


LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	Cabinet 12 September 2023	
Report Title	FINANCIAL MONITORING: MONTH 4 (July)	
Cabinet Portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance and Resources	
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Wards affected	None specifically	
Public Access	OPEN	
Appendices	None	

1. SUMMARY

- 1.1.1 This report presents the forecast year-end position in respect of the Council's revenue expenditure. The month 4 monitor currently identifies net pressures of £16.819m which are due to a combination of pressures within Deputy Chief Executive's Directorate, Adult Social Care, Children's Social Care and SEND Services.
- 1.1.2 There are currently a number of unknowns around the impacts of inflation, the cost-of-living crisis for residents and the increasing demand for temporary accommodation that could lead to additional pressures for the Council. These could all have an impact on the demand for services, as well as potential impact on the Council's ability to collect income from council tax, business rates, rents and other fees and charges.

2. RECOMMENDATIONS

- 2.1.1 **Approve** The continued membership to the Eight Authority Business Pool for 2024/25.
- 2.1.2 **Approve** Funding of £0.116m for Business Manager and Executive Assistant supporting the new Neighbourhoods and Environment directorate from contingency.

- 2.1.3 **Approve** a review of all Sales, fees and charges for 2024/25 to ensure; that there is full recovery of all costs of delivery, any impact on service budgets is minimised, they are consistent with competitors and are aligned to Council's priorities.

3. PROPOSALS

- 3.1 As at month 4 the projected General Fund outturn is an overspend of £16.819m, this is an increase of £0.143m since month 3 mostly driven by increases within Special Educational Needs and Disability Services. Further details of the overall variance and changes since month 3 are outlined below.
- 3.2 The overspend in Service directorates has been offset by a £0.200m underspend in Corporate Budgets. This is due to a prepayment discount in relation to the Pension deficit lump sum payment.
- 3.3 The Council is monitoring and reviewing how the pressure can be managed to achieve a balanced position by the year end. Directorates are identifying plans to mitigate these pressures, in line with the financial ground rules. The table below shows a summary of the position by Service Directorate.

Service Directorate	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Chief Executive	12	12	0	0	0
Deputy Chief Executive	10,111	11,458	1,347	1,297	50
People	144,819	160,624	15,805	15,684	121
Place	24,212	24,152	(60)	(60)	0
Neighbourhood and Environment	27,825	27,825	0	0	0
Resources	7,004	6,931	(73)	(45)	(28)
Corporate Expenditure	(213,983)	(214,183)	(200)	(200)	0
Total	0	16,819	16,819	16,676	143

- 3.4 In addition to the above service pressures, there are additional risks that have not yet been reflected in the monitor. These risks include pay inflations, income pressures and potential increases to those presenting as homeless.
- 3.5 At the start of 2022/23, the Council embarked on an exercise to identify £10m of savings to help mitigate rising budget pressure and contribute towards the budget gap in future years. As part of the exercise £6.746m was identified for the financial years 2022/23 and 2023/24 and these savings were removed from the base budget during the 2023/24 budget process. A further £0.525m was identified for 2024/25.
- 3.6 As at month 4, £0.259m of savings were RAG rated red, or in other words undeliverable, no change from month 3. Services have been asked to find alternative savings to mitigate the in-year pressure.

Savings rated amber are at risk of non-delivery or delayed and have increased by £0.643m compared to month 3. Green savings are on track or already delivered. The table below provides a summary of the savings by directorate.

Summary of current MTFs savings 2023/24 to 2024/25						
Directorate	2023/24 £'000	2024/25 £'000	Total £'000	Green £'000	Amber £'000	Red £'000
Deputy Chief Executive	1,045	75	1,120	561	301	259
Neighbourhood and Environment	1,355	195	1,550	1,190	360	0
Place	877	255	1,132	870	262	0
People	2,599	0	2,599	2,099	500	0
Resources	870		870	870	0	0
Totals	6,746	525	7,271	5,590	1,423	259
				76%	20%	4%

- 3.7 These savings will be reviewed monthly, and any new savings approved will also be incorporated.

