


## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>Cabinet</b> <b>13 October 2022</b>	
Report Title	<b>MEDIUM TERM FINANCIAL STRATEGY</b> <b>2022/23 – 2024/25</b>	
Cabinet Portfolio	Councillor Grace Williams, Leader of the Council	
Report Author/ Contact details	Ursula Gamble Corporate Director of Financial Services <a href="mailto:Ursula.Gamble@walthamforest.gov.uk">Ursula.Gamble@walthamforest.gov.uk</a>	
Wards affected	None specifically	
Public Access	OPEN	
Appendices	None	

### 1. SUMMARY

- 1.1 This report provides an update on the Council's Medium-Term Financial Strategy (MTFS) for the period 2022/23 to 2024/25.
- 1.2 In March 2022, Council approved the 2022/23 budget alongside the future years MTFS. At that stage a budget gap was identified for future years, but it was not thought prudent to introduce a savings programme for 2022-23 at that stage.
- 1.3 The Council's corporate strategy provides an overarching framework and direction in the form of a new Public Service Strategy. The immediate priorities of this refreshed strategy are:
  - **Connecting People with Jobs:** ensuring residents can fulfil their potential and find rewarding jobs.
  - **Safe and Healthy Lives:** supporting residents to build resilience and improve mental and physical health; addressing homelessness, housing quality and continuing to create a borough where people feel safe.
  - **Our 15-Minute Neighbourhoods:** Continuing to develop the borough so that everyone can easily access what they need to live a fulfilling and healthy life within their local area.
  - **Confidence in our Future:** Tackling inequalities and the climate emergency. Planning to develop a thriving economy and the housing required by the borough's growing population.

- 1.4 The MTFS will form a key part of how the Council prioritises its expenditure to support the achievement of the objectives included within the Corporate Plan.
- 1.5 This report updates the MTFS position for the current year and extends for another two years to 2024/25. The funding position for Local Government is currently unknown and will be impacted by several policy decisions over the next few years, including the Adult Social Care reforms, Fair Funding Review and the impact of the 2021 Census. For 2023/24, the Council's budget is facing a number of challenges, as it is unclear how the Government will respond to the increasing level of demand for essential services, compounded by cost-of-living pressures, including inflation and energy cost increases.
- 1.6 Therefore, this report addresses the financial issues we have based on the information available but the final budget proposals and MTFS will be produced following the Local Government Settlement due in December. However, the overall finances of the Council are robust, and we would expect to be able to manage any variations from the assumptions in this report.

## 2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
  - 2.1.1 **Note** the potential funding gap of £14 million in 2023/24 as per paragraph 3.18 in this report and that due to the current financial uncertainty, the MTFS will be regularly reviewed and reported on later in the year when further funding announcements are made.
  - 2.1.2 **Note** the continuing uncertainty resulting from likely delays to the Spending Review, Fair Funding Review and Business Rates reset and the risk of a £5 million gap in 2022/23, arising due to the delay to the Business Rates reset and which is captured in the gap in paragraph 2.1.1.
  - 2.1.3 **Note** the outline timetable for the budget process as set out in Paragraph 3.46 of this report.
  - 2.1.4 **Delegate** to the Strategic Director of Finance and Governance the authority to distribute any contingency budgets and/or reserves as per the Council's financial ground rules which were reaffirmed within the Month 2 Finance Monitor approved by executive decision in August 2022.

## 3. PROPOSALS

- 3.1 Setting the Council's annual revenue budget has been a challenging process for a number of years. The Council has in every year of the Government's fiscal consolidation programme delivered a balanced MTFS up until the current year, against the backdrop of a growing population and an increase in the demand for services. Efficiency savings have continued to remain a priority in order to minimise the effect on front-line services.
- 3.2 There remains a high level of uncertainty around Local Government Finance due to the delays in the Fair funding review/levelling up agenda as well as the impact of the current high rate of inflation and how or if Government will provide support to Local Authorities to mitigate increased costs. The Senior

Leadership team approved a saving programme for 2023/24 to the value of £10m to help close the budget gap and work is currently underway to identify and approve savings proposals.

