City of Westminster

Decision Maker:	**Audit and Performance Committee**
Date:	**27 February 2024**
Classification:	**General Release**
Title:	**2023/24 Quarter 3 Financial Monitoring**
Wards Affected:	**ALL**
Key Decision:	**No**
Financial Summary:	**The report summarises the Council's 2023/24 Quarter 3 financial position**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1 This monitoring report presents the Council's summarised 2023/24 Quarter 3 financial position and that any known and significant factors up until the report submission have been considered in the forecasts together for the remainder of the year. The forecast has been based on activity trends and analysis to date.

1.2 It is worth noting there is now an additional directorate:

- Democracy, Law and People

Revenue Summary

1.3 The forecast General Fund revenue outturn is a projected overspend of £2.669m (1.37%) against the net budget of £193.611m. This has moved from a forecast underspend of £2.420m at Quarter 2.

1.4 The Housing Revenue Account (HRA) is projecting an operating deficit of £1.969m at Quarter 3 (£1.895m at Quarter 2). This is being offset by earmarked reserves that were created in 2022/23 specifically to manage some of the emerging cost pressures.

Capital Summary

1.5 The Quarter 3 Capital Programme forecast position is a £35.201m gross expenditure variance and a £6.047m financing variance (made up of external funding and S106 and CIL). This position reflects the budget reprofiling that was undertaken at Quarter 2 as part of the capital programme review process, which was then approved by Cabinet on 29 January 2024

1.6 Further details are included in section 16 of this report.

Savings

1.7 Savings achieved year to date are now reported as £5.486m; with 88.4% of savings either on target to be achieved in year or achieved by the year end totalling £19.359m.

2. Recommendations to Audit and Performance Committee

2.1 That Audit and Performance Committee notes the current monitoring and forecast position at Quarter 3 for 2023/24.

3. Revenue Budget Overview

3.1 In March 2023 Full Council approved the 2023/24 budget which included £25.907m of savings and £34.188m of investment and pressures to the General Fund. As at Quarter 3 of the 2023/24 financial year the General Fund revenue position is reporting a forecast overspend of £2.669m against a budget of £193.611m.

3.2 Primarily this is due to the following reasons:

- Temporary Accommodation (TA) significant adverse variance due to continued high demand combined with a significant reduction of available supply.
- Regeneration, Economy and Planning have an adverse variance within Town Planning due to major planning applications continuing to drop, with the income projection for 2023/24 now expected to be lower than the 2022/23 outturn.
- Finance and Resources favourable variance due to interest earnings – the projected return on cash balances is driven by higher average interest rates and higher average balances than anticipated when budget setting.
- Children's adverse variance within Family Services due to costs in relation to families with no recourse to public funds (NRPF) continue to increase. This is due to the increasing cost of accommodation for those families and staffing pressures. Social Care placements that have a health element have been joint funded by the NHS Integrated Care Board (ICB). The ICB have not agreed any new cases for this financial year, resulting in a forecast shortfall.
- Children's adverse variance on short breaks – part of the overspend relates to the service needing to run across two sites until works at the Tresham site are complete. The Tresham refurbishment is due to be completed in Summer 2024.
- Increased pressures across a range of service contracts due to inflation remaining higher than anticipated in the budget.

3.3 The Housing Revenue Account (HRA) is projecting an operating deficit of £1.969m at Quarter 3. This is being offset by earmarked reserves that were created in 2022/23 specifically to manage some of the emerging cost pressures. A £3.809m pressure is projected on the revenue budget for housing repairs. This is driven by a combination of higher in-year job volumes and unit costs increasing at a faster rate than the CPI allowance that was made in the business plan (particularly quoted works). The increase from Quarter 2 is £0.791m which predominantly relates to damp & mould remedial activity. The HRA Business Plan anticipated a need for staff growth in 2023/24 to meet the requirements of the Building Safety Act, and further recurring budget growth has been factored in from 2024/25 onwards to support on-going inspection requirements. There was an expectation that much of the initial activity required to achieve compliance with the legislation would be managed as one-off investment (and an earmarked reserve was created for this purpose).

3.4 There is an adverse variance of £0.722m showing on the Neighbourhoods budget. The key area of budget pressure in this area relates to accommodation costs arising from tenants being temporarily re-housed while issues with their property are resolved. This has worsened in Quarter 3 but has been offset by favourable movements on HRA income (including an improved projection for tenant rents now that all planned new build units for 2023/24 have been handed over).

3.5 Table 1 summarises the Quarter 3 General Fund position.

Table 1 - Revenue Finance Position and Forecast – Quarter 3 Financial Year 2023/24 (£m)

Executive Directorate	Q3 2023/24 Budget £m	Q3 2023/24 Forecast £m	Q3 2023/24 Variance £m	*Q2 2023/24 Variance £m*	Q3 Risks Identified £m	Q3 Opportunities Identified £m	Q3 Projected Variance inc Opps and Risks £m
Adult Social Care	59.137	59.017	(0.120)	-	-	-	(0.120)
Public Health	(1.141)	(1.141)	-	-	-	-	-
Regeneration, Economy and Planning	5.561	7.784	2.223	2.200	-	-	2.223
Housing and Commercial Partnerships	29.487	55.587	26.100	17.531	-	-	26.100
Finance and Resources	19.193	(9.231)	(28.424)	(23.337)	-	(0.600)	(29.024)
Democracy, Law and People	6.025	5.906	(0.119)	(0.105)	-	-	(0.119)
Corporate Items	8.778	10.778	2.388	(0.600)	-	-	2.388
Environment, Climate and Public Protection	5.874	4.874	(1.000)	(0.160)	1.000	(0.500)	(0.500)
Children's Services	43.161	45.641	2.480	2.420	1.030	(0.040)	3.470
Innovation and Change	15.621	14.805	(0.816)	(0.369)	-	(0.215)	(1.031)
Other Corporate Directorates	1.915	1.872	(0.043)	-	-	-	(0.043)
NET CONTROLLABLE BUDGET	**193.611**	**195.892**	**2.669**	**(2.420)**	**2.030**	**(1.355)**	**3.344**

Inflation

- Across 2023/24 to date, whilst inflation has reduced, it has remained higher than anticipated when the current year budget was originally set.

This has had a significant impact on the current cost of a range of service contracts across the Council through negotiated supplier inflation requests. This position has been closely monitored throughout the year. At Quarter 3 pay and contract inflation pressures were reported at £25.780m (£20.274m at Quarter 2).

- **Pay:** The Council budgeted for 5% for 2023/24. The 2023/24 pay award has been agreed and for Inner London this will be a flat rate payment of £2,352 or 3.88% whichever is greater. The impact of this increase is broadly in line with the budgeted amount.

- **Non-Pay:** Services are continuing to work closely with suppliers to minimise the impact of inflation. Despite the inflationary rate reducing over the last few months to stand at 4%, this remains higher than originally anticipated. The inflation budget for 2023/24 for pay and contract inflation has been held within corporate items pending the outcome of the pay award and individual service contract negotiation. It is now forecast that contract inflationary pressures across the Council will be £3m higher than originally budgeted.

Medium Term Financial Plan Monitoring – Savings

3.6 In March 2023 Full Council approved the 2023/24 budget which included £25.907m of savings.

3.7 Details of progress against approved savings are outlined in the commentary for each directorate in the table below. Where savings are not on track, the directorates continue to consider mitigations to bring the budget back on target for this year. Of the savings, 88.4% are either achieved or on target (91.2% at Quarter 2). There has been a 2.8% decrease, this is due to savings becoming part or completely reprofiled and part or completely unachievable.

3.8 Further information relating to reprofiled and unachievable savings, as well as the mitigating actions being taken can be found in Appendix 1.

Table 2 - Approved Savings Progress (£m)

ELT	Saving Achieved	Part Achieved/On Track	Part or Completely Reprofiled	Part or Completely Unachievable	Total
Adult Social Care	950	1,005	-	-	1,955
Children's Services	190	843	25	700	1,758
Environment, Climate and Public Protection	1,233	8,990	-	1,430	11,653
Finance and Resources	1,958	1,920	-	250	4,128
Regeneration, Economy and Planning	150	700	-	-	850
Housing and Commercial Partnerships	75	415	-	-	490
Innovation and Change	730	-	-	145	875
Other Corporate Directorates	200	-	-	-	200
Total	**5,486**	**13,873**	**25**	**2,525**	**21,909**

- *Excludes collaborative / cross-council savings which are on target to be achieved.*

General Fund Revenue Summary

4. Adult Social Care (ASC) Underspend £0.120m

4.1 Adult Social Care is forecasting a £0.120m underspend against the net budget. This is a favourable movement compared to the breakeven position reported in Quarter 2. This primary driver is ASC's bad debt provision being £100k lower than previous estimate.