DEPUTY CHIEF EXECUTIVE DIRECTORATE - Shazia Hussain

- 3.8 The position for Deputy Chief Executive at month 4 is an overspend of £1.347m. The table below shows forecast spend against the budget.

Deputy Chief Executive	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Move-ment
	£'000	£'000	£'000	£'000	£'000
Deputy Chief Executive	(82)	(82)	0	0	0
Communications and Strategy	464	406	(58)	0	(58)
Technology Services	1,962	1,962	0	0	0
People Organisation Development and Business Support	326	1,172	846	786	60
Customer Strategy and Digital Channels	1,560	1,470	(90)	(90)	0
Change, Strategy Insight and Communities	5,012	5,619	607	567	40
Climate and Behaviour Change	869	869	0	0	0
Bad Debt	0	42	42	34	8
Total	10,111	11,458	1,347	1,297	50

People, Organisation Development & Business Support

- 3.9 The service is forecasting an overspend of £0.846m, the majority of which relates to Business Support. The major variations include:
- 3.9.1 **Families Business Hub**; The £0.554m overspend is mostly due to salaries driven by recruitment to unbudgeted posts, and unbudgeted expenditure upgrading systems and equipment to improve the service.
- 3.9.2 **Corporate Business Hub**; The overspend of £0.251m in this area is mainly due to salary overspends

Customer Strategy & Digital Change

- 3.10 This service is forecasted to overspend by £0.607m as at month 4. This is mostly in the Libraries, Registrars and Ceremonies service (£0.627m) due to a shortfall in income against budget and salary overspends in the Library Service, these have been offset by underspends within Quality Assurance (£0.021m) due to part year vacancies.

PEOPLE – Heather Flinders

- 3.11 The month 4 position for People is a projected overspend of £15.805m, an increase of £0.121m since month 3. Adult Social Care is forecasting an overspend of £8.351m and a further £4.513m relates to Children's Social Care. In addition, SEND Services is forecasting an overspend of £3.209m. These overspends are offset by an underspend of £0.268m in Traded Services. Further detail is provided in the paragraphs below, with a summary shown in the table;

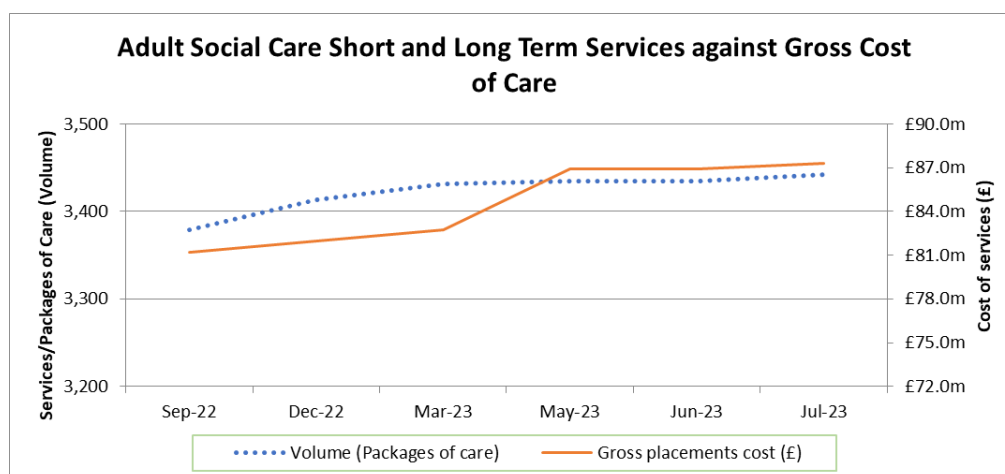
People	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Strategic Director of People Division	(1,059)	(1,059)	0	0	0
Children's Social Care	41,564	46,077	4,513	4,548	(35)
Education	1,391	1,391	0	0	0
School Support	17,369	17,369	0	0	0
Early Help	1,687	1,687	0	0	0
Adult Social Care	73,017	81,368	8,351	8,351	0
Public Health Ringfenced	(6)	(6)	0	0	0
Public Health Other	323	323	0	0	0
Waltham Forest Traded Services	2,795	2,527	(268)	(286)	18
SEND Services Division	7,738	10,947	3,209	3,071	138
Total	144,819	160,624	15,805	15,684	121

Adults Social Care

- 3.12 The service is projected to overspend by £8.351m as at month 4.

