City of Westminster

Decision Maker:	**Audit and Performance Committee**
Date:	**05 September 2024**
Classification:	**General Release**
Title:	**2024/25 Quarter 1 Financial Monitoring**
Wards Affected:	**ALL**
Key Decision:	**No**
Financial Summary:	**The report summarises the Council's 2024/25 Quarter 1 financial position**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1 This monitoring report presents the Council's summarised 2024/25 quarter 1 financial position to date and the forecast for the remainder of the year based on activity trends and analysis to date.

Revenue Summary

1.2 The forecast General Fund revenue outturn is a projected overspend of £3.314m (1.6% of net budget £205.545m), however there are also further risks amounting to a net £11.1m also identified as potential pressures. The Housing Revenue Account (HRA) Business Plan has a budgeted surplus in 2024/25 of £6.8m. Following a review of spend in quarter 1, there is a forecast reduction in that surplus to £1.2m, which reflects an anticipated variance of £5.6m of mainly spending pressures when compared to the approved HRA Business Plan.

Capital Summary

1.3 The quarter 1 Capital Programme forecast position is £68.814m gross expenditure underspend. Further details are included in section 14 of this report.

Savings

1.4 Savings achieved year to date are now reported as £5.726m; with 95% of savings (£20.136m) either on target to be achieved in year or achieved (£19.046m).

2. Recommendations to Audit and Performance Committee

2.1 That Audit and Performance Committee notes the current monitoring and forecast position at quarter 1 for 2024/25.

3. Revenue Budget Overview

3.1 In March 2024 Full Council approved the 2024/25 budget which included £20.136m of savings and £49.670m of investment and pressures to the General Fund. As at quarter 1 of the 2024/25 financial year the General Fund revenue position is reporting a forecast overspend of £3.314m (1.6%) against a budget of £205.545m.

3.2 Primarily this is due to the following reasons:

Demand Led Pressures

- Temporary Accommodation has experienced a larger than anticipated increase in households presenting as homelessness. This means properties acquired during this period, were used to address the additional demand, rather than being used to move households out of high-cost commercial hotels and apartments. Actual spend on high-cost commercial hotels and apartments sourced is above the forecast in quarter 1, but it is anticipated that the use of this form of accommodation will be significantly reduced during the year as the Council's property acquisition and sourcing programme continues.

- Children's Family Services is experiencing continuing pressure due to accommodation and subsistence statutory support being provided to increased numbers. Also, there is an overspend on placements and direct support costs due to an increase in looked after children and care leavers.

Underspends

- There are some notable underspends within Parking Services, paid for parking income is projected to achieve a favourable net variance due to the introduction of emission-based charging. PCN income is projected to be higher as a result of increased marshal presence on the street increasing ticket issuance. Also, a notable underspend within energy costs for the Council, this is the result of the gradual recovery of global energy supplies. Prices paid by the Council for energy significantly increased between 21/22 and 23/24. The prices paid for 24/25 have reduced although not to 21/22 levels.

3.3 The HRA Business Plan has a budgeted surplus in 2024/25 of £6.8m. Following a review of spend in quarter 1, there is now a forecast reduction in that surplus to £1.2m, which reflects an anticipated variance of £5.6m when compared to the approved HRA Business Plan. The key areas of variance include service charges, repairs and maintenance, supervision and management, special services and interest payable. Further details are included in section 12 of this report.

3.4 Table 1 summarises the Quarter 1 General Fund position.

Table 1 - Revenue Finance Position and Forecast – quarter 1 - 2024/25

Executive Directorate	2024/25 Budget £m	2024/25 Forecast £m	2024/25 Variance £m	Risks Identified £m	Opportunities Identified £m	Projected Variance inc Opps and Risks £m
Adult Social Care	63.772	63.772	(0.000)	2.000	0.000	2.000
Public Health	(1.141)	(1.141)	0.000	0.000	0.000	0.000
Housing and Commercial Partnerships	71.988	74.788	2.800	5.758	0.000	8.558
Regeneration, Economy & Planning	4.267	5.151	0.884	0.000	0.000	0.884
Environment and Communities	13.257	11.827	(1.430)	0.835	(0.900)	(1.495)
Children's Services	45.463	47.272	1.810	3.075	0.000	4.885
Other Corporate Directorates	1.838	1.838	0.000	0.000	0.000	0.000
Corporate Services	12.022	12.022	0.000	0.000	0.000	0.000
Finance and Resources	0.680	(0.070)	(0.750)	0.300	0.000	(0.450)
Corporate Items	(6.601)	(6.601)	0.000	0.000	0.000	0.000
Net Controllable Budget	**205.545**	**208.859**	**3.314**	**11.968**	**(0.900)**	**14.382**

Inflation

3.5 Inflation (as measured by the CPI) has decreased in recent months and currently stands at 2.2% at July 2024.

- **Pay:** As part of the 2024/25 budget setting process provision of £4.204m was made for further anticipated pay inflation pressures across service areas in line with projections for known changes such as the London Living Wage increases. An agreement is still to be reached on this year's pay award.

- **Non-Pay:** As part of the 2024/25 budget setting process provision of £8.613m was made for further anticipated contract inflation pressures across service areas in line with projections for annual CPI increases. Work is being undertaken to establish inflation costs incurred to date and updated forecasts for contracts still to be agreed and this position will be reported at quarter 2.

Medium Term Financial Plan Monitoring – Savings

3.6 In March 2024 Full Council approved the 2024/25 budget which included £20.136m 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, 95% are either achieved or on target.

