


## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>Cabinet</b> <b>23 February 2023</b>	
Report Title	<b>BUDGET AND COUNCIL TAX SETTING 2023/24</b>	
Cabinet Portfolio	Councillor Grace Williams, Leader of the Council	
Report Author/ Contact details	John Turnbull Strategic Director of Finance and Governance 020 8496 4260 <a href="mailto:john.turnbull@walthamforest.gov.uk">john.turnbull@walthamforest.gov.uk</a>	
Wards affected	None specifically	
Public Access	OPEN	
Appendices	1. Proposed Budget 2023/24 2. Medium Term Financial Strategy 2022 to 2026 3. Reserves Strategy 4. Provisions, Reserves and Balances 5. Statistical Data 6. Section 25 Local Government Act 2003 Report 7. Advice from Monitoring Officer 8. Capital Programme 2022/23 to 2027/28 9. Amended Fees and Charges 2023/24 10. Equalities Assessment	

### 1. SUMMARY

- 1.1 This report sets out the Council's proposed 2023/24 budget, building on the Medium-Term Financial Strategy (MTFS) that was presented to Cabinet in October 2022. It also outlines the proposed Council Tax levels for next year before being taken to Full Council on 2 March 2023.
- 1.2 The MTFS provides the overarching resource plan beneath which the Council's new Corporate Framework; 15-Minute Neighbourhoods, will operate. The new Framework is also recommended for approval at this Cabinet. This is our response to the increasing challenges facing the Council and the borough including the impact of the cost of living, uncertainty about local government finances, community safety concerns, widening inequalities, and the climate emergency.
- 1.3 Research and engagement with residents to support this Corporate Framework has shaped the immediate priorities, organised around three pillars, that help ensure it is aligned to the requirements of local communities.
- 1.4 The new Corporate Framework will be led by this budget and will work within its constraints. With demand for essential services expected to increase,

compounded by uncertainty around future local government funding, the Council's budget is facing many challenges.

- 1.5 This budget report proposes that the core council tax is increased by 2.99% for 2023/24. Given the growth in demand for our services, the Council is required to ensure the sustainability of Adult Social Care. Therefore, an additional social care precept of 2% is proposed for 2023/24, bringing the total proposed increase in council tax levels to 4.99%. It is important to note that although the MTFS models similar increases of 4.99% in 2024-25, this report is not agreeing these increases, as it will be a matter for decision when the 2024-25 budget proposals are brought to members next year.
- 1.6 The Council is currently operating in financially uncertain times. Inflation hit a 40 year high during 2022 and this along with the continued impact of the pandemic and the war in Ukraine has resulted in a cost-of-living crisis impacting both the Council and its residents.
- 1.7 In addition, there is ongoing uncertainty around future Government funding for Local Authorities, with the fair funding review and the reset of Business Rates pushed back a minimum of a two years (six years later than originally planned). The Provisional Local Government Finance Settlement for 2023/24 is for one year only, with limited certainty around funding for future years and the potential for more significant changes from 2025-26 and beyond.
- 1.8 The impact of growth in demand and the uncertainties caused by inflation and another one-year settlement, has resulted in a budget gap for future years in the Medium Term Financial Strategy (MTFS).

## 2. RECOMMENDATIONS

That Cabinet:

- 2.1 **recommends to Full Council** that the Waltham Forest basic amount of council tax, including the levying bodies, will be increased by 2.99% in 2023/24;
- 2.2 **recommends to Full Council** that the 2% permitted increase for Adult Social Care will be applied bringing the total increase to 4.99% and resulting in a council tax of £1,621.41 per Band D property in 2023/24;
- 2.3 **notes** that the element of council tax charged by the Greater London Authority will be £434.14 per Band D property in 2023/24 which reflects an increase of £38.55 (9.74%);
- 2.4 **recommends to Full Council** that the overall council tax to be set for 2023/24 will be £2,055.55 per Band D property, which represents an overall increase of 5.96%;
- 2.5 **recommends to Full Council** that the projected budget (as set out in Appendix 1) for 2023/24 of £449.088 million is approved;
- 2.6 **considers and notes** the whole of the Strategic Director of Finance & Governance's report made under Section 25 of the Local Government Act 2003 as set out in Appendix 6 and, in particular, their determination in the Financial Implications of this report on "the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves";

2.7 **notes** the amount of 80,121 (an increase of 1,506 over the previous year), as the Council Tax Base for Waltham Forest for 2023/24, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under the Local Government Finance Act 1992 (as amended).

2.8 **recommends to Full Council** that the following amounts be calculated for 2023/24 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended (the Act):

**2.8.1 Gross Expenditure**

£999.576 million - being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act;

**2.8.2 Gross Income**

£869.667 million - being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act;

**2.8.3 Net Expenditure**

£129.909 million - being the amount by which the aggregate at 2.8.1 above exceeds the aggregate at 2.8.2 above, calculated by the Council in accordance with Section 31A(4) of the Act as its council tax requirement for the year;

**2.8.4 LBWF Basic Amount of Council Tax including the Adult Social Care Precept**

£1,621.41 - being the amount at 2.8.3 above, divided by 80,121 (the Council Tax Base), calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year and includes the Adult Social Care Precept of £213.57

**2.8.5 Valuation Bands**

Band	A £	B £	C £	D £	E £	F £	G £	H £
<b>Basic</b>	938.56	1,094.99	1,251.42	1,407.84	1,720.69	2,033.55	2,346.40	2,815.68
<b>Social Care</b>	142.38	166.11	189.84	213.57	261.03	308.49	355.95	427.14
<b>Total LBWF</b>	<b>1,080.94</b>	<b>1,261.10</b>	<b>1,441.26</b>	<b>1,621.41</b>	<b>1,981.72</b>	<b>2,342.04</b>	<b>2,702.35</b>	<b>3,242.82</b>

Being the amounts given by multiplying the amount at 2.8.4 above by the number which, in the proportion set out in Section 5(1) of the 1992 Act, is applicable to dwellings listed in a particular valuation band, divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the 1992 Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

2.8.6 **notes** that for 2023/24 the Greater London Assembly (GLA) has stated (with formal ratification on 23 February 2023) that the following amounts in precepts be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:

Band	A £	B £	C £	D £	E £	F £	G £	H £
------	--------	--------	--------	--------	--------	--------	--------	--------

<b>Total</b>	289.43	337.66	385.90	434.14	530.62	627.09	723.57	868.28
--------------	--------	--------	--------	--------	--------	--------	--------	--------

- 2.8.7 **recommends to Full Council**, that, having calculated the aggregate in each case of the amounts at 2.8.5 and 2.8.6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992 sets the following amounts of council tax for 2023/24 for each of the categories of dwellings shown:

<b>Band</b>	<b>A</b> £	<b>B</b> £	<b>C</b> £	<b>D</b> £	<b>E</b> £	<b>F</b> £	<b>G</b> £	<b>H</b> £
<b>Total</b>	1,370.37	1,598.76	1,827.16	2,055.55	2,512.34	2,969.13	3,425.92	4,111.10

- 2.8.8 **notes** that the relevant basic amount of council tax for a Band D property (excluding precepts but now including levies) for the financial year 2023/24 be £1,621.41, which reflects a 2.99% increase, plus 2% Adult Social Care precept permitted increase for 2023/24 and therefore does not require a referendum;
- 2.8.9 **agree** that the Strategic Director of Finance & Governance and the officers nominated by him be authorised to finalise the necessary publicity as required by Section 38 of the Local Government Finance Act 1992 and to promote the first day of the month instalment dates, and the six date options within each month for Direct Debit payers, as previously agreed;
- 2.8.10 **note** that in order to ensure the required period of notice is given, council taxpayers will be requested to pay their instalments on the first of each month commencing on 1 April 2023
- 2.9 **agree** the Capital Programme for 2022 - 2028 as set out in Appendix 8;
- 2.10 **note** Appendix 6 (Section 25 report) setting out the reasonableness of the proposals in the context of financial standing and resilience and risks, stating that the Strategic Director of Finance and Governance considers the proposed budget and level of reserves to be adequate for 2023/24;
- 2.11 **agree** the reserves strategy at Appendix 3 and note that the Strategic Director of Finance and Governance has delegated responsibility for the use of reserves throughout the year;
- 2.12 **agree** in accordance with The Council Tax (Empty Dwellings) Act 2018 to continue to maintain the maximum percentage allowed by current legislation for the empty homes premium from 1 April 2023;
- 2.13 **agree** amended fees and charges for 2023/24 as shown in Appendix 9.
- 2.14 **Reconfirm** that on winding up of the Mears JV (More Homes Waltham Forest LLP) once any outstanding debt financing relating to the assets has been cleared the Balance of the Capital Return Allocation be transferred or paid to the London Borough of Waltham Forest Pension Fund. This is required to be reconfirmed annually within the budget report by the fund actuaries noting the original decision was made in February 2019 Council meeting.

### **3. PROPOSALS**

- 3.1 The Council is required by law to set a balanced budget for each financial year.
- 3.2 The approval of the budget and council tax is a decision reserved to Full Council (upon recommendation by Cabinet). This report presents the officers' recommendations to Cabinet which, if agreed, will then be referred on by Cabinet to Full Council to approve the budget and tax level for 2023/24.
- 3.3 It is a legal requirement for the Council to set its budget and council tax for the financial year starting 1 April by the preceding 11 March. The Council must agree a balanced budget, with its prospective income from all sources being equal to its proposed expenditure. It should be noted that, due to the impact of Covid-19, the government had allowed 2020/21 Business Rates and Council Tax (collectively known as the Collection Fund) deficits to be spread over a three-year period, from 2021/22 to 2023/24.
- 3.4 It is also a legal requirement under Section 25 of the Local Government Act 2003 (see Appendix 6) for the Council's S151 officer to advise on the robustness of the proposed budget and adequacy of reserves. The conclusion is that the budget and reserve levels are considered to be sufficient over the MTFS timeframe.

### **4. BACKGROUND**

#### **Budget Process**

- 4.1 The Council maintains a robust approach to its budget setting process to ensure that it can continue to deliver services in a sustainable way within the context of a balanced budget. Some aspects of this process include:
- maintaining an annual Medium-Term Financial Strategy (MTFS) which scans the next few years – both internally and externally – to ensure that the Council can manage its resources effectively;
  - modelling indicative levels of Council Tax, Business Rates and Fees and Charges income to fund essential services;
  - the base budget position for the forthcoming year, including cost pressures from increases in service demand, inflation both contract, energy, pay and pensions;
  - ensuring balances, reserves are robust and sustainable;
  - challenging budget savings proposals to ensure they are deliverable in value and on time;
  - taking the MTFS and budget reports through Budget and Performance Scrutiny to provide a further layer of due diligence.