Adults Social Care	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£'000	£'000	£'000	£'000	£'000
Home First	9,655	10,858	1,203	1,237	(34)
Care & Quality Standards	63,362	70,510	7,148	7,114	34
Total	73,017	81,368	8,351	8,351	0

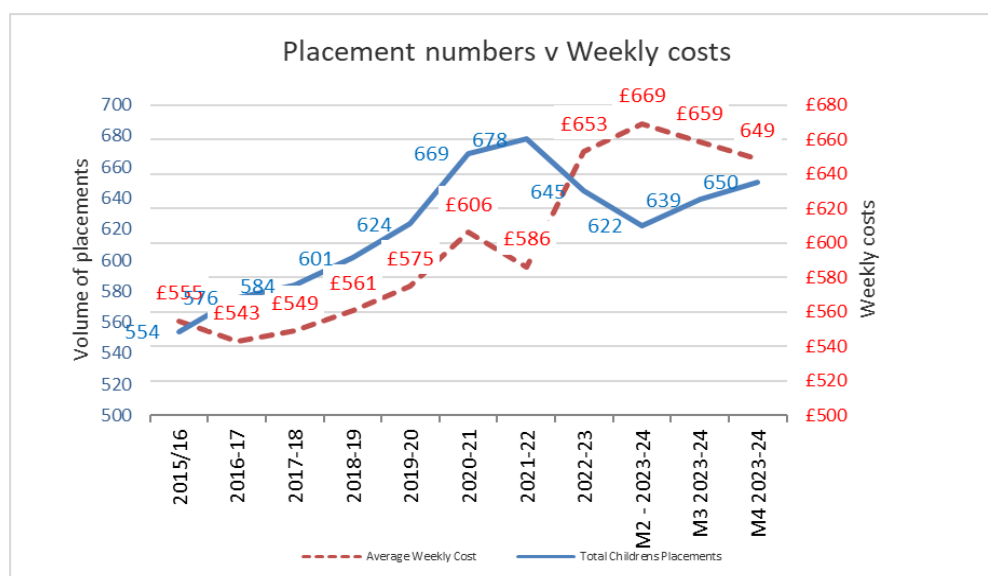
- 3.13 Re-alignment of grant and health funding to reflect the updated 2023-24 Better Care Fund plan and other miscellaneous forecasts has ensured that the month 3 position has been maintained.
- 3.14 The forecast overspend is predominantly related to pressures in Care placements and packages of £7.3m across all Adults cohorts, both 18 to 64 and 65 plus. The remaining pressure in the forecast includes Community Equipment and Telecare, both currently being reviewed.
- 3.15 There continues to be significant and increased pressure on Adult's placement's needs, volume, and costs. There is evidence of inflationary pressures on unit prices and increasing pressure from both 18-64 and 65 plus cohorts. This area is very volatile so a detailed review is carried out each month to refresh the forecast. The forecast includes:
- (a) The full year impact of the net increase in client numbers during 2022/23 of 209 (i.e. 180 net increase for working age and 29 net increase in 65+). It should be noted that Residential / Nursing placements have only increased by four compared to last year, the remaining increases are in community/home-based care. This illustrates the services intention to keep people at home and independent for as long as possible. The estimated impact of this, on the forecasts for 2023/24 is approximately £1.7m.
 - (b) Assumptions of increased demand and inflationary uplifts for the full year 2023/24 is approximately £2.6m and have been built into the month 4 forecast. This will be reviewed each month, checked against actual movement, and adjusted where relevant to do so.
 - (c) The continuation of the discharge to assess protocol and the review of the use of reablement which should reduce ongoing costs.
 - (d) The loss of one-off funding (e.g., Hospital Discharge Funding) in 2023/24 compared to last year are contributing to the pressure.
 - (e) Increased complexity of packages and pressures in the provider market, especially the impact of the cost-of-living crisis is seen in increasing rates in newer care packages.
 - (f) Some of these additional costs are mitigated in part by the ASC Precept, the increase in the Market Sustainability Grant and increase in the Social Care Grant allocation for 2023/24. This additional funding broadly covers the increased in year demand and costs for 2023-24.
 - (g) The Graph shows overall External Placements care packages and spend in Adults Social Care.



