COUNCIL BUDGET – 2023/24 REVENUE AND CAPITAL MONTH 11 BUDGET MONITORING

Cabinet Member	Councillor Martin Goddard
Cabinet Portfolio	Cabinet Member for Finance
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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 February 2024 (Month 11), with no movement on the position at Month 10. As would be expected, there are a number of potential risk areas and pressures which need to be managed to deliver this position. Total reserves are projected to be £37,003k at 31 March 2024, being unallocated reserves of £26,848k and earmarked Reserves of £10,155k.

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 specific Earmarked Reserves projected to meet this potential pressure. Headline Inflation rates remain at historically high levels, albeit that latest data indicates a reduction from 4.0% to 3.4% which is in line with budgeted assumptions.

The Collection Fund is forecast to deliver a surplus of £4,086k due to lower than anticipated appeals against the 2023 Business Rates revised list. This surplus has not been reflected in this outturn forecast with £3,651k allocated to support the Council's 2024/25 budget and £435k supporting 2025/26, representing an improvement of £286k from Month 10.

The Dedicated Schools Grant (DSG) monitoring position forecasts a deficit to be carried forward to 2024/25 of £28,987k, an adverse movement of £2,500k due to the suspension by the DfE of their committed contributions to the DSG Safety Valve. The in year projected overspend remains consistent with Month 10 and 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 Department of Education (DfE).

No material variances have been reported across the Housing Revenue Account (HRA) or Capital Programme, with in-year pressures on increased revenue expenditure in the HRA being offset by favourable movements in capital financing costs.

Putting our Residents First	This report supports the Council Strategy. Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.

Financial Cost	N/A

Select Committee	Finance & Corporate Services

Relevant Ward(s)	All

RECOMMENDATIONS

That the Cabinet:

1) **Note the budget monitoring position and treasury management update as at February 2024 (Month 11), 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 11 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.

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 February 2024 (Month 11), with no movement from Month 10, with a range of risks and pressures continuing to be managed within this position. This will result in unallocated General Balances totalling £26,848k at 31 March 2024, in line with MTFF 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. In particular the timing of the delivery of savings, increasing pressures on demand-led services and continuing inflationary pressures against a background of static Central Government grant funding.

   i. Within this position, £17,859k of the £22,762k savings planned for 2023/24 are banked or on track for delivery in full by 31 March 2024, with £4,903k or 22% 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. Pressures have been identified against demand-led service budgets, although these have been funded by demand-risk reserves held by the Council for this purpose. In particular, there are pressures related to volatility within Looked After Children, SEND transport and Adult Social Care placements, together with increasing approaches from residents seeking support with homelessness and reduced income from planning fees derived from a reduced number of major developments, as a result of challenging economic conditions. Across these areas, officers continue to develop mitigations, including a review of discretionary expenditure and balance sheet items to release capacity where appropriate, while meeting this demand.

   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, alongside assumptions around the impact of both in flight and planned management actions. Given the current challenging economic environment, these management actions are being 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 covers application of any unallocated

third-party 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 11 forecast, including the approved Local Authority pay award and an estimation for further inflationary demands above the approved budget totalling £3,622k, the Council is forecasting to drawdown £9,905k of this balance, with £4,550k of this being planned use within the Council's budget strategy, leaving a projected closing balance of £10,155k as at 31 March 2024, which is an adverse movement of £209k from Month 10, with this movement being derived from a further £259k call on inflation funding with the balance being minor offsetting favourable updates. The closing balance remains available to support the Council's ongoing financial resilience and to fund project and cyclical based work in 2024/25 and beyond.

9. Within the Collection Fund, a surplus of £4,086k is reported at Month 11, with the surplus being derived from a favourable position within Business Rates of £5,465k 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, which is attributable to the ongoing slowing down in construction industry activity. This position is further compounded by an adverse position reported against Council Tax Support, as demand has been impacted by cost-of-living pressures, although this has now started to decline again in line with budgeted assumptions. In aggregate, these pressures lead to a forecast collection deficit of £1,379k 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 £4,086k favourable movement against the approved budget.

11. Variances against the Collection Fund do not directly impact upon the 2023/24 monitoring position, but instead the variance up to Month 9 was factored into the Council's budget proposals for the forthcoming year presented to Cabinet in February 2024 as part of the final budget proposals, with movement from Month 10 to outturn not impacting until 2025/26 with resulting impacts on MTFF forecasts. The positive variance of £3,651k up to Month 9 therefore reduced the Council's saving requirement for the 2024/25 budget, with the favourable movement since Month 9 of £435k impacting on 2025/26.

12. Continuing challenging national economic conditions will maintain a requirement to closely monitor service expenditure and trends, particularly for demand-led services where there are higher risks and given the context of Hillingdon's 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 continue to report 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 press for dedicated funding in recognition of its specific exposures as a port authority.

