



HILLINGDON  
LONDON



# CABINET

## To all Members of the Cabinet:

**Date:** THURSDAY, 24 JULY 2025

**Time:** 7.00 PM

**Venue:** COMMITTEE ROOM 6 -  
CIVIC CENTRE, HIGH  
STREET, UXBRIDGE UB8  
1UW

**Meeting Details:** The public and press are welcome to attend and observe the meeting.

For safety and accessibility, security measures will be conducted, including searches of individuals and their belongings. Attendees must also provide satisfactory proof of identity upon arrival. Refusal to comply with these requirements will result in non-admittance.

This meeting may be broadcast on the Council's YouTube channel. You can also view this agenda online at [www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

Ian Edwards, Leader of the Council  
(Chair)

Jonathan Bianco, Deputy Leader of the  
Council & Cabinet Member for Corporate  
Services & Property (Vice-Chair)

Martin Goddard, Cabinet Member for  
Finance & Transformation

Susan O'Brien, Cabinet Member for  
Children, Families & Education

Jane Palmer, Cabinet Member for Health  
& Social Care

Eddie Lavery, Cabinet Member for  
Community & Environment

Steve Tuckwell, Cabinet Member for  
Planning, Housing & Growth

**Published:**  
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**Putting our residents first**

Lloyd White  
Head of Democratic Services  
London Borough of Hillingdon,  
Phase II, Civic Centre, High Street, Uxbridge, UB8 1UW

# Notice

## CABINET

7pm, 24 July 2025 in Committee Room 6,  
Civic Centre, Uxbridge UB8 1UW

In relation to the following item on this supplementary agenda:

- **Item 7 – Council Budget - Outturn 2024/25 & Month 2 Monitoring 2025/26**

This is formal notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to confirm that in excess of 28 clear days notice of the above matters have been given (via the Cabinet Forward Plan). However, the reports have been circulated less than 5 clear working days before the Cabinet meeting and will be considered if the Chair agrees them to be urgent.

The reason for urgency is to ensure the Cabinet can receive the Council's outturn budget position on time and to provide the latest financial position going forward to take any necessary decisions.

Notice of the Council's intention to hold this meeting (part in private) is also set out on the main Agenda for this meeting published online. All notices have also been placed on the public noticeboard at the Civic Centre.

22 July 2025

London Borough of Hillingdon

# Agenda

## Cabinet Reports - Part 1 (Public)

- |   |  |        |
|---|--|--------|
| 7 | Council Budget - Outturn 2024/25 & Month 2 Monitoring 2025/26<br>(Cllr Martin Goddard) | 1 - 60 |
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## COUNCIL BUDGET - 2024/25 OUTTURN & 2025/26 BUDGET MONITORING

<b>Cabinet Member &amp; Portfolio</b>	Councillor Martin Goddard Cabinet Member for Finance & Transformation
<b>Responsible Officer</b>	Andy Goodwin, Corporate Director of Finance
<b>Report Author &amp; Directorate</b>	Andy Goodwin, Finance
<b>Papers with report</b>	None

### HEADLINES

#### Overview

This report provides the Council's financial position across 2024/25 Outturn and the Month 2 forecast position for 2025/26. It presents a significant challenge to the Council and its plans to address them.

Over a number of years, the Council has adopted a strategy of doing all it can to maintain quality services whilst keeping the costs to residents as low as possible, through transforming how the Council operates and its consequent costs. However, like many local authorities across the country Hillingdon is facing financial challenges related to the increase of inflation rates across all of its service areas, utilities and running costs, as well as increases in demands for services following the Covid pandemic and the impact of the recent Government National Insurance increase.

Unlike other local authorities, Hillingdon incurs additional costs as a result of being home to Heathrow Airport and the surrounding hotels commissioned by the Home Office during the pandemic, which have been used to house people seeking asylum. The Council is paying £5 million annually to support individuals seeking asylum as well as those evicted from hotels by the Home Office – a sum now forecast to total more than £16 million by the end of the current financial year which we continue to pursue, and there is an expected annual cost to the Council of £1.2 million of supporting Chagossians.

The Government's Fair Funding Review 2.0 - a new assessment of how much money local authorities should receive from the Government - to be introduced in 2026/27, has highlighted that some councils are underfunded and in London there is an additional layer of how outer London is funded compared to inner London.

The review has identified Hillingdon Council as being significantly underfunded for several years. Whilst the Government's intention has been to rectify this, the conclusion of the review was delayed by the Covid pandemic and recovery, now to be introduced in 2026/27 onwards.

The challenges set out in this report and detailed within have resulted in the Council expecting to request financial support, called Exceptional Financial Support (EFS), from the Government, until

the funding review is implemented and resolution to the costs for managing asylum numbers over and above that which all authorities are expected to bear is addressed.

Seeking Exceptional Financial Support from the Ministry of Housing, Communities and Local Government (MHCLG) is a mechanism available to local authorities where they have taken all reasonable steps to manage financial challenges themselves.

The Council's finances as set out in the report present a position wherein the Council's expenditure is likely to exceed its resources. In these circumstances the Council's Chief Finance Officer (Section 151 Officer) is obliged to brief the Council's executive, Cabinet and external auditors, which has been done.

The Chief Finance Officer has also advised the Government office responsible for local government, the Ministry for Housing, Communities and Local Government (MHCLG) and is in active discussions about requesting EFS. This and the actions contained in the report have provided the Chief Finance Officer with sufficient assurance of not needing to issue a Section 114 notice at this time.

## **Summary**

The report presents the Council's General Fund financial position and the changes since the previous reports to Cabinet with a forecast outturn position for 2024/25. The outturn position presents a £31.5m adverse variance (representing a £20.5m adverse movement from Month 10) and a £16.4m forecast overspend against the 2025/26 budget. Having recognised the ongoing challenges with stabilising the Council's budget, since the last reporting cycle, the Council has been working to deliver a Finance Modernisation Programme (FMP) that is targeting an improvement in the Council's financial capacity and capability across both the Finance department and the wider organisation.

Within this programme there are a number of workstreams, including a review of the Council's Balance Sheet and accounting practices, this workstream has uncovered a number of accounting errors or assumptions going back as far as 2013/14 that need to be rectified and written out of the Council's accounts, with some of these actions correcting prior year issues, however, due to those periods being closed, the Council needs to recognise them in the 2024/25 outturn position.

Whilst these issues are clearly very problematic, the Council has recognised the need to unpack the accounts to understand year on year movements across balances and reserves. This work, having identified and remedied the issues in accounting practices and processes will result in the Council having increased confidence in its financial management, with this confidence increasing as the Finance Modernisation Programme continues to further deliver.

With these issues having not emerged until outturn, the Council had no time to take mitigating actions against either the 2024/25 position or the 2025/26 budget. It should, however, be recognised that the impacts on the 2024/25 outturn position, whilst material, are not indicative of the day-to-day running of the Council, with Service Operating Budgets presenting a relatively minor movement of £1.3m within the £20.5m movement. Service delivery within the Council continues to be well run, with the spend on frontline services being below our comparator group (predominantly Outer London Boroughs) whilst continuing to receive good ratings from external oversight bodies.

The updates in this report present a position whereby reserves are currently projected to be negative by 31<sup>st</sup> March 2026, effectively meaning the Council is unable to balance the budget by the end of the current financial year. For this reason, the Council has entered into discussions with Government about financial support options. Furthermore, opportunities exist to determine and implement further cost delay and reduction measures during the current financial year.

The Finance Modernisation Programme is continuing to work at pace and is putting the Council into a better position of understanding its financial position and gaining a better knowledge of the correlation between budget modelling and outturn, with a strong focus on savings delivery, which will include some short-term spend control measures to internally manage this position as best as it can, but recognising that in the short-term, Government support will likely be required.

It should be noted that the 2024/25 position is subject to change due to the final Balance Sheet Review element within the Finance Modernisation Programme and can change from the External Audit which is due to commence in September 2025.

<b>Putting our Residents First</b>  <b>Delivering on the Council Strategy 2022-2026</b>	<p>This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents</p> <p>This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council</p>
<b>Financial Cost</b>	N/A
<b>Select Committee</b>	Corporate Resources & Infrastructure
<b>Ward(s)</b>	All

RECOMMENDATIONS

That the Cabinet:

1. **Note the General Fund Overview as set out in Part A: Section 1 of the report;**
2. **Note the 2024/25 outturn position as set out in Part A: Section 2 of the report;**
3. **Note the budget monitoring position and treasury management update as at May 2026 (Month 2) as set out in Part A: Section 3 of the report, furthermore, noting the actions proposed by officers.**
4. **Approve the financial recommendations as set out in Part B of this report.**

Reasons for recommendation

1. The reason for **Recommendation 1** is to ensure the Cabinet are aware of, and understand, the Council’s financial performance for 2024/25 against the approved budget agreed by Cabinet and Council on 22 February 2024.
2. The reason for **Recommendation 2** is to measure performance against the Council’s budgetary objectives, providing Cabinet with the update on performance against budgets approved by Council on 27 February 2025 contained within **Part A** of this report. An update on the Council’s Treasury Management activities is included within this section of the report.

3. **Recommendation 2** seeks approval for the range of financial recommendations set out within **Part B** of this report, which may include acceptance of grant funding, revisions to fees & charges and ratification of decisions taken under special urgency provisions.

#### **Alternative options considered / risk management**

4. There are no other options proposed for consideration.

#### **Select Committee comments**

None at this stage.

## **PART A: SECTION 1 - GENERAL FUND OVERVIEW**

5. The Council's financial position has materially deteriorated since the last report to Cabinet with both the Outturn 2024/25 and 2025/26 Month 2 monitoring position presenting adverse movements from their respective previous reported positions. The 2024/25 Outturn position reports an adverse variance against budget of £31.5m, moving £20.5m adversely since Month 10 and the 2025/26 Month 2 update reporting a £16.4m overspend since setting a balanced budget for the year in February 2025.
6. With the Council having £35.2m of reserves at the beginning of 2024/25, these updates indicate forecast closing reserves for 2025/26 of £13.7m overdrawn after factoring in movements within earmarked reserves, meaning the Council's current estimate indicates that it cannot balance the budget within the current year.
7. This position has arisen due to a number of accounting adjustments that have failed to be remedied by a number of s151 officers and audits having a material, but one-off, impact to the Council's financial position. The Council is currently undergoing a Finance Modernisation Programme review which aims to improve the Council's understanding of its financial position by improving financial capability and capacity across the organisation, including bringing in best practice and ensuring the Council's new financial system is fit for purpose. Within this programme, one of the workstreams includes a review of the Council's Balance Sheet and accounting practices, which has uncovered a number of corrective actions required to address historic issues. As a result, the 2024/25 outturn position saw a movement of £14.1m due to three elements:
  - i. The necessity to write out a negative reserve to the value of £5.5m.
  - ii. Updates to the Council's Treasury and Minimum Revenue Provision (MRP) calculations, i.e., the covering of debt taken on to finance capital expenditure, led to an adverse movement of £4.5m.
  - iii. Changes to the Council's Bad Debt Provision policy, ensuring we have sufficient cover against debts that are unlikely to be collected added £4.1m to the outturn position.
8. Finally, the outturn position moved due to £5.1m of the mitigating actions the Council was carrying throughout the 2024/25 monitoring cycle that were not able to be delivered and a further £1.3m from service updates. These updates were identified during the outturn period,



meaning the Council was unable to find mitigating actions during the 2024/25 financial year, or to provide for them in the 2025/26 budget strategy cycle.

9. The Council has continued to run efficient frontline services, which are well rated by external review bodies, with both Adult Social Care and Children's Social Care receiving good and excellent ratings from their respective regulators. This has been achieved whilst keeping Council Tax low, with Hillingdon having the second lowest charge out of the 20 Outer London Boroughs. Benchmarking across our comparator group (which is mainly Outer London Boroughs) demonstrates that the Council delivers value for money in service delivery, with below average per capita spend across the majority of services.
10. Where the Council has faced particularly challenging service cost pressures from its legal obligation to provide accommodation and support to asylum seekers. Hillingdon is particularly affected by this due to having Heathrow within the Council's boundaries. With hotels initially commissioned by the Home Office and the requirement to support those subsequently evicted from this accommodation once their right to remain has been confirmed, the Council has incurred costs which greatly exceed the Government specific funding. This position is further exacerbated by a number of factors including a lack of adequate funding for people arriving from the Chagos Islands., the volume of asylum-seeking arrivals at the airport and the impact on local supply and demand forces for local accommodation. The Council has approached the Home Office to address this situation with no success to date.
11. The financial position of the Council is further adversely impacted by demand pressures from Adult Social Care, Children's Social Care and Homelessness Support, whilst these services continue to deliver high quality excellent services for a per capita spend below our comparator group, the unrelenting and exceptional demand is placing strain on the Council's finances, with funding from the Government not keeping pace with demographic pressures and market forces. The Council's forecast position is commensurate with London wide situation, with London Councils forecasting an £800m overspend in 2024/25 and £500m 2025/26.
12. Despite these pressures, the Council has done well to weather the storm up until this point. The Formula Funding methodology and data by which Central Government allocates Revenue Support Grant [RSG] and locally retained business rate income was last fundamentally reviewed and updated in 2013/14. Hillingdon's allocation in that year was reduced by £4.8m (4.7%) to fund damping grants for other local authorities seeing significant falls in their own funding. The Council has long argued that this contribution to other councils should have not led to under-funding of services to Hillingdon residents for the following thirteen years and coupled with above average increases in cost drivers, has represented a historic unreasonably low level of Government funding to Hillingdon. As the damping element was not phased out over the first five years as was initially intended, this would have provided Hillingdon with £48m more grant income over the past thirteen years.
13. The Government has recognised that current arrangements represent a "*broken funding system*" and are in the process of consulting on proposed changes to the distribution of support to local government through the Fair Funding Review 2.0 Consultation – with changes to grant allocations expected to be introduced from next year as part of a three-year Settlement (2026/27 to 2028/29). Some of the data used in that consultation is yet to be

refreshed and the methodology may be changed based on responses to that consultation. Any analysis and projections from that consultation around next year's funding to the Council thus need to be taken at this stage with a degree of caution.

14. London Councils have undertaken detailed analysis and modelling of the proposals set out in the consultation on behalf of all London boroughs. Their analysis suggests that Hillingdon is proportionately the most underfunded London Council and would see a significantly increased income from the new methodology compared to the current year and supports the Council's long-held argument that it has been significantly under-funded compared to other local authorities in the past.
15. It is too early in the consultation process to confidently predict a definitive funding amount for 2026/27, which is unlikely to be confirmed until the end of November 2025. That said, had the allocations been regularly updated over the past thirteen years (in line with the proposed methodology), the level of Council reserves at the end of 2024/25 could have been substantially improved.
16. The Council is currently taking steps to manage down pressures, this includes as part of the Finance Modernisation Programme, ensuring the Council is on top of the saving programme for 2025/26 which includes £34.0m of new savings, plus £4.8m of savings yet to be delivered from previous years, taking the total to £38.8m. The month 2 budget monitoring process has however identified that £1.4m of these savings cannot be delivered and will need to be written out of the Council's budget in 2026/27, with £5.2m of the remaining balance being reported as a pressure within 2025/26. Furthermore, the Council is reviewing its financial position and considering where additional savings can be made and where short-term spend control measures can be implemented defer and reduce cost. These measures are included in the 2025/26 Month 2 position reported in this paper, however, there are opportunities for further measures to be developed that could impact on this position, including a recommendation in Part B of this report to review fees and charges for potential uplifts in 2025/26. The Council is also preparing its 2026/27 and medium-term budget strategy, leaving no stone unturned to maximise efficiencies and set a financially sustainable strategy going forward.
17. However, given this position and the Council's 2025/26 forecast takes reserves overdrawn, the Council has started discussions with the Ministry for Housing, Communities and Local Government (MHCLG) to seek Exceptional Financial Support, with the Council not alone in this position. Several other London boroughs have already applied for support, demonstrating an underfunded sector and ongoing challenges facing London.

### **Other Updates**

18. Details behind the Schools Budget, Housing Revenue Account (HRA) and Capital are included in the relevant sections of this report.

## PART A: SECTION 2 – OUTTURN 2024/25

### SUMMARY

#### GENERAL FUND REVENUE

19. The General Fund Outturn position reports an adverse variance of £31.5m against budget, representing an adverse movement of £20.5m from the Month 10 update presented to Cabinet in March 2025. Since the last report, the Council has continued to work through the Finance Modernisation Programme, which is focused on modernising financial processes, capability and understanding across the Council, introducing best practice and supporting the Council in gaining a better understanding of its financial position. This process is being done in conjunction with Grant Thornton with oversight from the Local Government Association. Part of this programme includes a review of the Council's Balance Sheet.
20. This process has unearthed a number of issues which have driven the majority of this adverse movement, including the necessity to write out a negative reserve of £5.5m, with an assessment of the Council's Treasury approach has led to an adjustment of £4.5m, an evaluation of the Bad Debt Provision policy has led to an adverse movement of £4.1m. This position is further compounded by £5.1m of the previously reported interventions not crystallising, with the movement from service updates accounting for only £1.3m of the movement.
21. The below table sets out the 2024/25 outturn position against the Month 10 Cabinet update, it is worth noting that whilst the table below presents an adverse movement of £11m against the interventions reported in Month 10, £5.9m of these interventions have materialised at outturn, but are now reported under Service Operating Budgets.