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)

Executive Directorate	Saving Achieved £'000	Part Achieved/ On Track £'000	Part or Completely Reprofiled £'000	Unlikely to be Achieved £'000	Total £'000
Adult Social Care	265	1,760	325	-	2,350
Children's Services	-	518	-	705	1,223
Environment and Communities	2,285	6,855	-	60	9,200
Finance and Resources	2,154	1,577	-	-	3,730
Regeneration, Economy and Planning	636	1,284	-	-	1,920
Housing and Commercial Partnerships	156	469	-	-	625
Corporate Services	211	300	-	-	511
Other Corporate Directorates	19	58	-	-	77
Collaborative / Cross Council	-	500	-	-	500
Total	**5,726**	**13,320**	**325**	**765**	**20,136**

General Fund Revenue Summary

4. Adult Social Care (ASC) £nil variance forecast

4.1 Adult Social Care is forecasting a break-even position in the first quarter against an annual net budget of £64m. This financial forecast assumes that all additional income from the Market Sustainability Improvement Fund, Discharge Fund and additional funding from the Northwest London Integrated Care Board (NWLICB) will be fully used to offset existing expenditure commitments. The total value attributed to these key income streams is approximately £11m in the financial year 2024/25. Currently, there is no confirmation if funding will be available in future years and any reduction will create a financial pressure.

4.2 As a continuation from the last financial year, the demand for social care services remains high. There are 25 new service users in the first quarter compared to the start of the financial year. This equates to an increase of 1% of the number of service users at the start of the financial year. This is primarily driven by an increase in Homecare. However, we are continuing to see an increase in long-term nursing placements, which effectively is returning to pre-pandemic levels. During the covid period, despite demand continuing to increase, this was partly tapered by a reduction in the number of placements. However, after coming out the pandemic, the number of placements has been steadily increasing, and now that tapering is no more.

4.3 Activity levels will continue to be closely monitored over the course of the year, especially considering the intensity of seasonal challenges like winter. In addition, the challenges from hospital discharge government initiatives to reduce NHS waiting list could create further financial pressure.

4.4 ASC is also experiencing more complex cases in older people with complex needs, mental health and learning disabilities, and providers are establishing higher rates. In acknowledging these challenging circumstances and the possibility of fluctuations in activity, it is necessary to highlight a financial risk of £2m.

Public Health £nil variance forecast

4.5 Public Health financial position is a break-even against the ring-fenced grant. All expenditure commitments are fully captured including one-off strategic investments to help address health inequalities in the local population.

4.6 The service is also making investments across a number of cross- council initiatives to improve health outcomes and realise the Council’s Fairer Westminster ambitions. Public Health has committed to using its reserves for the implementation of a strategic investment programme, which has been submitted to the Office for Health Improvement and Disparities.

5. Regeneration, Economy and Planning — Overspend £0.885m

5.1 The directorate is reporting an overspend of £0.885m at quarter 1, Building Control is forecasting an overspend of £0.300m due to additional costs incurred for the increased work linked to the Building Safety Act 2022. Development and Regeneration are forecasting an overspend of £0.325m. This relates to additional resident consultation and staffing related costs.

Planning

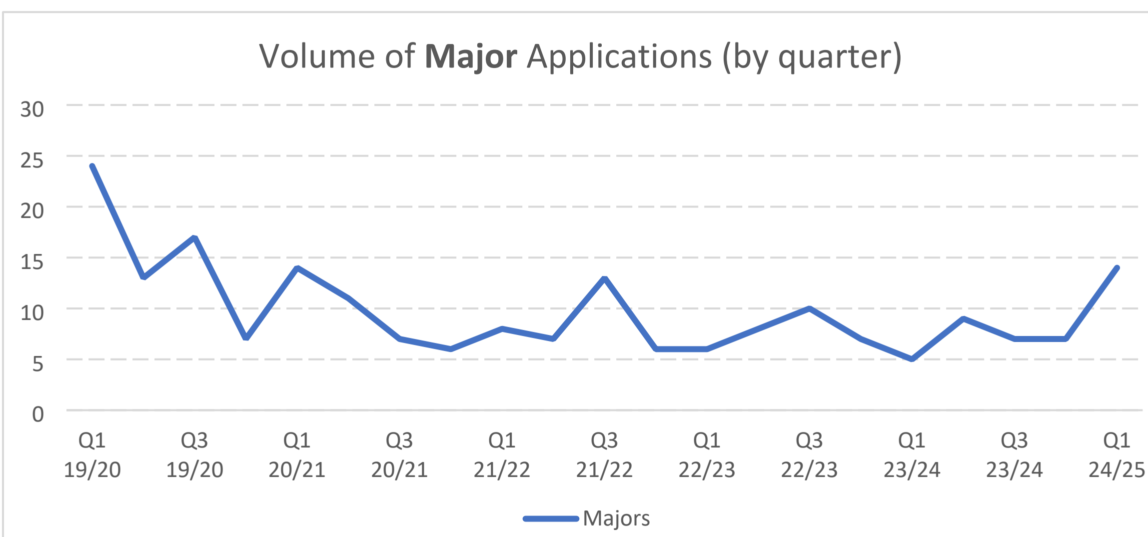
5.2 Planning is forecasting an income shortfall of £0.250m. Although the number of planning applications is 3% higher than quarter 1 last year, income is £0.137m below budget.

5.3 The table below illustrates the total volume of planning applications as at the end of quarter 1 of each financial year, there has been an increase in the volume of Major planning applications which generate the largest share overall fee income.

