

Financial Planning

Budget 2025/26

Budget Scrutiny Task Group

21 January 2025

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Background –General Fund Revenue Budget

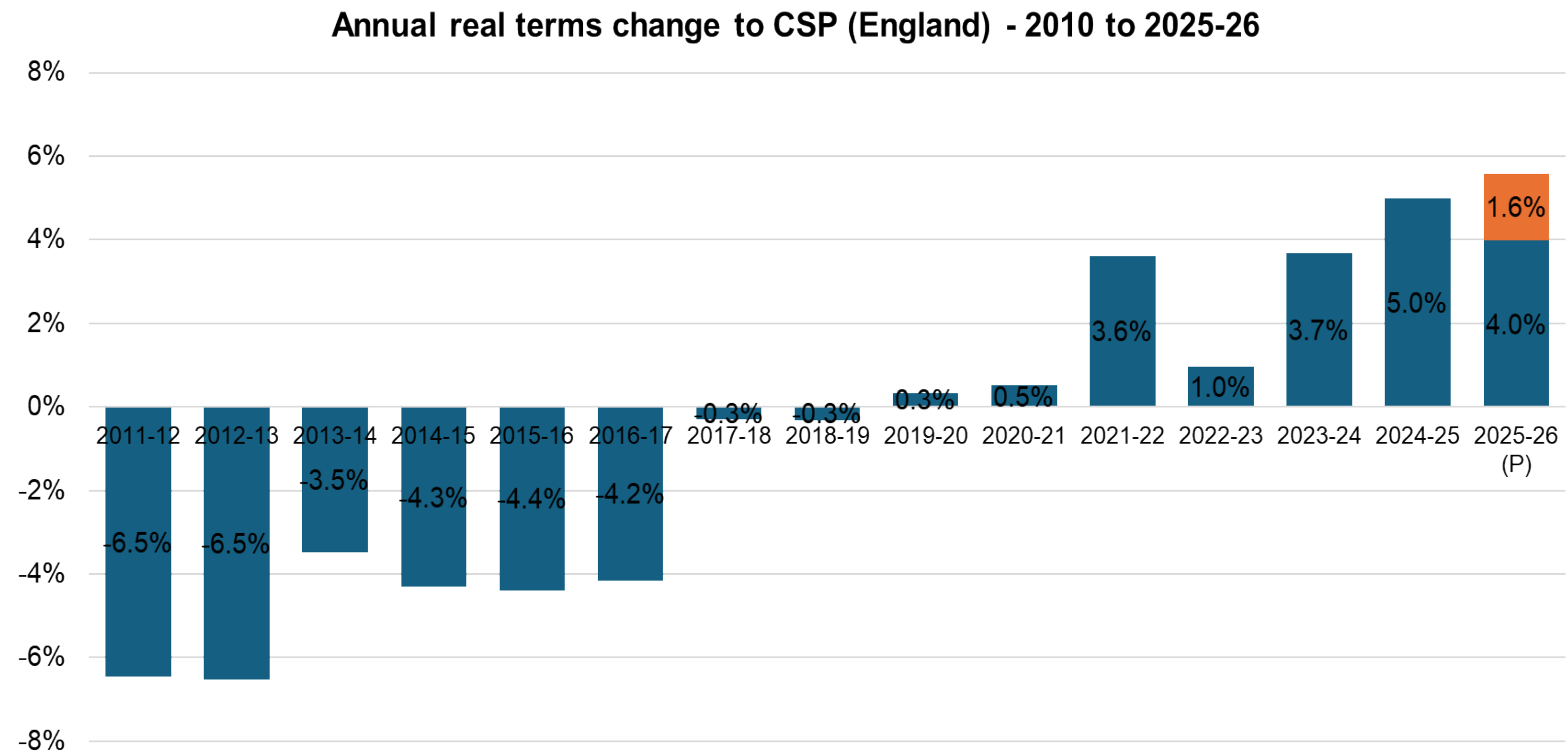
- The General Fund revenue budget position, including a list of savings, investments and pressures was presented to the Budget Scrutiny Task Group over three sessions in November. At that point, the Council had a **forecast budget gap of £3.880m**. The gap included an **assumption** that the Council would **receive an additional £5.6m** in funding following the autumn statement. With the Provisional Local Government Settlement due to be announced in late December.
- The provisional Local Government Finance Settlement was published on 18 December. It outlined provisional funding allocations for local authorities in 2025/26.
- The GF revenue budget position has subsequently been updated following feedback from BSTG and the Provisional Settlement.
- The provisional settlement has provided the Council with an **increase in funding of £7.9m**. Whilst this is slightly more than originally anticipated, there are a number of additional pressures that need to be considered as part of setting adequate provision within the 2025/26 budget. These are set out in more detail later in this slide pack.

