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The Cabinet's Budget Proposals 2019/2020

HILLINGDON
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CABINET

Date: **THURSDAY, 14 FEBRUARY 2019**

Time: **7.00 PM**

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

Meeting Details: Members of the Public and Media are welcome to attend this meeting and observe the public business discussed.

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To all Members of the Cabinet:

Ray Puddifoot MBE (Chairman)
Leader of the Council

David Simmonds CBE (Vice-Chairman)
Deputy Leader / Education & Children's Services

Jonathan Bianco
Finance, Property & Business Services

Keith Burrows
Planning, Transportation & Recycling

Philip Corthorne
Social Services, Housing, Health & Wellbeing

Douglas Mills
Community, Commerce & Regeneration

Richard Lewis
Central Services, Culture & Heritage

Published:
Thursday, 7 February 2019

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Putting our residents first

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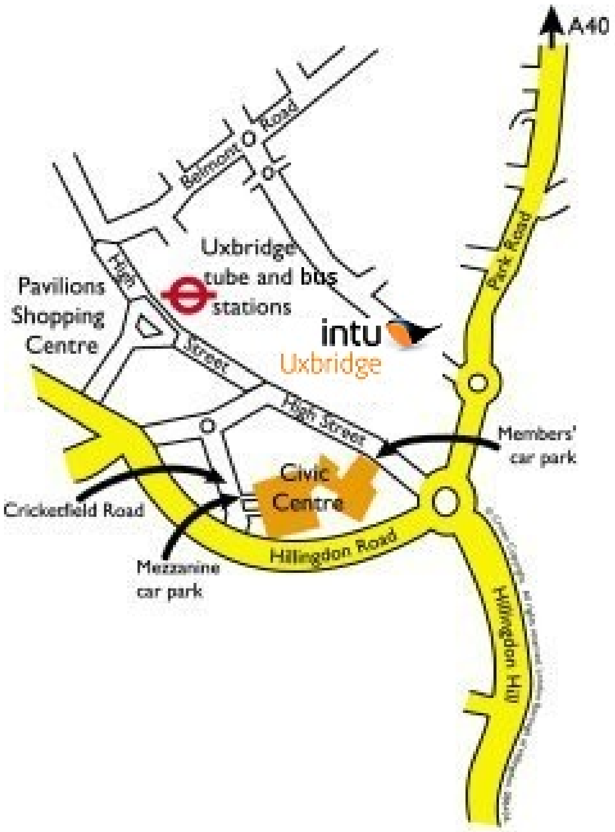

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Notice

Urgency notice - The Council's Budget - Medium Term Financial Forecast 2019/20 - 2023/24 & Schools Budget 2019/20

This is formal notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 to confirm that in excess of 28 clear days notice of the above key decisions on this supplementary agenda have been given. However, the reports have been circulated less than 5 clear working days before the Cabinet meeting and will be considered if the Chairman agrees them to be urgent. For the main budget, the reason for urgency is to ensure the Council can agree its annual budget within the necessary statutory timescale for Council Tax fixing. For the Schools Budget item, to ensure a budget can be set for Schools before the start of the financial year.

Notice of the Council’s intention to hold this meeting (part in private) is set out on the main Cabinet Agenda A for this meeting.

7 February 2019
London Borough of Hillingdon

Agenda

Cabinet Reports - Part 1 (Public)

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2019/20 - 2023/24

Cabinet Member(s)	Councillor Ray Puddifoot MBE Councillor Jonathan Bianco
Cabinet Portfolio(s)	Leader of the Council Finance, Property & Business Services
Officer Contact(s)	Paul Whaymand, Finance
Papers with report	Appendices 1 to 16

HEADLINES

Summary	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2019/20, along with indicative projections for the following four years. Budget proposals for 2019/20 include a thirteenth successive Council Tax freeze for over 65s and a fourth year of avoiding implementation of the Social Care Precept, to be delivered while maintaining frontline services through use of General Balances and a 2.4% increase in Council Tax for other Residents. This uplift in Council Tax has been limited to 90% of the average 2018/19 increases for households in the neighbouring boroughs of Ealing, Harrow and Hounslow, and equates to £26.71 per annum or £0.51 pence per week for a Band D household. Cabinet are requested to recommend their budget proposals to Council on 21 February 2019. This is in order to formally set the General Fund revenue budget, the Housing Revenue Account budget, the Capital Programme and Council Tax for the 2019/20 financial year.
Putting our Residents First	This report supports the following Council objectives of: *Our People; Our Natural Environment; Our Built Environment; Our Heritage and Civic Pride; Strong Financial Management.* The Medium Term Financial Forecast is the financial plan for the Council and contains the funding strategy for delivering the Council's objectives.
Financial Cost	Zero increase in Council Tax for the thirteenth successive year for over 65s.

Relevant Policy Overview Committee	Corporate Services, Commerce & Communities Residents, Education and Environmental Services Social Care, Housing and Public Health

Relevant Ward(s)	All

RECOMMENDATIONS

That Cabinet approves for recommendation to Council:

1) **The General Fund and Housing Revenue Account budgets and Capital Programmes, along with proposed amendments to Fees & Charges as outlined in appendices 1 to 10, and having taken the consultation responses outlined in Appendix 16 conscientiously into account;**

2) **The proposals for continuing the Council Tax Older People's Discount into 2019/20, having due regard to the completed Equalities and Human Rights Impact Assessment at Appendix 14;**

3) **The Capital Strategy, Treasury Management Strategy Statement, Investment Strategy, and Minimum Revenue Provision Statement for 2019/20 to 2023/24 as detailed at Appendix 12;**

4) **The proposed London Borough of Hillingdon Pay Policy Statement for 2019/20 set out at Appendix 13;**

5) **That it resolves that Cabinet may utilise the general reserves or balances during 2019/20 in respect of those functions which have been reserved to the Cabinet in Article 7 of the Constitution (as set out in Schedule G of the Constitution - Budget and Policy Framework Procedure Rules).**

That Cabinet notes:

6) **The Corporate Director of Finance's comments regarding his responsibilities under the Local Government Act 2003.**

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2019/20. This includes the impact on Council Tax, alongside housing rents and service charges.

The Council has powers only to approve revenue budgets and set Council Tax and housing rents for the following financial year. Medium term revenue budgets are presented to aid future financial planning and support good decision-making. However, they are not formally approved in setting the budget. The Capital Programme is approved over a five year period as the statutory framework provides greater freedoms under the Prudential Code to encourage a longer term approach to capital financing and borrowing decisions.

Alongside budget proposals for recommendation to Council, this report provides an update on the strategy and policy statements surrounding investment and borrowing activity for the forthcoming financial year. Following revisions to the MHCLG / CIPFA guidance in this area, the content of the former Treasury Management Strategy is now provided in the four documents contained within Appendix 12.

Both Cabinet and Council should give full consideration to the Corporate Director of Finance's comments under the Local Government Act 2003 and the need to ensure sufficient resources are available in balances and contingencies in the event of any significant adverse changes in the Council's funding environment. These comments are set out from paragraphs 152-153 of this report.

The Localism Act 2011 requires local authorities to publish a Pay Policy Statement annually. This Pay Policy Statement must set out the authorities' policies for the financial year relating to remuneration of its Chief Officers; remuneration of its lowest paid employees; and the relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers. The proposed 2019/20 policy is included as Appendix 13 to this report.

Alternative options considered / risk management

Growth proposals included in the budget could be removed and either the Council Tax requirement reduced or alternative items substituted for them. Similarly, further items could be added to the budget requirement either through additional growth, increased provision for risk, or by reducing the package of savings. Council Tax could then be increased accordingly within the constraints imposed by the Government's capping regime, which would limit any increase to 2.99% of general Council Tax and a further 3.00% in the form of a Social Care Precept. The current budget proposals reflect a 2.4% increase in the Hillingdon share of Council Tax for under 65s. A change in the budget requirement of £1,118k either way (increase or decrease) will result in an increase or decrease of 1.0% in the level of the Council Tax, equivalent to £11.18 per annum at Band D level.

Members could decide to add or remove new capital schemes from the Capital Programme included in this report. The funding for any additional new schemes would necessarily come from Prudential Borrowing in the first instance. This would have a consequential upward impact on the revenue budget requirement and Council Tax or the level of balances if they are HRA capital projects.

Members could decide to vary the proposed Fees and Charges outlined at Appendix 8. Any decision to do so could have an impact on the budget requirement. This would need to be reflected in the budgets to be recommended to Council.

The Council may choose to set rents lower than those proposed, however between 2016/17 and 2019/20 Government directed local authorities to decrease rents by at least 1%, thereby removing the option to increase rents. Lowering rents even further than proposed would result in less income and a detrimental impact upon HRA balances.

The Development and Risk Contingency identifies the key risks and uncertain items for which provision is contained within the revenue budget. Reduction of this provision is not recommended. This would otherwise increase the likelihood of unfunded pressures emerging into budget monitoring in the 2019/20 financial year. The Capital Programme also includes a contingency sum to manage financial risk on key schemes. In addition, unallocated balances are held within the range recommended by the Corporate Director of Finance. Whilst further contributions from balances could be made, any reduction in balances to below the lower limit of this range is not recommended.

Policy Overview Committee comments

Full report on the budget process, financial strategy and detailed budget proposals for services within the remit of each Policy Overview Committees were presented for review at meetings during January 2019, with comments from each committee presented in Appendix 15 to this report.

SUPPORTING INFORMATION

SUMMARY

1. This is the second report to Cabinet on the development of the Council's 2019/20 budget, which is presented in the context of a challenging medium term outlook requiring total savings of £48,654k over the four years to 2022/23. Budget proposals for 2019/20 include a thirteenth successive Council Tax freeze for over 65s and a fourth year of avoiding implementation of the Social Care Precept, which can be delivered while maintaining frontline services through planned releases from General Balances and a 2.4% increase in Council Tax. This uplift in Council Tax has been limited to 90% of the average 2018/19 increases for households in the neighbouring boroughs of Ealing, Harrow and Hounslow, and equates to £26.71 per annum or £0.51 pence per week for a Band D household.

2. An update on the Council's Capital Programme is also presented in this report, with £453,424k of planned investment in local infrastructure over the period 2018/19 to 2023/24. This includes a new swimming pool in the Yiewsley / West Drayton area, a major programme of investment in the borough's highways and reprovision of the Hillingdon Outdoor Activity Centre in response to High Speed 2. The programme is supported by £128,713k external funding, £94,080k Capital Receipts for disposal of surplus assets and Community Infrastructure Levy alongside £230,631k Prudential Borrowing.

3. The headline £48,654k savings requirement over the period to 2022/23 is expected to be primarily driven by inflation, demand-led service pressures and capital financing costs, in contrast to experience since 2010, which has seen relatively low levels of inflation and sustained reductions in Government funding. An overview of the Council's broader budget strategy over this period is outlined below.

Table 1: Draft Budget Strategy 2019/20 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Underlying Savings Requirement	**16,119**	**14,561**	**9,252**	**8,722**	**48,654**
Proposed Council Tax Increase	(2,684)	(3,509)	(3,689)	(3,884)	(13,766)
Current Savings Proposals	(6,609)	259	(20)	(1)	(6,371)
Savings to be identified	0	(14,087)	(8,543)	(5,837)	(28,467)
Unwind call on General Balances	950	7,776	5,000	2,000	N/A
In-year Call on General Balances	**(7,776)**	**(5,000)**	**(2,000)**	**(1,000)**	**(15,776)**
Closing General Balances	**(31,664)**	**(26,664)**	**(24,664)**	**(23,664)**	**N/A**

4. Savings proposals totalling £5,328k have been developed under three broad themes in the 2019/20 budget setting process, with a focus on maintaining the current service offer through Zero Based Reviews, Service Transformation and Maximising Income. In addition, management action to contain the growing costs of more volatile and demand-led budgets managed through Development & Risk Contingency is expected to contribute a further £1,281k, bringing total savings to £6,609k. Together with the proposed 2019/20 Council

Tax increase and indicative inflationary uplifts of 2.99% on Council Tax from 2020/21 securing £13,766k additional income, this leaves £28,467k of savings to be identified over the next three budget cycles.

5. A number of new strategic workstreams under the Business Improvement Delivery (BID) Programme are in development and are expected, alongside continuation of the Council's usual Sound Financial Management approach, to provide a mechanism to bridge this residual budget gap.

6. Since 2010 the Council has grown General Balances to £39,440k to smooth the impact of Government funding reductions, with this draft budget proposing release of £7,776k to support the 2019/20 budget and £8,000k over the following three years while further savings are developed and implemented as outlined below. This strategy maintains General Balances at £23,664k within the £15,000k to £32,000k recommended range for unallocated reserves, leaving a further £8,664k available to manage emerging risks or meet exceptional calls upon the Council's resources.

7. Alongside the General Fund budget position, this report refreshes Housing Revenue Account budgets to deliver a 1% reduction in rents for existing tenants in 2019/20, alongside a programme of investment in existing and new housing stock - including 428 new homes for residents by 2023/24, partly financed through the reinvestment of Right to Buy sale proceeds.

BACKGROUND

8. The Council continues to operate within the constraints of Government's deficit reduction programme, which has seen a sweeping reduction in Central Government funding since 2010/11. Alongside this reduction in funding, continuing demographic and demand pressures and a return to an inflationary environment over the medium term will necessitate delivery of further substantial savings. This second report to Cabinet on the budget for 2019/20 quantifies the financial challenge faced by the Council over the medium term, and outlines an approach to meeting this challenge whilst continuing to 'Put Residents First'.

9. This report to Cabinet on the budget for 2019/20, refreshing the position outlined in the draft budget approved by Cabinet in December 2018. In February 2018 the savings requirement for 2019/20 was estimated to be £20,274k, which has been revised downwards to reflect the announcement of £2,820k additional Social Care funding in the Chancellor's November 2018 Budget and the favourable impact of deferring planned borrowing alongside a range of smaller adjustments to estimates. The resulting budget gap for 2019/20 therefore stands at £15,169k, rising to £16,119k after unwinding the planned £950k draw down from balances for 2018/19, which is to be managed through a combination of £2,684k additional revenue from the proposed Council Tax increase, £6,609k savings and £7,776k release from General Balances to meet the residual gap.

10. Over the four year MTFF period the total budget gap stands at £48,654k, with a budget strategy to manage this through a combination of Council Tax increases, use of General Balances and £34,838k savings requirement set out in the Medium Term section of this report.

11. Groups have been developing savings proposals to mitigate this externally driven budget gap and respond to increases in cost pressures. In addition to this work across directorates, a comprehensive review of the corporate elements of the budget has been undertaken since February 2018, capturing funding, inflation and capital financing. During the early summer and again in the autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:

   - The 2017/18 outturn, particularly any ongoing issues arising.
   - The current position in 2018/19 - both monitoring and savings delivery.
   - Existing and emerging pressures that need to be addressed in the 2019/20 budget and forecasts for future years.
   - Progress on the development of savings proposals for 2019/20 and beyond.
   - Identification of any potential growth or invest-to-save bids.
   - Capital Programme requirements.

12. Alongside, the outputs from these sessions which form the basis of this report, development of the 2019/20 budget builds upon the 2018/19 budget and therefore the current monitoring position provides a useful context as many of the same challenges are expected to continue into the new financial year. In addition, progress towards delivery of existing savings targets

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is of vital importance in considering both the feasibility of future savings initiatives and the potential need to identify alternative measures in the event that planned savings cannot be secured.

2019/20 GENERAL FUND REVENUE BUDGET

UPDATE ON 2018/19 BUDGET MONITORING POSITION

13. An underspend of £342k is reported on normal operating activities at Month 9. This position incorporates a £104k net overspend across Directorate Operating Budgets and an underspend of £468k across treasury management and corporate funding. The following positions are reported on individual Directorate Operating Budgets:

    i. Chief Executive's Office (£195k underspend) - as a result of vacancies and non-staffing underspends and the overachievement of income within Legal and Human Resources.

    ii. Finance (£345k underspend) - This is due to staffing underspends arising from the implementation of 2018/19 savings and the early implementation of 2019/20 proposals.

    iii. Residents Services (£510k overspend) - incorporates pressures linked to vehicle hire and maintenance in Fleet services, feasibility costs for Capital and Planned works, Residual Education functions and pressures in Green Spaces which are offset by staffing vacancies and the use of Earmarked Reserves to support services.

    iv. Social Care (£134k overspend) - reflects agency social workers, legal costs and the cost of supporting Section 17 cases within Children Services, being partially offset through vacancies in the workforce and targeted use of Earmarked Reserves.

14. A net pressure of £446k is projected across more volatile and uncertain elements of activity being managed through specific provision within Development and Risk Contingency, with gross pressures reflecting increased complexity of need within Children's Services and growth in the population eligible for SEN Transport being offset by favourable movements on the cost of Homelessness and Waste Disposal. This pressure, and specific items expected to secure a substantial Capital Receipt for Southall Gasworks access rights are to be funded from the £1,000k General Contingency, leaving £113k available to respond to emerging risks over the coming months. In addition, an exceptional item is reported covering the transfer of £295k of resources to Public Health from the General Fund.

15. General Fund Balances are expected to decrease to £39,440k as a result of the forecast position detailed above, from a closing 2017/18 balance of £40,321k. The Council's current MTFF assumes that unallocated balances will remain between £15,000k and £32,000k to manage emergent risks, with any sums above that level earmarked for use to smooth the impact of government funding cuts.

16. Earmarked Reserves, including Public Health and Parking Revenue Account balances, totalled £29,508k at 1 April 2018, with the release of £7,828k to support specific initiatives and the broader budget position in 2018/19 expected to result in a closing balance of

£21,680k. This sum is retained to manage a range of specific risks, cyclical expenditure commitments and further one-off initiatives over the forthcoming MTFF period.

17. Good progress is being made against delivery of the £10,655k savings included in the 2018/19 budget. At Month 9, £9,698k savings are either banked or on track for delivery during 2018/19, with £957k savings being classified as being higher risk or in the early stages of delivery, although these are expected to ultimately be delivered in full and therefore not impact the budget gap in future years. The projected costs of implementation of these savings during 2018/19 are expected to total £2,352k, which are to be funded from a combination of Capital Receipts and Earmarked Reserves.

CHANGES SINCE REPORT TO CABINET ON 13 DECEMBER 2018

18. The table and narrative below outlines the changes to the recommended budget proposals from the report considered by Cabinet on 13 December 2018, with improvements in funding projections and a reduced use of General Balances. Each of these items is also considered in the relevant section of this report.

Table 2: Changes since December Cabinet

	Movement from December 2018 2019/20 Draft Budget	
	£'000	£'000
Updated Public Health Grant	7	
New Homes Bonus	65	
Housing Benefit Administration Grant	(202)	
NNDR Levy Account Surplus (one off funding)	(713)	
Council Tax Administration Grant	(2)	
Projected Collection Fund Surplus	54	
Refreshed Funding Forecasts		**(791)**
Confirmation of 2019/20 Levies		**(121)**
Ward Budgets		**440**
Fly Tipping Response & Prosecution Unit		**140**
Increase in General Contingency		**332**
BID Review of Public Health		**(251)**
Recharges to Other Funds		**251**
Net Impact on 2019/20 budget		**0**

19. Following approval of the draft 2019/20 budget by Cabinet in December 2018, a £54k adverse movement in local Council Tax collection projections has been accompanied by a number of external funding announcements resulting in a net £791k favourable movement in resources available to support local services. This £791k favourable movement includes:

i. There has been a one off improvement of £713k in the NNDR Levy Account. As part of the operation of the Business Rates Retention system, those authorities with stronger tax bases, such as Hillingdon, make annual levy payments which are held back by the Government to finance Safety Net Payments to authorities reporting exceptional deficits on Business Rates income. A surplus of £180m generated over the period since 2013/14 is to be released in 2019/20 as a one-off payment to all authorities, with £713k allocated to Hillingdon

ii. A marginal £7k adverse movement in Public Health funding increased the year on year cut in the grant to £463k. In addition there was a further adverse movement of £65k in the New Homes Bonus award. A £202k favourable movement on the Housing Benefit Administration Grant was announced to fund new burdens including the roll out of Universal Credit, with a marginal £2k favourable movement against the Council Tax Administration Grant also being announced.

iii. The December draft budget included an indicative 2% uplift on statutory levies payable by the Council towards expenditure incurred by other public bodies, such as the Freedom Pass Scheme managed by Transport for London. Primarily as a result of a lower than anticipated uplift in the cost of this scheme the inflation requirement has been scaled back by £121k.

iv. Additional Priority Growth of £440k for Ward Budgets has been included in 2019/20 to provide an additional £20k per ward for use towards local priority projects together with £140k to create a new Fly Tipping Response & Prosecution Unit, with the remaining £332k improvement applied to support an uplift in General Contingency.

v. Further savings are expected on Public Health funded activity as a result of the ongoing BID Review of this area. A figure of £251k included in these budget proposals to reflect the confirmed £463k grant cut for 2019/20 being partially offset by the £212k share of the uplift in General Resources attributable to the Public Health element of the Council's budgets. A corresponding adjustment on recharges to other funds has also been included.

20. The improved outlook for 2019/20 of £912k was primarily driven by the £713k of one off funding in the form of the Levy Account Surplus allowing the Council to increase Priority Growth whilst also putting additional funds into General Contingency. Over the four year period to 2022/23 the cumulative impact of changes to New Homes Bonus projections translates into a marginal £108k increase in the headline savings requirement.

BUDGET REQUIREMENT

21. The movement from the 2018/19 baseline to the 2019/20 budget requirement is summarised in the following table, incorporating the latest estimates for funding (including the proposed Council Tax increase), inflation and growth in demand for services to reach a savings requirement of £14,385k, which is proposed to be managed through £6,609k savings and a £7,776k drawdown from balances.

Table 3: 2019/20 Budget Requirement

	Movement from 2018/19 £'000	2019/20 Budget Requirement £'000
Recurrent Funding	(3,141)	(214,516)
One-Off Funding (less use of General Balances)	1,325	(7,636)
Total Resources	**(1,816)**	**(222,152)**
Roll Forward Budget		220,336
Inflation	7,352	
Corporate Items	1,200	
Contingency (Service Pressures)	6,207	
Priority Growth	1,442	16,201
Gross Budget Requirement		**236,537**
Savings Requirement		**14,385**
Contingency (Management Action)	(1,281)	
Savings	(5,328)	**(6,609)**
Net Budget Requirement		**229,928**
Budget Gap		**7,776**
Planned Use of General Balances		7,776

22. This 2019/20 draft budget has been developed in the context of an estimated savings requirement of £34,838k over the four year period to 2022/23 arising from a combination of inflationary cost pressures, growing demand for services and the financing costs arising from the Council's Capital Programme being offset by inflationary uplifts in Council Tax. Appendix 1 presents the medium term outlook with additional commentary later in this report.

FUNDING SOURCES

23. Recurrent funding available to support the budget requirement is projected to total £214,516k in 2019/20, inclusive of £2,684k additional income linked to the proposed 2.4% increase in Council Tax to protect front line services for residents. This recurrent funding is supplemented by £15,412k of one-off funding including a £7,776k release from General Balances to support the £229,928k projected cost of delivering services in 2019/20.

Table 4: Funding Projections

	2018/19 £'000	(Increase) / Decrease £'000	2019/20 £'000
Council Tax Base	(110,258)	(1,558)	(111,816)
Council Tax Increase (2.4%)	0	(2,684)	(2,684)
Business Rates Income	(52,968)	(2,891)	(55,859)
Revenue Support Grant	(13,031)	7,222	(5,809)
Other Government Grants	(35,118)	(3,230)	(38,348)
Recurrent Funding	**(211,375)**	**(3,141)**	**(214,516)**
Collection Fund Surplus	(2,611)	1,575	(1,036)
Business Rates Pilot Pool	(5,400)	(1,200)	(6,600)
Planned Use of General Balances	(950)	(6,826)	(7,776)
One-Off Funding	**(8,961)**	**(6,451)**	**(15,412)**
Total Funding	**(220,336)**	**(9,592)**	**(229,928)**

24. The rationale behind current funding assumptions and associated risks are discussed for each revenue stream in turn below. Local income projections reflect latest intelligence around new economic and residential development in the borough, with recent experience indicating limited scope for material variation in these estimates. Projections for grant funding for 2019/20 are primarily based on provisional allocations published by awarding bodies, including the fourth and final year of the multi-year settlement offer, and including an anticipated £2,820k of new Social Care funding announced by the Chancellor in the November budget. Income projections for the London Business Rates Pilot Pool reflect the 8 November announcement that retained growth would reduce from 100% to 75% for 2019/20.

Council Taxbase Projections

25. Income from Council Tax is projected to grow by £1,558k through a 1,400 Band D equivalent or 1.4% growth in the tax base as a result of continuing residential development across the borough and the reducing cost of the local Council Tax Reduction Scheme in line with recent experience. This taxbase growth provides a mechanism to contribute towards funding growing demand for services linked to an expanding local population.

Table 5: Council Taxbase Projections

	2018/19 Band D	Change Band D	2019/20 Band D
Residential Properties	120,840	1,221	122,061
MOD Properties	683	0	683
Discounts & Exemptions	(11,556)	0	(11,556)
Empty Property Premium	85	0	85
Gross Council Taxbase	**110,052**	**1,221**	**111,273**
Council Tax Reduction Scheme	(9,988)	200	(9,788)
Allowance for Losses in Collection	(994)	(21)	(1,015)
Net Council Taxbase	**99,070**	**1,400**	**100,470**
Council Tax Revenues (£'000)	**110,258**	**1,558**	**111,816**

26. New residential development is expected to deliver a net 1,200 Band D equivalent properties after allowing for maintenance of the current 99% collection rate, with 1,019 of these properties specifically identified from the pipeline of major developments and the remaining 181 expected to be secured through smaller developments. Particularly residential growth is expected in 2019/20 and 2020/21 in advance of the opening of Crossrail stations in the south of the borough from 2019. The remaining 200 Band D equivalent growth in the tax base is forecast to be met from a continuation of the trend for reduced uptake of the Council Tax Reduction Scheme.

Council Tax Increases and the Social Care Precept

27. Under current regulations, the Council has the option to increase basic Council Tax by 2.99% per annum without triggering a referendum with scope to implement a Social Precept of up to 8.00% over the period from 2016/17 to 2019/20. A 1% movement in Council Tax would represent £11.18 per annum for a Band D household and generate £1,118k additional revenue.

28. This draft budget includes a 2.4% increase in the headline rate of Council Tax, securing £2,684k additional funding to support local services at a cost of £26.71 per annum for a Band D household. This uplift is intended to provide a mechanism to contribute towards inflationary and demand-led growth in the cost of services projected to total £13,559k in 2019/20, which represents the largest elements of the savings requirement over this Administration in contrast to the previous four year period when funding reductions were the primary driver of the savings requirement, although these funding reductions do continue into 2019/20. The Revenue Support Grant and other grants will fall by a further £3,992k and the late decision by HM Treasury to limit the ratio retention in the London Pool Pilot to 75%, rather than the 100% has taken away a further £4,000k.

29. While a 2.4% increase in Council Tax represents a change from freezing Council Tax for ten years, the Council continues to demonstrate its commitment to Sound Financial Management through differentiation with increases proposed across London. Average

increases across London (including the Social Care Precept) rose from 2.71% in 2016/17, to 3.67% in 2017/18 and 3.66% in 2018/19, with intelligence suggesting that a similar level of increase is likely for the forthcoming financial year. The 2.4% increase represents 90% of the increases (excluding the Social Care Precept) applied by Hillingdon's three nearest neighbours (Ealing, Harrow and Hounslow) in 2018/19.

30. In addition, for 2019/20 a decision not to implement the Social Care Precept provides a further level of differentiation with only one other authority not applying the Precept in 2018/19 and thirteen London Boroughs having already brought forward an element of the 2019/20 Precept into earlier years. Whereas Hillingdon has taken the decision not to implement the Social Care Precept for the fourth consecutive year.

Business Rates Income

31. Under the current 50% Business Rates Retention system, the Council is projecting to retain £55,859k or 14% of the £387,894k expected to be collected from commercial property across the Borough in 2019/20. Income retained through the 50% system has grown by £2,891k from 2018/19, although £1,642k is linked to the expected 2.3% inflationary uplift on Business Rates bills set by the Government with equivalent funding topsliced from the Council's Revenue Support Grant allocation.

32. The Council receives 15% of additional income generated through expansion of the tax base, which accounts for the remaining £984k uplift in income and increases total retained growth to £8,549k for 2019/20. Together with the £47,310k baseline level of income to be retained locally, this delivers £55,859k to support local services.

33. The remainder of the £387,894k to be collected in 2019/20 is redistributed between Central Government, the GLA and local authorities across England through the Tariff and Levy mechanisms, although continuation of the London Business Rates Retention Pilot Pool would see additional sums retained over and above this amount. Assumptions regarding income from the pool are discussed later in this report.

London Business Rates Retention Pilot Pool

34. In November 2017, Leaders of London local authorities collectively approved the principal of a 100% Business Rates Retention Pilot Pool for the Capital, which was expected to secure an additional £240m for local use during 2018/19. These proposals were subsequently approved by Government for 2018/19, with an expectation that the pilot would continue into 2019/20. For Hillingdon, this additional income was expected to total £5,400k in both 2018/19 and 2019/20.

35. Following completion of the NNDR1 budget estimates process in January 2018, the estimated additional income for 2018/19 was revised upwards to £296m as a significant number of authorities (not Hillingdon) substantially revised income forecasts. Subsequent intelligence indicates that London-wide growth will be around £350m as a result of further improvements in the position reported by other authorities. For 2018/19, it is therefore

expected that £8,000k income will be secured, with £5,400k already included in the 2018/19 budget and the £2,600k windfall built into the 2019/20 budget.

36. On 8 November 2018, the Chair of London Councils and the Mayor of London received notification from Government that the pool would be scaled back from 100% to 75% for 2019/20, effectively halving the £8,000k additional income to £4,000k in the new financial year. Taking this together with the £2,600k additional income for 2018/19, £6,600k is projected to be available to support local services during 2019/20. Final confirmation of the 2017/18 surplus will not be received until after budget setting, any variation in the Council's share of the surplus will therefore be managed through Earmarked Reserves.

Collection Fund Surpluses

37. In addition to the benefits of the London Pool, a surplus of £1,036k is projected across the Council's share of the 2018/19 Collection Fund, incorporating a £734k surplus on Council Tax and £302k additional retained Business Rates income. In line with local government accounting requirements, this assessment of the likely surplus will be released to support the General Fund in 2019/20.

Central Government Grant

38. A confirmed £7,222k cut in ongoing support for local services through the Revenue Support Grant is partially mitigated through recently announced one-off additional Social Care funding, reducing the projected fall in Corporate Grant income from 2018/19 to £3,992k. Projected Government grant income for 2019/20 totals £44,157k, representing around 20% of the £214,516k recurrent funding with the remainder raised locally through Council Tax and Business Rates.

39. 2019/20 is the fourth and final year of the multi-year settlement entered into in 2016/17, which confirmed Revenue Support Grant allocations for the period and therefore leaves limited scope for variation in funding allocations. As 2019/20 also represents the final year of the Government's current Spending Review period, limited movement in other funding streams is expected.

40. The Council's £5,809k Revenue Support Grant allocation was set out in the multi-year settlement in 2016/17, representing a reduction of £7,222k on the prior year award. Under the current Business Rates Retention system, Revenue Support Grant and baseline Business Rates income are calculated from the Settlement Funding Assessment, with inflationary uplifts in business rates topsliced from the Revenue Support Grant.

41. The Public Health Grant is expected to fall to £17,071k for 2019/20 in line with previously released allocations from the Department of Health and Social Care. This is a year-on-year reduction of £463k, in line with the Government's intention to reduce the grant by 9.6% over the period 2015/16 to 2019/20, which will see funding returned to 2013/14 levels in cash terms despite inflationary and demographic pressures impacting upon service expenditure.

42. Better Care Fund projections for 2019/20 total £12,505k, incorporating an estimated £6,298k core Better Care Fund routed from the Department of Health and Social Care through Hillingdon Clinical Commissioning Group and £6,207k Improved Better Care Fund (iBCF) monies targeted towards Social Care authorities from within the local government finance system. The core Better Care Fund allocation has been uprated by 1.57% from the final 2018/19 award in line with the GDP deflator, with iBCF funding reflecting allocations published alongside the 2018/19 settlement.

43. On 29 October, the Chancellor announced £240m 2019/20 funding for adult social care winter pressures and a further £410m additional funding for adults and children's social care. Authority level funding allocations have been published in draft. The provisional allocation for Hillingdon's share of funding will be around £2,820k. In order to access these two tranches of funding, it is expected that the Council will be required to consult with the local Clinical Commissioning Group, however specific guidance is still awaited.

44. New Homes Bonus income of £3,665k is expected for 2019/20, representing a reduction of £375k of the 2018/19 allocation primarily as a result of the Government's decision to limit bonus payments to growth above a 0.4% baseline. As part of the Provisional Local Government Finance Settlement published on 13 December 2018, the Government confirmed that the 0.4% baseline remains unchanged for 2019/20. This represents an adverse movement of £65k on the position reported in December 2018.

45. Other corporately managed grants are projected to total £2,287k for 2019/20, representing an increase of £798k on 2018/19 allocations. Within this sum, £1,114k relates to the Housing Benefit Administration Subsidy and £290k funding for the administration of the local Council Tax Support scheme.

Balances and Reserves Strategy

46. As of Month 9 budget monitoring, General Balances are projected to total £39,440k at 31 March 2019 with this draft budget proposing to release £7,776k of this sum in 2019/20 and £8,000k over the subsequent three years to smooth the savings requirement. This strategy would therefore apply £15,776k of General Balances, leaving £23,664k uncommitted over the medium term.

47. The Balances and Reserves Policy approved by Cabinet and Council in February 2018 outlined a recommended range of £15,000k to £32,000k for uncommitted General Balances, with the proposed budget strategy meeting this requirement. At this time, no amendment to this headline reserves requirement is proposed although the broad range of risks facing the authority will continue to be monitored.

INFLATION

48. An inflation requirement of £7,352k has been estimated for 2019/20, with £7,735k of cost increases across £259,754k expenditure budgets subject to inflationary pressures and a corresponding £383k uplift on associated income budgets. The most significant items within

this provision are £4,197k on workforce budgets, £2,112k on care placement budgets and £852k on contracted services.

Table 6: Inflation Provision

	2018/19 Baseline £'000	Inflation Rate %	2019/20 Inflation £'000
Workforce Expenditure (including Pension Contributions)	114,959	3.8%	4,197
Added Years Pension Costs	1,872	2.4%	45
Energy	2,100	8.0%	148
Vehicle Fuel	774	19.0%	147
Contracted Expenditure	43,009	2.0%	852
Homecare Provision (Adult Social Care)	11,897	3.0%	357
Care Placements (Adult Social Care)	55,419	2.4%	1,331
Care Placements (Children's Services)	17,664	2.4%	424
Business Rates	2,943	3.6%	106
Levies	9,117	1.4%	128
Gross Inflation Provision	**259,754**		**7,735**
Less: Externally Funded Items	N/A	Various	(383)
Net Inflation Provision	**259,754**		**7,352**

49. During 2018/19 a two year pay award for local government staff was approved nationally, with 2% per annum inflationary increases across all pay grades and a further 1.3% targeted uplifts for the lowest paid staff across 2018/19 and 2019/20. The 3.8% inflation provision for 2019/20 includes 2% per annum inflation for all staff and 0.8% of the targeted uplifts for staff up to Spinal Column Point 19, alongside a 1% increase in the Employer's Pension Contribution rate agreed in the 2016 Triennial Valuation of the pension fund, at a total cost of £4,197k. Where staff costs are financed from a targeted government grant, or recharged to capital or other funding streams, associated income targets have been uprated.

50. Added Years Pension costs, reflecting historic commitments above standard pension entitlements to former employees, are uprated annually in line with CPI from the preceding September. For 2019/20 this equates to 2.4% at a cost of £45k on the £1,872k base budget.

51. Energy inflation has been applied to the Council's electricity and gas budgets in line with recent experience, with an uplift of 8% or £148k included for 2019/20. Vehicle fuel has been uprated by 19% or £147k to reflect the pressure arising from cost increases identified through monthly budget monitoring.

52. Provision of £852k has been included for the Council's £43,009k of externally contracted expenditure, representing a 2.0% uplift on expenditure in line with CPI continuing to track with the Bank of England target. As in previous years, it is not expected that this inflation requirement will fall evenly across contracted spend and where appropriate providers will be

expected to secure efficiencies where possible, it is therefore proposed that the Director of Finance will continue to approve releases from this provision.

53. In addition to general contracted expenditure, care placement costs across Adult and Children's Social Care of £84,980k are expected to be subject to inflationary pressures. As in previous years, inflation projections are based on an assumption that the salaries-based elements of contracts will be uprated at least in line with the London Living Wage which saw a 3.4% increase to £10.55 per hour in November 2018. Given the potential challenges in post-Brexit recruitment and retention for a sector heavily reliant on European Union nationals, wage growth of 4% has been assumed in this draft budget which equates to an inflationary uplift of £2,112k. In line with other contracted expenditure, the Director of Finance will continue to approve releases from this provision on a case by case basis.

54. Provision of £106k is included to support inflationary uplifts and unwinding of transitional relief on Business Rates for the Council's own properties in 2019/20. In addition, £128k inflation has been included on the £9,117k levies on the basis of a 1.4% uplift reflecting broader inflation alongside a higher uplift on the West London District Coroner's service reflecting pressures reported in 2018/19.

55. Where specific income streams are linked to expenditure budgets subject to inflationary pressures, these have been uprated to avoid overstating the net inflation requirement for 2019/20. This £383k uprating primarily relates to the impact of inflationary increases in care package costs and incomes for those clients contributing to the cost of their care and workforce costs rechargeable to dedicated funding streams.

CORPORATE ITEMS

56. There are a range of issues impacting upon the Council's overall budget and therefore managed corporately, including movements in the budget for the Older People's Discount, movement in the Added Years Pension Costs, Capital Financing Costs, the use of Earmarked Reserves and some smaller items shown in the table below. It is projected that the net cost of these items will increase by £1,200k in 2019/20.