4.2 As reported previously, a balanced position is only possible due to Market Sustainability and Improvement Fund and Discharge funding, in total £5.5m. In future years, there could be an adverse financial position if the additional funding does not continue. In the provisional local government settlement that was announced in December 2023 it was confirmed that funding will continue with a slight increase for the coming financial year.

4.3 ASC continues to experience an increased cost pressure from greater complexity in care needs across homecare, placements, and hospital discharge. Demand continues to increase within homecare with an upturn in the number of clients anticipated and hours of care prescribed.

Public Health **£nil variance forecast**

4.4 Public Health is continuing to forecast a break-even position against the ring-fenced grant. All expenditure commitments are captured within the forecast outturn position. This includes one-off strategic investments to help address health inequalities in the local population. Furthermore, to realise the Council's Fairer Westminster ambitions there are a number of cross-council initiatives to improve health outcomes.

4.5 Government has recently announced the Public Health grant for 2024/25. The allocation to Westminster of £35.125m which is an increase of £700k or 2% on 2023/24.

5. Regeneration, Economy and Planning (REP) Overspend £2.223m

5.1 The directorate is reporting an overspend of £2.223m at Quarter 3, which is consistent with the position reported at Quarter 2. The key driver of the pressure remains the drop in income levels within the Planning service. This was recognised within the Council's MTFP and the budget will be re-baselined in 2024/25.

Planning

5.2 There has been a small improvement in the income projection for planning fee income as a result of an uplift to centrally set fees (which crystallized the £0.095m opportunity identified in Quarter 2) and an improved outlook for fees from major applications. However, this has been offset by a £0.300m pressure in Building Control with the service expanding in readiness for new work that will be generated by the Building Safety Act. This will result in additional income streams, but this will not materialise until 2024/25 onwards.

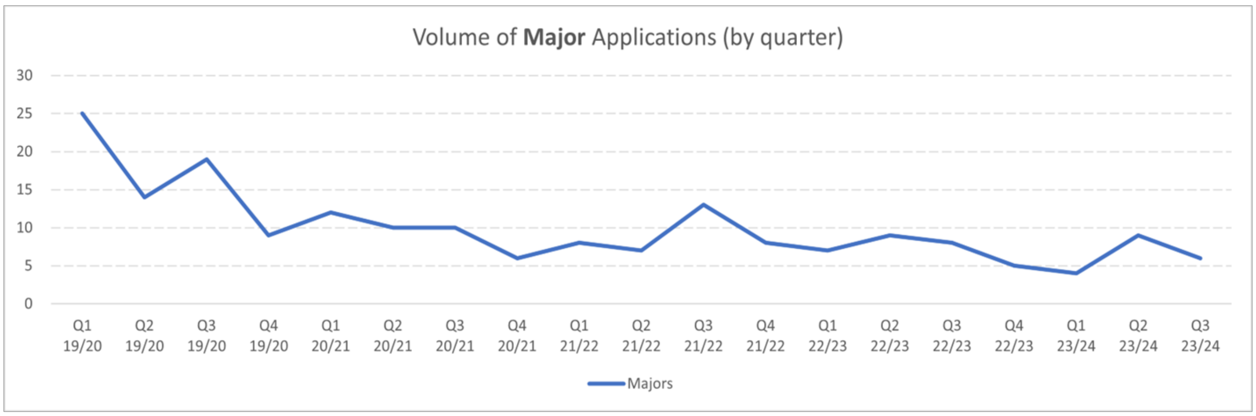
5.3 The total volume of planning applications as at the end of Quarter 3 is broadly consistent with the previous two financial years. However, there has been a material drop off in the volume of major planning applications which generate the largest share overall fee income.

5.4 The table below shows a comparison of activity levels for planning and pre-planning applications:

Table 3 - Activity Levels for Planning and Pre-planning Applications

Application volumes at the end of Quarter 3	2019/20	2020/21	2021/22	2022/23	2023/24
Majors	58	32	28	24	19
Minors	2,121	1,635	2,354	2,256	2,079
Other	5,466	3,781	3,765	3,647	3,822
TOTAL	**7,645**	**5,448**	**6,147**	**5,927**	**5,920**

This is consistent with the general trend over the last 5 years, as shown below:



5.5 Whilst the volume of Major applications has recovered slightly in the middle of the year, the income projection for 2023/24 is still forecast to be lower than 2022/23.

Economy

5.6 Elsewhere in REP, the Economy service is now projected to fully meet its £3.3m external funding requirement for 2023/24. The General Fund supports less than 35% of the overall cost of the service, with the remainder coming from external sources (e.g. grants, S106, etc). There are minor variances within the directorate budget that are offset by an increased capitalisation projection for Place Shaping and a small surplus within WAES.

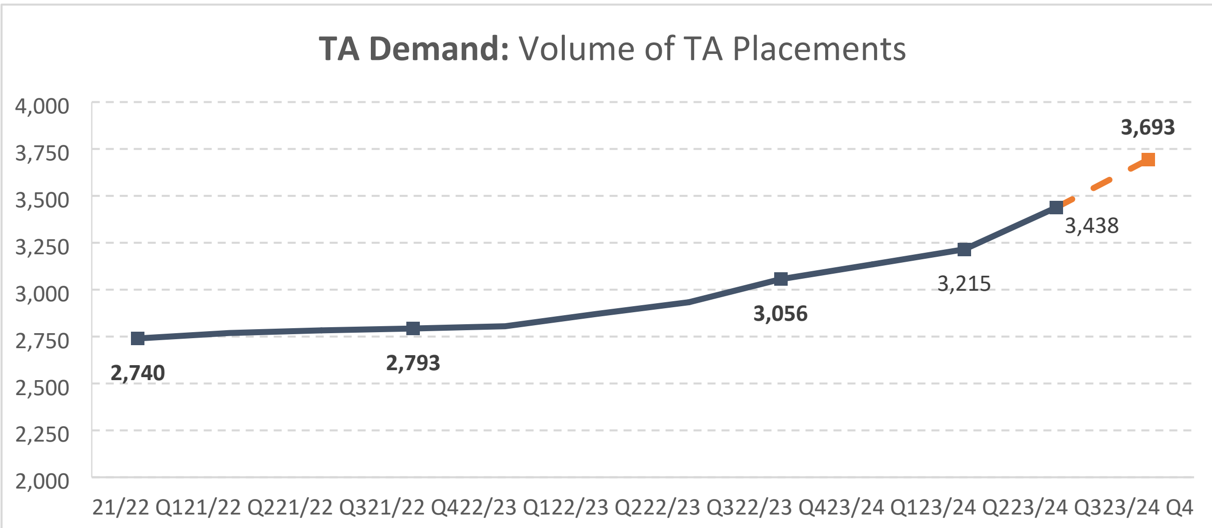
6. Housing and Commercial Partnerships Overspend £26.100m

6.1 The Housing General Fund budget is projecting a budget pressure of **£26.100m** at Quarter 3. This is entirely driven by spend on Temporary Accommodation (TA) which is experiencing a large increase in demand combined with an increase in the cost of accommodation. There is an increasingly scarce supply of properties for the Council to use for TA and this is driving an increased reliance on expensive nightly-paid accommodation to meet demand.

Temporary Accommodation (TA)

Demand

6.2 The service has experienced a sharp increase in demand for TA since the beginning of 2022/23. The number of TA placements has risen to over 3,400 versus 2,933 at the end of the equivalent quarter in 2022/23 (a 17% increase in the last 12 months). The trajectory has further worsened in Quarter 3, with the average monthly increase in TA placements rising to 85. This has caused the increase in the projected budget pressure versus the £17.531m reported at Quarter 2.



