

# COUNCIL BUDGET - 2023/24 REVENUE AND CAPITAL MONTH 6 BUDGET MONITORING

<b>Cabinet Member</b>	Councillor Martin Goddard
<b>Cabinet Portfolio</b>	Cabinet Member for Finance
<b>Officer Contact</b>	Andy Evans, Corporate Director of Finance
<b>Papers with report</b>	None

## HEADLINES

### Summary

This report provides the Council's forecast financial position and performance against the 2023/24 revenue budget and Capital Programme.

A marginal £2k underspend is reported against General Fund revenue budget normal activities as of September 2023 (Month 6), a minor adverse movement of £11k on the position at Month 5. As would be expected at the mid-point of the financial year, there are a number of potential risk areas and pressures which need to be managed to deliver this headline outturn. Unallocated reserves are projected to total £26,848k at 31 March 2024. In addition, Earmarked Reserves are forecast to total £14,106k at 31 March 2024.

While exceptional inflationary pressures were included and funded through the Council's budget strategy, such pressures remain relatively high with a £3,622k release from Earmarked Reserves projected to meet this potential pressure. Headline Inflation rates remain at historically high levels, albeit that latest data indicates a reduction from 6.8% to 6.7% which is in line with budgeted assumptions.

The Collection Fund is forecast to deliver a surplus of £3,577k due to lower than anticipated appeals against the 2023 Business Rates revised list. This surplus has not been reflected in this outturn forecast.

The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £4,462k at Month 6, this overspend is due to ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not fully reflected in the funding which the Council is receiving from the Department of Education (DfE). The cumulative deficit carried forward to 2024/25 is £20,879k, although there remains a significant level of risk within this area.

No material variances have been reported across the Housing Revenue Account or Capital Programme, although capital rephasing is recommended in this report.

<b>Putting our Residents First</b>	This report supports the following Council objective of: <i>Strong financial management</i> .  Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.
<b>Financial Cost</b>	N/A
<b>Relevant Select Committee</b>	Finance & Corporate Services
<b>Relevant Ward(s)</b>	All

## RECOMMENDATIONS

That the Cabinet:

1. Note the budget monitoring position and treasury management update as at September 2023 (Month 6), noting the actions proposed by officers as outlined in Part A of this report.
2. Approve the financial recommendations set out in Part B of this report.

### Reasons for recommendation

1. The reason for **Recommendation 1** is to ensure that the Council achieves its budgetary objectives, providing Cabinet with the update on performance at Month 5 against budgets approved by Council on 23 February 2023 contained within **Part A** of this report. An update on the Council's Treasury Management activities is included within this section of the report.
2. **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

3. There are no other options proposed for consideration.

### Select Committee comments

4. None at this stage.
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## PART A: MONTHLY BUDGET MONITORING

### SUMMARY

#### GENERAL FUND REVENUE

5. A marginal underspend of £2k is reported against General Fund revenue budget normal activities as of September 2023 (Month 6), being a minor £11k adverse movement from Month 5, with a range of risks and pressures being managed within this position. This will result in unallocated General Balances totalling £26,848k at 31 March 2024, in line with MTFE expectations.
  6. Over and above the specific variances being reported, there are a number of risk areas which continue to be closely monitored against a backdrop of challenging external conditions. The key items relating to progress in delivery of savings, pressures on demand-led services and inflationary pressures.
    - i. Within this position, £11,436k of the £22,762k savings planned for 2023/24 are banked or on track for delivery in full by 31 March 2024, with £11,084k or 48% tracked as being at an earlier stage of implementation. Where slippage in savings delivery is expected this has been factored into the reported monitoring position, with the full £22,762k savings expected to be delivered in full.
    - ii. As we are now reporting on the mid-point of the financial year, pressures are emerging against demand-led service budgets, although these have been funded by demand-risk reserves held by the Council for this purpose. In particular, volatility in demand levels for Looked After Children and Adult Social Care placements, increases in requests for homelessness support and reduced income from planning fees are all a reflection of a difficult economic climate. Furthermore, with the new academic year underway, the Council has been able to firm up forecasts for SEND Transport, with the new year identifying additional pressures beyond the budgeted position. Across these areas, officers are seeking to meet these demands, whilst extracting additional capacity to absorb their financial impact
    - iii. The 2023/24 budget incorporated £21,691k to absorb inflationary pressures, with current projections indicating that a further £3,622k additional funding may be required, largely to meet the costs of a higher than anticipated staff pay award. Specific provision has been made within the Council's Earmarked Reserves to meet such costs, with this sum being offset in-year by £1,500k windfall income from the West London Waste Authority.
  7. The latest forecast underspend of £2k against the Council's General Fund reflects present best estimates for inflation and demand figures, mitigated by assumptions around the impact of both in flight and planned management actions. Given the current challenging external conditions, such management actions will be complemented by a review of discretionary expenditure and the Council's balance sheet to ensure available funds are being deployed to best effect. This balance sheet review will cover application of any unallocated third-party
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contributions or grants, provisions for doubtful debts and risk items, and historic overprovision of Minimum Revenue Provision.

8. The Council holds Earmarked Reserves to manage risks and fund cyclical and project-based activities, with £20,060k being held at the beginning of 2023/24. Based on the Month 6 forecast, including the projected Local Authority pay award and an estimation for further inflationary demands above the approved budget totalling £3,622k, the Council is forecasting to drawdown £5,954k of this balance, with £4,550k of this being existing planned use within the Council's budget strategy, leaving a projected closing balance of £14,106k as at 31 March 2024, which is a small adverse movement of £156k from Month 5, predominantly linked to the Council drawing down planned reserves that were set aside at outturn to fund ULEZ charges. The closing balance is available to support the Council's ongoing financial resilience and fund project and cyclical based work in 2024/25 and beyond.
9. Within the Collection Fund, a surplus of £3,577k is reported at Month 6, with the surplus being derived from a favourable position within Business Rates of £5,056k from an increase in the Council's rating list above the budgeted position approved by Council in February 2023, offset by a slower than budgeted growth in Council Tax, derived from the continuing slowing down in the construction industry production caused by high inflation and sharply reduced profitability and hence viability of many projects.. This position is compounded by an adverse position reported against Council Tax Support as demand has been impacted by cost-of-living pressures on families and individuals.. However, this trend is starting to show signs of decline towards budgeted assumptions, with these pressures lead to a forecast deficit of £1,479k on Council Tax.
10. These in-year pressures on Council Tax are being mitigated through the overachievement of Business Rates income, resulting in a net £3,577k favourable movement against the approved budget. The favourable movement of £2,196k at Month 6 is driven by a further release of the Council's appeals provision as the financial year progresses following the revaluation commercial properties in the borough.
11. Variances against the Collection Fund do not directly impact upon the 2023/24 monitoring position, but instead the variance up to Month 9 will be factored into the Council's budget proposals for the forthcoming year to be presented to Cabinet in December 2023 as part of the consultation budget, with any variances from Month 10 to outturn not impacting until 2025/26 with resulting impacts on MTFE forecasts.
12. National economic circumstances will continue to drive a requirement to closely monitor service expenditure and trends in 2023/24, particularly for demand-led services where there are higher risks and given the context of Hillingdon's firm commitment to Social Care and its budget being based on delivering a substantial savings programme. These challenges are not unique to Hillingdon, numerous local authorities have publicly reported significant in-year cost pressures reflecting these factors and the downturn in economic forecasts since 2023/24 budgets were set. Hillingdon will also continue to seek additional dedicated funding in recognition of its specific exposures as a port authority.

### **GENERAL FUND CAPITAL**

13. As at Month 6 a £38,405k underspend is projected on the 2023/24 General Fund Capital Programme of £162,613k, representing a movement of £24,739k from Month 5, with the
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forecast outturn variance over the life of the 2023/24 to 2027/28 programme estimated to breakeven. General Fund Capital Receipts of £22,000k are forecast for 2023/24 and are forecast to reach the income target of £93,617k for the five years to 2027/28. Overall, Prudential Borrowing required to support the 2023/24 to 2027/28 capital programme is forecast to be on budget at £67,787k, with overall borrowing levels projected to peak at £305,669k in 2024/25 in line with the MTFF.

