

Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken	Leadership Team: 7 February 2024 Council: 28 February 2024 Date of decision (i.e., not before): 28 February 2024	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
Forward Plan reference	KD06575/24/K/A	
Report title (decision subject)	REVENUE BUDGET, CAPITAL PROGRAMME AND COUNCIL TAX 2024/25	
Reporting officer	Executive Director of Resources	
Key decision	YES	
Access to information classification	Public	

1. SUMMARY

- 1.1 This report is a key part of the strategic financial planning process for the Council. It builds on the reports considered by Leadership Team on 8 November 2023 and 6 December 2023. It sets out the latest position on the revenue budget for 2024/25 before Full Council set the Council Tax and Budget for 2024/25 at the meeting on 28 February 2024.
- 1.2 This report concerns the General Fund budget and Capital Programme. The Housing Revenue Account (HRA) is ring-fenced from the general fund. The proposed 2024/25 budget for the HRA and the revised 30-year Business Plan are reported separately on this agenda.
- 1.3 In July 2023, the Council published its [Medium Term Financial Strategy](#) which set out an update on the three year financial position and the framework for spending plans in line with the new Council Plan that was approved by Full Council in March 2023. At that time this showed a budget shortfall of between £3.7m and £4.4m depending on certain assumptions in 2024/25 and then an overall shortfall of between £32m and £42m for the period 2024/25 to 2027/28. All Local Authorities have a statutory requirement to set a robust and balanced budget and since this date work has been underway to close the budget gap for 2024/25. This report is for Leadership Team to make recommendations to Council on 28 February 2024.

1.4 The robust and balanced budget position for the General Fund in 2024/25 is based upon:

- Providing additional budget provision of £6.4m in core services to manage known spending and income pressures, the implementation of budget savings of £12.6m, of which £7.9m is within core services and £4.7m is on corporate budgets.
- Spending plans of £642m on the day to day running of services for the 146,154 people who live in the borough (as per the mid-year 2022 census estimate), 15,245 businesses and the 56,000 visitors (latest estimate before the pandemic) each day.
- The outcome of the review of the current capital programme which resulted in a net reduction to the General Fund Capital Programme of £14.292m inclusive of new capital investment bids totalling £1.612m. This means a capital programme from 2023/24 to 2026/27 of £225.700m for the General Fund, that is affordable and deliverable and will invest in line with the priorities set out in the Council Plan and Capital Strategy. The capital programme for the Housing Revenue Account is £387.849m over the same period and details are set out in a separate report on the agenda.
- A Council Tax increase of 2.99% for 2024/25 and a 2.00% increase in respect of the adult social care precept – therefore a total increase in Council Tax of 4.99% both including and excluding Garden Squares. This increase is below the referendum thresholds outlined by the Government for 2024/25 in the Local Government Finance Settlement.
- An increase in the council tax requirement of £6.128m.
- Maintaining a general fund working balance of £10m, in line with the Council's agreed policy and maintaining a prudent but appropriate level of earmarked reserves.
- A Contingency Reserve (current balance £5.4m) set aside to deal with in-year budget risks and unforeseen pressures as well separate provisions of £2.7m to manage potential inflationary and other pressures within social care, £4.8m to manage the high levels of inflation hitting other services and pressures related to the economic uncertainty more generally, and £4.5m for the 2024/25 pay award.

1.5 In 2024/25, the Council will spend £642m on the day to day running of core services. This includes £113.9m spent on Housing Benefit which the Council administers on behalf of Government and £79.4m Dedicated Schools Grant. Full details of these spending plans are set out from **Section 5** onwards.

1.6 Over the period 2023/24-2026/27, the Council will invest general fund capital expenditure of £225.700m in the borough's housing needs, schools and early years provision; highways, transport, environment and open space; and Council buildings and digital infrastructure. In addition, £387.849m will be invested into the Council's housing stock through the Housing Revenue Account. Full details of the Capital Programme are set out in **Section 27** and for the HRA within the revised Business Plan which is elsewhere on this agenda.

2. RECOMMENDATIONS

2.1 The Leadership team is recommended to:

- (1) Approve the revenue budget estimates for submission to Council as summarised in **Appendix 1** of this report;
- (2) Note the findings of the budget consultation with residents, local businesses, the voluntary sector, the Select Committees and Overview and Scrutiny Committee as set out in **Appendix 6 and Appendix 7**;
- (3) Note the risks and uncertainties relating to the 2024/25 budget as set out in **Section 28**;
- (4) Approve the increase in fees and charges as set out in **Section 22 and Appendix 15**, with the full schedule available on the council website;
- (5) Approve the revised Capital Programme for the period 2023/24 to 2026/27. Full details are set out in **Appendix 12 and Appendix 13**;
- (6) Delegate the decision for the funding of the Capital Programme to the Section 151 Officer so to fund the programme in the most cost-effective way for 2024/25 and all future years. The indicative assumed funding is set out in **Table 10a and Table 10b**.
- (7) Note the allocation of the Dedicated Schools Grant to the schools, High Needs and Early Years Budget as set out in **Section 32**;
- (8) Agree the planned use of reserves as set out in **Section 29**.
- (9) Note the advice of the Executive Director of Resources, who is the Council's Section 151 Officer on the level of reserves and robustness of estimates in setting the budget as required by Section 25 of the Local Government Act 2003 (**Section 37** of the report).
- (10) Agree that the Executive Director of Resources continue to be given delegated authority to make transfers to and from earmarked reserves up to £100,000.
- (11) Agree that the Executive Director of Resources continue to be given delegated authority, following consultation with the Lead Member for Finance, Customer Services and Net Zero, to make transfers to and from earmarked reserves from £101,000 up to £250,000 in each instance.
- (12) Retain the current discount for second homes (zero) for 2024/25.
- (13) That the Council extend its current empty homes Council Tax premium to include properties that have been empty for more than one year to take effect from 1 April 2024
- (14) Agree the **Council Tax resolution** as set out in **Appendix 8**.
- (15) Agree that delegated authority be given to the Executive Director of Resources to make any necessary amendments to the budget, following consultation with the Leader and the Lead Member for Finance, Customer Services and Net Zero. This will take account of final levies and precepts including Garden Square special expenses, and to make any necessary amendments to the statutory determinations and council tax bands to take account of those changes and for these amendments to be submitted and therefore recommended to Council at its meeting on 28 February 2024.
- (16) Agree to pay an additional payment for low income households of £100 for the financial year 2024/25 to all households who are:
 - a. in receipt of any Council Tax relief, up to and including 100 per cent relief (approximately 13,000 households);
 - b. in receipt of Housing Benefit but not in receipt of Council Tax relief (approximately 2,200 households);

- c. in receipt of the housing costs element of Universal Credit but not in receipt of Council Tax relief (approximately 1,400 households).

This will cost an estimated £1.65m and will be funded from the COVID-19 Recovery/Cost of Living Reserve.

2.2 The Leadership team is asked to recommend to Council:

- (1) A Council Tax requirement for 2024/25 of **£104.657 million** including Garden Squares special expenses.
- (2) A basic amount of Council Tax for 2024/25 at Band D of **£1,037.58** excluding Garden Square special expenses as set out in **Appendix 10**. The headline figure including Garden Square special expenses is **£1,058.45**.
- (3) Garden Square special expenses of **£2.174m** as set out in **Appendix 9**.
- (4) Council Taxes for all Bands in all areas for 2024/25 as set out in **Tables 4A & B** of this report and **Appendix 10**.
- (5) Total Council Tax including the Greater London Authority precept for all Bands in all areas for 2024/25 as set out in **Appendix 11**.
- (6) The Council's medium term financial position for the next four years as set out in **Appendix 1**, noting that there is an estimated budget gap of around £32m for the period 2024/25 to 2027/28.
- (7) The Capital Programme as set out in **Appendix 12 and Appendix 13**.
- (8) The continuation of the use of flexible capital receipts strategy detailed in paragraphs **27.15** and **27.16**.
- (9) The extension of the current three year Council Tax Exemption policy to care leavers from 18-25 years old.

3. REASONS FOR DECISION

- 3.1 The Council is legally required to set a robust and balanced budget and Council Tax levels for each financial year.

4. BACKGROUND

- 4.1 The draft revenue budget and three-year capital programme set out in this report have been developed within the framework of the financial strategy agreed by Leadership Team in July 2023 and the aims and ambitions of the new Council Plan 2023-27 agreed by Full Council in March 2023. They reflect the Council's ambition for a greener, safer and fairer borough, the Council's response to the on-going cost of living crisis, and the Council's desire to minimise the call on the Council Tax payer by maintaining the position of a council tax level within the lowest quartile in London.
- 4.2 The Council, like all other local authorities, continues to operate within a wider financial climate of risks and uncertainty. The additional funding through the Government's 2024/25 Local Government Finance Settlement is welcomed and will be used to fund pressures on social care, manage the ongoing impact of the cost-of-living crisis and the increased costs from the current high levels of inflation. Most of these additional grants are only confirmed for 2024/25 with the risk of a cliff-edge drop in funding from 2025/26.

4.3 The recommendations made in this report:

- Are in line with the Council's approach to setting the budget for 2024/25 as set out in the Medium Term Financial Position published in July 2023.
- Formalise and confirm the proposals set out in the Council's budget proposals for 2024/25 as reported to Leadership Team on 8 November 2023 and 6 December 2023 and which were subject to consultation between 9 November 2023 to 7 January 2024;
- Are consistent with the Council's policy on reserves (**Section 29 and Appendix 2**);
- Takes into account consultation with residents, local businesses, the voluntary sector, individual Select Committees, and Overview and Scrutiny Committee on the proposed 2024/25 Council and service budgets (set out in **Appendices 6 and 7**);
- Takes into account 2024/25 spending and income pressures that have been estimated as part of the budget process; and
- Takes into account final figures on the Council Tax base, the Collection Fund and London Wide levies from outside bodies.

4.4 At the time of writing the final Local Government Finance Settlement 2024/25 has not yet been published and therefore this draft budget is based on the draft settlement published in December 2023. It is expected to be published in early February 2024 and any changes required following publication will be built into the final budget presented to Council on 28 February 2024.

5. DRAFT REVENUE BUDGET 2024/25 – EXPENDITURE

5.1 In November 2023, Leadership Team agreed a series of savings proposals to be launched for consultation. The feedback has been considered in preparing the draft budget for next year and is summarised in **Appendices 6 and 7**, including the responses of the Lead Members. As a result of this feedback, there are no planned changes to the budget reductions that were proposed.

5.2 Budget reductions of £12.2m were launched for consultation in November of which £4.7m were corporate savings. Since the consultation was launched an additional £320,000 saving has been proposed following a review of the Council's corporate recharge model, bringing the total service savings proposed to £12.6m. Of the savings relating to corporate budgets £3.7m relates to savings on the Council's central contingency budget. It is proposed this is replaced by using the Contingency Reserve to cover unforeseen spending pressures in 2024/25 only. Financial plans assume this budget will be required again from 2025/26. This reserve was created at the end of 2022/23 from the underspend that financial year. The remaining £950,000 of corporate savings relate to more efficient use of Section 106 balances to finance the capital programme which has led to a reduction in borrowing required. A full list of the budget reductions is set out in **Appendix 5**.

5.3 Setting a reliable and robust budget means estimating spending pressures and budgeting for them accordingly. In 2024/25, these pressures amount to £6.4m as set out in **Appendix 4**.

- 5.4 Each year, there will be other adjustments that need to be made and usually include transfers of budgets between services but can also include accounting adjustments, these are completed where possible when the budget is set and if there are further adjustments during the financial year these will be reported to Leadership as part of the quarterly financial monitoring reports. Towards the end of 2023 the Council has also reviewed its model of how the costs of its central support services are charged across services to better reflect front line services consumption of these support services. This has mostly had a net nil impact over the whole Council (with the exception of the £320,000 saving detailed in paragraph 5.2 above) but has changed some of the budgets within different service departments. The expenditure and income budgets for these recharges are excluded from tables 1 and 2 as they offset each other. Full details by service including these recharges are set out in **Appendix 3**.
- 5.5 The current level of CPI inflation is 4% (December 2023). This has fallen significantly since the Autumn of 2022 but remains higher than the Government's target rate of 2%. This relatively high inflation has been and is expected to continue to impact on many of the Council's contracts, in particular those relating to social care and the environmental sector.
- 5.6 As part of budget setting the Council has undertaken a detailed review of all contracts and has calculated around £7.6m of contract inflation is likely to be required in 2024/25. Of this £2.7m relates to pressures within Adult Social Care and Children's Services. This is separately identified in table 1 as Social Care Pressures. This works out at provision of approximately 4% on average increase in contract costs. This provision will be held centrally for services to draw down if/when these higher costs materialise.
- 5.7 Some materials and labour sources continue to be in short supply and this is impacting on the deliverability of the capital programme along with high inflation which has had a significant impact on tender prices for contracts with some coming in significantly higher than base line inflation figures. High inflation has also pushed interest rates up in the last 12 months which in turn increased the cost of borrowing to finance the Council's capital programme.
- 5.8 When the budget for 2023/24 was agreed in March 2023 the 2023/24 pay award was unknown. The 2023/24 budget therefore included provision for a 4% pay award which was held centrally.
- 5.9 The actual pay award for 2023/24 was an increase of either £2,352 or 3.88% depending on the grade of the employee. This funding was drawn down by services during the year and is now included in the service budget tables in Appendix 3. This was significantly higher than the assumed 4% and the impact in 2023/24 will be funded by reserves. The on-going impact of the 2023/24 pay award (£1.6m) has been built into service budgets as part of 2024/25 budget setting process and is shown separately in table 7.
- 5.10 The 2024/25 pay award is not yet known. A provision of 4% (£4.5m) has been built into the budget and will be held centrally until agreement is reached.

- 5.11 The Council is proposing to provide further support to residents under the Localism Act 2011 to help mitigate ongoing cost of living pressures. The current proposal is for a £100 payment to approximately 16,000 low income households in 2024/25 who fall into the following groups:
- in receipt of any Council Tax relief, up to and including 100 per cent relief (approximately 13,000 households);
 - in receipt of Housing Benefit but not in receipt of Council Tax relief (approximately 2,200 households);
 - in receipt of the housing costs element of Universal Credit but not in receipt of Council Tax relief (approximately 1,400 households).

The Council is currently consulting on the proposed scheme and has to date received over 1,000 responses from residents and organisations who work with households on low incomes. The final design of the scheme is expected to be considered by the Leadership Team at its February meeting. At this stage, the costs of the scheme are estimated at £1.65m (plus administrative costs estimated at £45,000) and these will be funded from the COVID-19 Recovery/Cost of Living Reserve if the scheme is agreed.

- 5.12 Taking account of the spending pressures, budget reductions and other adjustments described above, in 2024/25, the Council will spend £642m on the day to day running of local services to deliver the priorities that are set out in the Council Plan. This includes Housing Benefit of £113.9m which the Council administers on behalf of Government and the Dedicated Schools Grant of £79.4m which the Council passports directly to schools. Details are summarised in **Table 1** and set out in full by service in **Appendix 3**.