Table 7: Corporate Items

	2019/20 Corporate Items £'000
Movement in Council Tax Older People's Discount	410
Movement in Added Years Pension Costs	(25)
Capital Financing Costs	2,447
Housing Benefit Subsidy (Recovery of Overpayments)	100
Flexible Use of Capital Receipts to finance Service Transformation	(188)
Use of Earmarked Reserves to fund HIP and Leader's Initiatives, and Older People's Discount	(1,495)
Recharges to Other Funds and Entities	(49)
Total Corporate Items	**1,200**

57. The freeze in Council Tax for those households over the age of 65 is expected to increase the cost of the scheme by £410k to £1,380k in 2019/20. Freezing bills for eligible households at 2018/19 levels (or 2006/07 levels for those already enrolled in the scheme) is projected to cost £478k on the basis of current uptake which is expected to be offset by a £68k reduction in cost arising from standard mortality assumptions. For those already in the scheme, this equates to an £80.91 per annum discount and for those joining the scheme in 2019/20 an annual discount of £26.71. A £25k reduction in the cost of Added Years Pension Costs is also included on the basis of similar mortality assumptions.

58. An uplift of £2,447k in respect of capital financing costs is included in this draft 2019/20 budget, reflecting provision for repayment and servicing of debt arising from £35,651k capital expenditure funded from Prudential Borrowing in 2018/19 alongside an end of time limited release of historic overprovision for such costs. In recent years, the costs of capital financing have been minimised as the Council was able to support investment from internal borrowing of reserves, however the combination of significant capital investment and anticipated releases from Earmarked Reserves (currently utilised for internal borrowing) are expected to necessitate external borrowing during the later stages of 2018/19.

59. Within the Housing Benefit Subsidy system, declining levels of outstanding overpayments and associated requirement for doubtful debt provisions, as initiatives such as RTI and FERIS enable more timely changes to benefit awards, the budget requirement is expected to reduce income secured from Government through this route by £100k in 2019/20. A review of activity meeting the criteria for capitalisation under transformation powers has identified a further £188k expenditure linked to the development and implementation of savings, which can be funded through this route in 2019/20.

60. Release of £1,495k from Earmarked Reserves to meet costs associated with the Council Tax Older People's Discount, Hillingdon Improvement Programme and Leader's Initiative for Older People is proposed for 2019/20 as funding previously set aside for this purpose is released. In addition, £300k contributions towards support services costs from other funds and entities (including the Council's property trading company, Hillingdon First Limited and Public Health activity) has been reflected in this draft budget.

DEVELOPMENT AND RISK CONTINGENCY

61. The Development and Risk Contingency is used to manage budgets relating to volatile or demand-led budgets, where there will remain uncertainty as to the level of resources required until actual demand for services will be known at outturn. Rather than inflating Directorate Operating Budgets to cover all potential risk items, these are collated and budgeted for in the round.

62. The following table provides an overview of projections across Development and Risk Contingency, with £6,281k of anticipated increases in demand for services linked to demographic / population-led drivers and a marginal £74k reduction in provision for risk items requiring a net £6,207k uplift in the 2019/20 budget requirement. Offsetting these

pressure items, a number of management actions totalling £1,281k and relating to demand management, effective procurement and income generation.

Table 8: Development and Risk Contingency

	2019/20 Corporate Items £'000
Revised 2018/19 Development and Risk Contingency	**7,937**
Movement in Demographic Growth Items	6,281
Movement in Risk Items	(74)
Proposed Management Action	(1,281)
Projected 2019/20 Development and Risk Contingency	**12,863**

63. The following paragraphs provide an overview of items specifically identified within Development and Risk Contingency, identifying key risks and emerging issues where appropriate alongside commentary on proposed management action.

Service Pressures – Demographic Growth Items

64. Waste Disposal Levy and Contracts (£2,329k provision, £800k growth from 2018/19) – Projected costs in respect of waste disposal reflect projected residential development in the borough, alongside increases in the cost of disposal linked to rising landfill taxes and broader market forces with scope for volatility in both volumes and cost during 2019/20.

65. Support for Looked after Children (£3,273k provision, £2,870k growth from 2018/19) – During 2018/19 there has been a significant increase in the number of Looked after Children being supported by the Council, with 252 placements in August 2018 representing an increase of 31 on August 2017. This level of growth is anticipated to continue over the remainder of this financial year, which together with higher residential placement costs results in a £2,870k uplift in the previous contingency requirement.

66. Support for Children with Disabilities (£1,017k provision, £650k growth from 2018/19) – Alongside Looked after Children, Children with Disabilities continues to see growth in placement numbers necessitating a £650k uplift in the contingency requirement for 2019/20.

67. SEN Transport (£997k provision, £738k growth from 2018/19) – Numbers of pupils meeting the criteria for Education, Health and Care plans continues to grow by around 10% per annum, with a significant proportion of these plans leading to transport provision. Higher than anticipated increases in the eligible pupils led to a disproportionate uplift in the number of routes required during 2018/19, which together with continuing growth of around 7% per annum results in a £738k uplift in the contingency requirement.

68. Adult Social Care Placements (£2,987k provision, £1,223k growth from 2018/19) – An uplift in the cost of care placements is projected for 2019/20, reflecting underlying growth of 1.9% in the over 65 population and 1.3% in the population with moderate to severe learning difficulties. This underlying growth in demand is expected to translate into an additional

£1,223k net expenditure on care placements as new working age clients transition into the service, with effective management of the front door and service delivery models continuing to support independence and avoiding any uplift in the cost of Older People's Care placements.

Service Pressures – Risk Items

69. Homelessness Prevention (£1,736k provision, no change from 2018/19) – Numbers of approaches from households at risk of homelessness has continued to rise throughout 2018/19, with growth of 65% projected by March 2019 as a result of the Homelessness Reduction Act being introduced in April 2018 and upward pressures on the local rental market. While a number of management actions discussed below are in place to reduce the use of Temporary Accommodation, it is proposed to retain the gross provision at 2017/18 levels.

70. Asylum Funding Shortfall (£1,885k provision, no change from 2018/19) – Home Office funding available to the Council to support Unaccompanied Asylum Seeking Children remains insufficient to meet the full cost of this demand, with £1,885k costs falling to the local taxpayer. No change in this provision is proposed for 2019/20.

71. Social Worker Agency (£571k provision, £294k increase from 2018/19) – The recruitment and retention of professional Social Work staff remains a challenge across the sector, which necessitates a reliance on agency staff with associated cost premiums. For 2019/20 it is projected that 25% of hard to fill posts will require agency cover at an additional cost of £571k, this represents an uplift from the 2018/19 which assumed this could reduce to 10%.

72. General Contingency (£832k provision, £168k decrease from 2018/19) – In order to manage emerging pressures or other volatility, it is proposed to retain a General Contingency of £832k. Given the substantial growth proposed for specific provisions in 2019/20 and reflecting experience in recent years, there is scope for this provision be reduced from its 2018/19 level of £1,000k.

Management Action

73. Waste Disposal Levy and Contracts (£357k management action, no change from 2018/19) – The 2018/19 budget included £357k savings on waste disposal contracts linked to the retendering of the dry recyclables contract, with the new contract reducing the Council's exposure to penalty charges for contamination. With the new contract now live, this saving is on track for delivery in full.

74. Homelessness Prevention (£664k management action, £664k increase from 2018/19) – The Council has been successful in minimising reliance upon more expensive Bed and Breakfast accommodation during 2018/19, which in addition to the service benefits contributes towards a substantial reduction in the net cost of homeless prevention. In addition, continuing use of incentives to secure sustainable private rented sector tenancies contributes towards this expected saving which will continue to be closely monitored into 2019/20.

75. Social Worker Agency (£294k management action, £294k increase from 2018/19) – The Council is investigating alternative procurement routes for Social Work agency staff with indications that a lower premium could be secured through an alternative provider. Should this initiative prove successful, a reduction in cost of £294k is anticipated.

76. Adult Social Care Placements (£1,049k management action, £323k increase from 2018/19) – Savings of £886k are expected to be delivered from the opening of the Council's two new Extra Care sites at Grassy Meadows Court and Parkview, with £606k of this sum included in the 2018/19 budget and £260k full year effect in 2019/20. In addition to these savings from reduced reliance upon residential care packages, an additional £183k income is expected to be secured by aligning client contribution rates for self-funders to the actual cost of care which was approved by Cabinet in October 2018 with effect from 31 December 2018.

PRIORITY GROWTH

77. This draft budget includes £1,462k new funding for Priority Growth items, which together with £20k of brought forward resources will support £1,212k specific initiatives and £250k unallocated growth available to meet emerging requirements. Specific growth proposals include £440k for Ward Budgets, a £250k increase in Ruislip Lido budgets to maintain the current service offer, £188k towards an enhanced CCTV / Community Safety offer, £140k for a new Fly Tipping Response & Prosecution Unit, an increase in Voluntary Sector Grants of £100k, £60k for a new Domestic Violence post and £34k for a Freedom of Information and Subject Access Requests officer.

SAVINGS PROGRAMME

78. Refreshed projections for funding, inflation, contingency, growth and corporate items result in a savings requirement of £6,609k for 2019/20, with £1,281k management action on contingency items reducing savings to be identified from Directorate Operating budgets to £5,328k.

Table 9: Savings Proposals

	Chief Executive's Office £'000	Finance Directorate £'000	Residents Services £'000	Social Care £'000	Cross-Cutting Initiatives £'000	Total £'000
Service Transformation	(282)	(580)	(182)	(921)	(851)	(2,816)
Income Generation & Commercialisation	(105)	0	(571)	(1,198)	0	(1,874)
Zero Based Reviews	0	0	361	205	(1,204)	(638)
Savings Proposals	**(387)**	**(580)**	**(392)**	**(1,914)**	**(2,055)**	**(5,328)**

79. The following paragraphs provide an overview of savings proposals included in this draft budget; these measures represent efficiency measures rather than rationalisation or rationing of service provision. As in previous years, savings measures fall into three broad themes:

i. Service Transformation represents the majority of proposed savings, with items presented in this category ranging from the full year effect of previously implemented proposals, the implementation of agreed BID Reviews and the expected benefits arising from potential new BID Reviews.

ii. Income Generation & Commercialisation proposals include brought forward items for which plans are already in place, and proposed amendments to Fees and Charges discussed in the dedicated section from paragraph 92.

iii. Savings proposals from Zero Based Reviews represent budgets that have been identified as being surplus to requirements through the line-by-line review of outturn 2017/18 and similar exercises being undertaken by Finance.

Pump Priming Savings and Flexible Use of Capital Receipts

80. The Council is currently permitted to finance the costs associated with service transformation from Capital Receipts, with both one-off implementation costs and the support for service transformation, including the BID team, being funded from this resource. This draft budget has been prepared on the basis that such implementation costs for the 2019/20 savings programme, estimated at £3,000k, will be financed from a combination of Capital Receipts and Earmarked Reserves as appropriate.

Chief Executive's Office

81. Savings proposals totalling £387k have been identified for 2019/20, including £282k service transformation savings proposals that have been presented in relation to the Chief Executive's Office, including £123k from a remodelling of Human Resources and £159k from the consolidation of Senior Management posts within the service. The remaining £105k included in 2019/20 relates to an anticipated increase in Fees & Charges from the annual benchmarking exercise which is expanded from paragraph 92. Full year effects from the remodelling proposals are expected to increase these savings in future years to deliver £514k by 2021/22.

Finance

82. Within Finance, £580k proposals are presented for 2019/20 including service transformation proposals of £180k through the implementation of new ways of working within Corporate Finance, £385k from a review of the senior management structure across the group and £15k linked to optional self-service opportunities for residents interacting with Revenues and Benefits service. A further £28k full year effect will increase total savings delivered to £608k in 2020/21.

Residents Services

83. Savings proposals totalling £392k are presented for Residents Services in 2019/20, including £182k service transformation items, £571k from income generation and commercialisation with a £361k net increase in budget requirement arising from Zero Based

Reviews. Further proposals with longer implementation times are expected to secure a further £265k savings in future years, bringing the total savings proposals for Residents Services to £657k.

84. Service transformation proposals expected to deliver in 2019/20 include a further £82k savings from the insourcing of Facilities Management and £100k from a new delivery model for security guards at corporate sites including the Civic Centre. A further £210k from reduced reliance upon agency staff within Planning is expected to increase transformation savings to £392k in 2020/21.

85. Income generation and commercialisation proposals totalling £571k for 2019/20 include an anticipated £446k increase in Fees & Charges from the annual benchmarking exercise which is expanded upon from paragraph 92, a further £95k net income from investment in additional Street Scene Enforcement capacity and £30k from income related to Uxbridge's Battle of Britain Bunker. Beyond 2019/20 savings under this theme are expected to increase to £626k to reflect options for commercialisation of aspects of the Rural Activities Garden Centre offers.

86. Net savings of £79k have been identified through Zero Based Budgeting activity within Residents Services, although this has been offset by recognition of the elements of the pressures reported on Off Street Parking income and Fleet Management identified in 2018/19 budget monitoring.

Social Care

87. Across Social Care, savings proposals totalling £1,914k have been identified for 2019/20, reducing to £1,256k as Troubled Families Grant income falls out in its entirety from 2020/21 onwards. 2019/20 proposals include £921k service transformation savings, £1,198k income generation proposals linked to joint funding of packages by local health partners and a net £205k adverse movement from zero based budgeting as the benefits of the Troubled Families scheme decline.

88. Service transformation proposals include a further £491k from the ongoing major review of SEN Transport provision, £180k from reviewing commissioning options for Reablement Services, £150k from a review of the Occupational Therapy function and £100k from the insourcing of best interest assessments required under Deprivation of Liberty Safeguards.

89. Additional income of around £1,198k from Hillingdon Clinical Commissioning Group is expected to be secured from a review of historic care packages for those Mental Health clients not covered under the 2015 funding agreement. This is the last material area of placement expenditure where a rebalancing of expenditure between the Council and health is expected to be possible.

90. Zero Based review savings reflect £187k client equipment that will be funded from capital grant within the broader Better Care Fund, alongside a decline of £392k in budgeted

Troubled Families income in 2019/20. In 2020/21 the Troubled Families Grant is expected to end, requiring the residual £658k income target to be written out.

Cross Cutting

91. Cross Cutting initiatives include a net £600k contribution from BID Reviews and Service Transformation activity to be undertaken during 2018/19 and 2019/20, including the initial outputs from a refreshed BID Programme. Alongside these reviews, the recently completed review of long-term vacant posts has identified £804k of zero based budgeting savings where posts can be deleted without impacting on service standards. Net savings of £400k have been identified through Zero Based Budgeting activity across the Council. Further savings are expected on Public Health funded activity as a result of the ongoing BID Review of this area. A figure of £251k included in these budget proposals to reflect the confirmed £463k grant cut for 2019/20 being partially offset by the £212k share of the uplift in General Resources attributable to the Public Health element of the Council's budgets.

FEES AND CHARGES

92. The Council is empowered to seek income from Fees and Charges to service users across a wide range of activities. Some of these Fees and Charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations. The Council continues to operate a system of differential charges through the Hillingdon First card, which enables preferential rates to be offered to local residents.

93. The Council continues to benchmark Fees and Charges against those of neighbouring authorities and other service providers, with charges being set at a maximum of 90% of the relevant benchmark for residents, and at benchmark for non-residents where applicable. As the Council has frozen many charges since 2011, while other providers apply annual uplifts, periodic benchmarking at 90% can result in larger rises in a single year than seen in other authorities. This alignment programme incorporates £551k additional income from the following proposed amendments to the specific charges:

    i. Birth Certificates – The General Register Office has issued notification that the National Panel for Registration have made two changes, firstly a revised standard certificate fee of £11 and secondly a fast turnaround price of £35 for a 24 hour service which combined deliver £100k additional income.

    ii. Registrars: Wedding Ceremonies – Benchmarking charges to 90% of neighbouring authorities can deliver £30k of additional income, which will mitigate an existing budget pressure before contributing to the budget position;

    iii. Planning Performance Agreements – Aligning charges to developers to reflect current agency planner costs and an element of overheads is expected to secure

£100k additional income, with a further £90k income from recharging capital schemes and topslicing asset sales in line with charges to external developers.

iv. Trade Waste at Civic Amenity Site – An uplift in charges to match 90% of neighbouring authorities can deliver a £77k increase in income;

v. Cemeteries – Uprating charges in line with 90% neighbouring authorities delivers a £57k increase in revenue;

vi. Licenses – Simplification of the charging schedule through deleting complex legacy charges and replacing with new charges, alongside benchmarking against neighbouring boroughs is expected to secure an additional £31k of income;

vii. Breakspear Crematorium – Uprating charges in line with 90% of nearest neighbour charges delivers £13k of additional income;

viii. Music Service – Uprating in line with the three year approach previously approved by Cabinet is expected to deliver £13k further income in this third and final year; and,

ix. Libraries – Uprating room hire, reservations from the British Library and late fees in line with 90% of neighbouring authorities delivers £12k of additional income.

x. In addition further income of £56k is expected through ongoing reviews on charges across a range of services.

94. Alongside these savings, proposals to benchmark charges for up to five hours parking at the Cedars and Grainges car parks in Uxbridge Town Centre to 90% of the Uxbridge INTU cark park for non-residents are proposed, whilst keeping charging unchanged for residents. Additional income from these changes will reduce the pressure reported against these car parks in budget monitoring.

95. In addition to the above proposals, which deliver net savings to the budget position, the following amendments to Fees and Charges are proposed to streamline or refresh charging approaches without necessarily impacting upon overall levels of income received by the Council.

i. Land Charges – It is proposed to streamline and simplify the fees and charges levied for Local Land Charges, it is anticipated that this will not have a budget impact but reduce an existing pressure.

ii. Imported Food Office – Proposed uplift in charges to importers to secure £61k additional income and reduce reported budget pressures;

iii. Asylum Rents – Removing the redundant subsidy for those studying at University and setting charges to recover the full cost of accommodation. This is not expected to secure additional income as current policies are for such students to secure private accommodation.

iv. Client Financial Affairs – Revisions to the structure of charging for Deputyships are proposed that are not expected to have a material impact on revenue.

2018/19 to 2023/24 CAPITAL PROGRAMME

Proposed Changes to Capital Programme and Funding

96. This report outlines a number of proposed changes to the Council's Capital Programme over the period 2018/19 to 2023/24, which would increase total investment to £453,424k to be funded through a combination of grants, developer contributions, capital receipts and £228,381k borrowing. The following table provides an overview of proposed amendments to the programme, with further detail on major changes provided in the following paragraphs and an overview of the programme set out in Appendix 9.

Table 10: Proposed Capital Programme Updates

2018/19 to 2022/23 Capital Programme	Capital Expenditure	Capital Financing			Fully Funded / Self-Financing Projects
		Grants & Conts	Capital Receipts & CIL	Prudential Borrowing	
	£'000	£'000	£'000	£'000	
Approved Capital Programme	**395,529**	**118,331**	**98,573**	**178,625**	
Reported Month 9 Variance	(640)	1,066	(2,172)	466	
Secondary Schools Expansions	(9,054)	(6,050)	0	(3,004)	
Additional SEND Grant & School Contribution	962	962	0	0	Yes
RAGC Expansion	1,164	0	0	1,164	
Street Lighting Replacement	2,876	0	0	2,876	
Harlington Road Depot	600	0	0	600	
Equipment Capitalisation	3,968	1,920	700	1,348	
Civic Centre Programme	2,342	0	0	2,342	Partially
Property Works Programme	1,956	200	0	1,756	
CCTV Programme	1,000	0	0	1,000	
Corporate Technology (ICT)	5,647	0	864	4,783	Partially
Purchase of Vehicles	1,022	0	235	787	Partially
Private Sector Renewal Grants	(400)	250	50	(700)	
Car Park Pay and Display Machines Replacement	1,040	0	0	1,040	Yes
2023/24 Programmes of Works	12,527	8,197	4,330	0	
Highways Structural Works	29,000	0	0	29,000	
Yiewsley & West Drayton Pool - Community Centre Investment	2,000	0	0	2,000	
Environmental and Recreational Initiatives	500	0	0	500	
Libraries and Leisure Centre Refurbishments	1,750	0	0	1,750	
Purchase of Uxbridge Police Station removed	(5,000)	0	0	(5,000)	
2023/24 General Contingency	1,500	0	1,500	0	
Allocate Disabled Facility Grant at 2018/19 level	3,135	3,135	0	0	
S106 to existing schemes	0	702	0	(702)	
Extension of Capital Receipts for Transformation	0	0	(9,000)	9,000	
CIL	0	0	(1,000)	1,000	
Revised Capital Programme	**453,424**	**128,713**	**94,080**	**230,631**	
Of Which, 2019/20 to 2023/24	**368,384**	**100,831**	**72,481**	**195,072**	
Movement from Approved Programme	57,895	10,382	(4,493)	52,006	

i. Secondary School Expansions – A £9,054k reduction in expenditure projections for new secondary provision based upon latest pupil place planning forecasts, with a corresponding £6,050k reduction in Government Grant support.

ii. Additional SEND Grant – Investment in provision for pupils with Education, Health and Care Plans to be funded from a combination of Government Grant and individual school contributions, which will secure 157 additional in borough places.

iii. Rural Activities Garden Centre – £1,164k of Council funded investment in the site, providing enhanced facilities, including a new café, agricultural barn, shop and expanded car parking facilities.

iv. Street Lighting Replacement - £2,876k additional locally funded investment to enhance the borough's street lighting, including replacement of faulty columns.

v. Equipment Capitalisation - £3,968k additional investment in equipment for both corporate and Social Care client use.

vi. Civic Centre, Harlington Road Depot and Property Works Programmes - £4,898k cyclical investment in the Council's corporate estate, ensuring that facilities remain fit for purpose.

vii. CCTV Programme - £1,000k increase in the programme of expanding and improving CCTV coverage across the borough with a view to reducing both crime and the fear of crime.

viii. Corporate Technology - £5,647k investment in both operational and transformation ICT, including migration of systems into the Cloud and pump priming for the Council's broader transformation programme.

ix. Purchase of Vehicles – A £1,000k uplift in provision for the replacement of vehicles linked to the BID Review of the Council's fleet operation.

x. Private Sector Renewal Grants – Reducing annual budgets for this programme to £100k per annum to better reflect recent levels of funding released.

xi. Car Park Pay and Display Machines - £1,040k investment in renewal of the Council's 252 machines with a view to introduce the option of cashless payments while maintain preferential rates for residents.

xii. Highways Structural Works - £29,000k additional investment in the borough's roads, bringing annual provision to £8,000k over the period to 2022/23.

xiii. Yiewsley and West Drayton Pool – Community Centre Investment – Provision of £2,000k to fund improvements to community facilities alongside the development of a new leisure centre.

xiv. Environmental and Recreational Initiatives – In order to ensure sufficient funding is in place to improve the borough's award winning green spaces and other leisure assets, provision of £500k has been included in this budget.

xv. Uxbridge Police Station – Following the refusal of the Metropolitan Police to accept the Council's offer, the £5,000k provision for the purchase of this site has been removed from the Capital Programme. Earmarked Reserves set aside to support the £250k annual running costs in 2019/20 under this proposal are to be reallocated towards the Council's High Speed 2 and Heathrow Expansion Challenge Funds.

97. Changes to the recommended budget proposals from the report considered by Cabinet on 13 December 2018 relate to the updating of the reported variances from the Month 7 position to Month 9 and the inclusion of an additional £500k for Environmental and Recreational Initiatives.

98. In addition to these service-led proposals for additions to the Capital Programme, the above table also outlines changes to funding assumptions and incorporates the impact of extending commitments into the 2023/24 financial year. In considering the funding strategy for the Capital Programme and its associated revenue implications, it is necessary to include commitments in the current financial year in order to capture a comprehensive view of the Council's programme of investment. The following table sets out the latest funding strategy for this draft Capital Programme.

Table 11: Capital Programme Funding Strategy

	2018/19 £'000	2019/20 to 2023/24 £'000	Total £'000
Capital Expenditure	**85,040**	**368,384**	**453,424**
Prudential Borrowing	35,559	195,072	230,631
Capital Receipts	18,599	46,981	65,580
Community Infrastructure Levy	3,000	25,500	28,500
Council Resources	**57,158**	**267,553**	**324,711**
Government Grants	18,278	72,569	90,847
Other Contributions	9,604	28,262	37,866
Capital Financing	**85,040**	**368,384**	**453,424**

99. The Council will seek to minimise reliance upon Prudential Borrowing by prioritising use of grants and other third party funding, maximising application of developer contributions and where possible utilising capital receipts. The following paragraphs outline the approach

taken to managing the ongoing costs associated with the planned use of Prudential Borrowing.

Prudential Borrowing and Impact upon Revenue Budget

100. In approving a Capital Programme, the Council is required to operate within the Prudential Framework requiring that both individual schemes and the overall programme are tested for affordability, sustainability and prudence. Projects to be financed from the planned £230,631k borrowing fall into three broad financing strategies, with a fourth category of investment to be financed from future Council Tax revenues:

    i. £28,000k investment linked to the generation of specific capital receipts on completion of the project, such as the Yiewsley Development;

    ii. £50,000k investment in the Council's wholly owned property trading company, Hillingdon First Limited, with ongoing debt financing costs to be funded through dividends, interest and principal payments to the Council;

    iii. £8,090k invest-to-save projects intended to deliver revenue efficiencies sufficient to fully fund associated debt financing costs, such projects include investment in transformational ICT projects, and;

    iv. £144,541k investment in assets linked to service delivery, with significant elements of this sum including £43,975k for a theatre on the former RAF Uxbridge site, £48,265k for Highways Structural Works, £32,604k to meet demand for school places and £31,900k for a new swimming pool in the Yiewsley / West Drayton area.

101. Debt financing costs and any associated revenue savings will be reflected in the Council's revenue budgets as appropriate, with the £144,541k investment in assets linked to service delivery representing the most significant element of the £9,447k uplift in capital financing costs captured in the MTFF over the period to 2022/23. This sum will rise to a total cost of £11,788k from 2023/24 as the full borrowing requirement feeds through into revenue. There is scope to minimise this future revenue cost through rationalisation of programme commitments, securing alternative funding or increasing capital receipts, with a £10,000k reduction in the borrowing requirement equating to £540k per annum of financing savings to revenue.

2019/20 to 2022/23 BUDGET STRATEGY

102. Budget proposals for 2019/20 and capital investment plans have been developed in the context of the medium term outlook for the Council's finances, with the combined impact of inflationary pressures, growing demand for services and increasing capital financing costs generating a £48,654k saving requirement over the period to 2022/23.

103. The Council's draft budget strategy seeks to meet this requirement over the medium term through delivery of efficiency savings under the banner of the Business Improvement Delivery (BID) Programme and Council Tax increases below the London average. General Balances will be applied to align the profile of growth and savings to deliver balanced budgets, while maintaining unallocated reserves between £15,000k and £32,000k.

Table 12: Draft Budget Strategy 2019/20 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Underlying Savings Requirement	**16,119**	**14,561**	**9,252**	**8,722**	**48,654**
Proposed Council Tax Increase	(2,684)	(3,509)	(3,689)	(3,884)	(13,766)
Current Savings Proposals	(6,609)	259	(20)	(1)	(6,371)
Savings to be identified	0	(14,087)	(8,543)	(5,837)	(28,467)
Unwind call on General Balances	950	7,776	5,000	2,000	N/A
In-year Call on General Balances	**(7,776)**	**(5,000)**	**(2,000)**	**(1,000)**	**(15,776)**
Closing General Balances	**(31,664)**	**(26,664)**	**(24,664)**	**(23,664)**	**N/A**

104. The following paragraphs provide commentary on the underlying assumptions within the budget strategy, identifying scope for variation and sensitivity analysis around material projections.

MEDIUM TERM OUTLOOK

105. In line with the position for 2019/20, the underlying savings requirement is driven primarily by inflation, demand-led pressures managed through contingency and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax base and an assumption that the upcoming Spending and Fair Funding Reviews will direct £10,000k additional funding towards Hillingdon phased over three years, including baselining the temporary benefits of the London Rating Pilot Pool. However, this sort of injection of funding is not guaranteed and hence there is a risk that the savings requirement will be higher than that stated in the current MTFF strategy.

Table 13: Medium Term Outlook

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Changes in Recurrent Funding	(457)	(4,326)	(2,848)	(3,515)	(11,146)
Changes in One-Off Funding	375	7,636	0	0	8,011
Inflation	7,352	5,889	6,029	6,175	25,445
Corporate Items	1,200	3,257	3,065	2,972	10,494
Contingency (Service Pressures)	6,207	2,545	3,006	3,090	14,848
Priority Growth	1,442	(440)	0	0	1,002
Underlying Savings Requirement	**16,119**	**14,561**	**9,252**	**8,722**	**48,654**

106. Anticipated growth in recurrent funding of £11,146k over the period to 2022/23 reflects £5,787k additional income from Council Tax from a 5.2% growth in residential properties and expected additional income of £6,552k from locally retained business rates. In addition to this locally retained income, projections reflect an anticipated £11,193k decline in grants in line with provisional government allocations being offset by £10,000k of uplifts in funding from 2020/21 following the Fair Funding and Spending Reviews.

107. The decline in one-off funding reflects the 2018/19 Collection Fund surplus and the temporary benefit of the Business Rates Pilot Pool falling out from 2020/21 onwards, although there is expected to be scope for some of the benefits from the Pilot Pool to be translated into the growth in grant funding noted above.

108. Inflationary growth of £25,445k is anticipated over the period to 2022/23, with workforce costs, social care placements and other contracted expenditure representing the key components. Pay awards of 2.0% per annum from 2020/21 in line with CPI alongside annual 0.5% growth in pension contribution rates contribute £13,112k to the savings requirement, with expected London Living Wage growth of 4.0% per annum over the medium term the key driver behind an expected £8,768k uplift in the cost of care placements. The remainder of this pressure reflects 2% per annum uplift on contracted services, alongside continuation of current trends in energy costs.

109. As noted earlier in this report, the uplift in financing costs necessary to support historic and current capital investment plans represents the single largest element of the £10,243k provided for corporate items over the period to 2022/23. Total forecast borrowing of £228,431k includes £142,949k in support of schemes without specific funding strategies in place. This equates to financing costs of £9,447k per annum by 2022/23, rising to £11,788k beyond the current MTFF period.

110. Increased demand for services linked to a growing population is expected to require £14,975k additional expenditure by 2022/23, including £5,966k of growth in support for children in care, £3,799k of funding for adult social care, £3,450k additional waste disposal costs, and £2,166k uplift in the cost of SEN Transport being offset by reductions in other

contingency provisions. Priority Growth proposals for 2019/20 contribute a further £862k to the four year savings requirement.

111. The combined effect of these forecasts is a headline savings requirement of £48,654k over the next four years, which represents a challenge on a similar scale to the £47,024k of pressures managed over the period from 2015/16 to 2018/19. In contrast to the previous four years when reductions in funding were the single largest contributor to the budget gap, the projected gap is very much driven by growth in expenditure partially mitigated through a more optimistic view of government support from 2020/21 onwards.

COUNCIL TAX POLICY AND THE SOCIAL CARE PRECEPT

112. Under current regulations, although these are subject to annual review by Government as part of the local government finance settlement, the Council has the option to increase basic Council Tax by 2.99% without triggering a referendum. In addition increases of a further 2% per annum are possible between 2016/17 and 2019/20 through the Social Care Precept, with any future role of the Precept expected to be confirmed in the forthcoming Social Care Green Paper.

113. Given that alternative funding mechanisms for growing demand for social care would require direct investment from Government, officers consider it likely that the Social Care Precept will continue in some form beyond 2019/20. Were the precept to continue at up to 2% per annum while basic uprating was capped at 2.99%, this would provide capacity for headline increases of 4.99% over the next four years.

114. As noted earlier in this report, Average increases across London rose from 2.71% in 2016/17, to 3.67% in 2017/18 and 3.66% in 2018/19 (including Social Care precept), with no indications that authorities are seeking to scale back Council Tax increases across the capital. Taken together with the expected 4.99% capacity for increases, this would suggest that Hillingdon would easily be able to implement 2.4% in 2019/20 and maintain 2.99% per annum thereafter of increases while continuing to differentiate our approach from other authorities.

115. On the basis of current taxbase projections, and assuming that the value of the Older People's Discount is maintained and frozen in cash terms from 2020/21 (rather than maintaining a freeze in total Council Tax), uplifts of 2.4% in 2019/20 followed by 2.99% per annum thereafter would deliver £13,766k towards the £48,654k savings requirement.

BALANCES AND RESERVES STRATEGY

116. The Balances and Reserves Policy approved by Cabinet and Council in February 2018 outlined a recommended range of £15,000k to £32,000k for uncommitted General Balances, with the proposed budget strategy meeting this requirement. At this time, no amendment to this headline reserves requirement is proposed although the broad range of risks facing the authority will continue to be monitored.

117. Given that General Balances are projected to total £39,440k at 31 March 2019 this provides up to £23,664k of capacity to defer savings into later years where this is necessary. The draft budget strategy above proposes releasing £15,776k of this sum to enable the majority of the savings requirement to be reprofiled into 2020/21 and 2022/23, leaving £8,664k above the recommended minimum level for General Balances available to manage emerging risks.

118. As previously reported to Cabinet and reiterated in the Schools Budget setting report on this agenda, a cumulative deficit of £7,381k is projected on the retained element of the Schools Budget at 31 March 2019, with potential to rise to £10,880k by 31 March 2020. This deficit primarily relates to funding as determined under the Department for Education's national funding formula failing to keep pace with growing demand for high needs placements for pupils with Education, Health and Care Plans following introduction of the 2014 Children and Families Act. In light of the systemic nature of this risk, the Council's Medium Term Financial Strategy has been developed on the assumption that Government will ultimately provide adequate funding to support implementation of the 2014 Act and therefore bring the Schools Budget back into balance – both locally and nationally.

SAVINGS REQUIREMENT AND BUSINESS IMPROVEMENT DELIVERY (BID) PROGRAMME

119. On the basis of the current medium term outlook and assuming that the approaches to Council Tax increases and use of General Balances outlined above are approved, this would leave a residual savings requirement of £34,838k over the period to 2022/23. The full year effect of proposals outlined in the 2019/20 section of this report would secure £6,371k of this sum, leaving £28,467k to be identified. However, as stated previously, this assumes that the Council will receive a significant boost in funding as part of the Spending and Fair Funding Reviews. If this does not materialise to the extent currently assumed then savings may need to be higher.

120. Given the size of the budget gap going forward and the fact that savings are on a reducing trend line the approach to savings identification and delivery will need to be stepped up. This will necessarily include the need for an expanded and accelerated BID Programme. However, alongside the more strategic BID workstreams under development, the routine MTFF workstreams such as zero based budgeting and annual reviews of charging policies will continue.

HOUSING REVENUE ACCOUNT

121. Budget proposals for 2019/20 are based on the eighth full year of self-financing for the Housing Revenue Account. Under self-financing, the regulations maintain a ring-fence around the Council's provision of housing, the cost of which is fully supported by rental income.

122. This budget includes the 1% per annum reduction in rents up to 2019/20 and thereafter an increase of CPI+1% to reflect latest Government policy, whilst providing for substantial investment in new General Needs and Supported Living units. There is also no change to the HRA rent policy. The estimated impact of the High Value Voids levy proposal has been removed from the budget assumptions as the Government recently confirmed this would no longer be implemented.

Update on 2018/19 Budget

123. Development of the 2019/20 Housing Revenue Account budget builds upon the 2018/19 budget and therefore the current monitoring position provides a useful context, highlighting areas of uncertainty which will impact upon the future of the HRA. As at Month 9, a drawdown from HRA General Balances of £21,863k is projected in the HRA, a favourable variance of £574k compared to the budget, giving a forecast HRA General Balances of £16,245k at 31st March 2019, with the use of reserves funding investment in new housing stock.

124. The headline monitoring position at Month 9 incorporates underspends of £574k mainly in relation to planned works and bad debt provision, offsetting a £430k adverse variance predominantly from rental income. The latter reflecting some slippage on income streams from new stock.

Budget Requirement 2019/20

125. The movement from the 2018/19 baseline to the 2019/20 budget requirement is summarised below, with rental income projections and budget requirement levels updated and refreshed. The budget includes a contribution to support in-year capital investment of £18,820k and £1,245k use of HRA General Balances. This planned use of balances reflects increased investment in new housing stock, and the underlying financial position of the HRA remains robust.

Table 14: HRA Budget Requirement

	£'000	£'000
Funding Sources Rental Income	56,186	
Total Resources		**56,186**
Budget Requirement 2018/19	38,641	
Inflation	313	
Corporate Items	552	
Development and Risk Contingency	(480)	
Savings	(415)	
Budget Requirement 2019/20		**38,611**
Contribution to Finance Capital Programme		**18,820**
Surplus / (Deficit)		**(1,245)**

126. Appendix 10a to this report continues this presentation over the MTFF period, with unallocated HRA General Balances maintained at a minimum level of £15,000k. Rental income assumptions forecast £62,637k by 2022/23, meeting repayment of debt under self-financing of £15,869k, a contribution towards capital expenditure on existing and new stock of £22,094k and repairs & management costs of £24,674k.

127. Changes to the recommended budget proposals from the report considered by Cabinet on 13 December 2018 relate to a reduction in the number of anticipated Right to Buy sales by ten units in 2018/19 to reflect the latest budget monitoring position and an additional £160k planned investment in boilers for 2019/20.

Rental Income

128. Rental income projections have been fully refreshed to take account of revised estimates for the movement in the numbers of properties due to new builds, properties being sold under the RTB scheme and the Government's proposal to not implement the High Value Voids Levy, which may have necessitated sales to offset the Levy. This budget has been prepared on the assumption that the RTB sales remain at 60 per annum from 2019/20 to 2022/23.

129. 2016/17 was the first of four years of the 1% Social Rent reduction as part of the Chancellor of the Exchequer's announcement on rent reforms, which required all housing authorities to cut rents by 1% in the four year period 2016/17 - 2019/20, representing a reversal of the previous rental formula which allowed annual increases of CPI + 1%. The HRA MTFF assumed rental increases revert to CPI + 1% in 2020/21 in line with the MHCLG confirmation in October 2017 of a 5 year rent settlement whereby the social housing rent increase will be limited to CPI + 1% per annum between 2020/21 to 2024/25. The income projections continue to include a 1% provision for income losses arising from void properties, resulting in net dwelling rents of £56,186k in 2019/20.

Balances and Reserves

130. HRA General Balances are forecast to be £16,245k at 31st March 2019, representing 29% of total resources for 2019/20. It is proposed to keep the minimum level of HRA balances at £15,000k, with sums over and above this amount earmarked for investment in new or existing stock. The Major Repairs Reserve (MRR) will be utilised to support capital investment and it is not planned to retain any uncommitted MRR balances over the medium term.