14. At Month 6 it is recommended that Cabinet approve the rephasing of the capital programme budget in line with the position presented in this report, with £38,405k proposed to be rephased into future years.

## **SCHOOLS BUDGET**

15. The Dedicated Schools Grant (DSG) monitoring position being reported for Month 6 is an in-year overspend of £4,462k, although there remains a significant level of risk in relation to the cost of High Needs placements within this position. The forecast overspend reported for Month 6 is due to ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not adequately reflected in the funding which the Council is receiving from the DfE. The cumulative deficit carried forward to 2024/25 is forecast at £20,879k, although as noted there is a risk of further adverse movement in the position.
16. The issue of mounting DSG deficits remains a national issue, with projections indicating a £4bn deficit across the country forming a key strand to lobbying by sector bodies such as the LGA and London Councils in the run up to the Autumn Statement which will provide government an opportunity to review funding levels.

## **HOUSING REVENUE ACCOUNT**

17. The Housing Revenue Account (HRA) is currently forecasting a breakeven position at Month 6, although the risk of inflationary pressures is being closely monitored. The 2023/24 closing HRA General Balance is forecast to be £15,101k, exceeding the £15,000k target level established for 2023/24. The use of reserves is funding investment in new housing stock. An in-year underspend of £34,207k is reported against the £118,138k 2023/24 HRA Capital Programme with £529k of this being a cost underspend that is forecast to be delivered across the 5-year capital budgets, with £33,678k proposed to be slipped into future years within the approved programme budget to reflect the latest profiling of expenditure on the Hayes Regen Capital Programme.

## **FURTHER INFORMATION**

### **General Fund Revenue Budget**

18. A marginal £2k underspend is projected across the General Fund at Month 6, representing an adverse movement of £11k from Month 5, with the following section of this reporting providing an overview of emerging variances and management action in place to deliver this position. General Fund Balances are expected to total £26,848k at 31 March 2024, and therefore remain within the recommended range 2023/24 of £22,000k to £41,000k as approved by Cabinet and Council in February 2023.
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**Table 1: General Fund Overview**

Service	Month 6		Variance (As at Month 6) £'000	Variance (As at Month 5) £'000	Movement from Month 5 £'000
	Approved Budget	Forecast Outturn			
	£'000	£'000			
Service Operating Budgets	260,767	260,765	(2)	(13)	11
General Contingency	500	500	0	0	0
Unallocated Budget Items	2,011	2,011	0	0	0
<b>Subtotal Expenditure</b>	<b>263,278</b>	<b>263,276</b>	<b>(2)</b>	<b>(13)</b>	<b>11</b>
Corporate Funding	(263,278)	(263,278)	0	0	0
<b>Total Net Expenditure</b>	<b>0</b>	<b>(2)</b>			
Balances b/fwd	(26,846)	(26,846)			
<b>Balances c/fwd 31 March 2024</b>	<b>(26,846)</b>	<b>(26,848)</b>			

19. The Council's budget contains a number of areas subject to demographic pressures and higher levels of volatility which are closely monitored and discussed in the Budget Strategy & MTFP under the "demand-led growth" banner, with pressures emerging across both Adult Social Care Placements and SEND Transport, with these areas forecast to be funded from a number of management actions as previously described.
  20. Within the Council budget there is a Managed Vacancy Factor across the board of 3.5%, or £4,137k, to reflect natural levels of turnover and resulting structural underspend in the workforce budgets. Current indications are that the higher vacancy rate experienced during 2022/23 will continue into the new financial year and therefore result in an underspend over and above the Managed Vacancy Factor. The Council continues to closely manage recruitment activity, with post-level establishment controls providing a key mechanism for managing workforce costs at the organisational level.
  21. The Council budgeted for a pay award in 2023/24 of 4%, however, due to the exceptional inflationary environment, the current pay offer exceeds this sum and equates to approximately 5.7% with an allowance of £2,622k being in place to meet this additional uplift in the Council's workforce expenditure included in the forecast use of the Council's identified earmarked reserve for exceptional inflationary pressures above the Council's approved budget.
  22. Further provision for use of Earmarked Reserves has been included in this position, with £1,631k support for local priority initiatives, £1,535k release of grant funding to cover brought forward COVID-19 pressures in the Collection Fund, £1,000k further provision for inflationary risks and a net £666k of other costs. Windfall income from the West London Waste Authority's Energy from Waste operations has allowed £1,500k to be allocated to Earmarked Reserves, resulting in a net drawdown of £5,954k to leave a closing balance of £14,106k at 31 March 2024.
  23. This represents an adverse movement of £156k on Month 5 which predominantly relates to movements within a reserve specifically held to fund the Council's ULEZ costs, with these funds being put aside at outturn 2022/23 for this purpose. The reported surplus against the Collection Fund of £3,577k offers an element of offsetting against the use of reserves in 2023/24 when these are realised in the 2024/25 financial year.
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## Progress on Savings

24. The savings requirement for 2023/24 is £21,197k, which together with £1,565k brought forward from 2022/23, which gives an overall total of £22,762k to be managed in the current financial year. The savings being reported as undelivered in 2022/23 (£1,565k) were attributable to the Council managing measures required to contain and offset inflationary pressures as well the ongoing legacy issues associated with the COVID-19 pandemic. This value has been added to the budgeted savings agreed as part of the 2023/24 budget.

**Table 2: Savings Tracker**

Cabinet Member Portfolio	Blue Banked £'000	Green Delivery in progress £'000	Amber I Early stages of delivery £'000	Amber II Potential problems in delivery £'000	Red Serious problems in delivery £'000	Total £'000
Cabinet Member for Property, Highways & Transport	(721)	(210)	(623)	(303)	0	(1,857)
Cabinet Member for Finance	(100)	0	(17)	0	0	(117)
Cabinet Member for Corporate Services	(651)	(585)	(198)	(50)	0	(1,484)
Cabinet Member for Residents' Services	(4,462)	(1,000)	(5,180)	(1,642)	(242)	(12,525)
Cabinet Member for Children, Families & Education	(150)	(663)	(207)	(415)	0	(1,434)
Cabinet Member for Health and Social Care	(830)	(1,565)	0	0	0	(2,395)
Cross-Cutting	(500)	0	(500)	(1,950)	0	(2,950)
<b>Total 2023/24 Savings Programme</b>	<b>(7,414)</b> <b>33%</b>	<b>(4,023)</b> <b>18%</b>	<b>(6,724)</b> <b>29%</b>	<b>(4,360)</b> <b>19%</b>	<b>(242)</b> <b>1%</b>	<b>(22,762)</b> <b>100%</b>
<b>Month on Month Movement</b>	<b>(322)</b> <b>1%</b>	<b>(320)</b> <b>1%</b>	<b>518</b> <b>-2%</b>	<b>124</b> <b>0%</b>	<b>0</b> <b>0%</b>	<b>0</b> <b>0%</b>

25. As of Month 6, £7,414k (33%) of the savings programme has already been banked, with a further £4,023k (18%) being reported as delivery in progress and £11,084k (49%) in the early stages of delivery which are ultimately expected to be delivered in full. There are a further £242k of savings recorded as having a serious problem with timely delivery, these savings could ultimately slip into 2024/25. Key items within this £242k relate to timing issues on practical implementation of two projects, which are ultimately expected to be resolved.
26. The majority of savings currently being tracked as being in the early stages of delivery relate to changes to Fees & Charges and resulting uplifts in income targets, where it remains necessary to closely monitor demand for services in challenging external conditions. As the year progresses it will be possible to firm up projections in this area and refresh the savings tracker accordingly. Although overall strong performance is being achieved on income, with limited risk to the achievement of these savings.
27. Where savings are at risk of not being delivered in full during 2023/24, the associated pressures have been factored into the monitoring position with compensating actions bringing the overall position back to breakeven. At this time, it is expected that the full £22,762k will ultimately be delivered in full or replaced with alternative measures in the event of any ongoing shortfall.

28. The Council is permitted to finance the costs associated with the delivery of this savings programme through Capital Receipts, with both one-off implementation costs and the support for service transformation being funded from this resource. Current projections include £6,389k for such costs, with all such costs subject to a specific funding strategy.