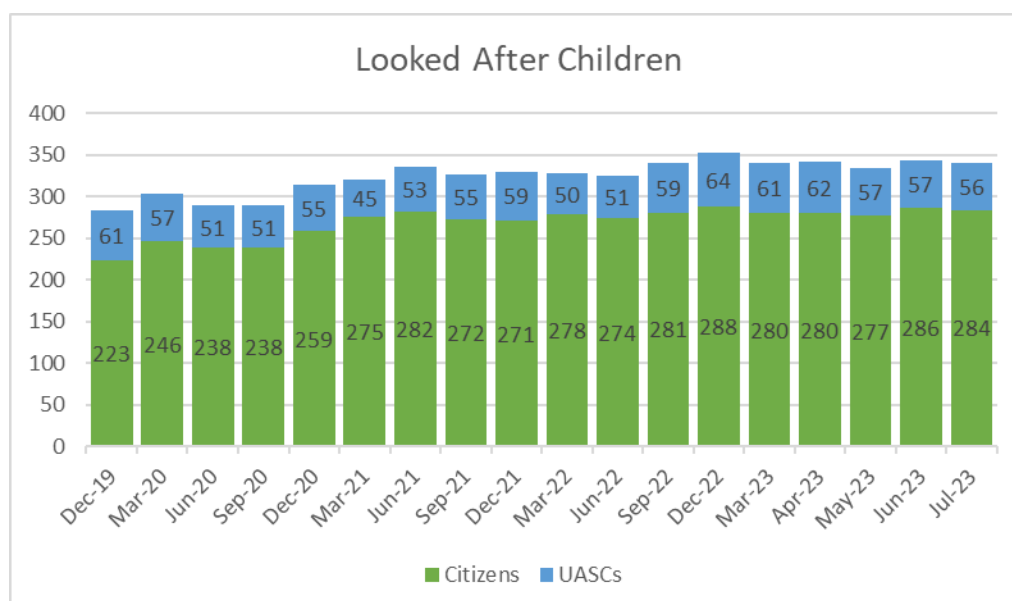
Children's Social Care

(Inclusive of the Youth and Family Resilience Service)

- 3.16 Children's Social Care is forecasting an overspend of £4.513 million against budget. This is £0.035m lower than at Month 3.
- 3.17 Staff costs are currently expected to overspend by £1.13m. This is predominately due to agency costs.
- 3.18 Alternative home costs are forecast to overspend by £2.177m. This is an increase of £0.040m from month 3 and reflects 1 new residential placement offset by 2 young people in Residential Homes stepped down to Semi Independent provision and another closed.
- 3.19 As reflected in the graph below, average weekly costs have reduced from £659 per week to £649 per week due to the reduction in residential Homes. However, there was a 11 f.t.e. increase in the number of young people being accommodated. (The graph relates to both Citizens and UASCs but excludes remands).



- 3.20 The number of Looked after Children at the end of July 2023 decreased by 3 to 340 compared to 343 at the end of June 2023 of which one was Unaccompanied Asylum-Seeking Children (UASCs). The graph relates to both Citizens and UASCs but excludes remands.