Inflation

131. A net inflation provision of £313k is included in the 2019/20 budget. This relates to inflation of £464k on salary and operating costs and £151k inflation on charges to tenants and leaseholders.

132. The repairs and planned maintenance works budgets has no inflation added in 2019/20, however inflation has been added for the remainder of the MTFF term. A zero based budget review was completed for the repairs and planned maintenance service and the 2019/20 budgets reflect the need to maintain sufficient level of resources to fund the works required.

Corporate Items

133. Movements contained within Corporate Items include changes in provision for capital financing costs, changes in balances and other presentational changes. The total movement of £552k shown in Appendix 10b consists of £538k realignment of budgets relating extra care housing management provision, council tax and NNDR on void properties; repairs and planned maintenance; and ICT, and the remaining £14k relates to a reduction in interest earned on reduced balances.

Development & Risk Contingency

134. The HRA budget includes contingency budgets totalling £1,260k to meet emerging risks and pressures during 2019/20. This budget has reduced by £480k from £1,740k to £1,260k. The budget has a notional future development provision of £180k; General Contingency £680k which includes housing zone costs of £500k; and £400k contingency for exceptional items over and above the £1,700k provision for doubtful debts. The latter has been reduced by £480k reflecting a review of the anticipated requirements and historical drawdowns.

Savings

135. The 2019/20 proposed total savings of £415k relate to housing management operating costs and are included in Appendix 10c, this reflects a 3% efficiency saving across controllable expenditure which is to be delivered from £72k identified savings, alongside £140k Zero Based Budgeting items and £203k from further BID Reviews. These further BID savings will reflect outputs from the refreshed BID Programme outlined in the General Fund section of this report.

Medium Term Outlook

136. On the basis of current assumptions and projections, the financial standing of the HRA is expected to remain robust over the MTFF period and over the longer 30 year business plan period. This modelling assumes that the current legislative, policy, economic and housing market conditions do not materially change over the medium term.

137. Rental income is projected to remain reasonably steady over the period to 2022/23, reaching £62,637k as a result of 1% per annum reduction in headline rents for sitting tenants in 2019/20 and 3.1% uplifts linked to CPI thereafter. This projection assumes that void rates will remain at 1%, with property numbers expected to remain broadly consistent as 300 properties are sold and 428 developed or acquired over the five year Capital Programme.

Table 15: Projected Movement in Housing Stock

	2019/20	2020/21	2021/22	2022/23	2023/24	Change
Projected Opening Stock	10,137	10,171	10,253	10,271	10,268	N/A
Forecast Right-to-Buy Sales	(60)	(60)	(60)	(60)	(60)	(300)
New General Needs Units	38	87	78	57	57	317
New Supported Housing Units	0	12	0	0	0	12
Shared Ownership	56	43	0	0	0	99
Total New Units	**94**	**142**	**78**	**57**	**57**	**428**
Projected Closing Stock	**10,171**	**10,253**	**10,271**	**10,268**	**10,265**	**128**
Projected Average Stock	10,154	10,212	10,262	10,270	10,267	N/A

138. Projected property sales relate to the continuation of existing RTB discounts, with numbers of sales expected to be 60 per annum from 2019/20 to 2023/24, although volumes of sales will be dependent upon market conditions and will continue to be closely monitored.

139. By 2022/23 inflationary growth in workforce repairs and other costs, alongside other movements in the cost of delivering revenue services within the HRA will result in a £40,543k budget requirement. Taking account of the ongoing capital investment in maintaining existing stock estimated at £12,874k, this would leave a balance of £9,220k from annual rental income available to finance investment in new stock while maintaining unallocated HRA General Balances at £15,000k to meet any emerging pressures.

140. The draft Major Projects Capital Programme set out below outlines £160,558k of investment to deliver the 428 assumed new build properties or acquisitions over the five year period. Under the current 1:1 replacement scheme, the Council is able to finance up to 30% of this investment from the proceeds of Right to Buy sales, currently within a three year period after the sale. The Government is currently consulting on the use of RTB receipts and the timescales to consume the receipts. Capital Receipts including from Right-to-Buy sales provide £54,357k towards this investment, with £53,488k financed from direct revenue contributions, £3,686k from GLA grant and the remaining £49,027k to be met from Prudential Borrowing.

141. The HRA was subject to a cap on the overall level of borrowing, with Hillingdon having borrowing capacity available of £112,760k as at 31 March 2018, which remains more than sufficient to finance the development programme outlined below. In the budget on 29 October, the HRA borrowing cap was abolished with immediate effect. For Hillingdon's HRA the primary constraint on borrowing to support further investment in new stock remains the affordability and sustainability tests within the Prudential Code, whereby it is necessary to demonstrate that future rental income and growth in asset values will be sufficient to repay borrowing related to specific new projects.

142. Borrowing of £49,027k is forecasted to be required to fund the 2019/20 -2023/24 HRA Capital Programme, as profiled in the table. The borrowing would be undertaken with reference to the Prudential Framework, with proposed schemes being tested for affordability, sustainability and prudence over the 30 year business plan period. The forecast cost of the borrowing has also been included in the budgets.

Table 16: Projected Borrowing

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total 2019/20-2023/24 £'000
Projected Borrowing	15,176	15,630	9,718	6,345	2,158	49,027

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Background to Capital Programme

143. The HRA Capital Programme remains focused on the twin objectives of maintaining existing stock and construction of new dwellings. Within the new build element of the programme, provision of supported housing to support the Council's Adult Social Care Extra Care programme and associated revenue savings is a key element. An overview of the revised programme is contained in Appendix 10e.

2019/20 - 2023/24 CAPITAL PROGRAMME

144. The HRA Capital programme budget includes £65,547k for the other HRA programmes of work including provision for investment in existing housing stock of £55,691k, £9,515k of funding for major adaptations to properties, £260k for communal scooter stores and £81k for HRA technology and innovation. This level of provision reflects the latest programme of works proposals including inflation aligned to BCIS indices.

145. The Capital Programme contains provision of £160,558k to fund delivery of 428 new homes within the HRA over the period to 2023/24. These new build units will be financed from a combination of Capital Receipts from Right-to-Buy property sales retained under the 1:1 Replacement Agreement and non Right-to Buy receipts, direct revenue contributions from the HRA, GLA grant and borrowing. This new build programme consists of the following elements:

- For general needs housing (HRA), a provision of £139,899k is included to support the construction or purchase of 317 new properties within the HRA, funded through 30% Right-to-Buy proceeds £41,804k, and 70% from revenue contributions £49,068k and borrowing £49,027k.

- This programme provides broad provision for both schemes that are internally developed and acquisitions of new build houses from private developers and buy-backs of ex-Council stock previously sold through Right-to-Buy. A number of these acquisitions and developments are yet to be identified but there are a number of schemes that are being actively progressed. Some of the key projects include: Acol Crescent (19 units), the mixed tenure development at Belmore Allotments (38 units – with a further 43 shared ownership units), Maple & Poplar and Willow tree (27 units) plus a further 15 units across four smaller sites.

- The Major Projects Capital Programme includes budget of £14,667k for New Build Shared Ownership, funded from capital receipts of £10,741k, GLA grant of £3,686k and £240k of revenue contributions. This will deliver 99 units and includes; the Woodside Day Centre site incorporating two GP surgeries (20 units), Belmore Allotments (43 units), Maple & Poplar (17 units), Acol Crescent (14 units), and 5 units at Moorfield Road.

- A budget of £5,992k includes funding the 12 units that are planned for the Yiewsley site and final year costs in 2019/20 for the two supported housing projects at the Grassy Meadow site and Parkview site. These will be funded from Capital receipts of £1,812k and revenue contributions of £4,180k.

2019/20 SCHOOLS BUDGET PROPOSALS

146. The Council receives funding for Schools' Budgeted Expenditure through the Dedicated Schools Grant (DSG), which is a ring fenced grant. The DSG funds both the delegated individual schools budget and items which the School and Early Years Finance (England) Regulations allow to be retained centrally by the Council, including Special Educational Needs, Alternative Education provision and Early Years provision. Schools budget proposals for 2019/20 are presented to Cabinet in a separate report on this agenda.

147. As highlighted in the monthly budget monitoring reports to Cabinet throughout 2018/19 and reiterated in the Schools budget report, funding provided by the Department for Education through the DSG has failed to keep pace with growing demand on High Needs following the introduction of the 2014 Children's and Families Act. For 2019/20 this contributes towards a £3,499k deficit within current proposals, which would result in the cumulative deficit on the DSG reaching £10,880k by 31 March 2020.

148. The Council has submitted a disapplication request to the Secretary of State in regard to the Schools Budget proposals, seeking to transfer 1.6% of funding from individual school budgets to high needs to mitigate the £3,499k deficit. In the event that this disapplication is not approved, it should be noted that the Council's General Fund budget proposals make no allowance to finance the in year or cumulative deficit as the national scope and systemic nature of these deficits would require action on the part of the Government.

OVERALL BUDGET FOR COUNCIL TAX SETTING 2019/20

CORPORATE DIRECTOR OF FINANCE'S COMMENTS REGARDING RESPONSIBILITIES UNDER THE LOCAL GOVERNMENT ACT 2003

149. Under Section 25 of the Local Government Act 2003 the Corporate Director of Finance as the Council's nominated section 151 officer, has a responsibility to comment on:

150. The robustness of the estimates for the coming year.

151. The adequacy of the Council's reserves.

152. The Corporate Director of Finance is able to give positive assurances on the robustness of the estimates in general for the coming year. This view is based on:

- The use of an established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process. This has been further strengthened through the continued development of the Business Improvement Delivery programme.
- The inclusion within the base budget of a £14,895k Development and Risk contingency.
- Service managers having made reasonable assumptions about demand pressures and taken a prudent view of volatile areas.
- Risk based financial monitoring being undertaken during the year and reported to Cabinet on a monthly basis. This includes the agreement of recovery plans to ensure that the budget is delivered in overall terms.
- Procedures in place to capture and monitor procurement and other efficiency savings.
- Prudent assumptions made about interest rates.
- The recommended increases in Fees and Charges are in line with the assumptions in the revenue budget.

153. The Corporate Director of Finance also has a duty to comment on the adequacy of the Council's reserves when the budget is being set. At the time of budget setting for 2019/20, the Corporate Director of Finance set a recommended range of balances of between £15,000k and £32,000k which remains unchanged from that determined for the 2018/19 budget setting cycle. The following paragraphs outline the approach taken in determining this recommended range.

Statement on Balances and Reserves

154. The Corporate Director of Finance has undertaken a review of the risks currently facing the Council. This has enabled an update to the recommended range of balances that the Council should hold. This forms the basis of the guidance provided above in relation to his responsibilities under the Local Government Act 2003.

155. To assess the adequacy of general reserves, the Corporate Director of Finance has taken into account the strategic, operational and financial risks facing the Council. The Council should retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally, the Council wishes to utilise the maximum resources available to achieve its objectives, therefore it plans to maintain reserves at the lowest prudent level.

156. To determine the recommended level of reserves the Council has assessed risk against the criteria as specified in Local Authority Accounting Panel (LAAP) Bulletin 99 (July 2014). This assessment includes the following:

- The robustness of the financial planning process (including the treatment of inflation and interest rates and the timing of capital receipts).
- How the Council manages demand led service pressures.
- The treatment of planned efficiency savings / productivity gains.
- The financial risks inherent in any major capital projects, outsourcing arrangements or significant new funding partnerships.
- The strength of the financial monitoring and reporting arrangements.
- Cashflow management and the need for short term borrowing.
- The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the Council is subject and its track record in budget and financial management.

157. The assessment, although based on the Council's procedures and structures, has an element of subjectivity and to allow for this the optimum level of reserves incorporates a range. The recommended range has been maintained at £15,000k to £32,000k following a review of the risks facing the Council, although no specific provision above direct Government support announced in January 2019 has been made for the effects of Brexit, it is expected that any direct impact could be managed through the existing allowance of £2,000k to £3,000k for major contingencies or pressures. A fuller rationale for the recommended range of balances is provided in Appendix 11 of this report, with budget proposals contained within this report having been structured to maintain balances within this recommended range.

THE COUNCIL TAX REQUIREMENT FOR 2019/20

158. The budget proposals included in this report represent Cabinet's budget strategy for 2019/20 and beyond. The revenue budget proposals have been developed to include a thirteenth successive Council Tax freeze for over 65s and a fourth year of avoiding implementation of the Social Care Precept. The approved Council Tax level for 2019/20 is subject to Members' final choices in the budget setting process.

Council Tax Referendum

159. The Localism Act 2011 introduced a power for the Secretary for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax including proposed limits. If the Council proposes to raise its Council Tax above the proposed limits set, a referendum will need to be held. The result of the referendum will be binding upon the Council.

160. The general Council Tax increase at which local authorities would be required to hold a referendum for 2019/20 as directed by the Secretary of State for Communities and Local Government is 3%. As the budget proposals outlined in this report maintain Council Tax increases below this level, the referendum threshold will not be triggered for the financial year 2019/20.

161. For 2017/18 additional flexibility to levy a further 3% precept in support of Social Care expenditure was introduced by the Government, therefore enabling Hillingdon to raise the Council Tax payable by residents less than 6% without triggering a referendum.

Greater London Authority Precept

162. The Mayor of London's final budget proposals for 2019/20 are scheduled for consideration and approval by the London Assembly on 25 February 2019. The proposals result in a 8.9% increase in the element of Council Tax relating to GLA functions, equivalent to a £26.28 increase in annual bills for Band D Households.

RESIDENT BENEFIT & CONSULTATION

The benefit or impact upon Hillingdon residents, service users and communities?

163. The Medium Term Financial Forecast sets out the resources available for delivering the Council's objectives. The effects on residents, service users and communities are therefore extremely wide ranging and managed through the performance targets and outcomes that will be delivered through the resources approved through the budget setting process. The budget proposals for 2019/20 have been developed to maintain service provision through a 2.4% increase in Council Tax, while avoiding levying the social care precept for the fourth successive year and continuing the freeze in Council Tax for over 65s for the thirteenth successive year.

164. This draft budget has been developed with due regard to growing demand and ongoing reductions in Government support for local services, while minimising the impact on the level of service provision to residents. Overall, the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business by improving Value for Money in delivery and maximising funding, procurement, efficiency and service gains where possible.

165. Given that proposals to amend the Council Tax Older People's Discount Scheme to operate with two tiers of discount will be directly implemented should both Cabinet and Council approve the proposals outlined in this report, an Equalities and Human Rights Impact Assessment has been attached at Appendix 14 to support Cabinet and Council in considering this proposal.

Consultation carried out or required

166. Each of the Policy Overview Committees has received reports setting out the proposed revenue budget and Capital Programme proposals relevant to their remit. This was approved by Cabinet on 13 December 2018 for consultation at the January 2019 round of meetings. Comments on the budget from each of the service Policy Overview Committees were referred to the Corporate Services, Commerce and Communities Policy Overview Committee, who met on 5 February 2019 to consider the comments received from the three other Policy Overview Committees on the budget proposals relevant to their remit. The comments from that Committee are presented to Cabinet in Appendix 15.

167. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the borough. A budget consultation survey was published on the Council's website in relation to the Cabinet's budget proposals after the meeting on 13 December 2018, with the full report to December Cabinet also being available to view. Analysis of responses to this consultation is available on the Council's website and presented as Appendix 16 to this report for information.

168. The Council received 416 responses from residents, representing a substantial 251 increase on the volume of responses received to the consultation. Within this total 112 responses expressed dissatisfaction with the budget proposals solely in relation to the Council's policy opposing Heathrow expansion which has limited financial impact of the overall budget proposals, results are therefore presented to Cabinet both excluding and including these responses to enable Cabinet to consider the more strategic aspects of the budget.

169. Of those responses not exclusively focused on Heathrow expansion, 64% of respondents were satisfied with the budget proposals 45% agree that they represent Value for Money and 61% felt well informed about the proposals. When Heathrow expansion responses are included, 37% of respondents were satisfied with proposals and 37% felt the budget offers Value for Money. Where respondents expressed dissatisfaction with budget proposals, these primarily related to specific investment proposals within the budget for which the rationale is presented within this document, while small numbers of responses indicated higher or lower levels of Council Tax would be preferable. Positive comments focused upon continuing to maintain service levels while freezing Council Tax for the over 65s, particularly in the context of relatively low proposed uplifts in general Council Tax following the ten year freeze.

CORPORATE CONSIDERATIONS

Corporate Finance

170. This is a Corporate Finance report and corporate financial implications are noted throughout.

Legal

171. The Budget and Policy Framework Procedure Rules as set out in the Council's Constitution require the Cabinet to make proposals on the Council's budget. This requires them to be in accordance with the timetable which it has published. The Cabinet proposals are set out in this report for the consideration of full Council.

172. The Budget and Policy Framework Procedure Rules also stipulate that "In preparing the budget and strategic plans, the Cabinet consults with relevant stakeholders and partner agencies in the local community".

173. Any consultation exercise which the Council undertakes is governed by Judge made common law. The case of Moseley v London Borough of Haringey LBC was determined by the highest Court in the land, the Supreme Court, in 2014. This Court unanimously approved the case of R v Brent LBC ex part Gunning which sets out the key features of a lawful consultation process. The fourth 'Gunning principle', as it is known, requires that the product of consultation must be conscientiously taken into account by the decision maker.

174. The 2019/20 Budget Consultation Feedback is attached as Appendix 16 to the report and Cabinet should conscientiously take into account all the information set out in this document prior to making any decision.

175. Of the 416 consultation responses received, 112 responses have expressed dissatisfaction with the budget proposals insofar as they relate to the Council's policy of opposing Heathrow expansion. It should be noted that these particular consultation responses have only limited financial impact in relation to the overall budget proposals but provided that they are conscientiously taken into account, together with the other consultation responses, it would be lawful for Cabinet to approve, for recommendation to full Council, those matters which are set out in the Recommendations in the report.

176. In respect of income the Council provides a number of services in respect of which it can impose charges and fees to users. In certain instances those fees or charges may be set by Government. In other cases the Council has discretion as to the level of charges it sets. It should be noted that in respect of certain matters the Council can only impose a fee or charge which reflects the actual cost to the Council of providing such services. This has to be considered when setting the overall budget.

177. The Corporate Director of Finance’s duties under the Local Government Act 2003, insofar as they relate to budget setting, are set out in the body of the report. Of importance to Members is the duty for him to comment on the robustness of estimates for the forthcoming year. Members will note that earlier in this report, the Corporate Director of Finance has given a number of positive assurances in relation to this issue.

178. The second duty for Members to note is the duty imposed on the Corporate Director of Finance to comment on the adequacy of the Council's reserves. Members will note that a Statement of Reserves and Balances is contained within paragraphs 154 to 157 of the report which discharges this duty.

179. As the Council's Section 151 Officer, it is the Corporate Director of Finance’s professional duty to propose to Members a budget which is soundly based, balanced and adequate to fund the expected level of service provision in the forthcoming financial year. This duty is reinforced in the Council's Constitution. This requires the Corporate Director of Finance to ensure the lawfulness and financial prudence of decision-making.

180. The 'Wednesbury reasonable' principle also requires a local authority, when making decisions, to take into account all relevant considerations and to disregard all irrelevant considerations. Clearly, in the context of budget-setting, having regard to the Corporate Director of Finance’s professional advice is a relevant consideration for Members to take into account. However, Members are not bound to follow his advice. However, they should have good reasons for departing from it should they choose to do so. Furthermore, Members must at all times have regard to the overriding principle that they should set a legal budget and one which is as prudent as the circumstances permit.

181. The Council, as a public body, is subject to the Human Rights Act and also to the Public Sector Equality Duty ["PSED"] which is contained in the Equality Act 2010. The Council must therefore have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between those with protected characteristics and

those without it. The protected characteristics, in summary, are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

182. Cabinet will note that an Equality and Human Rights Impact Assessment [EHRIA] has been prepared, and is attached to the report, in relation to the budget proposal to create two tiers of Council Tax Older People's Discount from 2019/20 onwards. The PSED must be fulfilled before, and at the time when the decision is made. Carrying out an EHRIA is an invaluable tool in demonstrating that the Council has complied with the PSED. Please note that Cabinet is required to have due regard to the EHRIA before making a decision to approve recommendations to full Council.

183. Members must have regard to section 106 Local Government Finance Act 1992. This is in respect of a Member who has not paid an amount due in respect of Council Tax for at least two months after it becomes payable. They may not vote on matters concerning the level of Council Tax or the administration of it. Therefore, any Members who are more than two months in arrears with their Council Tax payments must make a declaration to this effect at the beginning of the meeting.

Comments from other relevant service areas

184. The draft budget proposals included in this report result from a substantial corporate process involving all service Groups. In particular, individual Corporate Directors and CMT collectively have endorsed the proposals in this report. The implications for all services of the individual budget proposals are set out in detail in the attached appendices.

APPENDICES

Appendices 1 - 7 - 2019/20 to 2023/24 General Fund MTFF (Corporate Summary) 2019/20, including schedules of Development & Risk Contingency, Priority Growth and Savings;

Appendix 8 - Proposed Amendments to General Fund Fees & Charges Schedule;

Appendix 9 - 2018/19 to 2023/24 General Fund Capital Programme;

Appendix 10 - 2019/20 to 2023/24 Housing Revenue Account MTFF, Amendments to Fees & Charges Schedule and Capital Programme;

Appendix 11 - Assessment of General Fund Reserves Requirement;

Appendix 12 - Capital Strategy (12a), Treasury Management Strategy (12b), Annual Investment Strategy (12c) and Minimum Revenue Provision Statement (12d) for 2019/20 to 2022/23;

Appendix 13 - Pay Policy Statement for 2019/20;

Appendix 14 - Equality and Human Rights Impact Assessment on Older People’s Discount

Appendix 15 - Policy Overview Committee Comments on Budget Proposals

Appendix 16 - 2019/20 Budget Consultation Feedback

BACKGROUND PAPERS

Report to Cabinet (15 February 2018) and Council (22 February 2018) - The Council's Budget: Medium Term Financial Forecast 2018/19 - 2022/23

Report to Cabinet (13 December 2018) - The Council's Budget: Medium Term Financial Forecast 2019/20 - 2023/24

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The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 1

General Fund Budget Corporate Summary	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Resources						
Increase in Council Tax (%)	0.00%	2.40%	2.99%	2.99%	2.99%	
Increase in Social Care Precept (%)	0.00%	0.00%	0.00%	0.00%	0.00%	
Band D Council Tax (£)	**£1,112.93**	**£1,139.64**	**£1,173.72**	**£1,208.81**	**£1,244.95**	***£132.02***
Increase in Council Tax Base (Band D)	1,850	1,400	1,400	1,200	1,200	
Council Tax Base (Band D)	99,070	100,470	101,870	103,070	104,270	*5,200*
Change from Tax Base (£'000)		*1,558*	*3,116*	*4,452*	*5,787*	*5,787*
Change from Tax Increase (£'000)	*0*	*2,684*	*6,193*	*9,882*	*13,766*	*13,766*
Council Tax Revenues	**110,258**	**114,500**	**119,567**	**124,592**	**129,811**	***19,553***
Baseline Business Rates Income	45,517	47,310	48,256	49,221	50,205	*4,688*
Retained Business Rates Growth	7,451	8,549	8,915	9,132	9,315	*1,864*
Business Rates Income	**52,968**	**55,859**	**57,171**	**58,353**	**59,520**	***6,552***
Revenue Support Grant	13,031	5,809	4,863	3,898	2,914	*(10,117)*
Impact of Fair Funding Review	0	0	5,000	5,000	5,000	*5,000*
Additional Investment from SR2019	0	0	1,500	3,000	5,000	*5,000*
Other Central Government Funding	35,118	38,348	34,250	34,045	34,042	*(1,076)*
Corporate Grant Income	**48,149**	**44,157**	**45,613**	**45,943**	**46,956**	***(1,193)***
Total Recurrent Funding	**211,375**	**214,516**	**222,351**	**228,888**	**236,287**	***24,912***
Movement in Recurrent Funding	***(1,820)***	***3,141***	***7,835***	***6,537***	***7,399***	
Collection Fund Surplus / (Deficit)	2,611	1,036	0	0	0	*(2,611)*
Additional Yield from London Pilot Pool	5,400	6,600	0	0	0	*(5,400)*
Planned Use of General Balances	950	7,776	5,000	2,000	1,000	*50*
Total One-Off Funding	**8,961**	**15,412**	**5,000**	**2,000**	**1,000**	***(7,961)***
Total Resources	***220,336***	***229,928***	***227,351***	***230,888***	***237,287***	***16,951***
Movement in Resources	***(359)***	***9,592***	***(2,577)***	***3,537***	***6,399***	

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Corporate Summary	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
General Balances						
Minimum Level of General Balances	15,000	15,000	15,000	15,000	15,000	*0*
Closing General Balances	**39,440**	**31,664**	**26,664**	**24,664**	**23,664**	***(15,776)***
Flexible General Balances	24,440	16,664	11,664	9,664	8,664	*(15,776)*
Budget Requirement						
Roll Forward Budget	**220,695**	**220,336**	**229,928**	**241,438**	**253,518**	
Inflation	5,593	7,352	5,889	6,029	6,175	*25,445*
Corporate Items	(613)	1,200	3,257	3,065	2,972	*10,494*
Contingency (Service Pressures)	3,421	6,207	2,545	3,006	3,090	*14,848*
Contingency (Management Action)	(3,052)	(1,281)	0	0	0	*(1,281)*
Priority Growth	1,895	1,442	(440)	0	0	*1,002*
Savings	(7,603)	(5,328)	259	(20)	(1)	*(5,090)*
Total Budget Requirement	**220,336**	**229,928**	**241,438**	**253,518**	**265,754**	***45,418***
Savings Requirement						
Savings & Management Action	(10,655)	(6,609)	259	(20)	(1)	(6,371)
Remaining Budget (Gap) / Surplus	0	0	(14,087)	(8,543)	(5,837)	(28,467)
Total Savings Requirement	***(10,655)***	***(6,609)***	***(13,828)***	***(8,563)***	***(5,838)***	***(34,838)***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 2

General Fund Budget Funding Projections	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Council Tax Base (Band D)						
Residential Properties	120,840	122,061	123,275	124,287	125,299	*4,459*
MOD Properties	683	683	683	683	683	*0*
Discounts & Exemptions	(11,556)	(11,556)	(11,556)	(11,556)	(11,556)	*0*
Empty Property Premium	85	85	85	85	85	*0*
Gross Council Tax Base	**110,052**	**111,273**	**112,487**	**113,499**	**114,511**	***4,459***
Council Tax Reduction Scheme	(9,988)	(9,788)	(9,588)	(9,388)	(9,188)	*800*
Collection Rate (%)	99.00%	99.00%	99.00%	99.00%	99.00%	*0.00%*
Allowance for Losses in Collection	(994)	(1,015)	(1,029)	(1,041)	(1,053)	*(59)*
Net Council Tax Base	**99,070**	**100,470**	**101,870**	**103,070**	**104,270**	***5,200***
Increase in Council Tax Base	**1,850**	**1,400**	**1,400**	**1,200**	**1,200**	***5,200***
Business Rates Revenues						
Inflationary Uplift (%)	3.20%	2.30%	2.00%	2.00%	2.00%	*-1.20%*
Implied Multiplier (0.xxx)	0.480	0.491	0.501	0.511	0.521	*0.041*
Annual Growth in Rating List	6,200	3,367	2,600	500	0	*(6,200)*
Cash Value of Annual Growth	2,976	1,653	1,303	256	0	*(2,976)*
Non-Domestic Rating Income	360,333	370,274	378,982	386,818	394,554	*34,221*
Notional Section 31 Grant Income	12,828	17,620	17,972	18,331	18,698	*5,870*
Forecast Business Rates Yield	**373,161**	**387,894**	**396,954**	**405,149**	**413,252**	***40,091***
Local Share of Business Rates Yield	30%	30%	30%	30%	30%	*0*
	111,948	116,368	119,086	121,545	123,976	*12,028*
Less: Baseline Business Rates Income	(45,517)	(47,310)	(48,256)	(49,221)	(50,205)	*(4,688)*
Less: Business Rates Tariff	(51,529)	(51,960)	(52,999)	(54,059)	(55,140)	*(3,611)*
Growth on Local Share	**14,902**	**17,098**	**17,831**	**18,265**	**18,631**	***3,729***
Levy on Growth	50%	50%	50%	50%	50%	*0*
	(7,451)	(8,549)	(8,916)	(9,133)	(9,316)	*(1,865)*
Retained Growth	**7,451**	**8,549**	**8,915**	**9,132**	**9,315**	***1,864***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Funding Projections	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Settlement Funding Assessment						
Baseline Business Rates Income	45,517	47,310	48,256	49,221	50,205	*4,688*
Revenue Support Grant (Current)	13,031	5,809	4,863	3,898	2,914	*(10,117)*
Impact of Fair Funding Review	0	0	5,000	5,000	5,000	*5,000*
Additional Investment from SR2019	0	0	1,500	3,000	5,000	*5,000*
Settlement Funding Assessment	**58,548**	**53,119**	**59,619**	**61,119**	**63,119**	***4,571***
Other Central Government Funding						
Public Health Grant	17,534	17,071	17,071	17,071	17,071	*(463)*
Better Care Fund	11,405	12,505	12,599	12,694	12,791	*1,386*
Budget 2018 Social Care Funding	0	2,820	0	0	0	*0*
Adult Social Care Support Grant	650	0	0	0	0	*(650)*
New Homes Bonus	4,040	3,665	3,300	3,100	3,100	*(940)*
Housing Benefit Administration Subsidy	1,012	1,114	820	720	620	*(392)*
Levy Account Surplus	0	713	0	0	0	*0*
Council Tax Administration Grant	308	290	290	290	290	*(18)*
Local Voices & Community Reform	142	142	142	142	142	*0*
Lead Local Authority Flood Grant	16	17	17	17	17	*1*
Extended Rights to Free Travel	11	11	11	11	11	*0*
Other Central Government Funding	**35,118**	**38,348**	**34,250**	**34,045**	**34,042**	***(1,076)***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 3

General Fund Budget Inflation Provision	Base Budget	Annual Movement in Budget Requirement 2019/20	2020/21	2021/22	2022/23	*Four Year Outlook*
	£'000	£'000	£'000	£'000	£'000	*£'000*
Inflation Rates						
Workforce Expenditure (including Pension Contributions)	N/A	3.8%	2.5%	2.5%	2.5%	*13.8%*
Added Years Pension Costs	N/A	2.4%	2.0%	2.0%	2.0%	*10.4%*
Energy	N/A	8.0%	5.0%	5.0%	5.0%	*28.0%*
Vehicle Fuel	N/A	19.0%	5.0%	5.0%	5.0%	*39.0%*
Contracted Expenditure	N/A	2.0%	2.0%	2.0%	2.0%	*10.0%*
Homecare Provision (Adult Social Care)	N/A	3.0%	3.0%	3.0%	3.0%	*15.0%*
Care Placements (Adult Social Care)	N/A	2.4%	2.4%	2.4%	2.4%	*12.0%*
Care Placements (Children's Services)	N/A	2.4%	2.4%	2.4%	2.4%	*12.0%*
Business Rates	N/A	3.6%	2.0%	2.0%	2.0%	*11.6%*
Levies	N/A	1.4%	2.0%	2.0%	2.0%	*9.4%*

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 3

General Fund Budget Inflation Provision	Base Budget	Annual Movement in Budget Requirement				*Four Year Outlook*
		2019/20	2020/21	2021/22	2022/23	
	£'000	£'000	£'000	£'000	£'000	*£'000*
Inflation Projections						
Workforce Expenditure (including Pension Contributions)	114,959	4,197	2,899	2,971	3,045	*13,112*
Added Years Pension Costs	1,872	45	38	39	40	*162*
Energy	2,100	148	112	118	123	*501*
Vehicle Fuel	774	147	46	48	50	*291*
Contracted Expenditure	43,009	852	739	751	766	*3,108*
Homecare Provision (Adult Social Care)	11,897	357	368	379	390	*1,494*
Care Placements (Adult Social Care)	55,419	1,331	1,362	1,394	1,428	*5,515*
Care Placements (Children's Services)	17,664	424	434	446	455	*1,759*
Business Rates	2,943	106	62	62	64	*294*
Levies	9,117	128	187	191	195	*701*
Gross Inflation Requirement	259,754	**7,735**	**6,247**	**6,399**	**6,556**	***26,937***
Less: Externally Funded Items	N/A	(383)	(358)	(369)	(380)	*(1,879)*
Less: Adjustments to Inflation Provision	N/A	0	0	(1)	(1)	*(3)*
Total Inflation Provision	259,754	**7,352**	**5,889**	**6,029**	**6,175**	***25,055***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Corporate Items	Annual Movement in Budget Requirement 2019/20	2020/21	2021/22	2022/23	*Four Year Outlook*
	£'000	£'000	£'000	£'000	*£'000*
New Burdens & Transfers of Responsibility					
None identified	0	0	0	0	*0*
Adjustments to Financing & Corporate Budgets					
Movement in Council Tax Older People's Discount	410	(100)	(100)	(100)	*110*
Movement in Added Years Pension Costs	(25)	(25)	(25)	(25)	*(100)*
Capital Financing Costs	2,447	2,187	3,090	1,723	*9,447*
Housing Benefit Subsidy (Recovery of Overpayments)	100	100	100	100	*400*
Flexible Use of Capital Receipts to finance Service Transformation	(188)	0	0	1,274	*1,086*
Use of Earmarked Reserves to fund HIP and Leader's Initiatives, and Older People's Discount	(1,495)	1,095	0	0	*(400)*
Recharges to Other Funds and Entities	(49)	0	0	0	*(49)*
Total Corporate Items	**1,200**	**3,257**	**3,065**	**2,972**	***10,494***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Development & Risk Contingency	2018/19 Provision	Annual Movement in Budget Requirement				*Four Year Outlook*
		2019/20	2020/21	2021/22	2022/23	
	£'000	£'000	£'000	£'000	£'000	*£'000*
Service Pressures						
Waste Disposal Levy & Contracts	1,529	800	850	900	900	*3,450*
Support for Looked After Children	403	2,870	630	656	682	*4,838*
Support for Children with Disabilities	367	650	112	117	122	*1,128*
SEN Transport	259	738	440	475	513	*2,166*
Adult Social Care Placements	1,764	1,223	845	858	873	*3,799*
Demographic Growth Items	**4,322**	**6,281**	**2,877**	**3,006**	**3,090**	***15,381***
Homelessness Prevention	1,736	0	0	0	0	*0*
High Speed 2 & Heathrow Expansion Challenge Funds	200	(200)	0	0	0	*(200)*
Asylum Funding Shortfall	1,885	0	0	0	0	*0*
Social Worker Agency	277	294	0	0	0	*294*
Additional Investment Income	(400)	0	0	0	0	*0*
General Contingency	1,000	(168)	(332)	0	0	*(500)*
Risk Items	**4,698**	**(74)**	**(332)**	**0**	**0**	***(406)***
Total Service Pressures	**9,020**	**6,207**	**2,545**	**3,006**	**3,090**	***14,975***
Management Action						
Waste Disposal Levy & Contracts	(357)	0	0	0	0	*0*
Homelessness Prevention	0	(664)	0	0	0	*(664)*
Social Worker Agency Contract	0	(294)	0	0	0	*(294)*
Adult Social Care Placements	(726)	(323)	0	0	0	*(323)*
Total Management Action	**(1,083)**	**(1,281)**	**0**	**0**	**0**	***(1,281)***
Net Contingency Requirement	**7,937**	**4,926**	**2,545**	**3,006**	**3,090**	***13,694***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Priority Growth	Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook* *£'000*
Brought Forward Priority Growth	20	0	0	0	*20*
New Priority Growth	1,442	(440)	0	0	*1,002*
Available Priority Growth	**1,462**	**(440)**	**0**	**0**	***1,022***
<u>New Priority Growth Initatives</u>					
Ward Budgets	(440)	440	0	0	*0*
Ruislip Lido	(250)	0	0	0	*(250)*
CCTV - Staffing to support new cameras	(188)	0	0	0	*(188)*
Fly Tipping Response & Prosecution Unit	(140)	0	0	0	*(140)*
Voluntary Sector Grants	(100)	0	0	0	*(100)*
Domestic Violence	(60)	0	0	0	*(60)*
FOI and SARS Officer	(34)	0	0	0	*(34)*
Remainining Unallocated Priority Growth	**250**	**0**	**0**	**0**	***250***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Savings Programme	Annual Movement in Budget Requirement 2019/20	2020/21	2021/22	2022/23	*Four Year Outlook*
	£'000	£'000	£'000	£'000	*£'000*
Savings Programme by Directorate					
Chief Executive's Office	(387)	(110)	(17)	0	*(514)*
Finance Directorate	(580)	(28)	0	0	*(608)*
Residents Services	(392)	(261)	(3)	(1)	*(657)*
Social Care	(1,914)	658	0	0	*(1,256)*
Cross-Cutting Initiatives	(2,055)	0	0	0	*(2,055)*
Total Savings Programme	**(5,328)**	**259**	**(20)**	**(1)**	***(5,090)***
Savings Programme by Theme					
Service Transformation	(2,816)	(348)	(17)	0	*(3,181)*
Effective Procurement	0	0	0	0	*0*
Income Generation & Commercialisation	(1,874)	(51)	(3)	(1)	*(1,929)*
Zero Based Reviews	(638)	658	0	0	*20*
Service Rationalisation	0	0	0	0	*0*
Total Savings Programme	**(5,328)**	**259**	**(20)**	**(1)**	***(5,090)***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 7a

General Fund Budget Savings Programme (Chief Executive's Office)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Savings Programme by Theme						
Service Transformation (T)		(282)	(110)	(17)	0	*(409)*
Effective Procurement (P)		0	0	0	0	*0*
Income Generation & Commercialisation (C)		(105)	0	0	0	*(105)*
Zero Based Reviews (Z)		0	0	0	0	*0*
Service Rationalisation (R)		0	0	0	0	*0*
Total Chief Executive's Office Savings		**(387)**	**(110)**	**(17)**	**0**	***(514)***
Savings Proposals						
BID Review of Human Resources *Development of Human Resources delivery model and improvement of technology-enabled HR processes.*	(T)	(123)	(110)	(17)	0	*(250)*
Human Resources Senior Management Restructure *Consolidation of HR Senior Management Team.*	(T)	(159)	0	0	0	*(159)*
Annual Review of Fees and Charges *Annual review of fees and charges undertaken through benchmarking against neighbouring boroughs.*	(C)	(105)	0	0	0	*(105)*
Total Chief Executive's Office Savings		**(387)**	**(110)**	**(17)**	**0**	***(514)***

