

# The Royal Borough of Kensington and Chelsea

## KEY DECISION

### Report Title: Quarter 3 Revenue and Capital Financial Monitoring Report – 2023/24

Date: 20th March 2024

Decision Maker	Leadership Team
Reporting Officer	Mike Curtis – Executive Director of Resources
Key Decision number	KD1004417
Access to information	Public
Wards	All Wards

#### 1. EXECUTIVE SUMMARY

- 1.1 Each quarter the Leadership Team is provided with an update on the in-year financial position and forecast for the remainder of the year. This report sets out the position at the end of quarter 3 (December) 2023/24.

##### **General Fund Revenue Budget**

- 1.2 The General Fund revenue budget position at quarter 3 is an overall forecast overspend of £2.778m against a revised net budget of £188.449m. This includes a forecast overspend of £1.463m across service budgets. This is an overall adverse movement of £99k when compared to the overspend of £2.680m reported at quarter 2. The position is set out further in table 1. The revised budget reflects the impact of virements between directorates, savings, and assumptions relating to movements to/from reserves made since the original budget of £177.912m was set and it is therefore subject to change each reporting period.
- 1.3 The overall position is made up of £3.025m pressures in Housing and Social Investment arising from increased energy costs in Social Investment and Property (SIP), and temporary accommodation-related pressures in Housing Management. Also contributing to this position is an overspend of £47k in Resources and Customer Delivery where Digital Data and Technology (DD&T) pressures are being offset by underspends across the wider directorate, and Treasury Return on Investments budget pressures of £1.543m owing to the use of internal borrowing to finance capital spend, which has resulted in lower cash balances.
- 1.4 This position is offset by an underspend of £178k in Adult Social Care where contract pressures are being mitigated by one-off staffing underspends; an

underspend of £9k in Children’s Services, and an underspend of £1.358m in Environment and Neighbourhoods where a favourable position of £2.603m owing largely to a net overachievement of income across Cleaner, Greener and Cultural Services and Transport and Regulatory Services, is mitigating the impact of Parking Services pressures of £1.245m. Also contributing to the position is an underspend of £63k in the Chief Executive’s directorate, and an underspend of £229k on the Treasury Interest Payable budget due to the use of internal funds to finance capital spend, as opposed to external borrowing. Further details by directorate are set out in the main section of this report.

- 1.5 Contingency and Centrally Held Budgets are managed corporately and are held to mitigate the impact of unforeseen and/or unavoidable circumstances. Both budgets will be used in full to manage costs primarily arising from pay and contract inflation and some one-off or short-term items.

**Table 1 General Fund Revenue Budget Position – Quarter 3 2023/24**

Service area	Revised Budget 2023/24	Forecast Outturn 2023/24	Forecast Variance 2023/24	Movement Since Q2
	£'000	£000	£000	£'000
Adult Social Care	38,781	38,603	(178)	(71)
Public Health	0	0	0	0
Children’s Services	46,698	46,689	(9)	(226)
Environment and Neighbourhoods	21,997	20,639	(1,358)	(916)
Housing and Social Investment	29,850	32,875	3,025	978
Grenfell Corporate	6,123	6,123	0	0
Resources and Customer Delivery	24,986	25,033	47	34
Chief Executives	14,217	14,153	(63)	(23)
Future Grenfell Support	232	232	0	0
<b>Service Budgets</b>	<b>182,884</b>	<b>184,348</b>	<b>1,463</b>	<b>(223)</b>
Grenfell Recovery	7,541	7,541	0	0
Treasury Interest Payable	4,459	4,230	(229)	(1,221)
Treasury Return on Investments	(6,301)	(4,758)	1,543	1,543
<b>Net Expenditure</b>	<b>188,583</b>	<b>191,361</b>	<b>2,778</b>	<b>99</b>
Contingency	154	154	0	0
Centrally Held Budgets	(288)	(288)	0	0
<b>Net Cost of Services</b>	<b>188,449</b>	<b>191,226</b>	<b>2,778</b>	<b>99</b>

- 1.6 Whilst overall the Council’s financial position is generally strong, the Council must continue to be prudent. The Council must continue to manage the risks associated with funding uncertainties by developing robust service plans that support the delivery of savings. In the longer term, not everything may be affordable and strategic decisions will be needed to determine how best to utilise limited resources to have the greatest impact in line with the priorities in

the Council Plan. This may mean spending more in some areas of priority, and this will need to be coupled with reductions in other areas.

- 1.7 The Council's strong financial management and controls over recent years have meant that reserve balances have been managed well, and although some are earmarked - such as for the Grenfell Recovery Strategy, cost of living support, or set aside for invest to save - balances remain prudent and will continue to be maintained to protect against the many risks the Council faces over the medium term.
- 1.8 Last year the Council requested approval from the Secretary of State for the Department of Levelling Up, Housing & 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 DLUHC issuing an initial capitalisation direction of £23.2m. The Council expects the remaining £51.8m the Council requested to be agreed before the end of 2023/24. These payments will therefore be funded by external borrowing at a premium rate in line with the terms of the capitalisation direction (PWLB plus 1%). The revenue implications associated with this borrowing will be funded from the Civil Claims Settlement Reserve, which is due to be utilised in full by 2026/27.
- 1.9 Further details on the financial position by directorate are set out in the main section of this report.

### **Housing Revenue Account (HRA) Revenue Position**

- 1.10 The overall position on the Housing Revenue Account (HRA) is a forecast transfer of £2.560m to the capital programme against a net budget of £3.037m. This is driven by a combination of savings arising largely from lower than budgeted expenditure across management and interest payable budgets, and a favourable position against the original assumptions made at budget setting in relation to percentage losses from voids. Further details are set out in section 20.

### **General Fund Capital Programme**

- 1.11 The overall position on the general fund capital programme is a forecast underspend of £10.992m against a revised budget of £102.726m. The revised budget reflects the impact of slippage carried forward from 2022/23 that has been added to the original budget of £115.787m set at the start of the year, and the impact of the approved changes from quarters 1 and 2. Further details by directorate are set out in the main section of the report, in section 21, and in **Appendix 3**.

### **Housing Revenue Account (HRA) Capital Position**

- 1.12 The overall position on the Housing Revenue Account capital programme is a forecast underspend of £2.959m against a revised budget of £77.014m. The

revised budget reflects the impact of slippage carried forward from last year that has been added to the original budget of £110.433m set at the start of the year, and the impact of the approved changes from quarter 1 and 2. Further details are set out in section 22 and **Appendix 4**.

### **Schools and Education**

- 1.13 The overall position on the Dedicated Schools Grant (DSG) is a forecast underspend of £606k against a revised budget of £84.464m. This is set out further in section 23.

### **Further Updates**

- 1.14 Further updates are also provided on Section 106 and the Community Infrastructure Levy (section 24), Savings (section 25 and **Appendix 1**), Reserves (section 26 and **Appendix 2**), Performance Indicators (section 27), and Council Tax and Business Rates Collection (section 28).

## **2. RECOMMENDATIONS**

### **The Leadership Team is recommended to:**

- 2.1 **Note** the General Fund revenue budget forecast overspend of **£2.778m**, which includes a forecast overspend of **£1.463m** across service budgets.
- 2.2 **Note** the Housing Revenue Account (HRA) forecast transfer of **£2.560m** to the capital programme in section 20.
- 2.3 **Note** the General Fund Capital Programme forecast underspend of **£10.992m** set out in section 21.
- 2.4 **Agree** the proposed rephasing of capital budget slippage to future years set out in section 21, table 14.
- 2.5 **Agree** the new capital funding requests set out in section 21, table 15.
- 2.6 **Agree** the proposed capital virements within directorates set out in section 21, table 16, and the corresponding amendment of 2023/24 budgets that will result.
- 2.7 **Note** the HRA Capital Programme forecast underspend of **£2.959m** set out in section 22.
- 2.8 **Note** the savings position as set out in section 25 and detailed further in **Appendix 1**.
- 2.9 **Note** the reserves position set out in section 26 and detailed further in **Appendix 2**.

- 2.10 **Agree** the movements between reserves set out in section 26, paragraphs 26.5 – 26.8.
- 2.11 **Note** the new requests for additional funding from reserves under £250k in section 26, table 24.
- 2.12 **Agree** the new requests for additional funding from reserves above £250k in section 26, table 25.

### **3. REASONS FOR DECISION**

- 3.1 The Council's financial position is reported to Leadership Team each quarter. This report provides a full update of the position at quarter 3 2023/24.

### **4. BACKGROUND**

- 4.1 There are several key financial processes and reports in each financial year – setting the budget, the in-year monitoring reports, the final outturn report, and the statutory statement of accounts. In March 2023, Full Council agreed the [2023/24 Revenue Budget, Capital Programme and Council Tax report](#). The Council monitors performance throughout the year against these budgets and provides forecasts in-year to enable corrective action to be agreed and taken where needed. Once the financial year has ended, the accounting processes required to close the accounts are completed and the outturn position is presented so that performance for the full year can be reviewed.
- 4.2 This is the third quarterly monitoring report for 2023/24 covering the nine-month period ending 31<sup>st</sup> December 2023.

### **5. OPTIONS, ANALYSIS AND PROPOSALS**

- 5.1 The quarter 3 financial position has highlighted an overall overspend of £2.778m, which is an adverse movement of £99k when compared to the overspend of £2.680m reported at quarter 2. Officers expect that uncertainties arising from economic pressures will continue to have an impact and have provided for this in the Contingency and Centrally Held Budget forecasts. Further details are set out in the main report.
- 5.2 The Council will continue to work to reduce pressures by utilising all of its resources in the most effective way and the forecast may fluctuate as a result as the year progresses. The use of reserves over £250k during the year requires Leadership Team approval, and all such proposals are set out for both noting and approval in this report. There is an option not to agree the proposals, however Leadership Team must be mindful of the financial position and the advice and recommendations of the statutory Section 151 Officer when making decisions.
- 5.3 This report includes proposed changes to the 2023/24 capital programme budget, which are also subject to approval. The underspend on the capital

programme and the level of slippage against schemes is subject to ongoing review. New governance processes developed as part of a recent external review have now been implemented to ensure that the nature and cost of the programme remains in line with the strategic objectives set out in the new council plan. [Include risks (opportunities as well as threats)]

## **6. CONSULTATION AND COMMUNITY ENGAGEMENT**

- 6.1 A full [Equalities Impact Assessment](#) was undertaken as part of the process to develop the 2023/24 budget and this was published alongside the [2023/24 Revenue Budget, Capital Programme and Council Tax report](#) in March 2023. Decision makers will have had due regard to any relevant equalities' considerations if changes to services or budgets were required in year.

## **7. LEGAL IMPLICATIONS**

- 7.1 Section 151 of the Local Government Act 1972 requires the Council to make such arrangements for the proper administration of their financial affairs.
- 7.2 Section 25 of the Local Government Act 2003 requires the Council's Chief Finance Officer to report on the robustness of the estimates made and the adequacy of the proposed financial reserves in the budget calculations. This is included throughout the report.
- 7.3 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget. Failure to set an appropriate budget may lead to intervention from the Secretary of State.
- 7.4 The keeping of the Housing Revenue Account (HRA) is governed by Schedule 4 of the Local Government and Housing Act 1989. On 10 November 2020, the Ministry of Housing, Communities and Local Government (MHCLG) published guidance on the operation of the ring-fenced HRA account. The guidance updated and replaced previous guidance and the Council should adhere to such guidance in relation to the HRA.
- 7.5 Section 76 of the Local Government and Housing Act 1989 requires the Council to prevent debit balances on the Housing Revenue Account.

## **8. FINANCIAL, PROPERTY AND ANY OTHER RESOURCES IMPLICATIONS**

- 8.1 The financial, property and ICT implications are addressed throughout the report.