- 3.21 Net of the grant, Remand costs are forecast to overspend by £0.244m as there are currently 2 young people in Youth Justice Secure provision. This is an unavoidable cost to the Council and extremely difficult to predict.
- 3.22 Section 17 costs are currently forecast to overspend by £0.575m which is an increase of £0.038m from month 3. A review of Section 17 expenditure has been launched. (Section 17 of Children Act 1989 includes family assessments, temporary accommodation, and subsistence allowances, all of which should be short-term as well as funding family support workers.)
- 3.23 Unmet Housing needs for citizens are forecast to spend £0.294m, this is partially offset by a forecast underspend for families with No Recourse to Public Funds by £0.174m

Special Educational Needs and Disability Service

- 3.24 The SEND service is forecasting an overspend of £3.209 million, an increase of £0.138m compared to month 3.
- 3.25 Travel assistance is forecast to overspend by £1.680m. The overspend comprises the full year effect of the new bus transport contract £0.764m; taxis £0.931m; other Local Authorities and savings in independent travel training (£0.014m). This is a net increase on Month 3 of £0.167m due to taxi projections which now include projections for the revised September intake and an individual 4% growth.
- 3.26 The service is now projecting an overspend of £0.366m for Domiciliary Care, Short Breaks & Direct Payments which is an increase on month 3 of £0.106m. This is based on the reprofile of the Short Breaks

projection which now includes a take up of 69% of panel social care package allocations. There is an ongoing review of the short breaks offer and the proposals may mitigate the size of the overspend. The service is also signposting service users to Voluntary Services.

- 3.27 Preparing for Adulthood services is forecasting a net overspend of £0.852m, a decrease of £0.145m compared to month 3. This net figure comprises overspends of £0.893m for places in residential homes, £0.100m for supported accommodation, £0.100m for supported lodgings and £0.192m for day care; offset by extra income of £0.179m from direct payment recoupment and £0.106m from client contributions.

Traded Services

- 3.28 Traded Services are projected to underspend by £0.268m, a small increase of £0.018m from month 3 relating to salary backpay.

Public Health

- 3.29 Public Health (both ring-fenced and non-ring-fenced) is forecasting to budget. The Public Health grant for 2023/24 is £17.6 million and the reserve currently is £4 million.

PLACE - Stewart Murray

- 3.30 Place directorate is forecasting an underspend of £0.060m as at month 4. The table below shows the outturn position for the services:

Place	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Strategic Director of Place	173	173	0	0	0
Property & Delivery	5,687	5,687	0	0	0
Regeneration Planning & Delivery	5,392	5,392	0	0	0
Culture & Destinations	3,494	3,494	0	0	0
Housing General Fund	9,466	9,406	(60)	(60)	0
Total	24,212	24,152	(60)	(60)	0
Housing Revenue Account	0	0	0	0	0

- 3.31 A key financial risk for Property and Delivery relates to income from commercial properties, which is impacted by the current market conditions and more specifically the collapse of Empire Cinema (rent of £118k per quarter), as the Council is the landlord. The service will work to identify an alternative tenant to minimise void losses.

- 3.32 There are also budget and income risks within Regeneration Planning and Delivery, but expenditure will be managed within the agreed spending plans.

Housing General Fund

- 3.33 The latest Housing General Fund (HGF) position as at month 4 is shown in the table below and is currently forecasting an underspend of £0.060m. The financial challenges within the HGF budget arise mainly from homelessness demand, although the number of households in temporary accommodation (TA) was on a downward trajectory throughout 2022/23, it is widely expected to increase during 2023/24.

Housing General Fund	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Housing Advice, Prevention & Supply	3,261	3,401	140	0	140
Nightly, B&B & PSL / Property Mngt	2,670	3,390	720	860	(140)
Private Lettings WF	1,390	530	(860)	(860)	0
Rough Sleepers	(5)	(5)	0	0	0
Other	1,258	1,198	(60)	(60)	0
Overheads & ICT	892	892	0	0	0
Total	9,466	9,406	(60)	(60)	0

- 3.34 It is expected that the cost-of-living crisis could significantly increase demand on the Homelessness Service in 2023/24, with projected increases in expenditure between 25-40% (approx. £3.3m-£3.8m). If this pressure was to materialise, it would be funded initially by utilising the Homelessness Prevention grant or reserve.
- 3.35 The over-arching strategy to mitigate future demand increases is to accelerate the Council's acquisition programmes and provide a ready supply of housing to support households to exit TA (and reduce the net cost to the HGF budget). The More Homes Waltham Forest joint venture completed its programme of acquisitions during 2021/22 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.