General Fund Budget Savings Programme (Finance Directorate)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Savings Programme by Theme						
Service Transformation (T)		(580)	(28)	0	0	*(608)*
Effective Procurement (P)		0	0	0	0	*0*
Income Generation & Commercialisation (C)		0	0	0	0	*0*
Zero Based Reviews (Z)		0	0	0	0	*0*
Service Rationalisation (R)		0	0	0	0	*0*
Total Finance Directorate Savings		**(580)**	**(28)**	**0**	**0**	***(608)***
Savings Proposals						
Finance BID Review - Phase 2 *Phase 2 of the review of the Corporate Finance function.*	(T)	(180)	0	0	0	*(180)*
Review of Business Assurance and Exchequer Services *Merger of service areas within the Finance Group to create the Business Assurance and Exchequer Services function.*	(T)	(385)	0	0	0	*(385)*
Revenues and Benefits - E-billing Options *Greater use of Digital Strategy to improve cost effectiveness of communication with residents.*	(T)	(15)	(28)	0	0	*(43)*
Total Finance Directorate Savings		**(580)**	**(28)**	**0**	**0**	***(608)***

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 7c

General Fund Budget Savings Programme (Residents Services)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook* *£'000*
Savings Programme by Theme						
Service Transformation (T)		(182)	(210)	0	0	*(392)*
Effective Procurement (P)		0	0	0	0	*0*
Income Generation & Commercialisation (C)		(571)	(51)	(3)	(1)	*(626)*
Zero Based Reviews (Z)		361	0	0	0	*361*
Service Rationalisation (R)		0	0	0	0	*0*
Total Residents Services Savings		**(392)**	**(261)**	**(3)**	**(1)**	***(657)***
Savings Proposals						
Planning Workforce - Reduced Use of Agency Staff *Reducing reliance upon agency staff through development of inhouse capacity to securing further Planning Performance Agreement income.*	(T)	0	(210)	0	0	*(210)*
Repairs and Maintenance *Additional savings from the in-sourcing of the Mitie contract*	(T)	(82)	0	0	0	*(82)*
Security Expenditure *Re-tender of contract and reconfiguration of service, including use of ASBIT staff for adhoc security needs.*	(T)	(100)	0	0	0	*(100)*
Annual Review of Fees and Charges *Annual review of fees and charges undertaken through benchmarking against neighbouring boroughs.*	(C)	(446)	(1)	(3)	(1)	*(451)*

General Fund Budget Savings Programme (Residents Services)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Street Scene Inspection *BID review relating to an increase in the frequency of highways inspections, in response to a new Highways Code of Practice, that will lead to an increase in income.*	(C)	(95)	0	0	0	*(95)*
Bunker - Events Income *To establish a more commercial approach to generating income via the corporate events business.*	(C)	(30)	0	0	0	*(30)*
Review of commercialisation options at Rural Activities Garden Centre *To be more self-sufficient in growing plants and floral displays rather than purchase. To explore further income potential for supplying plants to others.*	(C)	0	(50)	0	0	*(50)*
Fleet Management - Hire, Repairs and Maintenance and Damage Costs *Reflection of underlying Fleet Management pressures, net of cost reductions resulting from the proposed replacement of long term hired with owned vehicles and other initiatives relating to vehicle utilisation, vehicle tracking, fuel price hedging and driver behaviour.*	(Z)	210	0	0	0	*210*
Parking Services *Net funding requirement for Parking Services to cover pressures as a result of ongoing shortfall in income at Cedars and Grainges car parks.*	(Z)	230	0	0	0	*230*
Residents Services Zero Based Review *Outputs from Zero Based Budgeting across Residents Services*	(Z)	(79)	0	0	0	*(79)*
Total Residents Services Savings		**(392)**	**(261)**	**(3)**	**(1)**	***(657)***

General Fund Budget Savings Programme (Social Care)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Savings Programme by Theme						
Service Transformation (T)		(921)	0	0	0	*(921)*
Effective Procurement (P)		0	0	0	0	*0*
Income Generation & Commercialisation (C)		(1,198)	0	0	0	*(1,198)*
Zero Based Reviews (Z)		205	658	0	0	*863*
Service Rationalisation (R)		0	0	0	0	*0*
Total Social Care Savings		**(1,914)**	**658**	**0**	**0**	***(1,256)***
Savings Proposals						
Transport Review *To continue with the major review and transformation of the Transport Service, embedding new ways of working, improve purchase of services and improve route planning.*	(T)	(491)	0	0	0	*(491)*
Review of Reablement Service Delivery Model *To undertake a review of the Reablement Service delivery model*	(T)	(180)	0	0	0	*(180)*
Review of Occupational Therapy Service *To undertake a major review of the Occupational Therapy Service processes and practice and market test against external providers*	(T)	(150)	0	0	0	*(150)*
In House Assessment of Deprivation of Liberty Safeguards (DoLS) *Set up an In House team to undertake all of the Best Interest Assessments currently done by external agencies and merge Care Act and DoLS assessments into one.*	(T)	(100)	0	0	0	*(100)*

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

General Fund Budget Savings Programme (Social Care)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook £'000*
Review of CCG funding for Section 117 Clients *To undertake a review of the funding for pre 2015 S117 Mental Health clients*	(C)	(1,198)	0	0	0	*(1,198)*
Capitalisation of Investment in Client Equipment *To capitalise all of the costs associated with client equipment and minor works*	(Z)	(187)	0	0	0	*(187)*
Effective Use of Troubled Families Grant *Managed tapered reduction in the Troubled Families Phase 2 Grant funding, which has been provided to support the turnaround of 1,990 families over a five year period, starting in 2015/16, where the grant payment has been front loaded for the attachment fee.*	(Z)	392	658	0	0	*1,050*
Total Social Care Savings		**(1,914)**	**658**	**0**	**0**	***(1,256)***

General Fund Budget Savings Programme (Cross-Cutting)		Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	*Four Year Outlook* *£'000*
Savings Programme by Theme						
Service Transformation (T)		(851)	0	0	0	*(851)*
Effective Procurement (P)		0	0	0	0	*0*
Income Generation & Commercialisation (C)		0	0	0	0	*0*
Zero Based Reviews (Z)		(1,204)	0	0	0	*(1,204)*
Service Rationalisation (R)		0	0	0	0	*0*
Total Cross-Cutting Savings		**(2,055)**	**0**	**0**	**0**	***(2,055)***
Savings Proposals						
Further BID Reviews / Service Transformation *Full year effect of BID Reviews and Service Transformation activity undertaken during 2018/19 and initial impact of new BID Programme Initiatives*	(T)	(600)	0	0	0	*(600)*
BID Review of Public Health *The continuing BID Review of all functions supported by the Public Health Grant (£463k cut in grant less £212k allocation of increase in resources)*	(T)	(251)	0	0	0	*(251)*
Review of Vacant Posts and Vacancy Management Assumptions *Vacant post review has resulted in 32 vacant posts that can be deleted across the Council without impacting on service levels.*	(Z)	(804)	0	0	0	*(804)*
Zero Based Budgeting Review *A cross cutting review of budgets identifying £400k surplus budgets not required to support current service levels.*	(Z)	(400)	0	0	0	*(400)*
Total Cross-Cutting Savings		**(2,055)**	**0**	**0**	**0**	***(2,055)***

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
3. Registrar										
Birth, Death and Stillbirth - Standard	M	4.00	4.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-12	01-Apr-19
Birth and Stillbirth - Short	M	N/A	N/A	NB	DELETED	N/A	DELETED	N/A	01-Apr-12	01-Apr-19
Birth - Additional Short	M	4.00	4.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-12	01-Apr-19
Marriage	M	4.00	4.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-12	01-Apr-19
All	M	7.00	7.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-12	01-Apr-19
Birth - Short	M	10.00	10.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-12	01-Apr-19
Birth - Standard	M	10.00	10.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-12	01-Apr-19
Death and Marriage	M	10.00	10.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-12	01-Apr-19
Certificates										
Certificates	M			NB	11.00	N/A	11.00	N/A	New	01-Apr-19
Register										
Registration of name of child or of alteration of name	M	N/A	N/A	NB	40.00	N/A	40.00	N/A	New	01-Apr-19
Correction to Register - person with custody of register	M	N/A	N/A	NB	75.00	N/A	75.00	N/A	New	01-Apr-19
Correction to Register - person with custody of register on authority of General Registrar	M	N/A	N/A	NB	90.00	N/A	90.00	N/A	New	01-Apr-19
Marriages/Civil Partnerships (Statutory fees)										
Notice of Marriage - Immigration Checks	M	N/A	N/A	NB	47.00	N/A	47.00	N/A	New	01-Apr-19
Letter provided by General Registar confirming that no record of marriage found	M	N/A	N/A	NB	50.00	N/A	50.00	N/A	New	01-Apr-19

Type
B-Business R-Resident
M-Mixed C-Concession

VAT Status
STD-Standard
EXP-Exempt RED-Reduced
NB-Non Business M-Mixed
OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
Marriages/Civil Partnerships (Non - Statutory fees)										
Marriage Fee in four seasons room (Mon-Thurs)	M	162.00	162.00	STD	196.00	20.99%	196.00	20.99%	01-Jan-15	01-Apr-19
Marriage Fee in four seasons room (Fri)	M	194.00	194.00	STD	212.00	9.28%	212.00	9.28%	01-Jan-16	01-Apr-19
Marriage Fee in four seasons room (Sat)	M	254.00	254.00	STD	300.00	18.11%	300.00	18.11%	01-Jan-16	01-Apr-19
Marriage Fee in four seasons room (Out of Hours)	M	354.00	354.00	STD	450.00	0.00%	450.00	0.00%	01-Jan-15	01-Apr-19
Ceremony at approved Premises (Bank Holiday)	M	N/A	N/A	EXP	750.00	N/A	750.00	N/A		01-Apr-19
Nationality Checking Service (NCS)										
Adult (each)	M	60.00	60.00	NB	N/A	N/A	N/A	N/A	01-Apr-11	01-Apr-19
Minors (each)	M	30.00	30.00	NB	N/A	N/A	N/A	N/A	01-Apr-11	01-Apr-19
Certificate Priority Service										
1 Hour	M	25.00	25.00	STD	DELETED	N/A	DELETED	N/A	01-Jan-15	01-Apr-19
24 Hour	M	10.00	10.00	STD	35.00	250.00%	35.00	250.00%	01-Jan-15	01-Apr-19
Civil Funerals										
Conducting Civil Funerals (Civil Celebrants)	M	180.00	180.00	STD	220.00	0.00%	220.00	0.00%	03-May-16	01-Apr-19

Type
B-Business R-Resident
M-Mixed C-Concession

VAT Status
STD-Standard
EXP-Exempt RED-Reduced
NB-Non Business M-Mixed
OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
7. Libraries										
Charges										
Children's DVDs - per week	R	1.05	1.65	NB	N/A	N/A	N/A	N/A	01-Apr-17	01-Apr-19
Videos - per week	R	1.05	1.65	NB	N/A	N/A	N/A	N/A	01-Apr-17	01-Apr-19
Holds (Reservations) - British Library Items	R	3.15	5.35	NB	16.00	407.94%	18.00	236.45%	01-Apr-17	01-Apr-19
Fines										
Books	R	0.16	0.20	NB	0.20	25.00%	0.25	25.00%	01-Apr-11	01-Apr-19
Talking Books	R	0.16	0.20	NB	0.20	25.00%	0.25	25.00%	01-Apr-11	01-Apr-19
Cassettes	R	0.16	0.20	NB	0.20	25.00%	0.25	25.00%	01-Apr-11	01-Apr-19
Compact Discs	R	0.16	0.20	NB	0.20	25.00%	0.25	25.00%	01-Apr-11	01-Apr-19
Language Courses	R	0.16	0.20	NB	0.20	25.00%	0.25	25.00%	01-Apr-11	01-Apr-19
Videos	R	1.05	1.65	NB	DELETED	N/A	DELETED	N/A	01-Apr-17	01-Apr-19
Printing & Photocopies										
CD-ROM/Microform Prints per sheet	R	0.30	0.30	STD	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Black & White (Colour Photocopies) A4	R	0.30	0.30	STD	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Black & White (Colour Photocopies) A3	R	0.60	0.65	STD	DELETED	N/A	DELETED	N/A	01-Apr-12	01-Apr-19
Room hire per hour - equipped and serviced (Small/Medium/Large). Non-commercial / charity	M	Small 8.75 Medium 9.25 Large 9.50	Small 15.00 Medium 15.75 Large 16.00	STD	Small 9.20 Medium 9.70 Large 10.00	N/A	Small 15.75 Medium 16.50 Large 16.80	N/A	01-Apr-17	01-Apr-19
Room hire per hour - equipped and serviced (S/M/L) Commercial	M	Small 15.50 Medium 16.25 Large 16.50	Small 20.00 Medium 21.00 Large 21.50	STD	Small 16.25 Medium 17.00 Large 17.30	N/A	Small 21.00 Medium 22.00 Large 22.50	N/A	01-Apr-17	01-Apr-19
Annual Membership Fees - Non-Residents	R	0.00	0.00	EXP	DELETED	N/A	DELETED	N/A	01-Apr-13	01-Apr-19
Computer Hire Charges - Free to Residents - Non-Residents - First Hour 1.00, .50p per hr. thereafter	R	0.00	1.00	EXP	DELETED	N/A	DELETED	N/A	01-Apr-13	01-Apr-19

Type
B-Business R-Resident
M-Mixed C-Concession

VAT Status
STD-Standard
EXP-Exempt RED-Reduced
NB-Non Business M-Mixed
OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
15. Breakspear Crematorium										
Cremation Fees										
Over 17 years. Early Morning (9.15am and 9.30am) Mon,Tue,Wed	R	N/A	N/A	EXP	330.00	N/A	330.00	N/A	New	01-Apr-19
Cremation of retained organs										
Additional Service Time	R	188.00	188.00	EXP	238.50	26.86%	238.50	26.86%	01-Apr-17	01-Apr-19
16. Cemeteries										
Adult Interments (persons exceeding 17 years of age at death) - In Re-Opened Private Graves										
Depth for 1 interment	R	747.00	1374.00	EXP	873.00	16.87%	1626.00	18.34%	01-Apr-17	01-Apr-19
Interment of Cremated Remains (within full private graves)										
When the grave is closed to full interments	R	221.50	407.50	EXP	320.00	44.47%	600.00	47.24%	01-Apr-17	01-Apr-19
New and re-open cremation graves	R	221.50	403.00	EXP	320.00	44.47%	600.00	48.88%	01-Apr-17	01-Apr-19
Exclusive rights of burial (Conventional Graves)										
Grave space measuring 9 feet by 4 feet	R	2164.00	4946.00	EXP	2270.00	4.90%	5157.00	4.27%	01-Apr-17	01-Apr-19
Exclusive rights of burial (Lawn Section Graves)										
Grave space measuring 9 feet by 4 feet	R	1545.50	3297.50	EXP	1726.00	11.68%	3659.00	10.96%	01-Apr-17	01-Apr-19

Type
B-Business R-Resident
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VAT Status
STD-Standard
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OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
22. Land Charges										
Search Fees										
Standard commercial search	M	70.00	70.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Full Standard Search(Residential and Commercial)	M	N/A	N/A	M	125.00	N/A	125.00	N/A	New	01-Apr-19
Official certificate of search (Form LLC1) only	M	26.00	26.00	NB	30.00	15.00%	30.00	15.00%	01-Apr-11	01-Apr-19
Standard domestic search	M	60.00	60.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Assisted Search LLC Register Only	M	22.00	22.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Assisted Search LLC Register Only (Additional parcels of land (each)	M	1.00	1.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Assisted Common Land Search	M	15.00	15.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Assisted Compiling CON29R	M	32.00	32.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Corrective Applications to Common Land Register (Sch 2 Para 6-9)	M	1000.00	N/A	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Assisted Compiling CON29O	M	18.50	18.50	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Official certificate of search (Form CON29) only	M	N/A	N/A	STD	95.00	N/A	95.00	N/A	New	01-Apr-19
CON29O Opitional enquires (each)	M	N/A	N/A	STD	14.00	N/A	14.00	N/A	New	01-Apr-19
Additional Parcel of Land on LLC1	M	N/A	N/A	NB	14.00	N/A	14.00	N/A	New	01-Apr-19
Additional Parcel of Land on CON29	M	N/A	N/A	STD	18.00	N/A	18.00	N/A	New	01-Apr-19
Personal Search	M	N/A	N/A	NB	Free	N/A	Free	N/A	New	01-Apr-19

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
23. Music Service										
Music Service (termly charge)										
Standard tuition	R	68.90	N/A	EXP	76.00	10.30%	N/A	N/A	01-Apr-18	01-Apr-19
Advanced tuition plus Music School	R	215.00	312.30	EXP	255.00	18.60%	320.00	2.47%	01-Apr-18	01-Apr-19
Music School only	R	67.20	114.30	EXP	80.00	19.05%	120.00	4.99%	01-Apr-18	01-Apr-19
Use of Instrument	R	18.00	21.00	EXP	21.60	20.00%	25.00	19.05%	01-Apr-18	01-Apr-19
Music Service (concession)										
Standard tuition layer 2 (NEW)	R	44.00	N/A	EXP	46.20	5.00%	N/A	N/A	01-Apr-18	01-Apr-19
Standard tuition layer 1	R	15.50	N/A	EXP	16.30	5.16%	N/A	N/A	01-Apr-18	01-Apr-19
Advanced tuition plus Music School layer 2 (NEW)	R	130.50	N/A	EXP	144.00	10.34%	N/A	N/A	01-Apr-18	01-Apr-19
Advanced tuition plus Music School layer 1	R	43.50	N/A	EXP	48.00	10.34%	N/A	N/A	01-Apr-18	01-Apr-19
Use of Instrument layer 2 (NEW)	R	12.00	N/A	EXP	14.40	20.00%	N/A	N/A	01-Apr-18	01-Apr-19
Use of Instrument layer 1	R	6.00	N/A	EXP	7.00	16.67%	N/A	N/A	01-Apr-18	01-Apr-19
24. Imported Food Unit										
Products of animal origin										
0 to 100kg per CVED	B	56.00	56.00	NB	60.00	7.00%	60.00	7.00%	27-Nov-17	01-Apr-19
101 to 1,000kg per CVED	B	110.00	110.00	NB	113.00	3.00%	113.00	3.00%	27-Nov-17	01-Apr-19
1,001 to 5,000kg per CVED	B	166.00	166.00	NB	170.00	2.00%	170.00	2.00%	27-Nov-17	01-Apr-19
5001kg to 15,000kg per CVED	B	190.00	190.00	NB	200.00	5.00%	200.00	5.00%	01-Apr-13	01-Apr-19
Above 15,001Kg to 42,000kg per CVED	B	340.00	340.00	NB	N/A	0.00%	N/A	0.00%	01-Apr-11	01-Apr-19
Above 42,000kg per CVED	B	390.00	390.00	NB	N/A	0.00%	N/A	0.00%	01-Apr-12	01-Apr-19
Above 15,001Kg to 46,000kg per CVED	B	N/A	N/A	NB	390.00	N/A	390.00	N/A	New	01-Apr-19
Above 46,000kg per CVED	B	N/A	N/A	NB	390.00	N/A	390.00	N/A	New	01-Apr-19
From New Zealand	B	30.00	30.00	NB	N/A	0.00%	N/A	0.00%	01-Apr-12	01-Apr-19
Destruction Charges for Products of animal origin										
Over 100kg per AWB (20 + 0.68 per kg over 100kg)	B	10.00 +0.50 per kg over 100kg	10.00 + 0.50 per kg over 100kg	NB	20.00 +0.68 per kg over 100kg	N/A	20.00 +0.68 per kg over 100kg	N/A	01-Apr-13	01-Apr-19

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
Products of animal origin - Catch certificate										
Third Countries	B	45.00	45.00	NB	N/A	0.00%	N/A	0.00%	01-Apr-11	01-Apr-19
Third Countries 1-5 Certificates	B	N/A	N/A	NB	45.00	N/A	45.00	N/A	New	01-Apr-19
Third Countries 6-10 Certificates	B	N/A	N/A	NB	64.00	N/A	64.00	N/A	New	01-Apr-19
Third Countries 11-20 Certificates	B	N/A	N/A	NB	80.00	N/A	80.00	N/A	New	01-Apr-19
Products of animal origin - Originating from New Zealand										
0 to 100kg per CVED	B	N/A	N/A	NB	47.00	N/A	47.00	N/A	New	01-Apr-19
101 to 1,000kg per CVED	B	N/A	N/A	NB	88.00	N/A	88.00	N/A	New	01-Apr-19
1,001 to 5,000kg per CVED	B	N/A	N/A	NB	132.00	N/A	132.00	N/A	New	01-Apr-19
5001kg to 15,000kg per CVED	B	N/A	N/A	NB	155.00	N/A	155.00	N/A	New	01-Apr-19
Above 15,001Kg to 46,000kg per CVED	B	N/A	N/A	NB	302.00	N/A	302.00	N/A	New	01-Apr-19
Above 46,000kg per CVED	B	N/A	N/A	NB	302.00	N/A	302.00	N/A	New	01-Apr-19
Completion of part one of CVED on TRACES per CVED	B	N/A	N/A	NB	50.00	N/A	50.00	N/A	New	01-Apr-19
Lack of Pre-notification	B	N/A	N/A	NB	75.00	N/A	75.00	N/A	New	01-Apr-19
Products of Non-Animal Origin - CED										
Non-Compliant (Surrender for Destruction)	B	200.00	200.00	NB	N/A	N/A	N/A	N/A	01-Apr-12	01-Apr-19
Non-Compliant (Onward Transmission)	B	200.00	200.00	NB	N/A	N/A	N/A	N/A	01-Apr-12	01-Apr-19
Declined Physical Check	B	N/A	N/A	NB	200.00	N/A	200.00	N/A	New	01-Apr-19
Non compliant following a documentary check	B	N/A	N/A	NB	110.00	N/A	110.00	N/A	New	01-Apr-19
Non-Compliant (Onward Transportation to a facility in LB Hillingdon))	B	N/A	N/A	NB	200.00	N/A	200.00	N/A	New	01-Apr-19

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Japan Products for Radiation										
Documentary Check 1 to 10 Declarations per AWB	B	120.00	120.00	NB	N/A	N/A	N/A	N/A	01-Apr-12	01-Apr-19
Documentary Check 11 to 20 Declarations per AWB	B	230.00	230.00	NB	N/A	N/A	N/A	N/A	01-Apr-12	01-Apr-19
Documentary Check 21 to 30 Declarations per AWB	B	340.00	340.00	NB	N/A	N/A	N/A	N/A	01-Apr-13	01-Apr-19
Full Checks 1 to 10 Declarations per AWB (Plus Analytical fees)	B	230.00 + analytical fee	230.00 + analytical fee	NB	N/A	N/A	N/A	N/A	01-Apr-13	01-Apr-19
Full checks11 to 20 Declarations per AWB includes sampling and courier costs	B	400.00	400.00	NB	N/A	N/A	N/A	N/A	01-Apr-12	01-Apr-19
Full Checks 11 to 20 Declarations per AWB (Plus Analytical fee	B	340.00 + analytical fee	340.00 + analytical fee	NB	N/A	N/A	N/A	N/A	01-Apr-13	01-Apr-19
Full checks 21 to 30 Declarations per AWB includes sampling and courier costs	B	500.00	500.00	NB	N/A	N/A	N/A	N/A	01-Apr-12	01-Apr-19
Full Checks 21 to 30 Declarations per AWB (Plus Analytical fee)	B	450.00 + analytical fee	450.00 + analytical fee	NB	N/A	N/A	N/A	N/A	01-Apr-13	01-Apr-19

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25 Food Health and Safety										
The following lines reflect a proposed simplification of charges in this area, deleting legacy items and creating a new fee structure.										
Other Licenses										
Micro-pigmentation - New/Renewal	B	315.00	315.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Artificial Nails - New/Renewal	B	84.00	84.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Nose piercing - New/Renewal	B	84.00	84.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-11	01-Apr-19
Ear cartilage/lobe, - New/Renewal	B	84.00	84.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-11	01-Apr-19
Electrical treatments - New/Renewal	B	84.00	84.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-11	01-Apr-19
Non-surgical Lazers, & ILS system licence	B	900.00	900.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-11	01-Apr-19
Manicure / pedicure Ear lobe piercing, Facials (including one or more of the following aspects: steam, massage, electrical stimuli) - New / Renewal	B	53.00	53.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-11	01-Apr-19
Electrolysis, Sun beds etc	B	273.00	273.00	NB	DELETED	0.00%	DELETED	0.00%	01-Apr-11	01-Apr-19

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Special Treatments Licensing Fees										
Category A	B	N/A	N/A	NB	819.00	N/A	819.00	N/A	New	01-Apr-19
Category B	B	N/A	N/A	NB	446.00	N/A	446.00	N/A	New	01-Apr-19
Category C	B	N/A	N/A	NB	273.00	N/A	273.00	N/A	New	01-Apr-19
Category D	B	N/A	N/A	NB	115.00	N/A	115.00	N/A	New	01-Apr-19
Additional Charge per Therapist/Practitioner	B	N/A	N/A	NB	50.00	N/A	50.00	N/A	New	01-Apr-19
Application for Approval or renewal a premises which currently holds a Premises Licence under the Licensing Act 2003	B	245.00	245.00	NB	DELETED	N/A	DELETED	N/A	01-Apr-13	01-Apr-19
Application for Approval or renewal a premises which currently holds a Premises Licence under the Licensing Act 2003 - Up to 100 Capacity	B	N/A	N/A	NB	500.80	N/A	500.00	N/A	New	01-Apr-19
Application for Approval or renewal a premises which currently holds a Premises Licence under the Licensing Act 2003 - Up to 200 Capacity	B	N/A	N/A	NB	580.80	N/A	580.00	N/A	New	01-Apr-19
Application for Approval or renewal a premises which currently holds a Premises Licence under the Licensing Act 2003 - Up to 400 Capacity	B	N/A	N/A	NB	926.00	N/A	926.00	N/A	New	01-Apr-19
Application for Approval or renewal a premises which currently holds a Premises Licence under the Licensing Act 2003 - Up to 600 Capacity	B	N/A	N/A	NB	1126.00	N/A	1126.00	N/A	New	01-Apr-19
Application for Approval or renewal a premises which currently holds a Premises Licence under the Licensing Act 2003 - 601+ Capacity	B	N/A	N/A	NB	1326.00	N/A	1326.00	N/A	New	01-Apr-19
Application for Regulated Safety Stabd Certificate	B	N/A	N/A	NB	1058.00	N/A	1058.00	N/A	New	01-Apr-19

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
28. Trade Refuse										
Trade recyacbles at CA sites	B	80.00	80.00	NB	82.00	2.50%	82.00	2.50%	01-Apr-15	01-Apr-19
Trade waste at CA sites	B	160.00	160.00	NB	197.00	23.00%	197.00	23.00%	01-Apr-15	01-Apr-19
34. Parking										
Uxbridge Multi-Storey car parks: Cedars car park, Uxbridge; Grainges car park, Uxbridge										
Up to 2 hours	M	1.00	1.40	STD	1.00	0.00%	2.00	42.86%	31-Jan-11	01-Apr-19
Up to 3 hours	M	2.00	2.40	STD	2.00	0.00%	2.90	20.83%	31-Jan-11	01-Apr-19
Up to 4 hours	M	2.50	3.00	STD	2.50	0.00%	3.80	26.67%	31-Jan-11	01-Apr-19
Up to 5 hours	M	3.20	4.00	STD	3.20	0.00%	4.20	5.00%	31-Jan-11	01-Apr-19
45. Children's and Young People's Services										
Asylum Service (per week)										
Asylum rental contribution Charges for 18+	R	75.00	75.00	OTS	Actual Cost	N/A	Actual Cost	N/A	01-Feb-11	01-Apr-19

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46. Adult Social Care										
Client Financial Affairs (CFA)										
Management charge (Per Hour)	R	38.04	38.04	OTS	DELETED	N/A	DELETED	N/A	01-Apr-17	01-Apr-19
Preparation work prior to Deputy Order being made	R	N/A	N/A	OTS	745.00	N/A	745.00	N/A	New	01-Apr-19
First year annual management fee - Assets above £16k	R	N/A	N/A	OTS	775.00	N/A	775.00	N/A	New	01-Apr-19
First year annual management fee - Assets below £16k	R	N/A	N/A	OTS	3.5% of net assets	N/A	3.5% of net assets	N/A	New	01-Apr-19
Second and subsequent years annual management fee - Assets above £16k	R	N/A	N/A	OTS	650.00	N/A	650.00	N/A	New	01-Apr-19
Second and subsequent years annual management fee - Assets below £16k	R	N/A	N/A	OTS	3.5% of net assets	N/A	3.5% of net assets	N/A	New	01-Apr-19
Preparation of annual report to the OPG	R	N/A	N/A	OTS	216.00	N/A	216.00	N/A	New	01-Apr-19
Annual Property Management Fee	R	N/A	N/A	OTS	300.00	N/A	300.00	N/A	New	01-Apr-19
Preparation of basic HMRC income tax return (bank or NS&I interest, taxable benefits)	R	N/A	N/A	OTS	70.00	N/A	70.00	N/A	New	01-Apr-19
Preparation of complex HMRC income tax return (bank or NS&I interest, taxable benefits, small investment portfolio)	R	N/A	N/A	OTS	140.00	N/A	140.00	N/A	New	01-Apr-19
Travel Cost per Hour	R	N/A	N/A	OTS	40.00	N/A	40.00	N/A	New	01-Apr-19

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The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 9

Project Cost 2019/20 to 2023/24	Capital Programme Overview	Expenditure Profile					Financing Budget		
		2019/20	2020/21	2021/22	2022/23	2023/24	Council Resources	Gov't Grants	Other Cont's
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2,392	New Primary Schools Expansions	2,159	233	0	0	0	233	2,159	0
40,944	Secondary Schools Expansions	14,396	13,193	8,855	2,250	2,250	19,442	21,502	0
4,000	Additional Temporary Classrooms	600	3,400	0	0	0	3,431	569	0
2,034	Schools SRP	1,254	780	0	0	0	0	1,950	84
49,370	**Total Schools Programme**	**18,409**	**17,606**	**8,855**	**2,250**	**2,250**	**23,106**	**26,180**	**84**
22,750	Yiewsley Site Development	2,000	10,500	7,500	2,750	0	22,750	0	0
4,605	Belmore Allotments Development	0	0	4,605	0	0	3,061	0	1,544
35,000	Housing Company Financing	35,000	0	0	0	0	35,000	0	0
1,939	Woodside GP Surgery	0	1,939	0	0	0	1,939	0	0
64,294	**Total Self Financing Developments**	**37,000**	**12,439**	**12,105**	**2,750**	**0**	**62,750**	**0**	**1,544**
1,962	Hayes Town Centre Improvements	1,962	0	0	0	0	306	300	1,356
300	Inspiring Shopfronts	200	100	0	0	0	300	0	0
534	Uxbridge Cemetery Gatehouse	534	0	0	0	0	534	0	0
511	Uxbridge Change of Heart	511	0	0	0	0	511	0	0
5,607	New Museum	500	1,275	2,557	1,275	0	4,857	0	750
43,975	New Theatre	3,055	3,520	7,480	18,260	11,660	42,925	0	1,050
900	Battle of Britain Underground Bunker	900	0	0	0	0	900	0	0
250	Bessingby Football/Boxing Clubhouse	250	0	0	0	0	250	0	0
390	Uniter Building Refurbishment	285	105	0	0	0	390	0	0
200	Botwell Leisure Centre Football Pitch	0	0	200	0	0	200	0	0
31,900	Yiewsley and West Drayton Pool	2,320	11,550	10,550	4,480	3,000	31,412	0	488
22,240	Hillingdon Outdoor Activity Centre	16,240	6,000	0	0	0	0	0	22,240
1,389	RAGC Expansion	1,040	349	0	0	0	1,389	0	0
595	1 & 2 Merrimans Housing Project	520	75	0	0	0	595	0	0
13	Projects Completing in 2019/20	13	0	0	0	0	13	0	0
110,766	**Total Main Programme**	**28,330**	**22,974**	**20,787**	**24,015**	**14,660**	**84,582**	**300**	**25,884**

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 9

Project Cost 2019/20 to 2023/24	Capital Programme Overview	Expenditure Profile					Financing Budget		
		2019/20	2020/21	2021/22	2022/23	2023/24	Council Resources	Gov't Grants	Other Cont's
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,000	Leader's Initiative	200	200	200	200	200	1,000	0	0
5,000	Chrysalis Programme	1,000	1,000	1,000	1,000	1,000	5,000	0	0
500	Playground Replacement Programme	250	250	0	0	0	500	0	0
3,000	Libraries Refurbishment Programme	1,000	1,000	1,000	0	0	3,000	0	0
2,250	Leisure Centre Refurbishment	750	750	750	0	0	2,250	0	0
1,254	Devolved Capital to Schools	317	271	222	222	222	0	1,254	0
8,350	School Building Condition Works	1,950	1,750	1,550	1,550	1,550	0	7,600	750
4,842	Civic Centre Works Programme	2,100	1,242	500	500	500	4,842	0	0
8,139	Corporate Technology and Innovation	3,783	1,764	864	864	864	8,139	0	0
4,356	Property Works Programme	1,634	1,282	480	480	480	4,156	200	0
1,040	Car Park Pay & Display Machines Replacement	520	520	0	0	0	1,040	0	0
40,000	Highways Structural Works	8,000	8,000	8,000	8,000	8,000	40,000	0	0
750	Road Safety	150	150	150	150	150	750	0	0
16,365	Transport for London	2,473	3,473	3,473	3,473	3,473	0	16,365	0
14,560	Disabled Facilities Grant	2,852	2,852	2,952	2,952	2,952	0	14,560	0
500	PSRG / LPRG	100	100	100	100	100	250	250	0
5,860	Equipment Capitalisation - Social Care	1,172	1,172	1,172	1,172	1,172	0	5,860	0
3,500	Equipment Capitalisation - General	700	700	700	700	700	3,500	0	0
500	Bowls Club Refurbishments	500	0	0	0	0	500	0	0
2,050	CCTV Programme	1,400	550	100	0	0	2,050	0	0
1,000	Youth Provision	1,000	0	0	0	0	1,000	0	0
600	Harlington Road Depot Improvements	400	200	0	0	0	600	0	0
7,662	Purchase of Vehicles	5,150	1,702	450	125	235	7,662	0	0
2,876	Street Lighting Replacement	547	561	575	589	604	2,876	0	0
500	Environmental and Recreational Initiatives	500	0	0	0	0	500	0	0
136,454	**Total Programme of Works**	**38,448**	**29,489**	**24,238**	**22,077**	**22,202**	**89,615**	**46,089**	**750**
7,500	General Contingency	1,500	1,500	1,500	1,500	1,500	7,500	0	0
7,500	**Total General Contingency**	**1,500**	**1,500**	**1,500**	**1,500**	**1,500**	**7,500**	**0**	**0**
368,384	**Total GF Capital Programme**	**123,687**	**84,008**	**67,485**	**52,592**	**40,612**	**267,553**	**72,569**	**28,262**

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Appendix 10a

Housing Revenue Account Corporate Summary	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	***Four Year Outlook £'000***
Resources					
Increase / (Decrease) in average Weekly Rents (%)*	(0.4%)	3.3%	3.4%	3.4%	
Average Weekly Rent (£)	£106.90	£110.47	£114.24	£118.15	£10.84
Increase/(Decrease) in Number of Dwellings	44	92	28	7	(161)
Average Number of Dwellings	10,154	10,212	10,262	10,270	173
Gross Dwelling Rents	**56,754**	**58,824**	**61,129**	**63,270**	**6,773**
Void Risk Contingency	(568)	(588)	(611)	(633)	(68)
Net Dwelling Rents	***56,186***	***58,236***	***60,518***	***62,637***	***6,705***
Total Resources	**56,186**	**58,236**	**60,518**	**62,637**	**6,705**
Budget Requirement					
Roll Forward Budget	38,641	38,611	39,174	39,663	296
Inflation	313	556	489	535	1,893
Corporate Items	552	7	0	345	904
Contingency	(480)	0	0	0	(480)
Savings	(415)	0	0	0	(415)
Total Budget Requirement	**38,611**	**39,174**	**39,663**	**40,543**	**1,902**
Contribution to Finance Capital Programme	18,820	19,062	20,855	22,094	(16,634)
(Drawdown) / Contribution to Reserves	**(1,245)**	**0**	**0**	**0**	
Opening HRA General Balance	**16,245**	**15,000**	**15,000**	**15,000**	**(22,108)**
Closing HRA General Balance	**15,000**	**15,000**	**15,000**	**15,000**	**(671)**

** Rent figures quoted above are inclusive of new build rents, average rents for existing tenancies are projected to reduce by 1% per annum from 2017/18 to 2019/20 and increase by 3.1% from 2020/21 to 2023/24.*

The Council's Budget (2019/20 - 2023/24) - Medium Term Financial Forecast

Housing Revenue Account - Corporate Items	Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Four Year Outlook £'000
Realignment of Budgets to reflect current service needs	538	0	0	0	0	538
Capital Charges	0	0	0	345	117	345
Interest on Balances	14	7	0	0	0	21
Total Corporate Items	**552**	**7**	**0**	**345**	**117**	

Housing Revenue Account - Development & Risk Contingency	Annual Movement in Budget Requirement 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Four Year Outlook £'000
Potential Calls						
Bad Debts Provision and Future Developments Provision	(480)	0	0	0	0	(480)
General Contingency including Housing Zone	0	0	0	0	0	0
Total Potential Calls	**(480)**	**0**	**0**	**0**	**0**	**(480)**
Financing						
Base Budget	0	0	0	0	0	0
Contingency released to Directorate Budgets	0	0	0	0	0	0
Increase / Decrease in Contingency	(480)	0	0	0	0	(480)
Total Financing	**(480)**	**0**	**0**	**0**	**0**	**(480)**
Managed Risk Gap in Contingency	**0**	**0**	**0**	**0**	**0**	**0**