**Table 2.1: General Fund Overview**

Service	Approved Budget £m	Forecast Outturn £m	Underlying Variance £m	Forecast Variance Month 10 £m	Change in Variance £m
Service Operating Budgets	302.1	310.6	8.5	5.8	2.7
Development & Risk Contingency	0.5	0.0	(0.5)	(0.5)	0.0
Unallocated Budget Items: Earmarked Reserve Funding	0.0	5.5	5.5	0.0	5.5
Unallocated Budget Items: Pay Award Inflation	0.6	0.0	(0.6)	(0.6)	0.0
Unallocated Budget Items: Unallocated Savings	(4.7)	0.0	4.7	4.7	0.0
Unallocated Budget Items: Rebasing	(14.1)	0.0	14.1	14.1	0.0
<b>Total Net Expenditure</b>	<b>284.4</b>	<b>316.1</b>	<b>31.7</b>	<b>23.5</b>	<b>8.2</b>
Corporate Funding	(284.4)	(284.6)	(0.2)	(1.5)	1.3
<b>Subtotal</b>	<b>0.0</b>	<b>31.5</b>	<b>31.5</b>	<b>22.0</b>	<b>9.5</b>
Interventions	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	(11.0)	11.0
<b>Net Total</b>	<b>0.0</b>	<b>31.5</b>	<b>31.5</b>	<b>11.0</b>	<b>20.5</b>
<b>Opening Reserves</b>			<b>35.2</b>		
Less: Underlying Variance			(31.5)		
Add/(Less): Movement on Earmarked Reserves			3.0		
<b>Closing Reserves</b>			<b>6.7</b>		

22. With this position presenting closing reserves, which includes both General Reserves and Earmarked Reserve, of £6.7m, these reserves are deemed to be inadequate by the Section 151 Officer, it is therefore the Council's decision to enter conversations with MHCLG around the possibility of seeking EFS from the Government. The Month 2 budget monitoring report for 2025/26 further strengthens the need to enter into these conversations with MHCLG. Given that these discussions are underway, it is the view of the Section 151 Officer that it is not necessary to issue a Section 114 notice at this time whilst these conversations are ongoing.
23. Whilst this position presents a significant adverse movement from the Month 10 reporting, it should be noted that £14.1m of the movement relates to accounting adjustments, with a further £5.1m related to estimated interventions, meaning the service impact is a minor £1.3m movement. This position therefore supports the Council's view that day-to-day operations continue to be tightly managed and deliver value for money for our residents, with benchmarking data demonstrating that service expenditure per capita remains below our comparator group (which is predominantly the Outer London boroughs).
24. Furthermore, early modelling against the Government's Fair Funding Review 2.0 suggests that from 2026/27 funding will be re-allocated from Inner London boroughs to Outer London, with this review having been delayed due to the pandemic. Whilst it is recognised that the Council needs to operate within the funding settlement for 2024/25, it is also recognised that

should the Fair Funding Review have taken place when originally planned, the Council's position is likely to have been materially improved.

25. Finally, it should also be noted that the Finance Modernisation Programme has highlighted these issues during the outturn process, meaning the Council was not in a position to consider these updates when setting either the 2024/25 or 2025/26 budget. The Council will continue to review service delivery and implement cost control measures where appropriate to contain the impacts of these adverse movements going forward but recognises the need for short-term Government support whilst the Council takes further action to put itself on a more sustainable footing and until the new funding settlement is received.
26. This outturn report also confirms the service narrative in the Month 10 position, with this being in line with peers across both London and nationally. London Councils, the collective of Local Government in the capital, estimates that boroughs will overspend against original budget plans by £700m in 2024/25 (averaging £21.2m per borough) and are forecasting this to be in the region of £500m for 2025/26. Furthermore, the Government has now published the list of Council's (so far) reliant on Exceptional Financial Support from Government in 2025/26, with this list including 6 London boroughs receiving a total of £377.9m next year, highlighting the pressures London boroughs are facing. This position therefore confirms, that without the accounting updates to this position of £14.1m, the Council's net overspend would have been £17.4m and therefore below the London average.
27. This underlying position is being driven by Service Operating Budgets reporting an overspend of £8.5m and presenting a £2.7m adverse movement from Month 10, the details behind which are set out later in this report under the Service Operating Budgets header. Corporate Budgets are compounding this position with an adverse variance of £23.2m and Corporate Funding delivering a minor £0.2m favourable variance (net £23.0m).
28. Within Corporate Budgets the detail behind the adverse variances breaks down as follows:
  - i. The primary variance is being driven by a requirement to rebase the service operating budgets by £14.1m to unwind historic pressures due to demographic growth being above the budgeted increase in prior years and unachieved savings due to changes in service delivery leading to planned savings no longer being deliverable.
  - ii. In October the 2024/25 pay award was agreed, leading to a £0.6m underspend against the Council's pay award budget.
  - iii. The writing out of the negative earmarked reserve adds £5.5m of overspend to these budgets.
  - iv. The remaining £4.7m relates to cross-cutting savings within the budget strategy that are deemed undeliverable.
  - v. This position includes a proposal to release all of the General Contingency budget of £0.5m which will require Cabinet approval, with a recommendation included in this report.
29. Both the £14.1m rebasing number and £4.7m undelivered savings were permanently written out of the Council's budget from 2025/26 onwards in the revised budget strategy approved by Cabinet and Council in February 2025.

30. The Service Operating Budget pressure of £8.5m is largely being driven by three pressure areas, with:
- i. c£6.1m relating to Homelessness demand continuing to run at a level above the budgeted assumption, with this being an issue across London.
  - ii. c£2.5m relates to Children's Social Care demand, with support provided to Looked After Children reporting exceptional demand above that included in the budget strategy.
  - iii. c£2.5m relating to pressures within Adult Social Care from demand outstripping the budgeted growth.
31. These pressures are offset by an underspend of £2.5m of favourable variances. These consist of a £1.3m underspend within Finance & Transformation due to a number of updates including previously reported interventions landing in this area offset by the Treasury update, a £0.8m underspend within Corporate Services & Property from maximising alternative funding streams to ensure service delivery and a £0.4m underspend within Community & Environment due to underspends against the GLL leisure contract and heritage and cultural sites.
32. Whilst this report sets out the draft outturn position for the Council, it should be noted that there are factors that could further impact on this position, including the final strand of the Finance Modernisation Programme's Balance Sheet Review which is reviewing the debtors and creditor balances and reserves and provisions, as well as the external audit of the accounts which is due to start in September 2025.

## **GENERAL FUND CAPITAL EXPENDITURE**

33. At outturn, a £32.9m underspend is reported on the 2024/25 General Fund Capital Programme budget of £119.5m, with the forecast outturn variance over the life of the 2024/25 to 2028/29 programme estimated to breakeven with the exception of the £5.4m cost variance in 2024/25. General Fund Capital Receipts of £11.4m are utilised for 2024/25, with future all disposal receipts forecast to be required to fund transformation activity, with capital receipts forecast to achieve the income target of £32.0m for the five years to 2028/29. Overall, Prudential Borrowing required to support the 2024/25 to 2028/29 General Fund capital programme is forecast to be on budget.

## **SCHOOLS BUDGET**

34. The Dedicated Schools Grant (DSG) total Block for the Maintained Schools is reporting an in-year deficit of £15.0m at outturn, representing a significant improvement from the £28.7m reported at outturn 2023/24 as a result of a broad range of positive measures being deployed by the Council. The in-year deficit is largely driven by High Needs placement demand and cost pressures which continue to be significantly underfunded in the DSG settlement that the authority receives from the Department for Education (DfE). This position means that the cumulative deficit carried forward to 2025/26 is £65.6m.
35. There is currently a time-limited statutory override in place until 31 March 2028 effectively keeping the Schools Budget deficit behind a ringfence which ensures that this deficit does not

impact upon general reserves, and the Council's General Fund budget strategy is predicated on the further continuation of this override throughout the life of the 5-year budget strategy. The Council is one of many local authorities managing a large deficit within the Schools Budget and this stood at £50.6m at 31 March 2024 and therefore exceeded General Fund reserve levels. Although ringfenced, this deficit is fully financed by the Council and thus impacts on our borrowing costs.

36. The issue of mounting DSG deficits remains a national issue, with projections for a £4bn deficit across the country forming a key strand to lobbying by sector bodies such as the LGA and London Councils.

## **HOUSING REVENUE ACCOUNT**

37. The Housing Revenue Account (HRA) is continuing to present a breakeven position at Month 12, with the rental yield leading to a £0.7m in-year pressure, with the shortfall being driven by the budgeted increase in stock landing later in the year. This shortfall is being offset by a reduction in capital financing costs as a result of the delayed investment. The 2024/25 closing HRA General Balance is £15m, in line with the target level established for 2024/25. The HRA had a substantial development and acquisition programme for 2024/25, with this programme forecast to ultimately deliver, but with the increase in stock numbers landing later than originally planned. At Month 12, the HRA Capital Programme is reporting a £14.9m underspend with the five-year programme to 2028/29 forecast to breakeven.

## **FURTHER INFORMATION**

### **General Fund Revenue Budget**

38. As at Month 12, the Council's General Fund is reporting an overspend of £31.5m after accounting for the impacts of the Balance Sheet review, the use of £11.4m of Transformation Capitalisation and net nil movements within Earmarked Reserves. General Fund Balances and Earmarked Reserves are reported to total £6.7m and therefore be below the minimum threshold of £32m as approved by Cabinet and Council in February 2024 and the £24.5m set out in the revised budget strategy approved in February 2025 without further actions.
39. The outturn position includes a net increase of £3.0m of Earmarked Reserves, with Service Operating Budgets reporting a net nil movement, and Corporate Budgets increasing reserves by £3.0m. Within the Earmarked Reserves position, £1.9m has been added to the ringfenced Public Health Reserve due to underspends against the grant, with £1.0m being added to ringfenced grants, the remaining £0.1m movement relates to a number of smaller updates, predominantly being the increase in a Planning Reserves and the reduction in the Insurance Reserve.
40. With the Council's opening reserves being £26.8m of General Balances and £8.3m of Earmarked Reserves, the Council may need to draw further on Earmarked Reserves to close the position, with this to be concluded once the Finance Modernisation Programme balance sheet review is complete.
41. With Transformation activity now concluded for 2024/25 to deliver against the Council's saving programme, the position includes the use of £11.4m of capital receipts to fund implementation costs in line with the Government's guidance, representing a movement of £2.1m from Month 10. The Council had previously entered a Safety Valve agreement with the Department for Education which included the Council contributing Capital Receipts to reduce the DSG deficit. With this agreement being suspended by the DfE, the Council has chosen to utilise receipts previously held to reduce the deficit to support Transformation activity.

### **Progress on Savings**

42. The savings requirement for 2024/25 was £15.8m as set out in the Council's budget strategy. This position has been supplemented by a further £5.7m of prior year savings carried forward into 2024/25, resulting in an overall programme of £21.5m savings to be delivered in year:



**Table 2.2: Savings Tracker**

Cabinet Member Portfolio	Blue Banked £m	Green Delivery in progress £m	Amber I Initial stages of delivery £m	Amber II Potential problems in delivery £m	Red Serious problems in delivery £m	Savings to be Written Out (funded) £m	Savings to be Written Out (New) £m	Total £m
Cabinet Member for Corporate Services & Property	(1.0)	0.0	(0.3)	0.0	0.0	(0.3)	(0.9)	<b>(2.5)</b>
Cabinet Member for Finance & Transformation	(1.1)	(0.5)	0.0	0.0	0.0	(0.2)	0.0	<b>(1.8)</b>
Cabinet Member for Planning, Housing & Growth	(0.7)	(0.4)	0.0	0.0	(0.7)	(0.1)	(0.3)	<b>(2.2)</b>
Cabinet Member for Community & Environment	(2.6)	(0.2)	(0.2)	(0.3)	(0.2)	(2.3)	0.0	<b>(5.8)</b>
Cabinet Member for Children, Families & Education	(0.5)	(0.1)	0.0	(0.5)	0.0	(0.8)	0.0	<b>(1.9)</b>
Cabinet Member for Health and Social Care	(1.2)	0.0	(0.2)	0.0	0.0	0.0	0.0	<b>(1.4)</b>
Cross-Cutting	0.0	0.0	0.0	0.0	0.0	(5.9)	0.0	<b>(5.9)</b>
<b>Total 2024/25 Savings Programme</b>	<b>(7.1)</b> 33%	<b>(1.2)</b> 6%	<b>(0.7)</b> 3%	<b>(0.8)</b> 4%	<b>(0.9)</b> 4%	<b>(9.6)</b> 44%	<b>(1.2)</b> 6%	<b>(21.5)</b> 100%
Carried Forward to 2025/26	No	Yes	Yes	Yes	Yes	No	Yes	N/A
<b>Month 10</b>	<b>(2.5)</b> 11%	<b>(5.0)</b> 23%	<b>(1.5)</b> 7%	<b>(0.4)</b> 2%	<b>(2.7)</b> 13%	<b>(9.4)</b> 44%	<b>0.0</b> 0%	<b>(21.5)</b> 100%
<b>Movement</b>	<b>(4.6)</b> 22%	<b>3.8</b> -17%	<b>0.8</b> -4%	<b>(0.4)</b> 2%	<b>1.8</b> -9%	<b>(0.2)</b> 1%	<b>(1.2)</b> 6%	

43. At outturn, £7.1m (33%) of the savings and interventions are being recorded as banked, with a further £1.2m (6%) on track for delivery, with a further £1.5m (7%) being at initial stages of delivery. In addition, £0.9m (4%) are being reported as having potential challenges in delivery, with alternative delivery methods being delivered in-year where appropriate, with the savings ultimately expected to be delivered in full. A further £9.6m of savings have been written out of the Council's budget from 2025/26 and form part of the Corporate Items in the budget strategy approved by Cabinet and Council in February 2025. Since February 2025, a further £1.2m of savings are required to be written out that can no longer be delivered but will now form part of the unallocated savings pressure in the 2025/26 monitoring position, until they are written out in the 2026/27 budget that will ultimately be approved by Cabinet and Council in February 2026.
44. With the savings that have not either been banked or written out and funded carrying forward to 2025/26, the outturn position therefore confirms £4.8m of savings will be carried forward into 2025/26 and added to the £34.0m of new savings for the year, taking total savings to be delivered in 2025/26 to £38.8m.

45. Where savings have not delivered in full during 2024/25, the associated pressures have been factored into the monitoring position with compensating actions being implemented where possible to offset these pressures.

### **Service Operating Budgets**

46. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents. With the Council continuing to operate in a high inflation environment driven by global and national influences, these budgets were supplemented with £16.5m of funding to meet forecast inflationary pressures and £14.3m for demographic and other drivers impacting on demand for services going into the 2024/25.
47. Table 3 represents the position reported against normal activities for the Service Operating Budgets, the salient risks and variances within this position are summarised in the following paragraphs.