## **9. ENVIRONMENTAL IMPLICATIONS**

- 9.1 In accordance with the Council's [Financial Procedure Rules](#), Leadership Team and Executive Directors are responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework

within the financial limits set by the Council, and with the Council's five environmental commitments - to reduce carbon emissions, improve air quality, reduce fuel poverty, enhance biodiversity and minimise waste - in mind. The quarterly monitoring report and the recommendations contained are written with full consideration of the environmental implications as they apply to all aspects of the budget.

## **10. HUMAN RESOURCES IMPLICATIONS**

10.1 HR implications are set out in the report, where these apply.

## **11. EQUALITIES IMPACT ASSESSMENT AND IMPLICATIONS**

11.1 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. There are no equalities implications arising from the approval of this outturn report. A full EIA was undertaken as part of the process to develop the 2023/24 budget, and this was published alongside the 2023/24 Revenue Budget and Capital Programme in March 2023. Decision makers will have had due regard to any relevant equalities' considerations if changes to services or budgets were required in year.

## **12. APPENDICES**

12.1 Appendix One: Savings

12.2 Appendix Two: Reserves

12.3 Appendix Three: GF Capital

12.4 Appendix Four: HRA Capital

## **13. SUPPORTING AND BACKGROUND DOCUMENTS**

13.1 None

**Lisa Taylor - Director of Financial Management.**  
**Lisa.Taylor@rbkc.gov.uk**

### **Mandatory clearance process**

Cleared by **Corporate** Finance: LT

Cleared by Legal Services MC

Cleared by Communications NT



## MAIN REPORT

### 14. ADULT SOCIAL CARE & PUBLIC HEALTH – REVENUE AND CAPITAL FORECAST

#### Adult Social Care Revenue Forecast - £178k underspend

14.1 Adult Social Care is forecasting an underspend of £178k at quarter 3. This is a positive movement of £71k compared to quarter 2.

14.2 Home care, placements, and contract pressures continue to be offset by the Adult Social Care Discharge Fund grant from government - £1.074m, the Market Sustainability and Improvement Fund (MSIF) - £2.030m, recovery of surplus direct payments, and some one-off staffing underspends relating to reduced use of agency staff and temporary vacancies across the directorate that are being recruited to. Home care, hospital discharges and placements continue to be areas where there is high demand for services and increased complexity, which together are resulting in increased cost pressures.

14.3 As in 2022/23, discharges from hospital continue to increase as the social care sector supports residents to return home while also working alongside the NHS to reduce hospital discharge delays. The forecast also allows for Hospital Discharge Fund grant funding of £1.1m from North West London Integrated Care Board (NWLICB). Any reduction to this funding in future years will create a cost pressure.

**Table 2 Adult Social Care Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Director Adult Social Care	23,236	23,292	56	(472)
Director Health Partnership	2,358	2,213	(145)	(113)
Director Integrated Commissioning	12,431	12,374	(57)	403
Director Operation & Governance	757	724	(32)	111
<b>Total</b>	<b>38,781</b>	<b>38,603</b>	<b>(178)</b>	<b>(71)</b>

#### Adult Social Care Capital Forecast - £0.202m underspend

14.4 The Adult Social Care revised capital programme is budgeted at £0.627m against which there is forecast expenditure of £0.425m. A summary of the main variation against the budget is set out below.

### Adult Social Care Day Centre Re-provision – £0.197m slippage to future years

- 14.5 Slippage is due to delays in the appointment of the contractor. Enabling works are to be instructed from February 2024, following which expenditure will gradually increase.

### Public Health Revenue Forecast - £0 variance

- 14.6 Public Health is forecasting an overspend of £390k against a budget of £23.520m. Overall expenditure, including non-commissioned services, which includes Public Health’s contribution to the Cost-of-Living Fund, has increased by £1.077m when compared with quarter 2.
- 14.7 In addition to the Cost-of-Living Fund allocation, £4.95m – or 22% of the annual Public Health grant, is allocated to supporting cross-council work plans through the Public Health Investment Fund, and the commitment to cross-council investment is recurrent. The forecast underspend of £475k is due to the late mobilisation of projects.
- 14.8 The reported position also includes an underspend of £68k across activity-driven contracts in commissioned services that incorporate health checks, GUM screening, and substance misuse spot-purchased placements. This underspend has reduced by £27k since quarter 2 due to fluctuations across services and increased activity in the new calendar year.
- 14.9 Public Health has committed to implementing a strategic investment programme, which has been submitted to the Office Health Improvement and Disparities (OHID). All funding is earmarked, and it is anticipated that reserve balances will be fully utilised by 2026/27.
- 14.10 The forecast overspend of £390k will be managed through a transfer from the Public Health Reserve and is included in the forecast draw of £2.056m.

**Table 3 Public Health Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
<b>Commissioned Services</b>				
Behaviour Change	1,522	1,492	(30)	3
Communities	1,889	1,888	(1)	15
Substance Misuse	4,798	4,762	(36)	8
Sexual Health	3,118	3,052	(66)	(7)
Families and Children	3,707	3,772	65	8
Intelligence and Social Determinants	50	50	0	0
<b>Total</b>	<b>15,084</b>	<b>15,016</b>	<b>(68)</b>	<b>27</b>

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
<b>Non-Commissioned Services</b>				
Salaries and Overheads	1,648	1,648	0	0
Public Health Investment Fund	4,953	4,478	(475)	(437)
Public Health Strategic Investment	1,835	736	(1,099)	(513)
Cost of Living Fund	0	2,000	2,000	2,000
<b>Total</b>	<b>8,436</b>	<b>8,862</b>	<b>426</b>	<b>1,050</b>
<b>Total Expenditure</b>	<b>23,520</b>	<b>23,878</b>	<b>358</b>	<b>1,077</b>
<b>Income</b>				
Public Health Grant	(22,889)	(22,889)	0	0
Dietetics Funding Return	1,035	1,067	32	0
<b>Total Income</b>	<b>(21,854)</b>	<b>(21,822)</b>	<b>32</b>	<b>0</b>
<b>Net Total</b>	<b>1,666</b>	<b>2,056</b>	<b>390</b>	<b>1,077</b>
Transfers to/(from) Reserve	(1,666)	(2,056)	(390)	(1,077)
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 15. CHILDREN'S SERVICES - REVENUE AND CAPITAL FORECAST

### Children's Services Revenue Forecast - £9k underspend

- 15.1 Children's Services is reporting an underspend of £9k. This is a positive movement of £226k since quarter 2, due to improvements in Family Services and Operations and Programmes, which are being offset by pressures in Education and Libraries.

**Table 4 Children's Services Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
School Funding	1,982	1,982	0	0
Education	7,090	7,120	30	113
Family Services	25,058	24,963	(95)	(258)
Grenfell Education Fund	500	500	0	0
Operations and Programmes	8,390	8,550	160	(118)
Libraries & Archives	3,678	3,574	(104)	37
<b>Total</b>	<b>46,698</b>	<b>46,689</b>	<b>(9)</b>	<b>(226)</b>

- 15.2 The forecast overspend of £30k in Education is driven by underspends in SEN Transport because of the new local special school, Kensington Queensmill, that enables more children to be educated locally resulting in fewer and shorter journeys, and increased use of personal transport budgets. This position is offset by staffing pressures at the Virtual School and Early Years in-house nursery pressures. The adverse movement between periods reflects the latest trip data for SEN Transport, including September's new starters and leavers. The Virtual School position has also worsened due to the impact of redundancy costs charged to the service.
- 15.3 The Family Services underspend of £95k and the movement between periods reflects a number of high-cost placements being stepped down after review and an increase to the level of Home Office funding now reflected in the forecast for Unaccompanied Asylum-Seeking Children (UASC). While overall placement costs are within budget, there are continuing pressures arising from the cost of supporting Care Leavers with no recourse to public funds (NRPF). Even though many Former UASC (Unaccompanied Asylum-Seeking Children) Care Leavers are receiving their status in a timely manner, the cost pressures are associated with those who are not granted status continues to increase. Families with NRPF are also a contributing factor. A reserve of £324k was carried forward to manage NRPF-related pressures and this will be reflected in later forecasts as needed.

- 15.4 The Family Services position also includes a Legal budget overspend of £330k arising from an ongoing international case. A transfer of £200k from the Corporate Contingency budget is reflected to help mitigate these pressures and is reflected in the forecast.
- 15.5 Short Breaks pressures arising from increasing demand and the cost of care packages are driving the £160k forecast overspend in Operations and Programmes. The forecast, which has reduced by £118k this period, is changeable and reflective of the latest available service data. The service is currently being reviewed and financial implications will be considered as part of that review.
- 15.6 Libraries and Archives are forecasting an underspend of £104k. One-off staffing savings following a restructure of the service are mitigating pressures arising from income targets in Libraries that are unachievable. The position has moved adversely by £37k this period as reserves previously included in the forecast to fund furniture and equipment have now been released due to the favourable variance.

#### **Children's Services Capital Forecast - £6.993m underspend**

- 15.7 The Children's Services revised capital programme budget is £15.623m against which there is forecast expenditure of £8.630m. A summary of the main variations (greater than £0.500m) are set out below.

#### **Additional Secondary School Places – £3.735m slippage to future years**

- 15.8 Work at All Saints Catholic College will commence this financial year, but construction work will not commence until spring 2024 and as such the majority of expenditure will be incurred in the 2024/25 financial year.

#### **Schools Conditions: Window Replacements – £3.302m vired to Environment and Neighbourhoods**

- 15.9 As part of the Capital Programme Review, budget provision of £3.302m has been recommended for transfer from the Children's Services capital programme to Environment and Neighbourhoods for carbon zero works being delivered to schools.

## 16. ENVIRONMENT AND NEIGHBOURHOODS – REVENUE AND CAPITAL FORECAST

### Environment and Neighbourhoods Revenue Forecast - £1.358m underspend

- 16.1 Following an internal reorganisation, the Communities department moved from Environment and Communities to the Chief Executive directorate in December 2023. A new executive director joined the Council in January 2024 overseeing what has now been renamed the Environment and Neighbourhoods directorate.
- 16.2 At quarter 3, Environment and Neighbourhoods is forecasting an underspend of £1.358m. This is a positive movement of £916k when compared to quarter 2 arising from improvements in Cleaner Greener and Cultural Services, Planning and Place, and Transport and Regulatory Services.

**Table 5 Environment and Neighbourhoods Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Cleaner, Greener and Cultural Services	33,772	32,607	(1,165)	(76)
Environment and Neighbourhoods Executive Directorate and Support	2,265	2,265	0	0
Planning and Place	5,108	4,987	(121)	(47)
Transport and Regulatory Services	20,247	18,930	(1,317)	(340)
Parking Services	(39,395)	(38,150)	1,245	(452)
<b>Total</b>	<b>21,997</b>	<b>20,639</b>	<b>(1,358)</b>	<b>(916)</b>

- 16.3 Cleaner, Greener and Cultural Services are forecasting an underspend of £1.165m at quarter 3. This is due to a £825k overachievement of income in Commercial Waste – offset in part by one-off additional spend of £93k on bins and containers. There is a forecast underspend of £669k in Waste Disposal and the team are working on a new model to better understand the split between domestic and commercial disposal costs. Further underspends of £150k on the Waste Levy and £42k for ad hoc waste services outside the core contract are offset by a forecast overspend of £279k on other Waste budgets largely relating to additional street cleansing and graffiti removal costs that are funded only in part from reserves.
- 16.4 Also in Cleaner, Greener and Cultural Services, the remaining balance of loans made by the Council to support the leisure contract provider through the pandemic has been repaid and the £294k provision for expected credit losses (ECL) made in respect of these loans will now be credited back to the service budget, largely mitigating the estimated shortfall on the management fee that

would otherwise result in a pressure. Discussions on potential variations to the contracted operating model to allow full recovery of the management fee in the future are now taking place with the provider. Income pressures of £149k in the Filming Service, and Notting Hill Carnival budget pressures of £33k that are not fully mitigated with remaining reserve funds account for the balance.

