THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2017/18 - 2021/22

Cabinet Members	Councillor Ray Puddifoot MBE Councillor Jonathan Bianco
Cabinet Portfolios	Leader of the Council Finance, Property and Business Services
Officer Contact	Paul Whaymand, Finance
Papers with report	Appendices 1 to 8 (detailed MTFF proposals & schedule of Fees & Charges)

HEADLINE INFORMATION

Purpose of report	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2017/18, along with indicative projections for the following four years. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for all residents in 2017/18 for the ninth successive year, and for the over 65s for the eleventh successive year, without reducing service provision or levying the 2% Social Care precept for the second successive year, whilst maintaining balances and reserves above the minimum recommended level.
Contribution to our plans and strategies	**Putting our Residents First***: Financial Management; Our People; Our Natural Environment; Our Built Environment.* 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 ninth successive year and a eleventh for over 65s.
Relevant Policy Overview Committee	Corporate Services and Partnerships Children, Young People's & Learning Residents' and Environmental Services Social Services, Housing and Public Health
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

1) **Approve the draft revenue General Fund and Housing Revenue Account budgets and capital programme proposals for 2017/18 and beyond as the basis for consultation with Policy Overview Committees and other stakeholders.**

2) **Request the comments of individual Policy Overview Committees on the draft budget proposals relating to their areas of responsibility, to be collated into a single report back to Cabinet from the Corporate Services and Partnerships Policy Overview Committee.**

3) **Approve the proposed amendments to Fees and Charges, included at Appendix 8, as the basis for consultation with Policy Overview Committees and other stakeholders.**

4) **Authorise the Corporate Director of Finance, in consultation with the Leader of the Council, to respond on behalf of the Council to the consultation on the provisional Local Government Finance Settlement and to the Mayor of London's budget consultation.**

Reasons for recommendations

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2017/18. This includes the impact on the Council Tax and 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.

If approved by Cabinet, these budget proposals will be presented to Policy Overview Committees and local residents for consultation before being presented to Cabinet in February 2017 for recommendation to full Council. Once approved by Council in February 2017 proposals will become effective immediately.

Alternative options considered / risk management

In order to comply with the Budget and Policy Framework, the Cabinet needs to publish a draft budget for consultation at this meeting. The Cabinet could, however, choose to vary the proposals set out in the report, with any amendments reflected in the papers consulted upon with Policy Overview Committees during January 2017.

The section of the report on the Development and Risk Contingency considers the key risks and uncertainties that need to be managed and how these have been provided for within the budget strategy.

Policy Overview Committee comments

A full report on the budget process, financial strategy and detailed budget proposals for each of the service Directorates will be taken to the relevant Policy Overview Committees for review in

January 2017, with feedback presented to Cabinet alongside the final budget report to Cabinet on 16 February 2017.

SUMMARY

1. This report represents the output following a comprehensive refresh of the Council's 2017/18 draft budget and medium term projections through to 2021/22. Budget proposals have been developed to support a ninth successive Council Tax Freeze for all residents and a eleventh year for over 65s whilst avoiding implementation of the Social Care precept and maintaining frontline services - including weekly waste collection, burglar alarms for Older People, £1m annual funding for local communities through the Chrysalis programme, as well as a comprehensive library service. This represents a significant achievement in light of continuing cuts to government funding for local government, estimated at 17% in 2017/18 alone, alongside a growing population driving an ever increasing demand for locally provided services.

2. In freezing Council Tax for a ninth year, savings have been developed under five broad themes, which focus on maintaining the existing service offer: Zero-Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.

3. An update on the Council's capital programme is also presented in this report where investment is providing sufficient school places to meet the growing demands from a rapidly rising population. In addition, the capital programme contains funding to deliver a new theatre, museum and bunker visitor centre in Uxbridge, alongside continued investment in the existing local infrastructure - including £3,000k for investment in local Highways during 2017/18.

4. The refreshed Medium Term Financial Forecast, covering 2017/18 and the following four years, presents the scope of the challenge facing the Council in the form of increased demand for services while responding to continuing reductions in central government funding through to the end of the decade. The key driver in responding to this challenge will be to continue to 'Put Residents First' while securing efficiencies equivalent to approximately 30% of current expenditure.

5. The Housing Revenue Account budget for 2017/18 is also presented, which includes a 1% reduction in rents for existing tenants as required by current Government policy. The associated draft HRA capital programme outlines a programme of investment to maintain existing stock while securing new units to replace stock sold under Right to Buy arrangements.

