latest Budget</b>	<b>Projected Outturn Month 6</b>	<b>Variance from budget</b>	<b>Forecast at Month 3</b>	<b>Adverse/ (Favourable) movement from Month 3</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Strategic Director	108	108	0	0	0
Property & Delivery	5,435	5,733	298	300	(2)
Regeneration Planning and Delivery	3,479	3,479	0	0	0
Housing General Fund	8,218	8,250	32	(84)	116
<b>Total</b>	<b>17,240</b>	<b>17,570</b>	<b>330</b>	<b>216</b>	<b>114</b>
Housing Revenue Account	0	1,399	1,397	0	1,397

### Property and Delivery

3.53 Property & Delivery is forecasting overspend of £0.298 million for month 6, broadly in line with the month 3 position. A thorough review is underway on the property budgets, for operational (including Facilities Management and compliance), Voluntary and Community Sector and income producing assets. The latter has growth potential in rent reviews, lease renewals and back dated rents, this is an ongoing exercise as part of Property Transformation. However, there remain some uncertainties on projections and the portfolio approach to date has not considered voids (loss of income and further landlords' liabilities – i.e. service charge and Business Rates) which is being addressed as part of this current service transformation.

#### Housing General Fund

3.54 The Housing General Fund is forecast to overspend by £0.032 million. This is due to increase in demand for temporary accommodation and additional inspections and repairs on solar panels required to ensure compliance with legislation offset by a small underspend within Housing Advice, Prevention and Supply.

3.55 The cost of temporary accommodation continues to be the main pressure within the homelessness service, the forecast includes a contribution from reserves of £4.4 million. There are projects in the pipeline, such as the acquisition of in-borough self-contained temporary accommodation, the second joint venture with Mears to deliver settled accommodation, and an increase in prevention work that will assist with reducing the cost of temporary accommodation. This will continue to be monitored closely.

3.56 The Housing Options and Support service is currently working with Finance to review and remodel the forecast cost of temporary accommodation. A new forecasting model is being used which will enable more accurate forecasting. There is a risk that the forecast cost may increase.

#### **Housing Revenue Account (HRA)**

3.57 The HRA is forecast to overspend by £1.397 million, the main pressures are expenditure on legal disrepair costs within repairs and maintenance and the cost of the waking watch service.

<b>Housing Revenue Account</b>	<b>Budget 2024/25</b>	<b>Month 6 Forecast</b>	<b>Variance from Budget</b>	<b>Month 3 Forecast Variance</b>	<b>Movement since Month 3</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Income</b>					
Dwelling Rents	(69,065)	(69,065)	0	0	0
Non Dwelling Rents	(530)	(517)	13	0	13
Tenant Service Charges	(6,337)	(6,363)	(26)	(26)	0
Leaseholder Service Charges	(2,525)	(3,174)	(649)	(643)	(6)
Other Charges for Services and Facilities	(455)	(954)	(499)	29	(528)
<b>Total Income</b>	<b>(78,912)</b>	<b>(80,073)</b>	<b>(1,162)</b>	<b>(640)</b>	<b>(521)</b>

<b>Expenditure</b>					
Repairs and Maintenance	14,752	17,519	2,767	1,019	1,748
Special Services	10,060	10,629	569	254	315
Supervision & Management	21,820	22,137	317	(652)	969
Rents, Rates, Taxes & Other Charges	974	1,307	333	18	315
Provision for Bad Debts	583	583	0	0	0
Cost of Capital	13,421	12,499	(922)	0	(922)
Depreciation	13,868	13,868	0	0	0
<b>Total Expenditure</b>	<b>75,478</b>	<b>78,542</b>	<b>3,063</b>	<b>640</b>	<b>2,425</b>
<b>Net cost of Service</b>	<b>(3,433)</b>	<b>(1,533)</b>	<b>1,900</b>	<b>0</b>	<b>1,900</b>
RCCO	3,000	3,000	0	0	0
Contribution to/from Reserves	433	(70)	(503)	0	(503)
<b>HRA Surplus/Deficit</b>	<b>0</b>	<b>1,397</b>	<b>1,397</b>	<b>0</b>	<b>1,397</b>