- 16.5 An underspend of £121k is now reported in Planning and Place as the anticipated pressures seen in recent years against income from planning applications and planning performance agreements (PPA) have been averted due a number of large developments in the pipeline. Income receipts in Planning are irregular however, and the economic situation makes the position volatile and final figures hard to predict with certainty. The service is also forecasting a £163k overachievement of income on monitoring fees for Section 106 and Community Infrastructure Levy (CIL). A decision has therefore been taken not to draw on reserves to fund additional resources to manage the backlog of work in order to protect balances, and the pressure of £100k arising as a result will instead be met from other emerging underspends.
- 16.6 In Transport and Regulatory Services, the forecast underspend is due to a £871k overachievement across income streams in Environmental Health, Highways, and Network Management. This is an increase of around £180k since quarter 2. A staffing underspend of £510k is also forecasted due to delayed recruitment following finalisation of the restructure. The favourable position is offset by a £158k shortfall against the bus shelter advertising contract, which has not fully recovered since the pandemic.
- 16.7 Also in Transport and Regulatory Services, the new additional licensing scheme in Private Sector Housing (PSH) has now been live for six months. The scheme is expected to be self-financing and - as income is front loaded at the start of the scheme due to the nature of applications – the surplus will be moved to reserves to fund enforcement activity in future years once the volume reduces. This surplus has increased from £35k at the last reporting period due to a significant underspend in the core PHS team, as a large number of staff have been seconded to deliver the new scheme. As staff seconded to the new team are likely to still be undertaking work for the core team, the overall underspend of £247k across PSH will be moved to reserves and a breakeven position has therefore been forecasted.
- 16.8 The Parking Service is forecasting an overspend of £1.245m mainly due to a £1.029m shortfall in income from PCNs due to the impact of the recent industrial dispute between NSL and their employed civil enforcement officers (CEOs) during quarter 1. This has now been resolved and income levels are returning now that enforcement activity has resumed. A pressure of £757k is forecast in Pay and Display income. Some shortfalls earlier in the year were likely related to the industrial dispute, which may have encouraged motorists to avoid paying to park in the short-term, and the team are now undertaking

some analysis to understand whether there is also a longer-term behavioural change emerging. Early indications suggest both a decrease in the number of parking sessions, and changes to the average cost of those sessions that are linked to vehicle emissions.

- 16.9 A further shortfall of £482k is anticipated in Resident Permits, which is an improvement of £122k since quarter 2. The team are working to understand this position in the context of the cost-of-living crisis and ULEZ expansion, and the longer-term outlook is also being assessed. The current pricing strategy of increasing the base charge only (and freezing the charge per kg CO<sub>2</sub>/km) makes income difficult to predict and customer behaviours (in terms of what vehicle they own) means the permit costs paid by customers can change dramatically from one year to the next.
- 16.10 These shortfalls are partially offset by an estimated £439k overachievement of income from Suspensions, which is a reduction of £560k since the last quarter as income has stalled in recent months. The team are analysing these changes in trends and behaviours to see what sits behind this, with a focus on understanding if the length of suspensions is shortening - meaning the higher charges levied after 43 days are comprising a smaller proportion of the income.
- 16.11 The Writers and Actors Guild strike (which adversely affected income in the Filming service in Cleaner, Greener and Cultural Services) has had a detrimental impact on the delivery of the £330k saving expected to be realised from the introduction of the Express Suspension Service in 2023/24, as production companies were expected to be the main customer base. Uptake has been minimal, and the service need to closely monitor performance in 2024/25 to ensure that availability of the facility is being sufficiently publicised.
- 16.12 An underspend of £614k is expected on the Parking expenditure budget due mainly to a £470k rebate on the enforcement contract in recognition of the reduced enforcement activity in quarter 1. Further supplies and services and staffing underspends of £144k are also partially mitigating the income budget pressures.
- 16.13 Options for mitigating the Parking variance with funding from the Parking Reserve - to the extent of the shortfall between the actual cost of running the service and actual income received (as opposed to the managing the budget pressure arising) – will be explored, although as yet it is still difficult to predict what the level of eligible expenditure might be. Further details will be set out once the position is clearer.



**Environment and Neighbourhoods Capital Forecast - £0.081m underspend**

16.14 The Environment and Neighbourhoods revised capital programme budget is £22.386m against which there is forecast expenditure of £22.305. A summary of the main variations (greater than £0.500m) are set out below.

**Kensington Memorial Park Water Play Replacement – £0.656m slippage to future years**

16.15 Several delays were incurred awarding this work. Work was expected to start on site in early October but was delayed by a further month due to a planning condition not being signed off in time. Work commenced on site in November 2023 with an expected completion date of August 2024.

**Expanding Kensal's Creative Economy – £0.700m slippage to future years**

16.16 This project has been part of the capital programme for several years but has been beset by delays. A revised business case has now been agreed and it is expected that the majority of expenditure will be incurred in 2024/25.

16.17 Electrification of the Waste Fleet charging infrastructure at Pembroke Road – £0.560m slippage to future years

16.18 The substation work has commenced but this will not be completed until early 2024/25.

**Parking – Replacement IT system – £0.510m slippage to future years**

16.19 Delivery will commence in quarter 4 2023/24, but it is expected that expenditure will predominantly be incurred in quarter 1 2024/25.

**Schools Carbon Zero – £3.302m vired from Childrens Services**

16.20 As part of the Capital Programme Review, budget provision of £3.302m has been recommended for transfer from the Children's Services capital programme to Environment and Neighbourhoods in respect of carbon zero works being delivered to schools.

## 17. HOUSING AND SOCIAL INVESTMENT – REVENUE AND CAPITAL FORECAST

### Housing and Social Investment Revenue Forecast - £3.025m overspend

- 17.1 At quarter 3, Housing and Social Investment is forecasting an overspend of £3.025m. This is an adverse movement of £978k when compared to quarter 2, due to increasing pressures in Housing Needs and Social Investment and Property, which are being offset by a favourable position in Housing Management.

**Table 6 Housing and Social Investment Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Social Investment and Property	5,896	6,145	249	186
Executive Director of Housing and Social Investment	230	234	4	(4)
Housing Management General	7,531	7,297	(234)	(156)
Housing Needs	16,193	19,199	3,006	952
<b>Total</b>	<b>29,850</b>	<b>32,875</b>	<b>3,025</b>	<b>978</b>

- 17.2 There is a forecast overspend of £249k across Social Investment and Property (SIP) budgets and the overall position includes some significant variances. These include an overspend of £1.3m across Facilities Management and Asset Management budgets due to electricity pressures of £840k arising from the cost of forward purchase contracts and forecast pressures of £350k on reactive repairs that may reduce if works are deferred in part to the new contract. The former is being quantified to see where there may be scope for inflationary-related pressures to be mitigated corporately. Offsetting these pressures is a £1.2m favourable variance from commercial rent income, which is due to an improvement in the market for commercial letting - with rent reviews and new lets being completed, and additional income now arising from the interim operating arrangements for parking at Kensington Town Hall.
- 17.3 Also in SIP, a review of the provision for bad debt - partly due to the settlement of an account and the subsequent property re-let, has proved favourable to the forecast. Additionally, business rates have been reviewed and although there are a number of changes, the net impact of refunds and the transferring of eligible charges to commercial tenants means that overall expenditure will be contained and is expected to remain on budget.
- 17.4 Housing Management is forecasting an underspend of £234k this quarter due to favourable variances of £260k and £78k arising from the closure of Cromwell Road Hostel and the termination of the Longridge Road Supporting People contract, respectively. This position is partially offset by an overspend

of £124k in Grenfell Housing Services arising from out of hours security costs at Bomore Road where the lift is unreliable and there are a number of vulnerable residents and wheelchair users in the block. Lift works are scheduled to commence within the month and will take around 3 months to complete. Also contributing to this overspend is the increased demand for repairs, including expensive compliance remedial and fire safety works carried out by subcontractors. Costs include a commitment to providing a handy person service to the bereaved and survivors, both resident in RBKC and those living in properties managed by other councils and registered providers, which can include carrying out works outside of the landlord's responsibility. There is now a focus on completing more of these jobs in house to achieve the best value for money and taking a more strategic approach to asset management using trends from residents' responsive repairs requests to inform a planned maintenance programme and further reduce costs over the longer term.

- 17.5 The Housing Needs forecast overspend of £3.006m is driven largely by Temporary Accommodation (TA) pressures arising from the continued use of expensive commercial hotels to manage demand, coupled with the impact of historic budget savings that are unachievable. This position has moved adversely by £952k despite an additional £1m of Homelessness Prevention Grant being applied to the budget. During 2022/23 the average number of commercial hotel bookings went from roughly ten to 100. At quarter 2, there were 98 households in commercial hotels, and this has now increased to 115. The average annual cost per placement is now over £45k.
- 17.6 It is the high cost of these placements that continues to generate pressures and if hotel bookings continue at this level, this could equate to additional annual costs of £5.175m – up from the estimate of £3.6m at quarter 2, presenting a further risk to the budget position. A significant amount of work is being done to move people out of hotels, however the supply of suitable alternative accommodation is still very low. There is also an increase in the number of people approaching the Council for housing assistance, making it a challenge to just sustain the current number of households in TA. The impact of this risk is being managed for now as there are some mitigations in place. A number of options to secure larger numbers of units of alternative accommodation are being explored and £205k of the overspend relates to an increased number of incentives used to move clients into private sector and permanent alternative housing.
- 17.7 Legal and compensation cost pressures of £60k linked to the number of legal challenges and case reviews are included in the forecast, alongside pressures of £163k for storage and removal services used to facilitate moves out of temporary accommodation. Further to the reported position, assumptions relating to the TA bad debt provision are being reviewed and any changes to the provision requirement will be reflected in the next report.

## **Housing and Social Investment Capital Forecast - £2.861m underspend**

- 17.8 The revised Housing and Social Investment capital programme budget is £60.459m against which there is forecast expenditure of £57.598m. A summary of the main variations (greater than £0.500m) is set out below:

### **Acquisition of Street Properties - Dwellings - £1.089m re-phasing from 2024/25**

- 17.9 The amended forecast for 2023/24 includes the purchase of dwellings and the cost of extending leases on those properties for Grenfell Clients held in the General Fund. The identified variance includes a property purchase that was not anticipated earlier in the financial year and a greater than anticipated increase in the number of lease extensions completed this financial year.

### **New Homes Delivery Programme - £3.560m slippage to future years**

- 17.10 The programme slippage is predominantly comprised of the following schemes:
- 17.11 Kensal Road - Kelso Cochrane: Slippage relates to reprofiling of retention payment to next year, in addition to delays in approvals required to install the electrical sub-station and planning conditions for landscape and soil remediation being discharged.
- 17.12 Acklam Road: Slippage relates to delays in the agreements with electricity providers relating to leases on both the commissioning of a new substation and the decommissioning of an old substation, and the installations of domestic electricity meters by EDF.
- 17.13 Silchester Arches: Slippages reflect the changes to the programme reported by the main contractor. The cashflow profile has reduced anticipated expenditure this year reflecting delays to the sign off of Transport for London's Risk Assessment/Method Statement. This is required by TfL at key milestones to satisfy that their assets are not exposed to risk from the development. Delays have also been incurred with discharge of planning conditions, most significantly the approval of bricks, which subsequently had a lead in time to order.
- 17.14 Lots Road Extra Care: Site clearance works are progressing. Investigations into moving the salt store to an alternative site are underway and the temporary relocation of the highways service has been delayed as a permanent solution is to be explored. The movement in planned expenditure for these two workstreams into next year are the primary drivers for the slippage.

## 18. GRENFELL CORPORATE REVENUE FORECAST

### Grenfell Corporate Revenue Forecast - £0 variance

- 18.1 At quarter 3, the Grenfell Corporate budget is reporting a balanced position with no movements since quarter 2.