#### **Context**

- 4.2 Setting the Council's annual revenue budget has been a challenging process for several years. This has been particularly difficult this year with the lack policy on local government funding for 2023/24 from central government. The financial landscape looks very uncertain as the longer-

term impact of the economic position on the Council and residents is unknown. This may be compounded by the potential impact of the spending review for 2025 and the Fair Funding Review and Business Rates reform which will not occur until 2025/26, at the earliest.

### **Budget Strategy**

4.3 The main aims of the budget strategy are as follows:

- to continue to set a balanced budget for 2023/24 and over the MTFS period, with service directorates actively maintaining their services within approved budgets.
- to invest in the Council's agreed priorities as set out in Corporate Framework; 15-Minute Neighbourhoods. Any initiatives committed to and embedded within the Corporate Framework such as the Climate Action Plan are either incorporated within the current MTFS or will require the development of a business case and the resulting impacts incorporated within the MTFS for future years.
- that specific government grant/funding be used to fund demand pressures and corporate objectives before General Fund is used.
- that no additional funding for growth (beyond that funded through specific government grants). There has been a £6.1m increase in the social care grant, as part of the settlement and additional ASC precept of £2.475m, and these will be used to mitigate demographic demand and inflationary pressures. There are provisions for Pay and Contract inflation pressures (assumed at 4%) and other potential pressures, including energy costs and climate change.
- where grants are ceasing or funding streams of services are reducing, that Service Directors ensure exit strategies are developed and implemented.
- to strengthen the Council's financial position and overall level of financial resilience, ensuring that it has adequate reserves and balances to address future risks and unforeseen events without detriment to service delivery.
- to align budgeting and service planning, ensuring that any reductions required are considered within a corporate and strategic framework.
- to adopt a strategic approach to meeting the budgetary challenges for the MTFS period to 2026, using as appropriate, the Budget Strategy Reserve (BSR) to support the budget so that savings can be delivered in a planned way, optimising outcomes for residents and investment in improving the way that the Council delivers services (contributing to future savings requirements).
- to ensure that the Council delivers value for money and continues to identify savings, while demonstrating efficiency.
- to demonstrate that investments in the borough deliver total return on the required investment, i.e., both financially and socially.
- to continue to refresh the MTFS during the annual financial planning cycle, to reflect all known changes and where feasible, predict potential future Spending Review and Fair Funding Review assumptions.

- to ensure that savings are genuinely achievable, that the estimated financial implications are robust and subject to an assessment in accordance with equalities legislation.

## **5. Economic Outlook**

- 5.1 Over the past 12 months, the increases in inflation (consumer price index, CPI) have had a significant impact on the Council's as well as residents finances. The 2022/23 budget strategy incorporated assumptions on pay and contract inflation, interest costs and energy pricing which looked reasonable at the time, it was agreed but the final positions are very different. As an example, the pay award was budgeted at 3% but the final agreed award averaged 6.1%.
- 5.2 The increase in energy pricing following the war in Ukraine and supply chain issues have had a significant impact on the level of CPI and the Bank of England's decisions to increase interest rates. These can be expected to continue to hold back growth in the economy into 2023, while raising prices puts added pressure on wages.
- 5.3 The current rate of CPI as at December 2022 was 10.5% and is expected to slow to 5% in quarter 4 of 2023 and finally drop below the Bank of England's target of 2% to 1.5% in quarter 4 of 2024. However, this means that prices will stabilise at a higher level and the government's plans to reduce energy support further from April 2023 could put further pressure on inflation.
- 5.4 The latest change to the interest rate in February by the bank of England was an increase of 0.5% to 4% and it is still anticipated that it could increase to 4.5% by mid-2023 reducing to 3.5% by mid-2024.

## **6. Future Changes to Local Government Funding**

- 6.1 The government issued a policy statement on the 12<sup>th</sup> of December 2022 outlining the principles that have been applied in the 2023/24 provisional local government settlement. This statement confirmed that local government funding reforms, including the Business Rates reset and the fair funding review will not take place in this spending review period. Therefore, the earliest that they will take place is 2025/26.
- 6.2 The changes were originally planned for 2020/21 but the government delayed implementation initially due to Brexit and further delayed by the Covid-19 pandemic.
- 6.3 The funding model was due to be replaced by a new funding framework underpinned by three significant funding formula changes as summarised as follows:

- Fair Funding Review (now called the Review of Relative Needs and Resources)

The Review of Relative Needs and Resources takes the share of funding allocated to Department for Levelling Up, Housing and Communities (DLUHC) and resets the current formula for distribution amongst local authorities based on relative needs and resources. Prior to the onset of the pandemic, the Council was actively engaging DLUHC to lobby for a fair settlement. The potential impact is the Council share of funding reduces and distributed to other councils based on any new formula, known as "levelling up".

➤ Business Rates Reset

As part of the local government funding review, the government was intending to carry out a full reset to the national business rates baseline. Business rates growth that any council has retained since 2013/14 will be reset and included in the new baseline.

While this reset was expected for April 2020, it is now unlikely to happen for another two years. The Council had included this assumption within its base budget since April 2020 which has increased the budget gap by £5m, this will be removed from 2024/25.

A revaluation of rateable values has taken place, with the revised valuations coming into effect in 2023/24. This is likely to increase the gross rates collectable, however due to various reliefs, the overall income receivable through business rates retained, top up grant and Section 31 grant, will remain broadly the same as estimated. Once the figures have been finalised, any changes can be picked up during the MTFS refresh in 2023/24.

An “8 Authority” business rates pool was in place for 2022/23 and approval has been given by DLUHC for this to continue for another year. This will give the Council a potential one-off benefit in-year (although certainty over the value will not be known until after the year-end).

➤ Public Health Grant

The future of the currently ring-fenced Public Health grant remains unknown at this stage. For the past few years, the government has made informal proposals to roll the grant into the business rates baseline.

With any funding changes also comes the risks and opportunities of transferring additional responsibilities to local government. The Council would expect government to adequately fund any additional responsibilities.

## **7. Financial Context**

### **Final Financial Settlement 2023/24**

7.1 On the 19<sup>th</sup> of December 2022, the Government announced its Provisional Financial Settlement for Local Government laying out the funding allocations for local government next year. The Government announced the final local Government settlement on 6<sup>th</sup> February. The key national points from the settlement are set out below.

- Core Spending Power (CSP) will increase by £5.1bn nationally from £54.5bn to £59.6bn: real terms increase of nearly 5.8% (cash increase of 9.4%). London’s share is £8.7bn, real terms increase of 5.8% (cash increase of 9%).
- The Council Tax referendum threshold will increase from 1.99% to 2.99% for 2023-24 and the Social Care Precept will increase from 1% to 2% in 2023-24.
- Settlement Funding Assessment will increase by 5% to £15.7bn (£2.9bn London boroughs).



- Compensation for under-indexation of the business rates multiplier will total £2.2bn in 2023-24, an increase of £930m.
- The Social Care Grant will increase by £1.5bn in 2023-24 to £3.9bn (£612m in London). £161m of this increase includes the Independent Living Fund which has been rolled into this grant. Approximately £1.285m of this increase is funded by money previously earmarked for ASC funding reform, with an additional £80m redistributed from within the settlement.
- As the ASC funding reforms have been pushed back to October 2025, the existing £162m ringfenced Market Sustainability and Fair Cost of Care Fund grant have been combined with the £400m of ringfenced new funding. London boroughs will receive £87m of this grant.
- A new grant worth £300m (£49m in London) for Adult Social Care Discharge will be required to be pooled as part of the Better Care Fund. This funding is intended to support improvements to adult social care such as to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.
- The IBCF continues at £2.1bn nationally (£346m in London) alongside the additional ASC Discharge Grant
- Services Grant will reduce by 41% in 2023-24 to £483m (England) and £89m in London. This is because of the government decision to reverse the National Insurance Contributions increase to fund the Health & Social Care Levy and a proportion has also been top sliced to fund an increase to the Supporting Families Programme
- The Lower Tier Services Grant will be discontinued. There will be a new one-off CSP funding guarantee to ensure all authorities receive a minimum 3% increase (no London boroughs will receive this).
- The New Homes Bonus will continue in 2023-24 as an annual grant. Legacy payments will end, and the future of the grant will be confirmed before the 2024-25 LGF Settlement.
- Four existing grants (worth £239m) will be rolled into SFA and the Social Care Grant.
- Tariffs/top-ups will be adjusted to ensure the 2023 Revaluation, as far as practicable, will not impact on boroughs' retained business rates.
- Neither fundamental reform to needs assessments nor the business rates reset will be implemented before 2025-26.
- A national total of £58.6bn will be made available to schools through the DSG in 2023-24, a 6.9% increase from 2022-23 and includes the additional £2.3bn announced as part of the Autumn Statement 2022. London boroughs will receive a total of £10.1bn (17%) through the DSG and supplementary funding. This reflects a 6.1% rise in London compared to 2022-23, the lowest percentage increase compared with other regions who received 7.1%. Waltham Forest has an increase of 5.7% for DSG.

### **Changes since October 2022 Medium-Term Financial Strategy**

- 7.2 Cabinet approved the Council's Medium-Term Financial Strategy Refresh in October 2022. Since then, the financial settlement announcements outlined

in paragraphs 7.1 have affected the 2023/24 budget. Waltham Forest specific funding is outlined below and the changes are:

- This confirmed £7.2m additional social care grant including the £1.1m rolled up for the Independent Living fund, £2.5m as part of the ASC Market Sustainability grant and £1.3m as part of the Discharge Grant. The national increased allocation of these grants is Social Care £1.5bn, Market Sustainability £400m and ASC Discharge grant of £300k.
- Further flexibility for local authorities on council tax, increasing the referendum limit on core council tax from 1.99% to 2.99% an increase of £1.237m compared to the MTFS Refresh.
- A maximum of 2% for the Adult Social Care precept on council tax was announced (rather than the assumption of no increases to the precept in the MTFS Refresh), an increase of £2.475m;
- An increase in New Homes Bonus scheme allocation; the Council's allocation will be £1.243m (rather than the estimated £0.619m in September's MTFS – an increase of £0.624m);
- The removal of the Lower Tier Services Grant, the Council's allocation in 2022/23 was £0.661m;
- A reduction in the Services Grant, to take into account the removal of the Adult Social Care Levy and an adjustment in relation to support for the Supporting People Programme. The total reduction was £1.999m, however £1.005m of this was offset by a reduction in employers national insurance contributions in respect of the ASC levy. The total allocation for 2023/24 is £2.837m and is an unringfenced grant.
- The ringfenced Dedicated Schools Grant allocation is £311.2m, gross including academies, a £16.8m (7%) increase.