GENERAL FUND CAPITAL

13. As at Month 10 a £38,366k underspend is projected on the 2023/24 General Fund Capital Programme of £129,598k, representing a forecast movement of £5,074k from Month 10, with the forecast outturn variance over the life of the 2023/24 to 2027/28 programme estimated to breakeven. General Fund Capital Receipts of £11,697k are forecast for 2023/24 and are projected to achieve 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 General Fund capital programme is forecast to be on budget at £75,848k.

SCHOOLS BUDGET

14. The Dedicated Schools Grant (DSG) monitoring position being reported for Month 11 is an in-year overspend of £12,820k when compared to the budgeted position, this is consistent with the position at Month 10 and continues to be driven by High Needs placement demand and cost pressures, albeit there remains an inherent and significant level of volatility and risk in this position. This position reflects ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not reflected in the funding which the Council is receiving from the DfE.

15. The Council's Safety Valve Funding position is currently under discussion with the DfE and pending the outcome of those discussions, the DfE has chosen to suspend its commitment for further agreed funding of the deficit position. The projected deficit has therefore been adjusted by £2,500k to reflect the suspension meaning the cumulative deficit carried forward to 2024/25 is forecast at £28,987k.

16. 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

17. The Housing Revenue Account (HRA) is currently forecasting a breakeven position at Month 11, with inflationary pressures on operating costs being mitigated by capital expenditure slippage and available headroom in financing costs. 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 £529k is reported against the £84,460k 2023/24 HRA Capital Programme with this being a projected cost underspend across the 5-year capital budgets, with this position representing no forecast movement from Month 10.

FURTHER INFORMATION

General Fund Revenue Budget

18. A marginal £2k underspend is projected across the General Fund at Month 11, representing no movement from Month 10, with the following section of this report 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 for 2023/24 of £22,000k to £41,000k as approved by Cabinet and Council in February 2023.

Table 1: General Fund Overview

Service	Month 11 Approved Budget £'000	Month 11 Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Movement from Month 10 £'000
Service Operating Budgets	267,843	267,841	(2)	(2)	0
General Contingency	500	500	0	0	0
Unallocated Budget Items	(5,065)	(5,065)	0	0	0
Subtotal Expenditure	**263,278**	**263,276**	**(2)**	**(2)**	**0**
Corporate Funding	(263,278)	(263,278)	0	0	0
Total Net Expenditure	**0**	**(2)**	**(2)**	**(2)**	**0**
Balances b/fwd	(26,846)	(26,846)			
Balances c/fwd 31 March 2024	**(26,846)**	**(26,848)**			

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 & MTFF under the "demand-led growth" banner, with pressures continuing to emerge across both Adult Social Care Placements and SEND Transport, with new emerging pressures being reported across homelessness support and Looked After Children, with these areas forecast to be funded from the release of provisions and reserves from the Council's Balance Sheet to manage the in-year volatility.

20. Within the Council's payroll budget there is a Managed Vacancy Factor across the board of 3.5%, or £4,362k, to reflect natural levels of turnover and resulting structural underspend in the workforce budgets. The higher vacancy rate experienced during 2022/23 has continued into the current financial year and therefore results in an underspend over and above the Managed Vacancy Factor, which is contributing to the management of local pressures within the overall monitoring position. 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 approved pay offer exceeded this sum and equates to approximately 5.7% with £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. Provision for use of Earmarked Reserves has been included in this position, with £1,774k 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 £7,096k to fund demand pressures and 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 £9,905k to leave a closing balance of £10,155k at 31 March 2024

23. This represents an adverse movement of £209k on Month 10 which relates to a £259k drawdown from the Inflation Earmarked Reserve with the remaining movement coming from a number of minor favourable updates. The reported surplus against the Collection Fund of £4,086k offers an element of offsetting against the use of reserves in 2023/24 when £3,651k of these are realised in the 2024/25 financial year, with a further £435k being available in 2025/26.

Progress on Savings

24. The savings requirement for 2023/24 is £21,197k, which together with £1,565k brought forward from 2022/23, 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)	(733)	(100)	(303)	0	(1,857)
Cabinet Member for Finance	(100)	0	(17)	0	0	(117)
Cabinet Member for Corporate Services	(1,037)	(289)	(108)	(50)	0	(1,484)
Cabinet Member for Residents' Services	(4,462)	(5,932)	(289)	(1,841)	0	(12,525)
Cabinet Member for Children, Families & Education	(552)	(338)	(130)	(415)	0	(1,434)
Cabinet Member for Health and Social Care	(2,395)	0	0	0	0	(2,395)
Cross-Cutting	(1,300)	0	(500)	(1,150)	0	(2,950)
Total 2023/24 Savings Programme	**(10,567)** ***46.0%***	**(7,292)** ***32.0%***	**(1,144)** ***5.0%***	**(3,759)** ***17.0%***	**0** ***0.0%***	**(22,762)** ***100.0%***
Month on Month Movement	**0** ***0%***	**0** ***0%***	**0** ***0%***	**0** ***0%***	**0** ***0%***	**0** ***0%***

25. As of Month 11, £10,567k (46%) of the savings programme has already been banked, with a further £7,292k (32%) being reported as delivery in progress and £4,903k (22%) in the early stages of delivery which are ultimately expected to be delivered in full. Where challenges are reported with the delivering of savings (Amber II), these primarily relate to the phasing of delivery and are ultimately expected to either be delivered in full or replaced with alternative proposals.