Housing Revenue Account (HRA) - Savings	Annual Movement in Budget Requirement 2019/20 £(000s)	2020/21 £(000s)	2021/22 £(000s)	2022/23 £(000s)	Four Year Outlook £'000
Full Year Effect of Prior Year Savings	**0**	**0**	**0**	**0**	**0**
New Savings Proposals					
Housing Service Efficiency Review					
Savings arising from implementation of reviews across the service	(72)	0	0	0	
HRA Zero Based Review					
Outputs from Zero Based Budgeting across the HRA	(140)	0	0	0	
Further BID Reviews / Service Transformation					
Full year effect of BID Reviews and Service Transformation acitivty undertaken during 2018/19 and initital impact of new BID Programme Initiatives	(203)	0	0	0	
New Savings Proposals	**(415)**	**0**	**0**	**0**	(415)
Total HRA Savings	**(415)**	**0**	**0**	**0**	**(415)**

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
44. Housing Revenue Account										
Development & Assets										
CCTV Maintenance (per week)	R	0.75	N/A	NB	0.77	2.7%	N/A	N/A	02-Apr-18	01-Apr-19
Laundry Machines in Sheltered Housing Units - Servicing and Maintenance (per week)	R	0.79	N/A	NB	0.81	2.5%	N/A	N/A	02-Apr-18	01-Apr-19
Estates & Tenancy Management										
Car Ports (Council Tenants) (per week)	R	8.20	N/A	NB	8.40	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Car Ports (Private) (per week)	R	9.84	9.84	STD	10.08	2.4%	10.08	2.4%	02-Apr-18	01-Apr-19

TYPE
B-Business R-Resident
M-Mixed C-Concession

TD-Standard
EXP-Exempt RED-Reduced
NB-Non Business M-Mixed
OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Hard Standings / Parking Spaces (Council Tenants) (per week)	R	4.71	N/A	NB	4.82	2.3%	N/A	N/A	02-Apr-18	01-Apr-19
Hard Standings / Parking Spaces (Private) (per week)	R	5.65	5.65	STD	5.79	2.5%	5.79	2.5%	02-Apr-18	01-Apr-19
Grounds Maintenance (minimum) (per week)	R	1.29	N/A	NB	1.32	2.3%	N/A	N/A	02-Apr-18	01-Apr-19
Grounds Maintenance (maximum) (per week)	R	4.40	N/A	NB	4.51	2.5%	N/A	N/A	02-Apr-18	01-Apr-19
Hedge Cutting - Standard Frequency (per week - optional)	R	0.80	N/A	NB	0.82	2.5%	N/A	N/A	02-Apr-18	01-Apr-19

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B-Business R-Resident
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OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Lawn Mowing - Standard Frequency (per week - optional)	R	4.00	N/A	NB	4.10	2.5%	N/A	N/A	02-Apr-18	01-Apr-19
Bed Maintenance - Standard Frequency (per week - optional)	R	0.54	N/A	NB	0.55	1.9%	N/A	N/A	02-Apr-18	01-Apr-19
Communal Electric (per week)	R	1.64	N/A	NB	1.68	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Sheltered Heating - Communal Element (per week)	R	3.57	N/A	NB	3.66	2.5%	N/A	N/A	02-Apr-18	01-Apr-19
Sheltered Heating - Property Element (Bedsit) (per week)	R	5.59	N/A	NB	5.72	2.3%	N/A	N/A	02-Apr-18	01-Apr-19

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OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Sheltered Heating - Property Element (One Bedroom) (per week)	R	8.43	N/A	NB	8.63	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Sheltered Heating - Property Element (Two or More Bedrooms) (per week)	R	9.64	N/A	NB	9.87	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
District Heating - Communal Element (minimum) (per week)	R	1.37	N/A	NB	1.40	2.2%	N/A	N/A	02-Apr-18	01-Apr-19
District Heating - Communal Element (maximum) (per week)	R	4.32	N/A	NB	4.42	2.3%	N/A	N/A	02-Apr-18	01-Apr-19
District Heating - Property Element (minimum) (per week)	R	6.17	N/A	NB	6.32	2.4%	N/A	N/A	02-Apr-18	01-Apr-19

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
District Heating - Property Element (maximum) (per week)	R	14.91	N/A	NB	15.27	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Peachey Close - Electricity (per week)	R	11.15	N/A	NB	11.42	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Electric Scooter Charging Point - (per month)	R	N/A	5.9	STD	N/A	N/A	6.04	2.4%	02-Apr-18	01-Apr-19
Leaseholder Solicitors Enquiries	R	107.83	N/A	STD	110.42	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Residents Services (Housing)										
Caretaking - Band A (per week)	R	11.24	N/A	NB	11.51	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking - Band B (per week)	R	7.28	N/A	NB	7.45	2.3%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking - Band C (per week)	R	5.05	N/A	NB	5.17	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking - Band D (per week)	R	3.93	N/A	NB	4.02	2.3%	N/A	N/A	02-Apr-18	01-Apr-19

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Caretaking - Band E (per week)	R	2.80	N/A	NB	2.87	2.5%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking - Band F (per week)	R	1.69	N/A	NB	1.73	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking - Sheltered Housing (per week)	R	5.60	N/A	NB	5.73	2.3%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking - Queen's Lodge, Cliftonville, Kent (per	R	N/A	7.06	NB	N/A	N/A	7.23	2.4%	02-Apr-18	01-Apr-19
Triscott House - Management Support Charge (per week)	R	25.51	N/A	NB	26.12	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Triscott House - Cleaning Charge (per week)	R	9.70	N/A	NB	9.93	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Triscott House - Grounds Maintenance (per week)	R	2.23	N/A	NB	2.28	2.2%	N/A	N/A	02-Apr-18	01-Apr-19

TYPE
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M-Mixed C-Concession

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OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Marlborough Crescent										
Enhanced housing management charge (per bed space per week)	R	2.32	N/A	NB	2.38	2.6%	N/A	N/A	02-Apr-18	01-Apr-19
Electrical useage (per bed space per week)	R	4.54	N/A	NB	4.65	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Water usage Studio (per property type per week)	R	2.42	N/A	NB	2.48	2.5%	N/A	N/A	02-Apr-18	01-Apr-19
Water usage 1 Bed (per property type per week)	R	4.56	N/A	NB	4.67	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Water usage 3 Bed (per property type per week)	R	6.05	N/A	NB	6.20	2.5%	N/A	N/A	02-Apr-18	01-Apr-19

TYPE
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TD-Standard
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NB-Non Business M-Mixed
OTS-Outside of Scope

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Water usage 4 Bed (per property type per week)	R	7.14	N/A	NB	7.31	2.4%	N/A	N/A	02-Apr-18	01-Apr-19
Caretaking (per bed space per week)	R	2.19	N/A	NB	2.24	2.3%	N/A	N/a	02-Apr-18	01-Apr-19
Furniture and furnishings (per property per week)	R	1.02	N/A	NB	1.04	2.0%	N/A	N/A	02-Apr-18	01-Apr-19

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TD-Standard
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Draft Housing Revenue Account Capital Programme

Project Total £'000	Project	2019/20 Draft Budget £'000	2020/21 Draft Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000	2023/24 Draft Budget £'000
	Major Projects					
139,899	New General Needs Housing Stock	35,550	32,331	32,000	22,231	17,787
14,667	New Build - Shared Ownership	9,895	4,190	582	0	0
5,992	New Build - Supported Housing Provision	3,535	2,457	0	0	
160,558	**Total Major Projects**	**48,980**	**38,978**	**32,582**	**22,231**	**17,787**
	HRA Programmes of Work					
55,691	Works to Stock programme	13,945	9,011	10,935	10,900	10,900
9,515	Major Adaptations to Property	1,800	1,817	1,881	1,974	2,043
260	Communal Scooter Stores	260	0	0	0	0
81	HRA technology	81	0	0	0	0
65,547	**Total Works to Stock**	**16,086**	**10,828**	**12,816**	**12,874**	**12,943**
226,105	**Total HRA Capital Programme**	**65,066**	**49,806**	**45,398**	**35,105**	**30,730**
	Financed by:					
119,035	Revenue Contributions	33,787	19,062	20,855	22,094	23,237
49,027	Prudential Borrowing	15,176	15,630	9,718	6,345	2,158
3,686	GLA Grant	2,869	817	0	0	0
54,357	Capital Receipts	13,234	14,297	14,825	6,666	5,335
226,105	**Total**	**65,066**	**49,806**	**45,398**	**35,105**	**30,730**

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Appendix 11 - Balances & Reserves Policy - Assessment of General Fund Reserves Requirement

Assessment of General Fund Reserves Requirement	Minimum Level 2019/20 (£ million)	Maximum Level 2019/20 (£ million)	Minimum Level 2018/19 (£ million)	Maximum Level 2018/19 (£ million)	Principal Reasons for Requirement
General financial climate to which the Council is subject	1.5	4.5	1.5	4.5	A period of sustained reductions in funding is set to continue into 2019/20
The overall financial standing of the authority	1.0	2.0	1.0	2.0	To manage adverse movement in the Council's financial standing
Estimates of level of locally raised income	2.0	3.0	2.0	3.0	Locally raised income accounts for approximately 80% of corporate funding
The treatment of planned efficiency savings / productivity gains	1.0	4.0	1.0	4.0	To manage risk around slippage of the Council's major savings programme, in response to funding reductions
The treatment of inflation and interest rates	2.0	2.5	2.0	2.5	Assumptions have been refreshed to reflect latest intelligence, and further provision included within this analysis
The financial risk inherent in major contract arrangements	1.5	4.5	1.5	4.5	To manage any impact of services arising from supplier risk, particularly in respect of Social Care provision
The treatment of demand led pressures	2.0	4.0	2.0	4.0	Increased demand for services from an aging and increasing population
The financial risks inherent in any major capital developments	1.0	2.5	1.0	2.5	Inherent risks due to significant level of investment required for school places
Estimates of the level and timing of capital receipts	1.0	2.0	1.0	2.0	Slippage on asset disposal programme could lead to increased borrowing
The availability of reserves and other funds to deal with major contingencies and pressures	2.0	3.0	2.0	3.0	Cover for unforeseen or exceptional events over and above the budgeted provision for General Contingency, which would include any adverse impact linked to Brexit
Unallocated GF Reserves	**15.0**	**32.0**	**15.0**	**32.0**	

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CAPITAL AND INVESTMENT STRATEGY REQUIREMENTS 2019/20

Introduction

1. Publication of CIPFA's Prudential Code 2017 and Treasury Management Code 2017 introduced a change to the reporting requirements around investment within Local authorities. As a result, the Council is now required to publish four separate strategies or statements in addition to the revenue and capital medium term budget positions.

Strategy requirements

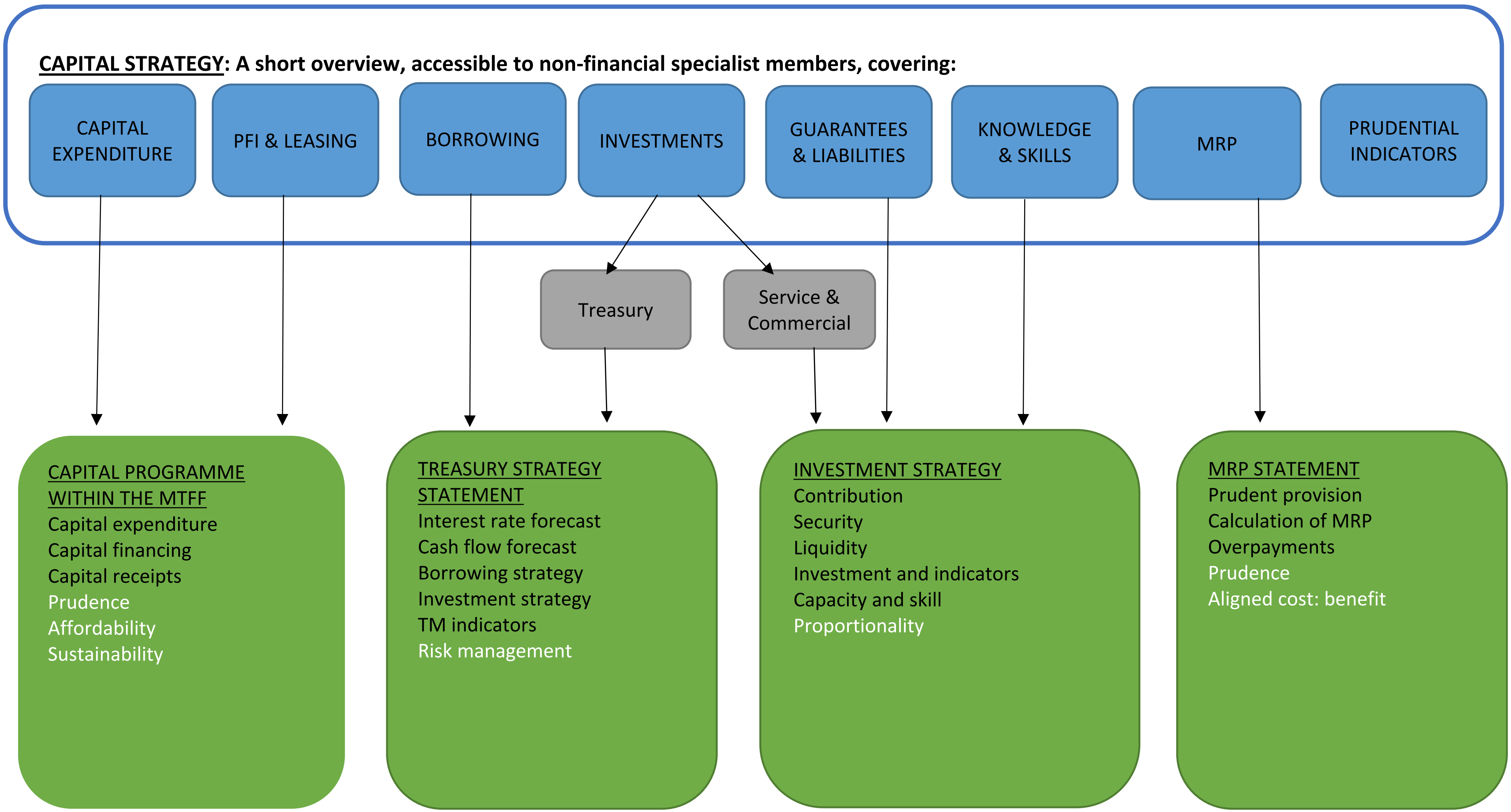
2. The Capital Strategy, new for 2019/20 is an overarching document with a simple guide on the capital programme, borrowing investments and sets out the prudential indicators that the Council defines as parameters to work within setting a prudent and sustainable approach to its investment to meet service needs and any commercial activities.

3. The Capital Programme within the MTFF provides more comprehensive details on the Capital expenditure and financing from the information provided in the Capital Strategy.

4. The Treasury Management Strategy Statement which has been updated in its content from prior years provides further details on impact of the capital programme in relation to its need to borrow and cash flow forecast and strategy with parameters around methods in which it can invest Council money.

5. The Investment Strategy, a new standalone document for 2019/20, which provides further detail from the Capital Strategy on Investment objectives and parameters, focused on service and commercial investment activities.

6. The MRP statement outlines the approach to calculating the minimum revenue contribution within the legislative framework which is a revenue cost resulting from borrowing to fund the capital programme.


CAPITAL STRATEGY: A short overview, accessible to non-financial specialist members, covering:
CAPITAL EXPENDITURE
PFI & LEASING
BORROWING
INVESTMENTS
GUARANTEES & LIABILITIES
KNOWLEDGE & SKILLS
MRP
PRUDENTIAL INDICATORS
Treasury
Service & Commercial
CAPITAL PROGRAMME WITHIN THE MTFF
Capital expenditure
Capital financing
Capital receipts
Prudence
Affordability
Sustainability
TREASURY STRATEGY STATEMENT
Interest rate forecast
Cash flow forecast
Borrowing strategy
Investment strategy
TM indicators
Risk management
INVESTMENT STRATEGY
Contribution
Security
Liquidity
Investment and indicators
Capacity and skill
Proportionality
MRP STATEMENT
Prudent provision
Calculation of MRP
Overpayments
Prudence
Aligned cost: benefit

CAPITAL STRATEGY REPORT 2019/20

Introduction

1. This capital strategy is new for 2019/20, providing an overarching high-level view of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. The strategy also provides an overview of how associated risk is managed and the implications for future financial sustainability.

2. This strategy is integrated with other strategies; MTFF Capital Programme, Treasury Management Strategy, Investment Strategy and the MRP Statement where more detail is provided.

Capital Expenditure and Financing

3. Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

4. In 2019/20, the Council is planning capital expenditure of £220.9m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
General Fund services	45.2	47.1	109.7	84.2	67.5	52.6
Housing Revenue Account (HRA)	47.4	58.0	76.2	49.8	45.4	35.1
Capital investments	0.0	15.0	35.0	0.0	0.0	0.0
TOTAL	**92.6**	**120.1**	**220.9**	**134.0**	**112.9**	**87.7**

5. The main General Fund capital projects include school expansions, the Yiewsley Development, transformational ICT projects, a theatre on the former RAF Uxbridge site, Highways Structural works and a new swimming pool in Yiewsley / West Drayton. The Council also plans to incur £50m of capital

expenditure on investments in Hillingdon First Ltd the Council's wholly owned property trading company.

6. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself be subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes the building of new general needs, shared ownership and supported housing as well as works to stock and major adaptations to existing properties.

Governance of Capital Expenditure

7. Specific capital projects are identified primarily through the Council's annual budget setting process which revises the approved capital programme for the following five years. Service managers submit proposals for new projects, outlining the reasons and benefits for the proposal and the estimated cost and method of financing. These proposals are reviewed at internal challenge sessions attended by senior managers across the organisation chaired by the Corporate Director of Finance. If proposals are deemed satisfactory at this stage they are included in a further submission to the Leader of the Council. There is then a pubic consultation period in December on the full budget and impact to Council Tax. Following any further feedback the final revised five year capital programme is submitted to Cabinet and Council for approval in February each year.

8. Implications of existing and new capital investment proposals in terms of the future impact on prudential borrowing levels and capital financing costs are taken into account in setting the revenue budget which is also approved by Council in February each year. The various sources of finance for all existing and new capital projects and programmes are identified and included in the Council's budget.

9. Some capital projects arise which require more short-term implementation during the current financial year and these are usually managed through existing programme budgets included in the five year programme where there is anticipated need for that type of investment. These projects would normally be managed within overall borrowing limits approved by Council.

10. In order to subsequently proceed with implementation, all individual capital expenditure projects require a formal democratic decision from the Leader of the Council and Cabinet Member for Finance, Property and Business Services to release the monies included within the capital programme budget. To obtain approval for the budget to be released, a formal report is submitted providing detailed information on the objectives of the project and including a cost plan.

11. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
External sources	25.1	25.3	52.1	23.8	19.5	17.2
Own resources	61.2	66.3	68.8	37.9	38.8	45.6
Debt	6.3	28.5	100.0	72.3	54.6	24.9
TOTAL	**92.6**	**120.1**	**220.9**	**134.0**	**112.9**	**87.7**

12. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. MRP is a statutory mechanism for General Fund borrowing and details on how this is calculated is included in the MRP Statement policy. The HRA also provide a regular contribution towards it financing of debt.

Table 3: Projected MRP and debt provision

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
GF MRP from Revenue	4.6	4.9	5.5	8.9	11.2	13.1
HRA revenue provision for debt financing	9.0	8.5	8.5	8.5	8.5	8.5

13. The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £85m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m	31.3.2022 budget £m	31.3.2023 budget £m
General Fund services	209	207	251	299	332	337
Council housing (HRA)	190	193	199	206	208	205
Capital investments	0	15	50	50	50	50
TOTAL CFR	**400**	**415**	**500**	**555**	**590**	**592**

Asset Management

14. The maintenance and improvement of the Council's property assets and wider infrastructure are managed and formally set out in the Council's organisational structure, with specific service teams in place to manage various parts of the Council's asset portfolio.

15. In general, assets are managed in accordance with the principles of good estate management. The Council seeks continuous improvement in the quality of assets used to deliver services and wherever possible use its ownership of assets to deliver service improvements.

16. Service teams with responsibility for managing Council assets include:
    - Capital Programme team: responsible for delivery of major new construction projects and capital works on existing property assets.
    - Facilities Management and Planned Works: maintenance of existing assets including repairs to Council buildings, voids and renewal of existing housing stock.
    - Highways and Street Lighting: maintenance and improvement of the roads and footways infrastructure, and maintenance and enhancement of street lighting.
    - Property and Estates Management: provide a complete overview of all properties and land owned by the council, including management of leases, ensuring that the full potential is being gained from each property asset.
    - Fleet Management: manage the Council's vehicle requirements for areas such as waste management and various other services.
    - ICT: maintaining and improving the Council's ICT infrastructure for both internal business operations, front line services and enhancing residents' online interactions with the Council.

- Green Spaces: maintain and enhance the various parks and green spaces sites across the Borough.

Asset Disposals

17. Assets are continually reviewed, to determine those that may be declared surplus to service requirements, with regular monitoring meetings. Proposals to change the purpose, to redevelop or to sell an asset are reported with options presented to the Councils property governance working group lead by the Council's Leader, Strategic Property Governance (SPG), to determine next steps on the most appropriate development or disposal route before recommendations are made to Cabinet. Progress on asset development and disposals is reported through monthly budget monitoring. Surplus assets may be sold to generate proceeds, known as capital receipts, which can be used to finance capital expenditure on new assets or enhancements to existing assets, or to repay debt. With the approval of Cabinet, surplus assets can also be appropriated between the General Fund and Housing Revenue Account (HRA) to reflect planned changes in use of the land where notional receipts are transferred between the funds.

18. Right to Buy Council housing sales, repayments of capital grants, loans and investments also generate capital receipts. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. The Council plans to invest £28.6m of capital receipts in the coming financial year (2019/20) on General Fund and HRA capital programmes and also transformation projects.

Table 5: Capital receipt financing applied

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
Capital receipts	26.5	28.2	28.6	18.8	17.9	23.5

The Council's Flexible Use of Capital Receipts Policy, Efficiency Strategy is available here: https://www.hillingdon.gov.uk/budgetreports

Treasury Management

19. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as

capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

20. As at the 31 March 2019 the estimated borrowing is £264m and £25m treasury investments.

Borrowing strategy

21. The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance low cost short-term loans (currently available at around 0.90%) and long-term fixed-rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

22. Projected levels of the Council's total current outstanding debt (which comprises borrowing, PFI liabilities, leases) are shown below, compared with the projected capital financing requirement (see details above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31.3.2018 actual £m	**31.3.2019 forecast £m**	**31.3.2020 budget £m**	**31.3.2021 budget £m**	**31.3.2022 budget £m**	**31.3.2023 budget £m**
Debt (incl. PFI & leases)	251	264	227	211	205	191
Capital Financing Requirement	400	415	500	555	590	592

23. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, with the existing levels of debt the Council expects to comply with this in the medium term. Planned Debt expected to meet this capital strategy, compared to the CFR can be seen in table 7 for the liability benchmark.

24. Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing compared to the CFR borrowing requirement. This assumes that internal resources such as reserves and working capital are utilised and that cash and investment balances are kept to £15m at each year-end.

Table 7: Borrowing and the Liability Benchmark

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m	31.3.2022 budget £m	31.3.2023 budget £m
Outstanding borrowing	251	264	227	211	205	191
Borrowing required to meet CFR	149	151	273	344	385	401
Borrowing required to meet Liability benchmark	0	0	138	215	260	276

25. Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. Further details on borrowing can be found in the Treasury Management Strategy.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2018/19 limit £m	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m
Authorised limit – borrowing	584	619	621	622	622
Authorised limit – PFI and leases	1	1	1	0	0
Authorised limit – total external debt	**585**	**620**	**622**	**622**	**622**
Operational boundary – borrowing	554	589	591	592	592
Operational boundary – PFI and leases	1	1	1	0	0
Operational boundary – total external debt	**555**	**590**	**592**	**592**	**592**

Treasury Investment Strategy

26. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

27. The Council's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely in funds including in bonds and shares, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

28. The Council will aim to hold a level of short-term investment balances which are not excessive, but will ensure sufficient liquidity to manage the day-to-day activities of the Council. Longer-term investments are forecast at £15m over the next 5 years.

29. Further details on treasury investments can be found in the Treasury Management Strategy.

30. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Corporate Director of Finance and staff, who must act in line with the treasury management strategy. The treasury management strategy statement is agreed by Cabinet in February prior to agreement at full Council before the start of each financial year. Amendments to the treasury management strategy during the year are only done with Cabinet approval.

31. Treasury activity is monitored and reported to senior management on a daily and weekly basis. Monthly reports on treasury management activity, including compliance with prudential indicators, are provided to Cabinet as part of the budget monitoring process.

Investments for Service Purposes

32. The Council lends money to, and has a 100% shareholding in one subsidiary, Hillingdon First Ltd. The objective is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by generating of long-term sustainable revenue streams through the delivery of high quality housing to meet the need of Hillingdon's residents.

33. The Hillingdon First Ltd shareholder agreement and memorandum of association sets out in detail the governance arrangements and provides details of the operating framework, controls and reporting requirements.

Commercial Activities

34. The Council has a £4.6m historic portfolio of investment properties which are managed through the Council's organisation structure. These assets are not held for normal operational activity but held under long-term commercial leases. Net Income generated from these assets is approximately £350k per annum.

Liabilities

35. In addition to debt of £264m detailed above, the Council is committed to making future payments to cover its pension fund deficit and has made provisions to cover risks such as insurance claims and non-domestic rates appeal losses. The Council is also at risk of having to pay for claims following legal proceedings but has not put aside any money because the claims are denied and will be defended, and in some instances, counterclaims pursued.

Revenue Budget Implications

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

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget
Financing costs (£m)	4.4	4.9	7.9	8.8	11.6	12.6
Proportion of net revenue stream	2%	2%	3%	4%	5%	5%

Net revenue stream is the general fund budget requirement, which is funded through Council Tax Business Rates and Government Grants.

Sustainability

37. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 35 years into the future. The Corporate Director of Finance is satisfied that both the proposed individual schemes and the overall programme are tested for affordability, sustainability and prudence.

38. Projects to be financed from planned borrowing fall into three broad financing strategies, with a fourth category of investment to be financed from future Council Tax revenues. The broad financing strategies are, investment projects where specific capital receipts are recognised on completion of the project to cover costs; commercial activity with full funding through dividends, interest and principle repayments; and invest to save projects where borrowing costs are offset by ongoing revenue savings. The fourth category are projects linked to service delivery, with associated ongoing financing costs driving an element of future savings requirements.

39. Given the intrinsic link between this fourth category of investment and the level of savings necessary to deliver balanced budgets over the medium to long term, prioritisation of projects to be funded from general resources should therefore be considered in the context of the overall budget rather than within the capital programme alone.

Knowledge and Skills

40. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

41. The Council adopts a continuous performance and development programme to ensure officers are regularly appraised and any training needs identified. Where appropriate, officers will attend training sessions, seminars and workshops to ensure their knowledge is up to date and relevant. Council Members are provided access to additional training where required.

42. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field.

TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20

Summary

1. The Treasury Management Strategy represents the Council's operating guidelines on the daily management of cash, investments, borrowing and associated risks. Through daily cash flow management, surplus cash is invested with security of investments being the prime consideration; only then are the liquidity and yield of investments, within the Council's risk parameters, considered.

2. Over the longer term, the Council considers the need to borrow money to fund its major capital projects and when the best time is to do this. The strategy aims to minimise borrowing and make use of internal funds where viable. Currently, there is an expectation that new borrowing will be required during 2019/20 of £119m. New borrowing to fund the capital financing requirement will be taken for cash flow purposes or where there is a positive budget impact in terms of the cost of carry. New debt will be a mixture of short and medium-term durations designed to minimise cost without having a detrimental effect on refinancing risk.

3. Interest rates are forecast to stay relatively low and as such investment returns will remain subdued for short-term and liquid cash.

4. This report details the Councils approach and strategy towards borrowing and investing and provides details on sources of debt and investment instruments in which the Council can invest. All institutions on the counterparty list are regularly monitored assessing risk and determining the limits of duration and value of investments.

5. For 2019/20, Treasury Management Strategy Statement (TMSS) follows the revised 2017 Code of Practice guidance. Other specific changes include:

6. In January 2019 European Money Market Fund reform changed the classification of Money Market Funds resulting in "Constant Net Asset Value" (CNAV) Funds converting to "Low Volatility Net Asset Value" (LVNAV) Funds. The Council has replaced the CNAV Money Market Fund determination with LVNAV. It is expected funds will still deliver constant net asset value as managers apply a more prudent approach to comply with the revised guidance.

7. The maximum counterparty exposure limit for deposits and investments in banks and building societies has been reduced from £7.5m to £6.5m. This is based on a reduction in reserve balances for 2019/20.

Introduction

8. Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). This requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code. The strategy is developed as part of the Council's MTFF process.

9. Investments held for service purposes or for commercial profit are considered in a separate report; the 'Investment Strategy'.

10. The Council, by having significant investments and borrowing, is exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. As such treasury management operations are fundamentally concerned with managing risk. Whilst there are regulations and controls in place designed to minimise or neutralise risk, some risk exposure remains, due to the nature of managing loan and investment portfolios and cash flow activities. Active monitoring of the economic outlook, as well as changes in regulation, is undertaken where it impacts on the Council's treasury management strategy and risk parameters.

11. The major external influence on the Council's treasury management strategy for 2019/20 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The UK economic environment remains relatively slow, despite seemingly strong labour market data. The economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst there is still no clear direction on how Brexit will, or will not proceed, uncertainty still hangs over economic activity within the UK. Inflationary pressures have increased with tightness in the labour market and the rising price of oil. There is therefore an expectation for slow and steady rate rises during 2019. The Monetary Policy Committee (MPC) continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. The Council's treasury advisers Arlingclose believe, MPC members consider ultra-low interest rates result in other economic problems, therefore a higher Bank Rate will be a more effective

policy weapon should downside Brexit risks crystallise and rate cuts be required.

12. Following the global financial crisis, the Independent Commission on Banking published proposals to fundamentally reform the structure of banking in the UK by separating retail and investment banking activities through ‘ring-fencing’. The UK government accepted the Commission’s proposal and introduced banking reform legislation in 2013 and 2014 to implement the ring-fencing proposals. The financial regulators developed rules that set out how banks must go about ring-fencing with a deadline of 1st January 2019.

13. The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ring-fencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ring-fenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ring-fenced banks generally being better rated than their non-ring-fenced counterparts. The Council will have access to both ring-fenced and non-ring-fenced bank investments.

14. European banks are considering their approach to Brexit, with some already creating new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Balance Sheet and Treasury Position

15. The Council's borrowing strategy is driven by the estimated Balance Sheet position in the medium-term and capital programme expectations. The underlying need to borrow for capital purposes is reflected by the Capital Financing Requirement (CFR) which measures the cumulative capital expenditure that has not been financed from other Council resources such as capital grants, revenue contributions or financed from reserves. The CFR will generally be higher than the actual debt held due to timing requirements for cash flow purposes. This is called "internal borrowing".

16. Estimates of the CFR, based on the projected capital programme over the next five years are shown in table 1. The Council's opening CFR is estimated at

£415m for 2019/20, based on the closing 2018/19 figures. This CFR, less outstanding loans of £263m and other long term liabilities of £1m, results in an opening gross borrowing requirement of £151m. Existing borrowing is identified into separate loan pools for GF and HRA. GF debt is £78m and HRA £185m.

Table 1

	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
General Fund CFR	222	301	349	382	387	379
HRA CFR	193	199	206	208	205	199
Total CFR	**415**	**500**	**555**	**590**	**592**	**578**
Existing Borrowing*	264	227	211	205	191	186
Gross External Borrowing required to meet CFR	**151**	**273**	**344**	**385**	**401**	**392**
Projected Usable Reserves**	140	105	96	92	92	94
Projected Working Capital	48	48	48	48	48	48
Investments/(New Borrowing) required)	**37**	**(123)**	**(200)**	**(245)**	**(261)**	**(250)**
Plus Minimum Investments	15	15	15	15	15	15
Liability Benchmark (New Borrowing)	**22**	**(138)**	**(215)**	**(260)**	**(276)**	**(265)**

*Borrowing profile does not include potential calls on LOBO borrowing. Borrowing includes £191.6m (£127.1m balance) paid to government by the HRA as settlement on the introduction of the self-financing regime in March 2012.

** Council controllable reserves only

17. The increasing General Fund CFR is due to the Council's programme of capital investment funded by Council resources. The Capital programme continues to focus on provision of sufficient schools places to meet rising demand across the borough. In addition there are provisions in place for major investment on the St Andrews Park site in Uxbridge, a new swimming pool in Yiewsley and improvements to the Borough's highways. The Council is forecast to require further borrowing in 2019/20 to meet the current costs of the capital programme.
18. To compare the Council's actual borrowing against an alternative strategy, table 1 also shows a liability benchmark which calculates the lowest risk level of borrowing. This assumes the same CFR forecasts, but that cash and investment balances are kept to a minimum level of £15m at each year-end.

Borrowing Strategy

19. The Council's external debt at 31 March 2019 will be £264m, an increase of £13m on the previous year. This is due to £30m of new borrowing being taken out during 18/19, which consisted of £20m of temporary borrowing and refinancing of a maturing £10m PWLB loan, less £17m as a result of naturally maturing debt. There were no opportunities to repay debt early in 2018/19. A further £38m is scheduled for repayment in 2019/20. Over 2018/19 the Council’s loan portfolio had an average interest rate of 3.37%.

20. Projected capital expenditure levels, market conditions and interest rate levels are monitored throughout the year. This enables the Council to adapt borrowing strategies to minimise borrowing costs over the medium to longer term whilst maintaining financial stability. Table 1 above shows the Council is expecting it will need to borrow in 2019/20 based on the full capital programme and debt maturity profile.

21. Where prudent the Council will take short-term borrowing to offset its current internal borrowing to retain an element of cash reserves for long-term strategic investment purposes. It is forecast that over the TMSS period £15m will be sourced from other Local Authorities for this purpose. This will enable to Council to meet the MiFID II minimum investment balance criteria with the subsequent long-dated investments contributing to the income target.

22. Taking new fixed rate borrowing would not normally be cost effective when compared to utilising internal balances, due to the differential between debt costs and investment earnings; despite long term borrowing rates being at low levels, however this position may change with changes in interest rates. By utilising internal balances and delaying borrowing until required for cash flow purposes, borrowing costs will be reduced whilst also allowing the Council to lower credit risk and take pressure off the investment Counterparty list. This approach will be adopted throughout 2019/20 where cash balances allow, however due to overall borrowing requirement shown in table 1, an element of new and refinancing of debt will need to take place during the year.

23. The Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in the later years. This would enable certainty of cost to be achieved without suffering a cost of carry (borrowing costs before the debt is physically required for cash flow purposes) in the intervening period.

24. If the Council takes out new borrowing the Council will consider the following approved sources of borrowing:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments
- UK local authorities
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Hillingdon Pension Fund)
- Capital market bond investors
- Municipal Bonds Agency (subject to Cabinet approval)
- Other special purpose companies created to enable local authority bond issues
- Leasing, Hire Purchase and, Sale and Leaseback

25. Although a mix of borrowing options will always be considered, the PWLB (or equivalent) will remain the primary source of long-term and variable rate borrowing whilst rates remain closely linked to government gilts. The Council currently has access to the preferential PWLB "certainty rate", which is 0.2% lower than normal PWLB lending rates.

26. To cover unexpected cash flow shortages or short term borrowing requirements, the Council may borrow short term, which would mainly be sourced from other local authorities. However, short-term borrowing leaves the Council exposed to the risk of short-term interest rate rises and are therefore subject to interest rate exposure limits in the treasury management indicators in table 2.

27. Where borrowing is required this will be attributed directly to either the GF or HRA loan pools. Interest costs will be separated between the two pools and allocated accordingly.

Interest Rate Risk

28. The Council's has fixed rate loans of £235.3m which protect against interest rate rises. There are variable rate loans totalling £27.5m; £1.5m take advantage of favourably low rates, £20m of temporary borrowing and £6m are LOBO loans in their call period during 2019/20. Although variable rate loans are exposed to increases in rates, any additional loan costs would be offset by a corresponding increase in investment income.

29. Within the loan portfolio, the Council holds market loans of £48m of which £36m are Lender’s Option Borrower’s Option (LOBO) loans. The remaining £12m are classified as fixed rate debt. In 2019/20 one £6m loan will be in its call period and so are reclassified for the period as variable. It is highly unlikely that the

loans will be called given interest rates are now lower than those at the inception of the loan. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the new terms and also the option of repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan by borrowing from the approved sources. The default position however will be early repayment without penalty. The Council will not utilise LOBO's for any new borrowing.

Interest rate exposures

30. In order to manage interest rate risk the Council will aim to balance variable rate debt with its exposure to variable rate investments. This approach will offset any increase or decrease in borrowing costs with comparable changes in investment income.

31. The Council is required to set an indicator to control the Council's exposure to interest rate risk. Table 2 shows upper limits on the one-year revenue impact of a 1% rise or fall in interest rates.

Table 2

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.0m
Upper limit on one-year revenue impact of a 1% fall in interest rates	£(1.0m)

The impact of a change in interest rates is calculated both on the assumption that fixed-rate maturing loans and investments will be replaced at their existing fixed rates and with a forecast maximum variable rate net investment and debt position of £100m.

Debt Rescheduling

32. The PWLB allows authorities to repay loans before maturity at a premium or discount. The Council may take advantage of this and replace some loans with new loans or repay early without replacement. The rationale for rescheduling is to reduce interest costs with minimal risk; balance the volatility profile (i.e. the ratio of fixed to variable rate debt); or amend the profile of maturing debt to reduce any inherent refinancing risks.

33. Rates and markets are regularly monitored to identify opportunities for rescheduling and any borrowing and rescheduling activity is reported monthly to Cabinet. However, current market conditions are resulting in significant early redemption costs for fixed rate debt and unless these are significantly reduced, it is unlikely any debt rescheduling will be undertaken in 2019/20.

34. The Council will limit and monitor large concentrations of debt needing to be replaced through the prudential indicator in table 3. The upper and lower percentage limits are intended to control excessive exposure to volatility in interest rates on refinancing of maturing debt by setting a structure for borrowing maturity profiles. The first scheduled LOBO call option is included as the maturity date within this indicator.