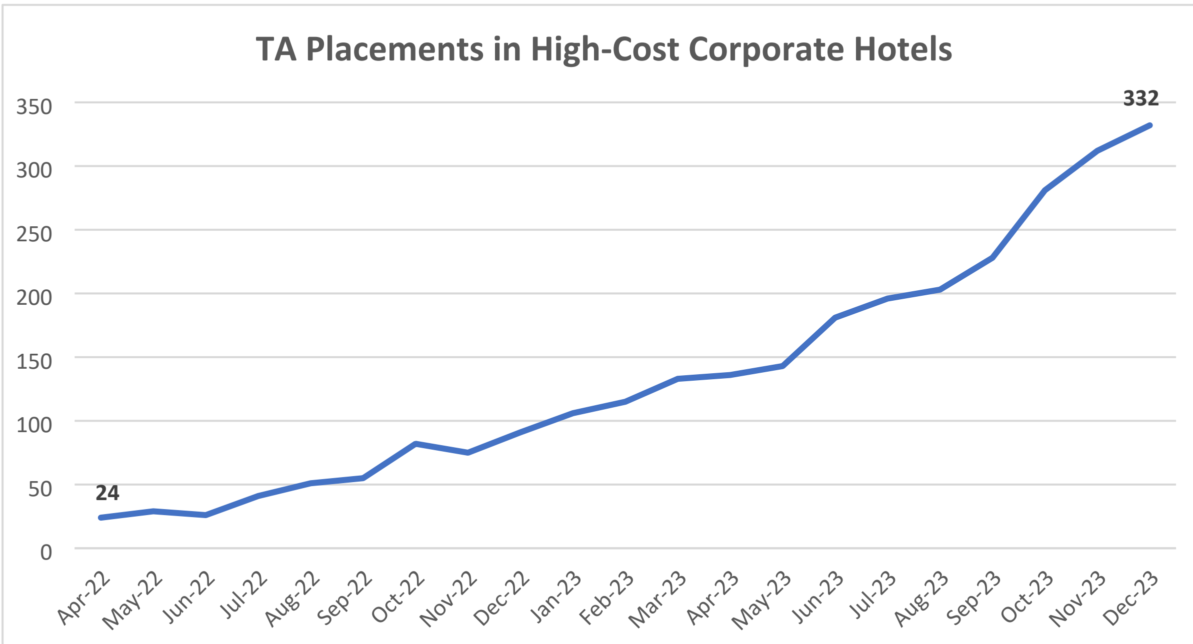
* Note: The number of TA placements is a slightly higher measure than the number of households in TA (but more relevant to cost)

WCC TA Placements (by Supply Type)

	March 2022	March 2023	December 2023	2023-24 Movement
Nightly Booked	530	683	1,068	385
Leased	2,029	2,081	2,075	-6
WCC Owned	274	292	334	42
Total	2,833	3,056	3,477	421

6.3 The supply breakdown in the table above highlights some of the supply challenges facing the Council. The volume of available supply from the private rental sector has remained broadly flat throughout 2023/24 while the increase in WCC Owned stock (including acquisitions and available units from regeneration sites) has not been sufficient to match rising demand. This means that the majority of new demand is being met using nightly booked accommodation (which has increased by 56% since March 2023, reflecting the enforced use of commercial hotels and apartments to meet statutory duties).

6.4 The chart below shows the increase in the use of high-cost corporate hotel bookings since the beginning of 2022/23 which represent the most expensive element of the 1,068 households in nightly-paid accommodation. This is the largest single driver of the overall increase in TA spend.



High-cost provision

6.5 The revised Quarter 3 TA forecast is predicated on some important assumptions (for which any adverse movement would increase the budget pressure):

- Demand continuing to increase by 85 households per month in 2023/24;
- An expectation that 40% of new demand will be met using corporate hotel provision;
- No further removals of existing PSR supply due to landlords exiting the TA market.

6.6 Depending on the variation within these assumptions, the potential range in the projected budget pressure for 2023/24 would be a **worst-case scenario of £27.700m** (demand increase of 85 per month with 100% going into corporate hotels) or a **best-case scenario of £25.000m** (demand flattening out to 60 per month and 20% going into corporate hotels). The projection included in the reported position for Quarter 3 is the mid-point of these scenarios.

6.7 The Housing service is exploring a number of interventions to contain the projected budget pressure (and ultimately reduce it). These include:

- Acceleration of TA acquisitions
- Increased contractor capacity to speed up the turn around on TA voids
- Converting more units into use for TA within regeneration sites
- Alternative procurement arrangements for high-cost provision
- Investment in prevention activity

7. Finance and Resources — Underspend £28.857m

7.1 At Quarter 3 the Directorate is reporting a favourable variance of £28.857m against the approved budget of £19.264m. There are also reported opportunities of £0.600m.

Corporate Property

7.2 Corporate Property is reporting a favourable variance of £1.335m at Quarter 3. This comprises additional income from a backdated rent review of two sites (£1.000m), an energy rebate (£0.180m) and a service charge refund (£0.155m). As at the end of December 2023, 37 investment units (both GF and HRA) were vacant but of these 26 were not being marketed due to regeneration requirements and two were under offer. This compares with 40 vacant units in December 2022. 28 day investment income collection rates in November 2023 were 93.63%, compared with 91.80% in November 2022.

7.3 Finance & Resources is showing opportunities of £0.600m. This is within Corporate Property and relates to a review of NNDR and also possible turnover rent receivable.

Finance/Treasury and Pensions

7.4 Treasury and Pensions is forecasting a favourable variance of £28.424m in Quarter 3. The projected return on cash balances of £54.7m against a budget of £26.283m. This variance is an increase of £5m on quarter 2 and is driven by the continuation of higher than expected average interest rates following inflation remaining higher than expected. Investment balances are currently £323m higher than the balances at March 2023, with an average interest rate earned of 5.35%. Forecasting throughout the year has been prudent to ensure that interest rates predicted have materialised. Any additional interest earnings received will mitigate in-year budget pressures across the Council as well as being used to support the delivery of the capital programme.

Digital and Innovation

7.5 There is n adverse variance in Digital & Innovation of £0.187m largely relating to an increase in contract costs on the Lot 9 contract with BT relating to a technical adjustment (£0.080m), and proof of concept work that was completed relating to Report-It chat-bot and AI discovery.

Revenue and Benefits

7.6 Revenue and Benefits is also reporting an adverse variance of £0.200m at Quarter 3 due to expected reduced income levels of £0.369m from cost of collection grant and court costs, an overspend on staff £0.128m and other non-pay budgets £0.048m offset by an underspend of £0.345m on Capita contracts net of admin subsidy variance.

8. Environment, Climate & Public Protection Underspend £1.0m

8.1 At Quarter 3, there is a favourable variance of £1.0m against the approved net budget of £5.874m. This represents an improvement of £0.840m from Quarter 2. Net Risks and Opportunities have decreased by £1.130m to £0.500m.

Parking

8.2 Parking reports a (£0.7m) variance to budget at Quarter 3 comprised of several offsetting variances. The level of risk has decreased by £0.5m from Quarter 2 to £1.0m.

8.3 Paid For Parking is now forecast to under-recover by £3.7m, a worsening of £0.9m compared to Quarter 2. Most of the additional deficit is expected from a further delay to the implementation of emissions-based charging, (c£0.5m), with the remainder from reduced casual parking activity throughout the year, as a result of changing behaviours, and reduced rates from a continued transition to less-polluting vehicles.

8.4 Resident Permit run rate has been worsening through Quarter 3, prompting a forecasted under recovery of £0.4m. Income is adversely affected by an increasing number of Eco labelled vehicles, which attract significant concessions.

8.5 Suspensions income had several very high weeks during Quarter 3 and continues to show on-profile or similar performance, leading to an on budget full year forecast. There remains a risk reported of £0.5m potential shortfall due to known volatility of income stream. There is also an ongoing dispute with a major customer, and a £0.500m risk is included in respect of this.

8.6 The trend of reduced activity in Trade Permits & Dispersions income streams was maintained for Quarter 3, therefore, under recovery of £0.175m continues to be forecasted.

8.7 Penalty charge notice issue rate has climbed steadily through Quarter 3, reaching almost 37,000 tickets in December. The service anticipates this rate will be maintained, or exceeded, as additional enforcement resources deployed in response to an evidenced reduction in user compliance. It is forecasted that there will be an over achievement of income of (£5.750m) offset by additional costs of £1.273m for additional on-street enforcement and other associated costs which has improved the PCN income position.

8.8 The rolling programme of CCTV review and installation is ongoing, further cameras added in Quarter 3 are generating income above the MTFP saving. It is forecasted that the PCNs CCTV income stream will over recover by (£0.200m)

8.9 The Concessionary Fares underspend of (£1.900m) remains as reported at Quarter 2 but is countered by £1.603m one-off overspends mainly due to the contract transition.