- 3.58 The current forecast on legal disrepair is based on spend to date and is due to a back log of claims, high number of new cases and compensation payments made in respect of successful claims. A detailed piece of work is currently underway with legal services to robustly forecast future spend based on the number of outstanding cases. Disrepair has been identified as a priority under workstream one of the Housing Transformation programme. Our approach is being reviewed and an improvement plan will be developed. A project manager is now in place to lead on this piece of work and spend will continue to be monitored closely.
- 3.59 A thorough analysis of repairs revenue expenditure has also been completed which has highlighted an overspend against budget to date. The housing service has undertaken an exercise to review if any repairs can be stopped to reduce the overspend. A proposal has been discussed at Housing SLT and Place SMT and this will be discussed with the Housing Lead Member on 16th October.
- 3.60 Special services overspend relates to waking watch. Following updated advice from the fire safety consultant and the London Fire Brigade, the waking watch service has been extended for all blocks which will increase expenditure by circa £0.750 million in 2024/25. The increase in waking watch costs is largely offset by a reduction in the utility forecast due to renegotiated gas and electricity contract prices.
- 3.61 Additional income is forecast following a thorough actualisation process for leaseholder service charges. The 'other charges for services and facilities' budget line is also showing a favourable variance due to the realisation of heat metering income from 2022/23 and 2023/24.

- 3.62 The forecast for the interest charge within the cost of capital has decreased by £1m following an update from treasury. The budget for interest was set prudently to allow for fluctuations within the interest rates, however interest rates have reduced and are expected to reduce further by the end of the financial year.
- 3.63 Both HRA capital and revenue budgets for housing delivery and asset management are monitored monthly through the Housing Investment Group (HIG). Whilst HIG was originally set up to monitor capital expenditure and budgets, it was noted late in 2023/24, that there would be a significant revenue overspend on repairs and maintenance. New processes have therefore been put in place with additional finance support to monitor the repairs and maintenance works instructed to identify the risk of any overspends early, to allow time to mitigate these risks to enable the council to meet its obligations within budget.
- 3.64 This combined approach to capital and revenue budget management through HIG will also inform strategic decision making in relation to the capital programme, enabling the council to prioritise its capital investment in areas that could help mitigate revenue pressures on the repairs budget.

#### **Resources Directorate**

- 3.65 The Resources Directorate is currently predicting an overspend of £0.298 million before in-year savings are taken into account, which is an adverse change of £0.196 million from month 3. The table shows a summary of the position by Service area, with further explanation provided below.

<b>Resources</b>	<b>2024/25 Latest Budget £'000</b>	<b>Projected Outturn Month 6 £'000</b>	<b>Variance from budget £'000</b>	<b>Forecast at Month 3 £'000</b>	<b>Movement from Month 3 £'000</b>
Strategic Director of Resources	(135)	(135)	0	0	0
Financial Services	322	563	241	0	241
Internal Audit and Anti-Fraud	(113)	(113)	0	0	0
Revenues and Benefits	4,428	4,413	(15)	(21)	6
Treasury and Pensions	163	163	0	0	0
Governance and Law	1,757	1,855	98	39	59
Return on Investment	332	306	(26)	84	(110)
Commissioning	1,598	1,598	0	0	0
<b>Total</b>	<b>6,754</b>	<b>7,052</b>	<b>298</b>	<b>102</b>	<b>196</b>

- 3.66 The overspends within Financial Services are mainly due to staffing pressures due to a number of key positions being covered by interim resource as a result of difficulties in recruiting calibre Finance staff with the appropriate skills.
- 3.67 The level of interim resource is constantly being reviewed and the recruitment to vacant positions is prioritised. A restructure of the Finance Service is planned and a target recruitment process will be put in place for any remaining vacant positions.



