



## London Borough of Enfield

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<b>Report Title</b>	<i>Finance Update – 2024/25 and MTFP</i>
<b>Report to</b>	<i>Overview and Scrutiny Committee</i>
<b>Date of Meeting</b>	<i>20<sup>th</sup> November 2024</i>
<b>Cabinet Member</b>	<i>Cllr Leaver</i>
<b>Executive Director / Director</b>	<i>Jo Moore – Executive Director of Resources</i>
<b>Report Author</b>	<i>Neil Goddard – Head of Financial Strategy</i>
<b>Ward(s) affected</b>	All
<b>Classification</b>	<i>Part 1</i>
<b>Reason for exemption</b>	N/A

### **Purpose of Report**

1. The 2024/25 net revenue budget of £318.5m was set in a challenging economic environment with high inflation, increases in interest rates, cost pressures in Temporary Accommodation and constrained levels of government funding. The budget was balanced through income and savings proposals, increases in Council Tax and Business Rates, changes to the Council Tax support scheme and government funding.
2. The gap remaining in the MTFP for 2025/26 was £30.3m; and £86.0m for the period 2025/26 to 2028/29.
3. This report provides an update on the Council's financial resilience for both this financial year 2024/25 reported through the Quarterly Revenue monitoring reports and 2025/26 with the last MTFP update reported to Cabinet in September 2024.

### **Main Considerations for the Panel**

4. The level of funding the Council receives is unequitable. According to the Institute of Fiscal Studies (IFS), Enfield is the 4th most underfunded local authority in England (relative need to relative funding).

5. The Council has a track record of balancing the budget and will continue to do so and continue to deliver savings. The Council has delivered over £243m of savings and income generation since 2010/11.

#### 2024/25 In year position

6. The latest 2024/25 forecast outturn is a £9.4m overspend. This has improved since Quarter 1 but it remains challenging. The three major pressures arise from:
  - the continued growth in the cost of supporting households needing temporary accommodation is as expected with a £7.4m pressure being reported, though it should be noted that this will be funded from the specific earmarked reserve that was created in 2023/24.
  - Children's external care placement cost, and
  - the Housing Benefit Subsidy loss.
7. Action plans to address the specific budget challenges in temporary accommodation and housing benefit subsidy loss are in progress. In addition, more broader cost control measures have been put in place, with several workstreams including establishing a spend control panel, procurement review, workforce panel, review of building maintenance requirements and ongoing review of the capital programme to reduce our borrowing requirements. The Council has taken a refreshed approach to address cost pressures and identify further savings and income proposals earlier than previous years with the introduction of "Budget Week" which took place in May 2024 and a follow up in October 2024.
8. Enfield is not alone, the gross overspend of £18.8m (net £11.4m plus TA reserve £7.4m) is the same as the average gross forecast overspend of reported by London boroughs.

#### **2025/26 and MTFP**

9. The financial position for the Local Government sector is increasingly challenging. According to recent Local Government Association (LGA) modelling<sup>1</sup> of councils' future cost pressures and income, the gap which councils face is £2.3bn in 2025/26 and £3.9bn in 2026/27. This gap has widened since October 2023 when the LGA estimated a gap of £4bn over the two years. In April 2024, across London there were 60,959 households in Temporary Accommodation an increase of 9.8% from the same month last year (based on data from 29 London boroughs).
10. The funding and spending assumptions in the Medium-Term Financial Plan cycle are continuing to be refreshed. However, at this stage the budget gap is dependent on a significant number of variables and the financial context remains one of considerable uncertainty and financial challenge, both nationally and locally.
11. The formal update on the budget gap is planned to be revised in detail for the January Cabinet report. The government budget announcement on 30 October appeared to provide some positive news regarding funding but the detail of which will not be confirmed until the provisional Local Government Finance settlement expected in mid-December.