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

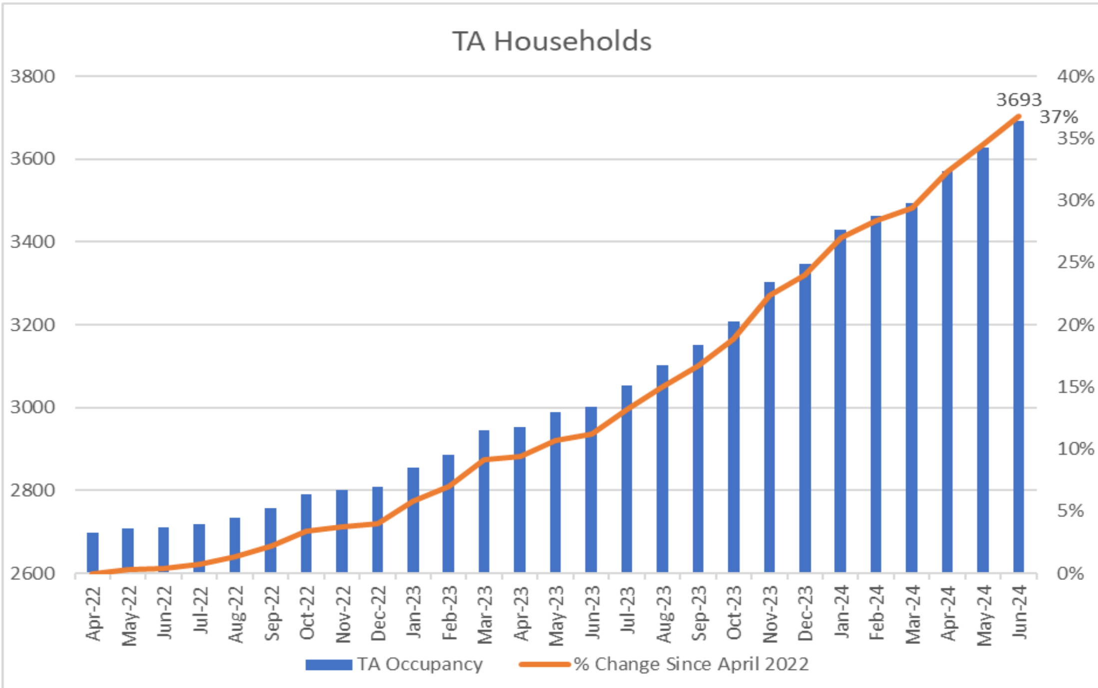
Application Volumes at the end of Quarter 1	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Majors	24	14	8	6	5	14
Minors	1,010	661	802	738	727	765
Other	1,469	977	1,301	1,206	1,336	1,348
TOTAL	**2,503**	**1,652**	**2,111**	**1,950**	**2,068**	**2,127**

The general trend over the last 5 years, as shown below:



6. Housing and Commercial Partnerships **Overspend £2.800m**

6.1 The number of households living in Temporary Accommodation continues to rise, as presented in the chart below.



6.2 At the end of quarter 1 the TA budget is showing an actual overspend of £0.900m with a forecast overspend for the year of £2.800m and risks totalling £5.758m.

6.3 The service has experienced a larger than anticipated increase in homelessness demand at the end of quarter 1. The increase was 58% higher than the increase assumed in the budget. This has had an impact on the supply acquired during this period which was used as placements to address the additional demand, rather than being used to move households out of high-cost commercial hotels and apartments.

6.4 Actual spend on high-cost commercial hotels and apartments sourced is £0.362m above the forecast in quarter 1. While rooms in use peaked at 382 in May this has now reduced to 304 rooms in use at the end of June (target 301). Work to address this has accelerated and the numbers and budget will be ahead of the target by the end of quarter 2.

6.5 The outcome of the above is a projected year end overspend of £2.800m against the budget. It should be noted that had the Council not undertaken a proactive approach to increase supply and actively secure new units, the additional cost resulting from the additional demand being placed into high-cost commercial hotels and apartments, would have resulted in an additional cost of over £2.0m in quarter 1 alone.

6.6 There is a further risk totalling £5.758m of which £4.6m relates to the additional cost that would arise if demand continued to rise at the current rate over the remaining year, and £1.158m that relates to inflation on contracts and TA supply arrangements. The Council continues to mitigate against this demand related risk through the acceleration of its proactive acquisitions programme, whilst continuing to strengthen the prevention of homelessness through improvements in early intervention and the support offered.

7. Finance and Resources Underspend £0.750m

7.1 At quarter 1, Finance & Resources are forecasting a £0.750m favourable variance against the net budget of £0.680m. In addition, risks of £0.300m are being reported, including £0.150m with the Financial / HR systems managed service provider due to savings which are currently at risk of being delivered, and lastly £0.150m within Digital & Innovation.

Corporate Property

7.2 Corporate Property is reporting a £0.750m underspend variance on energy prices at quarter 1. This is the result of the gradual recovery of global energy supplies. The table below shows prices paid by the Council for energy significantly increased between 21/22 and 23/24. The prices paid for 24/25 have reduced although not to 21/22 levels.

Table 4 - % Increases paid by the Council

	22/23 Increase %	23/24 Increase %	24/25 Increase %
Electricity	48%	49%	-36%
Gas	52%	63%	-56%

7.3 There are several ongoing commercial rent reviews and contract negotiations which are being closely monitored and the forecast position will be updated once these are clearer.

Digital and Innovation

7.4 Digital & Innovation is currently reporting to budget. A risk of £0.150m is being shown for IT contract price increases which are being seen in the re-tendering of some contracts within the service. In some instances, these have been fixed priced contracts for several years, and the new contract price reflects the current market price following significant inflation, and there is also an impact of higher contract prices as a result of the disaggregation.

7.5 There is an ongoing risk within this service that some projects are not able to be capitalised which can put pressure on the revenue budget. This will continue to be monitored closely throughout the year, alongside this a full budget review of the service is currently being completed.

Treasury and Pensions

7.6 Treasury & Pensions is currently reporting to budget. The assumed yield on investments is currently being assumed at 4.75% which is a mid-point of the Link’s forecasts, which is considered prudent currently and may allow for any adverse changes in interest rates.

8. Environment and Communities Underspend £1.430m

8.1 At quarter 1, there is a favourable variance of £1.430m against the approved net budget of £13.257m. In addition, risks of £0.835m and opportunities of £0.900m have been identified.