26. 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.

27. 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 £7,765k for such costs, with all such costs subject to a specific funding strategy. It is anticipated that these pump priming costs will be financed from a combination of the £3,000k budget established for this purpose in 2023/24, alongside a release of additional Capital Receipts secured during 2022/23.

Service Operating Budgets

28. 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.

29. 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 £'000	Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Movement from Month 10 £'000
Property, Highways & Transport	Expenditure	20,616	20,355	(261)	239	(500)
	Income	(10,418)	(10,861)	(443)	(699)	256
	Subtotal	**10,198**	**9,494**	**(704)**	**(460)**	**(244)**
Finance	Expenditure	141,320	141,320	0	(154)	154
	Income	(106,809)	(107,514)	(705)	(550)	(155)
	Subtotal	**34,511**	**33,806**	**(705)**	**(704)**	**(1)**
Corporate Services	Expenditure	27,663	27,689	26	101	(75)
	Income	(2,053)	(2,258)	(205)	(238)	33
	Subtotal	**25,610**	**25,431**	**(179)**	**(137)**	**(42)**
Residents' Services	Expenditure	71,290	73,406	2,116	928	1,188
	Income	(47,040)	(46,052)	988	1,795	(807)
	Subtotal	**24,250**	**27,354**	**3,104**	**2,723**	**381**
Children, Families & Education	Expenditure	98,999	99,578	579	666	(87)
	Income	(24,435)	(25,868)	(1,433)	(1,352)	(81)
	Subtotal	**74,564**	**73,710**	**(854)**	**(686)**	**(168)**
Health & Social Care	Expenditure	145,861	146,866	1,005	641	364
	Income	(47,024)	(48,693)	(1,669)	(1,379)	(290)
	Subtotal	**98,837**	**98,173**	**(664)**	**(738)**	**74**
Total Service Operating Budgets		**267,970**	**267,968**	**(2)**	**(2)**	**0**

30. 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 £704k is forecast, representing a favourable movement of £244k from Month 10. The movements in this area relate to a review of property related expenditure and transferring qualifying spend to the capital programme budgets, offset by a reduction in recharge income from the capital programme due to the intrinsic link between the property team and the delivery of the Council's capital programme. The overall variance in this area is driven by that connection between the properties service and the capital programme, plus a favourable variance reported against the Council's Business Rates liability following an update to from the Valuation Office Agency (VOA).

ii. **Finance** – A net underspend of £705k is reported at Month 11, representing a £1k favourable movement from Month 10, 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. The subjective movements in this portfolio at Month 11 relate to increased staffing expenditure offset by increased recharges to the pension fund from staffing time spent supporting this area.

iii. **Corporate Services** – a net underspend of £179k is reported, representing a £42k improvement from Month 10, with the underspend being driven by a number of small variances, predominantly across three service areas including Digital, Data & Technology, Legal Services and Democratic Services, 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 majority of the improvement at Month 11 is driven by a reduction in staffing spend within the Digital, Data & Technology service.

iv. **Residents' Services** – an overspend of £3,104k is forecast for this portfolio, with a gross pressure of £4,704k included within the position offset by £1,600k of measures to reduce the pressure to the reported level, with strong 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 reflecting adverse economic conditions, 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 of additional grant funding.

Strong progress is being reported in reducing the outstanding balance of this £1,600k and is expected to be delivered in full by year end.

The movement in this portfolio relates to predominantly to increased expenditure to support continuing homelessness demand offset by a release of homelessness grant income previously held in an earmarked reserve.

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 £2,724k with £1,768k proposed to be funded from earmarked reserves and £956k anticipated to be managed through a review of the alternative funding strategies and management action. 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 £854k is being forecast at Month 11, which represents a favourable movement of £168k, 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. The movement in this area relates to a minor reduction in spend associated with Youth Justice and the Court & Specialist Service, compounded by increased income in the same service area from LAC remand funding.

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. There remains inherent volatility in demand for Looked after Children and Asylum services, with Looked After Children reporting an adverse variance, which in part is linked to a lack of General Needs Housing to move 18+ clients into more appropriate settings, with this pressure proposed to be funded from Earmarked Reserves. SEND Transport is currently forecasting a pressure due to higher numbers than anticipated of pupils requiring transport, with this pressure previously being offset by re-routing efficiencies, however, these are being eroded due to push back on the revised routes, leading to increased pressure in this area, with the adverse movement proposed to be funded from earmarked reserves, leaving the previously reporting pressure to be funded through the release of Balance Sheet provisions.

vi. **Health & Social Care** – an underspend of £664k 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 10 is driven by increased expenditure on direct care provision provided by the Council.

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 11 continuing to report demographics and inflation pressures with the adverse variance proposed to be funded from earmarked reserves, with the remaining previously reported pressure forecast to be funded in-year by a further release of Balance Sheet provisions.