BACKGROUND

6. This is the first report to Cabinet on the budget for 2017/18, building upon the position outlined in the 2016/17 budget report to Council in February 2016. In February the savings requirement for 2017/18 was estimated to be £18,464k, which has since been revised upwards to £19,388k, primarily as a result of increased inflationary pressure on the cost of Social Care placements. Taking account of the planned drawdown of £5,000k from General Balances, this leaves a net savings requirement of £14,388k. The Autumn Statement in late November reaffirmed the overall level of funding for the Local Government sector in 2017/18, which combined with the Council's acceptance of the multi-year settlement offer in October all but confirms the scope of this challenge.

7. 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, which is set to continue until at least the end of the decade. 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.

8. Groups have been developing savings proposals sufficient to meet the 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, 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 2015/16 outturn, particularly any on-going issues arising.
   - The current position in 2016/17 - both monitoring and savings delivery.
   - Existing and emerging pressures which need to be addressed in the 2017/18 budget and forecasts for future years.
   - Progress on the development of savings proposals for 2017/18 and beyond.
   - Identification of any potential growth or invest-to-save bids.
   - Capital programme requirements.

9. This report collates the outputs from these sessions, with sufficient savings proposals having been developed to bridge the budget gap in 2017/18 without recourse to reductions in service levels or levying the Social Care precept while freezing Council Tax for all residents for a ninth successive year and funding the freeze for older persons into a twelfth year in 2018/19.

GENERAL FUND REVENUE BUDGET

Update on 2016/17 Budget

10. Development of the 2017/18 budget builds upon the 2016/17 budget and therefore the current monitoring position provides a useful context and manages many of the same challenges to be expected in the new financial year. In addition, progress towards delivery of existing savings targets is of vital importance in considering both the feasibility of future savings initiatives and the potential need to identify alternative measures where planned savings cannot be secured.

11. An underspend of £1,227k was reported on normal operating activities at Month 7. This position incorporates a £1,978k net underspend across Directorate Operating Budgets and an underspend of £800k across treasury management activities within Corporate Operating Budgets, being off-set by contingency pressures of £1,551k reported on Children's Social Care and Deprivation of Liberty Safeguard Assessments. The following positions are reported on individual Directorate Operating Budgets:

   - Within the Administration Directorate an underspend of £54k is reported at Month 7, primarily relating to staffing underspends across the group.

   - An underspend of £289k is reported on Finance operating budgets at Month 7, mainly arising from staffing underspends across the group, with additional grant income within Revenues & Benefits and an improved outlook for S46 Receivership Fees contributing to an overachievement of income.

- An underspend of £1,232k is reported within Residents Services at Month 7, with £1,868k staffing underspends from vacant posts and the capitalisation of transformation resource, and pressures of £636k across non-staffing and income budgets. Reported pressures include a shortfall in income from the Cedars & Grainges car parks, estates income and Imported Food sampling, with non-staffing pressures from increased recycling volumes, fleet hire & maintenance and the adaptions budget within Development & Assets.

- Social Care is reporting a £403k underspend, inclusive of net staffing underspends of £1,044k from posts being held vacant and capitalisation of transformation workforce costs. Within this reported position, there is an emerging risk around supplier inflation on care placements which will remain under review over the coming months.

12. Good progress is being made against delivery of the majority of the £13,309k savings included in the 2016/17 budget. At Month 7, 72.6% £9,657k are already fully banked, with an additional 18.7% or £2,495k on track to be delivered in full during 2016/17. The remaining 8.7% or £1,157k are classed as amber due to being at an earlier stage of delivery, however it expected that these will ultimately be delivered in full and therefore not impact upon the Council's MTFF.

13. Within the reported position at Month 7 it is assumed that £500k uncommitted General Contingency and £734k Unallocated Priority Growth will be utilised to manage as yet unidentified emergent pressures and new initiatives. In the event that these sums are not required, the reported underspend would increase.

14. The reported underspend of £1,227k will reduce the planned £4,216k drawdown from reserves and result in £36,016k being carried forward as General Balances at 31 March 2017. The Council's current Balances and Reserves Policy requires that balances remain between £20,000k and £31,000k to manage emergent risks, with sums above that level earmarked for use to smooth the impact of government funding cuts.

Budget Requirement 2016/17

15. The movement from the 2016/17 baseline to the 2017/18 budget requirement is summarised in the following table, which reflects the current position and incorporating movements since the budget was agreed in February. Further details on each of the items accounting for this movement are expanded upon within the report. In order to reflect the changing composition of the Council's funding, the 2016/17 baseline has been restated to include additional grant funding and the planned use of General Balances within Corporate Resources, rather than within the Budget Requirement.