Parking

8.2 Parking is forecasting a surplus of £1.750m at quarter 1 and a further potential opportunity of additional PCN income of £0.500m. The variances contributing to this are broken down in the following paragraphs.

8.3 Paid for parking income is projected to achieve a favourable net variance of £1.240m due to the introduction of emission-based charging (EBC) which has seen higher than budgeted income recovery. Parking usage has remained approximately the same as 2023/24 quarter 1, but, the average transaction value has increased from £6.42 to £8.15, a 33% increase (as of quarter 1), as a result of introducing EBC, the aim of which was that the most polluting vehicles pay the most, versus the least polluting vehicles paying the least.

8.4 PCN income is projected to over-recover by net £1.500m because of increased marshal presence on the street. The additional presence has resulted in increased ticket issuance by 11% when compared to quarter 1 last financial year.

8.5 This is offset by a projected income shortfall in both Suspensions and Resident Permits, £0.750m and £0.100m respectively. There is a further overspend of £450k, due to the additional transaction costs of emissions based charging (which is offset by additional income) and the inflation in the costs of SMS charging per transaction in the new cashless parking contract.

Communities

8.6 Communities is projecting a nil variance as at quarter 1, however, there are risks of £0.835m and opportunities of £0.200m.

8.7 The risks relate to potential health and safety/compliance works. The opportunities relate to additional income on the leisure contract as part of the minimum income guarantee agreement.

Waste and Cleansing

8.8 Waste Collection & Cleansing is forecasting an adverse variance of £0.320m, with a potential opportunity of £0.200m. The overspend is partly due to requests to provide additional graffiti removal services and a food waste liner delivery service £0.120m. There are other variances including the hire of two narrow access electric waste vehicles, £0.140m, which will be leased for 2 years after which a suitable replacement will be purchased as part of the Waste Fleet Replacement Programme. There have been delays in receiving 6 of the 34 electric street cleansing vehicles. This has resulted in a delay in achieving the full operational efficiency saving this year £0.060m.

9. Children's Services Overspend £1.810m

9.1 Children's Services are forecasting an overall overspend of £1.810m against the net budget of £45.463m. The key variances from budget are outlined below.

Family Services

9.2 There is a continuing pressure due to accommodation and subsistence statutory support being provided to increased numbers of families with no recourse to public funding (NRPF) (£0.600m). As of June 2024, there were 28 families being supported with accommodation and subsistence with an average annual cost of £21,000.

9.3 There is an overspend on placements and direct support costs (£0.800m) due to an increase in looked after children and care leavers. Numbers of looked after children who are not unaccompanied asylum-seeking children have increased from 128 to 144 in the last 12 months. The current care leaver numbers are 368, up from 347 last year. This includes former UASC of 222, up from 211 same period last year.

9.4 £1.7m of the identified risk relates to the gap in funding expected from the NHS North West London Integrated Care Board (ICB) for joint funding of placements with a health need. Legal action is underway.

Staffing Savings

9.5 A savings target of 0.675m from the 2023-24 MTFP has been applied to the budget for 2024/25 and is unlikely to be achievable in year. Plans are being worked on to deliver this saving from 2025/26.

Libraries and Archives and Registrars

9.6 Libraries (£0.173m overspend) reflecting an overspend on staffing due to a new strategic operation post, a shortfall against the income target and some one-off IT system costs and enhanced security measures at Pimlico library).

Operations and Programmes

9.7 Short breaks service (£0.130m) due to increased packages. As part of the ongoing short breaks review staffing and care packages are all being reviewed; and school standards service due to income targets increase over the last two years not being achievable (£0.100m).

10. Corporate Services £nil variance forecast

10.1 At Quarter 1, there is a nil variance against the approved net budget of £12.022m.

11. Other Corporate Directorates £nil variance forecast

11.1 At Quarter 1, there is a nil variance against the approved net budget of £1.838m.

12. Housing Revenue Account £5.600m overspend

12.1 The HRA Business Plan has a budgeted surplus in 2024/25 of £6.8m. The current forecasts anticipates that the surplus on the HRA will be £1.2m, before utilising the £3.9m held in earmarked reserves for the Housing Improvement Programme and additional Health and Safety works.

12.2 The key areas of variance against the HRA business plan are as follows:

- **Service Charges** - £2.5m favourable variance – The additional income forecast relates to higher than anticipated charges received from leaseholders, due to an increase in buildings insurance and repair work costs, which are passed on through the service charges.

- **Repairs and Maintenance** - £5.1m overspend – demand for repairs has increased over the last two years, due in part to our proactive approaches to the maintenance of Council homes. Cost inflation continues to be higher than profiled especially within the construction sector. Spend on repairs and maintenance is forecast to total £33.1m, within the region of last year's spend, and against a current budget of £28.0m. This budget will be closely monitored throughout the year, and action taken to bring this in on target, if the pressure continues it will be assessed as part of a new HRA business plan and budget process.

- **Supervision and Management** - £1.8m overspend - this forecast overspend is largely due to an increase in decant costs resulting from an increase in complex repair works. In addition, council tax costs have been incurred on void properties, previously earmarked for disposal but now being refurbished and brought back into use.

- **Energy Costs** - £1.1m overspend – energy costs and usage are continually reviewed by the service and whilst we did see a reduction in energy costs across our stock compared to 2023/24, the business plan had assumed a much greater reduction.

- **Interest Payable** - £1.1m favourable variance - despite the HRA borrowing need being greater than anticipated, due to timing changes in the capital programme, the favourable borrowing rate remains lower than budgeted, resulting in a forecast saving in debt costs in the year.

