

Committee/Date:	Cabinet – 23 February 2023
Report Title:	Budget and Performance Scrutiny Committee: Pre-decision scrutiny of the 2023-24 budget
Directorate:	Finance and Governance
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Wards affected:	All
Public Access	Open
Appendices	None

1. SUMMARY

- 1.1. This report summarises the activity undertaken by the Budget and Performance Scrutiny Committee in 2022/23 to review the refresh of the Medium Term Financial Strategy (MTFS) and as part of this the budget-setting process for 2023/24.

2. RECOMMENDATION

- 2.1. Cabinet is asked to agree/note the following recommendations:
- 2.1.1 That the activity of the Budget and Performance Scrutiny Committee relating to the Medium Term Financial Strategy and budget-setting process is noted, including the Committee's support for the proposed budget and the core Council Tax increase of 2.99% for 2023/24
 - 2.1.2 That the Committee notes the service pressures on Adult Social Care and supports the proposal of setting the Adult Social Care Precept at 2%
 - 2.1.3 That the Committee notes the content of the Section 151 Officer's (Strategic Director of Finance and Governance) Section 25 report (Appendix 6) and the risks identified therein, and supports the need for future monitoring and action, namely:
 - a. The deferral of local government finance reforms, to 2025/26 at the earliest and the consequences for the Council and local businesses (in the case of delayed Business Rates reform)

- b. The pressures and potential future pressures within demand-led services
- c. Inflation and interest costs affecting both revenue budgets and capital projects, in particular the impact of increased cost of private sector labour

3. BACKGROUND

- 3.1. Scrutiny is a statutory function of the Council, and its [terms of reference are set out in Part 7 of the Council's constitution](#). One of its principal responsibilities is scrutinising the budget setting process, as set out in paragraph 2.1 of [these terms of reference](#). The Budget and Performance Committee is the delegated committee with this responsibility.
- 3.2. The Committee scrutinises the Medium Term Financial Strategy (MTFS) throughout the year and, within this context, the budget-setting proposals for the following year. The Committee is notified of external and internal funding pressures.
- 3.3. In 2022/23, the Committee has used its meetings to review the following:

21 June 2022

- 3.3.1. Introduction to the budget, including 2022/23 budget and context of the MTFS refresh

20 September 2022

- 3.3.2. Overview of the financial position

22 November 2022

- 3.3.3. MTFS refresh position

21 February 2022

- 3.3.4. Proposed Budget and Council Tax Setting 2023/24

- 3.4. It presents its findings and recommendations below for consideration by Council and response by the Cabinet.

4. BUDGET AND PERFORMANCE COMMITTEE FINDINGS

- 4.1. The Committee noted throughout 2022/23 the Council were contending with additional financial pressures and uncertainties such as high levels of inflation, interest rates, energy price increases, the cost-of-living crisis and continuing social care pressures. The turbulent national picture of financial pressures meant emerging gaps had been identified in the Medium Term Financial Strategy refresh, however the officers assured the budget had been prudent in the face of uncertainties and due caution had been with the use of reserves.
- 4.2. **Process** – The Committee began by reviewing the context of the base budget. Officers set out some of the central risks and noted that the

Council was in a strong position compared to other local authorities, with a healthy level of reserves. At its September 2022 meeting, the Committee noted concern for the ongoing budgetary pressures and uncertainties that were precipitating changes across the financial landscape, in particular, the cost-of-living crisis, high levels of inflation and housing pressures. At this point, there was lack of clarity on policy for future local government funding as a result of the political changes at a national level that occurred over the Summer and Autumn. Officers also identified financial stresses on social care and a lack of clarity around how future reforms for Adult Social Care. At its November 2022 meeting, the Committee received a report that was drafted before the Autumn Statement was released on 17 November 2022. The Committee noted that the provisional local government settlement was due on 21 December 2022. Officers identified the assumptions made around this and the main risk areas. These were related to the uncertainty around funding for social care services and also highlighted were the impacts of inflation and interest rates on the Council.

- 4.3. **Risks** – The Council is currently operating in financially uncertain times, with inflation hitting at 40 year high during 2022. This alongside the continued impact of the pandemic and the war in Ukraine has resulted in a cost-of-living crisis which impacts both the Council and residents.
- 4.4. Waltham Forest, consistent with the national picture, continues to see a high demand for both Adults and Children's Social Care. The final settlement included the government decision to delay the implementation of the Adult Social Care reforms by two years and reallocate the earmarked funding to support improvements in Adult Social Care discharge and Market Sustainability. Although this additional grant funding has been allocated, the ongoing high demand means social care pressures continue to rise. To ensure sustainability the Committee supports the proposed social care precept of 2%.
- 4.5. The Government again produced a one-year rather than multi-year settlement, leaving limited certainty for future years and potential for more significant changes, from 2025/26. This, in addition to the impact of growth in demand and uncertainties around inflation has resulted in a budget gap for future years in the Medium Term Financial Strategy.
- 4.6. The policy statement issued by the government on 12 December 2022 confirmed that local government funding reforms, including the Business Rates reset and the fair funding review (now called the Review of Relative Needs and Resources) will not take place in this spending review period and the earliest it will take place is 2025/26.
- 4.7. Officers have produced a series of projections based on current and future funding levels, alongside anticipated demand. The Committee recognises and commends the detailed work that has been undertaken in this respect.

5. CONSULTATION

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

6. IMPLICATIONS

6.1 Finance, Value for Money and Risk

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

6.2 Legal

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

6.3 Equalities and Diversity

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

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

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

6.5 Council Infrastructure (e.g. human resources, accommodation or IT issues)

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

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

None.