### Service Operating Budgets

29. 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 £21,691k of funding to meet forecast inflationary pressures and £12,753k for demographic and other drivers impacting on demand for services going into the 2023/24.
30. 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 3: Service Operating Budgets**

Cabinet Member Portfolio		Approved Budget	Forecast Outturn	Variance (As at Month 6)	Variance (As at Month 6)	Movement from Month 5
		£'000	£'000	£'000	£'000	£'000
Property, Highways & Transport	Expenditure	20,277	20,280	3	(110)	113
	Income	(10,418)	(10,839)	(421)	(298)	(123)
	<b>Subtotal</b>	<b>9,859</b>	<b>9,441</b>	<b>(418)</b>	<b>(408)</b>	<b>(10)</b>
Finance	Expenditure	140,708	140,404	(304)	(305)	1
	Income	(106,809)	(107,208)	(399)	(397)	(2)
	<b>Subtotal</b>	<b>33,899</b>	<b>33,196</b>	<b>(703)</b>	<b>(702)</b>	<b>(1)</b>
Corporate Services	Expenditure	26,693	26,852	159	184	(25)
	Income	(2,053)	(2,245)	(192)	(199)	7
	<b>Subtotal</b>	<b>24,640</b>	<b>24,607</b>	<b>(33)</b>	<b>(15)</b>	<b>(18)</b>
Residents' Services	Expenditure	69,424	70,563	1,139	797	342
	Income	(47,148)	(45,972)	1,176	1,119	57
	<b>Subtotal</b>	<b>22,276</b>	<b>24,591</b>	<b>2,315</b>	<b>1,916</b>	<b>399</b>
Children, Families & Education	Expenditure	96,423	96,301	(122)	(92)	(30)
	Income	(24,198)	(24,167)	31	44	(13)
	<b>Subtotal</b>	<b>72,225</b>	<b>72,134</b>	<b>(91)</b>	<b>(48)</b>	<b>(43)</b>
Health & Social Care	Expenditure	138,376	138,137	(239)	(76)	(163)
	Income	(40,508)	(41,341)	(833)	(680)	(153)
	<b>Subtotal</b>	<b>97,868</b>	<b>96,796</b>	<b>(1,072)</b>	<b>(756)</b>	<b>(316)</b>
<b>Total Service Operating Budgets</b>		<b>260,767</b>	<b>260,765</b>	<b>(2)</b>	<b>(13)</b>	<b>11</b>

31. As can be seen from the table above, Service Operating Budgets are forecasting a marginal underspend of £2k which is the cumulative effect of a number of variances which are briefly outlined below by Cabinet Portfolio:



- i. **Property, Highways & Transport** – An underspend of £418k is forecast, representing a favourable movement of £10k from Month 5. The movements in this area relate to the costs associated with property works increasing, offset by recharge income from the capital programme due to the intrinsic link between the property team and the delivery of the Council's capital programme, above this, there has been a marginal increase in Highways income generating a further improvement against the overall income forecast. The overall variance in this area is driven by that connection between the properties service and the capital programme.
- ii. **Finance** – A net underspend of £703k is reported at Month 6, representing a £1k improvement from Month 5, with this position being driven by a reduction in the Council's energy requirements, this is being compounded by a number of small overachievements against income targets, with additional grant funding being provided to support Homes for Ukraine provided in the borough and a favourable variance against investment income as a result of high interest rates. There are no material movements within this portfolio at Month 6.
- iii. **Corporate Services** – a net underspend of £33k is reported, representing a favourable movement of £18k, with the underspend being driven by a number of small variances, with the staffing position forecast to deliver this underspend across the various services within the Corporate Services portfolio, with this position compounded by additional grant funding to support Ukrainian refugees. The movement in this area is made up of a number of minor updates, with no material movements.
- iv. **Residents' Services** – an overspend of £2,315k is forecast for this portfolio, with a gross pressure of £3,915k included within the position offset by £1,600k of measures to reduce the pressure to the reported level, with steady progress being made against these measures. The variance in this portfolio is being driven by three key areas:
  - i. Firstly, the saving programme within the Green Spaces is being impacted by external factors, including exceptional inflationary pressures, leading to approximately a third of the reported pressure.
  - ii. Secondly a third of the pressure is being driven by the Community Safety & Enforcement service, with these pressures being driven by a combination of issues at Heathrow, including Brexit related changes and a cessation of Government funding, as well as pressures against parking income as recovery rates from the pandemic continue to track below budgeted predictions.
  - iii. Finally, pressures within the Planning Service are driving a large quantity of the remaining pressure as a result of income pressures against fees and charges, as well as expenditure pressures from staffing costs and the use of external consultants to carry out planning activities.
  - iv. The above pressures are being managed down by measures aimed at delivering a £1,600k reduction in expenditure, through staffing spend controls, a review of discretionary spend and securing additional funding.

The movement in this portfolio relates to a realignment of these measures across the Council's service operating budgets, with these measures achieving favourable outcomes in other areas and allowing for these pressures to be covered in the round.

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Within this portfolio there are two areas that fall within the Council's Demand-Led Growth section of the budget strategy as a result of the impacts of demographics and volatility, with these two areas being Homelessness Prevention and Waste Disposal. Homelessness Prevention is experiencing a substantial uplift in demand with a gross pressure of £833k anticipated to be managed out during 2023/24 through a variety of approaches. Waste Disposal costs are currently forecast in line with budget and the Demand-Led Growth bid included in the budget proposals in February 2023.

- v. **Children, Families & Education** – an underspend of £91k is being forecast at Month 6, which represents a favourable movement of £43k, with education functions including SEND and Adult Education largely breaking even, with additional expenditure being incurred to support Children in Need alongside the running of the Early Years Centres, offset by a reduction in the cost of service delivery for Looked After Children and measures put in place to contain staffing expenditure to deliver a further benefit for the portfolio. With the movement in this area relating to a number of minor updates with improvements across both expenditure and income, with no material movement in a particular service area.

Within this portfolio, there are three services that are reported in the Council's budget strategy under Demand-Led Growth: Children's Placements, Asylum Funding and SEND Transport. While there remains inherent volatility in demand for Looked after Children and Asylum services, Looked After Children continues to present a pressure in Month 6, which is being driven by asylum placements and is offset by Government funding as part of the Asylum Dispersal programme. SEND Transport is currently forecasting a significant increase in expenditure now that the impact of the new academic year is known, with this pressure being offset by re-routing efficiencies, leaving a net pressure which is forecast to be funded through the release of Balance Sheet provisions.

- vi. **Health & Social Care** – an underspend of £1,072k is reported for this portfolio, with staffing underspends after Social Care activities being driven by recruitment difficulties for the sector impacting both at a local level and nationally. The reported overachievement of income is spread across services within the remit of this portfolio with no material variances, with the largest being additional grant income. The movement at Month 6 is driven by a number of minor updates, the most material of which relates to a reduction in staffing spend driven by the continuation of the recruitment issue, with the favourable movement on income related to capital recharges from the purchase of community equipment.

Within this portfolio, Adult Social Care Placements is the only area that falls within the Demand-Led Growth section of the Council's budget strategy, with the Month 6 refresh of the impact of demographics and inflation forecasting an emerging pressure being driven by both demographic demand and price pressures, with these pressures forecast to be funded in-year by a further release of Balance Sheet provisions.

## Collection Fund

- 32. A surplus of £3,577k is reported within the Collection Fund at Month 6. Within the Collection Fund, an adverse position is reported within Council Tax of £1,479k, offset by a favourable position within Business Rates of £5,056k. This position is driven by 3 key factors:
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- i. The pressure in Council Tax is predominantly driven by a reduction in the forecast growth of the taxbase as construction continues to slow down, due to inflationary pressures in the sector, with the slippage equating to 1,500 Band D properties.
  - ii. This position is then compounded by an adverse position within Council Tax Support due to a short period of increased demand driven by the cost-of-living crisis, with demand returning to a declining rate, with the short-term increase accounting for a pressure of 393 Band D properties.
  - iii. The favourable position within Business Rates is being driven by the Month 6 refresh suggesting that further benefits of the increased revenue from the national revaluation of commercial property can be released into the Council's financial position, with the favourable movement of £2,265k being driven by this refresh.
33. Any deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2024/25 saving requirement and will be included in the Council's refresh of the budget strategy that will be presented to Cabinet in December 2023, with any further updates between Month 10 and outturn impacting on 2025/26. This position will therefore reduce the Council's gross saving requirement by £3,577k for 2024/25, with any movement from Month 10 onwards to be factored in the next update to the Council's Budget Strategy for 2025/26.