Collection Fund

31. A surplus of £4,086k is reported within the Collection Fund at Month 11. Within the Collection Fund, an adverse position is reported within Council Tax of £1,379k, offset by a favourable position within Business Rates of £5,465k. This position is driven by 3 key factors:

    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 1,311 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 505 Band D properties.

    iii. The favourable position within Business Rates is being driven by the Month 11 refresh continuing to suggest that benefits of the increased revenue from the national revaluation of commercial property can be released into the Council's financial position, with a favourable movement of £284k being driven by a number of small movements.

32. 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, leading to £3,651k being included in the Council's refresh of the budget strategy presented to Cabinet in February 2024, with any further updates between Month 10 and outturn impacting on 2025/26, with this sum equating to £435k at Month 11. This position therefore reduced the Council's gross saving requirement by £3,651k for 2024/25, with £435k to be factored in the next update to the Council's Budget Strategy for 2025/26.

General Fund Capital Programme

33. As at Month 11 the General Fund forecasts are reporting an in-year underspend of £38,366k, an increase of £5,047k from Month 10 with the 5-year programme forecast remaining in line with budgeted expectations. At Month 11, no further slippage is reported across the Council's asset disposal programme, the forecast remains sufficient to fund the financing strategy for the DSG Safety Valve and broader transformation programme. Key movements within the overall £5,074k include £2,771k on the new Yiewsley Leisure Centre and £2,771k on the Civic Centre Transformation project.

Capital Programme Overview

34. Table 5 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 11, a total favourable variance of £33,366k is projected against the rephasing variance.

Table 5: General Fund Capital Programme Summary

	Approved Budget 2023/24 £'000	Forecast 2023/24 £'000	Cost Variance 2023/24 £'000	Project Re-phasing 2023/24 £'000	Total Project Budget 2023-2028 £'000	Total Project Forecast 2023-2028 £'000	Total Project Variance 2023-2028 £'000	5-year Move-ment £'000
Cabinet Member Portfolio								
Finance	9,779	7,049	0	(2,730)	22,724	22,724	0	0
Residents	3,887	3,107	0	(780)	9,219	9,219	0	0
Corporate Services	2,373	1,221	0	(1,152)	5,105	5,105	0	0
Children, Families and Education	21,425	12,856	0	(8,569)	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	78,583	53,448	0	(25,135)	217,284	217,284	0	0
Contingency	10,701	10,701	0	0	26,701	26,701	0	0
Total Capital Programme	129,598	91,232	0	(38,366)	320,782	320,782	0	0
Major Projects	81,673	55,839	0	(25,834)	170,522	170,522	0	0
Programme of Works	37,224	24,692	0	(12,532)	123,559	123,559	0	0
General Contingency	10,701	10,701	0	0	26,701	26,701	0	0
Total Capital Programme	129,598	91,232	0	(38,366)	320,782	320,782	0	0
Movement	0	(5,074)	0	(5,074)	0	0	0	0

35. **Finance:** At Month 11, the use of Capitalisation powers to fund Transformation Capitalisation and the DSG Safety Valve agreement commitments are on track for delivery. A review of the electric vehicle charging structure is underway to ensure there is sufficient capacity for the rollout of electric fleet, with the rollout of electric fleet is expected to start next year.

36. **Residents:** The Residents portfolio includes a proposed rephasing variance of £780k at Month 11, as reported at Month 10. The Town Centre improvements and Shopping Parade investments are 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 forecasting £283k rephasing into future years as reported at Month 10, alongside the Chrysalis programme which is forecasting £497k rephasing, as reported at Month 10.

37. **Corporate Services:** The Corporate Technology and Innovation programme budget of £2,373k includes rephasing of £333k from 2022/23 and was increased by a £300k release from the general capital contingency budget and is forecasting an in-year underspend of £1,152k, as reported at Month 10, which is proposed to be rephased into 2024/25. Projects this year include telephone improvements and the Laptop and Desktop Refresh programme, which is expected to roll out new hardware next year and will result in rephasing of £952k, as

reported at Month 10. The Older Peoples Initiative driving the in-year forecast underspend and proposed rephasing of £200k, as reported at Month 10.

38. **Children, Families & Education:** The Schools SEND programme is underway with several projects set to provide additional special needs places. Work is progressing on site at Wood End Primary, and complete at Ruislip and Charville 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 shortly for an expected start on site in April 2024. The main works contractor has been appointed for the Meadow Site expansion and work commenced on site in December 2023 and is expected to complete in December 2024 and is forecasting rephasing of £7,794k, as reported at Month 10, and is required to be rephased into 2024/25. Revised cost estimates remain significantly above confirmed DfE grant funding. There is an estimated funding gap on the Harefield site, with specific capital contingency having been set aside to fund this risk in the capital programme, with a recommendation in Part B requesting release of this contingency to fund these works.

39. The Youth Provision budget is forecasting rephasing of £775k as reported at Month 10, work is expected to commence this year, with this update alongside the £7,794k for the Schools SEND Programme taking the total proposed rephasing to £8,569k for the portfolio, as previously reported.