Table 1 2024/25 Gross Expenditure Budgets

Expenditure Source*	Gross Expenditure £'000	%
Adult Social Care	76,207	11.87%
Public Health	27,312	4.25%
Children's Services	60,042	9.35%
Schools – Dedicated Schools Grant	79,350	12.36%
Environment and Neighbourhoods	84,749	13.20%
Housing and Social Investment	80,430	12.53%
Resources and Customer Delivery	60,663	9.45%
Chief Executive Services	14,464	2.25%
Housing Benefit	113,877	17.74%
Delivery of Grenfell work	680	0.11%
Grenfell Recovery	5,747	0.90%
Grenfell Corporate	1,180	0.18%

Social Care Related Inflation Pressures	2,710	0.42%
Other Contract and Pay Inflation	9,340	1.45%
External Interest	7,232	1.13%
Depreciation	(12,728)	-1.98%
Minimum Revenue Provision (MRP)	6,198	0.97%
Revenue costs relating to capitalisation direction (funded from civil claims reserve)	3,600	0.56%
London Wide Levies	11,646	1.81%
Transferred to Civil Claim Settlement Reserve	7,250	1.13%
Transfer to Ward Implementation Reserve	1,000	0.16%
Transfer to Reorganisation Reserve to be used for Transformation	1,072	0.17%
Total	642,020	100%

- 5.13 *In addition to the expenditure above a total of £42m has been agreed by the Council and other parties for future Grenfell support from 2024-28 across three broad themes: support for bereaved and survivors, support for the local community and education and training support for both groups. This equates to £10.5m per year if it is profiled evenly across the four years. However, a detailed budget will be agreed in 2024/25, following the consultations currently underway with bereaved, survivors and the immediate local community. More detail on this is set out at paragraph 12.9 below.
- 5.14 Spending in 2024/25 also includes £80.069m of General Fund capital investment as part of a four-year capital programme that will invest £613.549m (including HRA) in the borough's homes, highways, environment, open spaces, schools and early years provision, buildings and digital infrastructure. Further details are set out in the individual service sections that follow and summarised in **Section 27**. Further information on capital investment in the borough's social homes is set out in the HRA Business Plan published separately elsewhere on the agenda.
- 5.15 The remainder of this section focuses on the Council's spending plans for 2024/25 across services. A detailed breakdown is set out in **Appendix 3**.
- 6. Adult Social Care**
- 6.1 One of the Council's key priorities as detailed in the Council Plan is building a safer Kensington and Chelsea. A key part of this priority is working to support vulnerable adults in the borough, ensuring they receive the care they need.
- 6.2 The service has responded to a constantly changing environment in an agile and efficient manner, whilst maintaining high-quality services and support for all our most vulnerable residents. The social care sector was already going through a period of increased change nationally, brought about by more complex cases and longer life expectancy. The COVID-19 pandemic further emphasised areas most in need of investment and improvement. However, it has also provided opportunities such as more effective working among health services, care providers, and the Council, and an improved understanding of our resident's health needs. In addition, the cost-of-living challenges also impacted market stability and our residents' economic wellbeing.

- 6.3 Adult Social Care has statutory duties under the Care Act 2014 and provides statutory and discretionary services, which deliver good outcomes and best value for money. Benchmarking has shown that for all age groups with a disability the Council provides best value services with low spend but high outcomes. For older people, spend is higher but outcomes are high. The service delivers high performance at a low cost compared to neighbouring authorities. Adult Social Care has (and continues to play) an important role in supporting providers and working with health colleagues to ensure timely discharge from hospital.
- 6.4 There are a number of national and local financial risks facing the Council.
- 6.5 Nationally
- 6.5.1 National discharge funding is uncertain in the long-term, and sub-regionally, the North West London (NWL) Integrated Care Board (ICB) is conducting an out of hospital Better Care Fund spend review.
- 6.5.2 Market fragility caused by shortages in the workforce due to Brexit, COVID-19, wages, cost of living challenges and long-term structural issues and underfunding.
- 6.5.3 Underfunding of social care - £1.5bn national funding gap identified following analysis of Fair Cost of Care exercise in 2022. There is an approximate £196 per week difference in what local authorities pay compared to actual costs. Providers are handing back contracts or exiting the market due to rising costs.
- 6.6 Locally – Pressures from Health
- 6.6.1 The local ICB is planning to review and reduce their overheads by 30-40%. Locally, there is a significant risk this will impact on investment in our local partnerships, and we may see a more standardised and centralised approach to health provision. Examples include recent consultations on Community Palliative Care and Mental Health. This will have a knock-on effect on Adult Social Care and Children's Services budgets.
- 6.6.2 A Better Care Fund (BCF) review will be conducted by the ICB and is expected to be completed during 2024/25 which could impact Adult Social Care budgets.
- 6.6.3 Existing service users who leave the system are being replaced by new users with more complex needs, which results in requiring more support.
- 6.7 In 2024/25, the Council will spend £76.2m on providing these services to approximately 1,574 people in Kensington and Chelsea. Since March 2021, these numbers have progressively increased, and numbers are starting to return to pre pandemic levels of around 1,600.
- 6.8 As at 30/11/23 there were 45 people receiving short-term preventative support and 1,532 long term clients. This includes support to approximately 311 people in nursing and residential care for those with high dependency, 130 in supported living for those who, with some support, can live independently and over 919 to live at home and receive home care or a direct payment.

- 6.9 Funding for these services is received from Government grants, funding from Health, collection of fees and charges, and an element of council tax increase known as the Adult Social Care precept which is ringfenced for pressures in the service. After accounting for expected funding in 2024/25, net spend is planned as £45.2m. A full breakdown is set out in **Appendix 3**.
- 6.10 Giving people control over their care is a requirement of the Care Act. Currently 349 people receive a direct payment or have direct control over arranging their own care. The Council would like to support the community care market and expand the offer to encourage increased take up of direct payments to provide choice and control whilst continuing to support the arrangement of care for those who need it.
- 6.11 An additional £2.0m has been built into the 2024/25 budget to meet demand and cost pressures as detailed in **Appendix 4**. This includes children transitioning into adult services and supporting more clients across all services with increased complexity of needs. There has been an increase of 3% in adult referrals. In addition, £2.5m is being held centrally for 2024/25 inflationary pressures relating to adult social care.
- 6.12 Budget efficiencies across the service are planned in 2024/25 amounting to £1.125m. There remains a focus on prevention and supporting people to live independently in the borough. This will help deliver better outcomes and is expected to deliver £750,000 budget efficiencies next year through reduced dependency on residential and out-of-borough placements and an increase in the take up of direct payments.
- 6.13 Over the next three years, capital investment is focused on the development of Maxilla, a new community day care facility, for which there is a total provision of £8.9m within the Capital Programme. There will also be a need for some investment into digital technology to support individuals having choice and control but also in implementing the social care reforms, for which there is a total provision of £500,000 within the Capital Programme. The longer-term strategy for the service requires some investment in developing flexible accommodation options and this is being considered alongside the Council's Housing Strategy. This is expected to include investment in a range of options, from supported living provision through to general needs housing to ensure that the Council expands and offers choice of provision within the borough.
- 6.14 The current BCF funding is £9.4m. There is expected to be an increase in line with the NHS Long Term Plan settlement, however allocations have not yet been announced. The Improved Better Care Fund (iBCF) is unchanged at £7.7m in 2024/25.
- 6.15 There are three further specific Adult Social Care Grants in total amounting to £5.6m for 2024/25.
- 6.15.1 Market Sustainability and Improvement Grant and the Market Sustainability and Improvement Workforce Grant (£3.8m). Both are for making tangible improvements to adult social care services, to build capacity and improve market sustainability.

6.15.2 The final grant is the Discharge Fund Grant (£1.8m), which enables the Council to build additional adult social care and community-based reablement capacity to reduce hospital discharge delays through delivering sustainable improvements to services for individuals.

6.16 Funding from Health for integrated services and integrated budgets forms a significant proportion (just under 23%) of the total spend on social care and integrated services. The Council maintains a strong commitment to health and social care integration, particularly where this has a direct, evidence-based, and positive impact on outcomes for the borough's residents to address inequalities.

7. PUBLIC HEALTH

7.1 The local authority is responsible for improving the health of our residents and reducing health inequalities. Health is more than a product of health and social care services, it is shaped by the circumstances in which we are born, live, learn, work and age.

7.2 Public health problems are complex and to be effective, the solutions will need to be integrated, co-designed and considered on a place, community and individual level.

7.3 Based on a shared understanding of local need, and agreed set of priorities, Public Health works in partnership to promote and protect health, to get the right services and activities for our residents, with a specific focus on prevention and early intervention.

7.4 To improve the health and wellbeing of our residents we must embed a whole council approach to address the wider determinants of health. Everyone has a role to play; all interactions the council has with our residents, every policy and strategy, provide an opportunity to promote health and wellbeing. This is supported by our cross-council work plan which includes a recurrent investment of £5m across the organisation.

7.5 It is expected to be confirmed that the Council will receive a ring-fenced Public Health Grant of £23.191m in 2024/25. This is an increase of 1.3% when compared with 2023/24 and will be supplemented with additional funding of £1.647m for substance misuse services and smoking cessation.

7.6 These supplementary grants come with specific conditions and must be spent on activities that contribute towards increasing numbers in treatment. Investment from the core grant in associated areas must be maintained.

7.7 The Public Health Grant is used to fund a range of statutory services, such as NHS Health Checks, sexual health services, substance misuse services and health visitors. Additionally, a range of prevention services are funded such as behaviour change, adult and childhood obesity, air quality and youth violence - all are aimed at reducing the health inequalities gap in the Borough.

7.8 All Public Health Grant investment needs to demonstrate that the primary purpose is to improve public health outcomes.

7.9 During 2022/23 (last full financial / calendar year available), our commissioning portfolio delivered:

- 1,166 new birth visits from our Health Visiting Services and 710 development checks.
- 7,391 NHS health checks designed to spot early signs of stroke, kidney disease, heart disease, type 2 diabetes, or dementia.
- 920 smoking quitters.
- Drug and alcohol support to nearly 1,000 residents.
- 24,839 sexual health screens (both online and in person at Genitourinary Medicine [GUM] clinics).
- Over 87 community champions, providing 7,495 volunteer hours, to deliver health and wellbeing support to over 12,452 residents.

7.10 The terms of the funding allow for the Council to hold a balance in its earmarked public health reserve. Spending plans are in place and have been agreed with Office for Health Improvement and Disparities (OHID). These will reduce our reserves to a balance of around £1.5m by 2026/27 for a contingency fund against future demand, any unplanned reduction in the Public Health Grant and health protection mobilisation.

8. CHILDREN AND FAMILY SERVICES (INCLUDING EDUCATION)

8.1 In 2024/25, Children and Family Services will spend £139.5m. Once adjusted for income, this equates to £49.5m. This includes £79.4m of ringfenced Dedicated Schools Grant. Full details of the proposed budget are set out in **Appendix 3**.

8.2 The vision of Children and Family Services is to deliver excellent services that enable all children and young people to reach their full potential, including those who are most vulnerable. This is underpinned by the Children Act 2004, which sets out local authorities' responsibilities for ensuring and overseeing the effective delivery of services for children.

8.3 The service overall is high performing both in terms of recent inspections and national and local performance measures. It has a rating of 'Outstanding' overall, and more recently received praise for its Youth Offending Services and Special Educational Needs and Disabilities Services.

8.4 The Bi-Borough Children and Young People's Plan sets out the priorities for driving improved outcomes for children and young people, with success measured annually. Recent achievements include:

- Keeping our most vulnerable children and young people safe is a key priority. Nationally, there are 70 children looked after per 10,000 children in the population. Locally, the number of Looked after Children as a proportion of the population remains low at around 44 per 10,000 population, which is below our statistical neighbours for the same period. This reflects the investment the council continues to make in early help and family support services that prevent the need for a child to come into care.
- We have supported 2,618 children (21,283 sessions attended) and young people to access free food, activities and Free School Meals vouchers over the holidays.

- An Ofsted report said that the needs of new arrivals, (e.g. Afghan Families and Unaccompanied Asylum Seeking Children) are well supported, including accommodation, education, physical and mental health, culture and friendship.
 - At the end of November 2023, the Council was supporting 398 Children in Need, including those with Child Protection Plans. There were 104 Looked After Children, including 30 Unaccompanied Asylum Seeking Children (UASC) and 189 Care Leavers (including 116 former UASC).
 - The new integrated health visiting service and targeted offer was implemented.
- 8.5 Special Educational Needs (SEN) Transport costs have stabilised although these are market driven and can fluctuate, in particular trip prices for children with more complex care needs. At the end of November 2023, 209 children were receiving transport services – including personal transport budgets, which are rising in number and present the most cost-effective option for families for whom provision of this nature is suitable.
- 8.6 The Council's schools are high performing and educational achievement is amongst the highest in London. Currently, over 13,000 children are being educated across 30 primary and secondary schools as well as maintained nursery schools. Raising standards and providing students with Special Educational Needs and Disabilities and complex care needs with a suitable local service that supports family resilience and outcomes are all priorities. Maintaining the good condition of schools is also important and this commitment is demonstrated by the proposed capital investment of £35m in 2023/24 and 2024/25.
- 8.7 New savings of £1.040m are planned across Children's Services. These savings include redesigning the libraries service to deliver a saving of £300,000. There is £420,000 proposed for a 2% reduction in staffing costs, and a further £200,000 of staffing savings in relation to the repurposing of Olive house from a residential Children's Home to semi-independent living accommodation and through holding recruitment on vacant posts. The redesign of the Youth Offending Team will deliver £40,000 saving in 2024/25. Reductions in running costs across the department will also contribute to a budget reduction of £80,000.
- 8.8 Alongside the savings, additional budget of £608,000 is proposed to fund pressures in the department. This includes funding pressures of £500,000 arising due to increasing numbers of care leavers and the increasing cost of placements due to the shortage of appropriate placements in the market. Growth of £15,000 in 2024/25 is for the cost of running the North Kensington Social Justice Archive. This was expected to be £155,000 back in November. The remaining £140,000 will now be built into the 2025/26 budget. Further budget growth has been allocated to fund a provider portal in the Mosaic social care case management system (£26,000) and the pressure due to a reduction in the DSG funding towards the Virtual School (£40,000).
- 8.9 The Grenfell Education Fund will continue at £500,000 for 2024/25 to provide extra support to pupils impacted by the Grenfell fire.

8.10 The Council is exploring ways of supporting young people from disadvantaged backgrounds who would otherwise struggle with the costs of post-18 education. Officers are developing high-level options for a scheme of this kind with partners. Funding opportunities for this scheme are being worked up, including the use of existing reserves.