### **General Fund Capital Programme**

34. As at Month 6 the General Fund forecasts are reporting a variance of £38,405k, an increase of £24,739k from Month 5. Demand for school places and inflation on tender prices remain the most significant risks to the Council's investment programme with £27,810k contingency in place over the MTFE period as part of the broader mitigation strategy. Strong progress is reported across the Council's asset disposal programme, which forms a key element of the financing strategy for the DSG Safety Valve and broader transformation programme, alongside a mechanism to avoid recourse to borrowing to finance local investment.

### **Capital Programme Overview**

35. Table x below sets out the latest forecast outturn on General Fund capital projects. Forecasts for future years include capital projects and programmes of work approved by Cabinet and Council in February 2023. Projected variance against budget for the 2023/24 financial year are analysed between cost and rephasing, in the case of the latter, budget will only be rolled forward for use in future financial years with the explicit approval of Cabinet. As of Month 6, a total favourable variance of £38,405k is projected against the rephasing variance. Full details are included in Appendix A1 to this report.
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**Table 5: General Fund Capital Programme Summary**

	Approved Budget 2023/24	Forecast 2023/24	Cost Variance 2023/24	Project Re-phasing 2023/24	Total Project Budget 2023-2028	Total Project Forecast 2023-2028	Total Project Variance 2023-2028	5-year Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cabinet Member Portfolio</b>								
Finance	9,779	9,779	0	0	22,724	22,724	0	0
Residents	4,903	4,503	0	(400)	10,942	10,942	0	0
Corporate Services	2,073	1,958	0	(115)	4,805	4,805	0	0
Children, Families and Education	21,425	21,425	0	0	25,499	25,499	0	0
Health and Social Care	2,850	2,850	0	0	14,250	14,250	0	0
Property, Highways and Transport	109,773	71,883	0	(37,890)	214,251	214,251	0	0
Contingency	11,810	11,810	0	0	17,810	17,810	0	0
<b>Total Capital Programme</b>	<b>162,613</b>	<b>124,208</b>	<b>0</b>	<b>(38,405)</b>	<b>310,281</b>	<b>310,281</b>	<b>0</b>	<b>0</b>
Major Projects	114,126	80,610	0	(33,516)	169,459	169,459	0	0
Programme of Works	36,677	31,788	0	(4,889)	123,012	123,012	0	0
General Contingency	11,810	11,810	0	0	17,810	17,810	0	0
<b>Total Capital Programme</b>	<b>162,613</b>	<b>124,208</b>	<b>0</b>	<b>(38,405)</b>	<b>310,281</b>	<b>310,281</b>	<b>0</b>	<b>0</b>
Movement	0	(24,739)	0	(24,739)	0	0	0	0

36. **Finance:** At Month 6, the use of Capitalisation powers to fund Transformation Capitalisation and the DSG Safety Valve agreement commitments are on track for delivery, with the Council's Purchase of Vehicles similarly forecast to breakeven, as reported at Month 5.
37. **Residents:** The Residents portfolio includes rephasing of £400k Month 6, an increase of £200k from Month 5. The Town Centre improvements and Shopping Parade investments forecasting to come in on budget, with these two schemes accounting for £1,927k of the budget. Other Capital Programme activity within this portfolio includes expenditure on the Council's green spaces, environmental and recreational initiatives and the playground replacement programme, with these activities alongside the Chrysalis programme which is forecasting £400k rephasing.
38. **Corporate Services:** The Corporate Technology and Innovation budget (£1,873k) includes rephasing of £333k from 2022/23 and is forecasting a balanced budget, as reported at Month 5. Projects this year include telephone improvements and the Laptop and Desktop Refresh programme.
39. **Children, Families & Education:** The Schools SEND programme is underway on several projects to provide additional special needs places. Work is progressing on site at Charville, Ruislip and Wood End Primary. The pre-construction service agreement for the Harefield Academy site to be used as a satellite school to be managed by Meadow High School has changed to a demolition and rebuild scheme. A revised planning application is pending, and it is expected that approval to appoint the main works contractor will be requested in January for an expected start on site in February 2024. The main works contractor has been appointed for the Meadow Site expansion and work will start on site in December 2023. Revised cost estimates remain significantly above confirmed grant funding however, discussions are taking place with the Department for Education on available capital funding to deliver on SEND provision within the Safety Valve agreement. The portfolio is forecasting a balanced budget this year, as reported at Month 5.
40. **Health and Social Care:** The capitalisation of social care equipment is forecast in line with budget, as reported at Month 5. The Disabled Facilities Grant adaptations includes rephasing

from 2022/23 of £279k and is forecasting rephasing of £1,500k, an increase of £228k from Month 5. The full budget is projected to be committed; however, a significant number of adaptations will commence this year but will complete in 2024/25. Both budgets are financed by the Disabled Facilities Grant, and the Council have been allocated a further £445k grant for 2023/24.

41. **Property, Highways & Transport:** The single largest project within this portfolio is the new West Drayton Leisure Centre, with the Capital Programme approved budget for this project being a total investment of over £36m over 3 years. Construction works were halted when the contractor entered administration at the beginning of September 2023. In the interim, the Council will continue with wind and water-tight works to keep the structure safe while procurement of a replacement contractor takes place. Work is not expected to restart until February 2024 at the earliest and as a result new slippage, the month 6 update presents a movement in the proposed rephasing of £11,535k.
  42. Planning for the Hillingdon Water Sports Facility has been submitted and a decision is expected at the end of January. Procurement of a contractor was progressing through a Pre-Construction Services Agreement route, however the process has had to be restarted as the contractor has entered into administration. While some enabling works can still take place as planned, the main works contract is now expected to commence early in the new financial year. Rephasing of £10,843k is forecast at Month 6, an increase of £5,938k since Month 5.
  43. Further slippage from Month 5 is reported for the Harefield Family Hub (£100k), South Ruislip Early Years and Children's Centre (£500k) and the Otterfield Road Library (£760k). New slippage at Month 6 is reported for Flood Alleviation work (£62k) and Botwell Leisure Centre Football Pitch (£99k), while Motor Vehicle Workshop has reported reduced slippage by £100k. All slippage is rephasing to 2024/25 and all as a result of expected re-programming of works.
  44. The Carbon Zero Initiatives revised budget of £18,855k, funded from a grant of £13,751k from the Department for Business, Energy and Industrial Strategy, has been fully earmarked for the Park Farm Solar Farm, installation of PV panels at the Civic Centre, Winston Churchill Hall, Hillingdon Sports and Leisure Centre, and Highgrove swimming pool. The contract award to Ameresco was made in September 2023 and the equipment order has now been placed. The forecast at Month 6 has been revised to £15,120k, compared to £19,543k at Month 5, a movement of £4,423k, with this position leaving little headroom against the grant allocation, with any further slippages requiring a conversation with the grant awarding body.
  45. As of Month 6 the Transport for London (TFL) programme confirmed grant award is £2,527k, and is based on the 2023/24 Local Implementation Plan award and is significantly lower than pre-pandemic funding levels. The forecast is to budget, as reported at Month 5.
  46. The Civic Centre transformation project has commenced with a number of projects under various workstreams to start in 2023/24. The main works contractor for the refurbishment was appointed in June and works are set to start in September on the pilot phase. The forecast is to budget, as reported at Month 5.
  47. The Schools Building Condition Works programme has been agreed and as reported at Month 5 is projected slippage of £1,272k for works planned for next summer and for final stage payments due next year.
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## Capital Financing - General Fund

**Table 6: Capital Financing**

	Approved Budget 2023/24 £'000	Forecast 2023/24 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2023-2028 £'000	Total Financing Forecast 2023-2028 £'000	Total Variance £'000	5-year Movement
<b>Source of Finance</b>								
Capital Receipts	33,304	22,000	0	(11,304)	93,617	93,617	0	0
CIL	2,463	2,463	0	0	18,963	18,963	0	0
Prudential Borrowing	60,031	41,638	0	(18,393)	67,787	67,787	0	0
<b>Total Council Resources</b>	<b>95,798</b>	<b>66,101</b>	<b>0</b>	<b>(29,697)</b>	<b>180,367</b>	<b>180,367</b>	<b>0</b>	<b>0</b>
Grants & Contributions	66,815	58,107	0	(8,708)	129,914	129,914	0	0
<b>Capital Programme</b>	<b>162,613</b>	<b>124,208</b>	<b>0</b>	<b>(38,405)</b>	<b>310,281</b>	<b>310,281</b>	<b>0</b>	<b>0</b>
Movement	0	(24,739)	0	(24,739)	0	0	0	0

48. The MTFF disposals programme 2023-28 forecasts total capital receipts of £93,617k and includes £39,888k of further specific capital receipts to be identified. In 2023/24 forecast capital receipts are £22,000k, with solid progress being reported across the board on progressing potential asset disposals. These receipts will form a key strand to financing the Council's DSG Safety Valve and broader transformation programme, and therefore this activity remains a key corporate priority.