13. Council Tax and Business Rates collection

13.1 As at June 2024 council tax collection rate to date is 37.10%, which is 0.35% higher than the same month last year.

13.2 The business rates collection rate for June 2024 is 34.39%, which is 0.21% higher than the same month last year.

Collection Rates	Jun-24	Jun-23	Jun-22	Jun-21	Jun-20	Jun-19	2024 vs 2023 Difference
Council Tax	37.10%	36.75%	34.65%	35.58%	35.26%	38.08%	0.35%
Business Rates	34.39%	34.18%	31.46%	25.52%	26.71%	34.12%	0.21%

13.3 By way of comparison, collection rates for business rates have returned to pre-pandemic levels (June 2019 collection rate), while Council Tax remains slightly below at the quarter 1 position.

14. Capital Budget 2024/25

14.1 The tables below summarise the Council's budget and quarter 1 forecast position on the 2024/25 capital programme. Following budget reprofiling at 2023/24 outturn, the below table summarises the reprofiled capital budget, which was approved by Cabinet on the 15 July 2024.

14.2 The tables below reflect a projected £68.814m gross expenditure variance and a £59.651m financing variance.

Table 5 – Capital budget and forecast position 2024/25

ELT Directorate	2024/25 Expenditure Budget £m	2024/25 Expenditure Forecast £m	2024/25 Expenditure Variance £m
Adults & Deputy Chief Executive Services	36.335	16.294	(20.041)
Children's Services	13.348	11.019	(2.329)
Housing & Commercial Partnerships	78.121	78.121	-
Regeneration, Economy and Planning	86.226	86.414	0.187
Environment & Communities	106.801	75.754	(31.047)
Finance and Resources	90.872	75.288	(15.584)
Westminster Housing Investments Limited	1.992	1.992	(0.000)
NET CONTROLLABLE BUDGET	**413.695**	**344.881**	**(68.814)**

Capital Financing	2024/25 Budget £m	2024/25 Forecast £m	2024/25 Variance £m
External Funding	(62.292)	(23.237)	39.055
S106 and CIL	(44.240)	(23.486)	20.754
Capital Receipts	(51.378)	(51.378)	-
Borrowing	(255.785)	(246.780	9.006
Total Financing	**(413.695)**	**(344.881**	**68.814**

14.3 As can be seen in the table below, 12 projects contribute to the majority of the expenditure variance. By way of comparison there are over 250 projects in the 2024/25 capital programme, and therefore, just 5% of the projects are causing 71% of the expenditure variance.

Table 6 – Key Capital Schemes 2024/25

Project	2024/25 Variance to In Year Budget £m	Comments
Oxford Street Programme	(15.434)	Regional and national election activity over the previous months, along with continued s278 Agreement discussions with external funding partners led to a change in the start of the construction phase. Construction is forecast to complete Q3 of 27/28, previously estimated Q4 26/27. The total budget will be reprofiled at the next reporting cycle to reflect this new delivery timeline.
Westmead	8.161	The updated profile is based on reports received from the appointed main contractor and reviewed by the cost consultant. The forecast aligns with the latest programme for the scheme, which includes reprofiling forecasts forward budget from future periods to align with the delivery programme. The total contract sum remains as per approved governance amount for the scheme. The previous spending was based on a pro rata'd basis, excluding spend between Dec 24 to March 25.
Seymour Leisure Centre and Marylebone Library	(6.080)	The construction was delayed by 2/3 months (due to later than planned awarding of main contract), the forecast relates to the latest estimates for construction spend for this financial year.
Grosvenor Square Public Realm Scheme	(5.006)	Grosvenor Square is part of the Oxford Street Programme and the slippage in progressing this scheme is due to the design brief development in discussion with The Grosvenor Estate and the design and build

		contractor, and the finalisation of the costs for the Stage 1 design. Additionally, a Memorandum of Understanding (MOU) has been drafted which will enable the scheme to be progressed once it has been signed. This agreement has yet to be agreed and therefore scheme spending is now expected to commence in 2025/26.
Carbon Management Programme	(3.522)	The revised forecast reflects the projects identified so far for 24/25. There is ongoing work to identify further carbon management projects. The programme was delayed by stakeholder issues, including leaseholder/occupier consent to progress with projects, and subsequent delays in obtaining planning permission. The profiling of the rolling programme will be re-evaluated at Q2.
North Paddington Place Plan	(3.477)	The variance of £3.477m is due to a £2.000m underspend, which will fund revenue spend within the programme. The remaining £1.477m variance is due to the development of the year 2 to 4 programme profile, which was not known when the indicative 24/25 budget was set at P6 last year. A further review of the overall profile of the programme will take place ahead of the next reporting cycle and will include budget virements for some projects (e.g. Green Horizon).
The Lodge	(2.819)	There are no plans for further spend in 24/25, remaining budget to be re-profiled into 25/26 .
Harrow Road Place Plan - Good Growth Fund	(2.809)	£2.809m will be reprofiled to 25/26 as Maida Hill Market toilet costs will now be delivered in 25/26 due to the council-wide Automatic Public Convenience (APC) tender timescales slipping. This tender has just concluded, and the design team are currently preparing a design and construction programme, which will now complete in 25/26. Additionally, both Queens Park Canalside and Westbourne Green Canalside construction will commence in autumn 2024 following

		procurement delays with the highways term contractor. Full completion has therefore slipped from 24/25 to 25/26, and the forecast reflects the new spend profile.
SEN High Needs and Family Support	(2.138)	The SEN high needs project is a combination of projects that the authority lead on and procure. These are self-delivered high needs schemes where the school identifies a capital need, and the council, upon scrutiny, then transfers the funds. At Q1 there are not enough proposals to exceed £2m. This is fully financed by DFE High Needs grant monies and therefore, does not place any burden on the general fund. Therefore, the remainder has been reprofiled into next year.
Protective Measures	(2.025)	Delays due to third party funding and security issues. Stakeholder consultation currently underway, with Leicester Square works planned March 25. Hostile Vehicle Mitigation (HVM) Design works in Covent Garden and China Town are underway. Slippage has largely been due to the Regent Street Scheme currently underway halting works within Piccadilly Circus. The works have been halted to avoid abortive costs that could be incurred with Regent Street works currently underway.
Investment Property Portfolio - Minimum Energy Efficiency Standard (MEES)	(2.000)	The scheme is undertaking works to the Council's investment properties to meet the government's Minimum Energy Efficiency standards and help to decarbonise the portfolio. We are at the inception of the programme i.e. defining the scope and feasibility to develop a programme of works. This stage of the process has been challenging due to poor quality data to enable the surveys to commence. The variance is shown as an underspend as there will not be capacity to catch up on the programme in 2025/26.