**Table 7 Grenfell Corporate Revenue Forecast**

<b>Service Area</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>	<b>Movement since Q2 £'000</b>
Legal Costs	750	750	0	0
Other Corporate Costs	5,373	5,373	0	0
<b>Total</b>	<b>6,123</b>	<b>6,123</b>	<b>0</b>	<b>0</b>

- 18.2 The Grenfell Corporate budget is used to fund the cost of legal support for the public and criminal inquiries, and insurance costs relating to the civil claim. The revised Legal Costs budget includes a planned virement of £320k to reserves, which reflects current Legal expenditure assumptions and the reprofiling of some costs into 2024/25.
- 18.3 The Other Corporate Costs budget has been revised to reflect an estimated transfer of £5m from the Insurance Reserve to fund associated claims.

## RESOURCES AND CUSTOMER DELIVERY – REVENUE AND CAPITAL FORECAST

### Resources and Customer Delivery Revenue Forecast - £47k overspend

- 18.4 At quarter 3, Resources and Customer Delivery is forecasting an overspend of £47k. This is an adverse movement of £34k when compared to quarter 2 driven by opposing variances across the wider area, which are detailed further below.

**Table 8 Resources and Customer Delivery Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Audit, Risk, Fraud and Insurance	905	780	(125)	(59)
Financial Management	9,224	9,224	0	0
Digital, Data and Technology	6,997	7,495	498	149
Customer Delivery	3,252	3,187	(66)	(63)
Elections Service	844	940	96	67
Human Resources	1,051	919	(132)	(29)
Legal Services	(175)	(175)	0	0
Governance	1,405	1,224	(180)	(32)
Member Services	1,482	1,438	(44)	2
<b>Total</b>	<b>24,986</b>	<b>25,033</b>	<b>47</b>	<b>34</b>

- 18.5 Audit, Risk, Fraud, and Insurance budgets are forecasting an increased underspend due to minor staffing variances. Budgets in Strategic Procurement have been revised to reflect S113 shared service arrangements, and growth will be applied in 2024/25 to manage the additional costs associated with implementing legislative changes in the new Procurement Bill. Corresponding savings linked to the efficiencies expected to be achieved have also been agreed.
- 18.6 Financial Management and Legal Services budgets continue to forecast a breakeven positions, with no movements since quarter 2. In Financial Management, a number of corporate-related finance pressures arising from unbudgeted expenditure including fees, and IBC and other systems costs are being mitigated with funds from the Contingency budget. In Legal Services, the proposal to introduce a new recharging model that moves away from monthly billing to a system that recharges a fixed cost across all directorates, the HRA, and capital projects, is being reviewed and implementation is planned for the new year.
- 18.7 DD&T, the new sovereign Digital, Data and Technology service is forecasting an overspend of £498k at quarter 3. The variance - which is largely due to new unbudgeted Microsoft contract pressures - now includes the impact of funds owed to Westminster and LB Hammersmith and Fulham for 2022/23

shared service overpayments, and this is the reason for the adverse movement of £149k since quarter 2. The reported position includes a number of one-off mitigations including £577k of remaining reserve funds allocated to meet costs associated with disaggregation and implementation of the new IT target operating model, and £400k growth to manage contract inflation pressures. Half of the £986k temporary growth applied to budgets last year to help with the service transition is due to be removed in 2024/25, with the remaining £484k due to be removed in 2025/26. The impact of this is still being modelled as budgets will not be sufficient to fund the service in its current form in the medium-term.

- 18.8 Customer Delivery is reporting an underspend of £66k at quarter 3. The contract for soft facilities management is due to conclude in April 2024, however there will be an additional impact on the 2024/25 budget arising from the demobilisation period with the current contractor while the new contract is being mobilised. These costs will be further reflected once fully quantified.
- 18.9 Across Assessments and Benefits and Business Rates service areas, there are a number of offsetting variances relating mainly to staffing and supplies and services budgets. This area also receives a number of recurring and one-off but reoccurring unringfenced grants from government that are supporting both 'business as usual' service delivery and the implementation of more targeted government initiatives. More work is needed to understand the extent to which these grants are supplementing the budget and the risks associated with future funding uncertainties. Finally, any changes to the provision for expected credit losses (ECL) for benefits at year end may further impact the forecast, and the extent of this will be reflected in the final outturn position.
- 18.10 The Elections Service is reporting an overspend of £96k arising in large part from newly emerging posting and printing pressures for statutory mailouts relating to the elections, which are the reason for the movement in variance since quarter 2. £30k of the pressure also relates a historic budget for grant income from government that is no longer received. The forecast includes Elections Act New Burdens funding of £36k from the Department for Levelling Up, Housing & Communities (DLUHC), which contributes towards the cost of ensuring compliance with the new Elections Act, particularly the introduction of Voter Identification.
- 18.11 In Human Resources, the underspend has increased by £29k since quarter 2 to £132k. This is due to lower than anticipated spend against the corporate training budget and one-off staffing underspends elsewhere across the service.
- 18.12 The Governance underspend has increased by £32k to £180k since quarter 2 due to a combination of underspends across staffing and supplies and services budgets. This is also the reason for the underspend in Member Services, which has moved minimally since quarter 2 to £44k this period.

18.13 Full Council were, on 28th February 2024, recommended to adopt the Councillors' Allowance Scheme for 2024/25. Whilst Special Responsibility Allowances will remain unchanged, the Basic Allowance, which has been frozen since 2018/19, will increase to £11,689. Provision for this increase has been factored into the 2024/25 Budget.

**Resources and Customer Delivery Capital Forecast - £0.815m underspend**

18.14 The Resources and Customer Delivery revised capital programme budget is £3.221m against which there is forecast expenditure of £2.406m. A summary of the main variations (greater than £0.500m) is set out below:

**End User Computing - £0.831m slippage to future years**

18.15 Phase 1 and phase 2 of the project were predominantly delivered in 2022/23 and 2023/24. Phase 3 will be delivered in 2024/25. Final scheme costs are not yet confirmed as hardware costs are volatile because of global supply chains.



## 19. CHIEF EXECUTIVE – REVENUE FORECAST

### Chief Executives Revenue Forecast - £63k underspend

- 19.1 Following an internal reorganisation, the Communities department moved from Environment and Communities to the Chief Executive directorate in December 2023.
- 19.2 At quarter 3, Chief Executive budgets are reporting an underspend of £63k. This is a positive movement of £23k since quarter 2, driven by minor movements across the service area that are detailed below.

**Table 9 Chief Executives Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Chief Executive	2,135	2,236	101	0
Communications	952	835	(117)	(27)
Corporate Strategy	719	719	0	10
Communities	10,410	10,363	(46)	(7)
<b>Total</b>	<b>14,217</b>	<b>14,153</b>	<b>(63)</b>	<b>(23)</b>

- 19.3 An increase in legal fees charged against the Chief Executive's budget has resulted in an adverse movement of £101k being reported. This position is offset by an underspend of £117k in Communications, which has increased by £27k since quarter 2, where staffing pressures are offset by an overachievement of income in Design. Elsewhere, Corporate Strategy is reporting a balanced budget position, which is a movement of £10k when compared to quarter 2.
- 19.4 Communities, which moved from Environment and Neighbourhoods (formerly Environment and Communities) in quarter 3, is reporting an underspend of £46k. This is due to a number of minor offsetting variances including staffing and CCTV budget pressures, and an overachievement of income in the Registrars service.

### Chief Executives Capital Forecast - £0.040 underspend

- 19.5 The Chief Executives revised capital programme budget is £0.410m against which there is forecast expenditure of £0.370m.
- 19.6 As a result of restructuring in Environment and Neighbourhoods, capital schemes for replacement of CCTV Cameras and the Expansion of the Fixed CCTV Network, and Registrars, have transferred to the Chief Executives capital programme.

## 20. GRENFELL RECOVERY AND FUTURE GRENFELL SUPPORT – REVENUE FORECAST

### Grenfell Recovery Revenue Forecast - £0 variance

- 20.1 In January 2019, the Leadership Team committed £50m of revenue funding to support the delivery of the Grenfell Recovery Strategy. In December 2020, they agreed the Grenfell Recovery Resourcing Framework, which set out the Council's plans for the remaining three years of the programme (2021/22 to 2023/24). £8.1m from the ringfenced £50m budget was allocated to Grenfell Recovery initiatives in 2023/24.
- 20.2 At quarter 3, there is a forecast underspend of £628k against the revised budget of £8.169m and this balance will be transferred to reserves. This is a ringfenced budget and as in previous years, any funding that is not spent in-year will be carried forward and spent in future years in line with the commitments the Council has made.

**Table 10 Grenfell Recovery Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Over/ (Under) Spend £'000	Reserve Movements £'000	Forecast Variance £'000
<b>Bereaved &amp; Survivors</b>					
Dedicated Service	4,500	4,573	73	(73)	0
Housing Support	250	250	0	0	0
Support Costs	167	165	(2)	2	0
<b>Total</b>	<b>4,917</b>	<b>4,988</b>	<b>71</b>	<b>(71)</b>	<b>0</b>
<b>Wider Community</b>					
Targeted Support:					
- School Based Provision	369	369	0	0	0
- Community Based Provision for Children and Young People	361	364	3	(3)	0
- Community Based Provision for Adults	353	336	(17)	17	0
- Support for Children and Families	243	258	15	(15)	0
- Community Programme – The Curve and Curve Legacy	650	17	(633)	633	0

Service Area	Revised Budget £'000	Forecast Outturn £'000	Over/ (Under) Spend £'000	Reserve Movements £'000	Forecast Variance £'000
- Community Engagement – Grenfell Projects Fund	0	330	330	(330)	0
- Community Engagement - Community Leadership Programme	200	7	(193)	193	0
- Community Engagement – Local Apprentices, Staffing, Specialist Support and North Kensington Newsletter	443	213	(230)	230	0
Housing Legacy Project	300	184	(116)	116	0
Employment Skills	0	145	145	(145)	0
Support Costs	333	330	(3)	3	0
<b>Total</b>	<b>3,252</b>	<b>2,553</b>	<b>(699)</b>	<b>699</b>	<b>0</b>
<b>Grand Total</b>	<b>8,169</b>	<b>7,541</b>	<b>(628)</b>	<b>628</b>	<b>0</b>

- 20.3 There is currently an underspend on the Dedicated Service budget due to savings on staffing and operational costs. The Council has heard clearly from bereaved and survivors that they expect us to make savings in this area and will continue to do so, wherever possible. There will then be further discussions with the Dedicated Service Steering Group and other bereaved and survivors about the use of any underspends later this year.
- 20.4 The Curve relates to transition costs and will be funded from underspends from previous years. None of the Curve Legacy funding has yet been spent and the use of this funding will be decided by the community.
- 20.5 The timescales for spending the funding allocated to the Curve Legacy Fund and the Housing Legacy work will depend on conversations with the community and this funding will be carried forward to future years if necessary.

- 20.6 The Grenfell Projects Fund expenditure relates to the last round and so will be funded from money held in reserves. There are two further rounds of the Projects Fund, which will be designed with the community.
- 20.7 The Employment and Skills initiative is funded from money allocated in the first year of the programme (2019/20), but delivery began last financial year. The funding for this initiative was set aside in reserves and will be drawn down at the end of the financial year to meet the in-year costs of the programme.
- 20.8 At this stage, it is anticipated that expenditure in-year will be broadly in line with the budget and officers will continue to monitor spend against budgets across the recovery programme closely. It is known that some elements of the programme will continue well into 2024/25 and potentially beyond.