9. ENVIRONMENT AND NEIGHBOURHOODS (LEAD MEMBERS FOR PROPERTY, PARKS & LEISURE, PLANNING & PUBLIC REALM, EMPLOYMENT, CULTURE & ECONOMY, FINANCE CUSTOMER SERVICES & NET ZERO)

9.1 Two of the Council's key priorities as detailed in the Council Plan are building a greener and safer Kensington and Chelsea. The Council's Environment and Neighbourhoods directorate will play a key role in delivering these priorities with responsibility for managing parks and open spaces in the Borough, leading the Council's transition to net zero and high quality waste collection and street cleansing. The Council Plan also outlines a commitment to developing the thriving cultural offer in the Borough, and growth of £150,000 will be built into the budget to ensure the continuing delivery of a safe and spectacular Carnival in Notting Hill in 2024/25.

9.2 The Environment and Neighbourhoods portfolio covers a range of universal statutory and discretionary services for all 146,154 residents who live in the Borough, the daytime visitor population (before the pandemic) of around 56,000 each day, the approximately 1 million people who come to the Notting Hill Carnival each year and the 15,245 businesses in the Borough. The pandemic had a significant impact on these numbers, but we have seen strong recovery across most sectors. The Council continues to support the local economy through placemaking initiatives and is working closely with three Business Improvement Districts to continue to revitalise our local high streets.

9.3 Three of the fifteen museums in the Borough are among the most visited in the country, and Leighton House and Sambourne House, the two museums operated by the Council, re-opened in October 2022 following extensive restoration and refurbishment works. After positive footfall numbers on re-opening, the service is anticipating another busy year in 2024/25 with exhibitions in the planning and the introduction of wedding packages at Leighton House, strengthening the commercial offer that helps generate the income required to run and maintain this special place.

9.4 The borough has two leisure centres offering high quality leisure and physical activity services, usually to over 750,000 visitors each year. The long periods of closure during the pandemic impacted the attractions but many adapted to offer digital and online facilities and the Borough's parks and open spaces were a well-used, valued and essential facility for residents during the pandemic. During 2024/25, it is hoped that visitor numbers returning to the Borough will continue to increase and these facilities will become busy culture and leisure hubs once again. The unprecedented costs of energy are a risk to the recovery of the leisure centre management fee in 2024/25 but officers are working with the provider to find mitigations including ways to decrease other expenditure and growing new income generating services.

- 9.5 In 2024/25, the Council proposes to spend £84.7m on Environment and Neighbourhoods services. This figure includes anticipated savings on staffing costs of £439,000 through a review of workforce structures to ensure the most efficient model for service delivery. Income is a key part of the budget and £77.4m is expected to be generated in 2024/25 to contribute towards the cost. Full details of the proposed budget are set out in **Appendix 3**. Income levels affected by the pandemic have now recovered with the exception of the concession contract for Bus Shelter Advertising which continues to generate a lower profit share than budgeted. The challenging financial climate businesses and residents are currently facing may further impact income generation for discretionary services and remains a key financial risk that will be closely monitored.
- 9.6 The largest source of single income is from parking. The 2024/25 budget assumes demand remains consistent and £53.5m is expected from fees and charges, fines and penalty charge notices related to parking services. This does remain a risk and will be monitored closely each month. Use of parking income is subject to restrictions and in line with legislation, income must be used for eligible expenditure and includes the costs of providing the parking service in the first instance. Any remaining surplus income can be used for services such as concessionary fares, maintaining the 190km of roads and highways and the 380km of footways across the Borough and delivering environmental improvements. The parking service will also deliver cost reductions of £80,000 in the year and £540,000 of additional income resulting from a range of planned transport policy changes. Further digitisation of resident permits is being explored to allow residents to access services quickly and easily and growth of £170,000 is being built into the base budget to support the upgrade of the IT system.
- 9.7 The Council's regulatory services are carrying out over 1,500 inspections of food premises each year, processing over 1,800 licensing applications and in the first six months of the expanded licensing regime for homes in multiple occupation, processed 1,000 applications for licences. Following an in-depth review of fees and charges, the department is expecting to generate additional income of £200,000 in Network Management and deliver cost savings through a review of the Community and Resident-focused Environmental Services Transformation (CREST) delivery model (£50,000) and from accelerating the programme of LED street lighting column replacement (£50,000) in 2024/25. An additional £40,000 will also be built into the budget to cover electrical testing of structural and decorative lighting, these being a key part of the borough's historic character.
- 9.8 The planning service processes on average 5,500 planning and listed building applications and 1,400 enforcement cases each year. These services do generate an income to cover some costs but over the last few years, the number of applications has steadily fallen resulting in a shortfall against the income budget. In 2021/22, an additional £600,000 was included in the budget followed by a further £400,000 in 2022/23. There does remain a further structural shortfall of £600,000 but the service anticipate that income from a small number of one-off large development may mitigate this for the next one to two years. An increase in the statutory application fee set by the government which will take effect from April 2024 may also help to close this budget gap together with the introduction of an optional Fast Track service that has gone live in January 2024. At this stage, it remains unclear if general application numbers will increase allowing the service to meet the current income target in the future and what the impact of any economic recession on income levels may be.

- 9.9 The building control service manages over 550 building control applications each year and operates a 365 day/24 hour dangerous structure service, responding to over 60 incidents each year. The building control trading account is forecast to recover all costs next year, and £85,000 will be built into the non-trading account staffing budget to fund additional resources required to deliver the new Building Control Regime. Strong performance in Land Charges has meant the service expects to generate an additional £50,000 from 2024/25. £100,000 received from central government as part of the Council's annual funding allocation will be built into service budgets to cover Flood Risk Management work.
- 9.10 In 2024/25, proposed spend on collecting household waste twice weekly from over 97,000 households and keeping the streets and highways clean is £16.7m. In addition, funding of £229,000 is proposed to deliver additional street cleansing and graffiti removal to support the Council's aspiration to have exceptionally clean streets.
- 9.11 In terms of capital investment for the directorate, the capital programme for Environment and Neighbourhoods is £55.1m between 2023/24 and 2026/27 and a further £74.3m is provided in the Capital Pipeline. More detail is in section 27 and Appendix 12 and Appendix 13. This includes £22m for a number of Highways and Street Scene improvements, £20.7m on Carbon Zero initiatives and the Green Fund, £4.7m to maintain and enhance our Parks and open spaces (new playgrounds, toilet facilities, outdoor gyms, horticultural and biodiversity improvements) and £1.6m for Future Neighbourhood initiatives. The capital for Placemaking will enable the delivery of interventions that support high street recovery through local action plans, ward by ward public realm schemes, and wider place shaping objectives. This will support future economic resilience and support the Council ambition to be a greener, safer and fairer borough. Projects will be place based and delivery focused, with an emphasis on creating inclusive, successful, welcoming, accessible, green and healthy places for our residents, businesses and visitors. Projects will be brought forward in partnership with our communities.

10. HOUSING AND SOCIAL INVESTMENT

- 10.1 The Housing and Social Investment Directorate covers general fund housing needs, social investment and property services. The Directorate has a gross spend of £80.0m with income of £55.0m resulting in a net controllable budget of £25.1m and a net budget after central support service recharge adjustments of £20.6m.

Housing

- 10.2 General fund housing needs comprises a wide range of services including the provision of housing advice and support (including supported housing commissioning), access to emergency and temporary accommodation (TA) and support to households in finding permanent accommodation. Services relating to the Council's social housing stock are managed and funded separately through the Housing Revenue Account. The HRA draft Budget 2024/25 and the revised 30-year Business Plan are included as separate reports on this agenda.

- 10.3 Supporting households in temporary accommodation is currently one of the Council's biggest financial risks, given the potential volatility in both supply and demand partly due to the economic situation. Although the overall numbers in TA have remained stable there is increasing pressure on the service. The available supply of temporary accommodation is reducing such that there are significant challenges to secure replacement or new accommodation to use for TA. This has resulted in an increased use of more expensive Commercial Hotels in order to fulfil statutory duties. There is £1.5m growth in the budget for 2024/25 to meet these pressures.
- 10.4 There are 2,100 households in temporary accommodation. Continuing to find ways of controlling expenditure – while also achieving better outcomes for these families remains a key priority for Housing Needs.
- 10.5 In 2024/25, the proposed spend on Housing Services (excluding the HRA) is £24.9m. This includes a net spend of £11.9m on temporary accommodation costs, reduced to £8.1m by the application of Homelessness Prevention Grant. Full details of the proposed budget are set out in **Appendix 3**.
- 10.6 There is £18m in the 2024/25 pipeline capital programme for a rolling programme for the acquisition of properties. There is also growth to establish the Housing Investigations Team to recover properties from tenancy fraudsters and those attempting to obtain a Council tenancy fraudulently. The provision of these additional and recovered dwellings will help alleviate the pressures on the TA budget.

Social Investment and Property

- 10.7 The management and operation of the Council's assets is overseen by the Social Investment and Property Team. Going forward there will be an increased focus on how these assets are utilised to achieve the greatest possible benefit for local people through the Social Investment Strategy (adopted in July 2023) and a new Asset Management Strategy which is being developed.
- 10.8 The hard facilities management function maintains the Council's 100 operational buildings. The capital programme includes provision for investment into repairs and maintenance for these buildings. The Hard FM contract is currently being re-tendered with an anticipated saving of £250,000 per annum from the procurement included in the budget.
- 10.9 The Social Investment and Property directorate also manage the Council's commercial portfolio. The general fund element generates £11.5m for the Council. Additional income of £250,000 has been included in the budget reflecting the current opportunities for further commercial lettings.

11. GRENFELL RECOVERY

11.1 In January 2019, the Leadership Team committed £50m of revenue funding to support the delivery of the Grenfell Recovery Strategy. The £50m agreed for recovery services and initiatives covered the five-year period from 2019/20 to 2023/24. This funding was ringfenced for Grenfell Recovery and a commitment was made to ensure that any underspends in year are transferred into the Grenfell Reserve to support future Grenfell Recovery activity. In December 2020, the Leadership Team agreed a Grenfell Recovery Resourcing Framework (available [here](#)) which set out the broad plans for the next phase of the programme, including the allocation of the remaining funding across the different areas from 1 April 2021 to 31 March 2024.

11.2 2023/24 was the fifth year of the Grenfell Recovery programme. The activity funded through the programme will begin to come to an end in 2024/25. Different services and initiatives have different timescales attached, as set out in more detail in the July 2023 Leadership Team (available [here](#)).

11.3 Some areas of the programme (e.g. housing support for bereaved and survivors and the Grenfell Rehousing Allocations project) will be embedded in the Council's wider work from April 2024. However, a number of projects and initiatives which have been delivered at a slower pace than originally envisaged will continue into the 2024/25 financial year and beyond, funded from the original £50m funding envelope:

- There is funding for two further rounds of Grenfell Projects Fund (to be designed with the community), for which timings are still to be confirmed.
- There is also funding for a further round of the Community Leadership Programme, which will be designed with the community.
- The £1.3m Curve Legacy Fund is likely to continue beyond 2024, depending on the outcome of work with the current steering group.
- The various projects on estates in Notting Dale funded through the Housing Legacy Fund are likely to be delivered into the 2024/25 financial year and beyond.

11.4 There are also a range of core services and initiatives which support significant numbers of service users that were originally due to end in March 2024. Given the changes to the timescales for the consultation on future support for bereaved, survivors and the immediate local community in the next phase (2024-28), more time is needed to transition from the existing programme to the new arrangements. This is particularly important because the new support may look very different from what is currently in place.

11.5 In July 2023, the Leadership Team therefore agreed in-principle extensions for the following elements of the programme for up to 6 months (until September 2024), to be funded from underspends from within the existing Grenfell Recovery budget:

- The Dedicated Service for bereaved and survivors.

- The emotional health and wellbeing services for adults in the local community delivered by the Together4Grenfell providers and through the peer support programme for adults.
- The community-based emotional health and wellbeing services for children and young people delivered by Latimer Community Art Therapy (LCAT) and Kids on the Green.

11.6 At this stage, it is expected that a budget of £5.7m will be needed to support the Grenfell Recovery activity in 2024/25. As noted above, this will be funded from the existing £50m envelope allocated in 2019 and will not require additional funding.

11.7 In addition to funding carried forward from the existing Grenfell Recovery programme, the Council has committed further resources to ensure that additional support is available beyond the end of the programme in 2024. Initial plans for this expenditure in 2024/25 are set out in Section 12 below.

Grenfell Corporate Costs

11.8 The 2024/25 Grenfell Corporate budget is reported separately to Resources and is comprised of £1.18m for corporate legal support costs related to the Council's response to the fire at Grenfell Tower in June 2017. This amount includes £815,000 for external legal costs, £135,000 for internal costs and £50,000 for systems. There is also a further £70,000 for internal legal support on non-inquiry and criminal investigation Grenfell work.

11.9 The overall Grenfell Corporate budget has reduced by £417,000 since 2023/24. Of this, £176,000 relates to a planned reduction in legal expenditure, and budgets of £238,000 have been transferred for services now delivered by Housing.

12. GRENFELL SUPPORT (2024-2028)

12.1 As set out in the May 2023 Leadership Team [report](#), the Council has committed to providing additional focused support to bereaved and survivors and the immediate local community living around Grenfell Tower for the next four years (2024-28). This is part of an entirely new programme of support, agreed as part of the Global Settlement Agreement and funded by the Council, the Government and some of the other parties to the Agreement.

12.2 This support is in addition to (and separate from) the settlement payments made to individual claimants. Its aim is to provide ongoing collective support to the affected community from 2024-28, partly to help mitigate some of the challenges that can arise when individual claims are paid. The Global Settlement Agreement uses the legal term 'Restorative Justice' to refer to this support. However, we have heard clearly from the community that this term is confusing and potentially misleading, so we are instead using the term 'future Grenfell support' to describe this new programme of support.

12.3 The Global Settlement Agreement set out three broad themes or areas of focus for the new programme of support (all to cover the period 2024-28):

12.3.1 Personalised support for bereaved family members and survivors, including all claimants who are bereaved and survivors, regardless of where they live.

12.3.2 Specific emotional, wellbeing and community support to the immediate local community, including claimants and others living in the vicinity of the Tower.

12.3.3 Education and training support for the benefit of claimants and their families (irrespective of where they live) and the immediate community.

12.4 The indicative amounts of funding allocated to each theme (including a £12m contribution from the Council) were set out in the May report:

Indicative funding allocations for the new programme of support agreed through the Global Settlement Agreement.

Theme	Total commitment
Personalised support for bereaved and survivors	£18m
Support for the immediate local community near the Tower (as above)	£10m
Education and training for bereaved and survivors and the immediate local community	£14m

12.5 As outlined in the May report, the total amount of funding for the new programme was fixed but the breakdown across the three themes could be subject to change through the consultation.

12.6 Beyond the broad themes for the new programme and the indicative funding envelopes, nothing else was decided through the Global Settlement Agreement about the nature of the support or the precise scope of programmes and projects. Instead, the agreement included a requirement for a wide-ranging consultation with bereaved, survivors and the immediate local community. The Council was asked to lead this consultation work and, subject to community agreement, to coordinate the delivery of the new programme of support from 2024 to 2028.