### **ECONOMIC CONTEXT**

- 3.3 The war in Ukraine and the subsequent increasing energy prices has resulted in a very difficult economic picture for 2022, with significant implications for UK inflation rates. The Consumer Price Index (CPI) in August was 9.9%, but the Bank of England now forecasts CPI inflation to exceed 13%, with energy and fuel contributing half that amount. Interest rates increased to 2.25% on the 22<sup>nd</sup> September and it is anticipated that this will increase further, as the Bank of England moves to suppress demand and reduced the risk of sustained higher inflation. The impact of these high levels of inflation are increasing costs for the Council through higher utility costs, pay and provider costs.
- 3.4 The impact of Covid-19 is still having an impact on the level of demand for Council's services, in particular Social Care and therefore the Council's finances.

### **FINANCIAL CONTEXT**

#### **Central Government Funding**

- 3.5 On 28 June 2022, Michael Gove, then Secretary of State for Levelling Up, Housing and Communities announced his intention to introduce a two-year financial settlement for 2023/24 and 2024/25. Alongside this, it was announced the intention to defer the full reform of local government funding to 2025/26, five years later than originally planned. This reform would include Fair Funding, Business Rates Reset and potentially incorporate the impact of the 2021 Census.
- 3.6 On the 23<sup>rd</sup> September, the Government announced a mini budget which included support for individuals in the form of energy reliefs, the reversal of the increased National Insurance contributions and the reduction in the basic rate of income tax from 20% to 19%. It also included a temporary (i.e., six months) energy relief scheme for Business, Charities, and the public sector.
- 3.7 There were no announcements directly relating to Local Government Finance, therefore providing a great deal of uncertainty around the level of funding we might receive, including:
- At what level the council tax referendum threshold will be set at and if the Adult social care precept will be continued for a further year.
  - If the Business Rates multiplier will be increased by CPI this year and if not, will Council's be fully compensated for this loss of income.
  - Whether Government grants will increase to help Local Authorities cope with increased inflation levels, continue at the same level as last year or possibly reduced. Reductions in public spending could be sought to reduce the Government debt burden.
- 3.8 On the 23<sup>rd</sup> November, the Chancellor is due to publish a Medium-Term Fiscal Plan and will set out:

- further details on the government's fiscal rules, including ensuring that debt falls as a share of GDP in the medium term".
- A full forecast from the Office for Budget Responsibility (OBR).

3.9 For local government, this should give clarity on spending review settlements with some short-term certainty, but it seems unlikely that they will be adjusted. The full increase in funding in SR21 was applied in 2022/23, with cash-flat funding allocations in the subsequent two years. Even if the allocation in 2022/23 could be seen as generous (7.1% in cash terms, including council tax), this is clearly insufficient to meet the cost of inflation over the three years of the spending review.

### **Council Tax**

- 3.10 Council Tax forms an important part of the Council's funding for services, therefore, if it is not increased in line with that permitted as part of the settlement, it will potentially increase the budget gap. It should also be recognised that if the Council has the opportunity to increase revenues from Council Tax it should do so, particularly as any changes under the Fair Funding regime are likely to assume that the Council is increasing the tax in line with their assumptions.
- 3.11 For the purposes of planning, the MTFS assumes a 1.99% per annum referendum limit for 2023/24 and 2024/25 which provides c£2m per annum in the base. The MTFS estimates annual Council Tax receipts as:

<b>Council Tax Income</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Estimated Receipts</b>	121.4	125.4	129.5
<b>% Increase</b>	2.99%	1.99%	1.99%
<b>Additional 1%</b>		1.230	1.270

- 3.12 The table above shows that an additional 1% on Council Tax would reduce the funding gap by over £1 million per annum, should the Government continue with the Adult Social Care Precept as the same level as last year. Only a general 1.99% increase is currently modelled in the MTFS for future years.

### **Business Rates**

- 3.13 Business Rates baselines were set in 2013/14 following the change to a business rates retention model. Government created a baseline for each authority which was their expectation of what each authority would collect. Councils could then retain an element of growth generated above that baseline.
- 3.14 This scheme was implemented with periodic resets which would redistribute that growth across all authorities. This reset was due to take place in 2018/19, whereby Waltham Forest estimated a gain of c£5 million on its base funding position. Prior to the Covid-19 outbreak, government had confirmed the reset would take place in 2021/22 but as indicated 5.1, this is likely to be deferred to 2025/26. This delay has a significant risk on the Council's MTFS and the £5m will have to be funded annually from reserves.