Provisional Local Government Finance Settlement – National Context

- The provisional Local Government Finance Settlement was announced on 18th December. It outlined provisional funding allocations for local authorities in 2025/26.
- Key highlights were as follows:
 - £2bn increase in funding nationally for local authorities in 2025/26. This includes the £1.3bn additional funding announced as part of the Autumn budget and subsequent Local Government Policy Statement and a further £0.7bn announced through the settlement
 - The additional £0.7bn included an extra £200m for social care than the £680m previously announced and £515m nationally as support for councils with the cost of the increase in employers National Insurance contributions. Individual allocations to cover increased NI costs are still to be announced, however it has been estimated that nationally the cost will be around £700m.
 - Increases are focused across three priority areas in the settlement; new Recovery Grant (£600m), increase in Social Care grant (£880m) and new Children’s Social Care Prevention Grant (£250m).

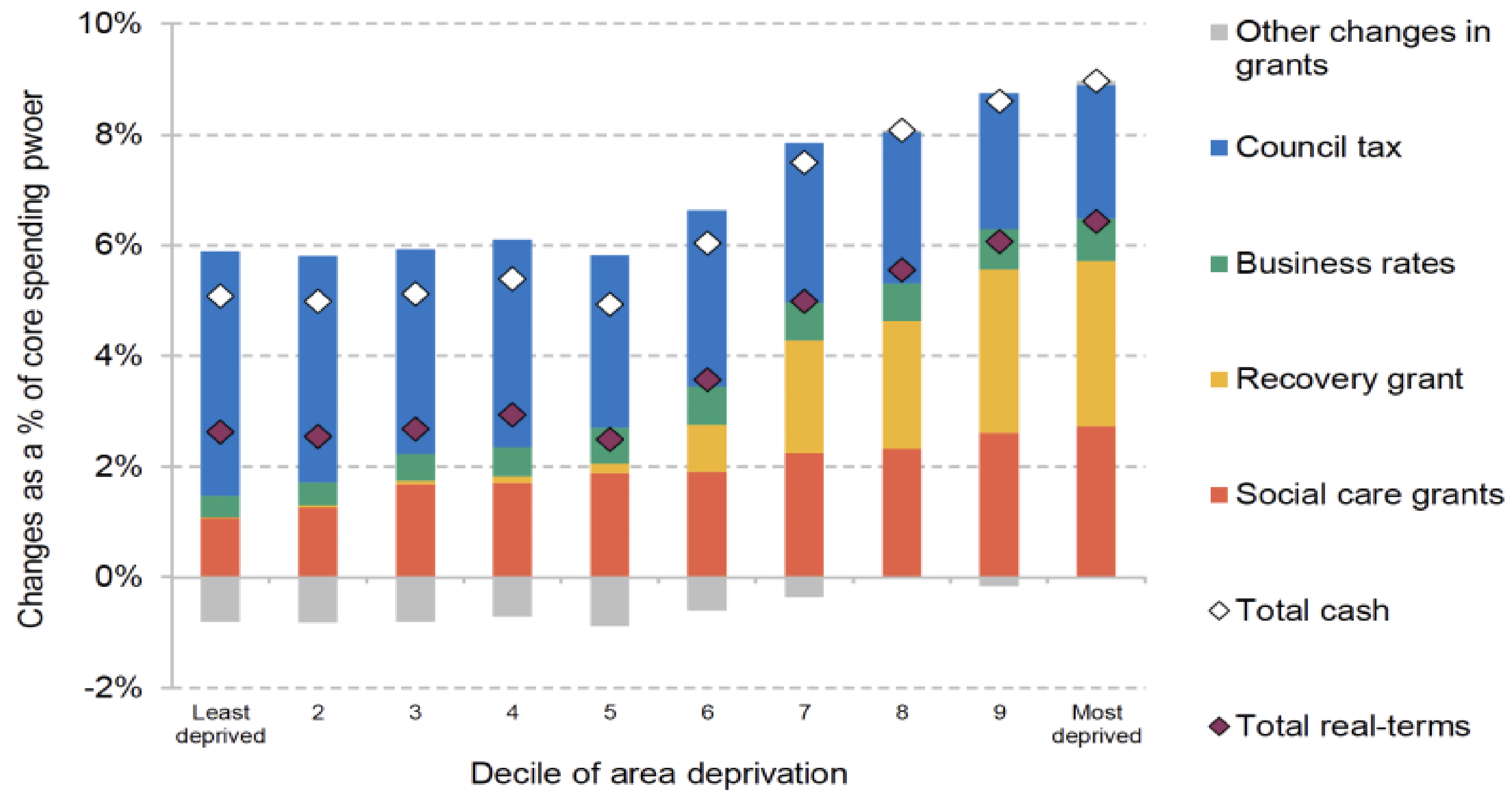
Provisional Local Government Finance Settlement – National Context