### **Future Grenfell Support – Revenue Forecast**

- 20.9 As part of the settlement of the majority of civil claims, the Council and other parties have committed funding for new programme to provide support to bereaved, survivors and the immediate local community from 2024 to 2028. This programme will begin next financial year (2024/25), following a wide-ranging consultation with bereaved, survivors and the local community living immediately around the Tower. The indicative breakdown of funding for the programme is as follows:
- £18m – Personalised support for bereaved and survivors
  - £10m – Support for the immediate local community
  - £14m – Education and training support for bereaved and survivors and the immediate local community
- 20.10 The financial contributions 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.
- 20.11 Alongside the core funding for the new programme, the Council and other parties 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 External Scrutiny Team (formerly known as the Independent Expert Partner), 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.
- 20.12 As part of the budget proposals for 2024/25, the Council is setting aside approximately £1.36m over four years (£340k 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) will be incurred in the current financial year and this funding will therefore need to be drawn down from reserves in 2023/24.

20.13 At this stage it is anticipated that £232k will be spent in 2023/24, mainly to cover the costs of the External Scrutiny Team.

## 21. TREASURY INTEREST REVENUE FORECAST

### Treasury Interest Revenue Forecast - £1.314m overspend

- 21.1 At quarter 3, a net pressure of £1.314m is reported against the Treasury Interest budget. This is an adverse movement of £322k since quarter 2.

**Table 11 Treasury Interest Revenue Forecast**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Treasury Interest Payable	4,459	4,230	(229)	(20)
Treasury Interest Receivable	(6,301)	(4,758)	1,543	342
<b>Total</b>	<b>(1,842)</b>	<b>(528)</b>	<b>1,314</b>	<b>322</b>

- 21.2 The Interest Payable budget is forecasting an underspend of £229k at quarter 3. Higher than expected cash flows facilitated the use of internal borrowing through the first three quarters to finance capital spend, allowing the Council to avoid borrowing at relatively high interest rates, which in turn reduces pressures on the interest payable budget. Following the recent review of the capital programme all borrowing for 2023/24 has now been undertaken and this has enabled more accurate forecasting of cash balances for the remainder of the year.
- 21.3 Interest Receivable budget pressures of £1.543m are due to lower than planned cash balances at the start of the financial year. However, although lower than anticipated, external borrowing was definitively required for cash flow from October 2023. Given the high interest rates during 2023, the decision was taken to delay borrowing as long as cash flows would allow. Hypothetically, had the Council borrowed earlier in the year, cash balances would have been higher and this would have improved the position on the interest receivable budget. This would have had an adverse impact on the interest payable budget, however. It would also have meant the Council borrowing more for longer during the high interest environment, which would have increased interest payable pressures in future years.
- 21.4 The position has moved adversely by £342k since quarter 2 as a result new HRA external borrowing, which correspondingly has reduced its internal borrowing and also in turn the recharge income previously included in the forecast.
- 21.5 The Interest Receivable position includes a £1.150m transfer of funds from reserves as compensation for the opportunity cost of using cash balances as opposed to borrowing. This transfer was reflected against the Interest Payable budget in error at quarter 2, and the figures this report have now been restated retrospectively.



## **22. CONTINGENCY AND CENTRALLY HELD BUDGETS**

### **Contingency Budget - £0 variance**

- 22.1 The Contingency budget is used to mitigate the impact of unforeseen and unavoidable circumstances. The budget at the start of the year was £3.719m and this has now been committed almost in entirety. The forecast therefore assumes the budget will be spent in full and a nil variance is reported.
- 22.2 Commitments against the budget include revenue expenditure associated with Notting Dale Heat Network (£1.0m) – although this figure is subject to revision once recharges to the Housing Revenue Account (HRA) and company are quantified; the cost of administering the Discretionary Council Tax Scheme (£140k); income transaction fees (£292k); extraordinary legal costs in Children’s Services (£200k); dilapidation settlement costs in Housing (£400k), and the Tenant Management Organisation (TMO) management fee (£390k).
- 22.3 Final use of the Contingency budget will be determined by the forecast outturn position in the service areas requesting funds, and the final position against the budget is therefore subject to change. Any underspend against the Contingency budget will improve the Council’s outturn position.

### **Centrally Held Budget**

- 22.4 The Centrally Held Budget is used to manage the impact of contract and pay inflation, and adjustments relating to corporate savings. It also includes some revenue grant funding received as part of the settlement for Adult Social Care.
- 22.5 The budget at the start of the year was £7.905m and this has now been overallocated owing to the additional £1.6m required to meet the cost of the pay award, on top of the £4.3m originally earmarked for pay inflation. This is in addition to the cost of managing contract inflation across the Council.
- 22.6 The final variance against the budget at year-end will be managed with a transfer from reserves.



## 23. HOUSING REVENUE ACCOUNT (HRA) – REVENUE FORECAST

### Housing Revenue Account Revenue (HRA) Forecast - £2.560m transfer to the capital programme

- 23.1 At quarter 3, the Housing Revenue Account (HRA) is forecasting a transfer of £2.560m to the capital programme. This is a positive movement of £2.040m since quarter 2.

**Table 12 Housing Revenue Account Revenue Forecast**

Housing Revenue Account	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
<b>Expenditure</b>				
Repairs and Maintenance	12,327	12,876	549	1
Staffing Costs (net of capitalisation)	23,722	22,885	(837)	27
Supervision and Management	20,558	20,569	11	314
Rents, Rates and Taxes and Other Charges	315	415	100	0
Interest Payable and Similar Charges	8,491	7,406	(1,085)	(1,085)
Depreciation	3,968	3,463	(505)	(505)
Movement in Expected Credit Loss (ECL) Impairment Provision	800	800	0	0
Debt Management Costs	35	35	0	0
<b>Total Expenditure</b>	<b>70,215</b>	<b>68,449</b>	<b>(1,766)</b>	<b>(1,247)</b>
<b>Income</b>				
Dwelling Rents (Gross)	(47,728)	(48,352)	(624)	(624)
Non Dwelling Rents (Gross)	(4,000)	(706)	0	0
Charges for Service and Facilities	(20,243)	(20,308)	(65)	(65)
Interest and Net Investment Income	(575)	(679)	(104)	(104)
Income and Expenditure relating to Investment Properties	(4,000)	(4,000)	0	0
<b>Total Income</b>	<b>(73,252)</b>	<b>(74,046)</b>	<b>(794)</b>	<b>(793)</b>
<b>Net Total</b>	<b>(3,037)</b>	<b>(5,597)</b>	<b>(2,560)</b>	<b>(2,040)</b>
Transfer of HRA balance to Capital Programme	3,037	5,597	2,560	2040
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Housing Revenue Account</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>	<b>Movement since Q2 £'000</b>
Working Balance brought forward	(5,000)	(5,000)	0	0
Contribution to (-) or from(+) Working Balance	0	0	0	0
<b>Total Working Balance</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>0</b>	<b>0</b>

- 23.2 Across Repairs and Maintenance budgets (including fire safety spend) there are reported pressures of £549k in the Responsive Repairs service due to costs arising from the decant of properties, and increased electrical testing to meet compliance standards. The service is both demand-led and reactive in nature.
- 23.3 The staffing budget is forecasting an underspend of £837k due mainly to the capitalisation of salary costs at Lancaster West and in-year vacancies across Resident Services.
- 23.4 Supervision and Management budgets (including utilities, cleaning, refuse, pest control, corporate recharges, surveys and other expenditure) are reporting a small overspend of £11k this month.
- 23.5 The pressure of £100k reported against Rents, Rates and Taxes budgets is due to council tax payments for void properties.
- 23.6 The Interest Payable expenditure budget is reporting an underspend of £1.085m due to a reduction in borrowing costs arising from slippage in the capital programme. The original budget was based on HRA borrowing of around £76m this year, however the overall borrowing assumption is now around £32m.
- 23.7 An underspend of £505k is reported against the Depreciation budget, based on the current value of the HRA assets. It should be noted that this does not reflect a movement in cash, but a transfer in the HRA from revenue to the Major Repairs Reserves to facilitate financing of the capital programme.
- 23.8 The Dwelling Rents budget is reporting a positive income position of £624k. This is due to a favourable position against the original assumptions made at budget setting, which assume average void losses of 2.75% and a 52-week year.
- 23.9 An overachievement of income of £104k is reported against the Interest and Net Investment Income budget. The HRA receives interest on its balances and the current forecast, which is based on rates of 2.63%, has also led to a favourable movement being reflected in this reporting period.

23.10 The new Social Housing Act places the needs of tenants at the heart of government reforms to improve the quality of life for those living in social housing and it strengthens the role of the Regulator of Social Housing. The Council, along with all other social landlords, will be required to meet the standards set out and adhere to the recommendations of the regulator. This will include having systems in place to deal with reports of damp and mould and dealing with any complaints raised as per the Housing Ombudsman requirements. The financial impact of managing compliance will be set out in ongoing reports where pressures materialise.

## 24. GENERAL FUND CAPITAL PROGRAMME

### General Fund Capital Programme Forecast - £10.992m underspend

- 24.1 The Council invests in the purchase, improvement and enhancement of fixed assets that are central to the delivery of the public services it provides through its Capital Programme. At quarter 3, the Capital Programme is forecasting expenditure of £91.734m against a revised budget of £102.726m. The forecast underspend of £10.992m will be slipped in part to futures years. This position is shown in table 13 below.
- 24.2 The revised budget reflects the slippage carried forward from 2022/23 that has been added to the original budget of £115.787m set at the start of the year, and the impact of the approved changes from the quarter 1 and 2 report. The revised budget is subject to further change each reporting period as new schemes are approved.
- 24.3 The forecast will also be subject to further change as a result of the current Capital Programme review that is being carried out by the Project Management Office (PMO) in liaison with Lead Members and the Executive Management Team (EMT).

**Table 13 General Fund Capital Programme Forecast**

Directorate	Original Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Adult Social Care	1,420	627	425	(202)
Chief Executive	350	410	370	(40)
Children's Services	28,350	15,623	8,630	(6,993)
Environment and Neighbourhoods	12,932	22,386	22,305	(81)
Housing and Social Investment	63,307	60,459	57,598	(2,861)
Resources and Customer Delivery	9,428	3,221	2,406	(815)
<b>Total</b>	<b>115,787</b>	<b>102,726</b>	<b>91,734</b>	<b>(10,992)</b>

- 24.4 A summary of projects with budget slippage over £500k is set out below. Leadership Team is asked to approve the proposed rephasing of this slippage from/to future years.

**Table 14 Capital Projects with Slippage over £500k**

Project Name	Slippage £'000
Additional Secondary School Places	(3,735)
<b>Total Children's Services</b>	<b>(3,735)</b>
Kensington Memorial Park Water Play Replacement	(656)
Expanding Kensal's Creative Economy	(700)
Electrification of the Waste Fleet charging infrastructure at Pembroke Road	(560)

<b>Project Name</b>	<b>Slippage £'000</b>
Parking – Replacement IT System	(510)
<b>Total Environment and Neighbourhoods</b>	<b>(2,426)</b>
Acquisition of Street Properties - Dwellings	1,089
New Homes Delivery Programme	(3,560)
<b>Total Housing and Social Investment</b>	<b>(2,471)</b>
End User Computing Refresh	(741)
<b>Total Resources and Customer Delivery</b>	<b>(741)</b>
<b>Total</b>	<b>(9,373)</b>

### **New Capital Programme Funding Requests**

- 24.5 The new requests for additional budget to fund increased capital expenditure totalling £2.260m (net) tabled below have been reviewed by the Capital Programme Board and were included in the 2024/25 Budget and Council Tax Report taken to Leadership Team on 7th February. These are set out below.
- 24.6 It is proposed to move £218k (net) from the capital pipeline to the main programme to fund these requests, along with £2.042m from a combination of capital grants and reserves.