**Table 2.3: Service Operating Budgets**

Service		Approved Budget	Underlying Forecast	Earmarked Reserves	Provisions	Transformation Capitalisation	Forecast Outturn	Variance	Month 10	Movement
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Corporate Services & Property	Expenditure	28.4	30.8	0.0	0.0	(0.7)	<b>30.1</b>	1.7	1.3	0.4
	Income	(11.6)	(14.1)	0.0	0.0	0.0	<b>(14.1)</b>	(2.5)	(1.2)	(1.3)
	<b>Subtotal</b>	<b>16.8</b>	<b>16.7</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.7)</b>	<b>16.0</b>	<b>(0.8)</b>	<b>0.1</b>	<b>(0.9)</b>
Finance & Transformation	Expenditure	163.1	155.6	(0.5)	0.4	(4.4)	<b>151.1</b>	(12.0)	(3.2)	(8.8)
	Income	(106.6)	(96.0)	0.0	0.0	0.0	<b>(96.0)</b>	10.6	0.8	9.8
	<b>Subtotal</b>	<b>56.5</b>	<b>59.6</b>	<b>(0.5)</b>	<b>0.4</b>	<b>(4.4)</b>	<b>55.1</b>	<b>(1.4)</b>	<b>(2.4)</b>	<b>1.0</b>
Planning, Housing & Growth	Expenditure	24.3	40.2	(0.5)	0.0	(0.3)	<b>39.4</b>	15.1	13.7	1.4
	Income	(15.8)	(25.2)	0.4	0.0	0.0	<b>(24.8)</b>	(9.0)	(8.7)	(0.3)
	<b>Subtotal</b>	<b>8.5</b>	<b>15.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>14.6</b>	<b>6.1</b>	<b>5.0</b>	<b>1.1</b>
Community & Environment	Expenditure	64.2	69.5	(0.1)	0.1	(0.7)	<b>68.8</b>	4.6	0.2	4.4
	Income	(32.7)	(37.7)	0.0	0.0	0.0	<b>(37.7)</b>	(5.0)	(1.4)	(3.6)
	<b>Subtotal</b>	<b>31.5</b>	<b>31.8</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.7)</b>	<b>31.1</b>	<b>(0.4)</b>	<b>(1.2)</b>	<b>0.8</b>
Children, Families & Education	Expenditure	101.9	108.2	0.0	0.0	(4.5)	<b>103.7</b>	1.8	2.5	(0.7)
	Income	(24.3)	(24.0)	0.4	0.0	0.0	<b>(23.6)</b>	0.7	(0.3)	1.0
	<b>Subtotal</b>	<b>77.6</b>	<b>84.2</b>	<b>0.4</b>	<b>0.0</b>	<b>(4.5)</b>	<b>80.1</b>	<b>2.5</b>	<b>2.2</b>	<b>0.3</b>
Health & Social Care	Expenditure	164.7	170.4	0.0	(0.6)	(0.8)	<b>169.0</b>	4.3	7.1	(2.8)
	Income	(53.6)	(55.7)	0.3	0.0	0.0	<b>(55.4)</b>	(1.8)	(4.9)	3.1
	<b>Subtotal</b>	<b>111.1</b>	<b>114.7</b>	<b>0.3</b>	<b>(0.6)</b>	<b>(0.8)</b>	<b>113.6</b>	<b>2.5</b>	<b>2.2</b>	<b>0.3</b>
<b>Total Service Operating Budgets</b>		<b>302.0</b>	<b>322.1</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(11.4)</b>	<b>310.6</b>	<b>8.5</b>	<b>5.9</b>	<b>2.6</b>

48. As can be seen from the table above, Service Operating Budgets are forecasting a £8.6m overspend which is the cumulative effect of a number of variances which are briefly outlined below by Cabinet Portfolio:
- i. **Corporate Services & Property** – An underspend of £0.8m is reported, with the underspend largely being driven by the previously reported interventions of transferring expenditure that meets the capital definition over to the capital programme, generating additional recharge income. This position is offset by an overspend relating to Operational Assets due to slippage in the saving associated with the review of the civic centre operating costs.
  - ii. **Finance & Transformation** – At Month 12 an underspend of £1.4m is reported for the portfolio, with this variance being driven the previously mentioned Minimum Revenue Provision (MRP) updates leading to £4.5m adverse movement, with a number of the previously reported interventions landing in this area, netting the movement down to £1.1m adverse, with the most material upside being an additional £2.0m dividend paid to the Council from its wholly owned housing company, Hillingdon First Limited.
  - iii. **Planning, Housing & Growth** – The portfolio is reporting a net overspend of £6.1m, with this position largely being driven by the support for temporary accommodation and homelessness support. This increase is linked to the pressures the Council is facing from having Heathrow in its boundaries on top of the national pressure impacting many councils. The gross variances are driven by the additional cost of providing support offset by the additional income from Housing Benefits and grant funding.
  - iv. **Community & Environment** – Are reporting an underspend of £0.4m, which is driven by a number of cultural and heritage sights delivering minor underspends accumulating to this net position.
  - v. **Children, Families & Education** – At outturn, a pressure of £2.5m is being reported, with the pressure nearly wholly related to care provision to looked after children as a result of demand outstripping the budget strategy growth for the service. Further pressures are included within the position across income streams including room hire with further pressures being driven by the Early Years Centres, however, these have been mitigated by service underspends within the Children in Need & Protection service from staffing underspends. There are no material movements in this area, with the outturn update including a number of minor changes.
  - vi. **Health & Social Care** – An underlying overspend of £2.5m is reported at Month 12, with the overspend largely being due to exceptional demand for adult social care services being materially higher than the amount included in the Council's budget strategy. Management action previously reported to contain an element of this spend by supplier management and containing annual uplifts to a value below the budgeted increase (with the budgeted increase being based on the ADASS value of 7.9% and CPI running significantly below this value at 3% in January 2025) has been successful. The overspend driven by Adult Placements was £5.4m, with staffing

underspends across the service and other mitigating actions reducing the overall pressure on the portfolio budget to £2.5m.

### **Collection Fund**

49. A deficit of £12.4m is reported within the Collection Fund at outturn, representing a £11.0m adverse movement from Month 10. An adverse position is reported within Council Tax of £10.8m and Business Rates of £1.6m. This position is driven by 3 key factors:
- i. Council Tax is presenting an in-year pressure of £10.7m against a £145.8m budget, with a further £0.1m being driven by the adverse movement on 2023/24.
  - ii. Business Rates is presenting an in-year deficit of £1.6m against a £66.9m budget, within this position income has increased in the realisation of the benefit from the revised rating list for 2023, offset by pressures against empty properties believed to be linked to the economic position both nationally and locally.
  - iii. The Business Rates position is then compounded by a favourable £0.9m against the 2023/24 outturn position.
50. The adverse movement is predominantly due to the review of the Bad Debt Provision for both taxes and the Appeals Provision for Business Rates as part of the Finance Modernisation Programme balance sheet review, with the outcome of this review determining that the Council's previous provisions policy was insufficient to cover the expected loss on collection and the impact of Check, Challenge & Appeals against the Business Rates valuation list.
51. Any surpluses or deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2025/26 saving requirement, leading to £0.9m being included in the Council's refresh of the budget strategy approved by Cabinet and Council in February 2025, with any further updates between Month 10 and outturn impacting on 2026/27. This position therefore will increase the Council's gross saving requirement by £11.5m for 2026/27.

### **General Fund Capital Programme**

52. Table 4 below presents the draft outturn position for the General Fund Capital Programme for 2024/25. The programme encompasses capital schemes approved by Cabinet and Council in February 2025, alongside rephased budgets from 2023/24 approved by Cabinet in June 2024.
53. As at year-end, a total variance of £32.9m is reported against the 2024/25 approved capital programme. This comprises a cost variance underspend of £5.4m and a rephasing proposed slippage variance of £27.5m into 2025/26. These variances are presented in Table 2.4 and are recommended to Cabinet for approval, including proposed rephasing into 2025/26.
54. Across the five-year programme to 2028/29, the General Fund Capital Programme is forecast to remain within the overall approved budget envelope, with variances reflecting the timing of expenditure rather than permanent underspends, except where specific cost pressures have been formally declared. Full details are set out in Appendix A1.

**Table 2.4: General Fund Capital Programme Summary**

	Approved Budget 2024/25 £'000	Outturn 2024/25 £'000	Cost Variance 2024/25 £'000	Project Re- phasing 2024/25 £'000	Total Project Budget 2024-2029 £'000	Total Project Forecast 2024-2029 £'000	Total Project Variance 2024-2029 £'000	5-year Move- ment £'000
<b>Cabinet Member Portfolio</b>								
Corporate Services & Property	61.7	49.5	(4.1)	(8.1)	179.0	174.9	(4.1)	0.0
Community & Environment	5.2	2.1	(2.1)	(1.0)	14.0	11.9	(2.1)	0.0
Planning, Housing & Growth	2.8	2.2	(0.5)	(0.1)	6.3	5.8	(0.5)	0.0
Finance & Transformation	16.0	17.4	3.3	(1.9)	64.7	68.0	3.3	0.0
Children, Families and Education	22.9	11.5	0.0	(11.4)	5.7	5.7	0.0	0.0
Health and Social Care	8.9	3.9	0.0	(5.0)	35.9	35.9	0.0	0.0
Development & Risk Contingency	2.0	0.0	(2.0)	0.0	4.0	2.0	(2.0)	0.0
<b>Total Capital Programme</b>	<b>119.5</b>	<b>86.6</b>	<b>(5.4)</b>	<b>(27.5)</b>	<b>309.6</b>	<b>304.2</b>	<b>(5.4)</b>	<b>0.0</b>
Major Projects	73.7	53.7	(0.2)	(19.8)	171.4	171.2	(0.2)	0.0
Programme of Works	43.8	32.9	(3.2)	(7.7)	134.2	131.0	(3.2)	0.0
General Contingency	2.0	0.0	(2.0)	0.0	4.0	2.0	(2.0)	0.0
<b>Total Capital Programme</b>	<b>119.5</b>	<b>86.6</b>	<b>(5.4)</b>	<b>(27.5)</b>	<b>309.6</b>	<b>304.2</b>	<b>(5.4)</b>	<b>0.0</b>

55. The salient risks and variances within this position are summarised in the following paragraphs by Cabinet Portfolio:

- i. **Corporate Services & Property** – Programmes within the Corporate Services & Property portfolio report a total variance of £12.2m in 2024/25, comprising a rephasing variance of £7.9m and a cost variance of £4.3m. This position is driven by delivery delays across several Major Projects, most notably the Hillingdon Water Sports Facility (£9.5m), offset by forward phasing variances from the Civic Centre Transformation work of £3.5m and the Jubilee Leisure Centre of £2.1m. Further rephasing is reported against Programme of Works schemes including the Disabled Facilities Grant (£3.4m), School Building Condition Works (£4.3m). All ongoing major project variances are proposed for rephasing into 2025/26, with major schemes expected to deliver within their approved budgets.
- ii. **Community & Environment** – This portfolio reports a total variance of £3.1m for 2024/25, comprising a cost underspend of £2.1m and a rephasing variance of £1.0m. The cost variance is largely due to a £1.0m underspend within the Chrysalis Programme, alongside further underspends across Botwell Green Sports and Leisure Centre Swimming Pool (£0.4m), CCTV Programme (£0.3m), Leisure Centre Refurbishment (£0.3m), and Older People's Initiatives (£0.2m). The rephasing variance reflects slippage across multiple schemes now expected to complete in 2025/26, notably Botwell Leisure Centre Adaptations (£0.3m), Waste Services Improvements (£0.2m), Minet Country Park Recreational Improvements (£0.2m), Blyth Road Car Park Improvements (£0.2m), and Footpath Improvements at Lake Farm Country Park (£0.2m).
- iii. **Finance & Transformation** – The Finance & Transformation portfolio reports a net variance of £1.4m for 2024/25, comprising a rephasing variance of £2.4m offset by a

cost variance of (£1.0m). The rephasing variance primarily relates to DSG Capitalisation Support (£4.0m) and Purchase of Vehicles (£2.0m), with the latter proposed for carry forward into 2025/26, partially offset by £8.4m of accelerated spend on the Capitalisation of Transformation Expenditure. The cost variance is driven by a £1.4m underspend within the Purchase of Vehicles programme, partially offset by a small level of accelerated spend across Digital & Innovation (D&I) projects, including the Social Care & Education Systems Solution, Back Office Transformation, Data Analytics Platform, and AI Resident Assistant implementation

- iv. **Children, Families and Education** – At outturn, this portfolio reports a variance of £11.4m for 2024/25, entirely attributable to project rephasing, which is proposed for carry forward into future periods. This variance is primarily driven by (£20.6m) of slippage against the Special Resource Provision programme, offset by £5.8m of earlier than planned expenditure at Meadow High School Expansion – Royal Lane, £2.3m against Devolved Capital to Schools, and £1.3m at Meadow High School Expansion – Northwood Road, with £0.2m of other minor variances.
- v. **Health & Social Care** – The Health and Social Care portfolio reports a variance of £5.0m for 2024/25, again wholly due to rephasing. This is primarily driven by slippage in relation to the borough's investment in homecare capacity, which is now forecast to progress in 2025/26.
- vi. **Development & Risk Contingency** - This report recommends releasing the General Contingency as a cost variance as it has not been required in 2024/25.

## Capital Financing - General Fund

**Table 2.5: Capital Financing**

	Approved Budget 2024/25 £'000	Forecast 2024/25 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2024-2029 £'000	Total Financing Forecast 2024-2029 £'000	Total Variance £'000	5-year Move- ment
<b>Source of Finance</b>								
Capital Receipts	(21.0)	(11.4)	(4.4)	14.0	(32.0)	(36.4)	(4.4)	0.0
CIL	(0.7)	(0.7)	0.4	(0.4)	(2.6)	(2.2)	0.4	0.0
Prudential Borrowing	(52.9)	(39.2)	3.8	9.9	(215.1)	(211.3)	3.8	0.0
<b>Total Council Resources</b>	<b>(74.6)</b>	<b>(51.3)</b>	<b>(0.2)</b>	<b>23.5</b>	<b>(249.7)</b>	<b>(249.9)</b>	<b>(0.2)</b>	<b>0.0</b>
Grants & Contributions	(44.9)	(35.3)	5.6	4.0	(59.9)	(54.3)	5.6	0.0
<b>Capital Programme</b>	<b>(119.5)</b>	<b>(86.6)</b>	<b>5.4</b>	<b>27.5</b>	<b>(309.6)</b>	<b>(304.2)</b>	<b>5.4</b>	<b>0.0</b>

56. Table 2.5 provides the financing position for the General Fund Capital Programme for 2024/25. Total financing applied during the year was £86.6m, compared to the approved budget of £119.5m. This reflects the wider rephasing of capital projects into future years, with financing requirements deferred in line with forecast project delivery.

57. Financing in 2024/25 was primarily sourced from Prudential Borrowing of £39.2m and external Grants & Contributions of £35.3m. Capital Receipts of £11.4m have been applied in full to fund transformation activity, consistent with the Council's Medium-Term Financial Strategy (MTFS).
58. The Council's disposals programme remains critical to underpinning the capital programme over the medium term, with total capital receipts of £32.0m forecast across the 2024–29 period. These receipts are expected to be fully applied to fund the Council's transformation and DSG Safety Valve programmes. Progress continues to be made in identifying and progressing potential asset disposals, which remain a key corporate priority to ensure ongoing financial sustainability. The five-year financing forecast remains aligned to the overall capital programme.



## Schools Budget

59. The final outturn for the Dedicated Schools Grant (DSG) in the 2024/25 financial year indicates an overspend of £15.0m, predominantly attributable to sustained demand pressures within High Needs placements, a £2.3m improvement from the Month 10 forecast.
60. This represents a 48% reduction in the overspend compared to the previous year, reflecting a positive trajectory in financial performance and the impact of mitigation strategies implemented during the year.
61. Despite this improvement, the cumulative DSG deficit as at 31 March 2025 stands at £65.6 million, underscoring the ongoing financial challenges within the High Needs Block and the need for continued strategic oversight and intervention.

**Table 2.6: DSG Income and Expenditure Summary**

Dedicated Schools Grant (DSG) Blocks	Budget 2024/25			Outturn £m	Variance £m	Change from Month 10 £m
	DSG Settlement	Academy Recoupment	LBH Maintained			
	£m	£m	£m			
Schools Block	279.6	174.9	104.7	103.9	(0.8)	0.0
Early Years Block	37.4	0.0	37.4	37.4	0.0	0.0
Central Schools Block	2.5	0.0	2.5	3.6	1.1	1.1
High Needs Block	56.4	0.0	56.4	71.2	14.8	(3.4)
<b>Total</b>	<b>375.9</b>	<b>174.9</b>	<b>201.0</b>	<b>216.0</b>	<b>15.0</b>	<b>(2.3)</b>
Balance Brought Forward 1 April 2024					<b>50.6</b>	
<b>Total Deficit at 31 March 2025</b>					<b>65.6</b>	

### Dedicated Schools Grant Income (nil variance)

62. There was no material difference in the amount of DSG received by the Council from the DfE compared to the final DSG allocation due.

### Schools Block (£0.8m underspend)

63. The Schools Block includes all funding paid directly to mainstream schools as part of their delegated budget share, including the funding recouped by the ESFA and paid to mainstream academies.
64. There is also a growth contingency fund which is funded from the Schools Block. Schools that are expanding, in agreement with the local authority, to meet basic need pupil population growth, receive additional funding to provide financial recompense throughout the relevant financial year to cover the cost of this agreed and planned growth. The underspend is in relation to the growth funding coming in lower than the amount allocated for 2024/25.

### Early Years Block (nil variance)

65. There was a marginal overspend of £49k in the Early Years Block for the year, which therefore doesn't appear in the above table. The block now covers spend on early years provisions from under two years old right through to four years old.

### Central School Services Block (£1.1m overspend)

66. The published DSG budget allocations confirmed a 20% decrease in the Central School Services Block provided for historic commitments. The block funding was used for the funding for ongoing responsibilities as well as historic commitments. The overspend was a result of increased staffing costs in the year to meet the needs of the services for maintained and academy schools in the borough. This included cost for the schools sufficiency planning for pupils in the borough including planning for provision to cover SEN pupils.

### High Needs Block Pressures – (£14.8m overspend)

67. The overspend reflects ongoing pressures in the cost of High Needs placements, largely driven by inflationary factors which are not reflected in the funding from the DfE. This continues to be the area of DSG with the most significant pressure ending the year with a £14.8m overspend, thus adding significantly to the overall DSG deficit. This position represents an improvement from 2023/24 with the achievements in the efficiency of resource allocation being as a result of the constructive work being undertaken by the service in delivering the challenging objectives of the safety valve programme as set out in the table below.