- Core Spending Power has increased by 6% nationally or 4% in real terms. For London Boroughs this increase is lower at 5.7%.
- The 4% real terms increase in CSP is similar to increases seen over the last parliament (but larger if you include EPR funding)



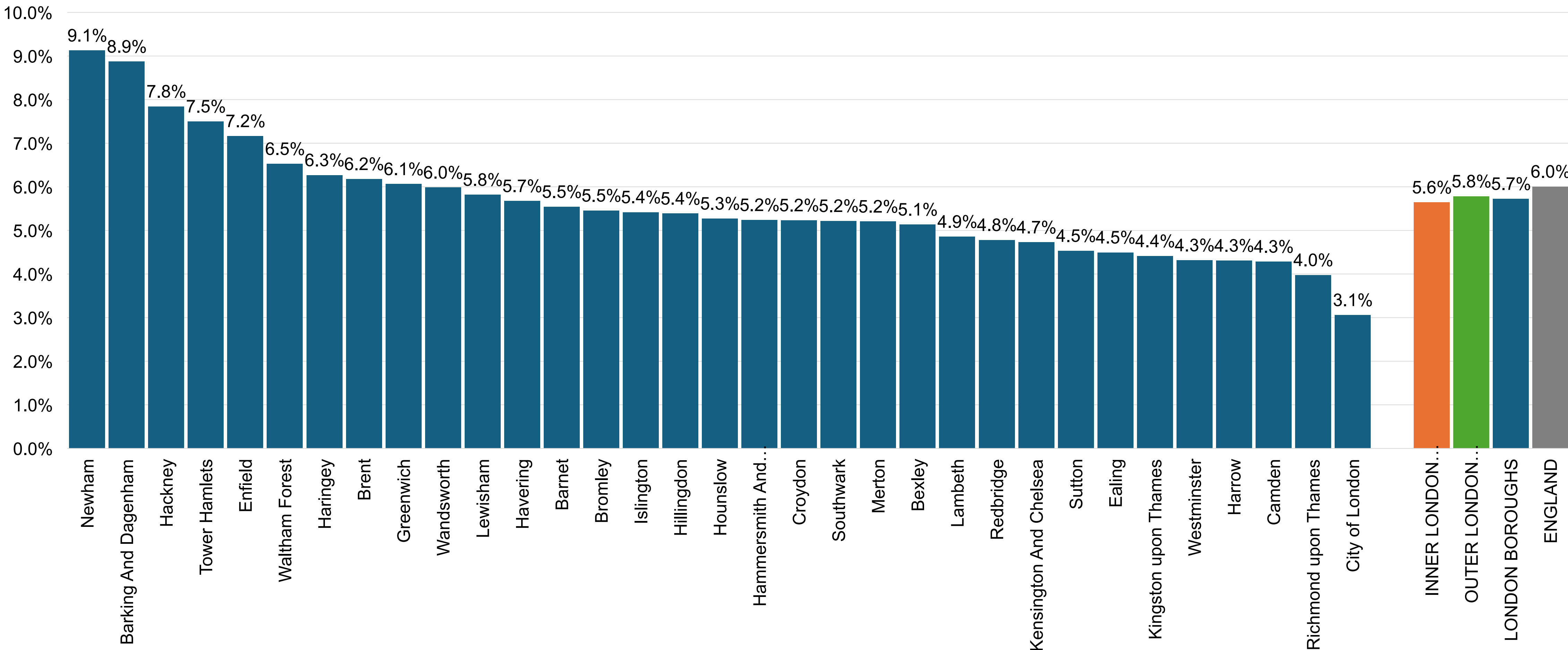
Provisional Local Government Finance Settlement – National Context

- This alignment of Core spending Power to deprivation is largely because of the new recovery grant



Provisional Local Government Finance Settlement – National Context

CSP % change 2024-25 to 2025-26 - by London Borough



Provisional Local Government Finance Settlement – WCC Context

- Core revenue support grant funding for Westminster in 25/26 has increased by £7.9m from 24/25. Following the Autumn Budget and policy statement, additional grant funding totalling £5.6m was already assumed within the updated MTFP presented at the Scrutiny sessions in November
- This means an overall increase in funding of £2.3m on that position as shown below