## Schools Budget

49. The Dedicated Schools Grant (DSG) monitoring position being reported for Month 6 is an in-year overspend of £4,462k, although there remains a significant level of risk in relation to the cost of High Needs placements within this position. The forecast overspend reported for Month 6 is due to ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not adequately reflected in the funding which the Council is receiving from the DfE. The cumulative deficit carried forward to 2024/25 is forecast at £20,879k.
50. 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 in the run up to the Autumn Statement which will provide government an opportunity to review funding levels.
51. Inflationary pressures across the sector have continued to increase and are impacting on the costs of High Needs placements within each type of school setting. Measures are in place to reduce the number of high cost Out of Borough Independent placements which present the largest unit cost within the High Needs Block, costing 58% more on average than In Borough Independent placements. However, these will take time to deliver.
52. When the £21,887k deficit brought forward from 2022/23 is considered, along with the revised Safety Valve funding for 2023/24, the forecast cumulative deficit carried forward to 2024/25 is £20,879k. However, as noted above there remains a significant risk that this forecast position could deteriorate further – with the ongoing zero-based review allowing this position to be firmed up.

**Table 7: DSG Income and Expenditure Summary**

Funding Block	Month 6		Variance (As at Month 6) £'000	Variance (As at Month 5) £'000	Change from Month 3 £'000
	Approved Budget £'000	Forecast Outturn £'000			
<b>Dedicated Schools Grant Income</b>	(348,931)	(348,931)	0	0	0
<b>Schools Block</b>	266,069	266,069	0	0	0
<b>Early Years Block</b>	26,511	26,511	0	0	0
<b>Central Schools Services Block</b>	2,938	2,938	0	0	0
<b>High Needs Block</b>	55,693	60,155	4,462	4,462	0
<b>Total Funding Blocks</b>	<b>2,280</b>	<b>6,742</b>	<b>4,462</b>	<b>4,462</b>	<b>0</b>
Balance Brought Forward 1 April 2023	21,887	21,887			
Safety Valve Funding	(7,750)	(7,750)			
<b>Balance Carried Forward 31 March 2024</b>	<b>16,417</b>	<b>20,879</b>			

53. As noted above, the sole material variance on the Schools Budget at Month 6 remains the High Needs Block where inflationary pressures on individual High Needs placements are outstripping funding made available by the DfE through the DSG. This differential accounts for the budgeted £2,280k pressure, with continuing high levels of inflation exacerbating this in the new year. There is no standard mechanism for DSG to be varied to reflect inflationary pressures and therefore the shortfall represents an additional challenge in the context of the Safety Valve agreement.

## Maintained School Balances & Budgets

54. Maintained schools ended the 2022/23 financial year with a cumulative closing surplus balance of £12.8m (£11.8m revenue and £1m capital). This was a £2.1m decrease from the previous year total. A review of the balances at the end of the 2022/23 financial year identified six schools which ended the year in deficit.
55. The table below summarises school revenue balances as a percentage of total revenue income plus balances brought forward from 2022/23. Analysis of the data in the table indicates that overall, the number of schools with balances over the recommended 8% (or 5% for secondary schools) is currently 48% compared to 54% in 2022/23. In addition, the number of schools with balances lower than 2% has increased to 8 from the 7 schools previously reported, with the number of schools with balances greater than 20% increasing from 6 to 7.

<b>Sector</b>	<b>Number of Schools in Deficit</b>	<b>Number with Balances &lt; 2%</b>	<b>Number with Balances &gt; 2% and &lt; 8%</b>	<b>Number with Balances &gt; 8% and &lt; 20%</b>	<b>Number with Balances &gt; 20%</b>
Nursery	0	0	0	0	1
Primary	5	2	18	14	6
Secondary	1	0	0	1	0
Special	0	0	0	2	0
<b>Total</b>	<b>6</b>	<b>2</b>	<b>18</b>	<b>17</b>	<b>7</b>

56. The budgets for maintained schools continue to be reviewed, with schools RAG-rated based on the balances position. Schools that are either in deficit or have managed to set a balanced budget but with very low balances, meaning that any significant unplanned change in expenditure could result in the school being in a deficit position are rated red. These schools are being closely monitored by officers to ensure that everything possible is being done to address the situation.
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## Housing Revenue Account

57. The Housing Revenue Account (HRA) is currently forecasting a breakeven position compared to the budget, with ongoing inflationary risk being closely monitored. The 2023/24 closing HRA General Balance is forecast to be £15,101k, marginally higher than the £15,000k target level. The table below presents key variances by service area.

**Table 8: Housing Revenue Account**

Service	Month 6		Variance (+ adv / - fav)		
	Budget	Forecast Outturn	Variance (As at Month 6)	Variance (As at Month 5)	Movement from Month 5
	£'000	£'000	£'000	£'000	£'000
Rent & Other Income	(74,063)	(74,063)	0	0	0
<b>Net Income</b>	<b>(74,063)</b>	<b>(74,063)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Operational Assets	13,420	13,460	40	40	0
Director of Housing	9,287	9,431	144	144	0
Other Service Areas	1,080	998	(82)	(82)	0
Contribution to Shared Services	12,631	12,529	(102)	(102)	0
<b>HRA Operating Costs</b>	<b>36,418</b>	<b>36,418</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Programme Financing	21,597	21,597	0	0	0
Interest and Investment Income	16,133	16,133	0	0	0
<b>Capital Programme Financing</b>	<b>37,730</b>	<b>37,730</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Surplus) / Deficit</b>	<b>85</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>0</b>
General Balance 01/04/2023	(15,186)	(15,186)	0	0	0
<b>General Balance 31/03/2024</b>	<b>(15,101)</b>	<b>(15,101)</b>	<b>0</b>	<b>0</b>	<b>0</b>

58. At Month 6, rental income and other income is forecast to budget. Delays are expected handing over new completions and the profile of buyback acquisitions ready to let is expected towards the latter part of the year. Other stock movements, such as voids and the regeneration programme will continue to be monitored closely. The budgets are based on a void rate of 1.35%, with any material variation from this level feeding into rental projections as appropriate.

59. The number of RTB applications received in the first five months of 2023/24 was 56 compared to 53 for the same period in 2022/23. There has been 17 RTB completions in the first five months of 2023/24 compared to 21 for the same period in 2022/23. The RTB applications and sales will be kept under review during the year. As at Month 6, the 2023/24 RTB sales forecast is 40 in line with budgeted expectations.

60. The HRA Operating Costs Budget is £36,418k and at Month 6 is forecast to budget. In line with experience elsewhere in the Council, the risk of significant inflationary pressures is being closely monitored. Within this position, a number of variances are reported:

- i. The Operational Assets budget is £13,420k and includes repairs and planned maintenance budgets. The forecast is an overspend of £40k relating to a specialist team put in place to respond to damp and mould issues to ensure timely remedial work. This is expected to be an ongoing pressure and is currently expected to be funded in year with one-off saving from the external decorations budget. The

responsive repairs service and planned maintenance budgets are currently not experiencing budget pressures and will continue to be kept under review as the winter months approach when pressure may emerge on day-to-day repairs. Legal disrepair costs are continuing to increase and are being monitored closely.