- 3.15 The Council is currently part of an 8-borough pool for Business Rates Retention and intends to continue for 2023/24.

### MEDIUM-TERM FINANCIAL STRATEGY 2023/24 TO 2024/25

- 3.16 In March 2022, as part of its annual budget setting process, the Council approved its Medium-Term Financial Strategy which estimated a funding gap of £10 million across 2023/24 and 2024/25.
- 3.17 In April 2022, Senior Leadership Team agreed to identify savings of £10m to bridge the potential gap. At that time Inflation was identified as running significantly ahead of the MTFS base assumptions and a risk flagged that the Government might not fund higher inflation nor sanction Council Tax rises over the normal 2% or compensate for suppressing the rise
- 3.18 Since this time, there have been various Government announcements as well as a significant increase in inflation.
- 3.19 Given the unknowns around the future of government funding and the true impact of inflation on the Council's finances, the MTFS position in the table below includes a number of assumptions and shows a gap of £14.020 million for 2023-24. Any final funding gap will be funded from savings proposals being prepared within service areas and from reserves, if there are any timing issues with delivery.

	2023/24	2024/25	TOTAL
	£'000	£'000	£'000
<b>Funding gap - 2022/23 Budget Report</b>	<b>10,217</b>	<b>(746)</b>	<b>9,470</b>
<b>Changes</b>			
<b>Known Commitments</b>			
Additional inflation pressures	13,899	228	<b>14,127</b>
Known service pressures	572		<b>572</b>
<b>TOTAL KNOWN GAP (A)</b>	<b>24,688</b>	<b>(518)</b>	<b>24,170</b>
<b>Options to reduce funding gap</b>			
Additional Grant funding	(890)	(115)	<b>(1,005)</b>
Use of Tax Base Reserve	(5,000)	-	<b>(5,000)</b>
Increase in Fees & Charges	(984)	-	<b>(984)</b>
Inflationary Increase in Business Rates	(3,794)	(692)	<b>(4,486)</b>
<b>POTENTIAL TOTAL FUNDING GAP (B)</b>	<b>(10,668)</b>	<b>(807)</b>	<b>(11,475)</b>
<b>Funding options:</b>			
<b>Use of reserves</b>		<b>1,325</b>	<b>1,325</b>
<b>NET FUNDING GAP</b>	<b>14,020</b>	<b>-</b>	<b>14,020</b>

- 3.20 The key assumptions in the current MTFS for the period 2023/24 to 2024/25 are.
- 2022/23 pay award 6.2% with additional cost of £4.4m compared to 3% in the 2022/23 Budget and will be funded from reserves.
  - 2023/24 pay award 4%, then return to 2% each year. Additional cost of

£2.7m in 2023/24.

- Energy cost £1m higher per annum in 2022/23 & 2023/24. The pressure for 2022/23 will be funded from reserves.
- Funding for Climate Emergency Team £0.572m in 2023/24 (£0.282m, funded from reserves in 2022/23)
- General inflation of costs 4% for 2022/23 & 2023/24 and then reduces to 2%. Additional cost of £2.3m each year and the 2022/23 pressure will be funded from reserves.
- Fees and charges increase of 5% for 2023/24, this could raise £0.984m
- Savings targets will be achieved by services

3.21 Funding assumptions modelled:

- Council Tax rise 2%
- Business rates related income increasing by 9% for 23/24
- Revenue Support Grant increase 5%
- Service Grant rises by 2%
- The Tax Base reserve is utilised to fund the deferral of the Business Rates reset £5m.
- All other grants no increase but roll forward.

3.22 Potential strategic considerations not modelled:

- Adult social care reforms will not be managed within the resources made available
- Any social care grant or ASC precept to be used towards the gap modelled
- The probable time limited energy inflation impact can be funded from reserves.

3.23 The Government has year on year allowed councils with social care responsibility to increase the Adult Social Care precept since its introduction in 2016/17. In 2022/23, the increase allowable in relation to the Adult Social Care precept was 1%. It is unclear at this stage whether this will continue for future years.

### **Savings**

3.24 The savings target of £10m agreed by SLT in April 2022 was allocated to directorates and service areas. As set out in the table below, there is currently proposals of £7.4m designed with approximately, £2.6m outstanding.