**Table 15 New Capital Programme Funding Requests**

<b>Scheme</b>	<b>Funding Request £'000</b>	<b>Capital Pipeline £'000</b>	<b>Capital Grants £'000</b>	<b>S106 CIL £'000</b>	<b>Res-erves £'000</b>
Children's Social Care Case Management Replacement	40	40	0	0	0
Commercial Spaces Project: Central Library – Paused scheme to Capital Pipeline	(254)	(254)	0	0	0
<b>Total Children's Services</b>	<b>(214)</b>	<b>(214)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Maintenance of Historic Built Features	432	432	0	0	0
Street Scene Improvements – Sloane Street S278	589	0	0	0	589
S278 Highways and Transportation Schemes	200	0	0	0	200
GULC Electric Vehicle Charging Points	393	0	393	0	0
Museums Art Acquisition Fund	13	0	0	0	13
Notting Dale Future Neighbourhood 2030 – Phase 1	63	0	63	0	0
Notting Dale Future Neighbourhood 2030 – Phase 2	784	0	784	0	0
<b>Total Environment and Neighbourhoods</b>	<b>2,474</b>	<b>432</b>	<b>1,240</b>	<b>0</b>	<b>802</b>
<b>Total</b>	<b>2,260</b>	<b>218</b>	<b>1,240</b>	<b>0</b>	<b>802</b>

24.7 In addition to the above, Children's Services have requested funding of £15k to implement a provider portal as part of the new Children's Services and Adult Social Care case management system (CMS), Mosaic. This amount is made up of £15k capital costs proposed to be provided from the Capital Contingency, and £130k one-off revenue costs that are not eligible for capitalisation.

## Proposed Budget Virements within Directorates

- 24.8 The General Fund Capital Programme in **Appendix 3** includes details of proposed virements between scheme budgets contained within each directorate. These virements are requested in order to realign budgets across similar schemes within directorates, and they have a net nil impact. Leadership is asked to approve the virements, which are summarised by directorate in table below and set out in detail by scheme in **Appendix 3**.

**Table 16 Proposed Budget Virements within Directorates**

<b>Directorate</b>	<b>Gross Virements £'000</b>
Children's Services	797
Environment and Neighbourhoods	155
Housing and Social Investment	188
<b>Total</b>	<b>1,140</b>

- 24.9 £3.302m has been recommended for transfer from the Children's Services capital programme to Environment and Neighbourhoods in respect to Carbon Zero works being delivered within that directorate in respect to Schools. This was also included in the 2024/25 Budget and Council Tax Report taken to Leadership Team on 7th February 2023.

## Capital Programme Contingency

- 24.10 A contingency is held for managing variations to the Capital Programme and a borrowing provision for this is included in the Medium Term Financial Strategy. The contingency is topped up with budget underspends and conversely reduced when requests are approved to fund new budget requirements for existing schemes. The 2023/24 opening contingency balance was £2.097m which increased in year to £3.634m to quarter 2. At quarter 3 the Capital Contingency has increased by a further £1.488m to £5.122m.

## Capital Programme Review

- 24.11 At an informal meeting of Lead Members and officers, it was suggested that there was a need to prioritise refreshing the Capital Programme and Pipeline to reschedule and if necessary, review or remove projects, ensuring that there was a deliverable, affordable and high-quality programme in place.
- 24.12 The review for 2023/24 has now been completed and the proposals arising were included and recommended for approval in the 2024/25 Budget and Council Tax Report taken to the 7th February meeting of the Leadership Team. The proposals impacting 2023/24 are also included within the figures in this report and are summarised in the table below.

**Table 17 General Fund Movements arising from the Capital Review**

<b>Year</b>	<b>New Bids £'000</b>	<b>Move (To)/From Capital Pipeline £'000</b>	<b>(Remove)/ Add to/from Capital Programme £'000</b>	<b>Reprofile £'000</b>	<b>Total Movement £'000</b>
2023/24	15	218	540	(10,992)	(10,219)

24.13 As a result of the review, 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.



## 25. HOUSING REVENUE ACCOUNT (HRA) - CAPITAL PROGRAMME

### Housing Revenue Account (HRA) Capital Forecast - £2.959m underspend

- 25.1 At quarter 3, the HRA Capital Programme is forecasting expenditure of £74.055m against a revised budget of £77.014m. A summary of the main variations (greater than £0.500m) are set out in paragraphs 22.4 and 22.5 below:
- 25.2 The revised budget reflects the slippage carried forward from last year that has been added to the original budget of £110.433m set at the beginning of the year, and the impact of changes approved in quarter 1 and 2. The revised budget is subject to further change each reporting period as new schemes are approved.

**Table 18 HRA Capital Programme Forecast**

<b>Project Name</b>	<b>Original Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
HRA Main Programme Works	60,482	52,000	50,736	(1,264)
Lancaster West Estate	49,505	24,239	22,310	(1,929)
Open Housing Migration Project	446	775	1,009	234
<b>Total</b>	<b>110,433</b>	<b>77,014</b>	<b>74,055</b>	<b>(2,959)</b>

- 25.3 A summary of the projects with slippage is set out below.

#### **HRA Main Programme Works - £1.264m slippage to future years**

- 25.4 The main programme is forecasting £1.264m slippage mainly due to delayed contractor delivery for works on site at Swinbrook, which is one of the largest expenditure areas for 2023/24. In addition, there have been delays in collating the data and producing specifications for pre-contract schemes such as the Kitchens and Bathrooms project, in order to tender on Project Union documentation.

#### **Lancaster West Estate - £1.929m slippage to future years**

- 25.5 The HRA Capital Programme has been updated to reflect the content of the new HRA Business Plan that will be submitted to Leadership Team on 7th February as part of the 2024/25 Budget and Council Tax Report. Several Lancaster West schemes (Main refurbishment, Fire Safety, Notting Dale Heat and Other Initiatives) have slipped mainly due to the complexity of the works being designed and the need to onboard new multi-disciplinary consultants.



## 26. SCHOOLS AND EDUCATION

### Dedicated Schools Grant (DSG)

- 26.1 RBKC receives an allocation of Dedicated Schools Grant (DSG) from the Education and Skills Funding Agency (ESFA) to fund maintained schools and academies and items of central expenditure. The DSG finances schools, central services, early years and high needs expenditure. The latest DSG allocation for 2023/24, based on information published by the ESFA in November 2023 is £121.922m. This figure is before deductions for academies recoupment (£32.993m), funding of high needs places (£3.058m) and national non-domestic rates (£1.407m). Total after deductions is £84.464m.
- 26.2 In addition to the DSG, mainstream schools have been allocated additional funding through the mainstream schools additional grant (MSAG) in 2023/24. Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures. The DfE intend to incorporate the MSAG into core budget allocations from 2024/25.
- 26.3 The DfE also announced a teachers pay additional grant (TPAG) to fund 3% of the 2023 teachers pay award. This was allocated to schools in November 2023.

**Table 19 DSG Forecast 2023/24**

Service Area	Revised Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Movement since Q2 £'000
Early Years Block	12,479	12,479	0	0
Schools and Central Schools Services Blocks	47,855	47,855	0	
High Needs Block	24,130	23,524	(606)	(587)
<b>Total</b>	<b>84,464</b>	<b>84,842</b>	<b>(606)</b>	<b>(587)</b>

- 26.4 The Early Years Block is currently forecasting a breakeven position. The majority of the Schools and Central Services Blocks is allocated to schools, and a breakeven position is forecasted here also. The High Needs block is forecasting an underspend of £606k, which will reduce the DSG cumulative deficit from £6.271m at the end of 2022/23 to £5.665m by the end of 2023/24.

### Deficit Management Plan

- 26.5 The Council has an updated agreed deficit management plan in place (agreed in January 2024). At the end of 2022/23, the cumulative deficit was £6.271m. This included an in-year underspend of £1.335m, which was an improvement of £3.247m when compared to the position earlier that year. With all planned mitigations, the estimated cumulative deficit at the end of 2026/27 is £3.389m. This is attributable to forecast overspends on the High Needs Block and

includes budgeted transfers from the Schools Block of approximately £0.430m, increasing year on year in line with income. The High Needs forecast is based on the assumption that the trend in increasing pupils with high needs and costs is likely to continue.

- 26.6 It should be noted that Dedicated Schools Grant (DSG) deficits are currently ringfenced from Councils' wider finances, but this ringfence is due to end in March 2026. The end of this override will result in a requirement for local authorities to make a provision in their general reserves to fund DSG deficits.
- 26.7 At the end of March 2023, the Secretary of State for Education awarded the Council funding of £1.0m to be used towards the cost of the 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 –
- 26.8 Providing earlier support for primary aged children with speech and language needs to remove the need for an Education Health and Care Plan
- 26.9 Increasing inclusion in local mainstream schools, avoiding the use of higher cost placements in maintained special and independent or non-maintained schools
- 26.10 Key areas of grant expenditure are speech and language therapy (SALT), specialist teacher expertise and specialist inclusion practitioners to deliver training in schools, leadership capacity for training development, and programme management within the local authority. The grant cannot be used to reduce the cumulative DSG deficit.

### **School Balances and Forecasts**

- 26.11 At the end of 2022/23, there were four schools (including one nursery) with a deficit balance compared to one at the end of 2021/22. 15 schools had balances in excess of the Education and Skills Funding Agency (ESFA) guidance which refers to balances that exceed 5% of the annual budget for secondary schools and 8% for nursery, primary and special schools. Overall, 17 schools reported a net budget deficit for the year, thereby reducing their surplus.
- 26.12 The 2023/24 budget plans and latest forecasts show use of an estimated £1.128m of balances. This would reduce total school balances from £6.360m at the end of 2022/23 to £5.232m at the end of 2023/24. The latest forecasts also show that six schools will be in deficit by the end of the year.
- 26.13 Schools' three-year budget plans from 2023/24 show twelve schools expect to be in deficit by the end of 2025/26. Schools are being supported with the production of robust deficit recovery plans by a dedicated officer. Schools at risk of going into deficit are also being reviewed, and regular monthly or

quarterly meetings are being held with schools requiring support. A number of schools have submitted applications to the Council for support with meeting the cost of redundancies, which in line with the Council's Scheme for Financing can be funded in most circumstances.

- 26.14 The Council have been allocated the services of a school resource management advisor (SRMA) via the Department for Education (DfE). The advisor will spend a few days working with individual schools, providing impartial and expert business advice on making the best use of resources and dealing with financial challenges in the face of current and future deficits. The advisor will also provide reports and recommendations to each school regarding efficiencies and savings. Oxford Gardens Primary School completed the process in the summer 2023 term and the SRMA made a number of financial savings recommendations which the school reviewed and have now implemented in most part in order to recover their deficit position.

## 27. SECTION 106 (S106) AND COMMUNITY INFRASTRUCTURE LEVY (CIL)

### Section 106

- 27.1 S106 Agreements are legal agreements between local authorities and developers linked to mitigating the impact of development. They often contain specific criteria such as improvements to a particular road junction, park, or community facility within a defined location. S106 balances are considered as possible funding sources against all schemes on the capital programme.
- 27.2 The opening S106 balance held in reserves at the start of 2023/24 was £34.104m. Of this, £13.746m has now been allocated or earmarked against schemes.
- 27.3 A further £0.875m has also been received and the forecast balance remaining at close of 2023/24 is now £21.233m as detailed below.