12.7 Two consultations, with bereaved and survivors and the immediate local community, began in October 2023. The outcome of these consultations is expected to be known in Spring 2024 and a formal decision taken by the Leadership Team in April 2024. The budget required to support the new programme in 2024/25 will depend on the final model agreed with bereaved, survivors and the local community. All activity will be funded from the contributions made by the Council and other defendants under the terms of the Global Settlement Agreement.

12.8 The financial contributions to the new programme from other parties, including the Government and others, will be held by the Council until the design of the new support is agreed and the programme begins in 2024/25. Funding already received from other parties will accrue interest in the meantime and this interest will be reinvested in the new programme.

12.9 A detailed budget will be agreed in 2024/25 and there will be regular reporting on expenditure as part of the new programme.

13. SUPPORT FOR DELIVERY OF GRENFELL WORK

- 13.1 Alongside the core funding for the new programme of future Grenfell support (see Section 12 above), the Council and other parties to the Global Settlement Agreement have also agreed to make a separate contribution to cover the administration and delivery costs associated. This is entirely separate from the funding for the main programme. The contributions cover the costs of the consultation and the External Scrutiny Team, which was selected by claimants' legal representatives to scrutinise the Council-led consultation and lead their own consultation on future monitoring and scrutiny of the programme. The contributions also cover the administration and delivery costs of the new programme over the next four years, including coordination, communications and support for delivery.
- 13.2 As part of the budget proposals for 2024/25, the Council is setting aside approximately £310,000 per year from 2024/25 to 2027/28 to cover its contribution to these costs, to be funded from reserves. However, some expenditure (specifically costs related to the consultation and the External Scrutiny Team) has been incurred in the 2023/24 financial year and will be drawn down from reserves at the end of the financial year.
- 13.3 In addition to the costs of coordinating the specific future Grenfell support programme, additional funding will be needed to support the Council's wider work on building an effective legacy from Grenfell at the Council in the next phase. These are the costs of senior posts (the Strategic Director of Grenfell Partnerships, Communities and Transformation, the Assistant Director of Grenfell Partnerships, Strategy and Transformation and a Senior Project Management) previously funded from the Grenfell Recovery or Grenfell Corporate budgets. These posts will ensure effective oversight of the next phase of the work on Grenfell and help to drive work to embed learning from the tragedy across the wider organisation, through oversight of change and transformation work. A budget of £370,000 is being set aside for 2024/25 to support these costs.

14. RESOURCES DEPARTMENT

- 14.1 In 2024/25, the Council will spend £15.4m (net of recharges) on providing support services that are critical to the delivery of effective front-line services. Not all the services in this department are 'back office' functions. Customer Delivery provides the main 'front door' with the local community. They deal with over 109,000 face-to-face visits and 500,000 telephone calls through the contact centre each year, collect Council Tax from almost 90,000 households, and Business Rates from over 9,100 properties, and pay Housing Benefit to 16,600 households.
- 14.2 During 2023/24 the Business Rates team took on responsibility for collecting levies for three Business Improvement Districts (BIDs) across the borough, with additional resources provided via the BIDs to enable this work. Our teams have also administered a number of measures to ease the impact of the cost of living for our residents: 1,370 households have received £761,000 in Household Support Fund grants; 3,005 households received £360,000 via the Council Tax Support Fund; and 16,147 households received £1.6m in Council Tax discounts. While it seems the government will not be issuing further tranches of the Household Support Fund in 2024/25, we will be working to distribute around 16,200 'cost of living' payments to households across the borough totalling £1.62m.

- 14.3 The Council's Customer Access Strategy was published in October 2020, and its implementation has been a key priority over 2023/24 to ensure that everyone's day to day experience of contacting the Council is a positive one and making people's lives easier. We have appointed a delivery partner with significant experience in implementing the IT tools that will underpin much of the improvements the Council has committed to. The implementation plan they have developed will be a big priority for us in 2024/25 and beyond, and we will be working with a range of services to directly and quickly improve both the digital and in-person experience for the people who contact us. It's important to note that realising these improvements is equally, if not more, reliant on changes to working practices and business processes and these must receive the capacity needed if we are to see the return on this investment.
- 14.4 As part of our work to implement the Customer Access Strategy, in 2023/24 we adopted an innovative approach and became the first council to co-design corporate Service Standards with our residents. Residents also developed an implementation plan to show how the Council would meet the standards and to hold us to account. The Service Standards were adopted by Leadership Team in September 2023 and over 2024/25 the hard and most important work must take place to deliver the implementation plan. This work will be driven by Customer Delivery in collaboration with services across the Council.
- 14.5 We have also focused on improving the digital experience for our residents by working to redesign some of the customer journeys on our website. This initial exercise was completed at the end of 2023 and will inform the plan to overhaul digital journeys for residents and improve customer satisfaction in this area.
- 14.6 Customer Delivery also includes Conference and Events - responsible for maximising income through our events facilities including Chelsea Old Town Hall, Kensington Conference and Events Centre, and The Orangery in Holland Park. Over 2023/24 we have seen income through these event spaces start to recover following the pandemic. Evidence suggests that improvements are needed at Kensington Conference and Events Centre to meet differing client demands post-Covid and we will focus on ensuring these are delivered, whilst seeking to increase usage and attractiveness of other venues to maintain valuable commercial income that enables delivery of services.
- 14.7 A key area of work for Customer Delivery over 2023/24 was a large-scale procurement exercise to select external providers of 'soft Facilities Management' services (cleaning, security, pest control). The current contract with the existing provider expires early in 2024 and to ensure a smooth handover the year has been dedicated to full market testing. Establishing arrangements with the new provider over 2024/25 will be a core piece of work, making sure we get the best value for money from our providers.
- 14.8 Human Resources and Organisational Development support the entire workforce of over 2,500 staff. This year has seen the launch of the latest People Plan, setting out our priorities for the next four years, aligned to the new Council Plan. This work has included the reintroduction of K&C Staff awards and the launch of our Future Leaders programme, targeting development support to under-represented groups in senior roles.

- 14.9 The Council has developed a new Joint Domestic Abuse policy (being rolled out nationally as an example of best practice), an organisation-wide Customer Incident policy, and a new recruitment and selection process co-designed with residents. We have also increased our income from selling HR services to neighbouring boroughs, while also providing training and support to local charities and community groups free of charge.
- 14.10 We have continued to develop our Equality, Diversity and Inclusion (ED&I) and Health and Wellbeing offers, with support from our staff networks, and have seen a further reduction in gender and ethnicity pay gaps this year.
- 14.11 Work is underway to move our payroll and HR management systems from SAP to Oracle Cloud, which promises to provide significant improvements to our service offer and reporting capability. This includes the transfer of shared-service administration functions managed by Hampshire County Council back in house, providing greater control over our end-to-end processes and user experience.
- 14.12 The Financial Management function delivers all of the Council's statutory financial requirements – including setting a balanced budget and producing the annual Statement of Accounts. The service is responsible for ensuring that a culture of good financial management is embedded across the organisation, which includes playing a pivotal role in maintaining oversight of financial pressures and using insight to highlight opportunities and mitigate risks. Going forward, the team will continue to take the lead in navigating the organisation through the uncertain and challenging financial times and ensuring that resources continue to be utilised in the most efficient and appropriate manner for our residents and communities.
- 14.13 Also in the year ahead, the team will be further embracing technology alongside the Human Resources function to implement Oracle Cloud, our new Enterprise Resource Planning (ERP) system, which will enable the whole organisation to better manage its Finance and HR functions, giving managers greater control and ownership.
- 14.14 The Strategic Procurement function is continuing to embed good procurement practice and governance alongside developing forward planning of future procurement exercises. They are leading on a programme to implement the requirements of the Procurement Act, which comes into force in October 2024. To that effect, the 2024/25 budget includes growth of £350,000 to enable the service to meet both the enhanced requirements of the Act and support directorates to plan and deliver significant savings that match the budget investment in the service through procurement and contract management.
- 14.15 The Insurance service provides a full claims handling service, which includes responding to claims arising from the Grenfell tragedy. In addition to claims handling, the service procures and manages all of the Council's insurance contracts - including property, leasehold, employer and public liability, and provides advice to internal services on all insurance matters, with work on contracts and construction matters being prominent.

- 14.16 Internal Audit and Fraud functions have continued to support all Council departments by providing assurance, investigations and advice on controls and fraud prevention. Internal Audit has reduced reliance on external support whilst maintaining an appropriate level of service using Agile planning and the development and embedding of apprenticeships in the team. The Fraud function joined the London National Fraud Initiative (NFI) Fraud Hub in April 2023, which combines data from across London to prevent and detect fraud. This work is coordinated by a shared service investigator. The outcome of Internal Audit and Fraud work is reported to the Audit and Transparency Committee.
- 14.17 The Governance Team provides support to around 250 Council, Leadership Team, Committee, Scrutiny and other Councillor meetings each year; manages the statutory Forward Plan of Decisions and administers around 250 key and executive decisions; delivers an annual Scrutiny Work Programme; provides a 'first stop shop' for Councillors and shapes and delivers a Councillor Development Programme; provides staff briefings and advice to safeguard and promote 'good governance' across the Council; and manages a busy Mayoral Programme including hosted events and external visits to all parts of the Borough.
- 14.18 These are for the most part highly visible functions which have been the subject of considerable attention post-Grenfell and have proven to be significant risk areas in recent 'public interest reports at' other authorities. As such these functions must continue to be properly resourced and delivered within statutory and Constitutional requirements, and in a way that both promotes the commitments made in the Council's Charter for Public Participation and safeguards a culture of 'good governance' across the organisation as a whole.
- 14.19 The Legal Services budget for 2024/25 is broadly in line with that for 2023/24. Activity is also forecast to be in line with 2023/24, and savings made up of reduced support staff and S113 (shared service) costs are planned. Legal Services will move to a standard recharge model for internal legal advice with fixed charges to departments. This will align the Legal Services cost allocation process with other enabling services. It will provide cost certainty for council departments, improve collaboration and reduce administration. During the year the team will continue to provide legal support across the organisation.
- 14.20 Following the disaggregation of Digital, Data and Technology (DD&T) from Westminster City Council in 2022, a key aspect of establishing our sovereign service was to create a stable, secure, competent, and effective digitally enabled organisation. Over the last year we have been developing our Digital Plan, processes, and systems to meet the digital and technological needs of the organisation so we can support the Council on its journey to becoming the best. DD&T also continues to drive benefit through delivery and support of the Digital Plan and the Council Plan, which both include complex and high priority programmes.
- 14.21 From a finance perspective, DD&T continue to develop significant long-term and sustainable savings, and efficiencies and improvements will be identified and delivered across the entire technical estate. Once new capabilities are in place, DD&T will look to a further planned restructure (target start 2024/25), which will deliver longer-term reductions in operational costs.

15. CHIEF EXECUTIVE'S DEPARTMENT

- 15.1 In 2024/25, the Council will spend £14.5m on providing the Chief Executives service including Communities, Corporate Strategy and Communications. Full details of the proposed budget are set out in Appendix 3.
- 15.2 At the beginning of 2024 Communities directorate moved from reporting under Environment and Communities (now renamed Environment and Neighbourhoods) to the Strategic Director of Grenfell Partnerships, Communities and Transformation in the Chief Executives department. The department includes registrars, community engagement, community safety, economic development (from August 2023) and managing the Council's relationship with the Voluntary and Community sector in the borough. Budget proposals for 2024/25 include £55,000 of efficiency savings, a £50,000 saving following the Communities Management Structure Review, and £100,000 savings from grant and commissioning expenditure which will be shared out to other departments during 2024/25.
- 15.3 The Corporate Strategy function was established back in 2019/20 in order to bring together relevant functions that serve the whole council and to strengthen performance management and programme delivery across the Council; establish effective corporate management arrangements and co-ordinate delivery of the Council Plan; and build capacity and capability in the Council's corporate functions. In the last 12 months, a new Council Plan has been agreed by Full Council (in March 2023) and a detailed Council Plan Action Plan by the Leadership Team (in July 2023). The Action Plan sets out the specific actions the Council will take to deliver the commitments in the Council Plan, including the broader ambition to become the best Council in light of the Grenfell tragedy for a greener, safer and fairer borough. The Corporate Strategy team supports regular reporting on the Council's performance and delivery of the Action Plan commitments to the Overview and Scrutiny Committee and the public.
- 15.4 The directorate was restructured during the year with the deletion of a director level post which led to a saving of £108,000. Budget proposals for 2024/25 include growth of £270,000 for four additional posts to address the need for more robust corporate oversight and grip of performance and delivery. This includes delivery of the core Council Plan committed to and a range of wider change and transformation initiatives, including commitments to ensure change at the Council in light of Grenfell. The new posts will support the transformation and change activities, helping to ensure the Council can both deliver on its ambitious commitments and respond to the increasing financial challenges it faces over the medium term. There will be regular reporting on this work to elected members and the resource regularly reviewed to ensure it is delivering value for money.
- 15.5 The Communications Team and Leadership Support Team have now merged to drive greater coordination between communications and leadership team activity. It also supports the organisation in making decisions based on evidence and in-line with resident priorities outlined in the Council Plan. Within Communications there will be a focus on a small number of large cross-cutting campaigns including housing, safety, public spaces, democracy, internal change and transformation, service standards, and health. These areas are pivotal to the Council Plan ambition of Becoming the Best for a Borough that is Greener, Safer, Fairer.

16. DRAFT REVENUE BUDGET 2024/25 – FUNDING

- 16.1 The £642m of spending in 2024/25 will be funded through a number of different sources – Government grants, Council Tax, Business Rates, Fees, Charges and rental income. The full breakdown is set out in **Table 2**.

Table 2 – 2024/25 Gross Income Budget

Income Source	Gross Income £'000	%
Government Grants (Services)	(53,728)	8.37%
Housing Benefit	(113,877)	17.74%
Other Grants (Services)	(14,684)	2.29%
Dedicated Schools Grant	(79,350)	12.36%
Parking Income	(53,528)	8.34%
Other Income (services)	(18,891)	2.94%
Other customer receipts	(41,197)	6.42%
Rental Income	(48,582)	7.57%
Other Internal Trading Income	(8,582)	1.34%
Investment Income	(2,713)	0.42%
Transfers from Reserves - Public Health	(2,475)	0.39%
Transfers from Reserves – Grenfell Recovery	(5,747)	0.90%
Transfer from Reserves - Other	(1,068)	0.17%
Transfer from Reserves - Civil Claims Reserve	(3,600)	0.56%
Revenue Support Grant	(12,709)	1.98%
Business Rates	(57,728)	8.99%
Council Tax	(104,657)	16.30%
Collection Fund	(2,000)	0.31%
Adult Social Care Grant	(16,534)	2.58%
Services Grant	(336)	0.05%
New Homes Bonus	(35)	0.01%
	(642,020)	100%

17. COUNCIL TAX 2024/25

- 17.1 Nationally the referendum threshold detailed in the draft provisional local government settlement allows for an increase of up to 2.99%. The draft budget for the Council is based upon council tax being increased by this amount.
- 17.2 In addition there will be a further 2% increase, for the element that is referred to as the Adult Social Care precept and the additional income raised will contribute towards meeting the demands for adult social care services.