Housing Revenue Account (HRA)

- 3.36 The Housing Revenue Account (HRA) position is detailed in the table below and is currently projecting to breakeven for 2023/24.

HRA Service	Latest Budget	Projected Outturn	Variance Total
Rents	(64,753)	(64,912)	(159)
Right to Buy	(913)	(1,363)	(450)
Total Income	(65,666)	(66,275)	(609)
Housing Strategy & Systems	30,580	33,491	2,911
Housing Management & Assets	3,309	3,296	(13)
Housing Options & Support	1,283	1,283	0
Housing Delivery	860	676	(184)
Corporate Items	29,634	27,529	(2,105)
Total Expenditure	65,666	66,275	609
HRA Total	0	0	0

- 3.37 The other key risk to have materialised on the HRA is the outcome of the appeal on the Thames Water test case involving the Royal Borough of Kingston (back in October 2020). Refunds have been made for current tenants and the team are currently in the process of issuing refunds for former tenants where applicable, there was a provision made in prior years meaning no impact on the HRA budget this year.
- 3.38 Some estimates in relation to energy costs, for both gas and electricity, and repairs and maintenance inflation have been revised versus the assumptions included in the business plan. In addition, there is increased income for Leaseholders service fees providing some mitigating cost savings which has helped to offset some increased costs within Asset Management relating to Waking Watch and backlog of works.
- 3.39 The rent increase for the year equated to an average of 7%, which represents the fourth year of rent increases under the current rent regime. Collection figures on rental income will be closely monitored throughout 2023/24 to assess the impact on the need to make greater provision for bad debt on both HRA income and rent collection for TA and at this stage an increase in rental income is projected.

NEIGHBOURHOODS AND ENVIRONMENT DIRECTORATE (Debbie Porter)

- 3.40 The Neighbourhoods and Environment Directorate is forecasting breakeven at month 4.

Neighbourhood and Environment Directorate	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Strategic Director	178	178	0	0	0
Neighbourhood Services	24,324	24,324	0	0	0

Regulatory Services & Contingency Planning	2,234	2,234	0	0	0
Community Safety and Resilience	1,089	1,089	0	0	0
Total	27,825	27,825	0	0	0

- 3.41 At Month 4 Community Safety and Resilience is forecasting a breakeven position. Community Safety relies on external funding and recharges to Housing which is currently subject to a review.
- 3.42 Neighbourhood Services is reliant on over £30m of income, mainly from parking. Any income risks that may lead to budget pressures are being monitored in anticipation of mitigating within the directorate. There is also an income risk with Selective Licensing (Regulatory Services and Contingency Planning) which will be monitored during the year.

RESOURCES - Rob Manning

- 3.43 As at month 4, the projected outturn position is a £0.073m underspend.

Resources	Latest Budget	Projected Outturn	Variance Total	Variance Previous Month	Movement
	£000's	£000's	£000's	£000's	£000's
Director of Finance & Governance	8	8	0	0	0
Financial Services	25	25	0	0	0
Audit & Anti-Fraud	8	8	0	0	0
Revenues & Benefits	4,645	4,645	0	0	0
Treasury & Pensions	143	143	0	0	0
Return on Investment	650	650	0	0	0
Governance & Law	1,525	1,452	(73)	(45)	(28)
Total	7,004	6,931	(73)	(45)	(28)

- 3.44 The outturn position is due to vacancies being held within the Governance & Law Service, partly offset by projected overspends within the Coroners and Mortuary Services.

Council Tax

- 3.45 The table below summarises the collection rate trend for Council Tax.