Directorate	Target	Proposals			(Shortfall) /	
	£'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Surplus £'000
<b>Proposals Agreed</b>						
Deputy Chief Executive	700	520	109	75	704	4
Finance & Governance	800	688	112	-	800	-
Place	2,250	400	1,433	230	2,063	(188)
People	5,400	70	2,049	-	2,119	(3,281)
<b>Total Agreed</b>		<b>1,678</b>	<b>3,703</b>	<b>305</b>	<b>5,686</b>	<b>(3,464)</b>
<b>Proposals being considered by Services:</b>						
<i>Customer Services &amp; Business Hub</i>	750				750	-
<i>Commercial Services including CCTV</i>	200				200	-
<i>Place</i>					378	378
<b>Total being considered</b>	<b>10,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,328</b>	<b>378</b>
<b>Proposals currently on hold</b>						
People		315	165	-	480	480
<b>Total</b>	<b>10,100</b>	<b>1,993</b>	<b>3,868</b>	<b>305</b>	<b>7,494</b>	<b>(2,606)</b>

## BUDGET RISKS

### Cost of Living Crisis

- 3.25 The cost-of-living crisis is likely to impact the Council in several ways. The high levels of inflation and rising interest rates will increase expenditure and reduce our purchasing power. The impact of the crisis, on our residents, is likely to have a knock-on effect on the Council's finances and could lead to increased debt levels as well as a higher level of support required through schemes such as Local Council tax support, which is funded through the collection fund, therefore reducing Council tax income.

### Adults Social Care

- 3.26 Adults Social Care continue to pose financial pressure across all local government and Waltham Forest is no exception. There continues to be significant and increased pressure on Adults Social Care placements. There has been an increase in demand, the numbers of service users receiving care, along with an increase in complexity of need and the ongoing pressure from providers costs from inflation, the cost of living and the impacts of London Living Wage. This area is very volatile so a detailed review each month is carried out to refresh the forecasts.
- 3.27 The long-term impact of Covid-19 on demand for Adult Social Care continues to be monitored. However, the services will maximise on the improvements identified because of Covid-19 and will seek opportunities to deliver differently and manage demand, including across partnerships.
- 3.28 Separate to the mini budget announcements made on the 23<sup>rd</sup> September, the Government announced the creation of a £500m Adult Social Care Support Fund. The fund will be used to support discharge from hospital into the community, strengthen the social care workforce, and free up hospital beds. However, it is currently unclear how much of the fund will be allocated to local authorities and what period it relates.

### ASC Reforms

- 3.29 Adult Social Care is facing a period of unparalleled change. The white paper published in December 2021, People at the Heart of Care, sets out a 10-year vision for transforming support and care in England. The vision revolves

around 3 objectives

- People have choice, control and support to live independent lives.
- People can access outstanding quality and tailored care and support.
- People find adult social care fair and accessible.

- 3.30 Market Sustainability and Fair Cost of Care – This policy paper published in December 2021 sets out requirements on Local Authorities to establish the Fair Cost of Care for their areas by October 2022, in order to establish Market Sustainability as part of the overall reforms.
- 3.31 Care Cap - The Government published proposals in September 2021 in Build Back Better: Our Plan for Health and Social Care to cap the cost of care. These changes are to be implemented by October 2023
- 3.32 Health and Social Care Integration – Sets out plans to join up care for patients and service users, staff and organisations.
- 3.33 The ASC Reforms is likely to have a significant financial impact on the local authority. Work is ongoing to quantify the likely impact. The MTFs assumes that any financial burden arising from the implementation of the reforms will be met from Central Government funding. However, this is an unknown at this point and will need to be monitored to ensure this funding will meet the increase in costs for the local authority.

### **Schools**

- 3.34 There is a risk to the Council's general fund as schools restructuring to reduce staff costs due to unfunded cost pressures and, in primary schools, falling pupil numbers. Redundancy costs for both teaching and non-teaching staff related to savings are a charge to the Council as the employer of those staff.