40. **Health and Social Care**: The capitalisation of social care equipment is forecast in line with budget, as reported at Month 10. The Disabled Facilities Grant adaptations includes rephasing from 2022/23 of £279k with this area now forecasting rephasing into 2024/25 of £2,159k, as previously reported. Adaptation works approved at this point in the year will be for work undertaken next financial year. 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 weather-tight works to keep the structure safe. Approval to appointment interim contractor to undertaken mechanical and electrical work is expected shortly along with proposals for delivering the project through to completion, now expected to be in May 2025. The budget was reprofiled at Month 6 from 2023/24 to 2024/25 by £15,000k. Further rephasing of £2,771k at Month 11 is now forecast into 2024/25.

42. Planning for the Hillingdon Water Sports Facility has been submitted and a decision is expected imminently. 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 next year. Rephasing of £10,843k was proposed and approved at Month 6. The forecast at Month 11 is a further £1,200k, as reported at Month 10.

43. Northwood Hills Library Buyback is forecasting rephasing of £2,392k as reported at Month 10. Planning, designs and surveys for the New Years Green Lane proposed extension, started later than planned and rephasing of £416k is forecast, as reported at Month 10. Design and survey work has commenced on Uxbridge Cemetery Gatehouse and Botwell Leisure Centre adaptations, however works are not now expected to be commenced until the next financial year and rephasing of £400k and £200k is forecast respectively, as reported at Month 10. The Battle of Britain Underground Bunker will complete in March, forecast rephasing of £130k is expect for retention, not previously reported.

44. The Carbon Zero Initiatives programme budget stands at £18,855k and is partially funded from a grant of £13,751k from the Department for Business, Energy and Industrial Strategy which has been fully earmarked for the Park Farm Solar Farm and the installation of PV panels at the Civic Centre, Winston Churchill Hall, Hillingdon Sports and Leisure Centre, and Highgrove swimming pool. The forecast at Month 11 is £15,120k as reported at Month 10.

45. As of Month 10, 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, with the forecast being in line with the approved budget, as reported at Month 10.

46. The Civic Centre transformation project has commenced with a number of workstreams already underway. The main works contractor for the refurbishment was appointed in June and work started in September on the pilot phase, which is now complete. The contractor for the remaining quadrants was awarded in January and work commenced immediately. The project is making good progress and is forecast to come in on budget over the life of the programme, with a review of the timing of cashflows leading to a forecast in-year underspend of £10,303k, an increase from Month 10 of £2,303k, with this amount being proposed for rephasing into later years to provide funding to see the project through to completion.

47. The Schools Building Condition Works programme has been agreed and is forecasting rephasing into 2024/25 of £2,663k, as reported at Month 10. Survey and design work is in progress and works planned for next summer to coincide with the summer break.

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 Move-ment
Source of Finance								
Capital Receipts	28,734	11,697	0	(17,037)	93,617	93,617	0	0
CIL	2,463	2,166	0	(297)	18,963	18,963	0	0
Prudential Borrowing	41,780	33,260	0	(8,520)	75,848	75,848	0	0
Total Council Resources	72,977	47,123	0	(25,854)	188,428	188,428	0	0
Grants & Contributions	56,621	44,109	0	(12,512)	132,354	132,354	0	0
Capital Programme	129,598	91,232	0	(38,366)	320,782	320,782	0	0
Movement	0	(5,074)	0	(5,074)	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 £11,697k resulting in slippage of £17,037k. Progress is being made identifying and progressing potential asset disposals with £20,756k remaining to be identified. 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 11 is an in-year overspend of £12,820k when compared to the budgeted position, in line with the position at Month 10 which continues to be driven by High Needs placement demand and cost pressures. This position reflects ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not reflected in the funding which the Council is receiving from the DfE. The forecast for the cumulative deficit carried forward to 2024/25 shows an increase of £2.5m which reflects the withdrawal of funding following the recent decision by DfE to suspend the Safety Valve agreement pending review.

Table 7: DSG Income and Expenditure Summary

Funding Block	Month 11		Variance		
	Approved Budget £'000	Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Change from Month 10 £'000
Dedicated Schools Grant Income	(348,931)	(348,931)	0	0	**0**
Schools Block	266,069	266,069	0	0	**0**
Early Years Block	26,511	26,511	0	0	**0**
Central Schools Services Block	2,938	2,938	0	0	**0**
High Needs Block	55,693	68,513	12,820	12,820	**0**
Total Funding Blocks	**2,280**	**15,100**	**12,820**	**12,820**	**0**
Balance Brought Forward 1 April 2023	**21,887**	**21,887**			
Safety Valve Funding	**(7,750)**	**(8,000)**	2,500		**2,500**
Balance Carried Forward 31 March 2024	**16,417**	**28,987**	2,500		**2,500**

50. The Council submitted an updated DSG Management Plan to the DfE in December 2023 as part of the DfE's Safety Valve programme. As highlighted above the outcome DfE have suspended the Safety Valve agreement pending a review of the plan. The service is currently in the process of completing arrangements to progress discussions with the DfE to move the review forward. Progress with the review and the outcome together with the financial and service implications will be the subject of further reports going forward.