Public Protection and Licensing (PP&L)

8.10 Public Protection & Licensing reports a (£0.300m) variance to budget at Quarter 3 comprised of several variances.

8.11 As at Quarter 3 there is a staffing variance across PPL. The service currently has several vacancies post restructure. Recruitment is currently in progress to fill these respective posts, with most expected to be filled in early 24/25 (£0.570m).

8.12 HMO license income will not reach budgeted levels which were increased as part of last year's fees and charges review. The review implemented a fee increase of 48%. However, since the license spans a period of 5 years and current licences are not set to expire until 26/27 increased income will not be received until then. This results in a current year pressure of £0.270m.

8.13 Street Trading is currently under-performing with income currently forecasted to under-recover by £0.150m due to the reduction of isolated pitch activity. This is being offset by other income lines within PPL.

Waste and Cleansing

8.14 The Waste & Cleansing service is forecasting to be within the overall budget but there are some variances as outlined below. Commercial waste income is over-recovering by (£1.400m) however, this favourable variance is offset by various overspends in several areas. There are pressures within the cleansing service relating to the hire of ULEZ compliant waste vehicles and gritters, along with increased spend on Commercial Waste stock and services that contribute to the increased sales income, resulting in an adverse variance of £1.110m. Public conveniences is forecasting to overspend by £0.180m due to shortfalls in income as a result of the barriers not having a contactless payment option and the overall decline in coin usage. The proposed renovation programme will remedy this, but the temporary closures may adversely affect income this year. Waste disposal is forecasting an overspend of £0.110m due to tonnage increases from covid recovery and commercial waste activity growth, along with a fall in income generated from the sale of recyclable materials.

8.15 In addition to the Commercial Waste income forecast over-recovery of (£1.400m) there is (£0.200m) declared as an opportunity. Income is exceeding that from the same period last year by £1.500m and the service is increasing sales from both new and existing customers. However, whilst we are continuing to see an upward trend in sales activity levels, they remain below pre-covid levels and the market has changed with increased working from home and changes to high-street shopping patterns. We may therefore start to see sales activity plateau in the future.

9. Children's Services — Overspend £2.480m

9.1 At Quarter 2 the Directorate is reporting adverse variance of £2.480m against the approved budget of £43.161m.

Family Services

9.2 Increasing costs in relation to families with no recourse to public funds (NRPF) have resulted in pressure on the budget with a total forecast overspend of £0.885m. This is due to the increasing cost of accommodation for these families. Staffing pressures due to difficulties in recruiting into social work teams, maternity cover and the use of agency staff have resulted in a £0.300m pressure.

9.3 Social Care placements that have a health element have been joint funded by the NHS ICB. The ICB have not agreed any new cases for this financial year, resulting in a forecast shortfall of £0.600m. The approach is being challenged but there is a risk that this shortfall increases by a further £0.650m if the situation does not change.

9.4 Registrars' income is overachieving against their income target by £0.335m due to increased volume of registrations and the increase in the fees from 1st January 2024.

9.5 Funding received from health for the joint funding of placements with health needs is at risk of not achieving the budgeted income target. The income budget was increased in 2023-24 by £0.650m with the expectation that cases that had been self-assessed to have a health need would be accepted by the Integrated Care Board (ICB).

Operations and Programmes

9.6 The Short Breaks service continues to have a pressure of £0.530m. Part of the overspend relates to the service needing to run across two sites until works at the Tresham site are complete. The Tresham refurbishment is due to be completed in Summer 2024. The service is currently being reviewed and opportunities for cost reductions and cost avoidance will be sought through this process and will be realised in the next financial year.

Education

9.7 There are pressures within Transport (£0.126m) on the taxi and minibus contracts, due to increases in the numbers of single occupancy routes. There is a pressure in the Virtual School (£0.080m) due to staffing overspends and a reduction in DSG contribution and in school standards (£0.050m) due to unachievable savings from prior years.

9.8 There is a risk that the demand for SEN Transport services increases due to new starters exceeding the estimated number, this is estimated to be up to £0.380m. This is offset by a potential opportunity of up to £0.040m if transport cancellations are higher than the estimated number.

Libraries and Archives

9.9 Libraries shortfall in income is £0.111m. There are also overspends in one off costs for security and running costs of £0.061m.

10. Innovation and Change Underspend £0.816m

10.1 At Quarter 3 Innovation & Change is reporting a favourable variance of £0.816m against the approved budget of £15.621m. There are currently reported opportunities of £0.215m.

City Promotions, Events and Filming

10.2 The net favourable variance is from: forecast additional income in City Promotions, Events and Filming of £0.620m, also income within Cemeteries of £0.150m and an underspend on salaries across the directorate mostly due to a number of part year vacancies £0.431m offset by overspends in Communities and SLAC £0.269m, some of which were reported as a risk in Quarter 2 (on costs associated with Green Spine project £0.093m, Fountain core contract costs £0.140m and a Health and Safety audit £0.036m) and an overspend on other non-pay budgets across the Directorate £0.116m.

Sports, Leisure and Active Communities

10.3 Innovation and Change is reporting a net opportunity of £0.215m from Communities - emergency grant drawdown from reserves £0.085m (if spend evidenced over £0.100m), Public Health Income is subject to confirmation of spend and eligibility £0.040m, a contribution to services towards consultation and engagement platform £0.040m, Parks - additional cemetery Income dependent on impact of limited availability of burial chambers £0.050m and in SLAC from Cemeteries income of £0.100m.

11. Other Corporate Directorates — Underspend £0.043m

11.1 At Quarter 3 the Directorate is reporting a favourable variance of £0.043m against the approved budget of £1.915m. There are no reported risks or opportunities.

11.2 The reported favourable variance is due to salary underspends of £0.043m due to part year vacancies.

12. Democracy, Law and People — Underspend £0.119m

12.1 At Quarter 3 the recently created Executive Directorate area of Democracy, Law and People is reporting a favourable variance of £0.119m against the approved budget of £6.025m. There are no reported risks and opportunities.

12.2 The net favourable variance is from a forecast underspend on salaries across the directorate of £0.342m from part year vacancies (some resulting in lower fee charging in Legal Services of £0.100m), an underspend on Member Allowances £0.047m, additional income from Local Land Charges £0.033m, offset by an overspend on Coroner’s Services £0.130m after agency services recharges to consortium members that is mostly driven by ongoing legal requirement to hold more inquests and reduced external income in Legal Services £0.075m mostly from S106 legal fees.

13. Corporate Items — Overspend £2.388m

13.1 There is a forecast net overspend within corporate items. This includes higher than anticipated contract inflationary pressures across a range of service areas of £2.988m offset by a projected underspend in bad debt provision previously reported at Q2 of £0.6m.

13.2 In addition, the Council is set to receive additional funding from two areas as announced as part of the final local government finance settlement. The government has announced an additional grant of £21.7m (in both 2022/23 and 2023/24) to compensate authorities for lost income because of green plant and machinery business rate exemptions. Westminster will receive a total of £1.5m

(£0.8m for 22/23 and £0.7m for 23/24). It is proposed that both the levy distribution and the grant plant and machinery grants are transferred to the temporary accommodation risk reserve given the significant risk posed by this area.

14. Housing Revenue Account £nil variance forecast

14.1 The Housing Revenue Account (HRA) is projecting an operating deficit of £1.969m at Quarter 3. This is being offset by earmarked reserves that were created in 2022/23 specifically to manage some of the emerging cost pressures.

14.2 The main drivers of the operating deficit are as follows:

- **Repairs –** A £3.809m pressure is projected on the revenue budget for Repairs. This is driven by a combination of higher in-year job volumes and unit costs increasing at a faster rate than the CPI allowance that was made in the business plan (particularly quoted works). The increase from Quarter 2 is £0.791m which predominantly relates to damp & mould remedial activity.

- **Health & Safety –** The HRA Business Plan anticipated a need for staff growth in 2023/24 to meet the requirements of the Building Safety Act, and further recurring budget growth has been factored in from 2024/25 onwards to support on-going inspection requirements. There was an expectation that much of the initial activity required to achieve compliance with the legislation would be managed as one-off investment (and an earmarked reserve was created for this purpose). At Quarter 3, total expenditure of £1.6m is forecast for 2023/24 which is a reduction on the forecast of £3.1m included at Quarter 2.