**Table 2.7: Service Movements 2023/24 to 2024/25**

Service	2024-25	2023-24	Change
	£m	£m	£m
Alternative, Tuition, Hospital & Therapy Provision	2.50	2.02	0.49
Independent, FE & Post 16 Placements	13.59	16.60	(3.01)
Other SEN Expenditure	1.68	4.42	(2.74)
Top-ups and Place Funding	53.44	54.19	(0.75)
Total	<b>71.21</b>	<b>77.23</b>	<b>(6.02)</b>

68. The outturn for 2024-25 saw the overall DSG deficit increase to £65.6m as the full impact of some of efficiency improvements begin to be felt. This outcome is a significantly better result than expected and is an encouragement of the actions and strategy of the SEND service approach in meeting the needs of pupils with educational needs in the borough.

## Housing Revenue Account

70. The Housing Revenue Account (HRA) is reporting a breakeven position in line with the Month 10 update. The 2024/25 closing HRA General Balance is £15.0m, in line with the target level set out in the Council's budget strategy. The table below presents key variances with a £0.7m shortfall against budgeted income being offset by a reduction in the capital financing costs, with these two updates intrinsically linked, with a shortfall against the planned increase in housing stock leading to income pressures, with delays in the investment leading to a favourable movement against the associated financing costs.

**Table 2.8: Housing Revenue Account**

Service	Budget £m	Forecast Outturn £m	Variance £m	Variance As at Month 10 £m	Change from Month 10 £m
Rent & Other Income	(80.6)	(79.9)	0.7	0.5	0.2
<b>Net Income</b>	<b>(80.6)</b>	<b>(79.9)</b>	<b>0.7</b>	<b>0.5</b>	<b>0.2</b>
Operational Assets	15.0	16.7	1.7	1.0	0.7
Director of Housing	9.8	9.3	(0.5)	(0.4)	(0.1)
Other Service Areas	1.0	0.8	(0.2)	(0.2)	0.0
Contribution to Shared Services	12.0	11.3	(0.7)	(0.2)	(0.5)
<b>HRA Operating Costs</b>	<b>37.8</b>	<b>38.1</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>
Capital Programme Financing	26.8	27.5	0.7	(0.7)	1.4
Interest and Investment Income	16.1	14.4	(1.7)	0.0	(1.7)
<b>Capital Programme Financing</b>	<b>42.9</b>	<b>41.9</b>	<b>(1.0)</b>	<b>(0.7)</b>	<b>(0.3)</b>
<b>(Surplus) / Deficit</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
General Balance 01/04/2023	15.1	15.1	0.0	0.0	0.0
<b>General Balance 31/03/2024</b>	<b>15.0</b>	<b>15.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>

71. At Month 12, rental income and other incomes report a £0.7m pressure with the commissioning plan's target to deliver 300 new homes being weighted towards the back end of the year, leading to a pressure against budgeted income. The budgets are based on a void rate of 1.35%, with any variation from this level feeding into this position.
72. The HRA Operating Costs Budget is £37.8m and at outturn is declaring a minor £0.3m overspend against the budget, with this adverse variance related to regulator associated updates. These budgets being based on supporting the Council's current housing stock as at 1 April 2024, with growth added in line with the commissioning plan's increase in stock numbers throughout the year. Inflation was added to these budgets in the Council's budget strategy, with the outturn position reporting the budgeted uplift was sufficient to meet inflationary demands on the service.
73. The detail behind the service delivery of the blocks included in table 7 are as follows:
- Operational Assets budget funds the services provided for repairs and maintenance, void repairs, compliance and inspections.

- ii. The Director of Housing budget includes tenancy management and tenants' services. The budgets include utility costs, and these will continue to be monitored given the volatility of the electricity and gas markets in recent times.
- iii. The Other Service Areas budget includes the Careline contract, HRA specific ICT costs and the revenue regeneration costs.
- iv. The Contribution to Shared Services budget includes the development and risk contingency, overheads and corporate and democratic core charges, and the bad debt provision.

74. The MTFS savings target was £0.5m with this saving being delivered by virtue of the Council's general fund savings against support services largely being delivered, leading to a reduction in the recharge to the HRA for these services.

75. As at Month 12 the capital programme financing budget of £42.9m is reporting an underspend of £1.0m. This position includes a £0.7m overspend against depreciation and revenue contributions to fund the HRA capital programme, offset by £1.7m underspend for repayments of loans and interest on borrowing.

### HRA Capital Expenditure

76. Table 8 sets out the HRA Capital Programme outturn position for 2024/25. Total expenditure for the year was £178.3m against an approved budget of £193.2m, resulting in a variance of £14.9m. This entire variance relates to project rephasing, with no cost variances reported. The rephased expenditure is recommended for carry forward into 2025/26, reflecting the Council's continued commitment to support the delivery of decent, affordable housing. Over the five-year period, the programme remains on budget, with no variances forecast against the approved £475.4m budget.

**Table 2.9: HRA Capital Expenditure**

	Approved Budget 2024/25	Forecast 2024/25	Cost Variance 2024/25	Project Re- Phasing 2024/25	Total Project Budget 2024-29	Total Project Forecast 2024-29	Total Project Variance 2024-29	Movement 2024-29
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>HRA Capital Programme</b>								
Major Projects	119.2	120.6	0.0	1.4	216.2	216.2	0.0	0.0
Works to Stock programme	31.8	28.2	0.0	(3.6)	100.5	100.5	0.0	0.0
Major Adaptations to Property	42.2	29.5	0.0	(12.7)	158.7	158.7	0.0	0.0
<b>Total HRA Capital</b>	<b>193.2</b>	<b>178.3</b>	<b>0.0</b>	<b>(14.9)</b>	<b>475.4</b>	<b>475.4</b>	<b>0.0</b>	<b>0.0</b>

77. The programme supports both new housing delivery and investment in the Council's existing stock. The HRA Commissioning Plan, approved in February 2024, remains on track to deliver 300 new homes by March 2027, with three major schemes and acquisitions recently approved to support this pipeline. The 2024/25 underspend largely reflects slippage on these developments, with budgets rephased to align with the delivery profile. In total, the five-year programme is expected to deliver around 500 additional homes.

78. The Hayes Estates Regeneration scheme remains financially balanced over the five-year programme, with expenditure reprofiled to reflect the revised delivery timeline, with construction handover of Hayes Town Centre Phase 1 anticipated around Autumn 2025.
79. Investment in the existing stock, through the Works to Stock and Major Adaptations programmes, is broadly in line with budget, with minor rephasing to reflect the timing of planned works. Full details of the programme are set out in Appendix A2.

### HRA Capital Financing

80. Table 9 outlines the HRA capital financing position for 2024/25. Total financing applied in-year amounted to £178.3m, against the approved budget of £193.2m, reflecting a rephasing variance of £14.9m. This variance aligns with the capital delivery programme and is recommended for carry forward into 2025/26 to support the Council's ongoing delivery of decent affordable housing.

**Table 2.10: HRA Capital Financing**

	Approved Budget 2024/25 £'000	Forecast 2024/25 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2024-2029 £'000	Total Financing Forecast 2024-2029 £'000	Total Variance £'000	Move- ment
<b>Source of Finance</b>								
Capital Receipts	0.0	(16.5)	0.0	(16.5)	0.0	0.0	0.0	0.0
Revenue Contributions	(39.5)	(26.9)	0.0	12.6	(149.9)	(149.9)	0.0	0.0
Prudential Borrowing	(127.8)	(104.8)	0.0	23.0	(315.2)	(315.2)	0.0	0.0
<b>Total Council Resources</b>	<b>(167.3)</b>	<b>(148.2)</b>	<b>0.0</b>	<b>19.1</b>	<b>(465.1)</b>	<b>(465.1)</b>	<b>0.0</b>	<b>0.0</b>
Grants & Contributions	(25.9)	(30.1)	0.0	(4.2)	(10.3)	(10.3)	0.0	0.0
<b>Capital Programme</b>	<b>(193.2)</b>	<b>(178.3)</b>	<b>0.0</b>	<b>14.9</b>	<b>(475.4)</b>	<b>(475.4)</b>	<b>0.0</b>	<b>0.0</b>

81. The programme continues to be predominantly financed from Prudential Borrowing and Revenue Contributions, supplemented by external Grants and Contributions. The Council's financing strategy remains focused on maximising external funding streams wherever possible before deploying internal resources, ensuring best use of grant funding opportunities to reduce borrowing requirements.
82. Over the five-year period, the HRA financing plan remains balanced, with total resources forecast to align to the approved programme value of £475.4m. No cost variances are reported. The service continues to actively monitor grant opportunities, particularly to support sustainability and energy efficiency upgrades across the housing stock, while ensuring revenue and borrowing contributions are optimised to support the broader housing investment strategy.

## Treasury Management Update as at 31 March 2025

83. Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2024/25 to ensure liquidity was maintained. The total loan portfolio increased by £161.31m as set out in the table below, leaving a balance at year-end of £517.48m (GF £232.89m, HRA £284.59m).
84. New loans totalling £115m were taken under the HRA to take advantage of the concessionary PWLB rate for HRA capital financing, of which £15m were five years or less, and £100m was taken over a longer duration. New loans of £183m were taken under the General Fund of which £108.7m were replacing maturing debt including short term temporary local authority loans.
85. Over the year the Council's loan portfolio had an average interest rate of 4.44% (3.31% 2023/24) reflecting increases in market rates. Interest paid over the year totalled £16.52m (GF £6.60m, HRA £9.93m), an increase of £6.26m from 2023/24 due to the increasing level of debt.

**Table 2.11: The Borrowing Requirement and Debt Management**

	Balance on 31/3/2024 £m	New Borrowing £m	Debt Maturing £m	Balance on 31/3/2025 £m	Year-End Average Rate %
<b>GF Loans</b>					
PWLB Fixed Rate	74.60	60.00	(8.71)	125.89	4.88
Market Fixed Rate	15.00	0.00	0.00	15.00	4.28
Temporary LA Borrowing	69.00	123.00	(100.00)	92.00	5.38
<b>Total GF Loans</b>	<b>158.60</b>	<b>183.00</b>	<b>(108.71)</b>	<b>232.89</b>	
<b>HRA Loans</b>					
PWLB Fixed Rate	164.57	115.00	(27.98)	251.59	3.95
Market Fixed Rate	33.00	0.00	0.00	33.00	4.03
<b>Total HRA Loans</b>	<b>197.57</b>	<b>115.00</b>	<b>(27.98)</b>	<b>284.59</b>	
<b>Total Loans</b>	<b>356.17</b>	<b>298.00</b>	<b>(136.69)</b>	<b>517.48</b>	<b>4.44</b>
Other Long-Term Liabilities	0.03			5.51	
<b>Total External Debt</b>	<b>356.20</b>			<b>522.99</b>	
CFR	456.92			<b>583.03</b>	

86. The Council's underlying need to borrow is measured by the Capital Financing Requirement (CFR) which at 31/3/2025 was £583.0m (31/3/2024 £456.9m). The increase in other long-term liabilities to £5.5m reflects the transition to recognising leased assets on the balance sheet resulting from IFRS16 lease accounting mandatory changes in 2024/25. The difference between the total CFR and external borrowing levels represents the level of internal borrowing, primarily supported by the Council's own reserves and working capital. The Council's underlying future external borrowing requirement, i.e., the difference between the CFR and total actual external borrowing has reduced by £40.7m to £60.0m at the end of the financial year as external borrowing has increased by more than the year-on-year increase in the CFR in 2024/25. This indicates that previous internal borrowing against reserves and working capital is now requiring to be replaced with external debt in order to maintain liquidity.

£19.1m (22%) of the General Fund £86.6m capital spend during 2024/25, as per Appendix A1, was linked to investment schemes that lead to ongoing service efficiencies.

87. As at the 31 March 2025, the Council held £377.48m of Public Works Loan Board (PWLB) debt (£125.89m General Fund and £251.59m HRA) containing a broad range of loan types including both Maturity and Equal Instalment Payment (EIP) loans with fixed rates and with varying maturities. In addition, the Council has £48m of market loans (£15m General Fund and £33m HRA), with no new market loans taken or repaid in year. These consist of £12m fixed-rate loans and £36m LOBO loans. Current rates for the aforementioned loans are below those in the prevailing market. In May 2025 the provider of a £5m Lender Option – Borrower Option (LOBO) exercised their right to apply a new significantly higher interest rate which was not favourable for the Council, therefore the decision was made to repay the loan.
88. After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields were volatile but have increased overall during the period. Much of the increase has been in response to market concerns that policies introduced by the Labour government will be inflationary and lead to higher levels of government borrowing. The election of Donald Trump in the USA in November is also expected to lead to inflationary trade policies.
89. The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the period and 5.42% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.71%. Rates for 20-year maturity loans ranged from 5.01% to 6.14% during the period, and 50-year maturity loans from 4.88% to 5.88%.
90. For the majority of the year the cost of short-term borrowing from other local authorities closely tracked the Base Rate at around 5.00% - 5.25%. However, from late 2024 rates began to rise, peaking at around 6% in February and March 2025.
91. As at 31st March 2025, the Council's loan portfolio had an average rate of 4.44% with the General Fund Loans average rate of 5.03% and HRA average rate of 3.96%. During the year there was £36.7m of naturally maturing longer term PWLB debt and £100m of local authority temporary borrowing maturities.

### **Borrowing Update**

92. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.
93. The Council does not plan to borrow to invest primarily for commercial return and so is unaffected by the changes to the Prudential Code. However, the Council holds a £3.8m portfolio in commercial investment properties that were purchased prior to the change in the CIPFA Prudential Code. The Council is not actively seeking to increase this type of investment

exposure. These assets are not held for normal operational activity but held under long-term commercial leases.

94. A new PWLB HRA rate which is 0.4% below the GF certainty rate was made available from 15th June 2023. The availability of this rate has been extended to March 2026. The discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans. In 2024/25 a total of £115m new PWLB borrowing accessed this discounted rate, to support financing the HRA capital programme which contains significant budgeted prudential borrowing for new housing developments and the Hayes regeneration programme.

### Investment Activity

95. The investment income return for the year on day-to-day operational treasury balances excluding strategic pooled funds was 4.93% (4.92% 2023/24), resulting in income for 2024/25 of £2,349k (£3,378k in 2023/24 due to higher average cash balances invested). The table below shows day-to-day operational treasury investment balances on 31st March 2025 plus strategic pooled funds. The weighted average balance of these investments over the year was £62.62m (£83.63m in 2023/24).

**Table 2.12: Investment Breakdown**

Investments	Average Balance over 2024/25 £m	Balance on 31/03/2025 £m	Average Balance 2023/24 £m
Day to Day Operational			
Current Account	0.52	0.10	0.70
Call Accounts	0.00	0.00	0.00
Money Market Funds	26.19	0.00	25.28
Short Term Deposits	20.91	14.30	42.65
<b>Total Day to Day Operational</b>	<b>47.62</b>	<b>14.40</b>	<b>68.63</b>
Average Rate % Received	<b>4.93%</b>		<b>4.92%</b>
Strategic Pooled Funds	15.00	15.00	15.00
Average Rate % Received	<b>4.25%</b>		<b>4.15%</b>
<b>Total Investments</b>	<b>62.62</b>	<b>29.40</b>	<b>83.63</b>

96. In keeping with MHCLG's Guidance on Investments, during 2024/25 short-term money was placed in instant access Money Market Funds and short-term deposits with the DMADF and occasionally local authorities to ensure liquidity was maintained. Rates payable on these activities were comparable with other medium-term duration deposit options and so there was no opportunity cost in keeping cash liquid.
97. The average return on total investments including strategic pooled funds was 4.77%. Rates being offered on DMADF deposits and Money Market Funds were broadly similar at around 4.5% as at end of the financial year, falling from above 5% at the beginning of the year due to Bank of England base rate cuts during the year.