Funding Stream	2024/25 Settlement £m	2025/26 Forecast £m	24/25 vs 25/26 Movement £m	2025/26 Provisional Settlement £m	Change from November forecast £m
Settlement Funding Assessment (SFA)	(136.656)	(139.389)	(2.733)	(138.848)	0.541
Specific Grants -Social Care	0.000	0.000	0.000	0.000	0.000
Social Care Grant	(34.761)	(34.761)	0.000	(41.593)	(6.832)
Market Sustainability and Improvement Fund	(5.789)	(5.789)	0.000	(5.789)	0.000
Discharge Grant	(4.124)	(4.124)	0.000	0.000	4.124
Improved Better Care Fund	(17.649)	(17.649)	0.000	(21.773)	(4.124)
Childrens Social Care Prevention	0.000	0.000	0.000	(0.999)	(0.999)
Specific Grants Other					
Services Grant	(0.631)	0.000	0.631	0.000	0.000
New Homes Bonus	(2.441)	(1.000)	1.441	(0.996)	0.004
Other grant funding	(0.112)	(5.000)	(4.888)	(0.052)	4.948
Total Specific Grants	(65.507)	(68.323)	(2.816)	(71.202)	(2.879)
Total Funding	(202.163)	(207.712)	(5.549)	(210.050)	(2.338)

- WCC did not benefit from the Recovery Grant but has received an additional £6.8m for social care and £1m for Children’s Prevention.
- In addition to the above, other specific funding for Extended Producer Responsibility (£4.7m) and additional Homelessness Prevention Grant (£6.4m) was received. It is not expected that the ERP funding will continue at the same level in 2026/27.

Additional Pressures

Inflationary Pressures

- The MTFP currently includes an assumption of 2% across pay and contract prices. However, the current forecast for CPI for next year is an average of 2.6% and the estimated increase for public sector pay is 2.8%. These additional inflationary pressures will mean an additional £1.6m is needed for pay and £3.2m for contract costs
- In addition, there are further potential pressures around the London Living Wage and the recent increase in Employers NI which may increase the cost of our service contracts. Additional contingency budget of £1.55m is being included for this.

Service Pressures

- Costs in Adults Social Care have been rising. There has been both a rise in client numbers and an increase in unit costs. The 25/26 budget currently allows for additional pressures of £3.9m. This has now been increased by a further £2m to £5.9m.
- There continues to be significant pressures in Temporary Accommodation with mitigation measures in place assumed to reduce costs in 25/26. Government has announced an additional homelessness prevention grant of £6.4m. There is a new condition that 49% of all HPG should be spent on prevention.
- It is proposed to set aside £1.25m to respond to rising issues of rough sleeping and anti-social behaviour.
- The proposed additional expenditure within the capital programme has an annual revenue impact of £0.5m

Updated Budget Gap

The updated budget gap taking into account the local government finance settlement and provision for additional budget pressures is shown below. The revised budget gap for 25/26 is now £3.7m.

	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m
Gap as per Nov Scrutiny	3.880	19.727	17.098	40.705
Revised Savings	(0.285)	0.000	0.000	(0.285)
Additional Funding through Settlement	(2.338)	0.007	0.018	(2.313)
Other Specific Grants -EPR & HPG	(11.079)	2.366	0.000	(8.714)
Council Tax Second Homes Premium	(1.489)	(0.047)	(0.048)	(1.584)
Inflation Pressures -Pay & Contract	4.800	0.650	0.650	6.100
Inflation risk -LLW & Employers NI	1.550	0.000	0.000	1.550
Additional Cost of Capital Programme	0.500	0.500	0.500	1.500
Rough Sleeping / ASB	1.250	(0.055)	(0.195)	1.000
Homelessness / TA Risk Provision	4.900	0.000	0.000	4.900
Additional ASC Pressures	2.000	0.000	0.000	2.000
Revised Gap	3.689	23.148	18.023	44.860

Notes

- This does not take into account any decision on the level of council tax. Every 1% increase in CT raises an additional £710k. Regulations allow an increase of up to 4.99% (incl.2% for the Adults Social Care precept)
- An updated list of proposed savings, pressures and investments are shown at Appendices 1, 2 and 3

Budget Gap – Risks

Key Macro Risks

- **Funding** – There is continued uncertainty due to proposed funding reform from 26/27 onwards. A consultation paper has recently been published as part of the settlement
- **Inflation** – increased inflationary pressures on the cost of pay and contracts always present a risk to the Council. Whilst additional provision has been made for higher inflation for 25/26 than previously forecast, there is still uncertainty over the impact of the LLW and increased employer national insurance contributions on the cost of service contracts
- **Interest** – The future cost of borrowing for the capital programme is based on current forecasts for future interest rates. Any significant movements in market conditions could change these assumptions.