16/17	97.2								
17/18	98.4	97.5							
18/19	98.7	97.7	97.0						
19/20	98.8	98.4	97.6	96.0					
20/21	98.8	98.0	97.2	95.3	78.7				
21/22	99.1	98.5	98.0	96.8	91.0	91.5			
22/23	99.2	98.8	98.6	97.7	94.9	95.7	95.1		
23/24	99.3	99.0	98.8	98.1	95.7	96.6	96.6	93.5	
24/25	99.4	99.1	98.9	98.2	96.3	97.1	97.3	96.3	59.6

3.72 The Council has been part of a Business Rates Pool with 6 other neighbouring London Boroughs and the City of London since 2022/23, which has so far yielded additional income of circa £4 million for the first two years of operation. The members of the Pool have all agreed to continue to operate the pool in 2025/26 and permission is sought from Cabinet to approve Waltham Forest's continuation in the pool.

### 3.73 CAPITAL PROGRAMME

3.74 In February 2024, Cabinet approved a 10-year capital programme of £745.9 million for 2023/24-2033/34, an overview of the 10-year programme is detailed in Appendix 1. During 2023/24, the council delivered £120.1 million of capital investment against a budget of £144.8 million, excluding appropriations from the General Fund to the HRA and the acquisition of Osier Way as part of the Refugee Housing Programme.

3.75 This resulted in a slippage of £24.75 million being carried forward into the 2024/25 financial year, increasing the budget from the original £159.5 million to £184.2 million. The increase in the budget as a result of the slippage is substantially higher than the council's annual capital expenditure over the past five years, and therefore, a thorough budget review exercise was undertaken to re-profile the capital programme in July 2024.

3.76 The outcome of this review is detailed in Appendix 1. As a result of the review, the budget for the capital programme for 2024/25 has been reduced from the £184.2 million to £153.4 million. The total capital programme budget covering 2024/25 - 2033/34 stands at £693.4 million. This includes £63.43 million for the appropriation of new affordable homes from the General Fund to the HRA at The Jazz Yard (South Grove) in St James Street, Families and Homes Hub (Sunflower House) in Wood Street and at Priory Court in Walthamstow.

3.77 The programme is aligned to the priorities established in Mission Waltham Forest and is transformational for the borough, delivering investment into schools, highways and streetlighting, property, area regeneration, the delivery of new and affordable homes, our response to the Climate Emergency and investment into council-owned homes.



- 3.78 This investment is forecast to deliver over 3,097 new homes (including 56% affordable), 1,991 new employment outcomes, 22 new green spaces, over 25,000 sqm of new cultural and commercial space and a range of other benefits to the local community by 2030.
- 3.79 Since the budget re-baselining exercise was undertaken, an additional £1.24 million of capital investment has been added to the programme, increasing the 2024/25 budget to £154.6 million and the overall budget to £695.2 million. This has led to the Regeneration, Planning and Delivery 2024/25 budget increasing by £0.25 million and the Neighbourhoods and Environment Service budget increasing by £0.99 million. These additions are fully funded via developers' contributions and grants from governmental agencies supporting highways.
- 3.80 Expenditure incurred in the first six months of the financial year (to the end of Q2) currently stands at £59.04 million, representing 38% of the current year's budget, excluding appropriations. At this point in 2023/24, expenditure incurred represented 36% of the annual budget.
- 3.81 At the close of period 6 across the capital programme for 2024/25 there is a forecast underspend of £10.81 million against this year's budget, with a total forecast underspend across the 10-year programme of £14.08 million. Further details are provided in Appendix 2 on individual service areas.

#### **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 Meetings were held between Budget Holders and Finance colleagues and much of the narrative for this report was provided by the relevant Service leads.

#### **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 implication.

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

None