98. Security of capital remained the Council's chief investment objective, (in accordance with requirements set out in the CIPFA Treasury Management Code) and this was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2024/25. Investments during the year included deposits with the Debt Management Office and five local authorities as well as investments in AAA-rated Money Market Funds and Pooled Funds. In addition, instant access balances were held with UK Banks within the Councils counterparty limits. All bank placements held a minimum or higher credit rating of A- for UK counterparties.
99. Counterparty credit quality was assessed and monitored with reference to credit ratings (Council's minimum long-term counterparty rating of A- across all three rating agencies, Fitch, Standard & Poor's and Moody's). However, reliance does not rest solely with these agencies and are augmented by use of market/economic information, media updates and intelligence from the Council's Treasury Advisors. With the introduction of the Banking Reform Act in January 2015 the Council aims to minimise its exposure to bail-in risk (a bail-in helps a financial institution on the brink of failure by requiring the cancellation of debts owed to creditors and depositors) by utilising bail-in exempt instruments and institutions whenever possible. However, funds need to be held in instant access facilities to manage daily cashflow. Therefore, it is not possible to fully protect Council funds from bail-in risk. On average over the year, 56% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a March benchmark average of 73% in the Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors Arlingclose).
100. Having begun the financial year at 5.25%, the Bank of England's Monetary Policy Committee (MPC) decreased Bank Rate to 5.00% in August 2024 with a 5-4 vote to bring inflation down to the 2% target. The Bank Rate was maintained at 5.00% through to November 2024, where it fell to 4.75% in a 8-1 vote. A further fall to 4.50% occurred in February 2025 which was maintained through to the end of the year. The MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.
101. In addition to the day-to-day operational treasury deposits, in April 2018 £15m was placed in three long-dated strategic pooled funds (£5m in each). The Council continued to have holdings in these funds as part of the investment portfolio throughout 2024/25. The strategic pooled funds have a long-term investment horizon with dividends being distributed periodically. In 2024/25 dividends received from these strategic pooled funds totalled £638k (£623k in 2023/24). This is an average return of 4.25% for the year.
102. Falling market interest rates have stabilised the fair value of bonds held within these strategic pooled funds, and previously up to 31<sup>st</sup> March 2024, an adverse movement of £1,069k had been reported. There was a further negligible loss of £9.7k in 2024/25 and the fair value as at 31<sup>st</sup> March 2024 is now a loss of £1,079k.
103. The DLUHC IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds was due to expire with effect from 1<sup>st</sup> April 2025 - this has now been extended to 1<sup>st</sup> April 2029. Under the regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds,

that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account and must be taken into an unusable reserve account.

104. This override extension means the current unrealised losses have time to recover over the medium term. The nature of this financial instrument means the fair value may rise and fall with short-term security and liquidity being less of a consideration. The key objectives instead being regular revenue income and long-term price stability. The Council would only seek to sell when market conditions were favourable, and holdings were at or above original investment values.
105. All investments made during the year complied with the Council's agreed Treasury Management Strategy, Treasury Indicators, Treasury Management Practices and prescribed limits. Maturing investments were repaid to the Council in full and in a timely manner.

### Compliance

106. The Council can confirm that it complied with the Treasury Indicators for 2024/25 per the Prudential Code, set in February 2024 as part of the Council's Treasury Management Strategy. The levels of debt were measured on an ongoing basis during the year for compliance with the Authorised Limit of £639m and the Operational Boundary of £609m (excluding leases), the former being set higher to allow for fluctuations in cash-flow. The Council maintained its total external borrowing and other long-term liabilities within both limits.

**Table 2.13: Maturity Structure of borrowing**

	Upper limit %	Lower limit %	Actual Borrowing as at 31/3/2025 (£m)	Percentage of total as at 31/3/2025
Under 12 months	50	0	150.05	29.00%
12 months and within 24 months	50	0	55.02	10.63%
24 months and within 5 years	50	0	91.82	17.74%
5 years and within 10 years	100	0	92.92	17.96%
10 years and within 20 years	100	0	56.06	10.83%
20 years and within 30 years	100	0	5.00	0.97%
30 years and within 40 years	100	0	34.60	6.69%
40 years and within 50 years	100	0	23.00	4.44%
50 years and above	100	0	9.00	1.74%
			<b>517.48</b>	

(The above table includes loans at nominal value, excluding accrued interest and premium. It also includes LOBO's at their first Call Option date.)

107. For 2024/25 the Treasury Indicator which limits principal sums invested for periods longer than 364 days was set at £35m. As at the end of 2024/25 the £15m held in Strategic Pooled Funds fall into this category of investments.
108. Non-treasury related Prudential Indicators are included in Appendix A3.

## Appendix A1: General Fund Capital Programme

	Current Year Budget	Outturn Actuals	Current Year Cost Variance	Current Year Rephasing Variance	5-Year Budget	5-Year Forecast Spend	5-Year Forecast Variance	Council Resources	Grants	Other Contributions
<b>GF Major Projects</b>										
<b>Corporate Services &amp; Property</b>										
Appropriation of Townfield to General Fund	0	0	0	0	100	100	0	(100)	0	0
Asha Day Centre Refurbishment	20	23	3	0	25	28	3	(25)	0	0
Battle of Britain Underground Bunker	50	80	0	30	380	380	0	(380)	0	0
Carbon Initiatives	10,101	12,179	0	2,078	9,931	9,931	0	(9,931)	0	0
Cedars & Grainges Car Park Improvements	10	147	0	137	0	0	0	0	0	0
Charville Lane - Children Specialist House	3,030	2,911	0	(119)	1,312	1,312	0	(1,312)	0	0
Civic Centre Transformation	5,000	8,510	0	3,510	10,848	10,848	0	(10,848)	0	0
Cranford Park Heritage	244	19	0	(225)	350	350	0	(350)	0	0
Flood Alleviation	62	17	0	(45)	650	650	0	(103)	(547)	0
Harefield Family Hub New Build	1,750	0	0	(1,750)	1,866	1,866	0	(1,866)	0	0
Harlington Road Depot Fuel Pumps & Canopy	0	0		0	585	585	0	(585)	0	0
Hillingdon Water Sports Facility	10,128	627	(4,501)	(5,000)	13,000	8,499	(4,501)	0	(13,000)	0
Housing Company Financing	0	0	0	0	0	0	0	0	0	0
Housing Developments	0	0		0	40,000	40,000	0	(40,000)	0	0
Jubilee Leisure Centre, West Drayton	6,153	8,216	0	2,063	12,861	12,861	(0)	(12,861)	0	0
Motor Vehicle Workshop - Relocation	0	1	0	1	0	0	0	0	0	0
New Years Green Lane Extension	150	59	0	(91)	782	782	0	(732)	(50)	0
Northwood Hills Library (New)	0	7	0	7	2,390	2,390	0	(2,390)	0	0
Otterfield Road library	0	3	0	3	1,868	1,868	0	(1,868)	0	0
Refurbishment of Crematorium	0	7		7	9,000	9,000	0	(6,202)	(2,798)	0
Staying Close Project - Children's Respite	727	0		(727)	0	0	0	0	0	0
Uxbridge Cemetery Gatehouse & Chapel Refurbishment	46	45	0	(1)	0	0	0	0	0	0
Uxbridge Mortuary Extension	138	0	(138)	0	0	(138)	(138)	0	0	0
Yiewsley / West Drayton Community Centre	43	0	0	(43)	0	0	0	0	0	0
<b>Corporate Services &amp; Property Total</b>	<b>37,652</b>	<b>32,851</b>	<b>(4,636)</b>	<b>(165)</b>	<b>105,948</b>	<b>101,312</b>	<b>(4,636)</b>	<b>(89,553)</b>	<b>(16,395)</b>	<b>0</b>
<b>Community &amp; Environment</b>										
Botwell Leisure Centre Adaptations	250	0	0	(250)	0	0	0	0	0	0

Botwell Leisure Centre Football Pitch Replacement	99	0	(99)	0	0	(99)	(99)	0	0	0
Green Spaces Machinery	0	0		0	4,500	4,500	0	(4,500)	0	0
Parking Improvements	175	199	0	24	226	226	0	(226)	0	0
	Current Year Budget	Outturn Actuals	Current Year Cost Variance	Current Year Rephasing Variance	5-Year Budget	5-Year Forecast Spend	5-Year Forecast Variance	Council Resources	Grants	Other Contributions
Waste Services Improvements	240	0	0	(240)	408	408	0	(408)	0	0
<b>Community &amp; Environment Total</b>	<b>764</b>	<b>199</b>	<b>(99)</b>	<b>(466)</b>	<b>5,134</b>	<b>5,035</b>	<b>(99)</b>	<b>(5,134)</b>	<b>0</b>	<b>0</b>
<b>Planning, Housing &amp; Growth</b>										
Shopping Parade Initiatives	532	147	0	(385)	0	0	0	0	0	0
<b>Planning, Housing &amp; Growth Total</b>	<b>532</b>	<b>147</b>	<b>0</b>	<b>(385)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Finance &amp; Transformation</b>										
Capitalisation of Transformation Expenditure	3,000	11,368	8,368	(0)	28,000	36,368	8,368	(28,000)	0	0
DSG Capitalisation Support	4,000	0	(4,000)	0	4,000	0	(4,000)	(4,000)	0	0
<b>Finance &amp; Transformation Total</b>	<b>7,000</b>	<b>11,368</b>	<b>4,368</b>	<b>(0)</b>	<b>32,000</b>	<b>36,368</b>	<b>4,368</b>	<b>(32,000)</b>	<b>0</b>	<b>0</b>
<b>Children, Families &amp; Education</b>										
Secondary School Expansions	0	6	0	6	0	0	0	0	0	0
SRP / SEND	21,734	8,503	0	(13,231)	3,785	3,785	0	0	(3,785)	0
<b>Children, Families &amp; Education Total</b>	<b>21,734</b>	<b>8,508</b>	<b>0</b>	<b>(13,226)</b>	<b>3,785</b>	<b>3,785</b>	<b>0</b>	<b>0</b>	<b>(3,785)</b>	<b>0</b>
<b>Health &amp; Social Care</b>										
Investment in Home Care Capacity	6,000	632	0	(5,368)	24,500	24,500	0	(24,500)	0	0
<b>Health &amp; Social Care Total</b>	<b>6,000</b>	<b>632</b>	<b>0</b>	<b>(5,368)</b>	<b>24,500</b>	<b>24,500</b>	<b>0</b>	<b>(24,500)</b>	<b>0</b>	<b>0</b>
<b>GF Major Projects Total</b>	<b>73,682</b>	<b>53,705</b>	<b>(230)</b>	<b>(19,747)</b>	<b>171,367</b>	<b>171,137</b>	<b>(230)</b>	<b>(151,187)</b>	<b>(20,180)</b>	<b>0</b>

	Current Year Budget	Outturn Actuals	Current Year Cost Variance	Current Year Rephasing Variance	5-Year Budget	5-Year Forecast Spend	5-Year Forecast Variance	Council Resources	Grants	Other Contributions
<b>GF Programme of Works</b>										
<b>Corporate Services &amp; Property</b>										
Bowls Club Refurbishment	63	85	22	0	0	22	22	0	0	0
D.F.G. - Mandatory	4,319	883	0	(3,436)	8,584	8,584	0	0	(8,584)	0
Environmental and Recreational Initiatives - Pollution Screening	484	0	(484)	0	0	(484)	(484)	0	0	0
Highways Bridges and Structures	300	294	(6)	0	1,695	1,689	(6)	(1,695)	0	0
Highways Structural Works	9,573	9,044	(529)	0	41,000	40,471	(529)	(41,000)	0	0
Property Works Programme	1,256	2,604	1,348	0	5,515	6,863	1,348	(5,515)	0	0
School Building Condition Works	7,028	2,793	24	(4,259)	12,000	12,024	24	0	(12,000)	0
Sports Clubs Rebuild / Refurb Programme	107	107	0	0	0	0	0	0	0	0
Street Lighting Replacement	925	862	(63)	0	4,300	4,237	(63)	(4,300)	0	0
<b>Corporate Services &amp; Property Total</b>	<b>24,055</b>	<b>16,673</b>	<b>312</b>	<b>(7,695)</b>	<b>73,094</b>	<b>73,406</b>	<b>312</b>	<b>(52,510)</b>	<b>(20,584)</b>	<b>0</b>
<b>Community &amp; Environment</b>										
CCTV Programme	349	335	(14)	0	745	731	(14)	(745)	0	0
Chrysalis Programme	2,228	1,199	(1,029)	0	6,000	4,971	(1,029)	(3,412)	0	(2,588)
Environmental and Recreational Initiatives - Green Spaces	677	160	0	(517)	0	0	0	0	0	0
Leisure Centre Refurbishment	748	0	(748)	0	400	(348)	(748)	(400)	0	0
Older Peoples Initiative	200	0	(200)	0	800	600	(200)	(800)	0	0
Playground Replacement Programme	200	195	(5)	0	900	895	(5)	(900)	0	0
<b>Community &amp; Environment Total</b>	<b>4,402</b>	<b>1,889</b>	<b>(1,996)</b>	<b>(517)</b>	<b>8,845</b>	<b>6,849</b>	<b>(1,996)</b>	<b>(6,257)</b>	<b>0</b>	<b>(2,588)</b>
<b>Planning, Housing &amp; Growth</b>										
Emergency Active Travel	41	0	(41)	0	0	(41)	(41)	0	0	0
Highways Section 106 Projects	109	323	214	0	0	214	214	0	0	0
HS2 Amenity Fund	212	0	(212)	0	0	(212)	(212)	0	0	0
HS2 Road Safety Fund	338	4	(334)	0	0	(334)	(334)	0	0	0
Road Safety	120	0	(120)	0	480	360	(120)	(480)	0	0
Transport for London	1,481	1,768	0	287	5,832	5,832	0	0	(5,832)	0
<b>Planning, Housing &amp; Growth Total</b>	<b>2,301</b>	<b>2,095</b>	<b>(493)</b>	<b>287</b>	<b>6,312</b>	<b>5,819</b>	<b>(493)</b>	<b>(480)</b>	<b>(5,832)</b>	<b>0</b>
<b>Finance &amp; Transformation</b>										
Corporate Technology and Innovation Programme	4,518	4,868	350	0	13,098	13,448	350	(13,098)	0	0
Purchase of Vehicles	4,511	1,185	(1,376)	(1,950)	19,553	18,177	(1,376)	(19,553)	0	0
<b>Finance &amp; Transformation Total</b>	<b>9,029</b>	<b>6,053</b>	<b>(1,026)</b>	<b>(1,950)</b>	<b>32,651</b>	<b>31,625</b>	<b>(1,026)</b>	<b>(32,651)</b>	<b>0</b>	<b>0</b>
<b>Children, Families &amp; Education</b>										

Devolved Capital to Schools	385	2,297	0	1,912	1,540	1,540	0	0	(1,540)	0
	Current Year Budget	Outturn Actuals	Current Year Cost Variance	Current Year Rephasing Variance	5-Year Budget	5-Year Forecast Spend	5-Year Forecast Variance	Council Resources	Grants	Other Contributions
Youth Provision	753	646	0	(107)	400	400	0	0	(400)	0
<b>Children, Families &amp; Education Total</b>	<b>1,138</b>	<b>2,944</b>	<b>0</b>	<b>1,806</b>	<b>1,940</b>	<b>1,940</b>	<b>0</b>	<b>0</b>	<b>(1,940)</b>	<b>0</b>
<b>Health &amp; Social Care</b>										
Equipment Capitalisation - Social Care	2,850	3,250	0	400	11,400	11,400	0	0	(11,400)	0
Telecare Equipment	0	0		0	0	0	0	0	0	0
<b>Health &amp; Social Care Total</b>	<b>2,850</b>	<b>3,250</b>	<b>0</b>	<b>400</b>	<b>11,400</b>	<b>11,400</b>	<b>0</b>	<b>0</b>	<b>(11,400)</b>	<b>0</b>
<b>GF Programme of Works Total</b>	<b>43,775</b>	<b>32,904</b>	<b>(3,203)</b>	<b>(7,669)</b>	<b>134,242</b>	<b>131,039</b>	<b>(3,203)</b>	<b>(91,898)</b>	<b>(39,756)</b>	<b>(2,588)</b>
<b>GF Capital Contingency</b>										
<b>Development &amp; Risk Contingency</b>										
General Fund Capital Contingency	1,974	0	(1,974)	0	4,000	2,026	(1,974)	(4,000)	0	0
<b>Development &amp; Risk Contingency Total</b>	<b>1,974</b>	<b>0</b>	<b>(1,974)</b>	<b>0</b>	<b>4,000</b>	<b>2,026</b>	<b>(1,974)</b>	<b>(4,000)</b>	<b>0</b>	<b>0</b>
<b>GF Capital Contingency Total</b>	<b>1,974</b>	<b>0</b>	<b>(1,974)</b>	<b>0</b>	<b>4,000</b>	<b>2,026</b>	<b>(1,974)</b>	<b>(4,000)</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>119,431</b>	<b>86,608</b>	<b>(5,407)</b>	<b>(27,417)</b>	<b>309,609</b>	<b>304,202</b>	<b>(5,407)</b>	<b>(247,085)</b>	<b>(59,936)</b>	<b>(2,588)</b>