- **Housing Management –** There is an adverse variance of £0.722m showing on the Neighbourhoods budget. The key area of budget pressure in this area relates to accommodation costs arising from tenants being temporarily re-housed while issues with their property are resolved. This has worsened in Quarter 3 but has been offset by favourable movements on HRA income (including an improved projection for tenant rents now that all planned new build units for 2023/24 have been handed over).

14.3 There are several underspends across the HRA that are helping to offset some of the pressures noted above. They are combining to reduce the deficit down to just the Health & Safety element to be met from reserves.

- **Borrowing Costs –** The HRA is projecting to borrow £38m at Quarter 3, which means that the borrowing requirement is currently running slightly below the profile set in the Business Plan (due to a more favourable external funding profile). This means that the projected cost of borrowing for 2023/24 is lower than budgeted by £1.45m. This will correct over time as the planned borrowing in the business plan catches up (as the overall quantum has not reduced).

- **Revenue Contribution to Fund Capital –** The HRA budget includes an expected contribution of £2.688m from the revenue budget to fund capital (and reduce borrowing). However, this is a flexible contribution and can be diverted to support revenue activity if there are budget pressures like the ones being experienced in 2023/24.

- **Staff Costs –** the HRA is projecting an underspend on staff costs of £1.2m (which is spread across all areas of the service). This is driven by vacancies and is much lower than in previous years. Recruitment is on-going in a number of areas, particularly in relation to initiatives being driven by the Housing Improvement Programme.

15. Council Tax and Business Rates collection

15.1 As at December 2023 Council Tax collection rate to date is 80.27%, which is 0.67% higher than the same month last year.

15.2 The Business Rates collection rate for December 2023 is 82.06%, which is 1.79% higher than the same month last year.

Collections rates	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019	2023 vs 2022 Difference
Business Rates	82.06%	80.27%	74.47%	74.87%	84.82%	1.79%
Council Tax	80.27%	79.60%	78.71%	79.37%	85.37%	0.67%

15.3 By way of comparison, collection rates for business rates and council tax remains below pre-pandemic levels (December 2019 collection rate) at the Quarter 3 position.

16. Fees and Charges

16.1 The Council has a 2023/24 Fees and Charges income budget of £184.340m. As at Quarter 3, it is forecast to have a favourable variance of £0.783m. This is reported as variances in the relevant directorate commentary above.

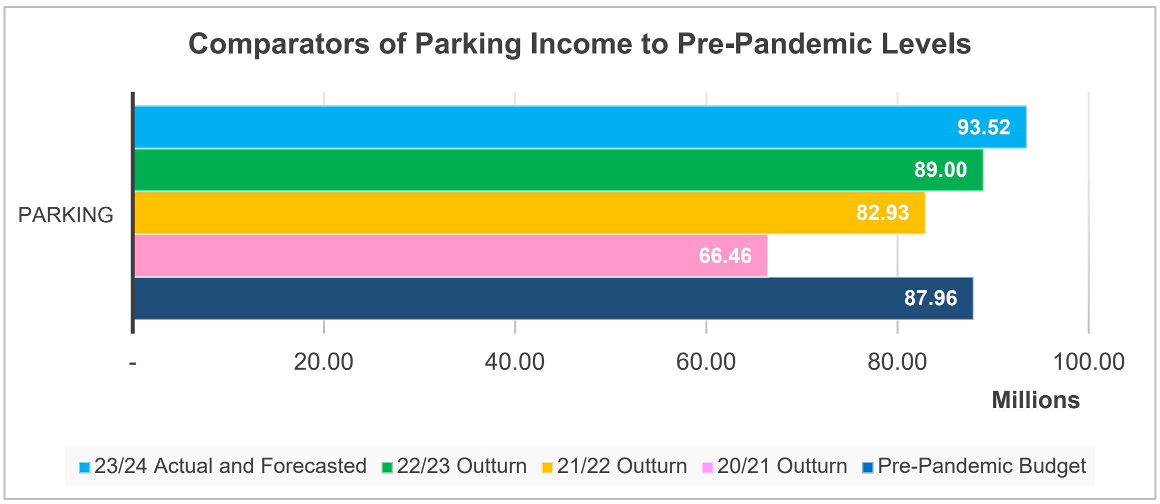
16.2 This is mainly due to the following income streams:

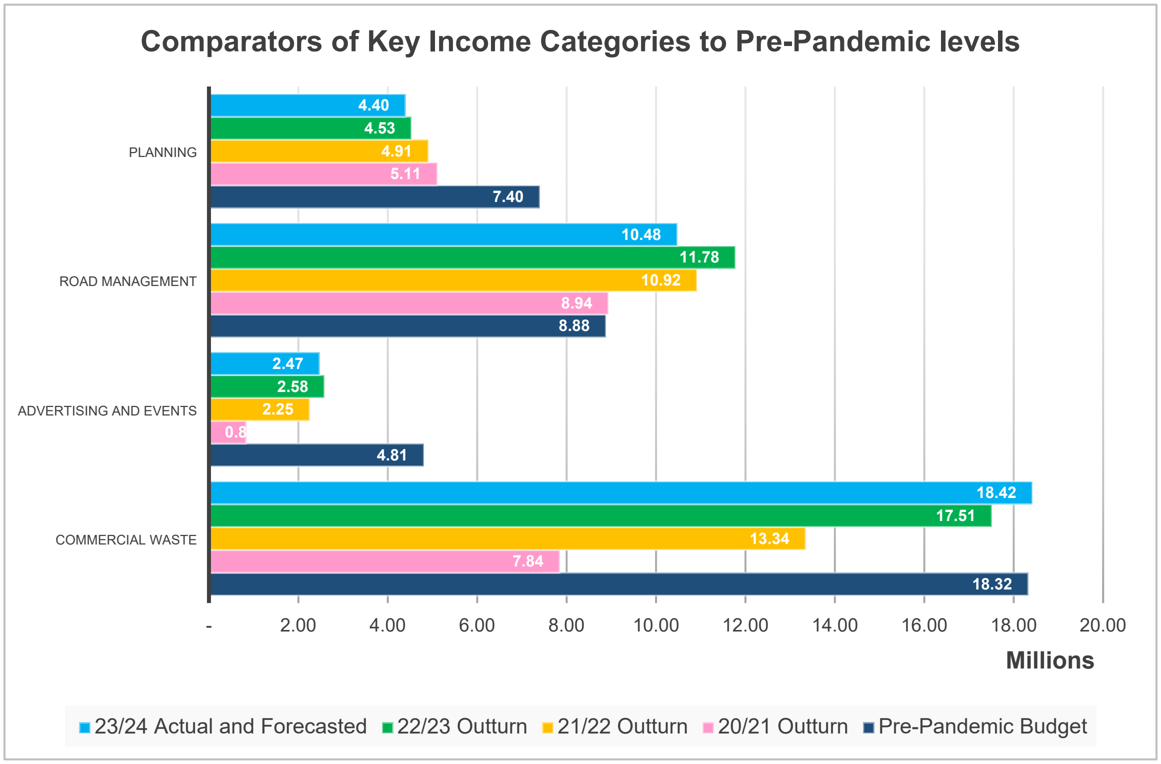
- Parking Penalty Charge Notice Marshals forecasts £5.750m more income than budgeted for, as Marshal Issue rate has climbed steadily through Quarter 3, reaching almost 37,000 tickets in December. The service anticipates this rate will be maintained, or exceeded, as additional enforcement resources continue to be deployed in response to evidenced reduction in user compliance.

- Paid for Parking forecasts an adverse variance of £3.700m, a worsening of £0.900m from Quarter 2. Most of this additional deficit is expected to arise from the further delay to the implementation of emissions-based charging (c.£500k). The remainder is due to reduced casual parking activity throughout the year, because of changing behaviours, and reduced rates from a continued transition to less-polluting vehicles.

- Planning forecasts an adverse variance of £2.000m as activity remains significantly below pre-pandemic levels with only 19 major applications received to date compared to 24 in 2022/23 (a reduction of 21%).

16.3 The key income streams are summarised in the graphs below. The graphs show indicative forecasts for the full year and compares these with prior years and pre-pandemic budgets.





17. Capital Budget 2023/24

17.1 The Quarter 3 Capital Programme forecast position is a projected £35.476m gross expenditure variance and £6.047m financing variance (£35.476m including borrowing).

17.2 The tables below summarise the Council's budget and Quarter 3 forecast position on the 2023/24 capital programme. Following budget reprofiling at Quarter 2, the below table summarises the reprofiled capital budget, which was approved by Cabinet on 29 January 2024.