Huguenot House Acquisitions	(1.922)	Forecast based on acquisition of 3 properties for this financial year. Original budget assumed a more accelerated level of acquisitions.
Total	**(39.073)**	

15. Housing Revenue Account

15.1 At the end of Quarter 1, the forecast expenditure for the HRA capital programme is **£199.337m** which results in under spend of **£35.854m** in 2024/25 compared to the budget of **£235.191m**.

Table 7 – HRA Capital Budget and Forecast

HRA Capital Programme	2024/25 Budget (£m)	2024/25 Forecast (£m)	2024/25 Variance (£m)
Planned Maintenance	80.434	80.434	-
Development & Regen	150.211	114.357	(35.854)
Other Projects	4.546	4.546	-
Total Capital Expenditure	**235.191**	**199.337**	**(35.854)**

15.2 The large proportion of the underspend (£31.639m) relates to the residual land value payment reprofiled into future years when the JV for Church Street Site A goes unconditional. The majority of schemes remain on budget overall, and spend has been reprofiled forward to future years. There are some instances of upward pressure on total scheme costs, and these changes are being taken through CRG.

15.3 As a result, the HRA is now projecting a £11.4m borrowing requirement for 2024/25 versus the £nil expectation that was built into the HRA Business Plan. The increase in borrowing is as a result of funding assumption in the business plan that has not materialised in the current year now reprofiled into future year.

15.4 The significant reasons for the overspend are shown in the table overleaf:

Table 8 – HRA Planned Maintenance

Component	Full Year Budget	Forecast P1	Forecast P3	Budget Variance	Forecast Variance
	£m	£m	£m	£m	£m
Electrical & Mechanical Services	9.424	9.424	10.877	1.453	1.453
Aids & Adaptations	1.800	1.800	1.800	-	-
Voids	4.641	4.641	6.050	1.409	1.409
Fire Precaution Major Works	1.919	1.919	7.002	5.083	5.083
Major Works	40.000	40.000	51.120	11.120	11.120
Fire Precaution (FST)	2.570	2.570	4.042	1.472	1.472
Delivery Adjustment	-	-	(19.452)	(19.452)	(19.452)
Other Schemes*	20.080	20.080	18.995	(1.085)	(1.085)
Total	**80.434**	**80.434**	**80.434**	**-**	**-**

*Includes Minor Works,PDHU,Climate action,Asset management & Condensation, Heat Network Metering and Major works contingency.

15.5 At quarter 1 there is no changes in the forecast compared to the budget.

15.6 However, there is inclusion of a delivery adjustment of 20% for the planned maintenance programme. In order to maximise delivery, the service opts to over-programme works (meaning that the projection is higher than the budget based on the planned schedule at the start of the year). Historically, a level of in-year delay has been experienced across elements of the programme (driven by factors like consultation). A similar approach was adopted in 2023/24 and allowed the service to deliver the planned level of spend in the business plan.

This year's projection represents a 29% increase over the £53m delivered in the last financial year.

15.7 The forecast also shows an increased projection for Fire Precautions £5.083m and Major Works £11.120m compared to the budget to reflect the programme proposal for 2024/25, however there has been a new process that requires additional approval for leaseholder bill. This process is envisaged to delay programmed start dates, however forecast will be adjusted and reflected in future reporting.

15.8 There is an increase in forecast for voids due to a high number of non- standard voids which cost higher than the standard cost.

15.9 Generally speaking, £25m of the Major Works programme relates to schemes that are already underway, with a further £28m at the commissioning stage and £6.4m being scheduled. This supports the projection but demonstrates that there is still a risk of delay for a portion of the projected spend.

Table 9 – Development & Regeneration

Top Project	Full Year Budget	Forecast Q1	Budget Variance
	£m	£m	£m
Church Street Phase 2	34.578	2.939	(31.639)
Churchill Gardens(Pimilico or Darwin house/Balmoral)	14.442	9.714	(4.728)
Cundy St Quarter	1.000	0	(1.000)
Parsons North	0.464	0.153	(0.311)
Carlton Dene	17.601	19.448	1.847
Total	**68.085**	**32.254**	**(35.831)**

15.10 At quarter 1, there is a forecast underspend of **£35.831m** compared to budget. The decrease is largely due to reprofiling of cost stated above.

15.11 There is a decrease in forecast on **Church Street Phase 2 (£31.639m)** due to the residual land value payment reprofiling into future years when the JV for Church Street Site A goes unconditional.

15.12 **Pimlico (£4.728m)** is projecting a decrease in spend due to re-profiling of the project with the main spend rephased into next financial year, though it has increased the overall programme cost for the scheme which will form part of the next budget circle.

15.13 **Cundy Street Quarter (£1.000m**) has been slipped into later years as the project is currently on-hold and acquisition of the assets will be at a later date.

15.14 **Parsons North (£0.311m)** shows a decreased forecast due to the lower forecast in post completion costs as the project is now completed.

15.15 **Carlton Dene (£1.847m)** is projecting a higher spend in 2024/25 due to Stage 1 construction costs increasing due to variations to the scope. Key cost movements relate to unidentified ground asbestos, uncoordinated Stage 3 design and a legal requirement to register the scheme with NHBC. Stage 2 construction costs have increased to reflect most recent contractor tender return. Cost increases at stage 2 are driven by movements in key packages including dry lining, MEP, and brickwork.