## Appendix A2: HRA Capital Programme

	Current Year Budget	Outturn	Current Year Cost Variance	Current Year Rephasing Variance	5-Year Budget	5-Year Forecast Spend	5-Year Forecast Variance	Council Resources	Grants	Other Contributions
<b>HRA Major Projects</b>										
<b>Corporate Services &amp; Property</b>										
Acquisition and Development Unallocated	33,750	125	0	(33,624)	39,404	73,154	0	(39,404)	0	0
Acquisitions	45,896	113,093	0	67,197	0	45,896	0	0	0	0
Development Allocated	35,592	7,402	0	(28,190)	160,833	196,425	0	(160,833)	0	0
HRA General Contingency	4,000	0	0	(4,000)	16,000	20,000	0	(16,000)	0	0
<b>Corporate Services &amp; Property Total</b>	<b>119,237</b>	<b>120,620</b>	<b>0</b>	<b>1,383</b>	<b>216,237</b>	<b>335,474</b>	<b>0</b>	<b>(216,237)</b>	<b>0</b>	<b>0</b>
<b>HRA Major Projects Total</b>	<b>119,237</b>	<b>120,620</b>	<b>0</b>	<b>1,383</b>	<b>216,237</b>	<b>335,474</b>	<b>0</b>	<b>(216,237)</b>	<b>0</b>	<b>0</b>
<b>HRA Regen</b>										
<b>Corporate Services &amp; Property</b>										
Hayes Regeneration	31,797	28,212	0	(3,585)	100,500	132,297	0	(100,500)	0	0
<b>Corporate Services &amp; Property Total</b>	<b>31,797</b>	<b>28,212</b>	<b>0</b>	<b>(3,585)</b>	<b>100,500</b>	<b>132,297</b>	<b>0</b>	<b>(100,500)</b>	<b>0</b>	<b>0</b>
<b>HRA Regen Total</b>	<b>31,797</b>	<b>28,212</b>	<b>0</b>	<b>(3,585)</b>	<b>100,500</b>	<b>132,297</b>	<b>0</b>	<b>(100,500)</b>	<b>0</b>	<b>0</b>
<b>HRA Programme of Works</b>										
<b>Corporate Services &amp; Property</b>										
Green Homes Initiatives Programme	6,756	30	0	(6,726)	30,431	37,187	0	(20,111)	(10,320)	0
House Extension Programme	2,050	239	0	(1,811)	4,000	6,050	0	(4,000)	0	0
HRA Works to Stock Programme	30,919	26,885	0	(4,034)	110,714	141,633	0	(110,714)	0	0
Major Adaptations	2,457	2,308	0	(149)	13,276	15,733	0	(13,276)	0	0
Food Waste Housing Units for Communal Properties	0	0		0	260	260	0	(260)	0	0
<b>Corporate Services &amp; Property Total</b>	<b>42,182</b>	<b>29,462</b>	<b>0</b>	<b>(12,720)</b>	<b>158,681</b>	<b>200,863</b>	<b>0</b>	<b>(148,361)</b>	<b>(10,320)</b>	<b>0</b>
<b>HRA Programme of Works Total</b>	<b>42,182</b>	<b>29,462</b>	<b>0</b>	<b>(12,720)</b>	<b>158,681</b>	<b>200,863</b>	<b>0</b>	<b>(148,361)</b>	<b>(10,320)</b>	<b>0</b>
<b>Grand Total</b>	<b>193,216</b>	<b>178,294</b>	<b>0</b>	<b>(14,922)</b>	<b>475,418</b>	<b>668,634</b>	<b>0</b>	<b>(465,098)</b>	<b>(10,320)</b>	<b>0</b>

## Appendix A3: Non-Treasury Prudential Indicators 2024/25

2024/25 Estimates were reported in Appendix D Capital and Investment Strategies report (February 2025 Cabinet)

### Estimated and Actual Capital Expenditure

	2024/25 Estimated £m	2024/25 Outturn £m
General Fund	119.4	84.7
HRA	193.2	178.3
<b>Total</b>	<b>312.6</b>	<b>263.0</b>

### Estimated and Actual Ratio of Financing Costs to Net Revenue Stream

	2024/25 Estimated £m	2024/25 Outturn £m
Financing Costs	14.5	16.8
Proportion of Net Revenue Stream	5%	6%

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP (for the General Fund) are charged to revenue. The net annual charge is known as financing costs and excludes investment income; this is compared to the net General Fund revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

The increase in financing costs compared to the estimates is largely due to increase in legacy MRP following review within finance modernisation programme.

### Capital Financing Requirement

	2024/25 Estimated £m	2024/25 Outturn £m
General Fund	318.3	297.9
HRA	281.4	279.6
Leases (GF)	20.0	5.5
<b>Total</b>	<b>619.7</b>	<b>583.0</b>

### Actual External Debt

As at 31/03/2025	£m
Borrowing	517.48
Other Long-term Liabilities	5.51
<b>Total</b>	<b>522.99</b>



## PART A: SECTION 3 – 2025/26 MONTHLY BUDGET MONITORING

### SUMMARY

#### GENERAL FUND REVENUE

109. As at Month 2, the Council is forecasting a net overspend of £16.4m against normal operating activities, with Service Operating Budgets overspending by £22.8m, with Corporate Budgets overspending by a further £9.1m before £5.0m of anticipated interventions are factored in, with these interventions effectively delivering the Target Operating Model (TOM) saving currently sat under unallocated budget items. In order to offset the gross pressure of £26.9m, this position proposes that the full contingency of £10.5m is released to reduce the net overspend to £16.4m, as the use of contingency budgets is a cabinet decision, this is proposed at this time and will be confirmed in the subsequent outturn report for 2025/26 to be issued at the end of this financial year.

**Table 3.1: General Fund Overview**

Service	Approved Budget £m	Forecast Outturn £m	Variance £m
Service Operating Budgets	303.0	325.8	22.8
Development & Risk Contingency	10.5	0.0	(10.5)
Unallocated Budget Items: Pay Award Inflation	1.6	4.2	2.6
Unallocated Budget Items: Unallocated Savings	(5.8)	0.7	6.5
Budgeted Use of Reserves	(4.2)	(4.2)	0.0
<b>Total Net Expenditure</b>	<b>305.1</b>	<b>326.5</b>	<b>21.4</b>
Corporate Funding	(305.1)	(305.1)	0.0
<b>Subtotal</b>	<b>0.0</b>	<b>21.4</b>	<b>21.4</b>
Interventions	0.0	(5.0)	(5.0)
<b>Net Total</b>	<b>0.0</b>	<b>16.4</b>	<b>16.4</b>
<b>Opening Reserves as at 1<sup>st</sup> April 2025</b>			<b>6.7</b>
Less: Underlying Variance			(16.4)
Less: Budgeted User of Reserves			(4.2)
Add/(Less): Movement on Earmarked Reserves			0.2
<b>Closing Reserves as at 31<sup>st</sup> March 2026</b>			<b>(13.7)</b>

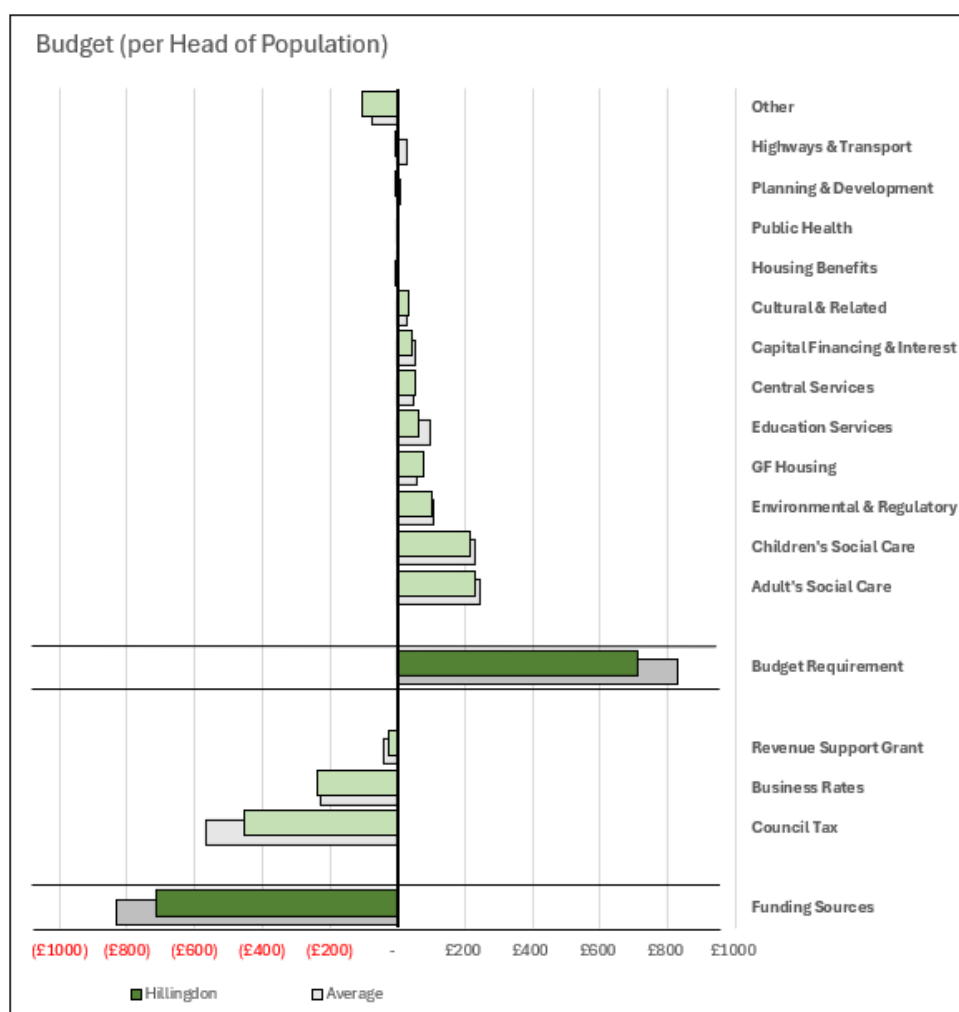
110. With the Council presenting a draft opening position on reserves, including both General Reserves and Earmarked Reserves, of £6.7m, this overspend alongside the budgeted £4.2m use of reserves brings total reserves to £13.9m overdrawn, before a minor contribution of £0.2m is factored into the reserves position due to service contributions in relation to ringfenced activities, leading to a forecast closing reserves level of £13.7.m overdrawn.

111. Whilst it is recognised that the Council legally has to set a balanced budget and it is the duty of the Section 151 Officer to consider if a Section 114 notice is required, the Council is reporting that it has begun conversations with the Ministry for Housing, Communities & Local

Government (MHCLG) for Exceptional Financial Support (EFS) and therefore it is the view of the Section 151 Officer that a Section 114 notice is not issued at this time.

112. Exceptional Financial Support can be granted to Councils that are struggling to deliver a balanced budget and maintain adequate forecast reserves, as such, MHCLG can issue Councils with exceptional support in the form of either a Capitalisation Direction, which allows Councils to fund revenue expenditure through the capital programme (which is unlawful without approval), or through additional grant funding. There is a third form of EFS which includes granting a Council the power to increase Council Tax above the referendum threshold without the need to call a referendum, however, this option is not being pursued by the Council and can only be actioned immediately prior to the start of a financial year as part of the annual Council Tax setting process. By transferring revenue expenditure into the capital programme, the Council would have two funding options, either to fund the expenditure through capital receipts (or from future revenue surpluses) or through borrowing the latter being funded by the Council over a maximum of twenty years through debt repayment and interest charges.
113. The Council is currently reviewing all options to mitigate this pressure and the forecast negative level of reserves, which includes the delivery of the 2025/26 saving programme of £34.0m, which is the largest saving programme the Council has attempted to deliver to date, furthermore, £4.8m of prior year savings yet to be concluded add to this target, taking the savings the Council needs to deliver in 2025/26 to £38.8m, of which, £5.6m of slippage is included in this position. Under Government directive, the Council is allowed to fund transformation activity from capital receipts (disposals). With a saving programme of this magnitude, it is therefore likely that the Council will require all capital receipts to fund transformation activity and release receipts previously held to offset the DSG deficit under the Safety Valve Agreement, given that the Council's agreement has been suspended by the Department for Education whilst a new agreement is being considered by ministers, recognising that the statutory override around the DSG deficit has been extended to March 2028..
114. The Council is very much focused on self-delivery of a sustainable Council and target operating model, however, it is recognised in the draft outturn 2024/25 position, that a number of judgements and errors in accounting practice has in part contributed to the depletion of the Council's reserves in its journey to being on a sustainable footing, with many of these errors relating to prior years and emerging during the 2024/25 outturn and accounts closure process as part of the Finance Modernisation Programme review, meaning the Council was unable to identify and address them during the 2025/26 budget strategy.
115. To date, the Council remains a well-managed Council, with spend per capita on front line services being below our comparator group (predominantly made up of Outer London boroughs), the Council has continued to deliver high-quality well-regarded services in an affordable manner, all whilst keeping Council Tax low. The below chart taken from 2023/24 data demonstrates this position:

**Chart 1: Income & Spend per Head Compared to Cohort Average**



116. This position of forecasting overdrawn reserves by the year end has emerged due to a number of challenges on a national level, without sufficient funding to address these pressures from Government departments. One of the main areas of challenge for the Council continues to be delivering temporary accommodation and homelessness support to those in need, which is a particular challenge for Hillingdon given the location of Heathrow Airport as a major port of entry into the UK in the Council's boundaries. This challenge impacts on local housing supply and demand markets, driving up housing prices and also has a knock-on effect on Children's Social Care, who are required to protect vulnerable children in supported accommodation that are ready to move on to their own tenancies, but are unable to do so due to a lack of General Needs Housing. Furthermore, the Adult Social Care service continues to be subject to unrelenting demand since the pandemic, with funding from the Department of Health and Social Care not keeping pace with demand pressures and market forces.

117. The Government are currently out to consultation on the Fair Funding Review 2.0, which has been delayed since the pandemic, with the consultation covering the funding distribution formulas used by the Government to allocate funds to each Council across the country. Whilst the review is still under consultation, early modelling by both London Councils and Pixel indicate a reduction in overall funding for London, with funding migrating outwards from Inner London Boroughs to Outer London Boroughs and beyond, with both models suggesting that

Hillingdon should see a net growth in funding from 2026/27 and beyond. Whilst it is recognised that the borough was aware of Government funding at the time of setting the 2025/26 budget, the review indicates that the Hillingdon is currently under funded by Government and should this review have taken place in line with the original timescale, Hillingdon's financial position is likely have been more favourable.

118. These pressures therefore present a challenge for the Council, with the above table setting out this position against Service Operating Budgets, a number of corporate budgets and the use of reserves, with this position not including any possible impacts from Exceptional Financial Support conversations with the Government.
119. This underlying position is being driven by Service Operating Budgets forecasting an overspend of £22.8m, with Corporate Budgets forecasting a further £9.1m, with the latter including a pressure against unallocated savings of £6.5m and the 2025/26 pay award forecast to generate a pressure of £2.6m from the current offer of 3.5% compared to the budgeted 2.0%. This position includes two mitigating actions, firstly to propose the release of the £10.5m general contingency and secondly to deliver £5.0m of interventions that effectively delivery the Council's Target Operating Model (TOM) saving held in corporate budgets.
120. The Service Operating Budget pressure of £22.8m is largely being driven by four pressure areas, with:
- i. c£14.8m relating to further demand pressures above the budget strategy position presented to February Cabinet and Council, with £8.6m being driven by Adult Social Care demand, £4.3m from homelessness support, £2.2m within Children's Social Care, offset by £0.3m reduction in the waste forecast.
  - ii. c£4.2m relates to a shortfall against the forecast delivery of savings in 2025/26 and the £38.6m target to be delivered this year (with a further £1.5m including in unallocated savings budgets, after factoring in the delivery of the £5.0m Target Operating Model saving), representing 15% slippage.
  - iii. c£1.2m relating to a number of other smaller pressures.
  - iv. and finally £2.6m from the General Fund share of Treasury activities linked to this position and the imbalance between cash coming in and cash going out.

## **GENERAL FUND CAPITAL EXPENDITURE**

121. Due to the nature of capital expenditure and how this neither follows a straight-line profile or is impacted by seasonality, the Council carries out in-depth capital forecasting on a quarterly basis, with a full update against the capital programme to be brought to Cabinet as part of the Month 4 update.

## **SCHOOLS BUDGET**

122. The Dedicated Schools Grant (DSG) total Block for the Maintained Schools is forecasting an in-year deficit of £12.5m based on Month 2 (May 2025), representing an ongoing improvement from the draft outturn for 2024/25 of £15.0m as a result of a broad range of positive measures continuing to be deployed by the Council. The in-year deficit is largely driven by High Needs placement demand and cost pressures which continue to be

significantly underfunded in the DSG settlement that the authority receives from the DfE. This position means that the cumulative deficit carried forward to 2026/27 is forecast at £78.1m.

123. There is currently a time-limited statutory override in place until 31 March 2028 effectively keeping the Schools Budget deficit behind a ringfence which ensures that this deficit does not impact upon general reserves, and the Council's General Fund budget strategy is predicated on the further continuation of this override. The Council is one of many local authorities managing a large deficit within the Schools Budget and this stood at £65.6m at 31 March 2025 and therefore exceeded General Fund reserve levels. It is worth noting that between outturn 2024/25 and the position presented in this report, the Council has successfully reduced forecast in-year spend against the Schools Budget by £2.5m and continues to make good progress in reducing spend in this.
124. The issue of mounting DSG deficits remains a national issue, with projections for a £6.2bn deficit across the country by 2026/27 forming a key strand to lobbying by sector bodies such as the LGA and London Councils.