Table 4 – Capital budget and forecast position 2023/24

ELT Directorate	2023/24 Expenditure Budget £m	2023/24 Expenditure Forecast £m	2023/24 Expenditure Variance £m
Adult's Services	6.000	5.383	(0.617)

Children's Services	5.846	4.644	(1.202)
Housing & Commercial Partnerships	56.657	41.633	(15.024)
Regeneration, Economy and Planning	49.764	51.032	1.268
Environment, Climate and Public Protection	84.396	76.472	(7.924)
Finance and Resources	42.163	33.088	(9.075)
Innovation & Change	6.791	3.889	(2.902)
Westminster Builds	2.630	2.630	-
Net Controllable Budget	**254.247**	**218.771**	**(35.476)**

Capital Financing	**2023/24 Budget £m**	**2023/24 Forecast £m**	**2023/24 Variance £m**
External Funding	(41.822)	(37.181)	4.641
S106 and CIL	(9.985)	(8.579)	1.406
Capital Receipts	(11.845)	(11.845)	-
Borrowing	(190.595)	(161.166)	29.429
Total Financing	**(254.247)**	**(218.771)**	**35.476**

17.3 As can be seen in the table below, 12 projects contribute to most of the expenditure variance. By way of comparison there are over 250 projects in the 2023/24 capital programme, and therefore, just 5% of the projects are causing 86% of the expenditure variance.

Table 5 – Key Capital Schemes 2023/22

Project	2023/24 Variance to Budget £m	Comments
Temporary Accommodation In-Borough Acquisitions	(10.203)	This variance is mainly due to properties being rejected at the legal stage or not progressing through to completion. 18 acquisitions are now forecasted to slip into 2024/25.
Temporary Accommodation Out-of-Borough Acquisition	(4.731)	This variance is mainly due to properties being rejected at the legal stage or not progressing through to completion. 5 acquisitions are now forecasted to slip into 2024/25.
Landlord Responsibilities	(1.986)	Works has been delayed mainly due to pre-construction processes taking longer than anticipated. These processes include: the procurement of the main contract; longer than anticipated planning processes and decisions to progress more slowly to obtain a phased decant in properties occupied by residents with additional needs. This will be reported as an underspend, due to capacity constraints.
Seymour Leisure Centre	(1.871)	The Q2 budget presumed awarding of the main contract earlier than now assumed in the Q3 forecast. Consequently, construction is beginning at a later date, leading to a reduction in planned expenditure. Construction should begin in March 2024.
Harrow Road Placeshaping Scheme	(1.852)	Canal works delays have led to expenditure slippage into 2024/25 (originally planned to begin in December 2023, now due to begin in April 2024). Also, the P6 budget for Maida Hill has been revised and appears that the P6 budget was over-optimistic.

Westmead	(1.563)	The variance is due to slight delay within contractor procurement following longer negotiation period (one month delay). This negotiation period has meant a knock-on delay in construction, resulting in reduced expenditure expectation for 2023/24. The delay has caused a ripple effect on multiple stages of work, therefore true variance to budget may not be known until later in the year.
IT Product Development	(1.500)	This is the result of reduced levels of product development which can be capitalised in 2023/24. This is following on from structural changes in the service area, therefore output was less than forecast.
Highways Buildouts for Trees	(1.491)	Issues outside WCC's control - such as finding faults at locations identified, unplanned utility work and updated parking occupancy data - have provided revised locations, and a revised programme of works. Any remaining budget at Q4 will be reprofiled into 2024/25, however, based on expenditure this quarter, reprofiling may be split between 2024/25 and 2025/26.
1 Victoria Street - Streetscape	(1.484)	This scheme was S278 funded to make alterations to the highways on Victoria Street; upon review the project cost less than forecasted which included additional sums for risk and contingency. Therefore, the remaining budget will be marked as an underspend.
Structurally Critical Columns	(1.422)	Progress on this scheme has been delayed due to issues with the supplier ability to procure materials, meaning this project will be reprofiled into the 2024/25. The project has also been enhanced to accommodate for the additional lighting columns to improve safety and community outcomes aligning with Westminster Fairer outcomes.
North Paddington Place Plan	(1.256)	Expenditure forecast movement due the treatment of £1.100m of revenue costs. At P6, they were to be treated as expenditure, at P9 it has been agreed that they are to be treated as reduction to budget (as well as future years). Additionally, there has been slippage from 2023/24 into 2024/25 in the following schemes - Greening (£0.050m), Canalside (£0.060m), Environmental Visual Audits (£0.050m). Please note that £1.000m of the variance is an underspend, the remaining £0.256m will be reprofiled to 2024/25.

Isolated Pitches Electrics	(1.168)	Upgrades to pitch power supply units (PSUs) will continue into 2024/25 following surveys during 2022 & 2023. The programme is delayed due to variations of outdated existing PSUs and issues with achieving surveys. We expect the full survey report in April 2024 with the works programme to follow when the PSUs will become safe and logged assets.
Total	**(30.527)**	

18. Housing Revenue Account

18.1 The HRA capital budget and forecast position at Quarter 3 is summarised in the table below.

Table 6 – HRA Capital Budget and Forecast

HRA Capital Programme	2023/24 Budget (£m)	2023/24 Forecast (£m)	2023/24 Variance (£m)
Housing Planned Maintenance	60.796	58.473	(2.324)
Housing Regeneration	141.815	138.25	(3.565)
Other Projects	3.789	3.789	-
Total Capital Expenditure	**206.400**	**200.511**	**(5.889)**

18.2 At the end of Quarter 3, the expenditure forecast for the HRA capital programme is £200.511m. This represents a small reduction of £5.889m versus the revised budget (which was adjusted to match the Quarter 2 forecast as part of the refresh of the capital strategy). This projection remains approximately £31m higher than the original capital programme for 2023/24, as approved in the HRA Business Plan in February 2023.

18.3 The HRA is now projecting a £38.683m borrowing requirement for 2023/24. This represents a £9.660m reduction versus what was forecast at Quarter 2. Part of this variance is driven by the reduced expenditure projection noted above, with the remainder driven by an improvement in the forecast for capital receipts in 2023/24. The HRA borrowing profile is being updated as part of the business plan refresh (to be approved by Cabinet in February 2024) and remains affordable over the long-term.

Table 7 – Key variances within HRA Planned Maintenance:

Component	2023/24 Expenditure Budget £m	2023/24 Forecast £m	2023/24 Variance £m
Electrical & Mechanical Services	7.729	4.497	(3.232)
Aids & Adaptations	1.800	2.504	0.704
Voids	8.633	8.633	-
Fire Precaution Major Works	9.022	8.458	(0.564)
Major Works	22.547	18.664	(3.883)
Fire Precaution (FST)	3.113	2.987	(0.126)
Delivery Adjustment	(5.755)	-	5.755
Other Schemes*	13.707	12.730	(0.977)
Total	**60.796**	**58.473**	(2.324)

*Includes: Minor Works, PDHU, Climate Action, Asset Management, Condensation

18.4 At Quarter 3 there is a small underspend of £2.324m projected on the Planned Maintenance budget. No variance was reported at Quarter 2, but this forecast did include a delivery adjustment based on expected risk to delivery timescales over the second half of the year (which has now fully materialised).

18.5 The key variances of note are as follows:

- **Electrical & Mechanical Services** – there are two key variances in this element of the programme. One is a delay to the Sheltered Housing Warden Call system upgrade (£1.490m) which requires further consultation with residents, while the lifts programme has slipped £1.763m due to delayed approval on schemes at Admiral House and Hardy House (which both have delayed completion dates).
- **Aids & Adaptations** – a total of 168 units are under-going works in 2023/24 (an increase on the 150 adaptations completed in 2022/23). The increase in volume is largely driven by a need for adaptations to new build units as they are tenanted.
- **Voids** – whilst there is no movement versus the forecast at Quarter 2, the service is experiencing much greater activity in this area in 2023/24 (with £4m more spend than originally included in the business plan). A total of 480 units are projected to be completed in 2023/24 versus 380 in 2022/23.
- **Major Works** – the projection for this programme has reduced due to further due diligence being undertaken in relation to estimated leaseholder bills across a number of schemes that have yet to commence. Schemes are

already underway for £17.6m of the current forecast, with a further £0.700m at the commissioning stage and £0.300m being scheduled (with the expectation that these schemes commence in Q4).