- 17.3 The overall impact of the two elements is that the increase in the Council's element of Council tax will be 4.99% (excluding garden squares). Although a difficult decision this will enable the Council to spend an additional £5.0m on services whilst council tax levels will remain in the lowest quartile in London. This also comes after basic council tax was frozen in 2023/24 despite the high levels of inflation and only increased by 0.99% in 2022/23. Furthermore as detailed in paragraph 5.11 above additional support will be offered to lower income households in the borough.
- 17.4 The remainder of the increase in Council Tax income relates to an increase in the council tax base (additional £284,000) and the Council proposing to extend its current empty homes Council Tax premium to include properties that have been empty for more than one year to take effect from 1 April 2024 (additional £871,000). These are broken down in table 7 below. At this stage no assumption for this additional income relating to empty homes has been made after 2024/25. This assumption will be reviewed in the next Medium Term Financial Strategy due to be published in the summer.
- 17.5 The average Band D (excluding Garden Squares) will increase from £988.26 to £1,037.58, an increase of £49.32. Full details are set out in **Appendix 10** which sets out the increase for each band.
- 17.6 Garden Square levies are treated as special expenses and as such are viewed by the Government as part of the Council Tax for referendum purposes. The 2024/25 Garden Square levies total is £2.174 million compared to £2.032 million for 2023/24. Actual council tax levels for properties liable for a garden square levy are shown in **Appendix 10** and the amount residents actually pay will be the 4.99% increase plus their separate specific garden square levy. Individual levies are separate to the referendum limit detailed in paragraph 17.1 above.
- 17.7 The Council will continue to fully fund the local Council Tax reduction (local Council Tax benefit) scheme in 2024/25 and so will fully protect vulnerable residents on low incomes who might otherwise pay more. The new scheme was approved by Leadership Team on 8 October 2020 and in 2024/25 will continue to help low-income households to avoid Council Tax debt and will increase work incentives alongside Universal Credit. Currently just under 13,000 households receive a Council Tax reduction. This is expected to decrease to an average of around 12,500 over 2024/25, primarily due to residents transitioning to Universal Credit and not then reclaiming for Council Tax support. There has also been a trend of those on low incomes moving out of central London due to high rents and being replaced by residents not receiving benefits. The total spend on the scheme is expected to be approximately £14.0m.
- 17.8 The Council Tax base is the number of properties in Bands A to H in the borough expressed as an equivalent number of Band D units. The Executive Director Resources has calculated under delegated authority the Council Tax Base of 98,878 for the year 2024/25. This is an increase from 97,732 in 2023/24 and continues to be based on a collection rate of 97.75%. The increase is a combination of an increase in the number of chargeable properties but also the decrease in Council Tax Support claimants has a positive impact on the calculation of the Council Tax base.

- 17.9 Empty homes in RBKC are currently required to pay a Council Tax premium after they have been empty for more than two years. The Levelling Up and Regeneration Bill now allows Councils to apply a premium of up to 100% after a property has been empty for one year. The recommendations in paragraph 2.1 include the Council extending the current premium to properties that have been empty for more than one year. It is anticipated that extending the scheme in this way could achieve an additional income of approximately £871,000. However at this stage it is not clear if government Funding to Council's will be adjusted as a result of this premium and there is a risk the government will in future reduce the core spending power funding allocation to take into account of such increase in council tax income.
- 17.10 In October 2023 the Government's Levelling Up and Regeneration Bill received Royal Assent. This gives Councils the power to apply a premium of up to 100% of the Council tax to owners of second homes in the borough. Any Council wishing to do this is required to make a Council resolution confirming their intention at least 12 months prior to the financial year in which the changes will come into effect.

18. GREATER LONDON AUTHORITY PRECEPT 2024/25

- 18.1 The Greater London Authority Band D Council Tax figure for 2024/25 has been published for consultation as £471.40, which is an 8.6% increase or £37.26. The final 2024/25 precept will be issued after the London Assembly meets on 22 February 2024. Any changes will be reported to Council on 28 February 2024.

Table 3 – GLA Precept

Council Tax Band	Greater London Authority 2023/24	Greater London Authority 2024/25	Increase from 2023/24 to 2024/25
	£	£	£
A	£289.43	£314.27	£24.84
B	£337.66	£366.64	£28.98
C	£385.90	£419.02	£33.12
D	£434.14	£471.40	£37.26
E	£530.62	£576.16	£45.54
F	£627.09	£680.91	£53.82
G	£723.57	£785.67	£62.10
H	£868.28	£942.80	£74.52

- 18.2 The Council's total Council Tax rates for each Band are shown in **Tables 4A & B**, which also show the percentage of dwellings falling under each band. The spread of dwellings across the bands is different to the London average and although the council tax level is expressed as a Band D equivalent, for Kensington and Chelsea, Band G has the highest percentage. Band G and Band H together account for almost 40% of dwellings. Full details of Council Tax due, including the Garden Square levies, are set out in **Appendices 8, 9, 10 and 11**.

- 18.3 The council tax figures in **Table 4A** have been calculated including £2.174m for the total garden squares precept. Any changes will be reflected in the final draft budget and council tax levels reported to Council on 28 February 2024.

Table 4A - Total Council Tax 2024/25 **including** Garden squares

Band	Kensington and Chelsea	Greater London Authority	Total	% of Dwellings in Band	Actual Number of Properties
A	£705.63	£314.27	£1,019.90	1.96%	1,762
B	£823.24	£366.64	£1,189.88	3.85%	3,457
C	£940.84	£419.02	£1,359.86	10.54%	9,471
D	£1,058.45	£471.40	£1,529.85	15.74%	14,136
E	£1,293.66	£576.16	£1,869.82	14.95%	13,434
F	£1,528.87	£680.91	£2,209.78	13.60%	12,221
G	£1,764.08	£785.67	£2,549.75	22.19%	19,937
H	£2,116.90	£942.80	£3,059.70	17.16%	15,414

Table 4B - Total Council Tax 2024/25 **excluding** Garden squares

Band	Kensington and Chelsea	Greater London Authority	Total	% of Dwellings in Band	Actual Number of Properties
A	£691.72	£314.27	£1,005.99	1.96%	1,762
B	£807.01	£366.64	£1,173.65	3.85%	3,457
C	£922.29	£419.02	£1,341.31	10.54%	9,471
D	£1,037.58	£471.40	£1,508.98	15.74%	14,136
E	£1,268.15	£576.16	£1,844.31	14.95%	13,434
F	£1,498.73	£680.91	£2,179.64	13.60%	12,221
G	£1,729.30	£785.67	£2,514.97	22.19%	19,937
H	£2,075.16	£942.80	£3,017.96	17.16%	15,414

- 18.4 Leadership Team is asked to recommend to Council on 28 February 2024, subject to receipt of final precepts and levies including Garden Squares special expenses the final budget figures and the council tax resolution (**Appendix 8**) and that delegation to be given to the Executive Director of Resources to take account of any changes arising from these.

19. BUSINESS RATES

- 19.1 Business Rates are set nationally. The value of business premises is determined by the Valuation Office and the Government set the multiplier which specifies the pence per pound paid in tax. From April 2023 the rateable value of all non-domestic properties in England was updated to reflect the property market as at April 2021. A package of support was made available to support businesses for the 2023 revaluation.

- 19.2 The Chancellor announced during his Autumn Statement that for 2024/25 the small business multiplier would be frozen for another year and remain at 49.9p. However, the standard multiplier would increase from 51.2p to 54.6p in line with inflation. In 2024/25, the budget assumes the Council will receive £100.4m in business rates and retain £57.7m.
- 19.3 The 75% discount for retail hospitality and leisure is also being extended for another year through 2024/25. It remains unclear how many businesses will struggle to bounce back after the reliefs and the grants have ended which will affect the total business rates collectable and the collection rate. The position will continue to be monitored closely through the year.

20. COLLECTION FUND

- 20.1 The Collection fund is a separate account which receives the income collected from Council Tax and Business Rates payers and then makes payments to the Council, GLA and Government. The Local Authorities (Funds) (England) Regulations 1992 (as amended) require an annual projection of the balance on 31 March each year. This is because precepting authorities share surpluses / deficits and need to take account of these when setting the budget.
- 20.2 The projected in year deficit (Council share) on the collection fund at the 31 March 2024 is estimated at £3.4m. This takes account of both business rates collection and council tax collection in 2023/24. The business rates proportion of this deficit is £3.9m. The Council Tax element is a surplus of £466,000.

21. GOVERNMENT FUNDING

- 21.1 Over recent years there have been changes to Local Government Funding. There has been a move away from multiyear settlements and Local Authorities have relied on one-year settlements published in draft in December of each year which makes forward planning very difficult because funding can only be assumed for a single year.
- 21.2 The 2024/25 provisional settlement was announced in December 2023. This included an inflationary increase in the Council's Settlement Funding Assessment (SFA) and confirmed additional funding previously announced for social care for 2024/25. These additional grants were welcome but how long they will remain is uncertain with the risk of a cliff-edge in funding from 2025/26, which will need to be carefully tracked and provided for if government funding does reduce.
- 21.3 On 24th January DLUHC confirmed new funding of £500m for local authorities with adults and children's social care responsibilities. Further details are expected to be confirmed within the final settlement. Allocations have not been confirmed at the time of writing and the budget does not currently include any of this additional funding. When this is confirmed the Council intends to hold in a separate contingency for adults and children's social care pressures.

21.4 Analysis from the Office for Budget Responsibility (OBR) of the Chancellor's Autumn Statement estimates that there will be a 2.3% cut to non-protected departments (which include local government) after 2025/26. Base financial plans therefore assume the additional social care funding drops out after 2024/25 and the Council's retained Business Rates and Revenue Support Grant are frozen at 2024/25 levels. This largely explains the significantly large budget gap for 2025/26.

21.5 The Council's Core Spending Power was published as part of the draft Local Government Finance Settlement in December 2023. At the time of publication of this report the final settlement had not been published but is expected imminently. Similar to previous years, there are not expected to be any further changes, but any will be included in the final budget recommended to Council on 28 February 2024.

21.6 2024/25 sees an increase in Government grant funding of £2.8m as set out in **Table 5**. Much of this is to fund additional cost pressures emerging within social care and additional costs from the recent high levels of inflation.

Table 5 – Grant Funding 2024/25

Grant Name	2023/24 Funding £'000	2024/25 Funding £'000	(Increase)/ decrease £'000
Grants Held Centrally			
Revenue Support Grant	(11,919)	(12,709)	(790)
New Homes Bonus	(14)	(35)	(21)
Social Care Grant	(13,910)	(16,534)	(2,624)
Services Grant	(2,133)	(336)	1,797
Service Grants			
ASC Discharge fund	(1,074)	(1,790)	(716)
Improved Better Care Fund	(7,662)	(7,662)	0
ASC Market Sustainability Grant	(2,030)	(3,792)	(1,762)
ASC Market Sustainability and Improvement Fund - Workforce Fund (included in line above in 2024/25)	(1,318)	0	1,318
Total	(40,060)	(42,857)	(2,797)

21.7 As part of the provisional settlement Government published Core Spending Power figures which are a measure of the resources available to local authorities to fund service delivery. The Core Spending Power for Kensington and Chelsea in 2024/25 is set out in **Table 6**. It is important to note that there are a number of assumptions made by Government in this measure around Council Tax - £5.0m is assumed to be raised through a 4.99% increase in Council Tax levels as well as assumptions around the Council Tax base but this remains subject to local decision making.

21.8 The core spending power figures are set out as below.

Table 6 – Core Spending Power 2024/25

	2023/24	2024/25
	£'000	£'000
National assumption around Council Tax Requirement	(98,529)	(103,535)
Retained Business Rates	(54,700)	(57,728)
Revenue Support Grant	(11,919)	(12,709)
Compensation for under-indexing the business rates multiplier	(9,318)	(10,370)
New Homes Bonus	(14)	(35)
Improved Better Care Fund	(7,662)	(7,662)
Social Care Grant	(13,910)	(16,534)
Market Sustainability Grant	(2,030)	(3,792)
ASC Market Sustainability and Improvement Fund - Workforce Fund (included in line above in 24/25)	(1,318)	0
ASC Discharge Fund	(1,074)	(1,790)
Services Grant	(2,133)	(336)
Core Spending Power	(202,607)	(214,490)

22. FEES AND CHARGES

- 22.1 Income from fees and charges in 2024/25 will provide 15% of the Council's total funding. The full set of proposed fees and charges for 2024/25 were presented to Leadership Team on 6 December 2023 and then launched for external consultation.
- 22.2 Since December some of these have been revised. **Appendix 15** shows the full schedule.
- 22.3 In March 2020, the Council published its first Charging Strategy which ensures consistency in deciding which services to charge for, the level of charge and to ensure charges are transparent and easy to understand. The aim is for all fees and charges to be reviewed in line with the principles of the Strategy. As part of this year's budget process, some fees and charges have been reviewed to reflect the principles in the Strategy, and this work will carry on over the next 12 months as these charges and full cost of providing these services continue to be reviewed.

23. SUMMARY BUDGET CHANGES

- 23.1 In previous sections, this report has set out the changes in the different elements of the Council's budget and these are now summarised in **Table 7** which shows the increase in Council Tax requirement for a robust and balanced budget to be set. The full 2024/25 budget and Council Tax levels can be seen in **Appendix 1**.

Table 7 – 2024/25 Budget Movements compared to 2023/24

Budget Change	(£'000)
Budget Gap/(Surplus) 2023/24	0
Provision for additional contract inflation in 2023/24	493
Provision for extra pay award in 2023/24 (para 5.9)	1,594
Changes in funding of the Council's Grenfell recovery work*	(2,500)
Increase in External Funding	(4,385)
Lancaster West Team Funded from reserves in 2024/25	(274)
Movement in collection fund balance	(919)
Reduction in transfer to reserves	(4,170)
Other Movements	238
2024/25 Budget Pressures (Appendix 4)	6,412
Previously Approved Savings (Appendix 5)	(80)
Financing of the Capital Programme (section 27)	8,874
Social Care Inflationary Pressures 2024/25 (as per paragraph 5.5)	2,710
Provision for 2024/25 Pay Award (para 5.9)	4,495
Non Social Care Contract Inflation 2024/25 (as per paragraph 5.5)	4,849
Changes in levy charges (including concessionary Fares) (section 31)	1,824
Increase in Fees and Charges Income (section 22)	(2,547)
New Corporate Savings (para 5.2 and Appendix 5)	(4,669)
New Service Savings (para 5.2 and Appendix 5)	(7,889)
Transfer to Ward Implementation Reserve	1,000
Transfer to Reorganisation Reserve to be used for Transformation	1,071
4.99% overall increase in Council Tax (as per paragraph 17.3)	(4,973)
Increase in Council Tax Base (as per paragraph 17.4)	(284)
Extension of empty homes Council Tax premium (paragraph 17.4)	(871)
Budget Gap/(Surplus) 2024/25	0

* The Grenfell Recovery Programme (2019-24) was funded from a ringfenced budget of £50m committed in 2019. The programme will begin to come to an end in 2024. From 2024/25, the Council and other parties have committed additional funding for support to bereaved, survivors and the immediate local community from 2024-28. This will be funded separately. See sections 12 and 13 for more details.