Table 3

Maturity structure of borrowing	% PWLB maturity profile at 31/03/19	% Market LOBO 1st call option profile at 31/03/19	Lower Limit for 2019/20 %	Upper Limit for 2019/20 %
Under 12 months	14.56	2.28	0	25
12 months and within 24 months	5.67	1.90	0	25
24 months and within 5 years	8.94	7.61	0	50
5 years and within 10 years	14.27	1.90	0	100
10 years and within 20 years	19.41	0	0	100
20 years and within 30 years	8.02	0	0	100
30 years and within 40 years	10.88	0	0	100
40 years and within 50 years	3.04	0	0	100
50 years and above	1.52	0	0	100
Total	86.31	13.69	0	100

Investment Strategy

35. The CIPFA Code requires the Council to invest funds prudently, and have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

36. The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves. For 2018/19, the Council's investment ranged between £15m and £100m. As a result of the capital programme expenditure, investment balances are expected to be lower during 2019/20.

37. When investing funds the Council looks to balance risk and return, minimising the risk of incurring losses from defaults, and the risk receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

38. If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation continues to exist in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

39. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will continue with the strategy adopted in 2018/19 of investing £15m in strategic pooled funds as they target higher yields and aim to enhance investment income.

40. The Corporate Director of Finance under delegated powers will, on a daily basis, determine the most appropriate form of investments, in keeping with investment objectives, income and risk management requirements. Investments will also be made with reference to the approved investments detailed in table 6. Activity concerning the core strategic investment portfolio will be reported monthly to Cabinet.

Bail-In Risk

41. Banking reform legislation was incorporated into UK law from January 2015 and exposes the Council to bail-in risk on all unsecured bank deposits. The risk of bail-in is effective at the point when banks are considered to be underperforming rather than once they have failed. With most large entities either exempt or not exposed, local authorities will be one of the primary bail-in targets with a potential loss of 100% of the deposit.

42. There are a number of secure deposits available to the Council to reduce bail-in exposure. Secure deposits include Covered Bonds (fixed and floating rate notes) and Repurchase Agreements (REPO's). Secure deposits are longer in duration and can be difficult to invest as a result. An element of the Councils investments must remain liquid to fund cash flow requirements, resulting in bail-in risk being inherent in the Council's investment portfolio.

43. Covered Bonds are bail-in exempt and are issued in their own right rather than in the name of the counterparty, with each issue having its own credit rating. The covered bond has security of underlying assets which can be called upon in the event of default of the issuing counterparty. The decision to invest in a covered bond will be based on the individual bond issue rather than an agreed list of specific counterparties, as each bond is standalone from the issuing counterparty and should be assessed individually. Duration and exposure limits will be aligned with the credit rating of the bond issue with consideration to other investment factors. The Council will only invest in a covered bond which is rated AA or above.

44. Repurchase Agreements (REPO's) require the use of either a tri-party facilitator to negotiate and hold the instrument or a custodian and broker if a bi-lateral arrangement is in place. REPO's are ring-fenced and not subject to the failure of the issuing counterparty, making them bail-in exempt instruments; however unlike Covered Bonds REPOs are issued in the name of the counterparty.

Funds

45. Money Market Funds (MMF's) remain an important vehicle for instant access deposits. Money Market Funds reduce the risk of bail-in as the funds are diversified with limits on the exposure to any specific institution. The Council also utilises more than one MMF to further diversify exposure. Where MMF's participate, the Council utilises the facilities of a MMF portal to make subscriptions and redemptions. The portal procedure involves the use of a clearing agent; however the Council's funds are ring-fenced throughout the process. In January 2019 European Money Market Fund reform required that all Constant Net Asset Value (CNAV) MMF's to be converted to Low Volatility Net Asset Value (LVNAV) funds. The new structure is unlikely to have any overall effect on the net asset value of funds and will arguably provide a safer more liquid framework. This change in classification has been reflected within the Investment section in table 6.

46. Pooled Funds provide the Council with the facility to access a diversified pool of longer duration investments which the Council could not utilise on a segregated basis. These funds have a variable net asset value and offer the potential of greater risk adjusted returns over the longer term.

47. In January 19 the government accidentally legislated for most money market funds and other pooled funds to be classified as capital expenditure. If the legislation is not further amended, then the vast majority of money market funds and other pooled funds will become capital expenditure when the UK leaves

the EU, currently scheduled for 29th March 2019. Arlingclose are in discussions with MHCLG about further amendments to these rules but cannot guarantee that any changes will be effective before Brexit.

48. If there are no further amendments made this would result in capacity pressures on the counterparty list, as the majority of money market funds currently being used to place liquid cash would not be available. Therefore larger amounts of cash would be deposited in the Debt Management Account Deposit Facility (DMADF) provided by the UK Debt Management Office, which yields lower rates of interest.

Credit Risk

49. Credit ratings remain an important element of assessing credit risk but they are not the sole feature in the assessment of counterparties. The Council also considers alternative assessments of credit strength and information including corporate intelligence, market sentiment and pricing as well as any overriding doubts regarding security.

50. The Council’s in-house investments are made with reference to the outlook for the UK Bank Rate, money market rates and other macroeconomic factors. In any period of significant stress in the markets or heightened counterparty risk, the fallback position is for investments to be placed with central government’s Debt Management Office (DMO), to purchase UK Treasury Bills or deposits with other local authorities. The rates of interest from the DMO are below the equivalent money market rates in most cases, but this is an acceptable counterbalance for the guarantee that the Council’s capital is secure.

High Credit Quality

51. The Council has defined "high credit quality" for deposits and investments in organisations and securities as those having a minimum credit rating of A- for UK counterparties, A+ for overseas counterparties and AA+ for non-UK sovereigns. Covered Bonds will be restricted to bond issues of AA or above.

52. When determining the minimum acceptable credit quality the Council will not only consider the credit rating criteria above but also advice from Arlingclose, information on corporate developments and market sentiment towards investment counterparties. For credit rated counterparties, the minimum criteria will be the lowest equivalent long term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned). Long-term minimum: A- (Fitch); A3

(Moody's); A- (S&P). The Council will aim to have a weighted average credit score of A- for the rated element of its investment portfolio. The Council's portfolio average credit rating as at 31 March 2019 is forecast at AA-.

53. In order to diversify investments within the portfolio, funds will be placed with a range of counterparties which meet agreed minimum credit risk requirements. Diversification will be achieved by applying individual limits with each counterparty; for unsecured deposits this is capped at 5% of the total portfolio. Varying instruments and investment periods will be utilised to meet liquidity requirements and mitigate risks. Table 6 shows investment limits and allowable instruments.

Investment limits:

54. The maximum that will be lent to any one organisation (other than the UK Government) will be £6.5m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Risk Assessment and Credit Ratings

55. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded resulting in it failing to continue to meet the approved investment criteria then:
- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

56. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only new investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Liquidity Risk

57. The Council will ensure it has liquid funds available to settle its payment obligations when they fall due and uses cash flow modelling techniques to determine the maximum term for which funds may be prudently committed. It will utilise instant access facilities including call accounts and Money Market Funds (MMF's) for core working capital balances and structure longer term maturities to correspond to large cash outflows with reference to the Council's capital programme.
58. The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within 1 day, without additional borrowing.

Table 4

Liquidity risk indicator	Target
Total cash available within 1 day	£10m

Principal sums invested for periods longer than a year

59. The Council has placed an upper limit for principal sums invested for periods longer than a year. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Table 5

Price Risk Indicator	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
	35	35	35	35	35	35

Return on Invested Sums

60. As interest rates are forecast to remain low on liquid balances, the investment strategy is aiming to lengthen investment periods, where cash flow and credit conditions permit, in order to achieve higher rates of acceptable risk adjusted returns. Longer term investments will typically be through deposits with local authority entities, the use of secured deposits and strategic and long-dated pooled funds.

Council's Bank Account

61. The Council's bank account is held with Lloyds Bank Plc and is currently rated above the Council's agreed minimum A- rating at A+. Should the credit rating fall below A- the Council may continue to deposit surplus cash providing investments can be withdrawn on the next working day, and the bank maintains a credit rating no lower than BBB-.

Approved investment counterparties and limits

Table 6: Limits for investments

Instruments	Counterparty	Maximum Exposure Limits	Maximum Duration Limits
Term Deposits	DMADF, DMO	No Limit	No Limit
Term Deposits	Other UK Local Authorities	£35m per Local Authority / No total limit	No Limit
Instant Access Accounts / Notice Accounts / Term Deposits / Certificates of Deposit / REPO's	UK Banks and Building Societies	Unsecured Deposits Up to 5% / £6.5m Secured Deposit - REPO's (In addition to unsecured limits) Up to 10% / £15m	13 Months
Instant Access Accounts / Notice Accounts / Term Deposits / Certificates of Deposit	Overseas Banks	Unsecured Deposits 5% / £6.5m Overseas Bank Total - 50% in aggregate Secured Deposit - REPO's (In addition to unsecured limits) Up to 10% / £15m	13 Months
Registered Secured Deposits (including Covered Bonds)	Bond issue minimum AA Rated	£15m / 10% (Per issue)	5 Years
Gilts	DMO	No Limit	No Limit
Treasury Bills	DMO	No Limit	No Limit
Local Authority Bonds	Other UK Local Authorities	No Limit	No Limit
Money Market Funds	Money Market Funds(LVNAV)	7.5%/£5m per fund. Maximum MMF exposure 50%	Instant Access
Pooled Funds	Pooled Funds (Cash Plus & Short-Bond Funds with investment horizons < 1year)	7.5%/£5m per fund. Maximum Pooled Fund exposure £15m	2 Years
Pooled Funds	Pooled Funds (Strategic & Long-Dated Funds with investment horizons > 1year)	5m per fund. Maximum Pooled Fund exposure £15m	5 Years

62. Specific duration limits will be based on guidance from the Council's treasury advisers and with an additional overlay of prudence applied by the Council. In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty. Instruments and limits would be amended on notification of any potential risk concerns.

Other Items

Policy on Use of Financial Derivatives

63. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). However, the general power of competence in Section 1 of the Localism Act 2011 removed much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

64. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks to which the Council is exposed. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

65. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the Housing Revenue Account (HRA)

66. With the introduction of HRA self financing in March 2012 the Council allocated specific loans to both the General Fund and the HRA. Interest costs applicable to each loan are charged directly to the respective revenue account.

67. Interest earned on HRA balances will be calculated and distributed in accordance with MHCLG guidelines and based on a DMADF risk free rate of return to match the risk free credit exposure applicable to the HRA.

Balanced Budget Requirement

68. The Council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

Monitoring and Reporting

69. Treasury activity is monitored and reported to senior management on a daily and weekly basis. Monthly updates including compliance with Prudential Indicators are provided to Cabinet as part of the budget monitoring process.

70. The Treasury Management Strategy Statement is agreed by Cabinet prior to agreement at full Council in February each year. Amendments to the TMSS during the year are only done with Cabinet approval.

Financial Implications

71. The proposed budget for investment income in 2019/20 is £0.6m and debt interest payable of £9.5m (£3.3m GF, £6.2m HRA). If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different and split into General Fund and HRA budgets if applicable.

Market in Financial Instruments Directive II (MiFID II)

72. In January 2018 a revised European directive, MiFID II, required the Council to meet certain criteria in order to attain professional investor status and subsequently avail itself of the services required to perform its treasury management function. The Council successfully attained this classification with all relevant suppliers and counterparties. In order to maintain an ongoing professional status the Council must hold as a minimum £10m of investments at all times. The allocation to strategic pooled funds and minimum cash requirements will ensure compliance with this particular criterion.

INVESTMENT STRATEGY REPORT 2019/20

Introduction

1. The Council invests money for two broad purposes:
   - because it has surplus cash as a result of its day-to-day activities, (**treasury management investments**),
   - to support local public services by lending to or buying shares in other organisations (**service investments**).

2. This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second of these categories.

Treasury Management Investments

3. The Council typically receives its income in cash before it pays for its expenditure in cash. It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. Treasury management investments can be made on either a short-term or long-term basis. The balance of treasury management investments is expected to fluctuate between £15m and £100m during the 2019/20 financial year.

4. The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

5. Full details of the Council's policies and its plan for 2019/20 for treasury management investments are covered in a separate document; the Treasury Management Strategy.

Service Investments: Loans & Shares

6. The Council lends money to, and has a 100% shareholding in one subsidiary, Hillingdon First Ltd, which was incorporated during 2018/19. The objective is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by generating of long-term sustainable revenue streams through the delivery of high quality housing to meet the need of Hillingdon's residents. Both loans and share holdings commenced during 2018/19.

7. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

8. In order to limit these risks, upper limits on the sums invested in each category have been set in table 1 below. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

Table 1: Loans & Shares for service purposes

Hillingdon First Ltd	**2019/20 Approved Limit £m**
Loans	*0-35*
Shares	*0-50*
TOTAL	***50***

9. Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts from 2018/19 onwards will be shown net of this loss allowance.

10. The Council assesses the risk of loss before entering into and whilst holding service loans. While the property market across Hillingdon and London has entered a period of downward price pressure, in contrast to substantial year-on-year growth seen in recent years, continued development and demand across the borough indicates the market for high quality new properties continues to exist.

11. The Council aligns loan durations with each specific development. A specific loan agreement will be drawn up for each development using the agreed schedule as a framework. Hillingdon First Ltd will be required to provide full development scheme details to the Shareholder Committee (acting on behalf of the Council as the shareholder) before the loan facility can be drawn down for specific expenditure on that development.

12. The Council will ensure it remains within the limits shown in table 1 for service loans and shares through monthly monitoring and reporting to senior management. Compliance with limits will also form part of the monthly reporting to Cabinet.

13. Shares are the only investment type classified as non-specified investment, the limits above in table 1 on share investments are therefore also the Council's upper limits on non-specified investments.

Loan Commitments and Financial Guarantees

14. Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

15. The Council has a contractual agreement in place to enable it to make up to £35m of loans, in total, to Hillingdon First Ltd should it request it. The Council has powers to terminate this agreement. The Council has no loan guarantees in place.

Proportionality

16. In the 2019/20 budget plan the Council does not intend to be dependent on profit generating investment activity to achieve a balanced revenue budget. The primary role of Hillingdon First Ltd is to contribute to delivering more quality housing to meet the needs of Hillingdon's residents and towards improving long-term revenue income, which it is anticipated be a more efficient route than the disposal of surplus assets.

Borrowing in Advance of Need

17. In accordance with government guidelines, the Council does not intend to borrow more than or in advance of need purely in order to profit from investment of the extra sums borrowed.

Capacity, Skills and Culture

18. Elected members and Officers receive training and undergo continuous professional development to ensure their knowledge is current and relevant. Where required, Officers and Members are supported by specialists on technical, commercial and regulatory matters.

19. The Council's investment strategy to date has been approved by Cabinet and full Council as part of the Treasury Management Strategy statement. Under delegated powers, the Corporate Director of Finance will, on a daily basis, determine the most appropriate form of investments in accordance with the Council's investment objectives, income and risk management requirements.

20. The Council's investment position, including compliance with prudential indicators, is reported to Cabinet on a monthly basis as part of the monitoring process.

21. The shareholder agreement and memorandum of association sets out in detail the governance arrangements and provides details of the operating framework, controls and reporting requirements for Hillingdon First Ltd. No actions should cause the company or the Council to breach the Local Authorities (Companies) Order 1995.

Investment Indicators

22. The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

23. The indicator in table 2 shows the Council's total exposure to potential investment losses. This includes amounts the Council has agreed it could lend to Hillingdon First Ltd, but have yet to be drawn down.

Table 2: Total investment exposure

Total investment exposure	31.03.2018 Actual £m	31.03.2019 Forecast £m	31.03.2020 Forecast £m
Treasury management investments	64.5	25.0	25.0
Service investments: Loans	*0*	*10.0*	*35.0*
Service investments: Shares	*0*	*5.0*	*15.0*
Total Exposure	***64.5***	***40.0***	***75.0***

24. Service loans and shares in Hillingdon First Ltd are classified as capital expenditure and can be described as being funded by borrowing. The remainder of the Council's investments are financed by usable reserves and income received in advance of expenditure.

Table 3: Investments funded by borrowing

Investments funded by borrowing	31.03.2019 Forecast £m	31.03.2020 Forecast £m
Treasury management investments	0.0	0.0
Service investments: Loans	10.0	35.0
Service investments: Shares	5.0	15.0
Total funded by borrowing	**15.0**	**50.0**

25. The Rate of return received indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	0.42%	0.57%	0.60%
Strategic Long-Term Investments	n/a	3.2%	2.7%
Service investments: Loans	n/a	0%	5.1%
Service investments: Shares	n/a	0%	0%

2019/20 MRP STATEMENT

1. Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision. This is within the revenue budget to repay the debt in later years. The Local Government Act 2003 requires the Council to have regard to Guidance on Minimum Revenue Provision issued by the Department of Communities and Local Government.

2. The four options available to establish a prudent amount of MRP are:
   - Option 1: Regulatory Method
   - Option 2: CFR Method (4%)
   - Option 3: Asset Life Method (equal instalment or annuity method)
   - Option 4: Depreciation Method

3. This does not preclude other prudent methods to provide for the repayment of debt principal.

4. Options 1 and 2 are only available options for GF supported borrowing prior to 31 March 2008

5. MRP in 2019/20: MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases we will consider the most prudent method of providing for debt repayment. The HRA will make a form of MRP to pay down its self-financing settlement debt over the 30 year business cycle on which the settlement is based.

6. Capital expenditure incurred during 2019/20 is not subject to an MRP charge until 2020/21.

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Appendix 13

HILLINGDON
LONDON

PAY POLICY STATEMENT - April 2019

1. Purpose

1.1. The Localism Act 2011 requires relevant authorities (including London Boroughs) to prepare and publish an annual pay policy statement.

1.2. The Local Government Transparency Code outlines the mandatory requirement for local authorities to publish an organisational chart of the top three management tiers together with details of senior employee salaries above £50,000.

1.3. This pay policy statement responds to the recommendations of the Hutton Review of Fair Pay in the Public Sector (March 2011) by ensuring transparency of pay policies within the Council to residents.

2. Approval

2.1. The pay policy statement must be approved annually by a Full Council meeting of democratically accountable members.

3. Scope

3.1. The pay policy applies to the Council's employees only and schools may have separate arrangements. An additional pay policy for teachers employed and working directly for the Council will be published on the Council's website.

4. Communication

4.1. The approved pay policy statement will be published on the Council's website as soon as is reasonably practicable once approved or amended by Full Council.

5. Publication & Access to Data

5.1. Details of all Chief Officers' remuneration will be published on the Council's website and updated annually. This information will also be included in the Council's annual statement of accounts which will also be published on the Council's website.

5.2. This information will be provided in an open 'machine-readable' format such as MS Excel, allowing for open re-use, including commercial and research activities, in order to maximise value to the public.

6. Definitions

Chief Officers

6.1. The definition of Chief Officers used in this pay policy, as set out in section 43(2) of the Localism Act (2011) includes the Council's Chief Executive Officer and Corporate Directors, as well as their direct reports.

Lowest Paid Employees

6.2. The Council operates a nationally agreed job evaluation scheme, and nationally agreed pay rates are linked to this scheme. Roles falling within the nationally negotiated APT&C framework are evaluated using the Greater London Provincial Council (GLPC) Job Evaluation Scheme.

6.3. The lowest graded roles in the Council are those evaluated at Scale 1(b), therefore our lowest paid employees are defined as those performing roles at this evaluated grade. The Council's commitment to this grading scheme, and nationally negotiated pay rates, constitutes our policy towards our lower paid workers. However, the Council is also committed to paying the London Living Wage as a minimum (see section 8 below).

Remuneration

6.4. Remuneration is defined as the total of all payments made to an individual officer including salary, expenses, bonuses if applicable, performance related pay, recruitment or retention premia, additional responsibility payments, together with any other additional payments, including charges, fees, allowances and enhancements to pension entitlement made to the officer.

Pay Multiples

6.5. Pay multiples refer to the ratios between 2 salaries (e.g. the pay multiple between a salary of £60,000 and £20,000 would be 3).

7. Job Evaluation

7.1. All job roles within the Council (apart from those subject to national grading prescription) are graded using nationally recognised job evaluation schemes. The purpose of job evaluation is to ensure that remuneration is set at an appropriate level in line with the responsibilities of the job role.

7.2. All roles graded within the local government pay spine negotiated by the National Joint Council for Local Government Services (salaries between £19,611 and £61,737[1]) are evaluated using the Greater London Provincial Council (GLPC) Job Evaluation Scheme.

[1] The salary ranges quoted cover the period to 31 March 2019.

7.3. Roles falling within scope of the JNC framework (salaries between £61,770 and £149,090) and those of the Chief Executive Officer and Corporate Directors are evaluated using the Local Government Employers (LGE) Senior Manager Job Evaluation Scheme.

8. London Living Wage

8.1. The Council is committed to paying, as a minimum, the London Living Wage (LLW) to all directly employed staff (excluding apprenticeships). Where basic pay, together with any pay supplements, falls below the LLW an additional allowance will be paid to bring that employee's pay up the LLW.

8.2. Any annual increases related to the LLW will be applied on the 1 April.

9. Appointments to Chief Officer posts and remuneration levels

9.1. All Chief Officer appointment and remuneration decisions are subject to the approval of an Appointments Committee consisting of cross party Council members.

9.2. Appointment to the post of Chief Executive Officer is also subject to the approval of full Council, in accordance with the Council's constitution.

9.3. Remuneration levels are set within the relevant pay scale as follows:

Internal Appointments

i) Chief Officers promoted to a new role at a higher grade will be appointed at a point on the new salary band that demonstrates a substantive increase on their current salary reflecting the new and additional responsibilities, as determined by the Appointments Committee.

ii) Chief Officers moving to a new role evaluated at a minimum of one grade lower than their current grade will be appointed on a salary at the maximum of the new, lower salary band.

External Appointments

9.4. External appointees to Chief Officer roles will normally be appointed at the lowest point of the salary range for the post. However the Appointments Committee may be required to consider the applicants current salary and other market factors to determine an appropriate salary offer. Where it is necessary to offer a salary higher than the lowest point on the salary scale the Appointments Committee will evidence an objective rationale for this decision.

9.5. The terms of reference for the Appointments Committee includes all remuneration decisions on new Chief Officer appointments.

10. Salary Benchmarking

10.1. The Council completes an annual benchmarking review of Chief Officer pay using available information across all London Boroughs. This exercise is used to ensure that the Council's approach to reward of Chief Officers fairly reflects the conditions within the local recruitment market.

10.2. The Council's objective is to position its remuneration of Chief Officers to ensure that the Council can remain competitive within the local recruitment market whilst ensuring that high calibre leaders can be recruited and retained.

11. Remuneration Levels

11.1. This pay policy statement sets out the Council's current approach to Chief Officer Pay, and any in year changes to the policy will require full Council approval.

11.2. Through approval of this pay policy statement full Council approves new appointments to existing Senior Chief Officers posts which attract salary packages (including salary, any bonuses, fees, allowances or benefits in kind routinely payable to the appointee) of over £100,000.

11.3. All Tier 1/2 and some Tier 3 officers have the potential to be paid at this remuneration level. These posts are -

11.4. Tier 1/2 (where pay ranges of over £100k are paid)

- Chief Executive & Corporate Director, Administration
- DCEO & Corporate Director, Residents Services
- Corporate Director, Finance
- Corporate Director, Social Care

11.5. Tier 3 (where pay ranges of over £100k can potentially be paid[2])

- Director, Infrastructure, Procurement, Improvement, Communications, Waste Services & ICT
- Head of Administrative, Licensing, Technical & Business Services
- Director, Public Health
- Director, Housing, Environment, Education, Performance, Health & Wellbeing
- Head of Planning, Transportation & Regeneration
- Head of Green Spaces, Sport & Culture
- Head of Legal Services (Borough Solicitor)
- Head of Human Resources
- Director, Children's Social Care
- Director, Provider & Commissioned Care
- Deputy Director, Adult Social Work
- Deputy Director, Corporate Finance
- Deputy Director, Exchequer & Business Assurance Services

[2] Not all of these officers are currently paid at this level but the posts are evaluated in a pay range which spans £100k. Actual pay rates can be found at http://www.hillingdon.gov.uk/article/24490/Chief-officers-pay-policy-and-responsibilities

12. Additional Payments

Recruitment & Retention premia

12.1. The Council's nationally agreed pay structures normally allow for the competitive recruitment and retention of high calibre Chief Officers.

12.2. Exceptionally the Council may need to respond to external market conditions when recruiting or retaining employees with specific skills, knowledge or capabilities. In order to respond to short to mid term shortages within the employment market the Council can apply a recruitment and retention premia payment to Chief Officer roles through the application of the Council's Market Factor Supplements policy.

12.3. All such premia payments must be supported by benchmarking data to determine genuine scarcity within the market and to determine the level of any agreed additional payments. The Appointments Committee must ratify all recruitment and retention premia. These payments should be reviewed on at least an annual basis to ensure the prevalent market conditions that form the basis of payment remain in force.

12.4. Any such payments to Chief Officers will be published annually on the Council's website together with the annual pay policy statement.

Additional Responsibility payments

12.5. Where a Chief Officer assumes substantive additional responsibilities, for example covering the duties of another vacant role, then an additional responsibility payment (an honorarium) can be made. These payments must be approved by the Chief Executive and the Leader of the Council and ratified by the Appointments Committee.

Car Allowances

12.6. No essential user allowances are paid to Chief Officers for travel or using a car.

Expenses incurred

12.7. The Council provides all staff required to travel with access to Oyster Cards and Payment Cards to ensure expenses claims are only made in exceptional circumstances. Any claims for expenses and mileage are receipted and limited to the levels set out in the NJC for Local Government Services agreement.

13. Salary Progression & Performance Related Pay

13.1. Chief Officer salary progression is subject to performance and is assessed annually as part of the Council's performance appraisal process. There is no pay progression for Chief Officers who do not demonstrate the required standards within their role.

13.2. Chief Officers who fully meet the expected performance standards of their role can progress along their pay scale annually.

13.3. Chief Officers who demonstrate exceptional performance which exceeds the standards required, can progress by an additional amount determined annually.

13.4. The Council does not operate an “earn back” pay system for its officers, but Chief Officer incremental salary progression is subject to performance assessment.

14. Payments for local election duties

14.1. Council staff can be employed on election duties of varying types. The fees paid to Council employees for undertaking these election duties vary according to the type of election they participate in, and the nature of the duties they undertake.

14.2. Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements, and fees paid to them for national elections/referendums are paid in accordance with the appropriate Statutory Fees and Charges Order and are paid by the body responsible for the conduct of the election.

15. Bonus Payments

15.1. No bonus payments are made to employees of the Council, including Chief Officers.

16. Redundancy and Severance Payments

16.1. The Council’s policy on levels of redundancy payments are set out in Early Termination of Employment Compensation Payments Policy.

16.2. In instances where a candidate for a vacant position within the Council has received a severance payment from the London Borough of Hillingdon (including any redundancy payment) within the last year, the Chief Executive Officer must approve any proposed appointment.

16.3. Section 18 outlines the impact of re-employment and effect upon LGPS pensions.

17. Chief Officer Pay Multiples

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17.1. The pay multiple between the salary of the Council’s lowest paid employees and the Chief Executive officer, together with that between the chief executive’s salary and the Council’s median salary, will be published annually. An explanation will be provided to account for any changes in the pay multiples from those previously reported.

17.2. The pay multiple between the salary of the lowest paid employees (£19,611) and the Chief Executive officer is 11.8[3].

17.3. The current pay multiple between the Council’s median salary (£29,241) and that of the Chief Executive officer is 7.9[3].

[3] This pay multiple is based on salaries as at 31 March 2019

18. Pensions

18.1. The Council's policy covering re-employment to a position with eligibility to join the Local Government Pension Scheme (LGPS), states that the total of the pension and salary from the re-employment, should not exceed the index linked value of the salary on leaving employment. Should earnings exceed this level, then the pension will be subject to a temporary reduction of the excess, for the duration of re-employment.

18.2. Further information regarding the impact on previous employees with a LGPS pension and re-employment is available on the Council's website at the following web address - http://www.hillingdon.gov.uk/index.jsp?articleid=6487

19. Management of Workforce Costs

19.1. The latest projections for workforce costs are presented monthly by the Council's Chief Finance Officer to the Cabinet as part of the Monthly Budget Monitoring Report.

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HILLINGDON
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Equality and Human Rights Impact Assessment

STEP A) Description of what is to be assessed and its relevance to equality

What is being assessed? Please tick ✓

Review of a service ☐ Staff restructure ☐ Decommissioning a service ☐

Changing a policy ✓ Tendering for a new service ☐ A strategy or plan ☐

The London Borough Of Hillingdon has reviewed its current Older People's discount scheme for Council Tax and are recommending a revised scheme as part of the consideration of setting the Council's budget and the level of Council Tax from 1st April 2019 for the financial year 2019/20.

Who is accountable? E.g. Head of Service or Corporate Director

Corporate Director of Finance

Date assessment completed and approved by accountable person

4th December 2018

Names and job titles of people carrying out the assessment

Iain Watters, Financial Planning Manager , Corporate Finance

A.1) What are the main aims and intended benefits of what you are assessing?

The review of the Older Peoples Council Tax Discount to appraise both the ongoing cost and eligibility for the discount for those residents reaching the age of 65 on or before 31st March 2019. The cost of the Older People's Council Tax Discount has been declining in recent years as fewer households claim the 4.88% discount (£54.20 for a Band D household in 2018/19, increasing to £108.40 for those in Band H properties) with this trend projected to continue with a further £25k reduction in the £970k cost of the scheme in 2019/20. There are a number of potential options available to Members in considering the future of the scheme, which would impact upon both the projected cost of the scheme and the eligibility for residents reaching the age of 65 by 31st March 2019.

A.2) Who are the service users or staff affected by what you are assessing? What is their equality profile?

As at mid-2017, the adult population of London Borough of Hillingdon was 242,800. There were 202,400 residents In the age group 16-64 and 40,400 were aged 65 years and older. It is forecast that the 65-year plus group is likely to increase by at least 500 residents per year. As at 3rd April 2018 111,377 households will be billed for Council Tax representing approximately 2.18 adult people per household. The council tax discount for Older People under the current scheme per household amounts to £54.20 per annum and the cost of the annual scheme is estimated at £970k. This equates to approximately 18,000 band D equivalent households in the Borough currently receiving the Older People's Discount. As this discount is based upon only age as a determinant of receipt of the discount, no other groups fall within the assessment.

A.3) Who are the stakeholders in this assessment and what is their interest in it?

Stakeholders	Interest
The Leader of the Council, Mayor, Cabinet Members, all Councillors.	To consider the proposals for a revised Older Persons Council Tax discount Scheme and agree a scheme that contributes to a balanced budget for 2019/20 and delivers value for money.

Corporate Director of Finance.	Recommend options for a revised scheme that contributes to a balanced budget for 2019/20 and delivers value for money.
Residents who will be 65 years or over on 31st March 2018 who have a Council Tax liability.	These residents are entitled currently to receive a council tax discount of up to £54.20 per annum on their 2018/19 Band D Council Tax liability.
Residents who will become 65 by 31st March 2019 who have a Council Tax liability.	These residents will become potentially eligible to receive a discount of up to £26.71 on their 2019/20 Band D Council Tax liability.
Adult Residents in the age group 16 to 64 years who have a Council Tax liability.	These residents do not receive an older person's discount, as they have not reached the age of 65 years on 31st March 2019 and are therefore not eligible.

A.4) Which protected characteristics or community issues are relevant to the assessment? ✓ in the box.

Age	✓	Sex	
Disability		Sexual Orientation	
Gender reassignment			
Marriage or civil partnership		Carers	
Pregnancy or maternity		Community Cohesion	
Race/Ethnicity		Community Safety	
Religion or belief		Human Rights	

STEP B) Consideration of information; data, research, consultation, engagement

B.1) Consideration of information and data - what have you got and what is it telling you?

As the proposed Council Tax discount scheme is based upon only age as a determinant of receipt of the discount, no other groups are deemed to have an impact and therefore do not fall within the Equalities Impact Assessment.

The positive impact will be upon Council tax payers who are 65 years or more by the 31st March 2018 who will continue to receive a financial discount on their Council Tax liability of up to £54.20 at a Band D Equivalent for financial years up to 2018/9 and up to an additional £26.71 at a Band D equivalent for the financial year 2019/20.

There will also be a positive impact upon Council Tax Payers who turn 65 years in the financial year 2018/19 by 31st March 2019 who will receive a discount of up to £26.71 at a Band D equivalent for the financial year 2019/20.

There is a neutral impact on Adult residents who are aged 16-64 who are not eligible for a Council Tax discount because of age.

Consultation

B.2) Did you carry out any consultation or engagement as part of this assessment?

Please tick ✓ NO ☐ YES✓

The Council will publish its 2019/20 budget proposals, which includes the recommended option for the Older Peoples Council Tax discount following agreement by the Cabinet Meeting 13th December to consult with the wider public on these proposals during the remainder of December 2018 and January 2019. Any comments /feedback on these proposals will be reported to Cabinet in February prior to the full Council meeting that will set the band D council tax level for 2019/20.

B.3) Provide any other information to consider as part of the assessment

Legal context Councillors have a legal requirement to set a balanced budget for the Council in each financial year including a Band D equivalent Council Tax amount that will contribute to the funding of expenditure to contribute to agreeing a balanced budget. The revised proposals for the Older People's Council Tax Discount form part of the Budget proposals for the financial year 2019/20.

C) Assessment

What did you find in B1? Who is affected? Is there, or likely to be, an impact on certain groups?

C.1) Describe any **NEGATIVE** impacts (actual or potential):

Equality Group	Impact on this group and actions you need to take
None	No negative impacts have been identified for any other group

C.2) Describe any **POSITIVE** impacts

Equality Group	Impact on this group and actions you need to take
Residents who will be 65 years or over on 31st March 2018 and who have a Council Tax liability	If the new scheme is approved, this group of residents will be entitled to receive a council tax discount of up to £80.91 at Band D equivalent from their full Council Tax liability.
Residents who will become 65 by 31st March 2019 who have a Council Tax liability.	If the new scheme is approved, this group of residents will be entitled to receive a council tax discount of up to £26.71 at Band D equivalent from their full Council Tax liability.

D) Conclusions

The change proposed to the Older People's Council Tax Scheme will result in all residents over the age of 65 on 31st March 2019 receiving a financial discount on their Council Tax Liability from 1st April 2019. This will be a positive impact upon this group of residents for the financial year 2019/20.
No other groups have been identified who are negatively impacted by this change in policy.

Signed and dated: Iain Watters 4 December 2018

Name and position: Iain Watters, Financial Planning Manager

Appendix 15

Comments on the budget from the Policy Overview Committees

Policy Overview Committees are an integral and statutory part of the consultation on the Cabinet's budget proposals each year. This opportunity enables Councillors, who are not in the Cabinet, to provide input or comment on aspects of the budget for the ensuing year.

The Corporate Services, Commerce and Communities Policy Overview Committee met on 5 February 2019 to consider the combined set of comments from the Policy Overview Committees and agreed they be referred to Cabinet and Full Council and as set out below:

	Budget remit	Comments
Corporate Services, Commerce & Communities **8 January 2019 & 5 February 2019**	*Chief Executive's Office* *Finance* *Residents Services (certain service areas).*	The Committee noted the budget projections and the combined budget proposals put forward by the Chief Executive's Office and Finance Group, and recognised the continuing financial constraints faced by the Council, whilst acknowledging that the Council have a track record of delivery over recent years in delivering a budget without impacting frontline services.
Social Care, Housing & Public Health – **16 January 2019**	*Social Care* *Residents Services (Housing, Public Health)* *Finance (Benefits)*	The Committee supported the budget proposals and commended officers for their work in times of austerity. Although concern was expressed around future budget pressures from increasing care costs, the Committee was pleased to see that there had been capital investment in housing and a zero increase in council tax for 65s and over for the thirteenth consecutive year. The Committee welcomed the budget, particularly as there were no reductions to front line services.
Residents', Education & Environmental Services – **22 January 2019**	*Residents Services (various service areas)*	Members agreed that it was gratifying to see that, despite the financial pressures faced by the Council, the Capital Programme was able to provide adequate funds for projects to maintain and improve services for residents, such as school expansions, street lighting, and highways improvements. The Committee thanked officers for their input and efforts.

Background Papers – these are the approved comments from the Committees. The published minutes (**link here**) set out more detail of the budget discussions that took place.

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HILLINGDON
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2019/20 Budget Consultation Feedback

Overview of Consultation Process

- This report highlights the key findings of the Budget Consultation 2019-20 conducted by the London Borough of Hillingdon from 14 December 2018 to 20 January 2019.

- The purpose of the consultation was to seek views from residents and local businesses on Hillingdon Council's budget proposals for 2019-20.

- The consultation was publicised:
    - In Hillingdon People magazine;
    - On Hillingdon Council's website and social media platforms
    - Through the Council's All Staff email.

- Information about the consultation was also sent directly to:
    - Residents on the Council's Customer Engagement database;
    - The Council's Street Champions;
    - Residents associations in the borough.

- The survey received 416 responses, a significant increase on the 165 received last year.

- The total number of responses and **key themes** from all open questions are shown in the Survey results.

- All results are unweighted.

- Results are based on all respondents unless otherwise stated.

Summary of key findings

- 99% of the respondents are residents, and 1% of respondents are local businesses.

- Of the 416 responses received, 112 responses expressed dissatisfaction with the budget proposals solely in relation to the Council's policy opposing Heathrow expansion, which has limited financial impact of the overall budget proposals, results are therefore presented to Cabinet both excluding and including these responses to enable Cabinet to consider the more strategic aspects of the budget.

- 37% of respondents are satisfied with the budget proposals. When excluding responses focused specifically on Heathrow 64% of respondents are satisfied with the budget proposals.

- 37% of respondents agree that the budget proposals give value for money to local people and businesses. When excluding responses focused specifically on Heathrow 47% of respondents agree that the budget proposals give value for money to local people and businesses.

- The majority of respondents (53%) feel well informed about the budget proposals.

- This document has been structured in three parts to present firstly survey results excluding single issue Heathrow responses, secondly survey results including all responses and finally demographic and background information on respondants.

Survey results – Excluding Single-Issue Heathrow Responses

Q1. How satisfied are you with the council's budget proposals for 2019/20?