### **Housing General Fund**

- 3.35 The Housing General Fund continues to face significant challenges within the Homelessness service, with additional demand anticipated as a direct consequence of the wider economic landscape.
- 3.36 The Homelessness Reduction Act, which went live in April 2018, placed a range of additional duties on the Council. Grant funding was committed to support this transition (Homelessness Reduction Grant) alongside the Flexible Homelessness Support Grant (which replaced the Department for Work and Pensions' temporary accommodation management fee). For 2021/22 and 2022/23 the grant structure for homelessness was simplified and these two grants were combined into a single grant, the Homelessness Prevention Grant.
- 3.37 In July 2022 DLUHC issued a consultation seeking views on the approach to the funding for the Homelessness Prevention Grant provided to all local housing authorities in England, with the aim of determining new funding allocations based on current pressures for local authorities and enhancing data collection and assurance of how the grant is used. This applies to grant funding for 2023/24 onwards, with allocations calculated and announced in late 2022. This provides funding for the additional staffing requirements associated with the duties imposed by the Homelessness Reduction Act. The grant also supports the Council's spend on temporary accommodation. The



uncertainty over the future level of this grant funding therefore represents a significant risk for the service as one of the proposed options would in an annual reduction of approx. £3.1m.

- 3.38 London boroughs consistently incurring 75% of the national expenditure on temporary accommodation (TA), with 60% of all households in TA, the proposals result in cuts to London's overall funding share (as high as 33% before transitional protection under option 2) during a period of significant economic uncertainty due to rising inflation, when Londoners are being hit hard by the cost-of-living crisis.
- 3.39 The number of TA placements in LBWF is currently running below 1,000, having been consistently higher than 2,000 in recent years. However, the impact of the cost-of-living crisis on jobs and incomes is expected to drive an increase in the numbers of households presenting as homeless. This increase is projected to be in the range of 5-30%, and the scenarios modelled suggest that this could create increased costs in the region of £1-1.3 million.
- 3.40 The service continues to pursue a strategy of purchasing street properties to allow it to exit homeless households from TA into secure tenancies and thereby reduce the burden on the Homelessness budget. A number of schemes have been developed, including the creation of a new Joint Venture company in August 2018 (More Homes Waltham Forest LLP) which is forecast to complete its first purchase programme during 2022/23. One of the schemes in operation allows the Council to apply Right-to-Buy receipts in order to meet the associated spend targets. In response to the expected demand increases noted above, Cabinet agreed in September 2022 that the Council enters into legal agreements for a second long-term joint venture with Mears Housing Management (Holdings) Limited to procure up to 400 homes (both in and out of borough) to discharge the Council's homeless duties through these properties let on assured shorthold tenancies, as an alternative to temporary accommodation. This will assist in mitigating the budget pressures that are likely to arise.

### **Housing Revenue Account**

- 3.41 The Council produces and regularly updates a medium-term financial forecast for the HRA. The HRA had an agreed (in February 2022) Capital Programme across the term of the MTFS from 2021/22 to 2031/32. Inflationary and cost pressures mean that the HRA's expenditure (on both revenue and capital) is forecast to rise faster than rental income available to it, creating a funding gap.
- 3.42 On 31st August 2022 the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on plans to cap rent rises in 2023/24. The temporary cap proposed in the consultation could see annual rents capped at 3%, 5% or 7% in the year from April 2023. The consultation does not indicate how or if Local Authorities will be compensated for the loss of income arising from the introduction of the cap. The loss of income will impact on the HRA's future capacity for capital investment.
- 3.43 The consultation response is due by the 12th October 2022. Until we have a timescale for a decision on whether caps will be introduced or what the level of the cap will be and we will not be able to finalise the HRA MTFS for 2023/24 onwards. A report will be brought to Cabinet when we have this information.

- 3.44 Overall, the medium-term outlook for the HRA is extremely challenging, but the financial strategy will remain focused on delivering efficiency improvements to protect front-line services, invest in housing stock and build in longer-term financial resilience by increasing reserves.

### **North London Waste Authority Levy**

- 3.45 The levy charges from the North London Waste Authority (NLWA) are projected to rise significantly in future years as the number of households increase and the plan to replace the plant in Enfield progresses. This is clearly a significant project with effects stretching many years into the future. The cost and timing of the effect on the levy are more uncertain in later years. All known/projected costs have been reflected in the MTFS and the future consequences will be kept under detailed review.