51. In respect of the year-on-year increase in cost approximately £6m is due to a 10% growth in the number of EHCPs and the remainder of the total cost increase (around £5.3m) is due to a 9% increase in the average cost of an EHCP placement, although there remains a significant and inherent level of variability in such financial commitments and therefore the forecast position, due to market forces and evolving support requirements. The Council has already identified that under-capacity in borough has driven increases in the number and cost of independent placements significantly and is a key area of management action within the High Needs Block.

52. 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 as we continue to preserve these services to pupils with High Needs. 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 improvements will take time to deliver as there is a significant time lag between implementing new policies and the impact on costs.

53. The challenge of mounting DSG deficits is a national issue with London Councils estimating that deficits could rise across London to almost £300m by the end of 2023/24. The number of students with Education, Health and Care Plans (EHCPs) and those requiring SEN support has risen substantially over the past year and is expected to continue to rise through to 2025/26 with no changes in either statutory responsibilities or the funding regime expected in the near future.

Housing Revenue Account

54. 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 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, with a reduced requirement on capital financing offsetting additional investment being undertaken through the revenue account in year.

Table 8: Housing Revenue Account

Service	Month 11		Variance (+ adv / - fav)		
	Budget £'000	Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Movement from Month 10 £'000
Rent & Other Income	(73,542)	(73,409)	133	133	0
Net Income	**(73,542)**	**(73,409)**	**133**	**133**	**0**
Operational Assets	11,838	13,524	1,686	1,725	(39)
Director of Housing	10,997	11,004	6	33	(27)
Other Service Areas	1,027	988	(39)	(39)	0
Contribution to Shared Services	12,035	12,388	353	353	(0)
HRA Operating Costs	**35,897**	**37,904**	**2,007**	**2,072**	**(66)**
Capital Programme Financing	21,597	20,071	(1,526)	(1,526)	0
Interest and Investment Income	16,133	15,518	(615)	(681)	66
Capital Programme Financing	**37,730**	**35,589**	**(2,141)**	**(2,207)**	**66**
(Surplus) / Deficit	**85**	**85**	**0**	**0**	**0**
General Balance 01/04/2023	(15,186)	(15,186)	0	0	0
General Balance 31/03/2024	**(15,101)**	**(15,101)**	**0**	**0**	**0**

55. At Month 11, rental income and other income is forecasting an under-recovery position of £133k, as reported at Month 10. The outlook has remained steady and the expected handover of buyback acquisitions to the lettings team has been skewed towards the end of the financial year and the first part of next 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.

56. The number of RTB applications received in the eleven months of 2023/24 was 114 compared to 118 for the same period in 2022/23.There has been 47 RTB completions in the eleven months of 2023/24 compared to 56 for the same period in 2022/23. The RTB applications and sales forecasts are on target for the year. As at Month 11, the 2023/24 RTB sales forecast is 48 in line with budgeted expectations.

57. The HRA Operating Costs Budget is £35,897k and at Month 11 is forecast to overspend by £2,007k, a favourable movement of £66k from Month 10. In line with experience elsewhere

in the Council, the risk of significant inflationary pressures is being closely monitored for the final month of the year with a view to the impact of uplifts going into 2024/25. Within this position, several variances are reported:

i. Operation Assets budget is £11,838k and includes services for repairs and maintenance, void repairs, compliance and inspections. The forecast is a net overspend of £1,686k compared to £1,725k at Month 10, a favourable movement of £39k, attributable to material spend forecast. The pressure arising from disrepair claims is being closely monitored.

ii. The Director of Housing budget is £10,977k and includes tenancy management and tenants' services. The forecast is a net overspend position of £6k compared to an overspend of £33k reported at Month 10. This will be kept under review for the final month of the year. The budgets include utility costs, and these will continue to be monitored given the budgeted increase in costs for electricity and gas, and new pressures on council tax and B&B costs.

iii. The Other Service Areas budget is £1,027k and includes the Careline contract, HRA specific ICT costs and the revenue regeneration costs with spend expected to be £39k less than budget, as reported at Month 10.

iv. The Contribution to Shared Services budget is £12,035k and is forecast to overspend by £353k, as reported at Month 10. The budgets include development and risk contingency, overheads and corporate and democratic core, and bad debt provision. There are signs arrears are increasing and additional resource has been seconded to the income recovery team due to the increased caseload.

58. The MTFF savings target is £690k and as reported at Month 10, £284k is yet to be fully identified and is being covered from underspends elsewhere in the service.

59. As at Month 11 the capital programme financing budget of £37,730k is forecast to underspend, as previously reported. This budget forecast includes £20,071k (depreciation and revenue contributions) to fund the HRA capital programme, an underspend against budget of £1,526k, the position also includes £15,452k for repayments of loans and interest on borrowing, an underspend against budget of £681k due to £30,531m rephasing on the Hayes Estate Regeneration Programme resulting in lower-than-expected borrowing costs this year.