Table 1: Budget Requirement

	Movement from 2016/17 £'000	2017/18 Budget Requirement £'000
Funding Sources		
Council Tax and Business Rates Revenues	(3,368)	(158,513)
Collection Fund Surplus	(1,000)	(2,500)
Revenue Support Grant	9,918	(19,513)
Other Central Government Funding	1,396	(36,400)
Planned Use of General Balances	(784)	(5,000)
Total Resources	**6,162**	**(221,926)**
Budget Requirement		
Roll Forward Budget		228,088
Inflation	6,230	
Corporate Items	(1,266)	
Contingency	3,462	
New Priority Growth	(200)	
Savings Proposals	(14,388)	
Budget Requirement 2017/18	**(6,162)**	**221,926**
Surplus / (Deficit)	**0**	**0**

16. The Corporate Summary attached outlines the budget gap over the full MTFF period, showing the cumulative impact of the trends in funding and service pressures and the resultant savings requirement, which is projected to reach £67,984k by 2021/22. This is driven by an anticipated 38% reduction in core government grants and forecast cost pressures over the same period.

FUNDING SOURCES

17. Total resources available to support the budget requirement are projected to fall by £6,162k for 2017/18. Government funding is set to fall by £11,314k, with growth of £4,368k in locally generated income from Council Tax and Business Rates and an additional £784k to drawn down from General Balances sufficient to reduce the net reduction in resources to £6,162k. Current modelling assumes that the increases in local income are wholly attributable to taxbase growth and do not assume any inflationary uplift in Council Tax.

Table 2: Funding

	2016/17 £'000	Increase / (Decrease) £'000	2017/18 £'000
Council Tax Precept	(106,585)	(1,614)	(108,199)
Council Tax (Surplus) / Deficit	(2,625)	2,125	(500)
Retained Business Rate Receipts	(48,560)	(1,754)	(50,314)
Business Rate (Surplus) / Deficit	1,125	(3,125)	(2,000)
Local Income Streams	**(156,645)**	**(4,368)**	**(161,013)**
Revenue Support Grant	(29,431)	9,918	(19,513)
Other Government Grant	(37,796)	1,396	(36,400)
Government Funding Streams	**(67,227)**	**11,314**	**(55,913)**
Planned Use of Balances	**(4,216)**	**(784)**	**(5,000)**
Total Resources	**(228,088)**	**6,162**	**(221,926)**

18. 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. These projections will be confirmed on the basis of taxbase estimates presented to Council on 19 January 2017. Projections for grant funding is primarily based on indicative allocations published by awarding bodies, including the multi-year settlement offer, and are therefore expected to only vary marginally as final allocations are confirmed over the next four months.

Council Tax Income

19. At Month 7, a surplus of £500k is projected on 2016/17 Council Tax income in contrast to larger surpluses recorded in recent years. Strong taxbase growth, declining demand for the Council Tax Reduction Scheme and high collection rates reducing the level of bad debt provision are being off-set by an exceptional one-off pressure on discounts. This relates to the continuation of historic empty property reliefs discounts awarded before these were reduced from 1 April 2016.

20. Implementation of an Empty Property premium is reflected in 2017/18 income projections, subject to approval of this measure as part of the broader budget. The Council has the power to levy a 50% premium on Council Tax for properties which have remained vacant and unfurnished for two years, of which there are currently 156 across the borough and numbers have remained consistently above 100 since 2013/14. This draft budget assumes an additional £56k income, equivalent to 50 Band D properties from the introduction of a premium with effect from 1 April 2017.

21. In addition to income from the premium, the latest projection assumes an annual 1,400 Band D equivalent increase in the net Council Taxbase, which is consistent with the position presented to members in February 2016. This increase will deliver £1,558k of additional income, which together with the £56k premium yield will increase the precept to £108,199k for 2017/18. It is expected that 1,200 of this increase will relate to new dwellings in the borough and 200 will reflect the continuing trend of declining uptake of CTR Scheme. It is assumed that the budgeted collection rate will remain at 98.5% in the new financial year.