### **Budget Strategy Reserve**

- 3.46 The Council maintains a Budget Strategy Reserve (BSR) to allow it to manage risk and smooth out any fluctuations in government funding from one year to the next. The balance in the BSR stands at £17.482 million, as at the 1 April 2022. There may be an additional call on the BSR to fund any future works relating to the North London Waste Authority.
- 3.47 It is the s151 Officer's opinion that, despite the current financial uncertainty, there are sufficient resources in the BSR to support the MTFS until 2024/25 should it be required. However, this is not a sustainable solution in the long term and directorates will be required to identify sustainable savings as soon as possible.

### **Approach to Budget Strategy**

- 3.48 The Council is taking a dynamic approach to the MTFS to manage the financial uncertainty, ensuring that savings are made only if required through the government's financial settlement.
- 3.49 In April 2022, the Council identified a gap of £10m for 2023/24, depending on the outcome of the financial settlement which is expected in December 2022. This will be updated regularly as government releases more information. Directorates will identify proposals to meet this funding gap which will be monitored to ensure they align with the Council's corporate priorities.
- 3.50 A broad timetable for reporting on progress is set out below:

<b>Group</b>	<b>Month</b>	<b>Comments</b>
Budget and Performance Scrutiny	Sep-22	MTFS paper setting out budget to 2024/25
Cabinet	Oct-22	MTFS Refresh
Directorates	To mid-November 2022	Refine savings plans and identify options
Budget and Performance Scrutiny	Nov-22	Progress update on the MTFS

Management Board	Dec-22	Consider options
Portfolio Lead Members	Dec-22	Directorates to report options to PLMs
Provisional Settlement and other funding announcements	Late December 2022	Finance to report impact of provisional settlement MTFS savings gap
Management Board and Leadership Team	Jan-23	Final review of proposals required
Budget and Performance Scrutiny	Feb-23	Scrutiny of proposals and MTFS
Cabinet	Feb-23	Approval of 2023/24 budget and MTFS
Full Council	Mar-23	Approval of 2023/24 budget and MTFS

#### **4. OPTIONS & ALTERNATIVES CONSIDERED**

- 4.1 The Council has a legal duty to set a balanced budget and to develop a financial strategy for the medium term. The revised MTFS sets out potential challenges facing the Council in future years.

#### **5. SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 The budget setting process aligns resources to the Council's priorities. This is essential to ensure that the Council's reduced financial resources are targeted to meet the needs of our residents

#### **6. CONSULTATION**

- 6.1 Reviewing and updating the MTFS is a significant part of the process that leads up to the setting of the council tax for 2023/24. Appropriate consultation has taken place during this process, through the authority's consultation mechanisms.
- 6.2 In addition, the Council engages with the business rates sector on the overall budget strategy ahead of the council tax setting process. There is also regular engagement with residents through various fora on the overall council priorities and financial strategy.

#### **7. IMPLICATIONS**

##### **7.1 Finance, Value for Money, and Risk**

- 7.1.1 It is essential that the Council achieves a balanced budget that is sustainable for each financial year over the MTFS period. Experience has shown that early planning helps secure financial certainty over the deliverability of savings proposals. It is important that approved savings are delivered in full to maintain the robustness of the budget strategy. Progress will continue to be closely monitored and reported to Cabinet through the normal revenue monitoring process report.

- 7.1.2 The current refresh of the MTFS includes several assumptions (i.e., 3.20) but actual certainty on funding for 2023/24, may not be available until the provisional settlement in December. The impact for the following assumptions if:
- The business rates multiplier is frozen without compensation, there would be a loss of income of approximately £5.749m
  - The government freezes Council tax without compensation, there would be a loss of income of £2.446m
  - Grants are frozen without any compensation, there would be a loss of income of £1.071m and if the service grant was removed, there would be an additional loss of £4.836m.
- 7.1.3 There remains considerable uncertainty over future funding. The Government has deferred a redesign of the local government funding model and it now seems unlikely to happen until 2025/26. It is likely the redesign of the funding model could also include the 2021 census data and a business rates retention scheme. It is therefore unclear how changes to the funding formula will affect different classes of authority or where they are geographically. The government's commitment to "levelling up" creates further risk.
- 7.1.4 Covid is likely to have an ongoing impact on the Council's finances with some services adjusting to a new normal in terms of both expenditure and income levels.
- 7.1.5 However, the current financial position of the council is robust and relatively strong compared to other London Boroughs (for example as illustrated by the CIPFA Resilience Index). Further, where the Council have had severe spending challenges in the past the Council know it have been able to take the necessary decisions. For this reason, the refreshed MTFS seeks to provide time to optimise the response to future changes in funding when they become more certain and, so, does not currently propose a savings programme but it does mean that services must manage any demand and cost pressures emerging that have not been modelled into the current planning.