HRA Capital Expenditure

60. The HRA capital programme is set out in the table below. The 2023/24 revised budget is £84,460k, a movement of £33,678k following the rephasing approved at Month 6. The Month 11 update is forecasting rephasing of £11,505k as reported at Month 10. A small cost variance of £529k is forecast, as reported at Month 10. The five-year projections are forecast to deliver the £529k cost underspend reported for 2023/24, in line with the Month 10.

Table 9: HRA Capital Expenditure

	Revised Budget 2023/24 £'000	Forecast 2023/24 £'000	Cost Variance 2023/24 £'000	Project Re-Phasing 2023/24 £'000	Total Project Budget 2023-28 £'000	Total Project Forecast 2023-28 £'000	Total Project Variance 2023-28 £'000	Movement 2023-28 £'000
HRA Capital Programme								
Major Projects	56,683	44,649	(529)	(11,505)	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	3,000	3,000	0	0	33,141	33,141	0	0
Major Adaptations to Property	2,340	2,340	0	0	13,317	13,317	0	0
Total HRA Capital	**84,460**	**72,426**	**(529)**	**(11,505)**	**495,305**	**494,776**	**(529)**	**0**
Movement	0	0	0	0	0	0	0	0

61. As reported at Month 10 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.

62. At Month 11 no further slippage is forecast on the Hayes Estates Regeneration scheme, piling work is now complete and progress is weather dependent. The rephasing of expenditure from the current financial year reflects the latest project programming from the developer. As a result of this revised profiling, vacant possession of Wellings House is not needed now until December 2024 and the block is being utilised for temporary accommodation until then, and all leaseholder interest vested 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. Handover of Hayes Town Centre Phase 1 is expected around September 2025.

63. The annual acquisitions cap for 1-4-1 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 successful in securing GLA and DLUCH grant to purchase 27 properties. Total new supply this year from acquisitions is therefore expected to be 64 units. The MTFF 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 1-4-1 replacement RTB receipts. The Council share of the new GLA grant funded schemes being funded from the HRA Unallocated Acquisition budget. At Month 11, 43 properties have been identified and approved for capital release, of which, 40 have been acquired. A further 20 properties have been identified for acquisition and are progressing through the approval process. Acquisition of three new build 4-bedroom houses is also forecast this year, bring the total number of forecast confirmed acquisitions to 60, with four properties remaining to be identified, the forecast is in line with budget, as reported at Month 10.

64. Construction works have progressing on site at Petworth Gardens, Sullivan Crescent and Rowan Road, to provide a total of ten 2-, 3- and 4-bedroom houses. The forecast for Month 11 is £1,161k rephasing on Sullivan Crescent in line with Month 10. Petworth Gardens is

expected to be ready for occupation by the summer. The development at Maple and Poplar of 34 2-bedroom flats is units is expected to be complete by Summer 2024. Delays have been incurred connecting utilities to the plant room, which is required before the homes can be let, rephasing of £1,337k is forecast as reported at Month 11. The proposed acquisition of 24 one and two-bedroom flats at Newport Road for temporary accommodation will not take place as planned, as reported at Month 10. Fire safety and compliance issues were identified, and remedial works required to ensure full compliance with latest standards was too intrusive and expensive to undertake. The £8,400k budget will be reallocated to future acquisition and development schemes.

HRA Capital Financing

65. The below table sets out the HRA Capital Financing forecast at Month 11:

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
Source of Finance								
Capital Receipts	8,122	7,947	0	(175)	38,109	38,109	0	0
Revenue Contributions	21,597	20,071	0	(1,526)	122,761	121,235	(1,526)	0
Prudential Borrowing	38,415	35,285	(529)	(2,601)	232,918	234,584	1,666	0
Total Council Resources	**68,134**	**63,303**	**(529)**	**(4,302)**	**393,788**	**393,928**	**140**	**0**
Grants & Contributions	16,326	9,123	0	(7,203)	101,517	100,848	(669)	0
Capital Programme	**84,460**	**72,426**	**(529)**	**(11,505)**	**495,305**	**494,776**	**(529)**	**0**
Movement	0	0	0	0	0	0	0	0

66. Since the approval of rephasing after Month 6, £16,126k has been released from the Unallocated Acquisition and Development budget to fund additional buybacks and development schemes. The unallocated budget assumes an even split between GLA grant and RTB receipt funded schemes, however the recent releases are weighted towards RTB receipt schemes which capital receipt and grants and contribution mix. There has also been a reduction in grant income linked to the Green Homes Initiative programme in 2023/24 of £3,147k, as reported in Month 10. The revenue contribution rephasing relating the reported HRA position which requires a reduction in the revenue contribution capital this year to achieve a balanced position.

Treasury Management Update as at 29 February 2024

Table 10: Outstanding Deposits

Period	Actual (£m)	Actual (%)	Movement from Month 10 (£m)
Call Accounts and MMF's*	21.40	49.54	(16.70)
Up to 3 Month Fixed-Term Deposits	6.80	15.74	(18.00)
Total	**28.20**	**65.28**	**(34.70)**
Strategic Pooled Funds	15.00	34.72	**0.00**
Total	**43.20**	**100.00**	**(34.70)**

*Money Market Funds

67. 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.