7.3 The changes to the September budget gap are set out below:

	£'000	£'000
<b>Budget Gap in September MTFS</b>		<b>14,020</b>
Provisional Settlement movements:		
1. Reduction in New Services Grant	1,091	
2. Net Increase in RSG (inc rolled in grants)	-1,008	
3. Increase in New Homes Bonus	-624	
4. Removal of Lower Tier Grant	661	
5. Increase in ASC precept from 0% up to 2%	-2,464	
6. Increase in general precept from 1.99% to 2.99%	-1,219	
7. Increases in Social Care grant	-6,145	
8. New ASC grants (Discharge & Market Sustainability)	-3,879	
9. Increase in Business Rates Top Up	-2,381	
<b>Final Settlement sub-total</b>		<b>-1,948</b>
	<b>£'000</b>	<b>£'000</b>
10. Passport ASC Precept Increase	2,593	

11. Passport Social Care, Market Sustainability & Discharges Grant to services	10,024	
12. Changes to the estimated Tax Base for 2023/24	-825	
13. Efficiency Savings	-6,746	
14. In-Year surplus on the Concessionary Fares Budget - 2023/24	-2,900	
15. Other - Including Changes to levies	-247	
16. Growth items to fund demand pressures including energy	4,906	
17. Collection fund surplus	-1,689	
18. Transfer from Taxation fluctuation account	-1,886	
19. Transfer from Housing Benefit Overpayment Reserve	-1,282	
<b>TOTAL FUNDING GAP 2023/24</b>		<b>0</b>

## Council Funding

7.4 Local Government is funded from a range of different sources, the largest sources of which are:

- Settlement Funding Assessment (SFA), including business rates
- Specific government grants
- Council Tax
- Fees and Charges
- Dedicated Schools Grant

### *Settlement Funding Assessment*

7.5 The Settlement Funding Assessment (SFA) is the amount of funding that government distributes to each authority. Baseline funding comprises retained business rates, a business rates top-up grant and Revenue Support Grant (RSG).

7.6 In addition to the SFA are some specific grants plus Council Tax receipts. These all aggregate to produce the Council's Core Spending Power (CSP), which is the Government theoretical measurement and the actual position will always be different, due to actual business rates and council tax income. The Council's core spending power over the last five years can be seen in the table below:

Illustrative Core Spending Power of Local Government:	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£'m	£'m	£'m	£'m	£'m	£'m

Settlement Funding Assessment	93.5	87.5	89.0	89.1	89.6	94.6
Compensation for under-indexing the business rates multiplier	1.5	2.2	2.8	3.7	7.2	12.4
Council Tax Requirement excluding parish precepts	98.8	104.5	110.3	115.0	121.4	129.1
Improved Better Care Fund	6.8	8.1	9.2	9.2	9.5	9.5
New Homes Bonus	3.9	3.9	3.0	2.1	2.2	1.2
Adult Social Care Support Grant	0.7	0.0	0.0	0.0	0.0	0.0
Winter Pressures Grant	1.1	1.1	0.0	0.0	0.0	0.0
Social Care Support Grant	0.0	1.9	0.0	0.0	0.0	0.0
Social Care Grant	0.0	0.0	6.4	7.9	10.8	18.1
Market Sustainability and Fair Cost of Care Fund	0.0	0.0	0.0	0.0	0.7	0.0
ASC Market Sustainability and Improvement Fund	0.0	0.0	0.0	0.0	0.0	2.5
Lower Tier Services Grant	0.0	0.0	0.0	0.6	0.7	0.0
ASC Discharge Fund	0.0	0.0	0.0	0.0	0.0	1.3
Services Grant	0.0	0.0	0.0	0.0	4.8	2.8
Grants rolled in	1.5	1.4	1.4	1.4	1.4	0.0
Funding Guarantee	0.0	0.0	0.0	0.0	0.0	0.0
<b>Core Spending Power</b>	<b>207.9</b>	<b>210.6</b>	<b>222.1</b>	<b>229.0</b>	<b>248.4</b>	<b>271.5</b>

Council's Core Spending Power since 2018/19

### *Specific Grant Funding*

#### Better Care Fund and Improved Better Care Fund

- 7.7 The Better Care Funding (BCF) and subsequent Improved Better Care Fund (iBCF) were introduced to join up plans between local government and the NHS and deliver improvements in managing social care needs for residents.
- 7.8 The level of iBCF funding that the Council has received since 2017/18 is:
- 2017/18 £5.2m
  - 2018/19 £6.8m
  - 2019/20 £8.1m
  - 2020/21 £9.2m (incl. £1.1m winter pressures rolled in)
  - 2021/22 £9.2m
  - 2022/23 £9.5m
  - 2023/24 £9.5m

#### Social Care Grant

- 7.9 Waltham Forest's allocation will increase from £10.818m to £18.062m, a net increase of £6.1m in the base as the £1.1m existing Independent Living Fund Grant is rolled into the Social Care Grant. The additional grant will be used across both Children's Social Care and Adults Social Care to support both cost and demand increases.

#### Adult Social Care Precept

- 7.10 The other major source of funding for social care since 2016/17 has been the Council Tax precept. Up to 2022/23 the Council has used this mechanism to raise £14.36m over six years specifically for adult social care needs.
- 7.11 As part of the policy statement in December, the government has confirmed that an additional maximum of 2% can be levied on Council Tax and including changes to the Council Tax base, this is £2.75m in the base budget (£2.475m

relating to the 2% increase and £0.275m relating to the increase in the taxbase). The Council is proposing to implement this in 2023/24 as social care pressures continue to rise.

#### ASC Precept

ASC Precept			Cumulative 2019/20	Cumulative 2020/21	Cumulative 2021/22	Cumulative 2022/23	Cumulative 2023/24
	£'million	£'million	£'million	£'million	£'million	£'million	£'million
2016/17	2%	1.66	7.41	9.64	12.86	14.36	17.11
2017/18	3%	2.70					
2018/19	2%	1.94					
2019/20	1%	1.11					
2020/21	2%	2.23					
2021/22	3%	3.22					
2022/23	1%	1.50					
2023/24	2%	2.75					

#### Public Health grant

- 7.12 Local authorities are responsible for improving the health of their local population and reducing health inequalities. These Public Health responsibilities were transferred to local authorities from April 2013 under the Health and Social Care Act 2012.
- 7.13 The Government has not yet announced the details of the 2023/24 Public Health Grant allocation and the grant for 2022/23 is £17.002m.
- 7.14 There is a risk that there will be residual Covid-19 related public health pressures. The £3.5m public health reserve may be used to support these pressures should they arise

#### New Homes Bonus

- 7.15 New Homes Bonus (NHB) grant is paid to councils as an incentive for housing growth. The Government confirmed that NHB payments to councils would be reduced from six years to five years in 2017/18 and introduced a 0.4% baseline so that local authorities need to achieve tax base growth of greater than 0.4% before they receive any NHB funding. Further changes have since been made whereby grant payments are one off rather than ongoing
- 7.16 The provisional settlement confirmed the Council's expectation that NHB would continue to reduce nationally, and the future of this grant will be confirmed before the 2024/25 settlement. However, the grant announced in December was £0.624m more than in the MTFS Refresh estimate.
- 7.17 There continues to be a risk that these payments cease entirely to be replaced through the Fair Funding Review and the Council's MTFS continues to take a cautious view on NHB. The table below shows the forecast receipts over the course of the MTFS horizon:

New Homes Bonus	2023/24	*2024/25	*2025/26
	£m	£m	£m
October MTFS estimate	0.6	1.2	1.0

Final Settlement	1.2	1.0	1.1
Surplus above estimate	0.6	-0.2	0.1

\*Figures for 2024/25 and 2025/26 are estimates and assume this funding will continue until the Fair Funding Review

### Independent Living Fund

- 7.18 In July 2015/16, the responsibility of care provision for Independent Living Fund clients was transferred to local authorities. The Council will receive a grant of £1.099m in 2023/24 which will now be rolled into the overall Social Care Grant.

### Homelessness Prevention Grant

- 7.19 On the 23rd of December 2022, the government announced the allocation of £654m in funding through the Homelessness Prevention Grant that will be made available to local authorities in 2023/24 and 2024/25 to enable the delivery of services to prevent and tackle homelessness.
- 7.20 In response to the consultation that was run in late 2022, seeking views on the approach to the funding arrangements for the Homelessness Prevention Grant for 2023/24 onwards, the Government have announced that for 2023/24 and 2024/25 they are using a new formula to allocate the funding. They have also enhanced the transitional arrangements to limit large changes in funding. Increases in funding will be limited to 2% in 2023/24 and 5% in 2024/25, and they have increased the amount of funding available so no authority will see a cash loss in their allocation when compared to their core allocation for 2022/23.
- 7.21 Waltham Forest will receive £5.59m in 2023/24 and £5.64m 2024/25 with transitional protection. Without transitional protection, the 2024/25 allocation would be £4.23m.
- 7.22 The Homelessness Prevention Grant is ringfenced to ensure local authorities can focus on preventing homelessness as well as funding the provision of temporary accommodation, and to continue to embed the changes required through implementation of the Homelessness Reduction Act.