## **HOUSING REVENUE ACCOUNT**

125. The Housing Revenue Account (HRA) is continuing to forecast a breakeven position at Month 2, with the HRA Operating Costs forecasting a £0.4m in-year pressure, with the pressure being driven by staffing costs, B&B emergency placements and leaseholder insurance premiums, with these pressures being offset by a reduction in the revenue contributions to the capital programme, whilst ensuring the HRA is financially viable. The 2025/26 closing HRA General Balance is forecast to be £15m, in line with the target level established for 2025/26. In line with General Fund revenue, HRA capital will also be presented to Cabinet in Month 4 when a detailed review of the capital position will be undertaken.

## **FURTHER INFORMATION**

### **General Fund Revenue Budget**

126. As at Month 2, the Council's General Fund is reporting an overspend of £16.4m after allowing for an expectation that interventions are able to deliver the Council's £5.0m Target Operating Model saving and releases the full £10.5m of contingency. This position includes a £5.6m pressure against the required £38.6m of savings to be delivered, whilst utilising available and forecast capital receipts to fund the associated transformation activity.
127. The Month 2 position includes deploying £0.9m of Earmarked Reserves, with this one-off funding source being used to predominantly fund insurance claims and the homelessness pressures, with a net contribution to the Public Health ringfenced reserve of £0.7m from a forecast underspend against the Public Health Grant, leading to a net contribution to Earmarked Reserves of £0.2m.
128. With Transformation activity underway to deliver against the Council's saving programme, the position is predicated on using £8.1m of capital receipts to fund implementation costs in line with the Government's guidance, with the Council expected to secure £17.0m from asset disposals in 2025/26, leaving £8.9m of headroom to fund further transformation activity over the remainder of this or future years.

### **Progress on Savings**

129. The savings requirement for 2025/26 is £34.0m as set out in the Council's budget strategy, this position has been supplemented by a further £4.8m of deliverable prior year savings carried forward into 2025/26 as set out in the outturn section of this report, resulting in an overall programme of £38.8m savings being deliverable in year:

**Table 3.2: Savings Tracker**

Cabinet Member Portfolio	Blue Banked £m	Green Delivery in progress £m	Amber I Initial stages of delivery £m	Amber II Potential problems in delivery £m	Red Serious problems in delivery £m	Savings to be Written Out £m	Total £m
Cabinet Member for Corporate Services & Property	(0.1)	(0.5)	(1.2)	0.0	(0.6)	(0.9)	<b>(3.3)</b>
Cabinet Member for Planning, Housing & Growth	(1.6)	(1.7)	(0.6)	0.0	(0.3)	(0.3)	<b>(4.5)</b>
Cabinet Member for Finance & Transformation	(0.1)	(4.1)	(0.3)	(0.1)	0.0	0.0	<b>(4.6)</b>
Cabinet Member for Community & Environment	(0.1)	(2.8)	(1.0)	(0.2)	(2.8)	0.0	<b>(6.9)</b>
Cabinet Member for Children, Families & Education	(1.4)	(0.5)	(3.0)	0.0	(0.1)	(0.2)	<b>(5.2)</b>
Cabinet Member for Health and Social Care	(0.8)	(1.4)	(3.2)	(2.0)	(0.1)	0.0	<b>(7.5)</b>
Cross-Cutting	(0.3)	(0.5)	(0.4)	0.0	(5.6)	0.0	<b>(6.8)</b>
<b>Total 2025/26 Savings Programme</b>	<b>(4.4)</b> 11%	<b>(11.5)</b> 30%	<b>(9.7)</b> 25%	<b>(2.3)</b> 6%	<b>(9.5)</b> 24%	<b>(1.4)</b> 4%	<b>(38.8)</b> 100%

130. As of Month 2, £15.9m (41%) of the savings and interventions are being recorded as banked or on track for delivery, with a further £9.7m (25%) being at initial stages of delivery. In addition, £11.8m (30%) are being reported as having potential challenges in delivery, with alternative delivery methods being considered in-year where appropriate, with the savings ultimately expected to be delivered in full. A further £1.4m of savings have been proposed to be written out of the Council's budget from 2026/27 and will form part of the Corporate Items in the budget strategy to be presented to Cabinet in December 2025, with £1.2m of these savings relating to the roll forward balance from prior years and £0.2m of savings identified for delivery in 2025/26 that can no longer be delivered.

131. Where savings are at risk of not being delivered in full during 2025/26, the associated pressures have been factored into the monitoring position with compensating actions being implemented where possible to offset these pressures.

### Service Operating Budgets

132. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents. With the Council continuing operating in an environment driven by national pressures and exceptionally high demand, these budgets were supplemented with £5.5m of funding to meet forecast inflationary pressures and £17.8m for demographic growth and other drivers impacting on demand for services going into the 2025/26.

133. Table 3.3 represents the position reported against normal activities for the Service Operating Budgets, the salient risks and variances within this position are summarised in the following paragraphs.



**Table 3.3: Service Operating Budgets**

Service		Approved Budget	Underlying Forecast	Earmarked Reserves	Provisions	Transformation Capitalisation	Forecast Outturn	Variance
		£'m	£'m	£'m	£'m	£'m	£'m	£'m
Corporate Services & Property	Expenditure	32.1	32.7	0.0	0.0	(0.6)	32.1	0.0
	Income	(12.8)	(12.0)	0.0	0.0	0.0	(12.0)	0.8
	<b>Subtotal</b>	<b>19.3</b>	<b>20.7</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.6)</b>	<b>20.1</b>	<b>0.8</b>
Finance & Transformation	Expenditure	130.9	139.7	(0.4)	0.0	(4.6)	134.7	3.8
	Income	(79.9)	(80.3)	0.0	0.0	0.0	(80.3)	(0.4)
	<b>Subtotal</b>	<b>51.0</b>	<b>59.4</b>	<b>(0.4)</b>	<b>0.0</b>	<b>(4.6)</b>	<b>54.4</b>	<b>3.4</b>
Planning, Housing & Growth	Expenditure	24.8	29.8	(0.2)	0.0	(0.1)	29.5	4.7
	Income	(15.1)	(15.9)	0.0	0.0	0.0	(15.9)	(0.8)
	<b>Subtotal</b>	<b>9.7</b>	<b>13.9</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>13.6</b>	<b>3.9</b>
Community & Environment	Expenditure	71.1	72.1	(0.1)	0.0	(0.3)	71.7	0.6
	Income	(37.5)	(35.2)	0.0	0.0	0.0	(35.2)	2.3
	<b>Subtotal</b>	<b>33.6</b>	<b>36.9</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>36.5</b>	<b>2.9</b>
Children, Families & Education	Expenditure	100.0	103.1	0.2	2.5	(2.3)	103.5	3.5
	Income	(23.6)	(20.9)	0.0	(2.5)	0.0	(23.4)	0.2
	<b>Subtotal</b>	<b>76.4</b>	<b>82.2</b>	<b>0.2</b>	<b>0.0</b>	<b>(2.3)</b>	<b>80.1</b>	<b>3.7</b>
Health & Social Care	Expenditure	163.7	172.2	(0.5)	0.0	(0.2)	171.5	7.8
	Income	(50.5)	(51.5)	1.3	0.0	0.0	(50.2)	0.3
	<b>Subtotal</b>	<b>113.2</b>	<b>120.7</b>	<b>0.8</b>	<b>0.0</b>	<b>(0.2)</b>	<b>121.3</b>	<b>8.1</b>
<b>Service Operating Budgets</b>		<b>303.2</b>	<b>333.8</b>	<b>0.3</b>	<b>0.0</b>	<b>(8.1)</b>	<b>326.0</b>	<b>22.8</b>

134. As can be seen from the table above, Service Operating Budgets are forecasting a £22.8m overspend which is the cumulative effect of a number of variances which are briefly outlined below by Cabinet Portfolio:

- i. **Corporate Services & Property** – Are reporting a minor overspend of £0.8m due to income pressures across Property Services from forecast shortfalls against lease income, with part of this linked to the Civic Centre Transformation saving compounded by inter-relationships between staffing costs being spent on corporate property and the associated recharge income from the capital programme and buyers premium.
- ii. **Finance & Transformation** – As at Month 2 are reporting a pressure of £3.4m predominantly linked to a £2.6m pressure against the Council's Treasury budget as a result of the adverse financial position for the Council, meaning the amount of cash forecast to be received is lower than the cash being expended. This position is compounded by staffing pressures within Finance from agency premiums and a delay in delivering the Resident's Hub saving, which is expected to ultimately deliver in full.
- iii. **Planning, Housing & Growth** – Are reporting a net overspend of £3.9m which includes a gross pressure against expenditure of £4.6m offset by additional income of £0.8m. The gross pressure is largely driven by a temporary accommodation and homelessness support pressure, with this being a national pressure, but with Hillingdon particularly impacted by having Heathrow within its boundaries having a material impact on local supply and demand economics. The additional income is linked to the same driver where the additional demand for temporary accommodation attracts Housing Benefit Subsidy payments and grant funding where applicable.
- iv. **Community & Environment** – Are forecasting a pressure of £2.9m by the end of the year, with £2.3m of this being income driven, the largest driver for which is the forecast shortfall against the Garden Waste Charging saving of £1.0m, with further pressures across other income streams including the delivery of the Trade Waste saving being rolled forward into 2025/26. The additional expenditure pressure is being driven by Community Safety & Enforcement activity, where additional costs are being incurred as a result of the Imported Food Office and payment for non-capital related equipment within enforcement.
- v. **Children, Families & Education** – As at Month 2, services within this portfolio are reporting a pressure of £3.7m. The pressure in this area is driven by additional demand for care, with this position being in part impacted by the Temporary Accommodation pressure reported above leading to a lack of General Needs properties within the Housing Revenue Account (HRA), meaning that the service are supporting vulnerable adults in supported accommodation that are ready to move on to more appropriate tenancies of their own, however, the supply is not there to enable the service to step down these individuals.

- vi. **Health & Social Care** – are reporting an overspend of £8.1m, with adult care placements forecasting a pressure of £8.8m with the service able to mitigate £0.7m of this through reductions in staff forecasts and holding vacant posts. This position is driven by the ongoing and unrelenting growing demand for the service since the pandemic, with all client groups reporting ongoing exceptional demand in 2025/26, to date, client numbers have grown by 1.5% in the first two months of the year, which on a straight-line basis would project growth to be 9% by the end of the year.

## Collection Fund

135. A minor deficit of £0.1m is reported within the Collection Fund at Month 2 against 2025/26 activity, before the prior year deficit variance of £10.1m takes the total deficit to £10.2m. Within the Collection Fund, an adverse position is reported within Council Tax of £2.8m against in-year activity, offset by a favourable position within Business Rates of £2.7m. This position is driven by 3 key factors:
- i. Council Tax is presenting an in-year pressure of £2.8m against a £154.1m budget as a result of slow growth in the taxbase, with a further £9.2m being driven by the adverse movement on 2024/25.
  - ii. Business Rates is presenting an in-year surplus of £2.7m against a £72.1m budget, with this position being driven by pressures within collection, predominantly linked to empty properties being offset by a reduction in the Council's levy against retained business rates above the Government determined baseline level.
  - iii. The Business Rates position is then compounded by an adverse £0.8m against the 2024/25 outturn position.
  - iv. The Council continues to monitor the outstanding debt associated with Council Tax and Business Rates and provide cover against this debt, with this position remaining under review.
136. Any surpluses or deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2026/27 saving requirement, leading to £10.2m being forecast for inclusion in the Council's refresh of the budget strategy to be presented as part of the consultation budget to December Cabinet, with any further updates thereafter between Month 10 and outturn impacting on 2027/28. This position therefore will increase the Council's gross saving requirement by £10.2m for 2026/27.

## Schools Budget

138. As of Month 2 (May 2025), the Dedicated Schools Grant (DSG) is forecasting a deficit of £12.5m – an improvement from the £15m outturn for 2024/25. This in-year shortfall is entirely driven by continued demand and cost pressures in High Needs placements, which remain significantly underfunded in the DSG allocation from the Department for Education (DfE). These pressures are not unique to the local authority; nationally, local authorities are facing similar challenges. Rising demand for specialist provision, a shortage of maintained special school places, and increasing reliance on costly independent non-maintained placements are contributing to widespread overspends in the High Needs Block. Despite efficiency targets and mitigation efforts, the structural underfunding of High Needs provision continues to place significant strain on DSG budgets across the country. The table below provides a summary of the Schools Budget and the current forecast.
139. It is recommended that Cabinet approve a virement within the Dedicated Schools Grant (DSG) budget to reflect the 2025/26 expected in-year deficit position of £12.5m. This adjustment is necessary to ensure the Council's financial reporting accurately represents the pressures within the High Needs Block and aligns with the latest forecast outturn. The proposed virement will support transparency in budget monitoring and facilitate ongoing engagement with the Department for Education (DfE) as part of the DSG Management Plan. Approval of this virement will not impact the Council's General Fund but is essential to maintain robust financial governance and oversight of the DSG deficit recovery strategy.
140. Whilst the Safety Valve Agreement with the Department of Education (DfE) is currently suspended, work has continued and the Council are very successfully taking control of the market, managing unit costs down and beginning to see a significant reduction in the in-year deficit as a consequence.

**Table 3.4: DSG Income and Expenditure Summary**

Dedicated Schools Grant (DSG) Blocks	Budget 2025/26				Forecast Month 2 £m	Variance Month 2 £m
	DSG Settlement £m	Academy Recoupment £m	Budget Virement £m	LBH Maintained £m		
Schools Block	299.4	187.0	0	112.4	112.4	0
Early Years Block	48.2	0	0	48.2	48.2	0
Central Schools Block	2.5	0	0	2.5	2.4	(0.1)
High Needs Block	71.6	8.7	12.5	75.4	75.5	0.1
Budgeted Use of Reserves	0	0	(12.5)	(12.5)	(12.5)	0
<b>Total</b>	<b>421.7</b>	<b>195.7</b>	<b>0.0</b>	<b>226.0</b>	<b>238.5</b>	<b>0.00</b>
Balance Brought Forward 1 April 2025						<b>65.6</b>
Budgeted Use of Reserves						<b>12.5</b>
Pressure						<b>0.0</b>
<b>Total Deficit at 31 March 2026</b>						<b>78.1</b>

141. A core target for the revised High Needs Safety Valve Plan is to actively reduce unit costs by concentrating SEN support in-borough within our maintained schools and thereby reduce dependence on high cost independent and out-of-borough placements. Trend data shows clear evidence that the approach which has been in place since early 2024/25 and is now beginning to have a positive impact.
142. The mounting DSG deficits remain a significant national issue, with projections indicating a substantial funding gap for English councils. Specifically, English councils face a £2.3 billion funding gap in 2025/26, rising to £3.9 billion by 2026/27, creating a £6.2 billion shortfall over two years, according to the Local Government Association (LGA). This deficit is primarily driven by increased demand for services for children with special educational needs and disabilities (SEND).

## Housing Revenue Account

143. The Housing Revenue Account (HRA) is currently forecasting a breakeven position, with ongoing inflationary risk being closely monitored for the remaining month of the year. The 2025/26 closing HRA General Balance is forecast to be £15m, in line with the target level set out in the Council's budget strategy. The table below presents key variances with a £0.4m pressure against operating costs being offset by a reduction in the capital financing costs, with the Council opting to reduce the revenue contribution to capital schemes in order to maintain the target level of balances, whilst ensuring the HRA remains in a financially sustainable position.

**Table 3.5: Housing Revenue Account**

Service	Budget £m	Forecast Outturn £m	Variance £m
Rent & Other Income	(85.4)	(85.4)	0.0
<b>Net Income</b>	<b>(85.4)</b>	<b>(85.4)</b>	<b>0.0</b>
Operational Assets	15.0	14.7	(0.3)
Director of Housing	9.9	10.6	0.7
Other Service Areas	1.0	1.0	0.0
Contribution to Shared Services	18.5	18.5	0.0
<b>HRA Operating Costs</b>	<b>44.4</b>	<b>44.8</b>	<b>0.4</b>
Capital Programme Financing	<b>18.9</b>	<b>18.5</b>	<b>(0.4)</b>
Interest and Investment Income	22.1	22.1	0.0
<b>Total Capital Programme Financing</b>	<b>41.0</b>	<b>40.6</b>	<b>(0.4)</b>
<b>(Surplus) / Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
General Balance 01/04/2025	15.0	15.0	0.0
<b>General Balance 31/03/2026</b>	<b>15.0</b>	<b>15.0</b>	<b>0.0</b>

144. At Month 2, rental income and other income is forecast to breakeven with the Council's budget strategy to deliver a net increase of 209 new homes being anticipated to be on track to deliver at this early point of the year. The budgets are based on a void rate of 1.02%, with any material variation from this level feeding into rental projections as appropriate.