Table 3: Council Taxbase (Band D Equivalent Properties)

	2016/17	Increase / (Decrease)	2017/18
Residential Properties	117,894	1,222	119,116
MOD Properties	704	0	704
Discounts & Exemptions	(10,482)	0	(10,482)
Empty Property Premium	0	50	50
Gross Council Taxbase	**108,116**	**1,272**	**109,388**
Council Tax Reduction Scheme	(10,888)	200	(10,688)
Allowance for Losses in Collection	(1,458)	(22)	(1,480)
Net Council Taxbase	**95,770**	**1,450**	**97,220**

22. Taxbase growth assumptions are assessed against both third party local population projections and local intelligence around new residential development within the borough. Over the current MTFF period, growth of 7,050 properties or 5.2% in the numbers of households is marginally lower than the 6.6% increase in working age population of the borough included in the 2014 Sub-National Population Projections, providing a level of assurance around assumed rates of growth. Similarly, latest intelligence on live developments within the borough suggests that 1,157 of the anticipated 1,222 new dwellings for 2017/18 will be delivered through sites under development or progressing through the planning process, with the remainder being secured principally through the conversion of commercial properties for residential use.

23. Projections in respect of the Council Tax Reduction Scheme and allowance for losses in collection reflect experience over recent years, and remain consistent with the approach taken in setting the 2016/17 taxbase.

Business Rates Income

24. A surplus of approximately £2,000k is projected on Business Rates Revenues for 2016/17, including £1,507k brought forward from 2015/16 in respect of the significant backdated increases in rateable value. As at Month 7 a breakeven position is reported on in year activity, although it is expected that new properties coming on stream alongside a review of the approach to providing for appeal losses will secure additional income and deliver an overall £2,000k surplus for release in 2017/18.

25. Projections in respect of Business Rates income throughout this budget are modelled on maintenance of the current 50% retention system, on the assumption that the move towards 100% retention will be accompanied by either new responsibilities or corresponding reductions in existing grant income streams and therefore not affect funding available for local services. Publication of the Technical Consultation on the 2017/18 Local Government Finance Settlement on 15 September and the draft 2017 rating list on 28 September have substantially allayed concerns that the 2017 revaluation could have materially impacted upon the Council's assumed £6,247k retained growth.

26. The draft 2017 rating list shows a 1% increase in Rateable Value for Hillingdon, with a 7.5% reduction across Heathrow Airport properties masking an 11.5% increase across all other hereditaments. As the national rating list has grown by 9.1%, the multiplier is expected to fall by an equivalent amount resulting in Business Rates bills for most commercial property in the borough to rise by 2.5% above inflation over the next five years. Given this limited movement, it is expected that the revaluation will have limited impact on collection rates or the Council's own Business Rates liabilities.

27. These movements in Rateable Value would be expected to reduce the Council's 30% share of retained income for 2017/18 by £11,008k, with the technical consultation confirming that the Government intends to amend the tariff to reimburse the Council for this loss and render the move to the 2017 list revenue neutral for the General Fund. The proposed methodology substantially mitigates the loss of income, although there remains approximately £300k of General Fund income at risk due to the treatment of charitable and empty property reliefs. Until final confirmation of the methodology is available, projections in respect of the General Fund share of Business Rates have been reduced by this £300k from 2017/18.

28. A comprehensive refresh of assumed completion dates for property developments in the borough has been undertaken, with identified developments expected to deliver a net increase of £30,000k or 8.0% in Rateable Value between 2017/18 and 2021/22. This equates to a 4.0% annual uplift since 2013/14, and therefore represents a reasonably optimistic assessment of the capacity for commercial development in the borough. This headline increase consists of £33,450k growth from identified major developments and £477k from Local Plan site allocations, being off-set by £3,438k lost Rateable Value from the conversion of property from commercial to residential uses under the prior approval regime. This growth has been profiled over the MTFF on the basis of likely completion dates; with projected completions in 2017/18 sufficient to release a further £300k retained growth in this draft budget.

Central Government Grant

29. While the majority of Government Grant projections remain substantially unchanged from the previous iteration of the MTFF, forecasts have been amended to reflect the phasing out of Education Services Grant by 2018/19, on-going reduction of the Public Health Grant and award of a new de-minimus flood grant. Latest projected grant income for 2017/18 totals £55,913k, representing a reduction of £11,314k or 17% on 2016/17 income.

30. With the implementation of 100% Business Rates Retention by 2019/20, Revenue Support Grant will cease to exist as a separate funding stream and be absorbed into baseline Business Rates income. Until the mechanics of this transfer have been outlined by DCLG, the residual grant income will continue to be shown separately within the Corporate Summary. The transfer of additional functions into Business Rates as part of this reform will be reviewed and reflected in future refreshes of the MTFF as appropriate.