- **Other Schemes** – the variance in this area reflects slippage on the emergency PDHU works that are already built into the HRA capital programme. These are deemed necessary in advance of agreement on the preferred option for replacing the network.

18.6 As noted above, the Planned Maintenance programme had been deliberately "over-programmed" in order to maximise delivery. This was reflected as a delivery adjustment of £5.722m at Quarter 2 (equivalent to 9% of the programme) based on the risk of delays in delivering the programme over the second half of the year. This has now crystallized and the forecast at Quarter 3 no longer includes an adjustment given the greater certainty on delivery projections going into the final quarter.

Table 8 – Key variances within HRA regeneration and development:

Top Project	2023/24 Expenditure Budget £m	2023/24 Forecast £m	2023/24 Variance £m
Queens Park Court	8.693	7.254	(1.439)
Carlton Dene	5.626	3.166	(2.460)
Total	**14.319**	**10.420**	(3.898)

18.7 The Development & Regeneration programme is projected to spend £138.250m at Quarter 3. All schemes remain on track for the forecast provided at Quarter 2 (as captured in the revised budget). There are two exceptions (see above) which are driving a minor variance of £5.889m. The reasons for these variances are as follows:

- **Queens Park Court –** forecast compensation for Right of Light claims has been slipped to 2024/25 (with no impact on overall scheme costs).
- **Carlton Dene –** a minor delay with enabling works has created some slippage into 2024/25. Again, this has no bearing on the overall cost of the scheme.

HRA Other Works

18.8 There is no variance being reported on these schemes at Quarter 3. A small balance of capital receipts remains for emergency acquisition of social units (to meet specific housing needs) and planned spend in 2023/24 is reflected here. The

Council’s acquisition capacity has largely been re-directed to purchasing units for use as TA (due to the significant budget pressures within that service).

Subsidiaries Overview

18.9 This report provides a financial overview of the wholly owned Westminster Builds, Westminster Community Homes (WCH) and Westminster Communications (WestCo) up to December 2023/24**.**

Westminster Builds

Table 9 – Westminster Builds P&L Summary 2023/24

P&L Summary £000’s	Actual YTD £’m	Revised Budget YTD £’m	Variance YTD £’m	Year End Forecast £’m	Revised Full Year Budget £’m	23/24 Budget £’m
Total Income	908	911	(3)	1,295	1,299	1,150
Total Expenditure	(209)	(235)	26	(292)	(319)	(357)
Operating Surplus/(Deficit)	699	676	23	1,003	980	793
Net Interest	(448)	(510)	62	(623)	(684)	(900)
Profit/(Loss) Before Tax	251	167	84	381	296	(107)

18.10 The profit for Quarter 3 is £251k (Quarter 2 was £106k) and is £84k favourable to budget. The current year-end forecast is now a profit of £296k.

18.11 Total income is broadly in line with the revised budget but includes a (£34k) adverse rent variance due to delays at 300 Harrow Road and West End Gate Phase 2 which is offset by a £30k favourable variance due to higher than budgeted bank interest.

18.12 Total expenditure is £26k favourable to budget due to lower than budgeted Miscellaneous direct expenditure as well as lower than budgeted staff costs which reflect current resourcing.

18.13 Net interest is £62k favourable to budget following an interest payable adjustment to West End Gate Phase 1 following the return of 8 homes back to WCC following the Truly Affordable Housing review.

18.14 The forecast presented above does not include profit from Luton Street sales which are due to be fully received by 31st March 2024. To date Westminster Builds have received £6.150m of profit from Luton Street.

Westminster Community Homes

Table 10 – Westminster Community Homes P&L Summary 2023/24

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	4,166	3,697	469	5,555	4,844
Total Expenditure	(2,850)	(2,540)	(310)	(3,800)	(3,515)
Operating Surplus/(Deficit)	1,316	1,157	159	1,755	**1,329**
Amortisation and depreciation	(983)	(1,063)	80	(1,311)	(1,417)
Capital Programme – Stock refresh	(461)	(1,199)	738		(1,598)
Net Interest	(185)	(231)	46	(247)	(308)
Profit/(Loss) Before Tax	**(313)**	**(1,336)**	1,023	197	**(1,994)**

18.15 The YTD position on 31st December Quarter 3 is a deficit of (£313k) which is £1,023k favourable to the YTD budget.

18.16 The net operating adverse variance of £1,316k is due to:

- £469k favourable to budget income, primarily derived from £92k favourable to budget rental income and £302k favourable to budget tenant service charges.
- (£310k) higher than budgeted expenditure is primarily due the adverse to budget variance of (£187k) for repairs expenditure, (£187k) higher than budgeted service charges and (£120k) of refurbishments.

18.17 Amortisation and depreciation are £80k favourable to budget due to stock property purchases and grant being received during the year.

18.18 Net Interest payable is £46k favourable to budget. This is because the 23/24 budget did not take account of the healthy £46k bank interest received in year. This has historically been minimal and only became substantial after the Bank of England has raised interest rates for a sustained period.

Westco

Table 11 – Westco P&L Summary 2023/24

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	2.127	2.850	(0.723)	2.842	3.800
Total Expenditure	(2.202)	(2.631)	0.429	(2.918)	(3.508)
Operating Surplus/(Deficit)	(0.075)	0.219	(0.294)	(0.076)	0.292
Net Interest	-	-	-	-	-
Profit/(Loss) Before Tax	**(0.075)**	**0.219**	**(0.294)**	**(0.076)**	**0.292**

18.19 The reported position for Quarter 3 is a profit of £0.008 which reduces the Quarter 1 to Quarter 3 total loss to £0.075. Despite having achieved a year-to-date loss, this is an improvement of £0.221m when compared to the same period in the previous financial year (2022/23).

18.20 The current full year projected forecast for the financial year is a £0.076m loss which includes a forecast for work currently in the pipeline with over a 50% chance of being successful. This is consistent with the Quarter 2 reported position of £0.075 and includes the savings proposals as agreed by the WestCo board on the 27 September which have been identified as being fully achievable.

19. Summary of Prudential Indicators (PIs)

19.1 The quarterly financial monitor reports will include summary of PIs. The purpose of prudential indicators (PIs) is to provide a reference point or "dashboard" so that senior officers and Members can:

- Easily identify whether approved treasury management policies are being applied correctly in practice and,
- Take corrective action as required

19.2 As the Council's S151 officer, the Executive Director of Finance and Resources has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

19.3 The summary of PIs can be found within Appendix 3.

20. Financial Implications

20.1 The financial implications are set out the main body of the report.

21. Legal Implications

21.1 There are no legal implications arising from this report.

22. Carbon Implications

22.1 There are no direct carbon implications arising from this report.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Lyndsey Gamble, Head of Strategic Finance (lgamble@westminster.gov.uk)

Appendix 1 – Reprofiled and Part or Completely Unachievable Savings

ELT	Saving Name	Saving Description	Status	2023/24 Agreed Saving	Mitigating action for unachievable or non-delivery; comment
Children's	Joint Funding Contributions	Joint funding from Health for high-cost placements	Part or Completely Unachievable	650	Currently in mediation with the ICB to agree what can be put forward for joint funding from Health. Current cases ongoing from last year continue to be funded but no further cases are being accepted at this point.
Children's	Education Funding and Efficiencies		Part or Completely Unachievable	50	
Environment, Climate and Public Protection	Parking Fee Structure Review (EBC)	On-street parking charges are already subject to a diesel surcharge applicable to pre-2015 diesel vehicles and resident permit pricing is differentiated according to engine capacity. This review looks to introduce alternative tiered charging structures based on vehicles' CO_2 emissions for these schemes, identifiable upon	Part or Completely Unachievable	1,430	Policy to be implemented later than had been forecast. At Quarter 3 this is mitigated within the Parking position.

		payment/application via a DVLA look-up. The objective is to improve air quality by encouraging use & ownership of less polluting/discouraging more polluting vehicles. Capital bids have been submitted to cover mobilisation and implementation costs for the new scheme			
Innovation & Change	Parks not lock and staggering park locking times	A combination of not locking selected number of parks and staggering the closing time of another selected number of parks. This will reduce the number of park attendants required to close the parks.	Part or Completely Unachievable	75	A number of parks already have staggered opening hours many of which are linked to local byelaws. There are still concerns relating to rough sleeping and anti-social behaviour at unlocked parks that have been raised by some stakeholders. There is some experience of these adverse issues in Parks that are currently left unlocked by the Service. The Service hope to implement changes in 2024-25 subject to stakeholder consultation. Only £50k of the saving target deemed

					achievable. £25k of the saving is not considered achievable.
Innovation & Change	Parks & Open Spaces Service Configuration - Review of service model to consider how to deliver by combining contracts with Housing and potential relet savings	Assume savings can be achieved on combined contracts. Continental contract ends 31/3/23 therefore assumes saving will be deliverable from 2023/24. (Assumed total £100k - Parks £70k, Housing £30k)	Part or Completely Unachievable	70	Housing information requirements differ significantly to Parks as it feeds into the service charge statements for residents living in different estates around the City. Granular detail is required to ensure that if tenants challenge items in their service charge statement (e.g. grounds maintenance) they can justify the amount being recovered, the service levels expected by Parks and Housing also differ significantly. Any savings that could have been achieved by Housing would benefit the HRA not the GF. The Continental Contract has now been extended by 3 years so no savings are now achievable.