16. Subsidiaries Overview

16.1 This report provides a financial overview of the wholly owned Westminster Builds, Westminster Community Homes (WCH) and Westminster Communications (WestCo) up to June 2024/25**.**

Westminster Builds

Table 10 – Westminster Builds P&L Summary 2024/25

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	0.347	0.335	0.012	1.659	1.648
Total Expenditure	(0.244)	(0.123)	(0.121)	(0.573)	(0.452)
Operating Surplus/(Deficit)	0.103	0.212	(0.109)	1.087	1.196
Net Interest	(0.157)	(0.157)	-	(0.658)	(0.658)
Profit/(Loss) Before Tax	(0.054)	0.055	(0.109)	0.429	0.538

16.2 Quarter 1 WHIL operational loss is (£0.054m) and is (£0.109m) adverse to budget. Year-end forecast is a profit of £0.538m

- Total income £0.012m favourable to budget due to favourable variances of £0.035m of miscellaneous income from Luton Street management fee and £0.034m due to higher than budgeted bank interest. These are offset by a (£0.057m) adverse rent variance mainly caused by the delays in acquiring 300 Harrow Road and tenanting West End Gate Phase 2.

- Total expenditure is (£0.121m) adverse to budget mainly due to the historic and current service charges that have been identified through reconciliation work completed in quarter 1 24/25.

- The forecast presented above does not include profit from Luton Street sales. In quarter 1 24/25 profit of £1.2m has been received and to date WB have received £8.850m of profit from Luton Street.

Westminster Community Homes

Table 11 – Westminster Community Homes P&L Summary 2024/25

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	1.272	1.453	(0.181)	5.088	5.539
Total Expenditure	(1.344)	(0.843)	(0.501)	(5.376)	(3.458)
Operating Surplus/(Deficit)	**(0.072)**	**0.610**	**(0.682)**	**(0.288)**	**2.081**
Net Interest	(0.064)	(0.064)	0.000	(0.256)	(0.256)
Profit/(Loss) Before Tax	**(0.136)**	**0.546**	**(0.682)**	**(0.544)**	**1.825**

16.3 Quarter 1 WCH operational deficit is (£0.072m) and is (£0.682m) adverse to budget. Year-end forecast is a deficit of (£0.288m)

- Total income of £1.272m is (£0.181m) adverse to budget due to arrears in rental payments from WCC to WCH of (£0.326m) but this is partially offset by higher than budgeted rental invoices for P1 and P2 by £0.91m. This deficit is expected to be recovered over the next few months.

- Total expenditure of £1.344m is (£0.501m) adverse to budget primarily due to the finalisation of the stock refresh programme which has now notified of final payment, but was budgeted to complete by November, a (£0.332m) budgetary movement. The service charges and major works yearly bill is currently (£0.67m) above budget and will total (£0.269m) at full year.

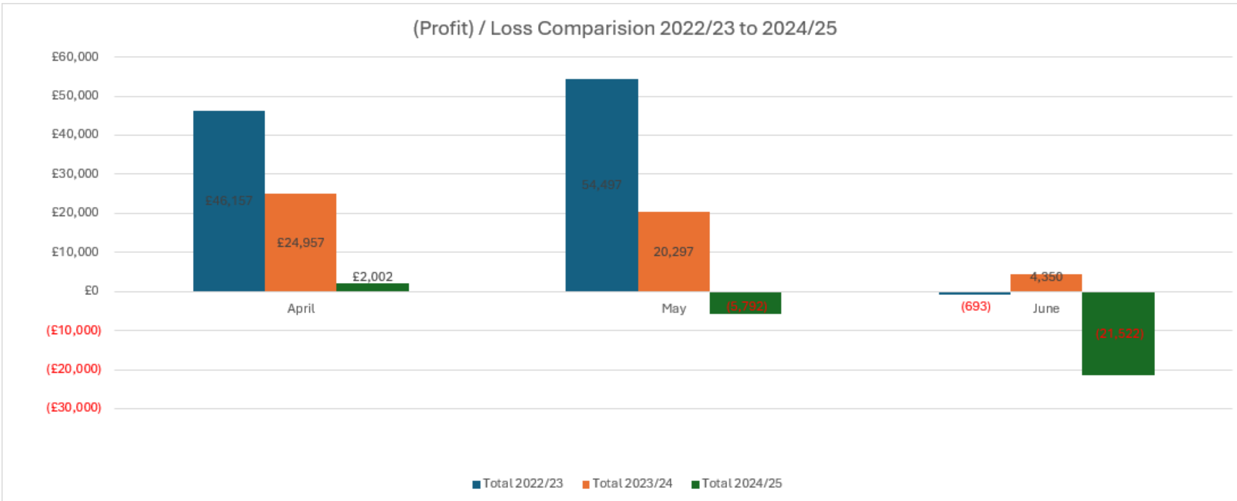
Westco

Table 12 – Westco P&L Summary 2024/25

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	(0.774)	(0.705)	(0.068)	(2,366.154)	(2,672.955)
Total Expenditure	0.748	0.702	0.047	2,418.492	2,668.443
Operating Surplus/(Deficit)	(0.025)	(0.004)	(0.021)	52.338	(4.513)
Net Interest	-	-	-	-	-
Profit/(Loss) Before Tax	(0.025)	(0.004)	(0.021)	52.338	(4.513)

16.4 The reported position for period 3 is a cumulative profit of £0.025m against a profit budget of £0.004m. This equates to a £0.021m positive variance against budget. This is an improvement of £0.026m when compared to the same period last year (quarter 1).

16.5



16.6 This is a cumulative improvement of £0.075 compared to the same periods last year and an improvement of £0.125 from 2022/23.