## 7.2 Legal

- 7.2.1 As in previous years the purpose of the MTFS is to pull together in one place known factors affecting the Council's financial position and financial sustainability over the medium term. The attached MTFS sets out the proposals to balance the financial implications of the Council's objectives and policies against national and local constraints in resources. This in turn feeds into services plans for delivery and savings. Looking in such detail now at the financial challenges provides a sufficient timescale against which to assess the options for service delivery, consult as necessary and carry out such other steps as may be required to implement the proposals.
- 7.2.2 The Council agreed the budget on 3 March 2022 and pursuant to the Local Government Act 2000 and Regulations made thereunder Cabinet decisions must remain within the framework agreed. Any indicative proposals for future

years are not binding until agreed within the relevant budget framework.

- 7.2.3 Decisions flowing from this report to implement the Council's budget strategy will require adherence to the relevant decision-making processes. In making any decision regard must be had to any relevant statutory provisions and administrative rules by taking into account relevant considerations and ignoring those which are irrelevant. Regard will be had to the Council's statutory duties, its vision and priorities as set out in Waltham Forest's refreshed corporate strategy and the financial constraints faced.
- 7.2.4 Regard must also be had to the Council's fiduciary duties which require the interests of Council/Business Taxpayers to be fairly balanced against the benefit/beneficiaries of a course of action. Additionally, increasingly in public decision making the concept of proportionality is a factor. This will form the overarching framework for formulating and implementing the courses of action required to achieve savings and deliver the Council's outcomes within the budget.
- 7.2.5 Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken. Consultation should occur when proposals are at a formative stage, give sufficient reasons for any proposal to permit consideration and allow adequate time for consideration and response. Whilst the Council does not have to follow the outcome of the consultation it must be able to show that the decision maker has considered the consultation responses before taking the decision.
- 7.2.6 Whether to consult will depend on the issues, the nature and the impact of the decision and whether interested groups have already been engaged in the policy making process. Consultation may not be required for minor changes or matters with minimal impact or where adequate consultation has already taken place. However, where there is a more significant impact such as services are stopping or reducing then the more likely it is that the views and concerns of those affected should be consulted upon before a decision is taken. Likewise, if we have either promised to consult or ordinarily would do so that may give rise to a legitimate expectation that we will do so again.
- 7.2.7 Where the proposed savings will have an impact affecting staff, the Council will consult the staff affected and their representatives under its change management policies.
- 7.2.8 The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988. The Council is a 'relevant' authority for the purposes of the Act.
- 7.2.9 Local authorities have a power to enter into arrangements between them including under section 111 of the Local Government Act 1972 which provides

that, subject to any other restrictions, a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

### **7.3 Equalities and Diversity**

7.3.1 The Equality Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must further take into account its wider Public Sector Equality Duty (PSED) under s.149 of the Equality Act 2010 when making its decisions. The public sector equality duty (s.149, Equality Act 2010) requires the Council, when exercising its functions, to have “due regard” to the need to: eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act, advance equality of opportunity between those who share a “protected characteristic” and those who do not share that protected characteristic and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice, and (b) promote understanding).

7.3.2 The Council will consider the impact of changes that might arise as a result of implementing the proposals for change arising out of its budget strategy on those with protected equality characteristics, in particular, where there is likely to be an impact on residents or service users from changes or any decommissioning of existing services. Individual proposals will be subject to a full equality analysis wherever relevant, prior to any decision taken to proceed, including the identification of mitigating action where possible. Where there is any potential impact on staff, the agreed HR procedures will be followed.

### **7.4 Sustainability (including climate change, health, crime and disorder)**

7.4.1 None at this stage.

### **7.5 Council Infrastructure**

7.5.1 None at this stage.

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

None