12. The Dedicated Schools Grant continues to experience cost pressures related to high needs costs. Enfield's cumulative DSG deficit balance is around £14.8m as at the start of the 2024/25 financial year, with ongoing cost pressures in high needs. This is a national issue, with the cumulative high needs block deficits of local authorities exceeding £2.5bn.
13. The DSG deficit is currently subject to a statutory override until March 2026. The "statutory override" means that the DSG deficit is not included as part of the Council's main revenue budgets. The regulations currently prohibit Authorities to pay off their DSG deficits from General Fund balances without Secretary of State approval. The Government's intention was that DSG deficits should not be covered from general fund but that over time they should be recovered from DSG income.
14. Given this statutory override ends during the period of the medium-term financial plan the Council continues to keep a watching brief on the future of the Statutory Override. Strategies to manage the high needs deficit are considered by the Schools Forum but this is challenging given the increasing number of Education Health Care Plans (EHCPs). If this statutory override ends, the DSG deficit will impact on all Councils balance sheet positions adversely locally and nationally.

### **Background and Options**

15. The current forecast budget position is a gap in the region of £98m across the medium term to 2029/30. There are several reasons driving the gap, notably pay award, inflation, demography, children's and adult social care services cost pressures, enduring unprecedented increase in Temporary Accommodation costs and an increasing subsidy loss in Housing Benefits claims. This position also reflects a "flat" level of funding and increase in Council Tax at this stage.
16. The Council has taken action to control costs through our revised capital strategy, Council wide spend cost control panels, Temporary Accommodation action plan, Housing Benefit Subsidy loss action plan and demand management in Adult Social Care (ASC). Whilst these actions have contributed to addressing the budget gap, pressures continue throughout the Council's services.
17. In the face of the financial challenges Executive Directors have been asked to deliver new savings and income proposals to stabilise the budget. In the September Cabinet MTFP update departments put forward new savings and income proposals amounting to £10.3m in 2025/26. The savings contain a mix of service redesign, efficiencies, service reduction and income generation. To maximise the financial benefit of these proposals it was recommended that they were implemented as soon as feasibly possible, which will mean that some could help mitigate the 2024/25 forecast overspend and the consequent draw on reserves.
18. Work on the MTFP and identification of savings and income proposals was started earlier than ever for 2025/26 with a refreshed approach adopted and a Council wide "Budget Week" introduced in May/June 2024, with a follow up Budget Week II in October.
19. From this, several MTFP workstreams have been established with the objective of driving down budget gap. These include:

- Action plans from Budget week workshops.
- Transformation projects driven by new Digital approaches.
- Implement an Invest to Save bidding programme aligned with S106 and Community Infrastructure Levy (CIL)
- Continued review of service cost pressures
- Targeted Deep Dive sessions, covering review of budget pressures, service delivery, statutory vs non-statutory service review, service redesign, and savings and income proposals.

20. These have already driven down the pressures and the early identification of further draft savings. The culmination of this work will feed into the revised 2025/26 budget to be considered by Cabinet in January 2025. This is a challenging ask given the level of savings made since 2010, and it is anticipated that further difficult decisions will continue to need to be made.

### **Relevance to Council Plans and Strategies**

21. Financial reporting is critical for updating both members and officers on the Council's financial resilience, which is one of the five principles in the Council Plan framework.

22. The reports may also bring to light how the council has used its limited resources to deliver the Council Plan priorities in the projection through to March 2025. These priorities are:

- a. Clean and green places
- b. Strong, healthy and safe communities
- c. Thriving children and young people
- d. More and better homes
- e. An economy that works for everyone

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### **Appendices**

N/A

### **Background Papers**

The following papers have been relied upon in the preparation of this report:

KD No	Report Title	Date
5683	Budget Report 2024/25 and Medium-Term Financial Plan 2024/25 to 2028/29	Council – February 2024
5788	2023/24 Outturn Report	Cabinet - September 2024
5789	Quarter 1 2024/25 Revenue Forecast update	Cabinet - September 2024

Non Key	Quarter 2 2024/25 Revenue Forecast update	Cabinet - November 2024
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**Departmental reference number, if relevant:**