Key Micro Risks

- **Temporary Accommodation** – every 1% increase in homelessness acceptances (above budgeted level) would cost the Council c£490k.
- **Social Care** – Both Children's and Adults social care is an on-going area of pressure for local authorities with increasing demand and complexity. We have allowed for additional costs in these areas, but this may not be sufficient to cope with demand.
- **Savings** are achieved when planned and in full, £20m to be delivered in 2025/26.
- **Falling school rolls** have left 13 schools in deficit and this is forecast to increase. Those schools are required to produce a deficit reduction plan. However, any school that closes with a deficit must be covered by the General Fund

Dedicated Schools Grant (DSG)

- Provisional 25/25 DSG allocation has increased by £7.009m or 3.5%
- Overall, the schools block has increased by 0.42% to £137.595m and reflects pupil numbers reducing by 359 to 16,386 and the increase in per pupil funding of 2.6%
- Early years funding increase of £3.3m or 20.68% includes funding for new entitlements for working families receiving benefits
- Schools with falling rolls continue to be in a challenging budget position and the number and size of schools in a deficit position is increasing. Schools in deficit are required to set a deficit recovery plan over 3 years and of the 13 schools currently in deficit, 5 do not have approved deficit recovery plans. The overall school balances are forecast to move to a deficit balance at the end of March 2025

GF Capital Programme

- Each year the capital programme is reviewed and updated to ensure strategic alignment of its key deliverables, operational changes are reflected and to ensure its overall affordability
- The Capital Review Group reviewed the draft programme in September and again in October and The Budget Scrutiny task Group reviewed the proposed changes on 4 December
- The revised programme includes 52 new scheme proposals and a number of changes that were being made to existing schemes and programme funding
- The capital programme presented to scrutiny in December included a gross budget of £2.506bn and a net budget of £1.306bn. This represented a total increase in the net capital programme of £46.7m

GF Capital Programme (2)

Since Scrutiny the following updates have been made to the programme:

- £15m fully funded increase for Westminster Builds – reflecting the updated WB business plan, following revisions to the profiling of projects in the GF capital programme. Whilst this leads to an increase in net capital spend, the borrowing costs are covered by WB, and therefore a net nil impact on the Council.
- £1.5m reduction in the budget for Harrow Road, reflecting the latest forecast for the project.
- These changes lead to a net increase in the 15 year capital programme of £60.8m.
- This additional capital expenditure requirement increases the net capital financing cost of the programme from **£3m to £3.5m per annum**.
- This annual increase of £0.5m has been built into the three year revenue budget.

Capital Programme (3)

The table below summarises the revised General Fund capital programme by Executive Directorate, with a gross budget of £2.496bn and a net budget of £1.320bn.

For further information, Appendix 4 provides a summary of the proposed capital programme by scheme.

	Forecast	Five Year Plan					Future to	Total
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2038/39 £000	
Expenditure								
Adults & Deputy Chief Executive Services	10,642	10,481	150	150	150	150	-	21,723
Housing & Commercial Partnerships	78,247	115,215	66,750	1,200	1,230	1,230	11,070	274,942
Children's Services	11,159	10,537	10,672	3,500	2,600	1,500	-	39,968
Westminster Builds	1,992	15,183	48,418	73,737	-	67,792	230,705	437,827
Finance and Resources	60,038	70,870	59,232	39,019	36,810	32,251	293,852	592,072
Environment & Communities	74,343	100,786	100,210	51,362	39,899	15,197	763	382,560
Regeneration, Economy and Planning	75,064	68,976	96,045	103,738	113,126	102,605	187,729	747,283
Total Expenditure	311,485	392,048	381,477	272,706	193,815	220,725	724,119	2,496,375
Funding								
External Funding	(35,562)	(65,960)	(48,351)	(28,655)	(23,128)	(11,076)	(9,172)	(221,904)
Capital Receipts	(29,954)	(12,037)	(11,734)	(203)	(125,477)	(161,917)	(458,344)	(799,666)
S106 and CIL Funding	(21,622)	(25,312)	(17,699)	(2,634)	(10,286)	(887)	(76,544)	(154,984)
Total Funding	(87,138)	(103,309)	(77,784)	(31,492)	(158,891)	(173,880)	(544,060)	(1,176,554)
Borrowing Requirement	224,347	288,739	303,693	241,214	34,924	46,845	180,059	1,319,821