24. LOOKING FORWARD 2025/26 ONWARDS

24.1 The full [Medium Term Financial Strategy](#) was published in July 2023. The aim of the strategy is to:

- Plan the Council's finances over the period 2024/25 – 2027/28, taking account of both the local and national context;
- Provide the financial framework for the Council's priorities and ensure that these priorities drive the financial strategy and the allocation of financial resources; and,
- Manage and mitigate future budget risks by forward planning and holding reserves as appropriate.

- 24.2 The Council's medium term financial position is by necessity fluid and responds to reflect the changing circumstances faced by the Council, updated priorities and ambitions, the latest budget position and a range of external factors such as economic conditions and Government legislation. The position will likely continue to change as assumptions are updated in light of new information ahead of budget setting in the years ahead.
- 24.3 Although a robust and balanced budget is proposed for 2024/25 subject to approval by Council on 28 February 2024, the financial position beyond 2024/25 is challenging. At present, the Council's overall budget planning position indicates a forecast budget gap for 2025/26 of around £19m.
- 24.4 Although significant this is an improvement on the forecast gap in the November 2023 update report to Leadership Team which was estimated at approximately £23.1m. This improvement has been driven by the capital review exercise which has brought an estimated revenue saving of £1.9m, the assumption that the £1.3m budget surplus for 2024/25 being transferred into reserves can be used to reduce the gap in 2025/26, as well as longer term funding assumptions being refreshed following the draft settlement published in December 2023.
- 24.5 However, the position remains subject to a great deal of uncertainty and a number of factors could change the position both in a favourable and adverse way. As detailed in Table 7B below if the Council's external funding is uplifted by inflation and the additional social care funding is made permanent going forward this would improve the financial outlook considerably. However, if cost pressures in temporary accommodation and other services continue, inflation does not fall as quickly as assumed in 24.10 below, interest rates remain higher for longer, and/or previously committed savings are not achieved to plan this will adversely impact on the Council's financial position.
- 24.6 Any changes to the funding formula and the Levelling Up agenda could increase this budget gap further. Although the financial position of the Council going forward is challenging this is not out of line with other boroughs across London and work has commenced to ensure a balanced budget for 2025/26 is delivered.
- 24.7 Whilst the additional funding announced in the provisional settlement for 2024/25 was welcome, the outlook from 2025/26 onwards is even more challenging with the Council's planning assumption resulting in a budget gap of around £19m in 2025/26 and then between £6m and £7m in each of the subsequent two years. This therefore will result in a cumulative gap of £32m by 2027/28. The reason for the large movement in the budget position for 2025/26 is partly driven by the additional social care grants confirmed for 2023/24 and 2024/25 expected to drop out from 2025/26 as well as the Council's Settlement Funding Assessment (SFA) expected to be frozen in cash terms following the OBR's analysis of the Chancellor's Autumn Statement.

Table 7A assumes additional social care government grant ceases in 2025/26 and SFA frozen in cash terms

(£'000)	2024/25	2025/26	2026/27	2027/28
Budget Gap (in year)	0	18,891	6,819	6,426
Budget Gap Cumulative	0	18,891	25,710	32,136

24.8 However if this additional social care funding was continued going forward and the Council's SFA was uprated in line with forecast inflation assumptions the budget gap in 2025/26 would instead be forecast to reduce to £9.5m with a cumulative gap of £21m by 2027/28:

Table 7B assumes additional social care government grant continues in 2025/26 and SFA uplifted in line with inflation assumptions

(£'000)	2024/25	2025/26	2026/27	2027/28
Budget Gap (in year)	0	9,465	5,369	6,426
Budget Gap Cumulative	0	9,465	14,834	21,260

24.9 This does not allow for the risk of a drop in funding related to any changes in government funding formulae or a fall in Kensington and Chelsea's population.

24.10 The forecast for future years (2025/26 onwards) makes the following key assumptions:

- Pay and price inflation of 2% for staff costs, the Council's major contracts per annum and increases to fees and charges. In general terms every 1% increase in inflation, could mean an increase of around £2.3m in running costs per year which would add to the budget pressure);
- A modest increase in the Council Tax base each year after 2024/25 (on average a 0.5% increase in properties per annum);
- It is assumed that any reductions in service specific grants can and will be contained within service budgets;
- Spending pressures are recognised and risks have been highlighted in **Section 28**;
- All savings are achieved to plan;
- Council Tax and Adult Social Care Precept increases of 2% and 1% respectively;
- No planned use of reserves to balance the budget; and
- General Fund working balance remaining at £10m and no planned use.

24.11 Even if the eventual budget gap is nearer the more optimistic scenario in Table 7B above the scale of the financial challenge will still require the Council to think differently about how and where resources are allocated. These financial challenges will need to be considered alongside the ambitious commitments set out in the Council Plan, including the broad ambition to become the best Council in light of Grenfell.

- 24.12 To date, savings (including the £12.6m of savings proposed for the 2024/25 financial year) have mainly been focused on reductions in individual service areas. Where transformational savings have been made, they have been confined to individual directorates or modest central targets (e.g. 2% staffing for 2024/25).
- 24.13 For the Council both to deliver on the ambition to ‘become the best’ and to meet the significant financial challenges ahead, we will need to consider a more transformative approach. In doing so, we must consider the needs and aspirations of our unique resident base, looking at how we can become the best for everyone who lives in the borough. This means maintaining a focus on providing high quality and efficient frontline services (both universal and targeted), improving efficiency and productivity and exploring opportunities for longer-term transformation to drive better outcomes for residents and targeting expenditure more effectively.
- 24.14 Work has now begun to develop options for 2025/26 and beyond for further discussion, scrutiny and consideration by elected members. This work seeks to identify options for savings that do not compromise our ability to deliver on the commitments in the Council Plan. Major transformation takes time, so the work needs to be sequenced carefully, creating space for longer-term change while ensuring savings targets are met for 2025/26. To do this a two-stage approach is to be initiated:
- 24.14.1 First, focus on financial discipline, efficiency and productivity in several key areas, with clear targets in each areas and a focus on making savings to close the gap for 2025/26.
- 24.14.2 Second, focus on longer-term organisational transformation for 2027/28, building on learning from the first phase and best practice from other places to drive better outcomes for residents and yield further savings.
- 24.15 There will be an update for the Overview and Scrutiny Committee on this work in Spring 2024, focused on principles, approach and areas of focus. A full update of the Council’s Medium Term Financial Strategy including indicative savings from this work will be published in summer 2024, with an earlier update Proposals for the 2025/26 budget will need to be developed by September 2024 to begin consultation with both internal and external stakeholders.
- 24.16 The Council’s External Auditors have not completed their Value for Money (VFM) work relating to the 2022/23 financial year, with their annual report expected to be issued in early 2024. The 2021/22 work was completed and presented to Audit and Transparency Committee in October 2023 and no significant risks were identified. The delays of these reports is due to the impact from the pandemic and auditors prioritising delivery of their opinion on the financial statements as per National Audit Office guidelines.
- 24.17 The Council continues to comply with the Financial Management (FM) Code which includes:
- Compliance with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government;
 - Compliance with the CIPFA Prudential Code for Capital Finances in Local Authorities;

- Compliance with statutory obligation in respect of the budget setting process including a clear medium-term financial strategy.

There are further actions that have been identified in order to achieve excellence in financial management. These are detailed below and were reported to Audit and Transparency Committee in November 2023:

- Include locally defined and Office for Local Government (OFLOG) performance indications in quarterly financial monitoring reports in order to transparently show the Council's financial resilience;
- Include the revenue implications for capital projects in the quarterly monitoring reports, along with an indication of whether these are fully resources or unbudgeted.

25. OPTIONS AND ANALYSIS

25.1 This report represents the outcome of the budget review process for 2024/25 for recommendation to Full Council on 28 February 2024. However, at this point it remains the case that until Full Council sets the budget in February, the 2024/25 budget has not been agreed, meaning that a range of alternative options remain open to Members, for both the capital and revenue budget.

25.2 The Leadership Team can amend the proposed revenue budget and Council Tax as set out in this report. However, any amendments to the budget must ensure that it continues to meet the Council's statutory requirement for a robust and balanced budget.

25.3 There are a number of areas where Leadership Team could choose to consider different scenarios for the budget and recommendations to Full Council, such as:

- Reduce the level of council tax and/or reduce the Adult Social Care precept for 2024/25, within the constraints of the referendum limits for the year. A reduction in the level of council tax or Adult Social Care precept would mean further savings would need to be identified. It will further impact the Council's ability to meet and manage demand for adult social care services given its challenging and volatile operating context characterised by national discharge funding uncertainty, market fragility and wider social care funding challenges.
- Deleting or reducing budget savings proposals, subject to considering the impact on the overall budget. There would need to be compensating offsetting proposals to deliver a balanced budget.
- Considering and substituting alternative budget savings proposals, whilst taking into account the time constraints required to develop these, undertake public consultation (where necessary), and meet statutory deadlines for the setting of council tax.

25.4 Changing other assumptions within financial plans (including assumptions about budget pressures, the use of reserves or the level of the centrally held contingency). This would provide just a one-off benefit to the 2024/25 budget and increase savings needed in future years.

26. TREASURY MANAGEMENT STRATEGY

26.1 The areas of Treasury Management and Prudential Borrowing are integral to consideration of the Council's Budget and also need to be considered so that Members can assess that capital investment plans are prudent, affordable and sustainable. Member's attention is drawn therefore to the Treasury Management Strategy for 2024/25 and details for Prudential Borrowing including the Prudential Indicators which are also set out in a separate report elsewhere on the agenda.

27. CAPITAL PROGRAMME

27.1 The Capital Strategy was refreshed and approved by Council in July 2023 and provides a framework for the allocation of resources to fund capital projects. The Council's ability to prudentially borrow to fund future capital schemes is limited by the budgetary pressures which the Council continues to face. Information regarding the revenue implications of prudential borrowing is provided in the separate Treasury Management Strategy. The total revenue impact of borrowing costs to deliver the Capital Programme in 2024/25 is expected to be approximately £10.7m (£7.2m external interest payable and £6.2m minimum revenue provision (MRP), partly offset by £2.7m investment income on the Council's general fund balances), this is an overall increase of £8.0m compared to 2023/24 due to higher interest rates, an increasing capital financing requirement, and lower investment balances. This excludes the revenue impact of any borrowing relating to the capitalisation direction which will be funded by the Civil Claims Reserve.

27.2 The Council has been reviewing its capital programme processes to improve its ability to prioritise the programme moving forward, to improve the accuracy of its forecasting through critically considering its capacity in terms of deliverability, and to therefore ensure the programme is deliverable and reflects the priorities in the Council Plan.

27.3 As part of this review a Capital Programme Management Office (PMO) has been set up to ensure a tight grip on projects and to control and schedule entry into the programme at the right time. To support this the PMO and Financial Management team have worked together to move towards an annualised bidding process and to change the remit of both the programme and pipeline going forward.

27.4 As a result of this, the programme has now become a list of live currently delivered projects that may span over several years. The Capital Pipeline will become a schedule of approved future projects that are confirmed to have sufficient justification to proceed with project development. There will be no assumption on any borrowing costs until these schemes are moved into the programme.

27.5 Projects should be in the Pipeline before being moved into the Programme to ensure they can be reviewed in the context of the whole programme.

27.6 Work on the review has continued since reporting to the November Leadership Team and as a result the amended movements that have been included in the programme are summarised in Table 8a below. Table 8b then summarises just the movements arising at Directorate level since the November report to Leadership Team:

Table 8a – General Fund Movements arising from the Capital Review

Year	New Bids £'000	Move (To)/From Capital Pipeline £'000	(Remove)/Add from Capital Programme £'000	Re-profile £'000	Total Movement £'000
2023/24	15	218	540	(10,992)	(10,219)
2024/25	747	(325)	(3,095)	7,518	4,845
2025/26	130	(18,400)	(1,000)	2,382	(16,888)
2026/27	720	6,158	0	1,092	7,970
Total	1,612	(12,349)	(3,555)	0	(14,292)

Table 8b – Capital Increases/(Decreases) Since November report to Leadership Team

Service	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Capital Programme Movement
Adult Social Care and Public Health	(452)	452	0	0	0
Chief Executive	370	175	0	0	545
Children and Family Services	(8,945)	1,392	2,240	0	(5,313)
Environment and Neighbourhoods	2,003	2,821	742	7,850	13,416
Housing and Social Investment	(15,148)	6,009	(13,946)	0	(23,085)
Resources and Customer Delivery	(1,145)	(4,460)	917	3,253	(1,435)
Capital Contingency	2,750	0	0	0	2,750
Total Movement	(20,566)	6,389	(10,047)	11,103	(13,121)

27.7 The revenue impact of the capital review has been significant with reduced borrowing costs of approximately £1.9m and £700,000 expected in 2025/26 and 2026/27 compared to what financial plans had assumed in the November report to Leadership Team. This has brought the estimated budget gap for 2025/26 down to around £18m as Section 24 above shows.

- 27.8 New capital investment is typically focused on investment into the borough’s highways, transport and open spaces, housing, schools and early year’s provision and Council buildings and digital infrastructure. This includes for health and safety requirements, rolling maintenance programmes and support to deliver the Customer Access Strategy and Digital Strategy. Some capital investment is required to deliver revenue savings and going forward this will be specifically tracked and reported on through the monitoring of the capital programme.
- 27.9 The total capital programme is £613.549m for 2023/24 to 2026/27, of which £225.700m relates to the General Fund and details are included in this report and £387.849m relates to the Housing Revenue Account and details are set out in the revised 30-year Business Plan that is reported elsewhere on the agenda.
- 27.10 Capital investment is reflected in the service narrative sections of this report (See **Section 6** onwards) but is summarised in **Table 9** by Directorate and in full in **Appendix 12**.

Table 9 – Capital Expenditure Programme 2023/24 to 2026/27

Service	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Capital Programme £'000
Adult Social Care and Public Health	425	6,366	2,778	0	9,569
Chief Executive	370	175	0	0	545
Children and Family Services	8,331	15,096	2,240	0	25,667
Environment and Neighbourhoods	23,798	13,494	9,880	7,970	55,142
Housing and Social Investment	57,364	42,210	20,002	0	119,576
Resources and Customer Delivery	2,218	2,728	1,879	3,253	10,078
Capital Contingency	5,122	0	0	0	5,122
Total General Fund Capital Budget	97,629	80,069	36,779	11,223	225,700
Housing Revenue Account	78,441	97,660	115,348	96,400	387,849
Total Capital Expenditure Budget	176,070	177,729	152,127	107,623	613,549

- 27.11 The funding of the Capital Programme is delegated to the Executive Director of Resources as Section 151 Officer and **Table 10a and 10b** summarises the indicative funding sources of the programme, but it will remain the responsibility of the Executive Director of Resources to fund the programme in year in the most cost-effective way and in line with the Capital Strategy.