Response	Responses Excluding Those Focused Exclusively on Heathrow Expansion	
	Number of Responses	Percentage of Responses
Very Satisfied	44	28%
Satisfied	109	36%
Neither Satisfied nor Dissatisfied	85	21%
Dissatisfied	0	0%
Very Dissatisfied	65	15%
Total	**303**	**100%**

When excluding responses which specifically cite the challenge of the Heathrow expansion as the reason for their dissatisfaction, 64% of respondents are satisfied with the budget proposals.

Q1a. Please tell us why:

Positive

The respondents that indicated they are either **fairly satisfied or very satisfied** with the council's budget proposals cite the following common reasons:

- No rise in council tax for Over 65s.
- The previous freeze of council tax within the borough, combined with a relatively low increase this year.
- The excellent facilities in the borough, in particular the proposed Yiewsley/West Drayton swimming pool.

Negative

Respondents that have indicated **dissatisfaction** with the council's budget proposals cite the following common concerns:

- Dissatisfied with specific investment proposals within the budget, such as expenditure at Ruislip Lido, and the proposed Yiewsley/West Drayton swimming pool.

Q2. To what extent do you agree or disagree that the budget proposals give value for money to local people and businesses?

Response	Respondents Excluding 'Heathrow Challenge' Responses	
	Number of Responses	Percentage of Responses
Strongly Agree	29	9%
Agree	115	38%
Neither Agree nor Disagree	73	24%
Disagree	55	18%
Strongly Disagree	32	11%
Total	**304**	**100%**

When excluding responses which specifically cite the challenge of the Heathrow expansion as the reason for their dissatisfaction, 47% of respondents are satisfied with the budget proposals.

Q2a. Please tell us why:

Positive

Comments suggest that respondents agree for the following reasons:

- Residents are provided with well-run services.
- In the context of the ten year freeze, proposed uplifts still show sound financial management, and therefore value for money.

Negative

Of the respondents that disagree, the common reasons for this are as follows:
- Dissatisfied with specific investment proposals within the budget, such as the proposed Yiewsley/West Drayton swimming pool.

Q3. How well informed do you feel about the budget proposals?

Response	Respondents Excluding 'Heathrow Challenge' Responses	
	Number of Responses	Percentage of Responses
Very Well Informed	49	17%
Fairly Well Informed	135	44%
Not Very Well Informed	96	31%
Not Informed At All	26	8%
Total	**306**	**100%**

Q3a. Are there any other comments you would like to make about the council's budget proposals for 2019-20?

Common themes include:

- Finding the document difficult to find.

Survey results – Including Single-Issue Heathrow Responses

Q1. How satisfied are you with the council's budget proposals for 2019/20?

Response	All Respondents		Responses That Focused Exclusively on Heathrow Expansion	
	Number of Responses	Percentage of Responses	Number of Responses	Percentage of Responses
Very Satisfied	44	11%	0	0%
Satisfied	109	26%	0	0%
Neither Satisfied nor	85	20%	0	0%
Dissatisfied	0	0%	0	0%
Very Dissatisfied	177	43%	112	100%
Total	**415**	**100%**	**112**	**100%**

Of the 177 respondents who stated they were **very dissatisfied** with the budget proposals for 2019/20, 112 specifically cited the challenge of the Heathrow expansion as the reason for their dissatisfaction.

Q2. To what extent do you agree or disagree that the budget proposals give value for money to local people and businesses?

Response	All Respondents		Responses That Focused Exclusively on Heathrow Expansion	
	Number of Responses	Percentage of Responses	Number of Responses	Percentage of Responses
Strongly Agree	30	8%	1	1%
Agree	120	29%	5	5%
Neither Agree nor Disagree	98	24%	25	23%
Disagree	84	20%	32	29%
Strongly Disagree	80	19%	48	43%
Total	**412**	**100%**	**111**	**100%**

As shown in the table above, a large portion of those who expressed their dissatisfaction with the Council's challenge to the Heathrow expansion also disagreed that the budget proposals provide value for money to local people and businesses. 49% of the respondents which disagreed that the proposals provide value for money to local people and businesses have specifically cited challenge of the Heathrow expansion in their responses. This would suggest that respondents have signalled their dissatisfaction with the challenge to Heathrow expansion in other areas of the report.

Q3. How well informed do you feel about the budget proposals?

Response	All Respondents		Responses That Focused Exclusively on Heathrow Expansion	
	Number of Responses	Percentage of Responses	Number of Responses	Percentage of Responses
Very Well Informed	57	14%	8	7%
Fairly Well Informed	162	39%	29	26%
Not Very Well Informed	142	34%	47	42%
Not Informed At All	53	13%	27	24%
Total	**414**	**100%**	**111**	**100%**

As displayed in the table above, 66% of those whose responses focused exclusively on the challenge of the Heathrow Expansion, responded that they did not feel well informed about the budget proposals.

Survey Results – Demographic and Background Information

Q4. Are you completing this survey...?

Response	Number of Responses	Percentage of Responses
As a resident	413	99%
On behalf of a local business	3	1%
Total	**416**	**100%**

Q5. Please tell us your postcode:

Response	Number of Responses	Percentage of Responses
UB3	71	18%
HA4	66	17%
UB7	59	15%
UB10	58	15%
UB8	49	12%
UB4	45	11%
HA5	16	4%
HA6	14	3%
UB9	12	3%
UB5	3	1%
Other	1	1%
Total	**394**	**100%**

Q6. Please tell us the name of your business or organisation:

Response	Number of Responses	Percentage of Responses
Joscocare Limited	1	50%
Total Support Training	1	50%
Total	**2**	**100%**

Q7. Please tell us the postcode of your business or organisation:

Response	Number of Responses	Percentage of Responses
HA4	1	50%
UB8	1	50%
Total	**2**	**100%**

Q8. Are you:

Response	Number of Responses	Percentage of Responses
Male	266	66%
Female	139	34%
Total	**405**	**100.0%**

Q9. How old are you?

Response	Number of Responses	Percentage of Responses
Under 18	0	0%
18 to 24	2	1%
25 to 34	19	5%
35 to 44	72	18%
45 to 54	83	20%
55 to 64	97	24%
65 to 74	101	25%
75+	31	7%
Total	**405**	**100%**

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SCHOOLS BUDGET 2019/20

Cabinet Member(s)	Councillor Ray Puddifoot MBE Councillor David Simmonds CBE Councillor Jonathan Bianco
Cabinet Portfolio(s)	Leader of the Council Education and Children's Services Finance, Property and Business Services
Officer Contact(s)	Peter Malewicz, Finance
Papers with report	1. Appendix 1 – consultation paper on Early Years Funding Arrangements 2019/20 2. Appendix 2 – consultation paper on De-delegation Funding Arrangements 2019/20 3. Appendix 3 – consultation paper on Need for a Transfer of Funding Between the Schools Funding Block and the High Needs Funding Block 2019/20

1. HEADLINES

Summary	The purpose of this report is to seek Cabinet's approval for the size and distribution of the schools budget for 2019/20, following consultation with school Headteachers, Governors and Early Years providers having regard to the advice of the Schools Forum.
Putting our Residents First	This report supports the following Council objectives of: *Our People; Our Built Environment; Financial Management* Schools are a key frontline service in the Borough, and are the largest service providing investment in residents' children's and young people's future life chances. The distribution of funding to schools supports these strategic aims.
Financial Cost	Funding for schools and school related expenditure is provided through the Dedicated Schools Grant (DSG) and the Pupil Premium and as such has no impact on the Council's budget requirement. However, having considered the DSG Budget for 2019/20, and the views of all relevant stakeholders, a deficit DSG Budget has been submitted for approval, totalling £3,499k. The Council have submitted a disapplication request to the Department for Education to transfer the required funds from the Schools Funding Block, which if agreed, would allow the Council to

	set a balanced DSG Budget, but no decision has been made at the time of writing this report.

Relevant Policy Overview Committee	Residents, Education and Environmental Services

Ward(s) affected	All

2. RECOMMENDATIONS

That Cabinet:

1. **Agree that the total Schools Budget for 2019/20 be set with an overall deficit of £3,499k when compared to the total of the Dedicated Schools Grant provided to the Council (as set out in paragraphs 65 to 67), on the premise that the DfE rejects the Council's disapplication request.**
2. **Approve the Primary and Secondary schools funding formula as agreed by schools and the Schools Forum, as set out in paragraphs 26 to 30.**
3. **Approve the Early Years Single Funding Formula, as set out in paragraphs 31 to 40.**
4. **Approve the base rate of funding for the Two Year Old Free Entitlement Offer, as set out in paragraph 41.**
5. **Approve the Early Years Centrally Retained budget as agreed by the Schools Forum, as set out in paragraphs 43 to 46.**
6. **Approve the Central School Services budget as agreed by the Schools Forum, as set out in paragraphs 47 to 51.**
7. **Approve the High Needs budget as agreed by the Schools Forum, as set out in paragraphs 52 to 64.**
8. **Request that the Chairman of the Executive Scrutiny Committee considers waiving the scrutiny call-in period on the above recommendations so they come into immediate effect. This is in the event that a revised Schools Budget needs to be agreed following a decision by the Secretary of State on the Council's disapplication request.**

Reasons for recommendation

1. Cabinet is the decision making body for school funding issues and decisions are required on the arrangements to allow for final funding allocations to be provided to schools by no later than 28 February 2019. However, as the report sets out, despite a full review of DSG budgets, the pressures on High Needs budgets arising from new burdens flowing from the Children's and Families Act 2014 are now so significant that there is little that either the Council or Schools Forum can do to address what is essentially a Government funding issue without having an adverse impact on other elements of Education.

2. The School and Early Years Finance (England) Regulations 2018 requires the Council to consult the Schools Forum on a range of financial matters prior to making decisions on them. Each year the Council consults with schools on the following years funding and

school funding formulas. For 2019/20 budgets, the consultation ended on 21 December 2018 and the responses to this consultation were considered at the Schools Forum meeting on 16 January 2019. Additionally, Schools Forum are required to set and agree the DSG budget for 2019/20, taking into account any accumulated surplus/deficit balances, this was agreed at the Schools Forum meeting on 16 January 2019. The results of these decisions are reflected in the recommendations of this report.

The Council and Hillingdon's Schools Forum have undertaken a major review of the DSG Budget over the last few years and have closely monitored the increased growth in the cost of high needs placements and where practical and safe to do so, have made savings to centrally retained budgets to offset the growing pressures. However, the review of the high needs budgets for 2019/20 identified that no further savings could be made without having a detrimental effect on these resources provided to support vulnerable and disadvantaged children and in fact potentially could result in additional costs being incurred should services be ceased. The only option available to the Council to set a balanced in year DSG Budget for 2019/20 was to consult with schools on a proposed transfer of £3,499k (equivalent to 1.6%) from the Schools Funding Block. However, even if schools and Schools Forum had agreed to this, the final decision rests with the DfE, as the Secretary of State has to sign off all requests, which exceed 0.5% of the total Schools Funding Block.

Alternative options considered / risk management

3. Cabinet could decide to recommend that the Schools Forum reconsider the proposed Primary and Secondary schools funding formula, the Early Years Single Funding Formula and the High Needs Funding Formula.

4. The recommended Schools Budget 2019/20 contains a contingency for in year growth for expanding schools and for the diseconomies of scale funding for the three Basic Need Primary Academy schools. There is also some contingency for future growth in the placement of children with Special Educational Needs.

5. The recommended Schools Budget no longer contains a general reserve to cover unforeseen costs and does not provide surplus resources to offset the cumulative deficit accruing on the Dedicated Schools Grant Budget in 2018/19.

Policy Overview Committee comments

6. None at this stage.

3. SUPPORTING INFORMATION

7. The Government have confirmed the 'hard' implementation of the Schools National Funding Formula will be further delayed until at least 2021/22. Therefore in 2019/20 the 'soft' implementation of the formula will continue with local authorities and Schools Forum still having the ability to set a local funding formula.

8. The schools block will continue to be ring-fenced in 2019/20 but local authorities will be able to transfer up to 0.5% of their schools block funding, with the agreement of Schools Forum. If a local authority wishes to transfer more than 0.5% to address funding pressures in other blocks then approval must be sought from the Secretary of State.

9. The Government have confirmed that the Early Years National Funding Formula (EYNFF) will continue in 2019/20. 2019/20 will also see the continuation of the additional 15-hour free entitlement for 3 & 4 year olds of eligible working parents which was introduced from September 2017.

10. The number of schools converting to Academy status, following the introduction of the Academies Act 2010, has slowed down, where the current picture in Hillingdon is that 46 schools are now academies (20 primary, 19 secondary, 1 all-age, 5 special and the Pupil Referral Unit). The Council is not currently aware of any schools with a plan to convert in 2019/20.

11. The following sets out the arrangements that the DfE are making to the schools funding system for 2019/20:

    i) Funding has been provided for at least a 0.5% per pupil increase for each school in 2019/20 through the national funding formula.

    ii) Minimum Funding Guarantee (MFG) protection remains at minus 1.5% per pupil.

    iii) The DfE has guaranteed at least a 0.5% overall increase in High Needs funding in 2019/20 to reflect some of the growth being seen in the number of pupils with SEN.

    iv) Pupil Premium rates have been retained at the 2018/19 rates.

    v) Universal Infant Free School Meals (UIFSM) rate will stay at £2.30 per meal.

    vi) A continuation of the additional funding for early years, through the early years pupil premium to provide nurseries, schools and other providers of Government funded early education with additional funding of £302.10 per eligible child for disadvantaged three and four year olds.

Early Years (3 and 4 Year Old Provision)

12. Early Years Funding provides funds for schools, Private, Voluntary and Independent Nursery providers and Childminders for 3 and 4 year old placements.

13. From April 2017 the Early Years National Funding Formula (EYNFF) was implemented with a new requirement on the amount of funding that local authorities must pass to providers. In 2019/20 local authorities must plan to spend at least 95% of the Early Years funding they receive directly on providers, with at least 90% of this being paid through a universal base rate. It is proposed that for 2019/20 no changes are made to the Early Years funding formula in Hillingdon. The formula is made up of the following factors:

- A base rate per hour for all pupils set at 91% of the funds available to providers (maintained at £4.92 per hour per pupil),
- Deprivation funding, based on the Income Deprivation Affecting Children Index (IDACI), set at 7% of the funds available to providers,
- The remaining 2% paid through an additional needs supplement, payable to those providers with an above average IDACI ranking,
- Maintained Nursery School supplementary funding (only applies to McMillan Nursery).

14. The Free Entitlement offer for three and four year olds increased to 30 hours per week from September 2017, for those children whose parents are both working and meet other specific criteria. In 2018/19 Schools Forum agreed to fund the additional 15 hours at the same rate as the universal free entitlement, there is no proposal to change this in 2019/20.

Early Years (Two Year Old Free Entitlement Provision)

15. This new provision came into force on 1 September 2013 and was extended further on 1 September 2014, to cover the 40% most disadvantaged families across the country.

16. The DfE strongly recommended that all Councils put in place a simple funding formula for the two year old free entitlement offer, which Hillingdon followed, having only a base rate of funding, which has been set at £6.00 per hour per pupil. Schools Forum agreed to maintain this formula and level of funding in 2019/20.

Primary and Secondary Schools

17. The Schools Block provides funding for Primary and Secondary schools (including academies and free schools) and a limited range of retained budgets. The DfE's paper; Schools Revenue Funding for 2019 to 2020, sets out how local authorities and schools forums should plan for the local implementation of the funding system for the 2019/20 financial year. The final DSG has been determined based on the October 2018 census data.

18. All primary and secondary schools will be funded based on the approved and agreed funding model, this includes maintained, all academies, free schools, studio colleges and

university technical colleges. For 2019/20, the funding will still be provided as is currently the case (i.e. maintained schools will receive funding from the local authority through the DSG and all other schools will receive funding directly from the Education and Skills Funding Agency (ESFA)).

19. The DfE have announced that implementation of the 'hard' National Funding Formula will be further delayed and therefore the local authority and Schools Forum will still be involved in the determination of the funding allocations to schools in 2019/20 and 2020/21.

20. Within the Schools Block, the Government has provided for at least a 0.5% per pupil increase for each school in 2019/20 through the National Funding Formula. The Schools Block will be ring-fenced, however, local authorities will be able to transfer up to 0.5% of their schools block funding out, with agreement of Schools Forum, to offset ongoing funding pressures in the High Needs and Early Years blocks. In Hillingdon 0.5% equates to approximately £1.1m. If a local authority wishes to transfer more than 0.5% then approval must be sought from the Secretary of State.

21. In order to set a balanced DSG budget, it was determined that a 1.6% funding transfer from the schools block would be needed in 2019/20 to cover the projected pressures in the High Needs block. This takes into account an additional £775k high needs funding announced for 2019/20.

22. The Local Authority submitted a disapplication request to the DfE on 30 November 2018 and a subsequent revision on 15 January 2019, requesting approval for the 1.6% transfer and await the decision from the Secretary of State.

23. Following consultation with stakeholders in December 2018, and a further review of the DSG Budget for 2019/20, Schools Forum, after careful consideration, agreed not to transfer funds from the Schools Funding Block making the following points in the minutes of their meeting:

"The consultation responses on proposed transfer of funds from the Schools Block to the High Needs Block had shown a high majority of stakeholders opposed any transfer.

Any transfer would only serve to reduce the High Needs deficit. It would not make more funding available to support children and young people with High Needs. Schools would have less money to spend on educating children, and no child would gain from additional funding in the High Needs block.

The High Needs deficit was due to funding not keeping pace with growing demand. The age group LAs were required to support from the High Needs budget had stretched from 0-18 to 0-25, with no corresponding increase in financial support from Government. Transferring money from the Schools Block masked the reason for the deficit, at the expense of funding for mainstream education. It was important to be transparent about the severity of the funding position, so need could be properly assessed and adequate funding provided."

As a consequence of this decision, the Council are unable to set an in year balanced DSG Budget for 2019/20, as there are not sufficient funds remaining in the retained budgets to deliver such a substantial level of savings.

Dedicated Schools Grant Baseline 2019/20

24. The Education and Skills Funding Agency (ESFA) published the draft authority level DSG allocations for the schools, central school services, early years and high needs blocks on 17 December 2018. The following table sets out the published baseline DSG budget for 2019/20, compared to the 2018/19 DSG allocation updated in December 2018.

Funding Block	DSG Budget 2018/19 £m	DSG Budget 2019/20 £m	Change in Budget £m	Increase %
Schools	215.47	218.65	3.18	1.5%
High Needs*	38.47	39.51	1.04	2.7%
Central Services	2.78	2.82	0.04	1.4%
Early Years	24.82	24.82	0	0%
Total DSG Budget	**281.54**	**285.80**	**4.26**	**1.5%**

* This includes the additional £775k allocated in 2018/19 & 2019/20

25. In determining the final distribution of the DSG funds available, it is usually a requirement that predicted year end balances are built into the final determination. For 2018/19, there is a planned in year deficit on the DSG, which for month 9 was estimated to be £3.3m. When added to the DSG opening deficit balance of £4.1m, which it carried forward from 2017/18, it is projected that there will be a deficit of £7.4m carried forward to 2019/20. Given the size of the deficit, it was agreed that Schools Forum should at least aim to set a balanced budget for 2019/20.

Proposals for Use of DSG in 2019/20

Schools Block

Review of Schools Funding Formula

26. Following receipt of the final Schools Block data, it became clear that there would be a requirement to model changes to the Prior Attainment rates. In previous years it has been possible to apply a weighting to the primary prior attainment data to reflect the fact that higher numbers of pupils are failing to meet the good level of development under the new Early Years Foundation Stage Profile (EYFSP). Applying this weighting ensured that the change resulted in minimal impact to the funding formula and the distribution of resources.

27. However in 2019/20 there is no longer a primary weighting factor as all primary pupils will have been assessed under the new EFSP. It was apparent that by having no weighting resulted in an approximate increase of £5.6m through the primary Prior Attainment factor when compared with 2018/19, leading to a reduction in all AWPU rates and a change to

the primary to secondary ratio to 1:1.24. It was therefore considered that this needed to be reviewed and the following options were modelled for consideration;

i. No change to the prior attainment rates
ii. Changes to the primary and secondary rates (this would retain Primary Prior Attainment total funding at a similar level to 2018/19 and would also keep the differential between the primary and secondary rates, but would reduce the funding provided to Secondary schools).
iii. Change the primary rate so as to retain the Primary and Secondary Prior Attainment funding at a similar level to 2018/19, with minimal impact on the distribution of funding.

28. At the Schools Forum meeting on 16 January 2019, members decided to adopt model (iii) as this retained most of the previously agreed funding formula principles. There are no other changes to the schools funding formula for 2019/20.

Growth Fund Contingency

29. A review of the Growth Fund Contingency requirement, which provides funding for expanding schools, diseconomies funding for new Basic Need Academies and funding for significant in-year growth, estimates that the budget in 2019/20 should be £1,454k. This is a reduction of £208k from the previous year. The allocation includes a contingency for 4FE of growth in the secondary sector where individual schools are yet to be identified.

Retained Balance

30. It is good practice to retain a working balance for the DSG and in recent years a balance of £500k had been retained. However, given the on-going pressures, particularly in High Needs, it has not been possible to set a budget for 2019/20 with a reserve and therefore it is proposed that no contingency balance is retained.

Early Years Block

31. The draft Early Years Single Funding Formula for the provision of the 15 hours free entitlement for 3 & 4 year olds is calculated based on 5/12ths of the January 2019 census numbers and 7/12ths of the January 2020 census numbers. The allocation is therefore, draft as there will be further adjustments in July 2019 and July 2020. It is worth noting that approximately two thirds of this funding is delegated directly to schools for three and four year old provision.

32. There are a number of requirements on how local authorities are able to allocate Early Years funding to providers. These requirements are intended to ensure that funding provided is fairly distributed to providers. Schools Forum has not proposed to make any changes to the calculation of the Early Years funding formula.

Universal Free Entitlement - Base Rate

33. Local authorities are required to pass 95% of early years funding directly to providers in 2019/20. There is a requirement to set a universal base rate for all providers, and additionally the guidance states that the level of supplements should be capped at 10% of the total funding given to providers, with the remaining 90% distributed through the base rate. Given the limits on supplements, the Hillingdon base rate is set at 91% of available funding as used in 2018/19.

34. In December 2018, stakeholders were consulted on a proposed reduction of 3p (which would deliver a saving of approximately £100k) or 6p (which would deliver approximately £200k savings) per hour in the base rate. Schools Forum considered the views of those who responded to the consultation and decided that the impact of any reduction would be significant for some providers, especially those that provide support for vulnerable and disadvantaged children. Schools Forum also had a view that the cost of delivering a saving of between £100k to £200k could actually be greater than the level of savings delivered, therefore the decision was taken to retain the base rate at £4.92 for 2019/20.

Universal Free Entitlement - Funding Supplements

35. The Government allow supplements up to a maximum of 10% of the total funding passed to providers. Local authorities are required to have a mandatory deprivation supplement but have discretion over the metric used. Discretionary allowable supplements will be as follows; Rurality/Sparsity, Flexibility, Quality and English as an additional language. The following sets out what Hillingdon uses in the early years funding formula;

Deprivation Supplement

36. The DfE have confirmed that deprivation will continue to be a mandatory supplement in 2019/20. A considerable portion of funds is being channelled to local authorities through the early years funding formula and it is therefore considered appropriate that this is passed to providers. In 2018/19 the deprivation factor within the Hillingdon early years formula was 7% with IDACI as the distribution driver, as this appears to be the best indicator of deprivation for 3 & 4 year olds. The proposal is that for 2019/20 this is retained at the same percentage.

IDACI Threshold Supplement

37. IDACI is a measure of deprivation based on the home postcode of the child. Each postcode is given a rank from 0 to 1, with 0 being least deprived and 1 the most. Analysis of the IDACI dataset for 3 and 4 year olds accessing the free entitlement indicates that the average IDACI rank for Early Years settings in Hillingdon is 0.2. The highest ranking that a setting has is 0.365. There are clear links between deprivation and additional need, and at the moment this is the most robust data set held to distribute additional needs funding. It is therefore proposed to retain the 2% supplement to distribute additional resource to those providers with an average IDACI rank which is higher than 0.25.

Maintained Nursery School Supplementary Funding

38. The Government recognises that maintained nursery schools have additional costs and has confirmed that it will continue to provide supplementary funding to local authorities for maintained nursery schools in 2019/20. The supplementary funding for Hillingdon in 2019/20 is £239k and the proposal is that this will be passed to McMillan Nursery school in full to reduce the impact of the removal of the lump sum as a supplement for maintained nursery schools.

Disability Access Funding

39. The Government introduced a new targeted early years Disability Access Fund in 2017/18, to enable a fixed lump sum payment of £615 per eligible child per year to be paid to early years settings that are providing a free entitlement place for 3 & 4 year olds. The funding is ring-fenced with the purpose of the funding to aid access to places. Funding will be passed straight to providers with eligible children and the provider is then responsible for the use of the funding. The Hillingdon allocation of this funding in 2019/20 is £104k.

Additional 15 hours Free Entitlement

40. Hillingdon has received £3,881k to fund the additional 15 hours free entitlement for eligible children in 2019/20. This funding will be adjusted to reflect actual numbers accessing the entitlement and therefore this funding will be earmarked in full for the delivery of the additional 15 hours free entitlement. The DfE have confirmed that the funding rate for the additional entitlement should be the same as for the universal 15 hours.

Two Year Old Provision

41. The funding rate to local authorities for disadvantaged two year olds remains at £5.92, which is below the rate paid to providers so there is no proposed increase to the hourly rate of £6 per hour. The current budget for Two Year Old provision is £2,218k, and based on the actual numbers in October 2018 there is no proposed change to the current base budget for this provision.

SEN Inclusion Fund

42. All local authorities were required to establish SEN inclusion funds for 3 & 4 year olds in their local funding systems from April 2017. The Inclusion team work with early years providers to determine how best this funding is distributed with the focus on children with lower level or emerging SEN. It is proposed that the £200k allocated to the SEN inclusion fund is retained and that this is taken from the early years block. The SEN inclusion funding will be included in the 95% pass through to providers and therefore does not count in the 5% that local authorities can centrally retain in 2019/20.

Early Years Centrally Retained

Early Years Centres

43. DSG funding for the three Early Years Centres has now ended and therefore there is a £138k reduction in the Early Years centrally retained budget requirement.

Provision for Vulnerable Children Placements

44. Following the reduction in the funding of the early years centres, a budget was established for the placement of vulnerable early years children. The budget was £209k in 2018/19, but has consistently underspent, it is therefore proposed that this budget is reduced by £70k to £139k, which would bring the budget in line with the prior year actual expenditure.

Family Information Service

45. The Family Information Service (FIS) team helps parents to access the free early years provision that they are entitled to for their children. This relates to the universal entitlement to free early education for all three and four year olds and also covers the entitlement to free childcare for the most disadvantaged two year olds. The FIS consists of the FIS Manager, 4.0 (FTE) FIS Officers and a Parental Childcare Advisor and the proposed budget for 2019/20 is £251k.

Early Years Advisory Service

46. The Early Years Advisory service provides targeted support, advice and guidance to all early years settings (including schools and Private, Voluntary and Independent Nursery providers). Following the reduction in early years funding as a result of the fall in the number of three and four year olds accessing the free entitlement, there is a need to find savings within the Early Years block and a savings target was allocated against this budget in 2018/19. The majority of this saving was achieved through vacant posts in 2018/19 whilst a full review of the service is on-going.

Central School Services Block

Non-statemented LAC placements

47. There is a continuing pressure linked to the number of looked after children who have been placed out of borough. Whilst the cost of these placements is shared between education, health and social care, there is still a requirement to retain the current DSG budget of £300k to reflect the on-going expenditure in this area.

Pupils Out of School

48. The Local Authority currently commissions fifty places at the in-Borough alternative provision setting and the historic trend is for numbers at the start of the academic year to be below this number before gradually building up. Currently, numbers accessing this

provision are already in excess of the commissioned number, resulting in an additional cost pressure and therefore the budget has been increased by £195k to reflect this.

Support Service Costs

49. A proportion of the total support services costs for central services at the Local Authority are charged to the DSG under a nationally agreed model, which has historically been capped at the current rate. It is not proposed to amend this budget for 2019/20, though this area will be subject to on-going review.

Education Services Grant (ESG) retained services

50. In the 2015 Spending Review, the DfE announced that ESG funding would cease in 2017/18 and that for those services defined as retained duties previously funded through the ESG, the funding and responsibility would be transferred into the DSG. The Schools Revenue Funding Operational Guide provides the definition of those services deemed to be retained duties. The DSG baseline includes a sum of £740k for retained duties, and it is proposed that this figure is retained in 2019/20 to fund these services.

Copyright Licences

51. The ESFA procures copyright licences centrally for all schools and the cost is then charged to the DSG. Previously this would have been charged to the Schools Block, but following the ring-fencing of the blocks the ESFA have advised that this should be charged to the Central School Services Block. A budget of £229k is therefore required to cover this cost.

High Needs Block

Planned Place Numbers

52. There have been a number of changes to planned place numbers to reflect current demand, as specified in the table below;

School	Change in Place Number	Month Change Effective	Change in Funding 2019/20 £
Grangewood	17	Sept 2019	99,167
Hayes Park SRP	1	April 2019	10,000
Hedgewood	5	April 2019	50,000
Lake Farm SRP	2	Sept 2019	20,000
St Martin's	2	Sept 2019	20,000
Total	**27**		**199,167**

53. The planned place numbers for 2019/20 are set out in the tables below. Academies receive planned place funding directly from the ESFA. This funding is included in the amount recouped from the High Needs block. The funding mechanism allows for additional funding to be provided on a pro rata basis, where the actual placement numbers exceed the original planned place numbers.

54. An Import/Export adjustment of £6,000 per pupil is made to the High Needs block funding, where places are filled by pupils resident in another borough. This adjustment is based on the January census returns, and reflects any changes either in the placement by a local authority of pupils and students in schools and colleges located in other local authority areas (exports), or in the funding required by schools and colleges accepting pupils and students resident in other local authority areas (imports).

Special Schools

School	Sector Type	Status	Planned Place numbers Apr 19-Aug 19	Planned Place numbers Sep 19-Mar 20
Grangewood	Primay - Special	Academy	96	113
Hedgewood	Primay - Special	Maintained	145	145
Meadow	Secondary - Special	Maintained	235	235
Moorcroft	Secondary - Special	Academy	65	65
Pentland Field	All Age - Special	Free	140	147
Willows	Primay - Special	Academy	38	38
Young Peoples Academy	Secondary - Special	Academy	65	65
Alternative Provision				
The Skills Hub	Secondary - AP	Academy	70	70

SRPs

School	Sector Type	Status	Planned Place numbers Apr 19-Aug 19	Planned Place numbers Sep 19-Mar 20
Cherry Lane	Primary - SRP	Maintained	10	10
Coteford Infant	Primary - SRP	Maintained	10	10
Coteford Junior	Primary - SRP	Academy	13	13
Deanesfield	Primary - SRP	Maintained	8	8
Glebe	Primary - SRP	Maintained	10	10
Harlington	Secondary - SRP	Maintained	7	7
Hayes Park	Primary - SRP	Maintained	14	14
Lake Farm	Primary - SRP	Academy	10	12
Northwood	Secondary - SRP	Academy	10	10
Oak Wood	Secondary - SRP	Maintained	8	8
Pinkwell	Primary - SRP	Academy	10	10
St Martin's	Primary - SRP	Academy	8	10
Vyners	Secondary - SRP	Academy	16	16

SEN Top-up Funding

55. There is no proposal to make any changes to the banded funding model for the distribution of top-up funding in 2019/20. However, the High Needs sub-group are still reviewing the current model in order to identify opportunities for improving the effectiveness and efficiency of the resource allocation process for children with SEN. The 2019/20 budgets for top-up funding have been increased by £2,204k to reflect current expenditure.

Independent & Non-Maintained Special Schools and Out of Borough Placements

56. The Council has seen an increase in the number and total spend on SEN placements in Independent and Non-maintained special schools in the last year, predominantly as a result of a lack of capacity within in-borough provision. In the last two years the budget has been reduced to reflect expected savings based on the pupil age profile. For 2019/20 the budget has been increased by £1,100k to reflect these savings not being realised. Any future increase in placements will need to be offset by a reduction in costs as placements come to an end. There has also been an increase in the level of contributions from Health and Social Care towards these placements which has off-set some of this increase. Additionally the Council are developing an efficiency plan and have already identified a range of management action to start to address this position.

Post-16 Special Educational Needs Placements

57. 2018/19 has seen continued growth in the number of post-16 pupils with special educational needs requiring college placements. Currently the budget for post-16 college placements is £3,267k (split between FE Colleges and Independent Specialist Providers). Following further growth in numbers from September 2018 the budget has been increased to £3,732k. Any future growth will need to be managed within the current budget, for which the Council are developing an efficiency plan and have already identified a range of management action to start to address this position.

High Needs Recoupment adjustments

58. Following the amalgamation of Uxbridge College with Harrow College the planned places for the Harrow campus are now recouped from the Hillingdon High Needs block. An import adjustment has been estimated based on the January 2018 numbers. This adjustment will be updated based on the January 2019 census and the assumption has been made that the High Needs recoupment figure will reduce by £276k to reflect the growth in this cohort.

59. There is also an adjustment needed to reflect the change to Special Free School funding. The funding of planned places at Special Free Schools will now be included in the High Needs block of the DSG (previously these were funded separately by the ESFA). The High Needs recoupment figure for Hillingdon has been adjusted to reflect this change but a further adjustment is needed to the High Needs allocation which should be confirmed later this month and an assumption has been included for this within the High Needs budget workings.

SEN Support Services

60. The following specialist centrally retained SEN services support statemented and non-statemented pupils in mainstream, special schools and SRPs as well as pre-school children.

Early Support Team

61. The Early Support team consists of 2.8 (FTE) Home Portage Visitors who support parents and carers helping to build resilience within families with children and young people with additional needs or disabilities.

Inclusion Team

62. The Inclusion Team support settings in developing high quality inclusive practice, delivering effective early interventions to support children in developing the skills they need to access education. The team consists of a Team Manager, 2 (FTE) Senior Practitioners, 4 (FTE) EY Practitioners, 3 (FTE) Autism Specialists and 2 (FTE) Language Specialists.

Sensory Needs Team

63. The Sensory Needs team consist of Hearing Impaired (HI) and Visually Impaired (V)I teachers and teaching assistants who provide specialist services for children and young people from 0-25 years with sensory needs.

2% Threshold

64. The 2% threshold recognises those schools that have a disproportionate number of pupils with SEN and distributes an additional £6k funding for each pupil over the 2%. The budget requirement for this in 2018/19 was £449k and given the increase in the number of EHCPs in mainstream schools it is proposed that this budget should be realigned in 2019/20 so that it is consistent with current projected spend.

Proposed DSG Budget for 2019/20

65. The following table summarises the final DSG Budget by funding block for 2019/20:

Funding Block		**£**
Schools Block	Income	(218,649)
	Expenditure	218,649
	Net Total	**0**
High Needs Block	Income	(39,512)
	HN Recoupment	7,879
	HN Recoupment adjustment	(730)
	Expenditure	35,963
	Net Total	**3,600**
Early Years Block	Income	(24,824)
	Expenditure	24,627
	Net Total	**(197)**
Central School Services Block	Income	(2,818)
	Expenditure	2,914
	Net Total	**96**
Grand Total		**3,499**

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66. The following table details the final DSG Budget for 2019/20 (with no Schools Block transfer):

Funding Block	Cost Centre description	Proposed Budget £'000
Schools	Schools Block Funding	(218,649)
Schools	Individual Schools Budget	217,195
Schools	Growth Fund Contingency	1,454
	Schools Block Total	**0**
Early Years	Early Years Block Income	(24,824)
Early Years	Early Years Single Funding Formula	17,191
Early Years	Early Years Single Funding Formula (additional 15 hrs)	3,881
Early Years	Maintained Nursery School Supplementary Funding	239
Early Years	Disability Access Fund	104
Early Years	SEN Inclusion Fund	200
Early Years	Core Childcare & Early Years (FIS)	251
Early Years	Early Years Advisory Teachers	185
Early Years	Provision for Vulnerable Children Placements	139
Early Years	Early Years Overheads	96
Early Years	Early Years Pupil Premium	123
Early Years	2YO Funding	2,218
	Early Years Block Total	**(197)**
High Needs	High Needs Block Income	(39,512)
High Needs	High Needs Block Academy Recoupment	7,879
High Needs	Estimated HN Recoupment adjustment	(730)
High Needs	Maintained ASB	3,447
High Needs	Top-up funding	21,256
High Needs	Independent placement provision (pre-16)	4,561
High Needs	Independent placement provision (post-16)	1,002
High Needs	FE college top up funding	2,730
High Needs	Hospital Tuition	75
High Needs	Spec Contingency Spec Needs	1,076
High Needs	Non-statemented pupils - exceptional funding	32
High Needs	Tuition - SEN out of school	93
High Needs	SEN Support Services	1,235
High Needs	High Needs Overheads	456
	High Needs Block Total	**3,600**
Central Schools	Central Schools Block Funding	(2,818)
Central Schools	DSG Funded Business Support	30
Central Schools	Schools Forum	5
Central Schools	Admissions	305
Central Schools	Hillingdon Virtual School	487
Central Schools	Non-statemented LAC placements	300
Central Schools	Education Safeguarding	166
Central Schools	Pupils Out of School	327
Central Schools	Copyright Licences	230
Central Schools	ESG Funded Services	754
Central Schools	Central Schools Block Overheads	310
	Central Schools Block Total	**96**
	Grand Total	**3,499**

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67. The following table details the proposed budget movements between 2018/19 an 2019/20 (with no Schools Block transfer):

Cost Centre description	2018/19 Original Budget £'000	Movement £'000	2019/20 Proposed Budget £'000
Schools Block Funding	(215,472)	(3,177)	(218,649)
Individual Schools Budget	212,732	4,463	217,195
Growth Fund Contingency	1,662	(208)	1,454
Schools Block Total	**(1,078)**	**1,078**	**0**
Early Years Block Income	(26,307)	1,483	(24,824)
Early Years Single Funding Formula	16,993	198	17,191
Early Years Single Funding Formula (additional 15 hrs)	5,353	(1,472)	3,881
Maintained Nursery School Supplementary Funding	236	3	239
Disability Access Fund	101	3	104
SEN Inclusion Fund	200		200
Core Childcare & Early Years (FIS)	245	6	251
Early Years Advisory Teachers	185		185
Provision for Vulnerable Children Placements	209	(70)	139
Early Years Overheads	293	(197)	96
Early Years Pupil Premium	136	(13)	123
2YO Funding	2,218		2,218
Early Years Centres	138	(138)	0
Early Years Block Total	**0**	**(197)**	**(197)**
High Needs Block Income	(36,259)	(3,253)	(39,512)
High Needs Block Academy Recoupment	6,064	1,815	7,879
Estimated HN Recoupment adjustment	(1,068)	338	(730)
Maintained ASB	3,673	(226)	3,447
Top-up funding	19,052	2,204	21,256
Independent placement provision (pre-16)	4,063	498	4,561
Independent placement provision (post-16)	1,002		1,002
FE college top up funding	2,265	465	2,730
Hospital Tuition	75		75
Spec Contingency Spec Needs	871	205	1,076
Non-statemented pupils - exceptional funding	32		32
Tuition - SEN out of school	128	(35)	93
SEN Support Services	1,179	56	1,235
High Needs Overheads	260	196	456
High Needs Block Total	**1,337**	**2,263**	**3,600**
Central Schools Block Funding	(2,781)	(37)	(2,818)
DSG Funded Business Support	65	(35)	30
Schools Forum	5		5
Admissions	304	1	305
Hillingdon Virtual School	487		487
Non-statemented LAC placements	300		300
Education Safeguarding	165	1	166
Pupils Out of School	132	195	327
Copyright Licences	0	230	230
ESG Funded Services	754		754
Central Schools Block Overheads	310		310
Central Schools Block Total	**(259)**	**355**	**96**
Grand Total	**0**	**3,499**	**3,499**

Financial Implications

This is a financial report dealing with funding issues affecting schools. The financial impact on Schools Delegated Funding, is that schools will see an increase in per pupil funding when compared with 2018/19 following the significant increase in the Schools Block funding. It should be noted that school budgets are protected by the Minimum Funding Guarantee level of minus 1.5% of per pupil funding.