145. The HRA Operating Costs Budget is £44.4m and at Month 2 is forecasting a minor £0.4m overspend against the budget, with this adverse variance related a number of pressures reported against the Director of Housing service of £0.7m due to staffing pressures, B&B costs associated with emergency housing and leaseholder insurance premiums. These budgets are based on supporting the Council's current housing stock as at 1 April 2025, with growth added in line with the increase in stock numbers and to support the additional costs associated with this increase and ensuring regulatory compliance. This area remains under review, with growth in these budgets included in the approved budget from February 2025 being deployed as and when new homes are brought online.

146. Operational Assets are forecasting an underspend of £0.3m from a number of minor updates, the most material of which is a reduction in the cost of subsidence surveys. Inflation

was also added to HRA Operating Costs budgets in the Council's budget strategy, with forecasts indicating the budgeted uplift is sufficient to meet inflationary demands on the service.

147. The detail behind the service delivery of the blocks included in table 7 are as follows:

- i. Operational Assets budget funds the services provided for repairs and maintenance, void repairs, compliance and inspections.
- ii. The Director of Housing budget includes tenancy management and tenants' services. The budgets include utility costs, and these will continue to be monitored given the volatility of the electricity and gas markets in recent times.
- iii. The Other Service Areas budget includes the Careline contract, HRA specific ICT costs and the revenue regeneration costs.
- iv. The Contribution to Shared Services budget includes the development and risk contingency, overheads and corporate and democratic core charges, and the bad debt provision.

148. The MTFF savings target is £1.0m with this saving expected to be delivered by virtue of the Council's general fund savings against support services, leading to a reduction in the recharge to the HRA for these services.

149. As at Month 2 the capital programme financing budget of £41.0m is forecast to underspend by £0.4m. This budget forecast includes £18.5m (depreciation and revenue contributions) to fund the HRA capital programme, the position also includes £22.1m for repayments of loans and interest on borrowing, this position will be closely monitored throughout the year with clear linkages to the commissioning plan.

## Treasury Management Update as at 31<sup>st</sup> May 2025

**Table 3.6: Outstanding Deposits**

Period	Actual (£m)	Actual (%)
Call Accounts and MMF's*	41.1	73.3%
Up to 3 Month Fixed-Term Deposits	0	0%
<b>Total</b>	<b>41.1</b>	<b>73.3%</b>
Strategic Pooled Funds	15.0	26.7%
<b>Total</b>	<b>56.1</b>	<b>100.0%</b>
Average Investment Balances Jan 2025	<b>56.1</b>	

\*Money Market Funds

150. Deposits are held with UK institutions, all of which hold a minimum A- Fitch (or lowest equivalent) long-term credit rating and AAA rated Money Market Funds (MMFs). UK deposits are currently held in NatWest Bank plc and the DMADF. There is also an allocation of £15m to three externally managed strategic pooled funds.
151. The average rate of return on day-to-day operational treasury balances since the beginning of the new financial year is 4.38%. As part of the Council's investment strategy for 2024/25, the Council continues to hold a total of £15m in three long-dated strategic pooled funds (£5m in each). The strategic pooled funds have a long-term investment horizon with dividends being distributed periodically. When including projected dividend income on these strategic pooled funds, the overall rate of return decreases slightly to 4.35% based on the previous six months income average. As the fair value of these strategic pooled funds are currently lower than the sum initially invested it is not feasible to disinvest at this time.
152. Bank of England base rate fell to 4.25% in May which will result in lower returns expected on day-to-day operational investments in money market funds and the DMADF.
153. The Council aims to minimise its exposure to bail-in risk by utilising bail-in exempt instruments and institutions whenever possible. However, due to the significant amount held in instant access facilities, which is needed to manage daily cashflow, it is not possible to fully protect Council funds from bail-in risk. At the end of May, all of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a March benchmark average of 73% for London and metropolitan boroughs, as investments were held in money market funds which were returning a higher yield than DMADF. However, money market funds reduce the risk of bail-in compared to bank deposits as they provide wide diversification of investment risks with professional fund manager services.
154. Liquidity was maintained by placing surplus funds in instant access accounts and making short-term deposits, including overnight deposits, in the DMADF. Cash flow was managed by ensuring maturities of any short-term deposits with the DMADF were matched to outflows. Average investments over the month (including strategic pooled funds) were £56.1m.



**Table 3.7: Outstanding Debt**

	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>	<b>Average Interest Rate (Total)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
PWLB Long Term	123.6	290.7	414.2	4.27%
Market	10.0	33.0	43.0	4.08%
Temporary Borrowing:				
Local Authorities	81.0	0.0	81.0	5.35%
PWLB	0.0	0.0	0.0	0.0%
	<b>214.6</b>	<b>323.7</b>	<b>538.3</b>	<b>4.41%</b>

155. During April and May 2025, £10.85m local authority loans and a market loan for £5m matured. A PWLB HRA long term loan totalling £40m was obtained at the concessionary rate to finance HRA capital expenditure budgeted from prudential borrowing.
156. PWLB rates fluctuated throughout May, ending in a higher position to the beginning of the month – an overall increase of 0.13% from the end of April.

## **PART B: FINANCIAL RECOMMENDATIONS**

**That the Cabinet:**

- a. Approve the release of the General Contingency Budget of £0.5m to support the overall position of the Council.
- b. Approves rephasing of £27,417k of General Fund capital programme budgets from 2024/25 into 2025/26 as set out in Appendix A1.
- c. Approves rephasing of £14,922k of HRA capital programme budgets from 2024/25 into 2025/26 as set out in Appendix A2.
- d. Approve the strategy to release capital receipts previously held to contribute to the Schools Budget deficit to fund transformation activity due to the Council's Safety Valve Agreement being suspended by the Department for Education whilst a new agreement is negotiated.
- e. Authorise the Director of Planning & Sustainable Growth to allocate and release s106 planning contributions totalling of £1.5m into the revenue position, predominantly to fund qualifying expenditure within homelessness support.
- f. Agree that a budget virement is processed within the Schools Budget to set a budgeted deficit of £12.5m for 2025/26, which will increase the High Needs budget to better reflect predicted activity for the year.
- g. Agree that a budget virement is processed to transfer Government Grant managed by service areas from the Corporate Funding budgets to Service Operating Budgets, with the grants to transfer being:
  - a. Public Health - £20,882k
  - b. Better Care Fund - £8,505k
  - c. Housing Benefit Administration Subsidy - £524k
  - d. Extended Producer Responsibility – £3,189k
  - e. Children's Social Care Prevention Grant - £1,318k
  - f. Local Voices & Community Reform - £164k
  - g. Extended Rights to Free Travel - £24k
- h. Approves a budget virement of £1,356k to transfer savings that are required to be written out of service operating budgets back to the corporate centre to be funded in the 2026/27 MTFS, the breakdown for which is:
  - a. £202k of the £2.5m Zero Based Budgeting saving from 2024/25.
  - b. £36k of the £300k Future of Financial Systems Saving from 2024/25.
  - c. £700k of the Legal Services Review saving (100%) from 2024/25.
  - d. £150k of the Human Resources saving (100% from 2024/25.
  - e. £168k of the £1,559k Social Care Delivery Model saving in Children's Social Care from 2025/26.
- i. Note the proposed release of the 2025/26 General Contingency budget of £10.5m into the 2025/26 monitoring position, with the final decision on the General Contingency to be made in the Outturn 2025/26 Cabinet Report.
- j. Approve revised Fees & Charges for the Music Service for 2025/26 as set out in Appendix B1.
- k. Approved revised Fees & Charges for court costs for Council Tax and Business Rates from 1<sup>st</sup> October 2025.
- l. Approve the Council to go out to consultation on in-year (2025/26) Fees & Charges changes in August, reporting back to Cabinet for decision.
- m. Approve acceptance of gift funding in relation to a Planning Performance Agreement in accordance with the provisions of Section 93 of the Local Government Act 2003 for;

- i. **Barn Hotel, West End Road, Ruislip - £27,690 (+VAT)**
- ii. **Ark Data Centre, Bulls Bridge, Hayes - £110,450 (+VAT)**
- iii. **Heathrow Flight Path Car Park, Bath Road, Sipson - £33,060 (+VAT)**
- iv. **Former Comag Works, Tavistock Road, West Drayton - £17,500 (+VAT)**
- v. **Hayes Park West, Hayes - £ (61,900+VAT)**
- vi. **Ariel Hotel, Bath Road - £24,310 (+VAT)**
- vii. **Premier Inn, 3 Riverside Way, Uxbridge - £24,310 (+VAT)**
- viii. **Block C, Former Nestle Factory, Nestles Avenue, Hayes - £35,000 (+VAT)**

## Reasons for recommendation

157. **Recommendation 2a** requests Cabinet to approve the release of the 2024/25 General Contingency to support the position presented in this outturn report.
158. **Recommendation 2b** seeks approval to rephase £27,417k from the General Fund capital programme underspends in 2024/25 to 2025/26 as detailed at programme level in Appendix A1.
159. **Recommendation 2c** seeks approval to rephase £14,922k from the HRA capital programme underspends in 2024/25 to 2025/26 as detailed at programme level in Appendix A2.
160. The outturn position for 2024/25 is predicated on using capital receipts previously held to fund the Council's contribution to reducing the DSG deficit to fund transformation activity due to the Safety Valve agreement being suspended by the DfE. **Recommendation 2d** therefore seeks Cabinet Approval to use these receipts in this way.
161. **Recommendation 2e** seeks cabinet to delegate the release of £1.5m of s106 funds held to support homelessness support where the support meets the criteria of the funds held. This has been reviewed and confirmed as qualifying spend by the Director of Planning & Sustainable Growth.
162. **Recommendation 2f** seeks approval for a virement within the Dedicated Schools Grant (DSG) budget to reflect the 2025/26 expected in-year deficit position of £12.5m. This adjustment is necessary to ensure the Council's financial reporting accurately represents the pressures within the High Needs Block and aligns with the latest forecast outturn. The proposed virement will support transparency in budget monitoring and facilitate ongoing engagement with the Department for Education (DfE) as part of the DSG Management Plan. Approval of this virement will not impact the Council's General Fund but is essential to maintain robust financial governance and oversight of the DSG deficit recovery strategy.
163. The Council's approved budget for 2025/26 included a number of service specific grants being held in the corporate centre under the badge of corporate funding, with **recommendation 2g** proposing to vire these to the relevant service lines for clearer reporting and accountability of the net cost of service delivery, the list of grants is included in the recommendation.
164. In February 2025, the Cabinet and Council approved the writing out of £4,651k of undeliverable savings, since this time, it is the view of officer that a further £1,356k is no longer deliverable, with **recommendation 2h** seeking approval to vire these savings to the

corporate centre to be held there until they are written out of the Council's budget on a permanent basis in the MTFS 2026/27 process.

165. With the Council reporting a material adverse variance at Month 2, **recommendation 2i** asks cabinet to note that the position is predicated on the release of the £10.5m contingency budget for 2025/26, with the use of all contingency budgets requiring approval by Cabinet. Cabinet will not be required to approve the release of any contingency until outturn 2025/26.
166. **Recommendation 2j** sets out revised Fees & Charges for the Music Service in Hillingdon for 2025/26 to simplify the current fee structure for parents and carers and revise the fees charged to schools in order to bring Hillingdon in line with other London boroughs, with the new fees to be brought in by 1<sup>st</sup> September 2025. They are set out in Appendix B1.
167. **Recommendation 2k** proposes to increase court cost fees for a Council Taxpayer by £25 (to £150) and for a business rate payer by £20 (to £185) and will ensure that taxpayers who do pay on time or by arrangement are not bearing the cost of recovery for those unwilling to pay.
168. **Recommendation 2l** seeks approval to consult residents on the possibility to introduce in-year (2025/26) changes to Fees & Charges, ensuring services are charging based on a full cost recovery model, where permitted, and that fees are competitive compared to neighbouring boroughs and other commercially available services.
169. **Recommendation 2m** Gift funding has been offered by developers which if accepted by Cabinet will be utilised to fund dedicated staff to support this pre-application and application work. **Recommendation 2m** seeks authority from Cabinet to approve the acceptance of £334,220 in relation to eight major developments.
- i. Barn Hotel, West End Road, Ruislip - £27,690 (+VAT)
  - ii. Ark Data Centre, Bulls Bridge, Hayes - £110,450 (+VAT)
  - iii. Heathrow Flight Path Car Park, Bath Road, Sipson - £33,060 (+VAT)
  - iv. Former Comag Works, Tavistock Road, West Drayton - £17,500 (+VAT)
  - v. Hayes Park West, Hayes - £ (61,900+VAT)
  - vi. Ariel Hotel, Bath Road - £24,310 (+VAT)
  - vii. Premier Inn, 3 Riverside Way, Uxbridge - £24,310 (+VAT)
  - viii. Block C, Former Nestle Factory, Nestles Avenue, Hayes - £35,000 (+VAT)

## Appendix B1: Music Service Fees & Charges

### Summary of recommendations:

To simplify the current fee structure within the Music Service to make it easier for parents and carers to understand as well revising fees charged to schools in order to bring Hillingdon in line with other London boroughs for academic year 2025/26.

### Streamlining fees to parents/carers:

The current fee structure for parents/carers is set out below:

Standard Tuition	£108.95
Advanced Tuition	£256.35
Music School Unlimited	£109.20
Single Ensemble/Choir	£47.35

The use of standard and advanced tuition terminology is confusing for parents/carers and the way this tuition is delivered lacks the flexibility the service needs in order to ensure value for money.

Standard tuition is currently set at 30-minute tuition for groups of three students, or 20-minute tuition for groups of two students. There are a number of situations where this type of tuition cannot work resulting in teachers delivering 15-minute individual lessons. Due to the set up and costs of tuition, when only two students can be taught within 30-minutes rather than three, the service loses income generated from fees across the term.

**The recommended structural changes to fees are set out below and take this into consideration whilst also renaming the fees, so they are transparent and easy to understand:**

<b>Small Group Tuition (30-minutes)</b>	<b>£108.95</b>
<b>Paired Tuition (30-minutes)</b>	<b>£128.18</b>
<b>Individual Tuition (30-minutes)</b>	<b>£256.35</b>
<b>Music School Unlimited</b>	<b>£109.20</b>
<b>Single Ensemble/Choir</b>	<b>£47.35</b>

This structure streamlines timetabling by ensuring all lesson lengths are standardised at 30-minutes whilst also maximising teacher availability. The structure allows for a graduated approach to lessons with students being clearly able to progress from individual to paired lessons, and then to small group sessions as appropriate. If a 15-minute individual lesson needs to be offered, parents/carers will be charged at the paired tuition rate which would accurately reflect the more bespoke teaching, the service costs of teacher hourly rates, core team salaries and venue hire, whilst keeping rates affordable for parents/carers.

These recommended fee changes result in no loss of fee income to the service overall.

## School fee reduction:

In September 2024, Hillingdon Music Service became part of the London West Music Hub. The Royal Borough of Kensington and Chelsea were appointed as the Hub Lead Organisation (HLO) by Arts Council England as part of a consortium agreement across the Seven Local Authorities:

- Brent
- Ealing
- Hammersmith and Fulham
- Harrow
- Hillingdon
- Kensington and Chelsea
- Westminster

This covers five existing Music Services/Hubs:

- Brent
- Ealing
- Harrow
- Hillingdon
- Tri-borough

The hourly rates charged to schools across the consortium are all significantly lower than those charged in Hillingdon:

- Brent- £49 but reduces to £43 through packages
- Tri-borough- £44 (individual/small group) £46 (whole class)
- Harrow- £49
- Ealing- £41 (individual/small group) £46 (whole class)
- Hillingdon- £66.88

Ealing are implementing a 20% increase from September 2025 as they have not raised their charges for several years, which will take their whole class hourly rate to £55.20. Even considering this, Hillingdon's rates remain over 20% higher than all other boroughs in the consortium. The current hourly rate is likely therefore to be a barrier to schools using Hillingdon's Music Service and is a significant preventative factor in increasing school engagement as many schools are seeking alternative providers who can offer greater value for money. The table below shows the number of primary schools currently engaging with the service on an annual or shorter-term basis. For reference, there are 65 primary schools in Hillingdon.

<u>Number of schools purchasing tuition annually</u> <u>24/25</u>	<u>Number of schools purchasing tuition short</u> <u>term 24/25</u>
6	11

The Music Service would therefore like to offer an incentive to schools who purchase tuition for a full academic year whereby they receive one half term for free. **It is therefore recommended to have an average hourly cost of £55.73 across the year.** For schools who purchase tuition on a shorter-term basis, the hourly cost would be unchanged.

Based on the figures included in the table above which are for the current academic year, if the same number of schools purchased tuition on an annual basis, the income generated from fees would be £47,649.15 which is less than this year's income of £57,182.40. However, it is expected that more schools would consider signing up to Hillingdon's music service with this offer rather than seeking services externally which would lead to increased income.

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