Table 13 – Westco Cumulative Movement

	Quarter 1 Cumulative	Year on Year Movement
Total 2022/23	£0.100	
Total 2023/24	£0.050	-£0.050
Total 2024/25	-£0.025	-£0.075
Total Movement	-£0.075	-£0.125

16.7 The current full year projected forecast for the financial year is a £0.052 loss which includes a forecast for work currently in the pipeline with over a 50% chance of being successful. However, it is very early on in the financial year and the board is confident that by the end of quarter 2, the full year projection based on actual commissioned work and work in the pipeline to be showing a breakeven forecast position for the year.

17. Financial Implications

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

18. Legal Implications

18.1 There are no legal implications arising from this report.

19. Carbon Implications

19.1 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:

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Appendix 1 - Part or Completely Reprofiled Savings and Part or Unlikely to be Achievable Savings

ELT	Saving Name	Saving Description	2024/25 Agreed Saving	Status	Mitigating action for unachievable or non-delivery; comment
Adult Social Care	Digital Account	• Use of the digital account to diversify spend beyond 'hours of care' to more outcome specific activities. • Increase uptake of Direct Payments and use of the digital solutions. • Use of Augmented Reality to increase efficiency of multi-disciplinary team working. • Expansion of "test, learn and adopt" approach for new assistive technology	325	Part or Completely Reprofiled	There is a potential risk that some elements of the saving may need to be deferred into the new financial year due to slippage in the completion date. However, non-recurrent savings are expected to be established as mitigation.
Children's Services	Staffing Savings	Staffing Savings - review of management structure	675	Unlikely to be achieved in this year	Plans are being worked on to deliver this saving from 2025/26.

Children's Services	MASH/LSCB		30	Unlikely to be achieved	
Environment and Communities	Waste and recycling collection: Electric Street Cleansing Service, projected savings from electrification of cleansing vehicles	To replace current diesel powered street cleansing specialist vehicles with full electric vehicles by June 2023.	190 (of which 60 is Unachievable)	Partly achievable	Delay in delivery of a few street cleansing vehicles has meant that some saving has slipped. The vehicles will begin reducing costs for part of the year as opposed to the full year.

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. As calculated by the spring pupil census (January 2024), Westminster Council currently has 25.9% surplus capacity across all its primary schools, excluding nurseries. To provide a direct comparison, surplus primary capacity in January 2023 was 24.1% and in January 2022 it was 23.1%. Without the removal of further capacity, the surplus figure is estimated to be 30.2% by 2027.

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.

1.4 The Schools' Block of the DSG which provides most of the schools' funding. The amount to be distributed to schools via the local formula is £129.268m. The comparable distribution for 2023/24 was £129.668m, a decrease of 0.3% (due to falling pupil numbers) and a per pupil increase of 2.7%. When the estimated teachers' pay additional grant (TPAG) allocation is taken account of, the overall increase in funding is £0.531m (0.4%) and 3.5% per pupil.

1.5 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.

1.6 The DSG reserve balance was £4.238m as at March 2024. This is the net result of an in-year underspend in 2023/24 of £3.138m which added to the DSG surplus of £1.100m from prior years.

Schools with Deficit Balances

1.7 13 schools were in cumulative deficit at 31st March 2024, compared to 15 at 31 March 2023 (total deficit balances have increased by £0.765m to £3.372m). Of the 15 in deficit at 31 March 2023, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2023. A maintained nursery school is now in deficit following a small in-year deficit last year.

1.8 The trend is increasing school deficit reserves, which is in line with national trends. A number of schools are projecting in-year deficits this year which will take the total in cumulative deficit to 16 and with increasing pupil vacancies it is likely that some schools will become financially unviable and that more schools will go into deficit over the next year or two.

1.9 Westminster Council was required to provide the DfE 'Action Plan for maintained schools in financial difficulty'. This requirement applies to local authorities with more than 10 schools, or more than 10% of schools, with revenue balance deficits of 7%. Westminster had 13 of 37 schools (35% of schools) with a revenue balance deficit of 7% or more as of 31 March 2024.

1.10 Based on submitted budgets, there are 15 schools forecasting deficits at 31st March 2025. Collectively, these schools had an aggregate deficit of £3.061m at 31st March 2024 and are forecasting a deficit of £3.608m at 31st March 2025.

1.11 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 14a and 1b below, collectively, these schools had an aggregate deficit of £3.372m at 31st March 2024. Monthly reporting to the LA is compulsory for schools with recovery plans in place and monitoring reports are being actively pursued.

Tables 14a and 1b - Balances Summary and RAG Ratings Summary

	Balances at 31/03/2024 £m	**Balances at 31/03/2023 £m**
Total Deficit School Balances	(3.372)	(2.607)
Total Surplus School Balances	7.025	6.089
Net School Balances	**3.653**	**3.482**

RAG Rating	**2022/23 Outturn**	**2022/23 Revenue Balance**	**2023/24 Outturn**	**2023/24 Revenue Balance**	**2024/25 Forecast**	**2024/25 Forecast Revenue Balance**
Red	15	(2,607)	13	(3,372)	15	(3,608)
Amber	7	165	7	228	10	176
Green	17	5,924	17	6,797	12	5,001
Total	**39**	**3,482**	**37**	**3,653**	**37**	**1,568**

1.12 The status of recovery plans from deficit school has been summarised in Table 15 below.

Table 15 – Schools Licensed Deficit Recovery Plans Summary

Status	
Licensed deficit recovery plan agreed with LA – some slightly off target	5
Revised deficit recovery plan under review / revision required	4
Deficit recovery plan not agreed / financial viability issue / action required	4
Total	**13**

1.13 Overall, 4 schools recovery plans require an amendment to their recovery plan and are under review. A further 4 schools are unable to set a deficit recovery and alternative options need to be considered regarding amalgamation or closure.

1.14 An additional 3 schools are at risk of going into deficits in 2024/25.

Schools at Risks – risk rating and reserves balances

1.15 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.

1.16 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.

1.17 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.

1.18 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.