Table 10a – General Fund Capital Programme Funding 2023/24 to 2026/27

Source	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Capital Programme £'000
External Funding:					
Capital Grants Reserve	(1,204)	0	0	0	(1,204)
Capital Grants & Contributions	(14,021)	(17,944)	0	0	(31,965)
S106/CIL Contributions	(14,031)	(6,649)	(1,224)	0	(21,903)
Earmarked Reserves	(5,212)	(64)	0	0	(5,276)
Capital Receipts Reserve	0	0	0	0	0
Car Parking Reserve	(4,200)	(1,679)	(820)	(720)	(7,419)
Revenue Contribution to Capital	(9,900)	0	0	0	0
Borrowing Requirement	(49,061)	(53,733)	(34,735)	(10,503)	(148,032)
Total Funding Sources	(97,629)	(80,069)	(36,779)	(11,223)	(225,700)

Table 10b – Housing Revenue Account Capital Programme Funding 2023/24 to 2026/27

Source	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Capital Programme £'000
External Funding:					
Capital Grants & Contributions	(14,548)	(16,840)	(17,987)	(2,948)	(52,323)
Capital Receipt Reserve	(2,104)	(12,325)	(16,100)	(19,875)	(50,404)
Major Repairs Reserve	(3,463)	(3,463)	(3,463)	(3,463)	(13,852)
Revenue Contribution to Capital	(14,369)	(15,221)	(17,688)	(15,297)	(62,575)
Borrowing Requirement	(43,957)	(49,811)	(60,110)	(54,817)	(208,695)
Total Funding Sources	(78,441)	(97,660)	(115,348)	(96,400)	(387,849)

27.12 Borrowing is regulated by the 'Prudential Borrowing Code'. The basic principle is that capital expenditure plans must be affordable, prudent and sustainable and that prudential indicators are used to support decision making. Further details are set out in the Treasury Management Strategy, including the Council's Minimum Revenue Provision Policy for 2024/25. The Minimum Revenue Provision is a charge that Councils are required to make in their accounts for the repayment of debt.

27.13 As highlighted above, a number of schemes are now part of the Capital Pipeline. The role of the pipeline is now to be a schedule of approved future projects that are confirmed to have sufficient justification to proceed with project development. The current draft Capital Pipeline is summarised in **Table 11** below and detailed at **Appendix 13**.

Table 11 – Capital Pipeline 2023/24 to 2026/27 and future years

Capital Pipeline	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Future Years £'000	Total Capital Pipeline £'000
Capital Pipeline	100	89,959	72,475	14,726	99,345	276,605

27.14 The above Capital Pipeline provisions include a total of £48.814m of new outline Capital Bids received. These additional bids are summarised in **Table 12** below:

Table 12 – Capital Bids to Pipeline 2023/24 to 2026/27 and future years

Capital Bid	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Future Years £'000	Total Capital Pipeline £'000
Improved Facilities for Residents with Learning Disabilities	0	10,000	0	0	0	10,000
Creation of a North Kensington Social Justice Archive	0	500	0	0	0	500
Chelsea Bridge	100	200	6,000	7,700	0	14,000
Hybrid Systems for Schools Buildings	0	3,500	0	0	0	3,500
Footway Replacement Programme	0	500	500	500	5,000	6,500
Heritage Street Furniture	0	150	150	150	1,500	1,950
Replacement of Acolaid (Environmental Health system)	0	64	0	0	0	64
Increasing Supply of Temporary Accommodation	0	12,000	0	0	0	12,000
IT Switch Hardware Replacement	0	300	0	0	0	300
Total New Bids	100	27,214	6,650	8,350	6,500	48,814

- 27.15 The 2015 Spending Review announced the flexibility for local authorities to use capital receipts from the sale of non-housing assets to fund revenue set up costs of service reform and transformation projects. Eligible projects are those which are designed to generate ongoing revenue savings in the delivery of public services or transform service delivery to reduce costs or demand for services in future years. In February 2021 the Government announced this existing flexibility would be extended for a further 3 years up until 2025/26.
- 27.16 To date Council has not made use of this flexibility, but potentially may do in future as it could help alleviate some of the pressure on the revenue budget. Any use would however reduce the availability of resources to fund the capital programme. However it could be an attractive option for funding implementation costs of cloud based IT systems which no longer qualify as capital expenditure. Any use of the flexibility will be reported through the quarterly finance monitoring reports to Leadership Team.

Carbon Zero

- 27.17 Achieving the Carbon Net Zero Target for the Council by 2030 and across the borough by 2040 is extremely ambitious both operationally and financially. Delivering on the commitment remains a key priority as outlined in the Council Plan. Based on cost analysis carried out through the Carbon Neutral Pathways Report back in 2019 it was estimated that the Council will need to spend approximately £144m on its own buildings and operations to become carbon net zero by 2030. At the time £97m related to the Council's housing stock whilst £47m related to general fund operations. The actual costs are likely to be significantly higher than this.
- 27.18 Achieving Carbon Net Zero will need to become an integral part of business planning across all services and across all decision making, including financial planning. This means it is a part of everything the Council does, is part of how every service is delivered and is everyone's responsibility.
- 27.19 The general fund capital programme and pipeline now includes a total of £20.7m over the next four years for investment into achieving carbon net zero for the community and denominational schools and Council operational buildings. The MTFS approved by Leadership Team in July 2023 confirmed the Council will aim to maximise all possible external funding opportunities in order to minimise required borrowing and subsequent interest costs. Where borrowing is required it will look to use favourable loan sources where possible and work in partnership with other local authorities, the GLA and the private sector where appropriate. External borrowing at market rates either from the PWLB or financial institutions will only be done once more favourable sources have been fully utilised.

- 27.20 As part of Retrofit Accelerator Programme, the Council is committed to focus on building investment in retrofitting and decarbonising the Council run schools. In addition to energy efficiency improvements at each site, the Council is considering the delivery of hybrid heating systems (part gas supplied, part renewable supplied heating systems) for school retrofit projects where possible. This will support with replacing old gas heating systems with low carbon ones to align with the climate emergency commitments. This will help reduce equipment purchase and some associated site costs. The average cost of hybrid heating system for our school buildings is approximately £576,000, which saves us approximately £450,000 per building when compared to going completely off gas, a saving of over 40%. There are currently around 6 Council schools to be considered in Phase 3 and £3.5m is now included in the capital pipeline to install new hybrid heating systems.
- 27.21 The same principal will be applied to retrofitting our operational buildings, although the cost impact of opting for a hybrid solution for the operational buildings will vary significantly by site size and the condition of individual buildings, therefore the average saving we can expect differs to that of school projects. We would anticipate that approximately 35% savings on average could be expected for operational building hybrid system retrofits, compared to full retrofit costs.
- 27.22 The Council intends to produce detailed costs for this project and include in the capital programme during the next 12 months.
- 27.23 The HRA Business Plan sets out the need to spend £76m over a 5 year period (2024/25 – 2028/29) towards achieving net Carbon Zero for our own housing stock. Over the longer term significant additional funding will be needed and still need to be quantified.

New Homes Programme

- 27.24 The New Homes Delivery Programme (NHDP) aims to deliver 600 new homes in the borough, including a minimum of 300 at social rent. The Capital Programme includes provision of £250 million, of which around £84 million is expected to have been spent by the end of March 2024 and a further £56 million is included in the capital programme to be spent over the next two years. There is further provision of £110 million in the capital pipeline to be invested in new homes and brought into the capital programme as required.
- 27.25 To deliver the greatest possible number of homes at social rent the Council will also build intermediate rented homes (targeted at key workers) and market rent homes, and most developments will also have community facilities incorporated in them (dependent on the size of the development).
- 27.26 The new homes are built within the Council's General Fund on sites owned by the Council. The social rented properties, following completion, will be appropriated on a cost neutral basis to the Housing Revenue Account (HRA) for letting.

28. RISK MANAGEMENT

- 28.1 Although the overall position for 2024/25 is showing a balanced budget there are a number of inherent risks for next year and subsequent years.

Economic Factors

- 28.2 The state of the economy can affect Local Authorities in a number of ways. Currently the global and UK economy is going through challenging times with high (albeit now falling) inflation, higher interest rates, a cost-of-living crisis as well as minimal economic growth.
- 28.3 The Council's focus is the impact of economic conditions on the cost of services, this includes inflation and interest rates but also the demand for services such as social care and homelessness. Services continue to consider the potential of factors affecting the economic conditions. The main concerns are the relatively weak performance of the UK economy, the ongoing cost of living crisis, the continuing impact of leaving the European Union, and the overall economic environment, particularly inflation and high energy costs, interest rates and the potential for further political instability over the next 12 months. The economic conditions mean that many income streams are not as high as they otherwise would be in improved economic times.
- 28.4 The Council committed £8m to providing support with Covid-19 recovery in 2020/21, and the remit for this budget has now expanded to support the Council's response to the cost-of-living crisis and its impact on residents and communities. Increasing physical activity, youth employment, and mental health training and education initiatives have all received funding, and in 2023/24 the budget was also used to fund the council tax rebate for all households in bands A-D. The Cost of Living (Financial Resilience) Group, led by Corporate Strategy, oversees proposals for investment, which are endorsed by the relevant Lead Member in conjunction with the Lead Member for Finance, Customer Services and Net Zero.
- 28.5 The UK economy has endured a challenging year, with the most recent figures showing it fell by 0.1% in the third quarter of 2023. Economic forecasts are pessimistic with the OBR expecting the UK economy to grow by less than 1% during 2024/25 and then not reach 2% until 2027/28.
- 28.6 Inflation levels continue to be above the 2% Bank of England target with the most recent CPI figure reported at 4% (December 2023). However this is significantly lower than the peak of 11.1% in October 2022. This higher inflation is expected to impact on many of the Council's contracts- particularly in social care and the environmental sector. As part of budget setting the Council has done a detailed review of all its contracts and has calculated around £7.6m of contract inflation is likely to be required in 2024/25. This works out at approximately 4% on average although does vary. Of this £7.6m £2.7m relates to pressures within Adult Social Care and Children's Services. This provision will be held centrally for services to draw down if/when these higher costs materialise.
- 28.7 It is however anticipated that these high levels of inflation are short term and longer term, rates will move back down to the target rate of 2%. There is provision for 2% staffing and 2% contract inflation ongoing from 2025/26. If inflation falls less quickly than this this will increase the budget gap in future years.

- 28.8 Interest rates have continued to increase significantly since the 2023/24 budget was set. The Bank of England increased interest rates five times during 2023 from 3.5% at the start of the year to 5.25% by August. However they have been kept at this level since then and do now seem to have peaked. The OBR expects interest rates to start to fall gradually during 2024 but remain around 4% over the MTFS period. Even with this anticipated fall rates are still very high by recent standards.
- 28.9 This will increase the cost of borrowing costs and therefore the revenue impact of the capital programme. However it will also increase returns on the Council's balances currently around £60m which will be invested through applying the Treasury Management Strategy elsewhere on this agenda.

Local authority funding for future years

- 28.10 In 2016, Government launched a consultation on a new Fair Funding Formula for determining how funding was allocated to Local Authorities across the country. As of February 2024 these changes continue to be delayed and is not expected until after the next general election.
- 28.11 The population of the borough did fall when the 2021 census results were announced and according to these findings the population of Kensington and Council dropped from 158,649 in 2011 to 143,360. However the census was taken during one of the COVID-19 lockdowns and this drop does appear to have been a temporary dip at that time. The latest population estimate of the borough is that it increased to 146,154 during 2022.
- 28.12 It is expected that any change in the funding formula and use of Census 2021 data will result in a loss of funding for Kensington and Chelsea and London. Although it is difficult to predict the quantum of the loss, knowing that it will now be no earlier than 2025/26 provides the Council with an opportunity for longer term planning for this funding loss.
- 28.13 Pressures within social care have again been recognised as part of the Local Government Finance Settlement with additional funding previously announced for 2024/25 confirmed. In the 2022 Autumn Statement, the Government announced delaying the rollout of adult social care charging reform from October 2023 to October 2025, as a result the repurposed money from delaying the charging reform has been distributed to local authorities through the Social Care Grant for adult and children's social care over 2023/24-2024/25. This resulted in an additional £5.4m in 2023/24 and £8.0m in 2024/25.
- 28.14 These new social care reforms when they are implemented are expected to lead to significant additional costs for the Council both in terms of supporting more individuals once they have reached the cap and the equalisation of the cost of social and private care that will lead to increased placement costs for the Council. Financial Plans assume that these new pressures will be fully funded but allocations beyond 2025/26 are not known and therefore have not been assumed in the financial planning beyond 2024/25.

Grenfell

- 28.15 Kensington and Chelsea will always be inextricably linked with the Grenfell tragedy, which has forever marked the borough, our communities, and the Council. Our commitment is to ensure it is never forgotten and to play our part in ensuring nothing like it happens again.

- 28.16 In 2024/25, there are several specific challenges that will have a major impact both on bereaved, survivors and local residents and on the Council. The conclusion of the Grenfell Tower Inquiry and the publication of the final report, decisions about the future of the site and the memorial and ongoing legal processes (including the criminal investigation) will have far-reaching implications for the community and the wider environment the Council is operating in. Against this backdrop, we must continue to provide dedicated support to bereaved and survivors and to effectively support the immediate local community. In 2024/25, this means planning for the transition from the current Grenfell Recovery programme to the new programme of support which is being designed with bereaved, survivors and the immediate local community. It also means ensuring the latter meets their needs and reflects the feedback they have shared with us.
- 28.17 Alongside providing support to those affected, we must also work to embed learning from the tragedy across the organisation, ensuring there is a lasting legacy from Grenfell at the Council. This means responding effectively and compassionately, in line with the commitments we have made, to both the Grenfell Tower Inquiry report (expected in 2024) and the criminal investigation, both of which will have far-reaching implications for the Council. It also means acting on the wider feedback we have heard from the community about change in light of Grenfell. The challenge is to deliver meaningful change for residents even against the backdrop of significant financial challenges in the medium term, in order to honour our commitment to becoming the best Council for all our residents.

Demographic and Demand Pressures

- 28.18 The Council faces direct pressures year on year on both spending and income budgets. Demographic and demand led pressures particularly impact on housing and homelessness and supporting vulnerable children and adults. As part of financial planning processes and more specifically in developing the draft budget for 2024/25, these demands have been reviewed and forecast. The 2024/25 budget includes £2.5m for these pressures (£2.0m in Adult Social Care and £500,000 in Children's Services) based on the latest information available and where there is some certainty on them materialising. These estimates take account of (although not exclusive) historical trends, current data and intelligence, future forecasts, and external advice where relevant. However, there is a risk that assumptions change and cost implications exceeds expectations resulting in a budget shortfall. There are also risks of pressures emerging that are not yet known. The budget also includes centrally held inflation provisions for social care of £2.7m and an additional £4.8m for inflation in other services and general economic pressures.