31. Projections in respect of Revenue Support Grant and Transition Grant are based on the multi-year settlement offer, published by DCLG in February 2016 alongside the final Local Government Finance Settlement for 2016/17. For 2017/18 Revenue Support Grant is expected to drop by £9,918k to £19,513k, with an additional £515k being made available to the Council to compensate for changes in the distribution of RSG between authorities. This offer of fixed grant allocations, subject to exceptional circumstances, was contingent upon the Council submitting an Efficiency or Sustainability Strategy setting out the approach being taken to balance budgets to DCLG. The Council submitted its plan approved by Cabinet in September and the Government has subsequently confirmed that the multi-year settlement will be applied to Hillingdon. While final funding allocations for 2017/18 will not be confirmed until early 2017, this multi-year offer and announcements by the new Chancellor of the Exchequer around deficit reduction provide a measure of assurance that further cuts should not be forthcoming in the short term.

32. The Public Health Grant is now presented as part of the Council's corporate funding, reflecting the planned removal of the ring-fence from 2018/19. Alongside confirmation of the £18,452k 2016/17 grant award, the Department of Health set out annual reductions totalling £1,380k by 2019/20. For planning purposes it has been assumed that the 2016/17 and 2017/18 cuts will be managed within the existing Public Health funded services.

33. Projections in respect of the Better Care Fund for 2017/18 are based on the Council's 2016/17 share of £5,937k with an allowance for 1% per annum inflation funding to total £5,996k. Annual inflation on this core allocation is projected to continue over the MTFF period, with income from 2018/19 supplemented by £10,411k of 'Enhanced Better Care Fund' financed from a topslice of Revenue Support Grant to provide £10,932k by 2021/22.

34. New Homes Bonus projections remain unchanged from those included in the February 2016 budget, although as with Public Health, this grant has now been presented as part of corporate funding. The 2017/18 grant award is based upon the CTB1 return submitted to DCLG on 16 October 2016, with a combination of new development in the borough and work by Corporate Fraud to minimise the number of properties empty for more than six months sufficient to maintain the grant at 2016/17 levels. Income projections for future years take account of the expected scaling back of New Homes Bonus awards from 2018/19 in order to release resources within DCLG budgets to fund the enhanced Better Care Fund.

35. Spending Review 2015 set out the intention to further reduce local authorities' role in education, which would drive a £600m reduction in the £815.4m payable through the Education Services Grant. The first £65m of this cut fell in 2016/17, resulting in a loss of £225k for Hillingdon. During the summer, the DfE confirmed that the grant would be abolished from September 2017, which results in a front-loading of the previously assumed cuts in 2017/18 and 2018/19. It is assumed that through a combination of transferring expenditure from base budgets into the Dedicated Schools Grant, and in the case of School Improvement and Education Welfare Services the move to an SLA delivery model, will off-set a substantial element of this latest reduction, leaving a residual pressure of £320k over the MTFF period, £146k of which impacts upon 2017/18. During late November and early December a number of announcements from the DfE have indicated that additional resources will be available to support School Improvement functions, which would contribute to maintaining these services in the face of Education Services Grant being abolished. As further information becomes available assumptions in this area will be refreshed for the final budget proposals being presented to Cabinet and Council in February 2017.

36. Projections in respect of the Housing Benefit Admin Subsidy Grant (£1,090k) and Council Tax Administration Subsidy (£270k) are based on annual reductions of 8% to reflect the impact of deficit reduction on DCLG and DWP budgets. In addition, the DCLG Transition Grant (£515k) to reimburse the authority for changes to Revenue Support Grant allocations made in 2016/17 is included in this draft budget.

37. Latest funding projections do not include any allowance for additional income arising from further integration of Health and Social Care through mechanisms such as the Sustainability and Transformation Plan, around which there remains limited tangible intelligence and all indications are that any material changes would impact from 2020 at the earliest.

38. While funding for Phase 1 of 2014 Care Act Implementation has been subsumed into the Revenue Support Grant from 2016/17, additional grant funding and the associated uplift in expenditure have been factored into the MTFF from 2019/20 to reflect the original timescales for Phase 2 commencing. There remains uncertainty around the pace and scope of Phase 2 implementation, which will be reflected as refreshed intelligence becomes available.

39. In addition to the larger Department of Health funding streams, it is expected that the Local Reform and Community Voices Grant will continue at its current level of £142k per annum.