- ii. The Director of Housing budget is £9,287k and includes tenancy management and tenants' services. The forecast is an overspend of £144k relating to the staffing costs. This will be kept under review as changes occur during the year. The budgets include utility costs, and these will continue to be monitored given the budgeted increase in costs for electricity and gas.
- iii. The Other Service Areas budget is £1,080k and includes the Careline contract, HRA specific ICT costs and the revenue regeneration costs. This is forecast to underspend by £82k which relates to agency costs.
- iv. The Contribution to Shared Services budget is £12,631k and is forecast to underspend by £102k. The budgets include development and risk contingency, overheads and corporate and democratic core, and bad debt provision. The bad debt provision is being closely monitored. There are signs arrears are increasing and additional resource has been seconded to the income recovery team due to the increase caseload.

61. The MTFE savings target is £690k and £284k is yet to be fully identified and the position presented in this report is based on the full delivery of these savings.

62. As at Month 6 the capital programme financing budget of £37,730k is forecast to breakeven. This budget includes £21,597k (depreciation and revenue contributions) to fund the HRA capital programme, it also includes £16,133k for repayments of loans and interest on borrowing.

### **HRA Capital Expenditure**

63. The HRA capital programme is set out in the table below. The 2023/24 revised budget is £118,138k and at Month 6 slippage of £34,207k, an increase of £30,531 from Month 5, with the five-year projections forecast to deliver the £529k cost underspend reported for 2023/24. The movement from Month 5 is being driven by rephasing of expenditure on the Hayes Regen programme. See Appendix A2 in this report for a full breakdown.

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**Table 9: HRA Capital Expenditure**

	Revised Budget 2023/24	Forecast 2023/24	Cost Variance 2023/24	Project Re-Phasing 2023/24	Total Project Budget 2023-28	Total Project Forecast 2023-28	Total Project Variance 2023-28	Movement 2023-28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>HRA Capital Programme</b>								
Major Projects	87,214	56,154	(529)	(30,531)	316,034	315,505	(529)	0
Works to Stock programme	22,437	22,437	0	0	132,813	132,813	0	0
Green Homes Initiatives	6,147	3,000	0	(3,147)	33,141	33,141	0	0
Major Adaptations to Property	2,340	2,340	0	0	13,317	13,317	0	0
<b>Total HRA Capital</b>	<b>118,138</b>	<b>83,931</b>	<b>(529)</b>	<b>(33,678)</b>	<b>495,305</b>	<b>494,776</b>	<b>(529)</b>	<b>0</b>
Movement	0	(30,531)	0	(30,531)	0	0	0	529

64. As reported at Month 5 there is a small favourable cost variance of £529k on Major Projects. The Council acquired a property from a Registered Provider providing accommodation to vulnerable adults. The HRA will provide landlord services and Adults will continue to provide care.
65. At Month 6 significant slippage on the Hayes Estates Regeneration scheme is being reported and is the driver behind a £30,531k movement from Month 5. Work has started on site at Hayes Town Centre Phase 1 and Avondale Drive Phase 1a, with the latest project programming resulting in rephasing of expenditure from the current financial year. As a result of this revised profiling, vacant possession of Wellings House is not needed now until summer 2024 and the block is being utilised for temporary accommodation until then, however all leaseholder interest will vest to the council as planned on 31 October 2023. The compulsory purchase negotiations on the remaining phases will complete as planned by the 31 March 2025 with expenditure forecasts aligned accordingly.
66. The annual acquisitions cap for 141 receipts funded buybacks has increased from 20 units to 37, due to the commencement on site for the Maple and Poplar North Block redevelopment. Over the summer the council was success securing GLA and DLUCH grant to purchase 27 properties. A grant acceptance recommendation is requested elsewhere in this report. The MTFE has set aside funding for 100 new units, and it is assumed that external grant funding would be secured towards financing the new supply together with the one-for-one replacement RTB receipts. At Month 6 27 properties have been identified and approved on capital release of which 16 have been acquired. A further 20 properties have been identified for acquisition and are progressing through the approval process. The forecast is expected to be in line with budget, as reported at Month 5.
67. Construction works have commenced on site at Petworth Gardens, Sullivan Crescent and Rowan Road, following the recent appointments of the main contractors, to provide a total of ten 2, 3 and 4 bedroom houses. The forecast at Month 6 is in line with budgets, with no movement reported from Month 5.
68. The Works to Stock programme 2023/24 is in various stages of progress with works ongoing across the housing estate under numerous workstreams. Workstreams are forecast to spend in line with revised budgets, as reported at Month 5

69. Agreement has been reached to deliver a lower number of units under the Green Homes Initiatives due to rising prices, works are nearing completion on delivering the Social Housing Decarbonisation Fund (SHDF) grant Wave 1, funded by £1,581k grant which is required to be spent by the 30 June 2023 after the granting of a short extension. Council match fundings of £2,069k towards Wave 1 is to be delivered by 31 October 2023. Match funding for future SHDF waves is yet to be agreed.

### HRA Capital Financing

70. The below table sets out the HRA Capital Financing forecast at Month 6:

**Table 10: HRA Capital Financing**

	Approved Budget 2023/24 £'000	Forecast 2023/24 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2023-2028 £'000	Total Financing Forecast 2023-2028 £'000	Total Variance £'000	Move-ment
<b>Source of Finance</b>								
Capital Receipts	8,142	8,122		(20)	38,109	38,109	0	0
Revenue Contributions	22,010	20,436		(1,574)	122,761	124,334	1,573	0
Prudential Borrowing	70,990	39,047	(529)	(31,414)	232,918	231,485	(1,433)	0
<b>Total Council Resources</b>	<b>101,142</b>	<b>67,605</b>	<b>(529)</b>	<b>(33,008)</b>	<b>393,788</b>	<b>393,928</b>	<b>140</b>	<b>0</b>
Grants & Contributions	16,996	16,326	0	(670)	101,517	100,848	(669)	0
<b>Capital Programme</b>	<b>118,138</b>	<b>83,931</b>	<b>(529)</b>	<b>(33,678)</b>	<b>495,305</b>	<b>494,776</b>	<b>(529)</b>	<b>0</b>
Movement	0	(30,531)	0	(30,531)	0	0	0	0

71. At Month 6, the £529k Capital Programme underspend is being funded by additional revenue contributions, leading to a reduction in prudential borrowing, with a reduction in grant income linked to the Green Homes Initiative, linked to the reduction in the number of units as mentioned above. The movement from Month 5 of £30,531k relates to the Hayes Regen capital programme update above, with this expenditure wholly funded by Prudential Borrowing.

## Treasury Management Update as at 30 September 2023

**Table 10: Outstanding Deposits**

Period	Actual (£m)	Actual (%)	Movement from Month 5 (£m)
Call Accounts and MMF's*	22.6	48.60	<b>(9.3)</b>
Up to 1 Month Fixed-Term Deposits	8.9	19.14	<b>(8.2)</b>
<b>Total</b>	<b>31.5</b>	<b>67.74</b>	<b>(17.5)</b>
Strategic Pooled Funds	15.0	32.26	<b>0.00</b>
<b>Total</b>	<b>46.5</b>	<b>100.00</b>	<b>(17.5)</b>

\*Money Market Funds

72. 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 to Strategic Pooled Funds.
73. The average rate of return on day-to-day operational treasury balances is 4.66%, an increase of 0.09% since Month 5. As part of the Council's investment strategy for 2023/24, 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 to 4.54% based on the previous six months income average. With rising market interest rates there is a lag in terms of dividend yield whilst the underlying assets mature and are refinanced, however it is anticipated that income on these funds should increase over the investment horizon. 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.
74. 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 September, 72% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a June benchmark average of 63% in the Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors). The Council's exposure reduces to 0% once instant access facilities are excluded from the total bail-in percentage.
75. Liquidity was maintained throughout September 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.