The DSG has competing demands across the four funding blocks (Early Years, Schools, High Needs and Central School Services), with particular pressures in High Needs, where any increase in funding has not been sufficient to meet the cost of High Needs growth relating to the actual growth in pupil numbers along with complexity of need experienced over the period. The implementation of the ring fenced arrangement between the relevant funding blocks has resulted in a shortfall of funding in the High Needs block with a balanced budget only achieved if the Secretary of State agrees to transfer 1.6% of Schools Block funding to fund the increasing cost of High Needs.

The proposals in this report do not provide any additional resources that can be used to offset the cumulative deficit accruing on the DSG, which at Month 9 stands at a deficit of £7.4 million.

It is expected that the implementation of the 'hard' National Funding Formula will have a significant impact on the ability of Schools Forum to set a balanced budget in future years as the restrictions on the transfer of funds from the School Block will remain, at a time where there is an expectation that the cost of high needs placements will continue to grow.

As the Council has undertaken a major review of the funds centrally retained and made significant savings over the last few years, there is very limited, if no option to reduce the budgets further as the budget for 2019/20 stands at £2,914k which is insufficient to cover the £3,499k budget deficit.

The proposals contained within this report do not affect the General Fund proposals that are considered elsewhere on this agenda, as the School Budget is funded from the ring-fenced Dedicated Schools Grant.

RESIDENT BENEFIT & CONSULTATION

What will be the effect of the recommendation?

The approval of the recommendations as set out in this report will enable the distribution and confirmation of the funding arrangements for schools for 2019/20, including the final individual school budget shares, which have to be distributed to schools on or before 28 February 2019.

Consultation Carried Out or Required

The Council is required to consult with the Schools Forum on any changes to the school funding formula and the Early Years Single Funding Formula as prescribed in the Schools Forums (England) Regulations 2013, which are covered in this consultation paper. The Schools Forum has a limited range of decision making powers with regards to school funding. In most aspects the Schools Forum role is to advise the Council on decisions that rest with Cabinet, such as the school budget.

The main role of the Schools Forum is to consult with schools on proposed changes to funding arrangements, including any changes to the school funding formula. For 2019/20, the consultation with schools revolved around the transfer of funds out of the Schools Block and proposed savings in Early Years. The formal consultation ended on 21 December 2018.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance has reviewed this report, confirming that the Schools Budget proposals approved by Schools Forum and presented to Cabinet for approval are fully consistent with the General Fund budget proposals for 2019/20 also being considered on this agenda. Regulations covering the operation of school forums give more decision making powers to schools with regard to certain aspects of the schools funding it remains the responsibility of the Cabinet to agree the Schools Budget for 2019/20 as set out in this report.

As highlighted in the monthly budget monitoring reports to Cabinet throughout 2018/19 and reiterated in this report, funding provided by the Department for Education through the DSG has failed to keep pace with growing demand on High Needs following the introduction of the 2014 Children's and Families Act. For 2019/20 this contributes towards a £3,499k deficit within current proposals, which would result in the cumulative deficit on the DSG reaching £10,880k by 31 March 2020.

The Council has submitted a disapplication request to the Secretary of State in regard to the Schools Budget proposals, seeking to transfer 1.6% of funding from individual school budgets to high needs to mitigate the £3,499k deficit. In the event that this disapplication is not approved, it should be noted that the Council's General Fund budget proposals make no allowance to finance the in year or cumulative deficit as the national scope and systemic nature of these deficits would require action on the part of the Government.

Legal

The Borough Solicitor confirms that this budget has been set in accordance with the Schools and Early Years Finance (England) Regulations 2018.

BACKGROUND PAPERS

NIL

APPENDIX 1

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Education & Children's Services

Consultation Paper – December 2018

Early Years Funding Arrangements 2019/20

Target audience:	Headteachers Senior Managers Schools Forum	Governing Bodies Finance Officers Early years providers
Deadline for responses:	21 December 2018	

Queries on this consultation paper should be directed to:

Peter Malewicz Finance Manager – Social Care, Education & Schools Tel: 01895 250325 e-mail: pmalewicz@hillingdon.gov.uk	**Graham Young** Lead Finance Business Partner (Schools/DSG) Tel: 01895 277687 e-mail: gyoung@hillingdon.gov.uk

Formal responses should be made by accessing the Google form via the following link;

Response form

If you have any issues with accessing the link to the response form please contact;

Graham Young
Schools Finance Team
London Borough of Hillingdon
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By: midnight on 21 December 2018

INVESTOR IN PEOPLE

Contents

1. Introduction & Background

1.1 The Schools & Early Years funding settlement for 2019/20 will be announced by the Secretary of State for Education in December 2018.

The main headlines in relation to Early Years funding are:

- The funding that makes up the Dedicated Schools Grant (DSG) will continue to be provided in three distinct blocks; Early Years, Schools and High Needs,
- The Early Years National Funding Formula (EYNFF) will continue to determine how much Early Years funding each local authority receives. It is then down to schools forums to make decisions on how this funding is distributed to providers and how much is centrally retained,
- The Early Years block funding allocation will remain at £5.83 per hour and the overall level of funding will continue to be dependent upon the number of actual Early Years pupils accessing the free entitlement as nursery funding is determined by participation (actual hours taken up on the free entitlement),
- Funding for Early Years will be amended during the year based on the following census dates; January 2018 (the baseline), January 2019 and January 2020,
- The Free Entitlement offer for three and four year olds increased to 30 hours per week from September 2017, for those children whose parents are both working and meet the criteria. The guidance is clear that the hourly rate for these additional hours should be funded at the same rate as the universal free entitlement,
- Funding for the Free Entitlement offer for two year olds will continue to offer a free place for those children that are in the 40% most deprived families across the country. Schools Forum is proposing no changes to the current mechanism,
- Retained items within the DSG funded from the Early Years block will be reviewed by Schools Forum and will change dependant on changing priorities.

1.2 The local authority is required to consult with the Schools Forum annually on a set of matters prescribed in the Schools Forums (England) Regulations 2012, which includes the arrangements for distributing and administering the available resources which will come from the Early Years block for 2019/20.

1.3 This consultation paper sets out the proposed funding arrangements for 2019/20 relating to Hillingdon's Early Years funding. The decisions taken will shape the allocation of funding for the Early Years Funding Formula (EYFF) along with those central services funded from the Early Years block. Final allocations will not be finalised until February 2019, and should be viewed as a consequence of the proposals agreed in this consultation

1.4 This consultation paper provides detail on the following which is being consulted on:

   - The proposed EYFF base rate for 2019/20;
   - The Vulnerable Children fund for 2019/20.

1.5 This paper is being circulated widely to encourage engagement with schools, independent nursery providers and childminders, in order to assist Schools Forum in making a final decision on the use of the Early Years block funding prior to submitting the required details to the Department for Education (DfE).

1.6 Stakeholders are welcome to comment on any aspect of the proposals, or may wish to contribute to a sector specific response.

1.7 The release of this paper allows just a short period of time for consultation with stakeholders. Schools Forum will review the responses before setting the Early Years budget in mid-January 2019. This means that responses will be required to be returned by midnight on 21 December 2018.

2. Early Years Block Proposals

Base Rate

2.1 The DfE guidance states that only 5% of Early Years block funding will be allowed to be retained centrally. Of the remaining 95% funding, the regulations limit the amount that can be paid through supplements to 10% (including the mandatory deprivation factor) and therefore 90% must be passed to providers through the base rate.

2.2 The Hillingdon EYSFF base rate was set at £4.92 in April 2017, following the implementation of the EYNFF. The base rate remained the same for 2018/19, however given funding pressures it has been decided by Schools Forum that a reduction in the base rate needs to be considered for 2019/20.

2.3 In making the decision to consult on a potential base rate reduction, Schools Forum have considered benchmarking which indicates that compared with the average hourly rates paid by neighbouring local authorities Hillingdon is one of the higher funders of Early Years (see table below).

Local Authority	EYNFF hourly rate 2017-18	Funding hourly rate all providers 2017-18
Buckinghamshire	£4.64	£4.34
Harrow	£5.58	£4.44
Surrey	£5.18	£4.61
Hounslow	£5.91	£4.72
Brent	£5.37	£5.20
Ealing	£5.83	£5.25
Hertfordshire	£5.38	£5.33
Hillingdon	£5.83	£5.46
Slough	£5.79	£5.58

2.4 It has been decided to seek views from stakeholders through this consultation on the following potential reductions in the base rate;

a. 3p reduction,
b. 6p reduction.

2.5 As well as comments on a base rate reduction, the consultation is also seeking views from stakeholders on the impact of a reduction in base rate funding on the following;

a. Sustainability of providers,
b. Quality of childcare,
c. Future educational outcomes of children.

2.6 Schools Forum considers that any consultation should give providers the opportunity to share information on how they operate in order to fully understand the market and the impact of any funding reduction decisions. Therefore alongside seeking views on proposals this consultation is also being used to request the following information from providers;

a. A brief explanation of the delivery model,
b. Staffing levels, with particular focus on recruitment difficulties,
c. Staffing pay ranges,
d. Premises rents/rates costs,
e. Ability of the setting to raise fees.

Deprivation Supplement

2.7 The deprivation factor will continue to be a mandatory factor within the set of possible supplements in the EYSFF. The reason for this is that a considerable portion of funds are being channelled through the formula to LAs for additional needs and it is therefore considered appropriate that this is passed to providers.

2.8 Currently the deprivation factor within the Hillingdon EYSFF is 7% of the total rate with the Income Deprivation Affecting Children Index (IDACI) used as the indicator. Schools Forum are not proposing any changes to this supplement.

Additional Need Supplement

2.9 The DfE recognises that funding supplements can play an important role in channelling additional funding to providers for particular purposes to reflect key objectives. However, the amount of funding that will be allowed through the use of supplements will be limited at 10% (including the mandatory deprivation factor).

2.10 Currently the only additional supplement within the Hillingdon EYSFF uses IDACI to focus more targeted resources to those children who are from the most deprived areas of the borough and are therefore more likely to have additional needs. The settings that attract this supplement are those with an average IDACI ranking of over 0.25 (currently the average IDACI rank for Early Years settings in Hillingdon is 0.2 and the highest ranking is 0.365). This ensures that resources are targeted at the children that need the most additional support. It is proposed that this supplement remains at 2% of the funding payable to providers.

Vulnerable Children Fund

2.11 Currently the DSG contributes £209k to a vulnerable children fund, which was established in order to fund additional childcare and support for the most vulnerable children. This funding has never been accessed in full and has previously been reduced to reflect this. The proposal is to reduce this by a further £70k to £139k, which would bring the budget in line with the 2017/18 actual expenditure.

Education & Children's Services **Appendix 2**

Consultation Paper – December 2018

De-delegation Funding Arrangements 2019/20

Target audience:	Headteachers* Senior Managers* Schools Forum*	Governing Bodies* Finance Officers* *Maintained Schools
Deadline for responses:	21 December 2018	

Queries on this consultation paper should be directed to:

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Formal responses should be made by accessing the Google form via the following link;

Response form

If you have any issues with accessing the link to the response form please contact;

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1. Introduction & Background

1.1 The Department for Education (DfE) requires local authorities to consult with primary and secondary LA maintained schools every year about the de-delegation of a number of central budgets. De-delegated funds are a deduction from a school's budget share and are held centrally to fund relevant services and can only apply to maintained primary and secondary school budgets.

1.2 Decisions on de-delegation have to be taken by Schools Forum and will be taken separately in respect of maintained primary and maintained secondary schools and in each case the decision requires the agreement of a majority of the maintained representatives for the relevant phase on the Schools Forum.

1.3 For all these budgets, the total amount de-delegated depends on the number of LA maintained schools in Hillingdon, and how many pupils they have on roll.

2. De-delegation Funding Proposals

2.1 Following discussions at the Schools Forum meeting on 31st October 2018 it was agreed that maintained schools would be consulted on the following de-delegation proposals

Trade Union duties staff supply cover

2.2 Staff costs for trade union duties funds the salaries of officials of the various unions representing staff in schools. All schools and academies within Hillingdon are part of a Trade Union Recognition Agreement (TURA), and as such have a responsibility to provide facility time to union representatives. Under a Facilities Time arrangement, local secretaries are nominated and if de-delegation is agreed time is paid for out of a centrally managed fund.

2.3 If the trade union facilities arrangements are not managed this way then schools would need to make local plans to cover the costs of trade union facilities directly from their budgets. The benefits of de-delegation is that it is a more efficient and cost effective way of managing facilities time with schools able to pool resources to cover the cost in a way that avoids costs falling unpredictably or unevenly across schools.

2.4 The proposal is that funding for this is de-delegated again in 2019/20 (Schools Forum representatives took the decision not to de-delegate in 2018/19). The financial impact of this for maintained schools is £2.19 per pupil (in line with previous years). The budget is supplemented by income from a traded service that enables academies to contribute to these costs.

Teacher Pensions Administration

2.5 Following the removal of the ESG from 1 September 2017, local authorities needed to agree with maintained schools whether they wished funding to be retained to fund the continuation of services previously funded by the ESG with the mechanism for this through de-delegation.

2.6 Following consultation with all maintained schools in January 2017, Schools Forum agreed that funding should be de-delegated for Teachers Pensions Administration. The proposal is that this de-delegation continues in 2019/20 with the financial impact of this being approximately £1.22 per pupil. This reflects a contribution to the cost of the post responsible for the maintenance and reconciliation of Teachers Pensions payments, the identification and follow-up of any queries with schools and payroll providers and the payment of deductions to the Teachers Pensions Agency. Should this proposal not be supported by schools and Schools Forum do not agree to de-delegate, schools will be required to deal with any queries that the Council receives from Teachers' Pensions, as the Council will no longer be able to liaise directly with the Payroll provider.

Appendix 3

Consultation with Schools on the Need for a Transfer of Funding Between the Schools Funding Block and the High Needs Funding Block

1. Introduction

The Council wish to consult with schools on a planned transfer of funding from the Schools Funding Block to the High Needs Funding Block, to enable the Council to set a balanced in Year Dedicated Schools Grant (DSG) Budget for 2019/20. These funds are required to assist with supporting the significant growth experienced in Hillingdon in the number of Education, Health and Care Plans (EHCP) that have been issued and also to recognise the increase in the complexity of need that these children and pupils have.

2. Proposal

Relevant Stakeholders are being asked to comment on the following proposals:

i) To transfer 0.5% from the Schools Funding Block to cover the 2018/19 budget pressures in High Needs in 2019/20, estimated to equate to approximately £1,100k.

ii) To transfer an additional 1.45% from the Schools Funding Block to cover ongoing budget pressures in High Needs in 2019/20, estimated to equate to £3,190k. If schools and Schools Forum agree this approach, the final decision will still rest with the DfE. The Council will need to submit a disapplication request by the 30 November 2018, which they can do even if schools and Schools Forum do not agree with this proposal.

Where stakeholders do not agree with these proposals, the Council and Schools Forum would welcome alternative proposals to enable an in year balanced budget to be set for 2019/20.

3. Background

The Council and Schools Forum are conscious that seeking a transfer of £4,290k from the Schools Funding Block to support the cost of supporting children and pupils with High Needs requires an explanation of why such a significant sum is required and to evidence what steps have been taken to try to address this position. The following paragraphs sets out a journey and an explanation of how the DSG in Hillingdon is in deficit to the tune of an estimated £7.7 million and what steps the Council and Schools Forum have taken to try to address this, including the level of savings that have been made.

In order to fully understand the movements in the DSG, it is worth starting at the point where the Schools Fair Funding Formula was introduced in 2013/14, highlighting what changes have been made since the introduction of the new system and the impact on the DSG budget. Within this timeline, the Children and Families Act 2014 was enacted, which also has had an impact on the DSG Budget.

A joint letter was sent to the Secretary of State this week by The Society of London Treasurers and Society of County Councils, lobbying for additional funding. The letter noted that since this legislation was passed here had been a 35% increase nationally in the number of Education and Health Plans, yet over the same period the eligible child population has only increased by 1%. The letter also noted that it was expected that 100% of London authorities would have a deficit on the DSG High Needs Block in 2019/20 (currently 88%).

The London Borough of Hillingdon has undertaken a review of the cost pressures that exist within the Dedicated Schools Grant (DSG) and has identified that the reasons for the deficit in the DSG can be traced back and attributed to the introduction of the Children's and Families Act 2014 and the new burdens imposed on local authorities. It is evident that there is a shortfall in the funding provided by the Department for Education (DfE), when compared to the true cost of providing support to the extended age range, which for Hillingdon equates to £3,936k. It is also evident that the Council cannot address this funding gap by delivering savings of this magnitude from the retained DSG. It is also clear that this level of savings cannot be made by reducing funding to Early Years providers or to the funding of high needs placements without having a significant impact on pupils, schools and providers. This is not to say the Council has not the reviewed these areas, in fact the Council is consulting with all Early Years providers on a proposed reduction to the base rate level of funding provided. However, even if agreed, this would only generate a maximum saving of £200k. Therefore, the only option available is to consult with stakeholders on moving the required funds from the Schools Funding Block.

Explanation for the Current Cumulative Deficit Balance

At the end of 2017/18 the Outturn position for the DSG, was an in year overspend of £2,989k, resulting in a cumulative deficit of £4,125k. The projected position for 2018/19 indicates a significant further worsening of the deficit, with an in year projected overspend of £3,540k. and a cumulative deficit of £7,665k.

To understand how the DSG is in deficit to the tune of £7,665k, it is worth looking back historically at the position of the DSG over the last 7 years, following the implementation of the Schools Fair Funding Formula, the move towards the National Funding Formula and the introduction of the Children and Families Act 2014, which is set out in table 1 below:

Table 1

Year	Balance Brought Forward £000	In Year (Surplus)/ Deficit £000	Balance Carried Forward £000
2012/13	(226)	(483)	(709)
2013/14	(709)	(3,072)	(3,781)
2014/15	(3,781)	(302)	(4,083)
2015/16	(4,083)	3,217	(866)
2016/17	(866)	2,002	1,136
2017/18	1,136	2,989	4,125
2018/19	4,125	3,540	7,665

This indicates that between the period 2012/13 to 2014/15, the DSG was in surplus, both in year and cumulatively. However, from 2015/16 the position changes to an in year deficit, resulting in a cumulative deficit position by the end of 2018/19.

The main movements are set out in more detail in Table 2 below, which breaks down the in year position further into the relevant funding streams from 2012/13.This also includes the transfer of surplus balances into the Schools Funding Block, which the Council is required to review, where it holds excessive balances:

Table 2

Year	Early Years £000	Centrally Retained £000	High Needs £000	Additional Funds Delegated To Schools £000	Total £000
2012/13 Closing Balance	(283)	(426)			(709)
2013/14	(2,063)	0	(1,009)	0	(3,072)
2014/15	(1,838)	1,066	(824)	1,294	(302)
2015/16	341	628	539	1,709	3,217
2016/17	389	261	901	451	2,002
2017/18	368	273	2,348	0	2,989
2018/19	188	416	2,936	0	3,540
Total	**(2,898)**	**2,218**	**4,891**	**3,454**	**7,665**

Based on this further analysis, Early Years contributed an underspend of £2,898k, which is due primarily to the additional funding provided for the roll out of the two year old free entitlement offer, where the take up was lower than the sums provided. As a result of this, surplus balances totalling £3,454k were transferred into the Schools Budget across a three year period 2014/15 to 2015/16.

The overspend in Centrally Retained budgets in years 2014/15 and 2015/16 related to additional funding provided to schools from the Growth Contingency, predominantly for the new basic need academy schools. The overspend in 2017/18 relates to copyright licences, which continues into 2018/19, additionally there is a further pressure of £254k in 2018/19 relating to the Skills Hub, which provides alternative education provision.

What is more interesting is that up to 2014/15, High Needs budgets actually underspent in both years, however, from 2015/16 onwards, the High Needs budget has consistently overspent, which has worsened each year up to 2018/19. This would appear to tie in with the introduction of Education, Health and Care Plans, and the change to the applicable age range, which was extended to include 0 to 25 from 5 to 19, introduced as part of the Children and Families Act 2014, that came into effect on 1 September 2014.

High Needs Pupil Numbers

In 2014/15, Hillingdon's High Need population stood at 1,503 pupils, this figure has increased significantly over the last 4 years, where for 2018/19, the number of pupils that have a EHCP stands at 2,209, an increase of 706 pupils (equivalent to a 47% increase). Assuming an average cost of £25k per placement and an even distribution across the year, this would equate to an increase of £8.825 million.

Appendix 1 sets out the distribution of the growth across the type of placement from 2014/15 to 2018/19, which is summarised in Table 3:

Table 3

Type of Setting	Change in Pupil Numbers from 2014/15	Change %	2018/19 Pupil Numbers	2014/15 Pupil Numbers
Mainstream Schools	183	27.9%	839	656
Maintained & Academy Special Schools	176	29.2%	778	602
SRPS within Mainstream Schools	19	24.4%	97	78
Non-maintained & Independent Schools	-7	-4.7%	141	148
Other (EOTAS)	12	171.4%	19	7
FE Settings/ISP	314	3140.0%	324	10
Early Years Settings	9	450.0%	11	2
Total	**706**	47.0%	**2,209**	**1,503**

This demonstrates that of the total 706 growth in pupil numbers, 378 pupils (53.5%) are placed in Hillingdon mainstream schools and special schools. However, it is also evident that 314 pupils (44.4%) are placed in FE Settings, demonstrating the impact of the extension of the age range in the Children's and Families Act 2014.

Appendix 2 sets out a slightly different analysis based on the number of pupils placed in each sector over the period 2013/14 to 2018/19, which is summarised in Table 4:

Table 4

Sector	Change in Pupil Numbers from 2013/14	Change %	2018/19 Pupil Numbers	2013/14 Pupil Numbers
Nursery	-1	-7.14%	13	14
Primary	212	31.74%	880	668
Secondary	126	20.97%	727	601
16-18	137	65.55%	346	209
19-25	243	100.00%	243	0
Total	**717**	**48.06%**	**2,209**	**1,492**

This demonstrates that there has been growth in all of the sectors, except Nursery. It also demonstrates the significant disproportionate growth experienced in both 16 to 18 and 19 to 25 provision.

It is then useful to consider the financial impact of these changes based on a high level placement analysis over the period 2013/14 to 2018/19, which is set out in Appendix 3 and summarised in Table 5:

Table 5

Setting	Change in Actuals from 2013/14	Change %	2018/19 Actual £000	2013/14 Actual £000
School	7,562	59.25%	20,325	12,763
FE	3,231	557.31%	3,811	580
Independent	-1,143	-17.94%	5,229	6,372
Total	**9,650**	**48.95%**	**29,365**	**19,715**

This demonstrates that the pupil growth in the FE Sector translates into a significant increase in costs, but it also demonstrates that the Council has taken steps to reduce the cost of Independent School placements

Appendix 4 sets out the number of Special Educational Needs (SEN) pupils in Hillingdon based on the primary need of the child over the period 2014/15 to 2018/19, which is summarised in Table 6:

Table 6

Primary Need	Change in Pupil Numbers from 2014/15	Change %	2018/19 Pupil Numbers	2014/15 Pupil Numbers
ASD	366	74.4%	858	492
Speech, Language and Communication Needs (SLCN)	22	6.6%	355	333
Moderate Learning Difficulties (MLD)	33	18.8%	209	176
Severe Learning Difficulties (SLD)	24	17.6%	160	136
Social Emotional and Mental Health Needs (SEMH)	53	46.1%	168	115
Physical Disability (PD)	45	59.2%	121	76
Other/medical	42	135.5%	73	31
Hearing Impairment (HI)	4	9.3%	47	43
Profound and Multiple Learning Difficulties (PMLD)	17	54.8%	48	31
Specific Learning Difficulties (SpLD)	3	9.1%	36	33
Visual Impariment (VI)	2	9.1%	24	22
Multi-Sensory Impairment (MSI)	0	0.0%	3	3
Unclassified	95	791.7%	107	12
Total	**706**	**47.0%**	**2,209**	**1,503**

This indicates that there has been a significant increase in the number of children with an ASD Primary Need, which has grown by 366 pupils (equivalent to 74.4%).

DfE Funding Allocations

A review of the funding provided by the DfE demonstrates that Councils have been provided with additional funding, which is set out in Table 7, which is compared to the actual cost in each given year. It should be noted that the DfE figures exclude any technical adjustments:

Table 7

Year	DfE Allocation for Growth £000	Hillingdon Actual/ Projected £000	Difference From DfE Allocation £000
2015/16	662	1,928	+1,266
2016/17	559	1,460	+901
2017/18	1,100	3,448	+2,348
2018/19 - Projected	1,710	4,646	+2,936
Total Funding	**4,031**	**11,482**	**+7,451**

This indicates that the DfE have provided Councils with additional funding, totalling £4,031k, over the 4 year period 2015/16 to 2018/19, which is quite significant in 2018/19. However, this has not kept pace with the actual growth experienced by Hillingdon, leaving a gap of £7,451k (of this £3,231k relates to growth in the Post 16 funding), which on its own almost explains why the DSG Retained Budget has a cumulative deficit of £7,665k.

A review of the High Needs National Funding Formula highlights that the base entitlement (based on the number of pupils in special schools and special post-16 institutions) does not take into account FE College placement numbers (for Hillingdon this equates to 167 places) nor does it take into account the true cost of those in special post-16 institutions, where the formula only allocates £4,000 per place but the actual cost is £40,000. For Hillingdon this equates to a potential funding shortfall of £1,964k.

Hillingdon's DSG Retained Budget

Over the last two years, the Council has made savings totalling £2,944k (£1,017k in 2017/18 and £1,927k in 2018/19), which have been taken out of the Retained DSG budgets. Table 8 sets out the budgets that the Council retains within the DSG:

Table 8

Cost Centre	2019/20 Revised Budget £
Early Years	
24509 DSG-Early Years Advisory Teachers	222,802
24329 Family Information Service	297,773
Total Early Years	**520,574**
High Needs	
22991 Therapy Services	421,700
23120 Sensory Needs Team	580,141
20310 AAD Inclusion Team	649,299
23110 Early Years Support Team	194,547
23130 Management Team	14,000
23150 Overheads SEN	214,831
Total High Needs	**2,074,518**
Centrally Retained	
11728 School Placement & Admissions	493,577
60224 Hillingdon Virtual School	574,258
60671 School Safeguarding	189,142
23161 DSG Funded Business Support	65,200
24355 Education Services Grant Retained Functions	753,900
24702 Schools Forum	5,000
Total Centrally Retained	**2,081,077**
Total DSG Budget Baseline 2018/19	**4,676,170**

Steps Taken to Date to Address Budget Position

Set out below are a range of actions taken by the Council and Schools Forum as part of their review of the DSG Budget over the last 6 years.

(i) Following the roll out of the new Top-up funding mechanism for High Needs placements, the Council introduced a Banded Funding model, which allocated resources to schools based on the need of a child. This was well received by schools and indeed was adopted by one of Hillingdon’s local Independent Non-maintained Special Schools.

(ii) The Council undertook a major review of all Out of Borough and Independent School placements, and had been very successful in reducing the number of children placed in these establishments, which has resulted in a reduction in costs of £1,143k since 2013/14.

(iii) The Council has ensured that for every new school build or school extension, that a Special Resource Provision is considered as part of the design, to provide further local capacity. Additionally the Council has identified how it will use the additional circa £3 million SEND capital funding that has been provided to increase local capacity.

(iv) The Council has supported a number of new free school bids, which will provide additional local capacity to meet the needs of children with a ASD primary need.

(v) The Council has and continues to work with all key stakeholders on the development of an Additional Needs Strategy.

(vi) The Council works collaboratively with the West London Alliance to review and manage the cost of Independent School placements, which has ensured that any price uplifts are managed across a number of local authorities.

(vii) Over the last two years, the Council has identified savings totalling £2,944k (£1,017k in 2017/18 and £1,927k in 2018/19) and in addition has required a transfer of £1,078k (the full allowable 0.5% of the School Funding Block) in order for it to be able to set a balanced budget. One of the savings in 2018/19, takes out the entire contingency of £500k, which the Council has retained to manage any in year variances.

(viii) The Council has embarked on a major review of High Needs funding, to understand why Hillingdon has experienced such significant High Needs population growth. Hillingdon currently has 3.6% of it's pupil population on a plan whereas the national average is 2.9%.

1. Summary

In summary, the review identified the following:

i) Hillingdon had a good track record of managing the Dedicated Schools Grant (DSG) Budget up to the end of 2015/16, holding a surplus balance over the last 5 years.
ii) The High Needs funding block was also well managed, with underspends in both 2013/14 and 2014/15.
iii) Schools have benefitted from the reinvestment of surplus DSG balances, totalling £3,454k over the period 2014/15 to 2016/17.
iv) Hillingdon has received a proportionately high level of growth funding from the Department for Education (DfE) in the High Needs Block, totalling £4,031k.

v) The Council has made savings totalling £2,944k over the last two years to try to address the pressures in High Needs.

vi) Hillingdon's DSG has a projected cumulative deficit of £7,665k at the end of 2018/19, which can be traced back to the new burdens introduced as part of the Children's and Families Act 2014.

vii) The number of pupils with a Statement of Special Educational Needs (SEN) and Education, Health and Care Plans (EHCP) has grown by 706 pupils, equivalent to an increase of 47% over the period 1 April 2014 to projected position 31 March 2019, which compares to the national average increase of 35%.

viii) The actual and projected cost of High Needs placements is expected to be in the region of £11,482k over the four year period 2015/16 to 2018/19, which is £7,451k above the funding received from the DfE.

ix) The High Needs National Funding Formula does not effectively provide funding for post 16 pupils, and in fact does not capture FE College numbers.

x) The Council has undertaken a number of major reviews of High Needs expenditure, including Out of Borough and Independent School Placements.

The data set out in this report demonstrates that Hillingdon were able to manage the DSG budget effectively up until 2015/16, where from this point, the DSG starts to fall into deficit. The further analysis provides compelling evidence that the main reason for the cumulative deficit relates to the level of funding provided by the DfE not keeping pace with the true cost of High Needs placements (those pupils that have a Statement of SEN or a EHCP) and does appear to have under estimated the impact of extending the age range to cover 0 to 25 year olds, where Hillingdon has seen a significant increase in costs totalling £7,451k from the beginning of the 2015/16 financial year.

Over this period the Council has made significant savings totalling £2,944k on those budgets held centrally. The amount of funds retained now stands at £4,676k, which enables the Council to provide a range of critical services predominantly to support vulnerable children.

Appendix 1

Growth Analysis Based on Type of Setting

			2018/19			2017/18			2016/17			2015/16			2014/15
Type of Setting	**Change in Pupil Numbers from 2014/15**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**
Mainstream Schools	183	27.9%	839	86	11.4%	753	15	2.0%	738	72	10.8%	666	10	1.5%	656
Maintained & Academy Special Schools	176	29.2%	778	22	2.9%	756	103	15.8%	653	10	1.6%	643	41	6.8%	602
SRPS within Mainstream Schools	19	24.4%	97	-13	-11.8%	110	12	12.2%	98	15	18.1%	83	5	6.4%	78
Non-maintained & Independent Schools	-7	-4.7%	141	14	11.0%	127	0	0.0%	127	8	6.7%	119	-29	-19.6%	148
Other (EOTAS)	12	171.4%	19	-79	-80.6%	98	19	24.1%	79	67	558.3%	12	5	71.4%	7
FE Settings/ISP	314	3140.0%	324	68	26.6%	256	149	139.3%	107	8	8.1%	99	89	890.0%	10
Early Years Settings	9	450.0%	11	8	266.7%	3	-13	-81.3%	16	13	433.3%	3	1	50.0%	2
Total	**706**	47.0%	**2,209**	**106**	**5.0%**	**2,103**	**285**	**15.7%**	**1,818**	**193**	**11.9%**	**1,625**	**122**	**8.1%**	**1,503**

Appendix 2

Growth Analysis Based on Sector

			2018/19			2017/18			2016/17			2015/16			2014/15			2013/14
	Change in Pupil Numbers from 2013/14	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers
Nursery	-1	-7.1%	13	0	0.0%	13	1	8.3%	12	5	71.4%	7	3	75.0%	4	-10	-71.4%	14
Primary	212	31.7%	880	7	0.8%	873	111	14.6%	762	64	9.2%	698	33	5.0%	665	-3	-0.4%	668
Secondary	126	21.0%	727	36	5.2%	691	56	8.8%	635	14	2.3%	621	40	6.9%	581	-20	-3.3%	601
16-18	137	65.6%	346	17	5.2%	329	36	12.3%	293	51	21.1%	242	30	14.2%	212	3	1.4%	209
19-25	243	100.0%	243	46	23.4%	197	81	69.8%	116	59	103.5%	57	17	42.5%	40	40	100.0%	0
Total	**717**	**48.1%**	**2,209**	**106**	**5.0%**	**2,103**	**285**	**15.7%**	**1,818**	**193**	**11.9%**	**1,625**	**123**	**8.2%**	**1,502**	**10**	0.7%	**1,492**

Appendix 3

Financial Impact of Growth Across Sectors

			2018/19			2017/18			2016/17			2015/16			2014/15			2013/14
	Change in Actuals from 2013/14	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000
School	7,562	59.2%	20,325	1,995	10.9%	18,330	1,818	11.0%	16,512	642	4.0%	15,870	2,410	17.9%	13,460	697	5.5%	12,763
FE	3,231	557.3%	3,811	544	16.6%	3,267	1,338	69.4%	1,929	593	44.4%	1,336	586	78.1%	750	171	29.4%	580
Independent	-1,143	-17.9%	5,229	573	12.3%	4,657	4	0.1%	4,652	-199	-4.1%	4,851	-1,314	-21.3%	6,166	-206	-3.2%	6,372
Total	**9,650**	**48.9%**	**29,365**	**3,111**	**11.9%**	**26,253**	**3,160**	**13.7%**	**23,093**	**1,036**	**4.7%**	**22,058**	**1,682**	**8.3%**	**20,376**	**661**	3.4%	**19,715**

Appendix 4

Growth Analysis Based on Type of Need

			2018/19			2017/18			2016/17			2015/16			2014/15
Primary Need	**Change in Pupil Numbers from 2014/15**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**	**Change in Pupil Numbers**	**Change %**	**Pupil Numbers**
ASD	366	74.4%	858	116	15.6%	742	103	16.1%	639	74	13.1%	565	73	14.8%	492
Speech, Language and Communication Needs (SLCN)	22	6.6%	355	-2	-0.6%	357	7	2.0%	350	22	6.7%	328	-5	-1.5%	333
Moderate Learning Difficulties (MLD)	33	18.8%	209	8	4.0%	201	15	8.1%	186	14	8.1%	172	-4	-2.3%	176
Severe Learning Difficulties (SLD)	24	17.6%	160	-32	-16.7%	192	20	11.6%	172	16	10.3%	156	20	14.7%	136
Social Emotional and Mental Health Needs (SEMH)	53	46.1%	168	1	0.6%	167	17	11.3%	150	16	11.9%	134	19	16.5%	115
Physical Disability (PD)	45	59.2%	121	10	9.0%	111	10	9.9%	101	16	18.8%	85	9	11.8%	76
Other/medical	42	135.5%	73	18	32.7%	55	14	34.1%	41	8	24.2%	33	2	6.5%	31
Hearing Impairment (HI)	4	9.3%	47	-1	-2.1%	48	4	9.1%	44	2	4.8%	42	-1	-2.3%	43
Profound and Multiple Learning Difficulties (PMLD)	17	54.8%	48	12	33.3%	36	0	0.0%	36	-1	-2.7%	37	6	19.4%	31
Specific Learning Difficulties (SpLD)	3	9.1%	36	2	5.9%	34	-7	-17.1%	41	8	24.2%	33	0	0.0%	33
Visual Impariment (VI)	2	9.1%	24	-1	-4.0%	25	-2	-7.4%	27	2	8.0%	25	3	13.6%	22
Multi-Sensory Impairment (MSI)	0	0.0%	3	-2	-40.0%	5	2	66.7%	3	1	50.0%	2	-1	-33.3%	3
Unclassified	95	791.7%	107	-23	-17.7%	130	102	364.3%	28	15	115.4%	13	1	8.3%	12
Total	**706**	**1232.2%**	**2,209**	**106**	**5.0%**	**2,103**	**285**	**15.7%**	**1,818**	**193**	**11.9%**	**1,625**	**122**	**8.1%**	**1,503**

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