Finance & Resources	Review of Bi-Borough IT Service	Reviewing the structure of the Bi-Borough IT service, including project work. 02/12 - removed £500k 22/23 following further review, suitable packages can be difficult and costly.	Part or Completely Unachievable	250	This was highlighted as a pressure in 2023/24 and removed from the budget load
Children's	Delivering Short Breaks Differently	A range of options for Short Breaks service delivery, including a review of the universal (core) and targeted preventative service offer - and the scoping of a proposal (which will require capital investment) to deliver overnight accommodation locally or ‘in-house’ for children with more complex care needs for whom finding suitable packages can be difficult and costly.	Part or Completely Reprofiled	25	Review of Short Breaks service under way

Appendix 2 – Schools Forecast

1.1 The Bi-Borough Schools' Finance team provides support to 37 maintained schools and nurseries in the borough of Westminster.

1.2 Schools in Westminster face a number of challenges, particularly, primary schools with falling rolls. Based on the October 2023 pupil census, there is a 26.6% surplus capacity across all Westminster primary schools; this is a slight increase in the last year of 0.9% from 25.7% at October 2022 but an increase 11.6% in 5 years from 15.0% in 2017.

Dedicated Schools Grant

1.3 Westminster City Council receives an allocation of Dedicated Schools Grant (DSG) from the Education and Skills Funding Agency (ESFA) to fund maintained schools and academies and items of central expenditure. The DSG finances schools, central services, early years and high needs expenditure. In addition to the DSG, mainstream schools will be allocated additional funding through the mainstream schools additional grant (MSAG) in 2023/24. Schools have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures. Since September, Schools have also received a teachers pay additional grant (TPAG) to fund 3% of the 2023 teachers pay award. The MSAG will be incorporated into core budget allocations from 2024/25 and the TPAG from 2025/26.

1.4 The Schools' Block of the DSG which provides most of the schools' funding is £125.4m for 2023/24, a reduction of £1.0m (0.8%) from 2022/23 due to a reduction in pupil numbers, and the Mainstream Schools Additional Grant (MSAG) brings an additional £4.4m; the total grant allocation therefore comes to £129.7m, an overall increase in funding of 2.7% with per pupil funding increasing by 6.4%. However, this is set against a background of teacher pay awards not being fully funded alongside rising energy and contractual costs.

1.5 The Schools' Block allocation for 2024/25 is £129.3m, a reduction of 0.3% from 2023/24. When the estimated TPAG allocation is taken account of, the overall increase in funding is 0.4% and 3.5% per pupil.

1.6 The formula to determine the DSG is mainly based on pupil numbers. With Westminster's pupil numbers falling across primary schools, this means that although the rate of funding per pupil has increased, the overall level of funding is decreasing in local primary schools. This is creating a sustainability challenge for several small schools in Westminster.

1.7 The DSG reserve balance was £1.100m as at March 2023. This is the net result of an in-year underspend in 2022/23 of £2.267m which cleared the DSG deficit of £1.167m from prior years. Currently, an underspend of £0.150m is forecast against the DSG for 2023/24 and this would increase the reserve balance to £1.250m.

Schools with Deficit Balances

1.8 There were 15 schools with deficit balances at 31st March 2023 compared to 11 at 31 March 2022. Of the 11 in deficit at 31 March 2022, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2022.

1.9 There are 16 schools forecasting deficits at 31st March 2024. Collectively, these schools had an aggregate deficit of £1.966m at 31st March 2023 and are forecasting a deficit of £2.852m at 31st March 2024. Additionally, St Stephen's amalgamated with St Mary Magdalene's from September 2023 and their deficit will not be recovered. This deficit will be chargeable to the Council and not the DSG and this liability is currently forecast to be £411k. It is expected that this pressure will be met Corporately.

1.10 Deficit schools are all RAG rated as red to highlight the urgent need for a sustainable position to be maintained in order to return to a balanced budget position. Per Table 13, collectively, these schools had an aggregate deficit of £2.607m at 31st March 2023. Monthly reporting to the LA is compulsory for schools with recovery plans in place and monitoring reports are being actively pursued.

1.11 Six schools have a licensed deficit recovery plan in place and the remainder are still being worked on or updated as summarised in Table 12 below.

Table 12 – Schools requiring Licensed Deficit Recovery Plans

School Name	Licensed Recovery Plan
All Souls' CE Primary School	Yes
Burdett Coutts CE Primary School	Yes
Our Lady of Dolours	No
Robinsfield Infant School	No
Soho Parish CE Primary School	No
St Barnabas CE Primary School	No
St George's Hanover Square	No
St Luke's CE Primary School	Yes
St Mary Of The Angels Catholic School	Yes
St Matthew's CE Primary School	No
St Saviour's CE Primary School	Yes
St Vincent De Paul Catholic School	Yes
Total Number of Schools in Deficit	**12**
Schools in Surplus at March 2023 and Forecasting a Deficit at March 2024:	
Hampden Gurney CE Primary School	No
George Eliot Primary School	No
Barrow Hill Junior School	No
St Peter's CE Primary School	No
Revised Total Number of Schools in Deficit	**4**

Schools at Risks – risk rating and reserves balances

1.12 Schools RAG rated red have no reserves or a deficit balance and require a deficit recovery plan. A financial adviser is supporting schools with deficits in their production of robust deficit recovery plans and is also reviewing those at risk of going into deficit.

1.13 Schools with amber RAG ratings are at risk of future financial difficulty due a low (<£50k) balance and/or their reserves having reduced by prior or in year deficits to the extent that a further reduction of similar magnitude would result in a deficit balance within 2 years and so need to take action to reverse the trend.

1.14 These schools have also been offered support with financial management, ranging from cross-departmental training delivered to staff and governors (involving School Standards and Finance colleagues) to assistance with producing recovery plans and budget monitoring and requests received vary according to the school's needs.

1.15 Green RAG rated schools have enough reserves to cover a future in year deficit equal in value to a current year deficit, should this occur.

Table 13 – RAG Ratings and Balances Summary

RAG Rating	2022/23 Outturn	2022/23 Balance (surplus) / deficit	2023/24 Forecast	2023/24 Forecast Balance (surplus) / deficit
Red	15	(2,607)	16	(2,852)
Amber	7	165	8	389
Green	17	5,924	13	4,950
Total	**39**	**3,482**	**37**	**2,486**

School Forecasts

1.16 Schools' balances at the start of 2023/24 were £3.622m and the forecast year end schools balances total £2.075m. Deficit schools are required to provide monthly updates, with other schools providing quarterly finance reports.

1.17 At the time of preparing this report, the deadline for returns from non-deficit schools had only just been passed. Finance is following up with the non-compliant schools including escalating to Headteachers. Where returns haven't been received for Quarter 3, latest available figures have been used.

Appendix 3 – Prudential Indicators

Table 14 – Prudential Indicators

PI Ref		2023/24 Indicator	2023/24 Forecast
1	Capital expenditure	£438m	£457m
2	Capital Financing Requirement (CFR)	£1,310m	£1,194m
3	Net debt vs CFR	£723m underborrowing	£617m underborrowing
4	Ratio of financing costs to revenue stream	GF 12.24% HRA 34.59%	GF 38.13% HRA 38.99%
5a	Authorised limit for external debt	£1,359m	£1,241m
5b	Operational debt boundary	£636m	£624m
6	Working Capital Balance	£0m	£0m
7	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£450m	£0m
8	Maturity structure of borrowing	Upper limit under 12 months: 40% Lower limit 10 years and above: 35%	Upper limit under 12 months: 3% Lower limit 10 years and above: 77%