**Table 11: Outstanding Debt**

Average Interest Rate on Total Debt: 3.17% (3.21% in Month 5)

Average Interest Rate on Debt Excluding Temporary Borrowing: 3.15% (3.14% in Month 5)

Average Interest Rate on Temporary Borrowing: 3.51% (no change from Month 5)

	<b>Actual (£m)</b>	<b>Actual (%)</b>	<b>Movement from Previous Month (£m)</b>
<b>General Fund</b>			
PWLB	78.60	27.78	(1.00)
Long-Term Market	15.00	5.30	
Temporary	40.00	14.14	(15.00)
<b>HRA</b>			
PWLB	116.32	41.12	(1.75)
Long-Term Market	33.00	11.66	
<b>Total</b>	<b>282.92</b>	<b>100.00</b>	<b>(17.75)</b>

76. During September there were four scheduled EIP debt repayments: two for £0.5m, one for £0.75m and one for £1m. Also £15m of temporary borrowing reached maturity.
77. Gilt yields fluctuated during September, however they ended the month about 0.20% higher than the beginning. Although many loans are in discount, the Council's long-term borrowing need and the high interest rates on new borrowing makes early repayment unviable.
78. To maintain liquidity for day-to-day business operations during October, cash balances will be placed in instant access accounts and short-term deposits.
79. Although further borrowing will be required by the end of 2023/24, no new borrowing was secured during September. Therefore, the total for secured forward dated borrowing remains unchanged at £21m. Opportunities to secure further temporary borrowing will be monitored.
80. This report includes an Annex to meet the new requirement in the 2021 Prudential Code and Treasury Management Code, mandatory from 2023/24, of quarterly reporting of the treasury management and non-treasury prudential indicators.
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## Appendix A1: General Fund Capital Programme

Prior Year Cost £'000	Project	2023/24 Revised Budget £'000	2023/24 Forecast £'000	2023/24 Cost Variance £'000	2023/24 Forecast Re-phasing £'000	Total Project Budget 2023-2028 £'000	Total Project Forecast 2023-2028 £'000	Total Project Variance 2023-2028 £'000	Council Resources £'000	Government Grants £'000	Other Cont'ns £'000
<b>34,866</b>	<b>Property, Highways and Transport</b>	<b>85,127</b>	<b>51,611</b>	<b>0</b>	<b>(33,516)</b>	<b>127,195</b>	<b>127,195</b>	<b>0</b>	<b>(84,479)</b>	<b>(42,716)</b>	<b>0</b>
11,410	New West Drayton Leisure Centre	23,521	8,521	0	(15,000)	25,259	25,259	0	(24,809)	(450)	0
2,109	Hillingdon Water Sports Facility	11,938	1,095	0	(10,843)	24,391	24,391	0	0	(24,391)	0
145	Carbon Zero Initiatives	18,856	15,120	0	(3,736)	24,856	24,856	0	(10,283)	(14,573)	0
97	Civic Centre Transformation	13,403	13,403	0	0	19,903	19,903	0	(19,903)	0	0
10,142	Housing Company Financing	4,000	4,000	0	0	14,858	14,858	0	(14,858)	0	0
2145	Cranford Park Heritage Lottery Project	1,471	1,471	0	0	1,471	1,471	0	(1,471)	0	0
0	Northwood Hills Library Buyback	2,392	2,392	0	0	2,392	2,392	0	(2,392)	0	0
2,858	Uxbridge Mortuary Extension	456	456	0	0	456	456	0	(456)	0	0
4	Charville Lane - Children Specialist House	1,196	750	0	(446)	3,980	3,980	0	(878)	(3,102)	0
0	Harefield Family Hub New Build	500	150	0	(350)	2,000	2,000	0	(2,000)	0	0
0	Otterfield Road Library Buyback	1,974	0	0	(1,974)	1,974	1,974	0	(1,974)	0	0
401	Battle of Britain Underground Bunker	1,230	1,180	0	(50)	1,230	1,230	0	(1,230)	0	0
34	New Years Green Lane Extension	816	816	0	0	966	966	0	(766)	(200)	0
0	South Ruislip Early Years & Children's Centre Remodelling	650	150	0	(500)	700	700	0	(700)	0	0
221	Asha Day Centre Refurbishment	391	371	0	(20)	391	391	0	(391)	0	0
47	Motor Vehicle Workshop	435	150	0	(285)	470	470	0	(470)	0	0
9	Parking Improvements	491	350	0	(141)	491	491	0	(491)	0	0
0	Uxbridge Cemetery Gatehouse	500	500	0	0	500	500	0	(500)	0	0
0	Botwell Leisure Centre Adaptations	250	250	0	0	250	250	0	(250)	0	0
363	Flood Alleviation - Bessingby Park	192	130	0	(62)	192	192	0	(192)	0	0
0	Botwell Leisure Centre Football Pitch	200	101	0	(99)	200	200	0	(200)	0	0
2,070	Yiewsley/West Drayton Community Centre	44	44	0	0	44	44	0	(44)	0	0
2,608	Cedars & Grainges Car Park Improvement Works	63	53	0	(10)	63	63	0	(63)	0	0
203	Battle of Britain Visitors Centre Enhancements	58	58	0	0	58	58	0	(58)	0	0
0	Appropriation of Townfield to General Fund	100	100	0	0	100	100	0	(100)	0	0
<b>7,069</b>	<b>Finance</b>	<b>7,000</b>	<b>7,000</b>	<b>0</b>	<b>0</b>	<b>18,000</b>	<b>18,000</b>	<b>0</b>	<b>(18,000)</b>	<b>0</b>	<b>0</b>
0	DSG Capitalisation Support	4,000	4,000	0	0	12,000	12,000	0	(12,000)	0	0
7,069	Transformation Capitalisation Fund	3,000	3,000	0	0	6,000	6,000	0	(6,000)	0	0





## Appendix A1: General Fund Capital Programme

Prior Year Cost £'000	Project	2023/24 Revised Budget £'000	2023/24 Forecast £'000	2023/24 Cost Variance £'000	2023/24 Forecast Re-phasing £'000	Total Project Budget 2023-2028 £'000	Total Project Forecast 2023-2028 £'000	Total Project Variance 2023-2028 £'000	Council Resources £'000	Government Grants £'000	Other Cont'n's £'000
	<b>Finance</b>	<b>2,779</b>	<b>2,779</b>	<b>0</b>	<b>0</b>	<b>4,724</b>	<b>4,724</b>	<b>0</b>	<b>(4,724)</b>	<b>0</b>	<b>0</b>
N/A	Purchase of Vehicles	2,779	2,779	0	0	4,724	4,724	0	(4,724)	0	0
	<b>Corporate Services</b>	<b>2,073</b>	<b>1,958</b>	<b>0</b>	<b>(115)</b>	<b>4,805</b>	<b>4,805</b>	<b>0</b>	<b>(5,359)</b>	<b>554</b>	<b>0</b>
N/A	Corporate Technology and Innovation	1,873	1,873	0	0	3,805	3,805	0	(4,289)	484	0
N/A	Older Peoples Initiative	200	85	0	(115)	1,000	1,000	0	(1,070)	70	0
	<b>Residents Services</b>	<b>2,417</b>	<b>2,017</b>	<b>0</b>	<b>(400)</b>	<b>7,217</b>	<b>7,217</b>	<b>0</b>	<b>(5,470)</b>	<b>(1,379)</b>	<b>(368)</b>
N/A	Chrysalis Programme	1,370	970	0	(400)	5,370	5,370	0	(4,517)	(853)	0
N/A	Playground Replacement Programme	390	390	0	0	1,190	1,190	0	(892)	(298)	0
N/A	Green Spaces	179	179	0	0	179	179	0	(61)	(118)	0
N/A	Green Spaces Section 106 Projects	478	478	0	0	478	478	0	0	(110)	(368)
	<b>Children, Families and Education</b>	<b>1,460</b>	<b>1,460</b>	<b>0</b>	<b>0</b>	<b>3,800</b>	<b>3,800</b>	<b>0</b>	<b>(375)</b>	<b>(3,425)</b>	<b>0</b>
N/A	Devolved Capital to Schools	385	385	0	0	1,925	1,925	0	0	(1,925)	0
N/A	Youth Provision	1,075	1,075	0	0	1,875	1,875	0	(375)	(1,500)	0
	<b>Health and Social Care</b>	<b>2,850</b>	<b>2,850</b>	<b>0</b>	<b>0</b>	<b>14,250</b>	<b>14,250</b>	<b>0</b>	<b>0</b>	<b>(14,250)</b>	<b>0</b>
N/A	Equipment Capitalisation - Social Care	2,850	2,850	0	0	14,250	14,250	0	0	(14,250)	0
<b>N/A</b>	<b>Total Programme of Works</b>	<b>36,677</b>	<b>31,788</b>	<b>0</b>	<b>(4,889)</b>	<b>123,011</b>	<b>123,011</b>	<b>0</b>	<b>(56,054)</b>	<b>(66,531)</b>	<b>(426)</b>
<b>Development &amp; Risk Contingency</b>											
N/A	General Contingency	11,810	11,810	0	0	17,810	17,810	0	(17,810)	0	0
<b>89,517</b>	<b>Total GF Capital Programme</b>	<b>162,613</b>	<b>124,208</b>	<b>0</b>	<b>(38,405)</b>	<b>310,281</b>	<b>310,281</b>	<b>0</b>	<b>(180,367)</b>	<b>(129,488)</b>	<b>(426)</b>