### **Council Tax**

- 7.23 The Council proposes to increase its core council tax by 2.99% in 2023/24 which will be an increase of £46.17 per annum for a Band D property. The proposed **core** Council Tax level for a Band D property will therefore be £1,407.84.
- 7.24 The Council also proposes a 2% Adult Social Care precept which will be specifically ring-fenced to meet the continuing demands for adult social care. This precept will be £213.57 for a Band D property. This will raise £2.475m in 2023/24.
- 7.25 Since 2010 to 2023/24, income from Council Tax will have risen by 48%. Over the same period CPI inflation will have risen by 41%.
- 7.26 Taking account of the core and ASC precept elements of the increase, Band D council tax is therefore proposed in the table below. It should be noted that the majority (two thirds) of homes in the borough are Band C properties. The equivalent Band C level is also noted in the table below:

Council Tax 2023/24 (excluding GLA)	Council Tax Band D	Council Tax Band C
-------------------------------------	--------------------	--------------------

	£	£
2022/23 (A)	1,544.35	1,372.75
2.99% Core increase	46.17	41.05
2.00% ASC increase	30.89	27.46
<b>2023/24 (proposed) (B)</b>	<b>1,621.41</b>	<b>1,441.26</b>
LBWF increase (B-A)	77.06	68.51
Weekly increase LBWF	1.48	1.32

### **Council Tax Support**

- 7.27 Since 2014/15, the funding for the Council Tax Support scheme has not been identified separately and forms part of the overall amount of funding the Council receives from the Government in the Revenue Support Grant.
- 7.28 Cabinet on 12<sup>th</sup> January 2023, agreed to recommend to Full Council that the LCTS scheme adopted for 2023/24, increases the maximum support awarded to working aged people to 85%. This represents a 9% increase in the level of support compared to the previous maximum support level of 76%. All other aspects of the current scheme would continue as now.
- 7.29 This scheme will reduce the level of Council tax paid by residents eligible for support under the scheme from 24% to 15%. The additional cost of this change compared to rolling forward the current scheme is estimated at £1.282m (based on an average increase in the band D council tax (including the GLA share).
- 7.30 The additional cost of £1.282m will be covered in 2023/24 by a one-off transfer from the Housing Benefit Overpayment Reserve.
- 7.31 There is £750,000 earmarked in reserves for a Discretionary Hardship Fund to offer additional help and support to those suffering the greatest financial hardship as defined in the Discretionary Council Tax Support Hardship Fund policy.

### **Council Tax Base**

- 7.32 There has been a tax base increase in the number of Band D equivalents during the year of 1,506, the overall tax base has increased from 78,615 to 80,121 after applying the estimated cost of the Local Council Tax Support (LCTS) Scheme and an adjustment for new properties.
- 7.33 There has been a steady increase in the council tax base since 2013/14 and the potential yield from 2023/24 is growing at a faster rate due to council tax increases. The MTFs has assumed that council tax will yield £129.909m in 2023/24 and accounts for approximately 55% of total resources (excluding schools). This emphasises the importance of growing our tax base ahead of the new local government funding system, which will maintain the Council's ability to deliver on its strategy.

## **Fees and Charges**

- 7.34 The Council makes charges across a wide array of its services. These charges can be statutory, such as fees relating to residential care for adults and planning fees, while others are discretionary, such as hire of halls. These are important charges to ensure the effective delivery of services across the Council.
- 7.35 The Council's General Fund has budgeted to collect approximately £44m in 2023/24. The policy relating to fees and charges is largely one of ensuring a breakeven position on service delivery, except where a statutory maximum is applied or there are corporate strategic reasons for subsidising the service.
- 7.36 In December 2022, Council approved its fees and charges schedule for 2023/24. It is estimated that the additional annual income generated as a result of this fees and charges review is £1.084m.
- 7.37 An update to the fees and charges are required in relation three service area's
- A change has been made in Ceremonies fees to reflect the closure of Grove Road and moving weddings to Fellowship Square.
  - There is a change in relation to the Mortuary Service due to the need to include standard rate VAT when charging other Local Authorities for the service provided.
  - The change in the fees and charges for Leisure and Waste are required as the fees previously approved by Cabinet applied the increase to the 2021/22 charges. The amended charges apply the same % increase to the 2022/23 charges to produce the correct charges for 2023/24.

## **8. COST PRESSURES**

- 8.1 The main pressures relating to the Council's MTFS position relate to inflationary increases to pay and contract costs, energy costs and pressures from increasing demographic demand. These are cross-cutting and relate to all Council directorates.
- 8.2 Additionally, there are cost pressures in specific departments which emerge over the course of the year. These are explored in the services issues section of this report. Any pressures to be funded are reviewed in the context of the Council's corporate strategy and whether the Council can maintain a balanced budget.

### **Pay and Contract Pressures**

- 8.3 A pay award of 4% for 2023/24 and 2% for each further year of the MTFS is estimated and will be held in contingency until called upon. Although inflation is currently in the region of 10% it is expected to continue falling. If the actual pay award is higher, this would be addressed through the financial monitoring process and the ongoing impact would be dealt within the refreshed MTFS.
- 8.4 In general, service budgets do not include uplifts for pay and prices, these are held centrally in contingency. The allocation to contingency for price increases is 4%. Where possible any contract inflation above the corporate provision will be contained within existing budgets and mitigations identified



through the monitoring process working in partnership with the council's procurement teams

- 8.5 For 2024/25 and 2025/26, 2% of contractor payments is estimated as the potential requirement to meet the general upward movement in inflationary pressures.

### **Demand / Service Pressures**

- 8.6 As with any authority across the country, increasing demographic demand pressures on its services must be considered when estimating future costs. This is reviewed alongside the Council's continuing analysis into underlying cost drivers to see where demand can be reduced while ensuring quality services continue to be delivered to residents. Demand contingency budgets are held corporately until such as time as they are required by the service.
- 8.7 The main areas of demand pressures relate to the continuing need for additional placements for Adults and Children's Social Care or the increasing unit cost to provide care.
- 8.8 Specific service pressures identified in the 2023/24 budget total £6.325m and partly cover items such as increased energy costs, Climate Change team resourcing, insurance provision and pension deficit costs. If these pressures do not materialise then the budget will be released as part of the MTFS Refresh.

### **Capital Financing and Borrowing**

- 8.9 The Council's ambitious capital programme has budgeted expenditure over six years of approximately £532.9m. Whilst part of this will be financed by Capital Grants and contributions (including CIL and Developers Fees), income from capital receipts, there will be a significant borrowing requirement which will impact the revenue budgets.
- 8.10 The MTFS estimates an additional £1m per annum increase in costs relating to capital financing and borrowing costs for both 2023/24 and 2024/25.

### **Funding Gap**

- 8.11 Based on the revised assumptions contained in the MTFS, the Council could be facing the following in terms of base budget funding gap up to 2025/26. For 2023/24, there is a balance budget position, for 2024/25, a potential funding gap of £11.6m and £1.5m in 2025/26.

	<b>2023/24 £'m</b>	<b>2024/25 £'m</b>	<b>2025/26 £'m</b>
Potential Funding Gap	nil	£11.6	£1.5

- 8.12 To respond to these potential funding gaps, the Council has established an approach at the direction of the Leader and under the Chief Executive, using a series of themed reviews. This programme will report to the Strategic Leadership Team and the Finance PLM.

## SERVICE UPDATES

### Peoples Directorate

- 8.13 Social care services are significantly impacted by demographic changes. The estimated increase in the population for both children and adults is 3% per annum. This implies potential demand growth required of £3m, which will be a priority from the additional growth built into the MTFS. In the past the Peoples service has prepared a sustainability plan so that it can plan to manage its services within the resources available, however due to COVID this plan was unable to be fully implemented, therefore there needs to be an update during the next twelve months so that pressures can be managed, and spending kept within the resources allocated.

#### Supporting Families (previously known as Troubled Families Programme)

- 8.14 The DLUHC have confirmed a maximum allocation of £ £1.597m for 2023/24, comprising a transformation grant of £1.031m and Payment By Results of £0.566m.

#### Children's Social Care

- 8.15 Children's Social Care continues to experience increased cumulative and sustained pressure. This is driven by the increasing number of referrals since the first lockdown and both the increased number of Looked After Children and rising placement costs. The increases in placement costs are partly due to inflation but also due to the increase in the complexity of need resulting in more expensive care.
- 8.16 These pressures will be mitigated to some extent by the additional social care grant announced in the provisional settlement for 2023/24 and by initiatives which will improve the outcomes for children who may be in care, or at risk of entering care, whilst reducing spend.
- 8.17 There continues to be a pressure relating to families with Unmet Housing Need and families with no recourse to public funds. A joint working group has been set up with Housing Services with the objective of designing a sustainable solution for this pressure.

#### Special Educational Needs and Disability Service (SEND)

- 8.18 There are pressures in SEND including from short breaks, domiciliary care, preparing for adulthood placements and Home to School Travel Assistance. These pressures will be mitigated to some extent by the additional social care grant announced in the provisional settlement for 2023/24 and mitigations developed by the service.
- 8.19 There is a further separate pressure from the growth in statutory assessments for Education, Health and Care plans, commissioned by the SEND which is reflected in the increased burden in the High Needs Block. The number of EHCPs has been rising by around 10% each year over the last three years and has increased by 284 (11%) since December 2021 to a total of 2,851 in December 2022.

#### Adults Social Care (ASC)

- 8.20 External placement and package costs for working age and older people continue to generate increased pressures. A combination of an ageing

population, increasingly complex needs, and longevity of working age adults with learning disabilities, mental health issues, and comparatively high levels of deprivation and ill health are generating a net increase in the number of placements and care packages. Due to the impact of Covid-19 on the health service and the requirement to facilitate timely discharges from hospital, there are further pressures on this service.

- 8.21 The additional funding announced in the settlement will provide some mitigations. However, the service will still need to find sustainable solutions to the continuing pressures, mainly driven by the high inflationary increases suppliers have seen such as fuel, food and interest rates.
- 8.22 In addition to net new placements, cost pressures are also being generated through market price increases resulting from limited supply, market failure and provider cost pressures such as the London Living Wage and property related costs.
- 8.23 Several key mitigation actions are underway:
- focus on independence resulting in comparatively low rates of admission into care homes, helping our residents to live independently in their own homes for longer
  - To support the process to discharge patients from hospital, reablement is provided to those requiring health and care support and this aims to improve their outcomes and minimise the need for long-term care
  - long term plans to reconfigure the Council's four existing care homes to provide more affordable placements for working age and older people in areas of need where the market has more limited capacity and/or does not deliver sufficient value for money
  - recommissioned homecare provision with a stronger link to outcomes and maintaining independence
  - A new integrated care strategy will have a significant impact on the outcomes for residents and are integral in the delivery of the mitigations described above. It has been formed with 4 core purposes.
    - Improve outcomes in population health and healthcare
    - Tackle inequalities in outcomes, experience and access
    - Enhance productivity and value for money
    - Help the NHS to support broader social and economic development

#### Schools Funding

- 8.24 The National Funding Formula (NFF) was introduced in 2018/19, and there is currently a transition towards removing the role of the Local Authority Formulae in determining schools' funding allocations. When this is achieved, the programme of reforms to the funding system will be complete.
- 8.25 Local Funding Formulae show that the majority of Local Authorities have moved towards the NFF. London Borough of Waltham Forest together with the Schools Forum decided to move towards the NFF in 2019/20.