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
In year	%	%	%	%	%	%	%	%	%
15/16	96.0								
16/17	97.4	96.1							
17/18	98.0	97.4	96.1						
18/19	98.3	97.9	97.3	96.0					
19/20	98.5	98.2	97.8	97.1	95.8				
20/21	98.7	98.0	98.0	97.5	96.5	93.8			
21/22	98.7	98.6	98.2	97.8	97.2	96.2	94.9		
22/23	98.9	98.7	98.4	98.0	97.5	96.7	96.3	95.3	
23/24	98.9	98.7	98.5	98.1	97.6	96.9	96.6	95.8	36.9

Business Rates

- 3.46 The table below summarises the collection rate trend for Business Rates.

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
In year	%	%	%	%	%	%	%	%	%
15/16	97.2								
16/17	98.6	97.2							
17/18	99.0	98.4	97.5						
18/19	99.1	98.7	97.7	97.0					
19/20	99.3	98.8	98.4	97.6	96.0				
20/21	99.2	98.8	98.0	97.2	95.3	78.7			
21/22	99.3	99.1	98.5	98.0	96.8	91.0	91.5		
22/23	99.4	99.2	98.8	98.6	97.7	94.9	95.7	95.1%	
23/24	99.5	99.3	99.0	98.7	97.9	95.3	96.1	95.3%	39.2

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 Much of this report is concerned with provision of information, for which alternative options is not a relevant consideration.

5. COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1. The entire content of this report contributes to the corporate priority to Achieve Excellence and Ensure Value for Money.

6. CONSULTATION

- 6.1 Executive Directors and Portfolio Holders have been consulted.

7. IMPLICATIONS

- 7.1 Finance, Value for Money and Risk

- 7.1.1 The whole report is of a financial nature. The key purpose of the report is to monitor the Council's overall financial performance against assumptions contained in the MTFS. To maintain the robustness of the Council's finances and budget plans, effective budgetary control by services will continue to be essential and will help the Council to maximise the resources available to meet its priorities.
- 7.1.2 Given the nature of the Cost-of-Living emergency and the estimated financial exposure, the Council must have due regard to Section 114 of the Local Government Act 1988. The Section 114 powers of the chief finance officer (CFO) under the Local Government Finance Act 1988 require the CFO, in consultation with the Council's monitoring officer, to report to all the authority's members if there is, or is likely to be, an unbalanced budget. It remains a priority that the Council achieves a balanced budget that is sustainable for each financial year over the medium-term financial strategy period. Where there are significant pressures, it is expected to be mitigated by directorates in line with the ground rules for financial control. The current MTFS including reserves – means that Section 114 is unlikely to be needed in the current year. If the pressures are established to be on-going, they will need to be picked up in the MTFS refresh and potentially could result in a budget gap that would need to be resolved through the use of reserves or savings. Therefore, it is important that all services tightly control their budgets and bring forward surpluses or efficiencies if possible.
- 7.1.3 Many of these pressures relate to demand led services. There is a risk for years that these costs become on-going and put pressure on the MTFS. Therefore, it is essential that Strategic Director manage this risk by exploring changes to service delivery that will reduce demand pressures in future and efficiently manage the pressures that we are experiencing (both cost and volume) to protect the provision of services generally.
- 7.1.4 In relation to sanctions against Russian companies and individuals, the council have taken a high-level approach but have identified no direct link between Russia and the supply chain. The council have also looked at the pension fund and have not identified direct investments in Russia other than a small amount invested through the London Collective Investment Vehicle which is being managed.

7.2 Legal

- 7.2.1 There are no direct legal implications.

7.3 Equalities and Diversity

- 7.3.1 An initial equality analysis was undertaken, and if determined there was no negative impact arising from the information or changes proposed in this report on the advancement of equality. The support of No Recourse to Public Funds clients are areas that continue to contribute to the Council's commitment to protecting the most vulnerable and help meet the equality duty.

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

7.4.1 A stable financial position means that the Council is more able to fund urgent health priorities as they arise. Services to older people experienced pressures and needed careful management.

7.5 Council Infrastructure

7.5.1 There are no direct council infrastructure implications.

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

None