## Appendix A2 – HRA Capital Programme

Prior Year Cost £'000	Project	Units	2023/24 Revised Budget £'000	2023/24 Forecast £'000	2023/24 Cost Variance £'000	2023/24 Re-phasing Variance £'000	Total Project Budget 2023-2028 £'000	Total Project Forecast 2023-2028 £'000	Total Project Variance 2023-2028 £'000
	<b>Major Projects</b>								
	<b>Property Highways and Transport</b>								
0	Chippendale Waye/Carpenters Court	12	2,162	2,162	0	0	2,373	2,373	0
0	Acquisition of 74 Chapel Lane	1	579	50	(529)	0	579	50	(529)
1,590	Packet Boat House Buybacks	2	177	177	0	0	177	177	0
0	Right to Buy Back Fund	20	60	60	0	0	60	60	0
366	Rough Sleepers Accommodation Programme	21	45	45	0	0	45	45	0
	Purchase and Repair Housing Stock	100	7,000	7,000	0	0	35,000	35,000	0
359	Maple and Poplar	34	5,048	5,048	0	0	5,998	5,998	0
86	34-44 Sullivan Crescent	6	1,661	1,661	0	0	1,881	1,881	0
1,489	Nelson Road	6	98	98	0	0	98	98	0
57	Petworth Gardens	4	1,745	1,745	0	0	2,095	2,095	0
680	113-127 Moorfield Road	6	110	110	0	0	110	110	0
0	Rowan Road	1	148	148	0	0	148	148	0
154	Loft Extensions		1,370	1,370	0	0	1,370	1,370	0
2,884	Hayes Estate Regeneration	370	25,675	6,826	0	(18,849)	126,599	126,599	0
3,680	Hayes Estate Regeneration Leaseholder Buybacks		15,595	3,913	0	(11,682)	22,722	22,722	0
0	Acquisitions and Internal Developments	273	25,741	25,741	0	0	116,779	116,779	0
<b>103,655</b>	<b>Total Major Projects</b>	<b>856</b>	<b>87,214</b>	<b>56,154</b>	<b>(529)</b>	<b>(30,531)</b>	<b>316,034</b>	<b>315,505</b>	<b>(529)</b>
	<b>HRA Programme of Works</b>								
	<b>Property Highways and Transport</b>								
N/A	Works To Stock		22,437	22,437	0	0	132,813	132,813	0
N/A	Green Homes Grant		6,147	3,000	0	(3,147)	33,141	33,141	0
N/A	Major Adaptations		2,340	2,340	0	0	13,317	13,317	0
<b>0</b>	<b>Total Programme of Works</b>		<b>30,924</b>	<b>27,777</b>	<b>0</b>	<b>(3,147)</b>	<b>182,418</b>	<b>179,271</b>	<b>0</b>
	<b>Total HRA Capital Programme</b>		<b>118,138</b>	<b>83,931</b>	<b>(529)</b>	<b>(33,678)</b>	<b>498,452</b>	<b>494,776</b>	<b>(529)</b>

## PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

- a. Approves rephasing of £29,516k 2023/24 General Fund Major Projects expenditure and associated financing budgets into future years.
- b. Approves rephasing of £33,678k 2022/23 HRA capital expenditure and financing budgets into future years as set out in the report.
- c. Approves for revisions to Leisure service Fees and Charges in-year, with effect from 1 December 2023, noting that Leisure Services fees and charges are reviewed annually in-line with existing contract terms and CPI rates.
- d. Approve acceptance of £10k grant funding from the Department for Levelling Up, Housing and Communities for running costs associated with the continuation of temporary pavement licence provisions.
- e. 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. Former Morrisons - £25,000
  - ii. 470 Bath Road - £31,850
  - iii. Rosedale College - £25,000
  - iv. 148-154 High Street - £70,000
- f. Approve the acceptance of a grant of £750k from Greater London Authority as match funding for the acquisition of three properties for the resettlement of Afghan and Ukrainian refugee families.
- g. Approve the acceptance of a grant of £4,428k from Greater London Authority as match funding for the acquisition of fourteen properties to provide accommodation for 21 rough sleepers and 21 care leavers in shared accommodation and to provide associated housing support.
- h. Approve the acceptance of a grant of £2,100k from the Department for Levelling Up Housing and Communities as match funding for the acquisition of ten properties for Afghan and Ukrainian refugee families.

### Reasons for recommendation

81. **Recommendation 2a** seeks approval for the rephasing of £29,516k 2023/24 General Fund Major Projects and capital expenditure and financing budgets as required to enable existing projects and programmes to be delivered in future years. This recommendation provides £4,000k capacity within the projected £33,516k in-year variance on General Fund Major Projects to maintain a level of cover against emerging investment priorities.
  82. **Recommendation 2b** seeks the rephasing of £33,678k HRA capital expenditure and financing budgets are required to enable existing projects and new developments to be delivered in future years.
  83. **Recommendation 2c** seeks approval to accept revised fees and charges for the leisure services following a review of fees and charges undertaken of this service area, with the most recent revisions to fees and charges at the Council's leisure centres effective from November 2022. Proposed changes are recommended following a benchmarking exercise and in consultation with the Leisure operator to reflect the increase in costs over the last year, with recommended fees continuing to remain competitive against our nearest neighbours ensuring
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Hillingdon Residents are able to access leisure services at a lower cost. Full details of the proposed changes are included in Appendix 1.

84. Grant funding has been offered by the Department for Levelling Up, Housing and Communities, with **recommendation 2d** proposing the funding is accepted by Cabinet, which will be utilised to fund the costs incurred by the Council in operating the temporary pavement licences regime (which was introduced in July 2020 to support the hospitality sector during the COVID-19 pandemic). This new burdens funding will support spend associated with running the regime, including processing, monitoring and enforcement not covered by the fees chargeable
85. **Recommendation 2e** 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 2e** seeks authority from Cabinet to approve the acceptance of £103,500k in relation to four major developments.
- i. Former Morrisons - £25,000
  - ii. 470 Bath Road - £31,850
  - iii. Rosedale College - £25,000
  - iv. 148-154 High Street - £70,000
86. The GLA has awarded London Borough of Hillingdon £750k match funding from the Mayor's Refugee Housing Programme to acquire three 4-bedroom properties by March 2024 for families who have arrived in the UK through Afghan and Ukraine resettlement schemes, with **recommendation 2f** proposing that cabinet accept this funding. The total scheme cost including acquisition and refurbishment costs, estimated to be £1,878k. The council's contribution will come from the HRA Unallocated Acquisition and Development Budget.
87. **Recommendation 2g** proposes that Cabinet accept the GLA grant awarded to the London Borough of Hillingdon £3,678k capital match funding from the DLUHC Single Homeless Accommodation Programme to acquire fourteen 3-bedroom houses to accommodate 21 rough sleepers and 21 young people in shared accommodation, to be acquired by March 2025. Revenue funding of £750k has also been award to provide housing support for 3 years, taking the total grant award to £4,428k. Estimated capital scheme costs are £7,357k and the council's match funding contribution will be met from the HRA Unallocated Acquisition and Development Budget.
88. **Recommendation 2h** proposes that Cabinet accept grant funding from The Department for Levelling Up, Housing and Communities awarded to the Council of £2,100k in match funding from the Local Authority Housing Fund to acquire ten 2-and 3-bedroom houses by March 2024 for Afghan and Ukraine refugee families. Total estimated scheme costs are £5,250k with the Council's contribution to come from the HRA Unallocated Acquisition and Development approved capital programme budget within the Housing Revenue Account (HRA).
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