8.26 Schools budgets are primarily funded through the Dedicated Schools Grant (DSG). The DSG comprises four funding elements:

- Schools Block: allocates funding for pupils in Reception to Year 11 in state-funded mainstream schools and academies
- Early Years Block: funds free early education entitlements for 2, 3 and 4-year-olds
- High Needs Block: supports provision for vulnerable children and young people, mainly those with special educational needs and disabilities
- Central School Services Block: funding for historic commitments and ongoing statutory responsibilities

8.27 In In December 2022, the ESFA published the DSG allocations for 2023/24. The total DSG has increased by £16.8m from £294.4m in 2022/23 to £311.2m gross in 2023/24.

#### Schools Block

8.28 The Schools Block, excluding the Growth Fund has increased by £10.4m from £218.4m to £228.8m, a 5% base increase. At the time of writing, the Local Authority net funding after the allocations to academies is standing at £115.4m.

8.29 In 2018/19, the national funding formula (NFF) for schools was introduced and while it remains the government's intention that every school budget should be set based on a single NFF, local authorities continue to determine final funding allocations for schools through a Local Funding formula.

8.30 The Council maintained schools had brought forward opening balances totalling £9.7m in April 2022 and as per the latest projections, these balances are projected to decline by 18% to £8m by the end of 2022/23. In 2021/22, 9 of 42 schools were in deficit and these are projected to increase to 10 in 2022/23. Education Finance Team, together with Education Business Effectiveness officers are working together with these schools to bring them back in a positive reserves position. The Institute of Fiscal studies Annual Report on Education Spending in England published November 2022 stated "As a result of recent increases in school funding, we estimate that school spending per pupil will grow in real terms through to 2024 and will return to at least 2010 levels, even after accounting for the specific costs faced by schools. However, no net growth in school spending per pupil over a 14-year period still represents a significant squeeze on school resources."

#### High Needs Block

8.31 The High Needs Block has increased by £5.2m (12% base increase) from £51.4m in 2021/22 to £56.7m in 2022/23. The increase in funding will be applied to address growth in demand, investment in alternative provision and the cumulative deficit position of £4.7m.

#### Central School Services Block

8.32 The Central School Services Block has remained static at £1.5m.

#### Early Years Block

8.33 The Early Years Block indicative budget for 2023/24 is £24.05m, an increase of £1.07m (4.65%) on the £22.97m expected for 2022/23. The main changes are a 46p per hour (7.46%) increase to the hourly rate for 2-year-old funding,

an increase of 19p per hour (3.26%) to the hourly rate for 3 & 4-year-old funding, however, included within the 19p per hour is 13p per hour which was previously paid to schools and academies as a separate grant for Teachers Pay and Pensions Grant, therefore, the net increase to the 3&4 year old rate is 6p per hour (1.03%). The Maintained Nursery School Supplement Funding has increased substantially to £3.80 per hour (103.6%), however, this increase includes 54p per hour which was previously paid as a separate grant for Teachers Pay and Pensions Grant. The Early Years Pupil Premium has increased to 62p per hour (3.33%). The Disability Access Fund rate has also increased to £828 per child (3.5%) and the number of children funded has increased from 95 in 2022/23 to 95 in 2023/24.

- 8.34 The Early Years Block indicative budget for 2023/24 is based on the January 2022 census data. In July 2023, the indicative budget for 2023/24 will be updated once the January 2023 census data has been analysed. The prior financial year (2022/23) budget allocation was updated in July 2022 based on January 2022 census. In July 2023 the ESFA will confirm final budget allocation for 2022/23 once the January 2023 census data has analysed and make a final balancing payment or clawback. Therefore, although the hourly rate for 2 year olds and 3 & 4 year olds have increased, the overall budget may go down due to the number of children actually attending a nursery provision during the census weeks in January 2022 and January 2023.

#### Pupil Premium and other grants

- 8.35 The Pupil Premium for maintained schools was £6.4m for 2022/23 and is expected to increase by 5% to £6.7m. In addition to pupil premium, schools receive other grants. The largest are Sixth form funding and Universal Infants Free School Meals which are allocated on an academic year basis. The total funding for the Financial Year 2023/24 will be confirmed later. The Sixth form funding for 2022/23 Financial Year was £2.8m and Universal Infant Free Meals was £1.9m.

#### **Place Directorate**

- 8.36 The Council's Commercial Property income is the main risk to the Property and Delivery Service in 2023/24. The Commercial Estate has an expected rent roll of c. £4.4m p.a. (taking into account a projected 5% voids rate). Therefore, a key objective is ensuring that we maximise our commercial rental income in year and protecting our long-term investment, alongside supporting our tenants and the borough's economic recovery from the pandemic.
- 8.37 The service also has the delivery responsibility for the Council's largest development and capital schemes, including the Fellowship Square programme, the Coronation Square development and the EMD refurbishments. The main risks here are protecting the value of anticipated land receipts and controlling capital costs. More broadly, the service also manages the Council's Capital Investment Portfolio. Continuing to deliver the Capital Portfolio to time, cost and quality will also remain a priority for the Service.
- 8.38 Regeneration, Planning and Delivery (RPD) service continues to deliver services to facilitate and increase growth in the borough, support local businesses and upskill residents to enable employment in the borough.
- 8.39 The RPD service is predominantly funded from external sources of income and grant funding with approx. 10% of the cost of service funded from the

Council's General Fund budgets. With the focus on reducing reliance on General Fund budgets and increasing commercial opportunities there are risks associated with the fluctuation of demand-led income and annual funding rounds. The Planning service depends on income from Planning related income such as application, Planning Performance Agreements (PPAs), CIL and s106. The Employment Business and Skills service receives significant external funding including £3m Adult Education Budget.

- 8.40 Culture and Destinations Service's venues continue to recover from reduced bookings and attendance during Covid. However, retail spend, particularly at the William Morris Gallery has exceeded expectations, and there is continued growth in licensing and on-line sales. A new Destination's Business Plan aims to commercialise venues and attract a range of operators to host cultural activities, increase revenues and funding opportunities. This will also enable the team to contribute further to the economic recovery and jobs recovery programmes for the borough.

#### Parking Account

- 8.41 The Parking Service generates surpluses to support Highways and Transport related General Fund expenditure. In 2021/22 the surplus was £12.4m and the sum of the allowable expenditure was c.£22.4m (£8.6m concessionary fares, £0.255m cost of off-street parking, £13.6m highways maintenance).

#### Housing General Fund (HGF)

- 8.42 The number of households in Temporary Accommodation (TA), which is the driver for approx. 40% of the HGF budget, continues on the downward trajectory that was achieved throughout 2021/22. The number of TA placements dropped below 1,000 at the end of March 2022. In addition, the "true loss" per placement (which has traditionally been measured as the average difference between weekly rental income and the weekly cost of procuring accommodation) has narrowed significantly as a result of the decision to restructure TA rents in line with Local Housing Allowance (LHA). This measure has now been replaced with a new calculation of the "true loss" given that increases in HB Subsidy and bad debt are now likely to represent the biggest cost drivers.
- 8.43 The current forecast exercises caution with regard to the widely held expectation that there will be an increase in the number of households presenting as homeless due to the current national cost of living crisis. Demand increases in the range of 10%-25% have been modelled and are projected to result in an increase in cost of £1m - £1.3m. The key mitigation for any increases will be the delivery of housing supply to discharge duty via a number of initiatives being pursued by the service. These include the partnerships with Mears. The More Homes Waltham Forest joint venture with Mears is expected to complete its programme of acquisitions shortly and a second joint venture is also being pursued to follow on from the first and ensure a stream of properties continue to be made available throughout the year.
- 8.44 These schemes continue to generate cost for the HGF budgets but at a substantially reduced level in comparison to the cost of providing TA.

#### Housing Revenue Account

- 8.45 A report setting out the detailed proposals for the HRA Budget and the level of tenants' rent and service charges from April 2023 went to Housing Scrutiny on 15<sup>th</sup> December 2022 and was considered by the STAR Panel in January 2023. It is being presented to Cabinet on the same agenda as this report (in February 2023).
- 8.46 In 2019, the government set a rent policy for social housing that would permit rents to increase by up to CPI plus 1 percentage point (CPI+1%) per annum and made clear its intention to leave this policy in place until 2025.
- 8.47 CPI was 10.1% in September 2022. This would permit social housing rent increases from 1 April 2023 to 31 March 2024 of 11.1%. This rate of inflation is much higher than anticipated, and is already placing considerable pressure on many households, including those living in social housing. In the face of these exceptional challenges, the government felt there was a strong case for making a temporary amendment to the CPI+1% policy next year, in order to provide a backstop of protection for social housing tenants from significant nominal-terms rent increases. They consulted on a new Direction from the Secretary of State to the Regulator of Social Housing on social housing rents. This Direction will operate alongside the Direction on the Rent Standard 2019 issued on 26 February 2019.
- 8.48 In the Autumn Statement, it was announced that a 7% ceiling would be implemented after the Consultation and on 14th December 2022 a direction to operate alongside the rent standard was published.
- 8.49 The ability for local authorities to increase rents is essential for securing the long-term viability of the HRA. The 2023/24, HRA business plan refresh reflects the changes in rental policy and also includes assumptions about on-going rent increases.
- 8.50 The recommended increase is essential to allow the HRA to remain financially viable, and more importantly, to help it work towards its objectives of sustaining the capital investment needed to maintain the stock. This includes fulfilling its programme of capital delivery and ensuring compliance with health and safety regulations within its existing stock portfolio are maintained. 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.
- 8.51 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.
- 8.52 The proposed rent increase of 7% will generate approx. £2.9m worth of additional resources into the HRA for 2023/24 and will be reflected in the base budget thereafter. These additional resources can finance both revenue activities and new borrowing for future capital investment (approximately £58m based on a 5% interest rate)
- North London Waste Authority Levy
- 8.53 The levy charges from the North London Waste Authority (NLWA) are projected to rise significantly from 2024/25, as the number of households increase and the plan to replace the plant in Edmonton progresses. Projected

increases have been built into the MTFS and this will be kept under review as and when further growth is necessary.