68. The average rate of return on day-to-day operational treasury balances is 4.90%, an increase of 0.01% since Month 10. 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 4.76% 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.

69. 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 February, 76% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a December benchmark average of 60% in the Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors). This is a temporary percentage increase compared to last month due to the lower balances held with the DMADF at end of February. The Council's exposure is eliminated once instant access facilities are excluded from the total bail-in percentage.

70. Liquidity was maintained throughout February 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. Cash balances decreased over the month, with overall balances ending £34.7m lower. This large decrease in cash balances is in line with normal annual cash flow patterns and in March 2024 £40m of new borrowing was undertaken to maintain liquidity.

Table 11: Outstanding Debt
Average Interest Rate on Total Debt: 3.60% (3.54% in Month 9)
Average Interest Rate on Debt Excluding Temporary Borrowing: 3.18% (3.18% in Month 10)
Average Interest Rate on Temporary Borrowing: 5.25% (4.74% in Month 10)

	Actual (£m)	Actual (%)	Movement from Previous Month (£m)
General Fund			
PWLB	75.60	24.08	
Long-Term Market	15.00	4.78	
Temporary	64.00	20.39	(10.0)
HRA			
PWLB	126.32	40.24	
Long-Term Market	33.00	10.51	
Total	**313.92**	**100.00**	**(10.00)**

71. Three temporary Local Authority (LA) loans (totalling £15m) matured in February and were partly replaced with one new Local authority loan (of £5m), resulting in a net decrease of £10m in month. Rates on the new loan are higher than the recently matured loans which were taken a year ago, in part due to a year-end liquidity squeeze in the LA to LA market and also interest rate movements since last year, resulting in an increase in average rates for temporary borrowing.

72. As noted previously further borrowing totalling £40m was undertaken in early March to manage cash flow requirements, with the opportunity taken to access the PWLB concessionary rate available for financing eligible HRA projects included in the HRA capital programme. These are not included in the above table which is the position at the end of February.

73. PWLB rates rose gradually during February, with the 25yr rate 0.35% higher than at the beginning of the month. At its meeting ending on 20 March 2024, the Bank of England Monetary Policy Committee voted by a majority of 8-1 to maintain Bank Rate at 5.25%.

PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

a. Accepts of £140k grant funding from the Department for Environment, Food, and Rural Affairs (Defra) for costs associated with the delivery of new post-Brexit port health authority functions at the Heathrow Imported Food Office.

b. Accepts a grant of £1,079k from the Department of Health and Social Care (DHSC) to fund further Public Health investment into substance misuse treatment & recovery.

c. Agree to the release of the specific General Contingency created to fund the SEND Projects, with the following releases being requested totalling £10,000k:

  a. Meadow High School Expansion - £9,263k

  b. Pinkwell Primary School Expansion - £413k

  c. Establishing 24 ASD places at Wood End Park Academy - £324k.

d. Note the acceptance of £90k grant funding from the Department for Transport for costs associated with progressing the Council's local Electric Vehicle infrastructure strategy.

e. Approve acceptance of the GLA Good Growth Fund grant of £450k to fund improvements at Hayes Town Centre.

Reasons for recommendation

74. **Recommendation 2a** seeks approval to accept grant funding which has been offered by Defra for the period January-March 2024 which, if accepted by Cabinet, will be utilised to cover the costs of environmental health and veterinary resources required at the Heathrow Imported Food Office associated with the implementation of the "Target Operating Model" (new port health authority requirements for EU imports) and supporting agencies managing biosecurity risks at the border until new controls are in place.

75. **Recommendation 2b** seeks approval to accept ringfenced grant funding of £1,079k. This is the continuation of funding where the Department of Health & Social Care (DHSC) is working alongside other Government departments to support a process of investment in a whole system approach to tackling illicit drug use, including enforcement, diversion, and treatment and recovery interventions.

76. **Recommendation 2c** requests release from approved General Contingency Capital Programme budget from the £10,000k specifically set aside for SEND projects within the capital programme, with these projects aimed at reducing the Schools Budget deficit and enabling the Council to deliver against the Dedicated Schools Grant (DSG) Safety Valve agreement with the Department for Education (DfE).

77. **Recommendation 2d** notes the acceptance of grant income allocated from the Local Electric Vehicle Infrastructure (LEVI) Capability Fund has been offered by the Department of Transport for 2024/25 which, if accepted by Cabinet, will be utilised to cover the costs of a specialist Project Engineer and legal and procurement support, required to help implement the Council's Electric Vehicle Infrastructure Strategy.

78. **Recommendation 2e** seeks approval to accept a £450k grant from the GLA's Good Growth Fund to fund improvements, interventions and activities in and around Hayes Station and town centre, focusing on improving public realm and commercial units, making these areas more welcoming and inclusive.