**Table 20 S106 Balances Allocated or Earmarked at Quarter 3**

Capital Programme Scheme	Forecast 2023/24 £'000	S106 Categorisation
<b>Adult Social Care:</b>		
1-9 St Marks Road – Health and Safety Works	27	Community
<b>Children’s Services:</b>		
Schools Special Educational Needs	8	Education
Schools Summer Programme	395	Education
Additional Secondary School Places	1,800	Education
Schools: Strategic Planned & Reactive Maintenance	230	Education
Outcomes of Condition Studies - Schools	150	Education
Increased and Enhanced Autistic Spectrum and Special Educational Needs Provision	300	Education
<b>Environment and Neighbourhoods:</b>		
Street Scene Improvements	68	Highways & Transport
Leighton House Museum	51	Community
Westfield Park New Outdoor Gym	17	Open Spaces & Parks
Holland Park Public Toilets	9	Open Spaces & Parks
Parks Strategy Powis Square	31	Open Spaces & Parks
New Kensington Memorial Park Sports Pavilion, Toilets and Café Buildings	113	Open Spaces & Parks
Public Art	90	Public Art
Parks Strategy and Development Plan	9	Open Spaces & Parks
Other Streetscape	55	Highways & Transport

<b>Capital Programme Scheme</b>	<b>Forecast 2023/24 £'000</b>	<b>S106 Categorisation</b>
Tennis Court Floodlights - Kensington Memorial Park	80	Open Spaces & Parks
Kensington Memorial Park - Water Play Replacement	361	Open Spaces & Parks
Avondale Park Play Area, Lighting & Building Improvements	48	Open Spaces & Parks
Kensington Memorial Park Playground	25	Open Spaces & Parks
<b>Housing and Social Investment:</b>		
New Homes Delivery Programme	9,782	Affordable Housing
<b>Resources and Customer Delivery:</b>		
Digital Inclusion	97	Community
<b>Total Allocated or Earmarked</b>	<b>13,746</b>	
<b>Opening Reserve Balance</b>	<b>(34,104)</b>	
Amounts received to Q3:	(660)	Affordable Housing
	(215)	Carbon Offset
<b>Total Allocated or Earmarked</b>	<b>13,746</b>	
<b>Balance</b>	<b>(21,233)</b>	

### **Community Infrastructure Levy (CIL)**

- 27.4 Community Infrastructure Levy (CIL) is a charge that local authorities can levy on new developments in their area. Most new developments that create net additional floor space of 100 square meters or more or provide a new dwelling are liable to pay the levy.
- 27.5 The CIL pot is split into Borough CIL (BCIL) and Neighbourhood CIL (NCIL). NCIL must be spent on local priorities. The total CIL opening balance at the start of 2023/24 was £35.88m and the table below summarises the movements at quarter 3 and forecast closing balance of £31.972m.
- 27.6 The NCIL opening balance at the start of 2023/24 was £6.217m. Of this, £3.622m has been allocated as part of NCIL rounds 1, 2, 3 and 4.
- 27.7 The BCIL opening balance at the start of 2023/24 was £29.663m. Of this £286k has been allocated as part of the Capital Programme assumed funding as reported to Leadership Team on 7th February.

**Table 21 CIL Balances Allocated or Earmarked at Quarter 3**

<b>Description</b>	<b>Neighbourhood CIL £'000</b>	<b>Borough CIL £'000</b>	<b>Total CIL£'000</b>
<b>Opening Balance</b>	<b>(6,217)</b>	<b>(29,663)</b>	<b>(35,880)</b>
<b>Allocated or Earmarked:</b>			
Abingdon Ward	426	0	426
Brompton and Hans Town Ward	796	0	796
Campden Ward	68	0	68
Chelsea Riverside Ward	187	0	187
Colville Ward	111	0	111
Courtfield Ward	71	0	71
Dalgarno Ward	48	0	48
Earl's Court Ward	111	0	111
Golbourne Ward	112	0	112
Holland Ward	338	0	338
Norland Ward	63	0	63
Notting Dale Ward	98	0	98
Pembridge Ward	179	0	179
Queens Gate Ward	131	0	131
Redcliffe Ward	116	0	116
Royal Hospital Ward	121	0	121
St Helen's Ward	39	0	39
Stanley Ward	524	0	524
Norland Neighbourhood Plan	34	0	34
St Quintin & Woodlands Neighbourhood Plan	49	0	49
Grenfell Nursery	0	246	246
Acquisition of Acoustic Cameras	0	40	40
<b>Balance</b>	<b>(2,595)</b>	<b>(29,377)</b>	<b>(31,972)</b>



## 28. SAVINGS

- 28.1 The General Fund budget in table 1 includes total savings of £11.851m. Of this, £1.344m are savings agreed as part of previous budget setting processes for delivery this year and £10.507m have been agreed as part of the 2023/24 MTFs. A summary of the quarter 3 savings forecast by directorate is set out below in table 22.
- 28.2 The reported position at quarter 3 includes £9.853m of savings that are achievable this year. This is the equivalent of 83%. Pressures of £1.998m, or 17%, of savings are deemed unachievable in respect of the specific themes agreed. These pressures are reflected in the quarter 3 forecast overspend of £3.296m.
- 28.3 Despite this adverse position, Children's Services savings pressures of £400k are so far being absorbed within the directorate; as is the case for savings pressures of £857k in Environment and Communities, where the overspend relates to Parking Services. The position in Housing is different however, as both savings pressures and the reported variance relate entirely to temporary accommodation (TA).

**Table 22 Summary Savings Forecast**

Directorate	Savings Pre-2023/24 £'000	Savings 2023/24 MTFs £'000	Savings Total 2023/24 £'000	Savings Achievable 2023/24 £'000	Savings Unachievable 2023/24 £'000
Adult Social Care	0	(2,312)	(2,312)	(2,312)	0
Children's Services	(320)	(1,226)	(1,546)	(1,146)	400
Environment and Neighbourhoods	(149)	(3,772)	(3,921)	(3,064)	857
Housing and Social Investment	(675)	(1,371)	(2,046)	(1,305)	741
Resources and Customer Delivery	(200)	(1,643)	(1,843)	(1,843)	0
Chief Executive	0	(183)	(183)	(183)	0
<b>Grand Total</b>	<b>(1,344)</b>	<b>(10,507)</b>	<b>(11,851)</b>	<b>(9,853)</b>	<b>1,998</b>

- 28.4 A full breakdown of all savings by directorate is set out in **Appendix 1** alongside supporting narrative for amber and red rag-rated savings.



## 29. RESERVES

### General Fund Reserves

- 29.1 The general fund closing balance on reserves carried forward to 2023/24 was £150.383m. At quarter 3, the net in-year forecast movement across all reserves is £28.297m. This includes a net movement of £17.219m across usable unearmarked reserves.
- 29.2 Movements and new requests for funding agreed at quarter 2 are also reflected in the quarter 3 figures table below.

**Table 23 General Fund Reserve Balances and 3-Year Forecast**

Classification	Reserve Heading	Closing Balance 2022/23	Projected Movements	Forecast 31/03/2024	Forecast 31/03/2025	Forecast 31/03/2026
		£'000	£'000	£'000	£'000	£'000
Usable (Unearmarked)	Budget Stabilisation	(27,996)	5,552	(22,444)	(16,898)	(16,898)
Usable (Unearmarked)	Budget Carry Forward	(10,035)	4,051	(5,984)	(4,948)	(4,617)
Usable (Unearmarked)	COVID-19 Recovery/Cost of Living	(4,766)	784	(3,982)	(3,779)	(3,728)
Usable (Unearmarked)	Council Plan Implementation	0	(1,000)	(1,000)	(1,000)	(1,000)
Usable (Unearmarked)	Council Plan Implementation - Ward Improvements	0	(305)	(305)	(2,135)	(3,135)
Usable (Unearmarked)	Special Projects	(10,035)	8,138	(1,897)	(319)	(158)
Usable (Unearmarked)	Contingency	(5,359)	0	(5,359)	0	0
<b>Total</b>		<b>(58,191)</b>	<b>17,219</b>	<b>(40,972)</b>	<b>(29,079)</b>	<b>(29,536)</b>
Usable (Earmarked)	Affordable Housing	(9,900)	9,900	0	0	0
Usable (Earmarked)	Car Parking	(22,375)	1,592	(20,783)	(19,527)	(18,527)
Usable (Earmarked)	Civil Claim Settlement	0	(4,250)	(4,250)	(8,150)	(4,550)
Usable (Earmarked)	Grenfell	(13,611)	5,040	(8,571)	(2,824)	0
Usable (Earmarked)	Insurance	(23)	(6,238)	(6,261)	(6,261)	(6,261)
Usable (Earmarked)	Local Projects	(710)	(175)	(885)	(1,060)	(1,235)
Usable (Earmarked)	Notting Hill Carnival	(375)	375	0	0	0
Usable (Earmarked)	Proceeds of Crime	(142)	(41)	(183)	(163)	(123)
Usable (Earmarked)	Public Health	(8,660)	2,056	(6,604)	(4,403)	(2,201)
Usable (Earmarked)	Reorganisation	(132)	117	(15)	(1,188)	(1,188)
Usable (Earmarked)	Street Trading	(184)	(30)	(214)	(214)	(214)
Usable (Earmarked)	Troubled Families	(1,029)	86	(943)	(472)	0
Unusable	Schools Reserves	(9,199)	1,500	(7,699)	(6,199)	(4,499)
<b>Total</b>		<b>(66,340)</b>	<b>9,933</b>	<b>(56,408)</b>	<b>(50,460)</b>	<b>(38,797)</b>
Unusable	Collection Fund	(15,852)	1,145	(14,707)	(4,234)	(2,234)
Other	General Fund Working Balance	(10,000)	0	(10,000)	(10,000)	(10,000)
<b>Total General Fund Reserves</b>		<b>(150,383)</b>	<b>28,297</b>	<b>(122,087)</b>	<b>(93,773)</b>	<b>(80,568)</b>

- 29.3 Commitments across usable unearmarked reserves are set out by directorate in **Appendix 2** and the position reflects the outcome of the periodic review of reserves.
- 29.4 The Council's financial regulations (as set out in part 8, section 3 of The Constitution) require general fund reserve movements to be included in quarterly monitoring reports to Leadership Team for noting - where the amount is up to £250k, and approval - where above £250k. Reserve movements and new requests for additional funding are detailed in the

proceeding sections and will be reflected in the reserves position reported at quarter 4.

### **Reserve Movements**

- 29.5 Leadership Team is asked to approve a request from Children's Services to create a new Education Achievement and Excellence Fund. Applications will be accepted from schools to support improvements, and the scheme will be funded with historic unallocated schools' receipts (relating to long-term sickness and occupational maternity pay insurance schemes operated historically by the Education Finance team on behalf of schools) held in the Budget Carry Forward Reserve totalling £311k. The fund will be overseen by the Bi-Borough Director of Education and administered by the finance team.
- 29.6 Leadership Team is asked to note the partial repurposing of funds agreed in 2022/23 to support with procurement costs associated with the new hard facilities management contract and stock surveys in Housing and Social Investment. £109k will now be reallocated to the Meanwhile Gardens Factory project.
- 29.7 Leadership Team is asked to note the transfer of £64k of historic funds from the Special Projects Reserve, held in respect of markets improvements, to the Street Trading Reserve.
- 29.8 Finally, Leadership Team is asked to note the intention to utilise approximately £5.05m from the Insurance Reserve to manage the cost of Grenfell-related insurance claims charged to the Grenfell Corporate budget in 2023/24, as noted in section 14 of this report. A compensating transfer back to the Insurance Reserve from funds held by the Council to manage civil claim costs arising from the Grenfell tragedy will then be completed. This transfer will also incorporate the cost of prior year claims dating back to 2020/21 and is estimated at a total of £8.168m – comprised of £612k relating to 2020/21; £19k in 2021/22; £2.507m in 2022/23, and the aforementioned £5.05m forecast expenditure in 2023/24. These figures are already reflected in the Insurance Reserve balance presented above in table 23.

### **New Requests for Additional Funding**

- 29.9 During quarter 3, a total of £4.790m has been requested to fund new initiatives. Table 24 details requests for funding up to £250k each for noting by Leadership Team.