- 8.54 The provisional levy for 2023/24 is £9.570m and the in-year surplus of £0.5m has been allocated to the levy equalisation reserve which was put in place to reduce the impact of sudden rises over the period of the MTFS.
- 8.55 Additional one-off income of £1.229m is anticipated for 2023/24, as a result of forecast surplus income from the electricity generation at north London's energy from waste facility in Edmonton, which is managed by NLWA. The £1.229m is Waltham Forest share and will be used in 2023/24 to fund initiatives similar to those funded from the rebate received in 2022/23.

### **Limited companies wholly owned by the Council**

#### Sixty Bricks Limited

- 8.56 From January 2017, the Council established its subsidiary housing company, Sixty Bricks Limited, to build and manage more affordable homes in the borough. Its Board comprises three council officers and three non-executive directors (appointed in October 2020). Of the new non-executive directors, one is the new Chair, one is the Senior Independent Director, and one is the Chair of the Audit & Risk Committee. The Board meets monthly and reports to the Shareholder's Committee on a quarterly basis.
- 8.57 It is intended that the cost of any agreed schemes will be funded mainly through loan agreements from the Council, at an agreed interest rate. At present the Council budgets for the interest from the loan and the loan repayment only. No assumptions around dividends receivable are included.
- 8.58 The first of the schemes, Lena Kennedy (also known as Centenary House) completed in the August 2021, and has delivered a mixture of private for sale, social rented and shared ownership homes. Essex Road and Samson Road are also expected to complete in early 2022 and all repayments of phase 1 borrowing complete by end of March 2023.
- 8.59 Sixty Bricks have been developing a pipeline of new schemes following Shareholder Committee and Cabinet endorsement of the company's revised Business Plan in January 2023. This included approval for £130m to fund Phase 2 development pipeline. The Phase 2 schemes will deliver c283 homes of which 64% will be affordable, subject to viability. In line with the Company's Strategy, they will endeavour that these schemes will be Net Zero Carbon.
- 8.60 Progress has been made in strengthening the governance and management arrangements for the company, including the appointment of three Non-Executive Directors (including an independent chair).

#### Waltham Forest Services

- 8.61 Waltham Forest Services Limited (which trades as ServiceStore and Fellowship Foods) began operating on 1 April 2018, initially offering various services including handyman, gardening, caretaking, clearance and pest control to local residents and businesses. Its purpose is to:
- Operate as a commercial Company (for trading or other purposes) and deliver a financial return for the benefit of the Council and/or to fund the Company's future business activities;
  - To provide social value through the delivery of trusted and valued services to the Council, residents and businesses of the Borough;



- To provide an alternative supplier of services to the Council were requested and approved by the Board of Directors.
- 8.62 The company stands independent from the Council financially and it is not anticipated that any funding will be required from the Council as shareholder.
- 8.63 The company ceased operations at its Fellowship Food arm in December 2022 due to difficult trading conditions and a cost base that could not be contained
- 8.64 This has allowed the company to increase its interest in helping the borough achieve its climate targets through resident retrofit works whilst its other operations continue to thrive, generating an ethical profit and social value return to the borough's residents.
- 8.65 Two non-executive directors (who are not Council employees) were appointed to the Board in February 2021, to strengthen the skill sets of the Board and provide a more independent view. The Board is continuing to review its structure, to ensure that there is appropriate governance in place.

## **9. FUTURE OUTLOOK**

- 9.1 Whilst the 2023/24 Provisional Local Government Settlement was for one year only, there were indications given around the level of some specific grant for 2024/25 which are expected to be increased by CPI. In addition, the government have indicated that Council Tax can again be increased by 4.99%.
- 9.2 The MTFS assumes a council tax increase of 4.99% in 2023/24 as indicated in the Final Local Government Settlement followed by an increase of 4.99% in 2024/25. The Government have allowed an Adult Social Care precept for both 2023/24 and 2024/25 but not 2025/26. For 2025/26, council tax increase of 1.99% is assumed in the MTFS. Further consideration will be given to the appropriate levels of council tax in the next MTFS refresh planned for September 2023.
- 9.3 There is a high degree of uncertainty surrounding the funding position post 2024/25 and it is unlikely that there will be any further clarity until the Spending Review in 2025. However, it is important that the Council continues to plan ahead and it is clear that the strategy of growing our tax base is providing real additional resources that will assist with managing growing demographic pressures and further planned reductions in government funding.
- 9.4 Following the continual delay to the Fair Funding Review, the potential gain from the business rates reset has been removed from the MTFS in 2024/25. This is highlighted as a risk and increases the funding gap in the MTFS for 2024/25.

### **Budget Strategy Reserve (BSR)**

- 9.5 The Council's budget strategy is noted in Appendix 3 of this report.
- 9.6 A balance of £17.9m for the Budget Strategy Reserve is forecast to be carried forward into 2023/24, including £6m for the Reset projects. This reserve will be used to support the budget and manage service budgetary risks over the full MTFS period.

- 9.7 The BSR is available to support the MTFS and as a source of investment to achieve savings and/or assist with securing the planned savings
- 9.8 It is possible that some level of reserves will be required in the MTFS to balance the position in year due to the uncertainty within the local government finance space, in particular managing inflation and service demands. However, any use of reserves is on a one-off basis to help manage pressures whilst longer term projects will generate the necessary reduction in spend or increased income to close this funding gap.
- 9.9 It is recommended that the BSR is safeguarded to ensure that the Council has the resources to manage potential risks around the resource levels in the latter period of the MTFS.
- 9.10 There are sufficient resources in the BSR to support the MTFS over the whole of the period if required, assuming all planned savings are delivered and secure the assumed benefits to profile.

### SUMMARY OF 2022/23 BUDGET

- 9.11 The Council's precept on the Collection Fund is £129,909m, which results in a 4.99% increase in council tax. This includes the 2% precept for Social Care. This precept takes into account revised levies.
- 9.12 The table below shows the projected budget in 2023/24 and the Council Tax Requirement.

<b>Budget Forecast Summary</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Service Base Budgets including DSG	444,386	480,077
Interest and Capital Charges	-23,913	-23,386
	420,473	456,691
Contribution to reserves	262	565
Contribution from reserves	-8,346	-8,168
Total LBWF expenditure	412,389	449,088
(Surplus)/Deficit on Collection Fund	2,443	-2,689
Business Rate Retention including S31	-25,159	-28,379
Central Government Funding	-278,990	-298,304
	<b>110,683</b>	<b>119,716</b>
Add: Levies	10,726	10,193
<b>Council Tax Requirement</b>	<b>121,409</b>	<b>129,909</b>
<b>Council Tax Base</b>	<b>78,615</b>	<b>80,121</b>
	<b>£</b>	<b>£</b>
C.Tax Requirement divided by C.Tax Base	1,544.35	1,621.41
GLA Precept	395.59	434.14
<b>Total Council Tax</b>	<b><u>1,939.94</u></b>	<b><u>2,055.55</u></b>
Total reduction/increase in Council Tax	4.12%	5.96%

- 9.13 As can be seen from the table above, the Council Tax Requirement, which is the precept on the Collection Fund, increases from £121.409m in 2022/23 to

£129.909m in 2023/24. This movement reflects the increase in Council Tax Base and the % increase in council tax. The Council's proposed element of the council tax at Band D is now £1,621.41. The numbers of properties in each band as of October 2022 are set out below:

Band	Council Tax 2022/23 £	Number of Dwellings (Oct 2022)	Percentage of total dwellings %	Council Tax 2023/24 £
A	1,293.29	5,152	4.8%	1,370.37
B	1,508.84	31,049	28.9%	1,598.76
C	1,724.39	37,610	35.0%	1,827.16
<b>D</b>	<b>1,939.94</b>	23,066	21.5%	<b>2,055.55</b>
E	2,371.04	8,221	7.7%	2,512.34
F	2,802.14	1,805	1.7%	2,969.13
G	3,233.23	427	0.4%	3,425.92
H	3,879.88	25	0.0%	4,111.10
<b>TOTAL PROPERTIES</b>		<b>107,355</b>		

### Council Tax Referendum

- 9.14 The Localism Act introduced new provisions for council tax referenda and replaced the previous capping rules. Authorities are required to determine whether the amount of council tax they plan to raise is excessive. The Secretary of State defines annually a set of principles which determines the level of increase that would be 'excessive'.
- 9.15 For 2023/24, the **relevant basic amount of council tax** is deemed excessive if it is more than 3% greater than its relevant basic amount of council tax for 2022/23
- 9.16 The basic amount of council tax (i.e. the band D amount) set by a local authority is (in general terms) defined by:
- $$\text{Basic Amount} = \frac{\text{Council Tax Requirement}}{\text{Council Tax Base}}$$
- 9.17 The Council Tax Requirement includes amounts attributable to levies issued to the authority. Up until 2014/15, authorities had to deduct this amount for the purposes of the referendum calculation. However, Section 41(10) of the Local Audit and Accountability Act 2013 provided that the amount of any levies will no longer be deducted in calculating the "relevant basic amount".
- 9.18 The relevant figures for determining whether the 2023/24 council tax increase is excessive are set out in the following table:

	2022/23	2023/24
Council Tax Requirement	£121.409m	£129.909m
Council Tax Base	78,615	80,121
Relevant Basic Amount	£1,544.35	£1,621.41
Precept for Social Care	1%	2%
General increase	1.99%	2.99%
Total % increase/decrease in Relevant Basic amount of Council Tax	2.99%	4.99%

- 9.19 As can be seen from the above table, the “relevant basic amount of council tax” has increased by 4.99% but this includes 2% precept for Social Care leaving a 2.99% general increase. Consequently, there is no obligation to hold a referendum to approve the recommendations for council tax setting.

### **Employers Contribution Rate to the Pension Fund**

- 9.20 The Actuary to the Pension Fund (Mercer) undertook the three-year valuation of the Fund as at 31 March 2022, in accordance with the Local Government Pension Scheme regulations. The valuation took into account implications from the McCloud judgement and the valuation has resulted in increased pension fund deficit payments as well as an increase in future service costs.
- 9.21 The deficit payment required to fund these historic pension fund costs is an additional £900m in 2023/24, followed by £400m per annum for 2024/25 and 2025/26. This pressure has been built into the MTFS.
- 9.22 An increase in employer’s contributions from 15.2% to 16.7%, the estimated cost of this is in the region of £1.7m. This will be funded from the budget for ill health retirement, as the increased contributions will fund any relevant costs going forward.