Delivery of savings

- 28.19 The statutory requirement to set a robust and balanced budget remains. The Council is in the position to set a balanced budget for 2024/25 in part as a result of £12.6m of budget reductions. The Council is confident these can be achieved but will continually monitor the delivery of these through the year as part of the quarterly financial management reports to Leadership Team to ensure that any emerging risks and mitigating actions can be identified early and action taken to manage and mitigate them.

- 28.20 The identification and delivery of savings beyond 2024/25 remains challenging. There is currently a budget gap of £32m over the three years from 2025/26 to 2027/28, based on the assumption that the additional social care funding and inflationary uplift to the Council's SFA does not continue beyond 2024/25. If the funding were to continue at the same rate this gap would reduce to £21m as per **Tables 7A and 7B** above. The Council's approach for aligning its limited financial resources to priorities is summarised in **Section 24** and will be set out in further detail in the next Medium Term Financial Strategy that will be published in the summer.
- 28.21 The nature of risks and uncertainties means it is therefore important that the Council takes a prudent approach to assumptions in both next year's budget and medium-term financial plans to hold sufficient levels of contingency funding within the budget for dealing with unforeseen circumstances in the short term. Levels of reserves provide a safety net in the event of more significant negative impacts on Council funding in the medium term.

29. RESERVES

- 29.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of Council Tax. This report therefore includes the advice of the Executive Director of Resources as Section 151 Officer as set out in "Financial and Resource Implications" section.
- 29.2 Under the 2003 Act above, the Section 151 Officer has to be satisfied that the level of the General Fund working balance is adequate. It is proposed that the General Fund balance be maintained at its target level of £10 million for 2024/25, which is the same level as 2023/24.
- 29.3 The Executive Director of Resources has also reviewed all earmarked reserves (monies set aside for a specific purpose). Details of the latest estimated position and the forecast for the next three years is set out in **Appendix 2**.
- 29.4 Reserves are not used for balancing the budget but are for one off investment or spend. The total use of 2023/24 reserves that Leadership Team have been asked to agree to date through the quarterly monitoring reporting process is £13.1m, with the total requested to be drawn down from reserves amounting to £13.5m. This mostly relates to the implementation of the new ERP System and using the Affordable Housing Reserve to part fund the Council's New Homes Programme.
- 29.5 The Council Plan Implementation Reserve was newly established in 2023/24 with an opening balance of £1.0m generated from planned savings associated with the fall in travel card usage after the pandemic. Funds will be used to support delivery of the Council Plan, and our ambition to become the best Council for residents in a borough that is greener, safer, and fairer. Further details are set out in **Appendix 2**.

- 29.6 The Civil Claims Settlement Reserve was also newly established in 2023/24, with an opening balance of £7.25m from planned savings arising from the 2-year temporary reduction to the Council's employer pension contributions following the triennial actuarial valuation of the pension fund. Last year the Council requested approval from the Secretary of State for Levelling Up, Housing and Communities (DLUHC) for a capitalisation direction of up to £75m to help cover the cost of resolving all claims that have been lodged since the Grenfell tragedy. The Council received letter on 4th January 2024 from the Department for Levelling up, Housing and Communities issuing an initial capitalisation direction of £23.2m. We expect the remaining £51.8m the Council requested to be agreed before the end of 2023/24 financial year. These payments will therefore be funded by external borrowing at a premium rate in line with the terms of the capitalisation direction (PWL B plus 1%). The revenue implications associated with this borrowing will be funded from the reserve, which is due to be utilised in full by 2026/27.
- 29.7 The Executive Director of Resources following consultation with the Lead Member for Finance, Customer Services and Net Zero, can approve all contributions to, and appropriations from, reserves up to £250,000. Any such approvals will be included in quarterly monitoring reports to Leadership Team for noting. Amounts in excess of £250,000 must be approved by Leadership Team, subject to any limitations set by the Council in the approved budget framework. Any such approvals will be included in quarterly monitoring reports to Leadership Team for approval.

30. CONTINGENCY

- 30.1 Historically the Council has maintained a central contingency budget for any unforeseen one-off budget pressures and has been available to manage other risks should they materialise, such as slippage in delivery of savings, unexpected events or additional revenue costs of capital schemes and new burdens.
- 30.2 During 2022/23 the Council underspent on this budget by £5.4m, and this surplus was used to create a new Contingency Reserve. As a result of this it is proposed the Contingency Budget can be removed for 2024/25 and the newly created reserve can be used to fund any one-off unforeseen pressures in the next financial year alone.
- 30.3 Financial plans then assume the contingency budget will then be required again from 2025/26 as the reserve is likely to be fully utilised during 2024/25.
- 30.4 Contract inflation remains a key area of concern given the current economic climate. As part of the budget setting process officers have performed a detailed review of all contracts by service and it is estimated around £7.6m will be needed to manage these pressures in 2024/25, of which £2.7m relates to pressures within social care. This will be held centrally with services drawing down these budgets during the year as required.
- 30.5 The remainder of the £4.5m centrally held budgets shown in **Appendix 2** is for staffing inflation, with the assumption the pay award will be 4% in 2024/25.
- 30.6 The Council also holds additional usable unearmarked reserves, including the Budget Stabilisation Reserve and Special Projects Reserve. These are one-off in nature and therefore should not be used to fund ongoing budget pressures.

30.7 These various provisions will protect the Council's General Fund balance, for which the plan is to maintain the latter at £10m, in line with Council's policy. Any contingency provision that is not needed will be added to one of the Council's reserves to deal with any future fluctuations.

31. LONDON WIDE PAYMENTS

31.1 The Council contributes to a number of London wide services and some of these contributions for 2024/25 have now been confirmed. As the remaining are confirmed over the next few weeks, the budgets will be amended before final approval at Council on 28 February 2024. Any changes from **Table 13** below are expected to be minimal.

31.2 The total budget for London Wide Levies is expected to be £11.6m. The most significant levy relates to concessionary fares and is £7.5m for 2024/25. The levy is based on journey numbers per London borough and is an increase of £1.6m compared to 2023/24. This relatively large increase for 2024/25 is a result of journey numbers gradually returning to pre-COVID numbers. However, the total concessionary fares levy is still below the level it was before the pandemic (£8.7m).

Table 13 – London Wide Levies

Levy	2024/25 £'000
Concessionary Fares	7,473
Taxi Cards	244
London Boroughs Grants Scheme	110
Environment Agency	236
London Pensions Fund Authority	1,409
Garden Squares	2,174
Total	11,647

32. SCHOOLS BUDGET

32.1 The total budget delegated to schools in 2024/25 is £83.2m (after the agreed transfer to the high needs block) which is an average 1.0% per pupil increase. Every school has an increase of at least 0.5% per pupil compared to 2023/24 funding. Overall there is a reduction of 233 pupils made up of reductions in primary schools of 172 pupils and 61 pupils in secondary schools. Schools will be supported in planning how to develop budget plans to deal with reductions in pupil numbers.

32.2 In addition to the Dedicated Schools Grant (DSG), mainstream schools will be allocated additional funding through the teachers' pay additional grant (TPAG) from September 2023 and in 2024/25. The indicative allocation of the TPAG for Kensington and Chelsea is £1.429m which equates to a further average 0.7% per pupil increase. Final allocations for the TPAG will be confirmed in spring 2024, based on pupil numbers and data on children who have had a free school meal in the last six years.

32.3 The financial position of overall school funding is challenging. The DSG had a deficit carry forward from 2022/23 of £6.271m. This is expected to reduce to £5.665m at the end of March 2024. The trend in increasing pupils with high needs and costs is likely to continue putting further pressure on high needs budgets.

- 32.4 In line with the latest DfE requirements, a deficit management plan was produced in partnership with schools and agreed with the Schools Forum. An updated version was due to be presented to the January 2024 Schools Forum. However due to the size of the cumulative deficit and ongoing high needs pressures, although the deficit is expected to reduce, the management plan is not expected to balance within three years.
- 32.5 At the end of March 2023, the Secretary of State for Education allocated Kensington and Chelsea funding of £1m to be used towards the cost of delivering its Delivering Better Value (DBV) implementation plan over two years. The Department for Education (DfE) grant is to deliver transformation activity to mitigate future cost pressures through two workstreams; earlier support for primary aged children with speech and language needs to remove the need for an Education Health and Care Plan; increasing inclusion in local mainstream schools, avoiding the use of higher cost placements in maintained special and independent or non-maintained schools. The grant cannot be used to reduce the cumulative DSG deficit.
- 32.6 Part of the Virtual School Services for Looked After Children, previously charged to the Central Schools Block of the Dedicated Schools Grant (DSG) will now be funded from General Fund due to the reduction in the DSG funding.

33. CONSULTATION

- 33.1 A consultation was carried out on the draft savings, increased service provision (growth), and capital investment proposals between 9th November 2023 and 21st December 2023. Proposals on Fees and Charges were consulted on separately from 7th December 2023 to 7th January 2024. In order to increase engagement with residents the Council took the following steps:
- 33.1.1 Information was included on the Council's website and was communicated through various channels, including newsletters to the general public, the voluntary sector, businesses and key partners, inviting them to contribute.
 - 33.1.2 Leaflets were printed and distributed at Housing offices (Blantyre office, Malton Road Office, Corporate Reception team, Pembroke Road office) and at the Customer Service Reception.
 - 33.1.3 The consultation featured in printed versions of Housing Matters and North Kensington news.
 - 33.1.4 Digital promotional materials were run on screens on housing estates and in the Customer Service reception centre.
 - 33.1.5 Posters were put up in the public noticeboards outside Kensington Town Hall.
 - 33.1.6 Officers attended the Youth Council to discuss the budget with young people from the borough.
 - 33.1.7 Officers wrote to Action Disability Kensington and Chelsea offering to attend a Members Group Meeting to discuss the budget proposals.

- 33.2 As a result of these steps the Council received 32 responses to the budget proposals and a further five responses to the fees and charges proposals. This is more than double the responses for 2023/24 and these are included in Appendix 6.
- 33.3 As part of the development of the Annual Scrutiny Work Programme 2023/24, the Overview and Scrutiny Committee revised the approach to the 2024/25 budget scrutiny.
- 33.4 The draft budget proposals were presented to the Overview and Scrutiny Committee meeting on 15 November 2023 and were then scrutinised by each of the Select Committees giving a greater number of scrutiny councillors an opportunity to be involved and improving transparency and accountability by holding the sessions in public at the formal meetings.
- 33.5 The Budget Working Group then co-ordinated a report containing the findings and recommendations from each of the meetings for review and amendment by the Overview and Scrutiny Committee as the lead committee for budget scrutiny. All responses have been considered by the Lead Members in putting together the draft budget for 2024/25.

34. EQUALITY IMPLICATIONS

- 34.1 Under the Equality Act 2010 the Council has a duty to pay “due regard” to the need to eliminate discrimination and advance equality of opportunity with regard to the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, sexual orientation, religion or belief and sex and to foster good relations between those who share a protected characteristic and those who do not. The duty to pay due regard does not impose a duty on the Council to carry out a formal equalities impact assessment in all cases when carrying out their functions but, where a significant part of the lives of any protected group would be directly affected by a decision, a formal equalities impact assessment is likely to be required to demonstrate that the Council has complied with its duty.
- 34.2 Officers have considered whether the recommended increase in Council Tax could have a particular adverse impact on people who share a protected characteristic. They take the view that there is no differential impact on any protected group arising from the Council Tax increase. Separately, and in any event, the Council Tax reduction scheme protects vulnerable residents on low incomes.
- 34.3 The equalities impact of specific budget proposals were reported to the Leadership Team in November 2023 and have been considered by the Overview and Scrutiny Committee and individual Select Committees.
- 34.4 Where specific budget savings have yet to be decided in detail the equalities impact will be considered and assessed by the relevant service as part of the final decision-making and implementation process.
- 34.5 In considering whether to approve the draft budget, members are required to comply with the Public Sector Equality Duty contained in the Equality Act 2010, as set out in paragraph 34.1 above. The Equality Impact Assessment is published separately on the agenda. The impact of the proposed increase in Council Tax is described in section 17 of this report.

35. INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) IMPLICATIONS

35.1 These are addressed through the report.

36. LEGAL IMPLICATIONS

36.1 Section 25 of the Local Government Act 2003 requires the Council's Chief Financial Officer, to report on the robustness of the estimates made for the purpose of calculating Council Tax and the adequacy of council reserves. Particularly note paragraph 37.1 where assurances have been given that the budget estimates are robust.

36.2 The Council is required to set a balanced budget and the Local Government Finance Act 1992 requires the Council to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget. The budget as proposed is balanced.

36.3 The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Taxpayers and ratepayers on the one hand and the users of Council services on the other are both taken into account.

36.4 Under powers contained in the Localism Act 2011, the government can require compulsory referenda on Council Tax increases above limits it sets. For 2024/25, the provisional limit is 2.99%. The proposal is within the threshold, so, if it is approved, the Council will not be required to hold a referendum. The government has also provisionally announced an additional threshold of 2% for authorities with adult social care responsibilities.

36.5 Section 106 of the Local Government Finance Act 1992, applies to all Members where:

- they are present at a meeting of the Council, the Cabinet (Leadership Team) or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and,
- any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

36.6 If the above criteria applies, any Member shall, at the meeting and as soon as practicable after its commencement, disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Members are however still able to speak at the meeting. Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

37. FINANCIAL AND RESOURCES IMPLICATIONS

- 37.1 These are addressed throughout the report. In addition, in setting the annual budget, Section 25 of the Local Government Finance Act 2003 requires the Executive Director of Resources (Section 151 Officer) to report to Members on the robustness of budget estimates and the adequacy of proposed financial reserves. The Executive Director of Resources comments that:

I am satisfied that the budget calculations are robust and that the 2024/25 budget takes account of all known liabilities and financial risks, but in particular it assumes that the Council will not rely on withdrawals from reserves to meet recurrent revenue commitments.

For any unforeseen one-off pressures that materialise during 2024/25 a Contingency Reserve has been set aside which will be able to fund these. Its balance at the start of the year is expected to be £5.4m. Furthermore there is an additional allocation of £2.7m for social care pressures, £4.8m for inflation and other economic pressures, and £4.5m for pay inflation being held centrally that can be utilised.

I consider that current levels of unallocated reserves remain adequate. In setting the level of general reserves and balances, account has been taken of the key financial assumptions underpinning the budget, the level of earmarked reserves and provisions, and the risks facing the Council over the medium-term. Financial Plans assume that over the planning period the Council is forecast to maintain a target of general balances of £10m. Maintaining general balances at this level is considered a minimum position.

MIKE CURTIS EXECUTIVE DIRECTOR OF RESOURCES

Local Government Act 1972 (as amended) – Background papers used in the preparation of this report.

2024/25 budget files and the Provisional Local Government Finance Settlement 2024/25.
Council Tax Base 2024/25 – approved under delegated authority.

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Mandatory clearance requirements for all Key and Executive Decision reports

Cleared by Finance (officer's initials)

LM

Cleared by Corporate Finance (officer's initials)

LT

Cleared by Legal Services (officer's initials)

JG

Cleared by Communications (officer's initials)

NJT

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