**Table 24 New Requests for Additional Funding up to £250k for Noting**

<b>Funding Request</b>	<b>Directorate</b>	<b>Reserve</b>	<b>Total £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Highways Improvement Schemes: Local Safety (CAPITAL)	Environment and Neighbourhoods	Car Parking Reserve	190	190	0	0
Street Signs and Posts (CAPITAL)	Environment and Neighbourhoods	Car Parking Reserve	200	100	100	0
Historic Street Name Plates (CAPITAL)	Environment and Neighbourhoods	Car Parking Reserve	30	30	0	0
Cleaning, painting and high quality amenity area maintenance	Environment and Neighbourhoods	Car Parking Reserve	160	80	80	0
Signage for 224 x Solo Visitor Motorcycle Bays	Environment and Neighbourhoods	Car Parking Reserve	28	28	0	0
Moving traffic enforcement (resources to maintain the existing service)	Environment and Neighbourhoods	Car Parking Reserve	80	80	0	0
2 x Time-limited posts to support the expansion of Parking CCTV network. Linked to 2024/25 MTFS	Environment and Neighbourhoods	Car Parking Reserve	120	120	0	0
0.5 x Time-limited post to oversee software development	Environment and Neighbourhoods	Car Parking Reserve	50	50	0	0

<b>Funding Request</b>	<b>Directorate</b>	<b>Reserve</b>	<b>Total £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
and consultation to support introduction of new purchasable annual parking permits. Linked to 2024/25 MTFS						
Time-limited post and development costs to deliver replacement parking bay suspension IT system	Environment and Neighbourhoods	Car Parking Reserve	100	100	0	0
Air quality monitoring, congestion monitoring and underground utility asset surveys. Formerly TFL-funded.	Environment and Neighbourhoods	Car Parking Reserve	128	64	64	0
On-street changes (inc. double yellow lines, new cycle lanes on Kensington High Street and Fulham Road)	Environment and Neighbourhoods	Car Parking Reserve	100	50	50	0
External consultancy support for re-procurement of the Highways	Environment and Neighbourhoods	Car Parking Reserve	130	90	40	0

<b>Funding Request</b>	<b>Directorate</b>	<b>Reserve</b>	<b>Total £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Maintenance contract						
Funding for Prevent Team following cessation of Home Office grant.	Environment and Neighbourhoods	Special Projects Reserve/ Budget Carry Forward Reserve	98	98	0	0
<b>Total</b>			<b>1,414</b>	<b>1,080</b>	<b>334</b>	<b>0</b>

29.10 Table 25 details new requests for funding above £250k for Leadership Team approval.

**Table 25 New Requests for Additional Funding above £250k for Approval**

<b>Funding Request</b>	<b>Directorate</b>	<b>Reserve</b>	<b>Total £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
Time-limited extension of posts supporting Customer Access Strategy delivery, associated training and comms.	Resources and Customer Delivery	Special Projects Reserve/ Budget Carry Forward Reserve	442	111	211	120
Rapid dump crews to tackle fly tipping.	Environment and Neighbourhoods	Car Parking Reserve	284	284	0	0
Street Scene Improvements (CAPITAL)	Environment and Neighbourhoods	Car Parking Reserve	1,800	600	600	600
Lighting Column Replacement (CAPITAL)	Environment and Neighbourhoods	Car Parking Reserve	360	120	120	120

Funding Request	Directorate	Reserve	Total £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Local Safety, Pedestrian Crossings and Minor Traffic Schemes Budget. Formerly TFL-funded.	Environment and Neighbourhoods	Car Parking Reserve	250	120	130	0
Highways structures, crossings and Thames River Wall maintenance	Environment and Neighbourhoods	Car Parking Reserve	240	120	120	0
<b>Total</b>			<b>3,376</b>	<b>1,355</b>	<b>1,181</b>	<b>840</b>

### Capital Reserves

29.11 The Capital reserves opening balance is £121.416m. This position includes capital grants, S106 and CIL contributions, and earmarked reserves.

29.12 At the end of quarter 2, the net forecast movement against reserves in-year is £43.997m. This position is based on a combination of assumptions relating to new capital grants and receipts, and the use of reserve balances to finance the capital programme. This position is however subject to change as the year progresses.

**Table 26 Capital Reserves Balances**

Reserve	Opening Balance £'000	Forecast Net Movements £'000	Forecast Closing Balance £'000
Capital Grants Unapplied	(1,389)	1,390	0
Capital Grants & Contributions	(17,123)	(7,854)	(24,978)
S106 Contributions	(34,104)	12,871	(21,233)
CIL Contributions	(35,880)	3,908	(31,972)
Earmarked Reserves	(21,560)	5,240	(16,319)
Capital Receipt Reserve	(11,299)	446	(10,853)
Major Repairs Reserve	(61)	61	0
<b>Total</b>	<b>(121,415)</b>	<b>16,060</b>	<b>(105,355)</b>





### 30. PERFORMANCE INDICATORS

- 30.1 The government established the Office for Local Government (OFLOG) in July 2023 to increase transparency in local government and provide a means of identifying councils at risk of potential failure in response to the increasing numbers requiring intervention.
- 30.2 OFLOG intends to improve transparency and performance by publishing data that is clear and accessible on its new Local Authority Data Explorer. Initially this will include a subset of data for Adult Social Care, Adult Skills, Finance, and Waste Management to be reported annually, and these service areas will be expanded over time.
- 30.3 OFLOG's finance performance indicators are tabled below.

**Table 27 OFLOG Finance Performance Indicators**

<b>OFLOG Finance Performance Indicators</b>
Reserves as percentage of net revenue expenditure
Reserves as percentage of service spend
Total core spending power per dwelling
Level of Band D council tax rates
Council tax revenue per dwelling
Social care spend as percentage of core spending power
Debt servicing as percentage of core spending power
Total debt as percentage of core spending power

- 30.4 reported across the year to provide further information on the Council's financial standing. These are intended to complement the OFLOG indicators, which will be reported at year-end.
- 30.5 The 'revenue forecast as a percentage of revenue budget' indicator shows that at quarter 3, General Fund forecast expenditure is 102.2% of the revised budget. This represents a 0.8% increase since quarter 2.
- 30.6 The 'capital forecast as a percentage of capital budget' indicator shows that at quarter 3, Capital Programme forecast expenditure is 90.1% of the revised budget. This represents a 1.9% increase since quarter 2 and it is reflective of changes to the original budget.
- 30.7 The 'debt as a percentage of revenue budget' indicator shows the percentage of debt held on the Council's ledger when compared to the revised budget. This was 3.2% at quarter 3, which represents a 6.9% reduction from quarter 2. This is primarily presentational and due to the removing of debt under 1 month from the calculation in quarter 3.

**Table 28 General Fund Performance Indicators**

<b>Finance Performance Indicators</b>	<b>Q1 (%)</b>	<b>Q2 (%)</b>	<b>Q3 (%)</b>	<b>Movement (%)</b>
Revenue forecast as a percentage of revenue budget	103.5	101.4	102.2	0.8
Capital forecast as a percentage of capital budget	81.6	88.2	90.1	1.9
Debt as a percentage of revenue budget	10.4	10.1	3.2	(6.9)

- 30.8 The HRA 'revenue forecast as a percentage of revenue budget' indicator shows that at quarter 3, forecast expenditure is 97.5% of the revised budget.
- 30.9 The HRA 'capital forecast as a percentage of capital budget' indicator shows that at quarter 3, Capital Programme forecast expenditure is 96.2% of the revised budget. This is broadly in line with the position reported at quarter 2, and it is reflective of changes made to the budget since it was originally set.

**Table 29 Housing Revenue Account (HRA) Performance Indicators**

<b>Finance Performance Indicators</b>	<b>Q1 (%)</b>	<b>Q2 (%)</b>	<b>Q3 (%)</b>	<b>Movement (%)</b>
Revenue forecast as a percentage of revenue budget	99.3	99.3	97.5	(1.8)
Capital forecast as a percentage of capital budget	69.3	96.3	96.2	(0.1)

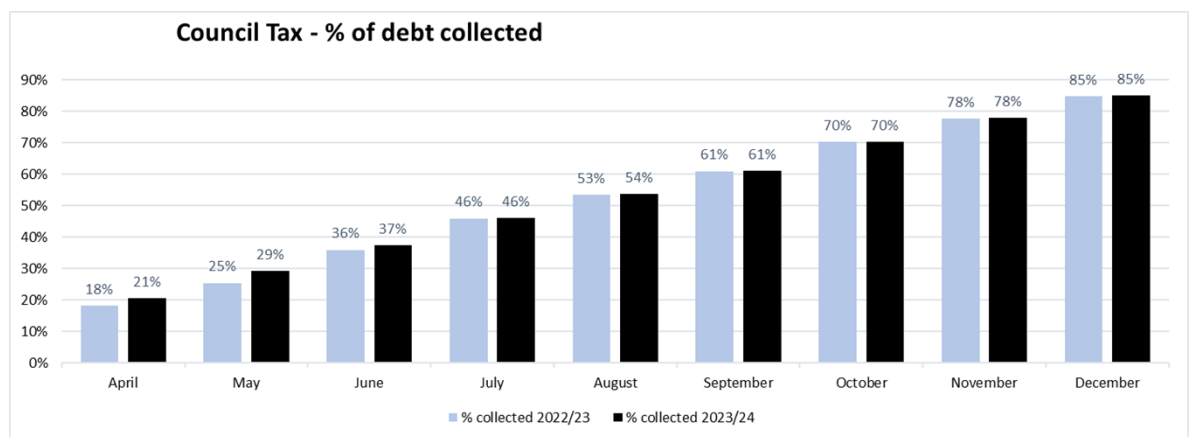
## 31. COUNCIL TAX AND BUSINESS RATES COLLECTION

31.1 Local taxation is a significant income stream and collection rates for both business rates and council tax are monitored monthly.

### Council Tax

31.2 Graph 1 shows comparable monthly collection rates for the period April to December 2022, and the same period in 2023/24. 85% of the total council tax billed was collected in April to December this year, which matches the collection rate across the same period in 2022/23. 2023/24 billing figures are also up by 3.6% to £143.5m when compared to 2022/23.

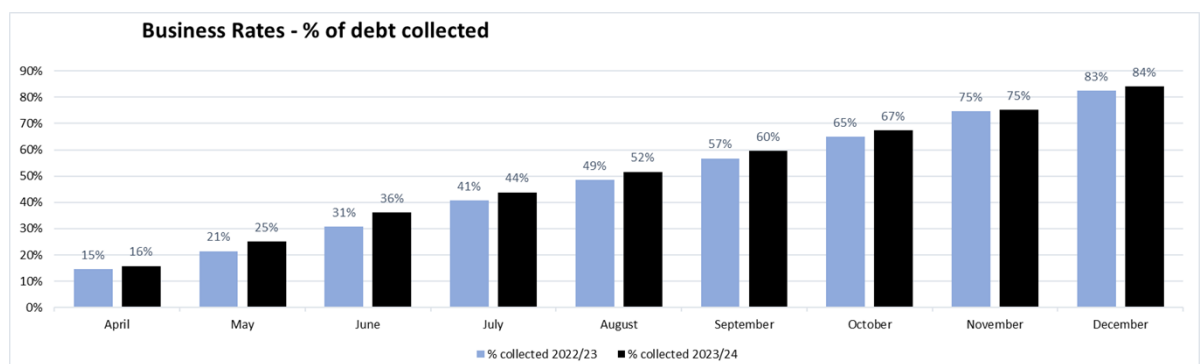
**Figure 1 Council Tax Collection at Quarter 3**



### Business Rates

31.3 Graph 2 shows comparable monthly collection rates from April to December 2022, and the same period in 2023/24. 84% of the total business rates billed was collected in April to December this year, compared with 83% of the total billed across the same period in 2022/23. As the service is now able to redirect resources to collection and enforcement activities instead of administering government one off grants, it is hoped that the year-end collection rate will be close to the pre-pandemic level.

**Figure 2 Business Rates Collection at Quarter 3**



- 31.4 Business rates billing values are down 23% to £247.1m this year, compared to £319.9m in 2022/23. This is due to the downward revaluation of properties by 15% on average in 2023/24 based on the new 2023 list, compared with 2022/23 figures that were based on the 2017 list. Additionally, this year's retail discount has increased to 75% compared with 50% last year, reducing overall income further.
- 31.5 The Council's retained business rate income remains the same however, as the reduction in billed income is correspondingly offset by a reduction in the tariff paid to central government and additional S31 grant funding to compensate for losses arising from the retail discount.