### **Precepts and Levies**

- 9.23 Precepts and levies can be divided between those which are:

- (1) deemed by the Government to be ‘local’ and are included in the Waltham Forest total for RSG; and
- (2) the Greater London Authority precept.

The ‘local’ group comprises the following:

<b>LEVYING BODY</b>	<b>2022/23 £’000</b>	<b>2024/25 £’000</b>	<b>% Change</b>
Environment Agency	185.2	189.5	2.3%
Lee Valley Regional Park Authority (LVRPA) *	186.0	195.3	5.0%
London Pension Fund Authority (LPFA)	263.9	238.2	-9.7%
North London Waste Authority (NLWA) *	10,090.8	9,570.0	-5.2%
<b>TOTAL LEVIES</b>	<b>10,725.9</b>	<b>10,193.0</b>	<b>-5.0%</b>

\* Levy for 2023/24 still to be confirmed

- 9.24 The Edmonton replacement will be a major capital project. It is necessitated because of the current facility is approaching the end of its life. The NLWA has considered the options and the emerging proposals are believed to be the best value for money in the current operational environment.
- 9.25 The constituent NLWA boroughs have benefitted from the legacy of the Edmonton plant and relative to other waste authorities, costs have been lower. Therefore, the financing of the proposed scheme will lead to a significant increase in the Levy over the next decade.
- 9.26 Although the impact of the Levy rise will not occur within the period of the current MTFS, the Council’s past budgets and revisions of the MTFS have recognised the potential future impact of replacing the Edmonton facility. A reserve has been established to enable the impact on Council Tax and the budget from future rises in the Levy to be mitigated over the longer term. This

approach will be maintained in the proposals for the 2023/24 Budget and MTFS through to 2025/26.

- 9.27 The Mayor of London has proposed that the Greater London Authority (GLA) precept is increased by £38.55 from £395.59 to £434.14 per band D property for 2023/24 which represents an increase of 9.74%. There are indications that this amount may change and any changes will be notified as late material. This budget will be formally ratified by the GLA at its Assembly meeting on 23 February 2023.

### **Interest Rates / Capital Financing Costs**

- 9.28 Interest rates increased significantly over the past year and are at 4% in February 2023, it is anticipated that it will increase to 4.5% by mid 2023 before reducing to 3.5% by September 2024. The implications of these changes in interest rates will need close monitoring throughout 2023/24.
- 9.29 The MTFS includes £1m in 2023/24 and a further £1m in 2024/25 to reflect potential capital financing costs from borrowing for a number of corporate capital schemes including the Town Hall Campus and EMD Cinema etc.

### **Concessionary Fares**

- 9.30 The cost of Concessionary Fares in 2022/23 is £7.182m. This is £2.9m less than the base budget for concessionary fares, this budget saving has been built into the MTFS as a one off saving as the cost of concessionary fares is anticipated to return to pre-pandemic levels from 2024/25 onwards. Funding of concessionary fares is permitted as allowable expenditure under Section 55 of the Road Traffic Regulation Act (1984). Therefore, any parking surplus generated can be used towards the cost of concessionary fares.

### **General Fund Balance**

- 9.31 At 1 April 2022, the General Fund revenue balance amounted to £14.906m. The Strategic Director of Finance & Governance will seek to ensure that balances do not fall below the level required for good financial management purposes, and that any temporary use of balances will be replenished as soon as practically possible.
- 9.32 The projected balance of £14.906m at 31 March 2023 is equivalent to c6% of the net expenditure (excluding schools) projected for 2023/24. At Cabinet in September 2009, Members agreed a minimum level of General Fund reserves of £10m and a maximum of £15m. The projected balance as at 31 March 2022 is therefore within these parameters.

### **Earmarked Reserves**

- 9.33 The Council holds earmarked reserves for a variety of purposes, in particular to provide for expected or uncertain cash flows and helps mitigate against known budget risks. The Reserves Strategy is attached at Appendix 3.
- 9.34 A summary of Provisions and Reserves as at 31 March 2022 is included in Appendix 4, together with an estimate of the levels at the end of 2022/23 and 2023/24.
- 9.35 The following table summarises the information contained in Appendix 4 by setting out the total level of reserves held as at 31 March 2022; the estimated level held at 31 March 2023 and those expected to be held at 31 March 2024:

Reserves	31 March 2022	31 March 2023	31-Mar-24
	est. £'000	est. £'000	est. £'000
Capital programme related	2,153	2,153	2,456
Contingencies for known risks /			
Committed revenue	20,788	15,705	13,573
To Support the Budget Strategy	16,792	17,891	12,409
Technical Reserves	32,053	25,246	18,676
Operational Reserves	5,593	3,823	2,248
Statutory Accounts	944	849	475
External Income Related	8	8	0
<b>Sub-total</b>	<b>78,330</b>	<b>65,674</b>	<b>49,837</b>
Grant Related Reserves	23,042	15,011	13,862
<b>Total General Fund</b>	<b>101,372</b>	<b>80,684</b>	<b>63,698</b>
Housing Revenue Account	3,622	368	1
Schools Revenue Reserves	9,758	8,002	6,561
<b>Total Reserves</b>	<b>114,752</b>	<b>89,054</b>	<b>70,260</b>

- 9.36 The Strategic Director of Finance & Governance considers the level of reserves to be appropriate and refers to this in Appendix 3.




#### **RISKS TO 2022/23 BUDGET AND MTFS**

- 9.37 The MTFS is reviewed and updated throughout the year so that the Council is well placed to consider its financial standing and associated budget risks. In addition, the regular review of balances and the rigorous monthly monitoring of the revenue budget are formally reported to Cabinet. This contributes to an assessment and understanding of budget risks.
- 9.38 It is important to emphasise key risks facing the Council due to the extensive and rapid reforms proposed by central government.

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
<b>1. National economic factors</b>				
Impact of economic factors including the war in Ukraine, increasing interest rates and energy costs.	<p>Increased demand for services and potentially prolong the cost-of-living crisis.</p> <p>Impact of potential increased financing cost for capital schemes could create a cost pressure in the MTFS</p>	<p>L – 3 I – 4</p> <p><b>12</b></p>	<p>1) Proactive organisational financial planning and refresh of the MTFS</p> <p>2) Council's Winter package to provide vital support residents</p> <p>3) Council policies to promote local business.</p> <p>4) Council policies to increase employment.</p>	All
<b>2. Reforms to Local Government funding and the reset of the Business Rates</b>				
A policy statement issued by the government in December 2022 confirmed that these reforms would not take place before 2025/26	The impact of these reforms on the Council's finances and the MTFS is unknown and therefore restricts financial planning for 2025/26 and beyond	<p>L – 3 I – 4</p> <p><b>12</b></p>	<p>1) Robust budget preparation, budget setting, and financial ground rules are key elements in managing this risk.</p> <p>2) Maintaining sufficient reserves to potentially fund any MTFS funding gaps or required transformational resource to deliver any savings.</p> <p>3) Continuing efforts to collaborate and interact with DLUHC, London Councils, etc</p>	All
<b>3. Increased demand for Adults and Children's Social Care, and SEND</b>				
<p>Demand for Adult Social Care is increasing, following the changes to national guidance on hospital discharge. The impact of this is that residents are leaving hospital sooner, in the main returning to their home, but with a higher level of needs.</p> <p>Looked after Children numbers have also increased significantly since pre Covid, including a significant increase in UASC</p> <p>The High Needs budget continues to be challenging to balance in-year and SEND services continue to see a growth in demand, impacting both the general funds and High Needs Block.</p>	Increased pressure on service budgets and the MTFS	<p>L – 3 I – 4</p> <p><b>12</b></p>	<p>1) Maximise the use of new social care funding to mitigate budget pressures and develop initiative to manage the levels of demand.</p> <p>2) Working with Integrated Care Board to develop initiatives to manage demand and agree the apportionment of the iBCF to offset budget pressures</p>	Peoples Directorate

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
<b>4. Inflation</b>				
The Council's expenditure (pay and non-pay) is subject to annual inflation based on indexation that is determined by external stakeholders e.g. Central Government for pay and suppliers through agreed contracts for other service expenditure	<p>Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment. CPI is currently at 10.5% but pay and non-pay have been included within the MTFS at 4%</p> <p>The impact of inflation would be on both revenue and capital budgets</p>	<p>L – 3 I – 3 9</p> <p>↑</p>	<p>Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment. CPI is currently at 10.5% but pay and non-pay have been included within the MTFS at 4%</p> <p>The impact of inflation would be on both revenue and capital budgets</p>	All
<b>5. Delivery of Budgeted Savings</b>				
Agreed MTFS Savings are not fully achieved or slip into future years.	Potential for in-year overspends and funding gaps	<p>L – 3 I – 3 9</p> <p>↓</p>	<p>1) Robust challenge of all proposed MTFS Savings during the MTFS process</p> <p>2) In-year monitoring of agreed MTFS Savings</p>	All
<b>6. Reliance on Commercial Income</b>				
Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents	<p>A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income.</p> <p>Competition - As well as individual factors influencing demand the Council has to consider competitive forces in certain service areas. Especially trading activities.</p>	<p>L – 3 I – 3 9</p> <p>↔</p>	<p>1) Monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.</p> <p>2) A balanced approach to commercial income whereby even a dramatic drop can be dealt with through reserves and service prioritisation.</p>	Specific Services



Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
<b>7. North London Waste Authority (NLWA)</b>				
The plant that services North London is in imminent need of replacement which would add a significant financial pressure on the Council in the next few years	A cliff-edge in increased costs following the replacement plant would place significant pressure on the Council's budget and result in service reductions being needed to balance the budget	L – 3 I – 3 <b>9</b> 	The use of the NWLA smoothing reserve will act as a buffer for any sudden increases and allow the Council to manage any budget requirements more effectively	Specific Service
<b>8. Impact of London Living Wage on the Council's social care budgets</b>				
The Council's commitment to extend London Living Wage to its social care contracts	There would be an increase in costs across social care budgets which are already under pressure due to continually increasing demand	L – 3 I – 3 <b>9</b> 	1) Effective modelling of potential costs to smooth any increases over a longer number of years 2) Engaging with social care providers to ensure that LLW is only paid to those who qualify 3) Implementing LLW at the point of contract renewals to reduce any significant cost increases over a short period	All
<b>9. Pension Fund Assets / Pension Fund Deficit</b>				
Pension Fund assets failing to deliver returns in line with the anticipated returns underpinning valuation of Pension Fund Liabilities over the long-term.	The Council's Pension Fund being under-funded resulting in an increase in the employer contribution rate and deficit funding that the Council pays into the fund.	L – 3 I – 3 <b>9</b> 	The Council continues to explore options to reduce the pension deficit, as well as taking a robust approach to its pension investments to maximise return	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
<b>10. Interest Rate changes</b>				
Changes to the Bank Base Rate and returns on investments.	The Council earns an amount of income from its Treasury function. Should the country return to a reducing interest rate situation then such a decrease in interest rates could mean returns on investment are lower, reducing the amount of income earned e.g. from Government Bonds	L – 2 I – 3 6 ↔	The Council has a number of options available to it to mitigate these risks. These include placing fixed term deposits as opposed to instant access, limiting deposits in money market funds and closely monitoring interest rate forecasts and available market rates.	Specific Service
<b>11. Public Health Grant Funding</b>				
The Government is proposing reductions to Public Health grant funding, along with possible removal of the ring-fence for the grant/potential changes to the Public Health grant conditions.	The proposed changes to the grant would cause a funding pressure for the service and have the potential to cause short-medium term disruptions to the service and on-going projects.	L – 2 I – 3 6 ↔	Regular refresh of the MTFS will ensure that the consequences of any further grant reduction are considered as part of the council's overall financial position.	
<b>12 Planned Use of Capital Receipts</b>				
Capital receipts are generated when an asset is disposed of and are source of financing capital expenditure. However, there can be delays in completing the disposal of an asset which then delays the inflow of a capital receipt	Shortfalls in financing of capital expenditure, possibly resulting in higher borrowing costs	L – 2 I – 3 6 ↔	1) In-depth analysis and challenge of capital project cash flow projections. 2) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services

## **10. CAPITAL PROGRAMME 2022 – 2028**

- 10.1 The Capital Investment Strategy demonstrates the continued and accelerated delivery of our ambitious investment programme and plans, recognising the vital role that the Council plays in ensuring Waltham Forest continues to build for the future. It sets out the Council's ambitious capital programme with £532.9m of planned investment over the 6 years to 2027/28.
- 10.2 The Capital Programme at Appendix 8 sets out the six-year period 2022/23 to 2027/28. The Capital Programme summarises anticipated capital spending and estimated resources available for financing. These resources include government grants, capital receipts, prudential borrowing, direct revenue funding (including reserves) and other capital income.
- 10.3 The Capital Programme is based upon an estimate of achieving a total of £125.6m in capital receipts over the years to 2027/28. This figure is inclusive of current General Fund Capital Receipt balances, HRA Receipts and Capital schemes self-financed via future site disposals and includes anticipated receipts that will be applied to reduce the Capital Financing Requirement arising from recent schemes. The Council continues to monitor the current and long-term macroeconomic forecast, and in particular model any impact on anticipated future capital receipts to ensure that the Council remains fiscally prudent.
- 10.4 External resources, in particular grant allocations, are usually announced over a one or two-year timeframe; therefore, the majority of schemes will only be forecast over this period. The programme is updated quarterly for any changes in resources and refreshed annually.
- 10.5 The Capital Strategy 2022/23 – 2027-28 sets out how the various schemes and projects comprising our investment programme meet the Council's objectives and priorities. When planning new capital projects, services are required to demonstrate (and are assessed against) how value for money will be achieved when putting forward bids for capital resources.
- 10.6 A summary of the Capital Programme is shown below. Further details can be found in Appendix 8.

<b>CAPITAL PROGRAMME</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>Total £'000</b>
<b>DEPUTY CHIEF EXEC'S DIRECTORATE</b>							
ICT	6,527	3,061	1,814	-	-	-	<b>11,402</b>
STRATEGY INSIGHT AND COMMUNITIES	10	110	-	-	-	-	<b>120</b>
CLIMATE EMERGENCY FUNDING	1,519	1,000	1,000	1,000	-	-	<b>4,519</b>
	<b>8,056</b>	<b>4,171</b>	<b>2,814</b>	<b>1,000</b>	-	-	<b>16,041</b>
<b>PEOPLE DIRECTORATE</b>							
ADULT SOCIAL CARE	197	-	-	-	-	-	<b>197</b>
	<b>197</b>	-	-	-	-	-	<b>197</b>
<b>PLACE DIRECTORATE</b>							
NEIGHBOURHOODS	9,455	1,949	2,023	-	-	-	<b>13,427</b>
REGEN, PLANNING AND DELIVERY	3,490	4,771	728	-	-	-	<b>8,989</b>
PROPERTY AND DELIVERY	53,363	28,219	6,720	887	787	-	<b>89,976</b>
SCHOOLS PROGRAMME	15,700	22,327	13,230	19,924	-	-	<b>71,181</b>
HOUSING DELIVERY/OPERATIONS (GF)	8,750	5,594	8,182	3,361	-	-	<b>25,887</b>
HOUSING DELIVERY/OTHER (HRA)	23,648	18,464	17,795	10,487	7,011	7,011	<b>84,416</b>
HOUSING ASSETS (HRA)	30,759	36,512	35,512	35,512	34,746	34,746	<b>207,787</b>
	<b>145,165</b>	<b>117,836</b>	<b>84,190</b>	<b>70,171</b>	<b>42,544</b>	<b>41,757</b>	<b>501,663</b>
<b>CONTINGENCY</b>							
CONTINGENCY	-	15,000	-	-	-	-	15,000
<b>TOTAL CAPITAL PROGRAMME</b>	<b>153,418</b>	<b>137,007</b>	<b>87,004</b>	<b>71,171</b>	<b>42,544</b>	<b>41,757</b>	<b>532,901</b>
<b>RESOURCES</b>							
Government Grant	(37,564)	(26,531)	(14,348)	(19,924)	-	-	(98,367)
Major Repairs Reserve	(12,543)	(12,997)	(13,372)	(13,673)	(13,987)	(14,309)	(80,881)
Other Contributions	(9,776)	(10,501)	(2,531)	(3,431)	-	-	(26,239)
Revenue Contributions	(4,646)	(1,493)	(5,555)	(5,089)	(6,155)	(5,731)	(28,669)
Capital Receipts	(5,793)	(6,832)	(6,046)	(5,924)	(2,159)	(1,372)	(28,126)
Self-Finance via Future Disposal	(5,828)	(5,084)	(282)	(100)	-	-	(11,294)
Prudential Borrowing	(62,741)	(49,034)	(16,006)	(4,361)	-	-	(132,142)
HRA Borrowing	(14,527)	(24,535)	(28,864)	(18,669)	(20,243)	(20,345)	(127,183)
<b>TOTAL RESOURCES</b>	<b>(153,418)</b>	<b>(137,007)</b>	<b>(87,004)</b>	<b>(71,171)</b>	<b>(42,544)</b>	<b>(41,757)</b>	<b>(532,901)</b>

## 11. OPTIONS & ALTERNATIVES CONSIDERED

- 11.1 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.
- 11.2 The Council is creating a new Transformation programme to address any future financial challenge, including the MTFS gap in 2024/25 and 2025/26. Therefore, any recommendations from this programme will feature in future reports to Cabinet over the next year.

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

- 12.1 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.

## **13. CONSULTATION**

- 13.1 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 the course of this process, through the authority's consultation mechanisms.
- 13.2 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.

## **14. IMPLICATIONS**

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

- 13.1 Local authorities are required by law to have a balanced budget. However, what is meant by 'balanced' is not defined in law and this has meant Chief Finance Officers using their professional judgement to ensure that the local authority's budget is robust and sustainable. The annual budget report contains a statement from the CFO confirming the reasonableness of the financial plans.
- 13.2 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.
- 13.3 A prudent definition of a sustainable balanced budget for local government would be a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. Plans would take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. Legislation provides a description to illustrate when a budget is considered not to balance, which is:
- where the increased uncertainty leads to budget overspends of a level which reduces reserves to unacceptably low levels, or
  - where an authority demonstrates the characteristics of an insolvent organisation, such as an inability to pay creditors
- 13.4 This report proposes a balanced 2022/23 budget position and is therefore not expecting to issue an s114 notice.

### **Legal**

- 13.5 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. 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.
- 13.6 The Council will agree the budget on 2 March 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.
- 13.7 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.
- 13.8 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.
- 13.9 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.
- 13.10 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.
- 13.11 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.

- 13.12 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.
- 13.13 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.
- 13.14 Section 67 of the Local Government Finance Act 1992 specifies that certain functions, including the setting of the council tax, are only to be discharged by the full Council.
- 13.15 Section 67(3) nonetheless contains a power enabling an authority to appoint a committee of members to carry out the function of determining the amount of council tax (the number of members to be appointed to the committee and their term of office being a matter for the authority). Part VA of the Local Government Act 1972 (containing the provisions regarding meetings and documents of committees and sub-committees) will apply to the committee.

### **Equalities and Diversity**

- 13.16 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).
- 13.17 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.
- 13.18 In terms of the Council Tax increase, a Full Equality Impact Assessment (EIA) has been completed (see Appendix 10). This EIA sets out information regarding the impact upon residents with reference to equality groups based on data available to the Council regarding the make-up of its' population. The proposal will impact on all Council Tax payers in the borough. The profile of Council Tax payers in Waltham Forest will generally reflect the wider community. However,

the profile of households in receipt of Council Tax Support (CTS) differs from the wider community profile. This is a consequence of the nature of the support scheme, which provides help for Council Tax payers whose financial circumstances are not adequate to cover the charge. Therefore those households with larger outgoings, such as disabled households or families with children, and those households who are not working or are in low paid employment may be over represented within the CTS caseload.

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

- 13.19 The budget provides resources to the Council's ongoing work of the Council's Climate Emergency Commission.
- 13.20 Furthermore, the Capital Programme includes provision for energy efficiency improvements around heat recovery ventilation, anti-condensation programme and boiler upgrades to a more efficient standard. The annual carbon savings from the Capital Programme are reported via the Council's Climate Local initiative.

**Council Infrastructure**

- 13.21 None at this stage.

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

None