40. Finally, the DCLG have awarded £15k to the Council for 2017/18 through the Lead Local Authority Flood Grant which has been added to funding projections. This award follows a

commitment made by the previous Secretary of State to protect flood funding in real terms over the remainder of this parliament.

BALANCES AND RESERVES

41. The final outturn for 2015/16 represented a £2,000k improvement on the position assumed at the time of budget setting in February 2016, principally arising from the capitalisation of £1,213k equipment expenditure. This improvement has enabled a refresh of planned use of balances, with £5,000k drawdowns in both 2017/18 and 2018/19 now included in this draft budget.

42. At 31 March 2016 General Balances were £39,005k, with a drawdown of £2,989k projected in 2016/17 and a further £14,500k drawdown profiled over the years 2017/18 to 2020/21, leaving £21,516k uncommitted. At present there is no indication that it will be necessary to revise the recommended range for unallocated balances from £15,000k to £31,000k, leaving capacity to release further reserves in order to deliver balanced budgets. Taking account of the £1,227k underspend reported in Month 7 monitoring, up to £6,516k would be available to support the MTFF.

Table 4: Planned Use of Balances

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Opening Balances	36,016	31,016	26,016	23,016	21,516	**N/A**
Planned Drawdown	(5,000)	(5,000)	(3,000)	(1,500)	0	**(14,500)**
Closing Balances	**31,016**	**26,016**	**23,016**	**21,516**	**21,516**	**N/A**

INFLATION

43. Latest projections indicate that inflationary pressures for 2017/18 will contribute £6,724k to the savings requirement, including workforce inflation reflecting an annual 1% pay award and inflation on care placements reflecting pressures within this sector. This represents an increase of £2,434k on estimates for 2017/18 presented to Members in February 2016, with the movement principally driven by pressures within the Social Care Placement market.

Table 5 - Inflation Provision

	Inflation Rate %	2016/17 £'000
Employee's Pay	1.0%	1,159
Added Years Pension Costs	0.9%	19
Electricity	0.0%	0
Gas	0.0%	0
Vehicle Fuel	0.0%	0
Residential / Nursing Placements	Various	3,403
Homecare Provision	Various	1,500
Other Contracted Services	0.0%	0
Business Rates	0.0%	0
Concessionary Fares	4.0%	199
Gross Inflation Provision		**6,280**
Less: Grant Funded Items		(50)
Net Inflation Provision		**6,230**

44. Provision for employee's pay continues to reflect the assumed 1% per annum inflationary pay awards across permanent employees, agency budgets and Members' allowances at a total cost of £1,159k. This reflects the previously announced awards for Chief Officers and other employees in 2017/18. An increase of 1% in the pay award would add approximately £1,150k to the budget gap. Any impact on the Council's own staffing costs from the roll out of a National Living Wage is assumed to be de-minimis for the purposes of budget setting as all employees are already paid at this level. Any resulting impact on pay rates for agency staff will be contained within relevant service budgets.

45. As in previous years, inflation relating to workforce funded from specific grants is assumed to be managed within the relevant grant and therefore does not impact on the overall budget gap. Following the significant transfer of workforce costs into the General Fund from both the HRA and Schools Budget, a similar approach has now been taken on recharge income targets relating to other funds. This change does not contribute towards the overall reduction in inflation costs, merely defraying an increase in the headline cost of workforce inflation from previous assumptions.

46. Inflation provision for Residential and Homecare placements across Social Care has been increased to £4,903k in 2017/18, reflecting a growing volume of inflation claims from providers which is primarily driven by wage pressures within the sector. In addition to the previously identified impact of upward movement in the National Living Wage within the Homecare sector, both Residential and Homecare are now seeing increases in line with higher London Living Wage.

47. In line with the approach taken for 2016/17 and reflecting experience during the current financial year, only care placement, levy and workforce budgets are being inflated for 2017/18. It is expected that the direct impact upon the Council from rising general inflation can be managed within existing revenue budgets for 2017/18. In addition, provision to fund the annual uplift in the Concessionary Fares levy has been scaled back to £199k to reflect latest intelligence on the expected settlement.

CORPORATE ITEMS

48. There are a range of issues impacting upon the Council's overall budget and therefore managed corporately, including the implications associated with new burdens transferring to the Council, revenue implications of capital investment and the application of balances. Further details on these items included in the 2017/18 budget are explained below.

Table 6: Corporate Items

	2017/18 £'000
New Burdens & Transfers of Responsibility	
Transfer of Residual Education Functions from Local Government	(802)
Adjustments to Funding, Financing & Corporate Budgets	
Movement in Council Tax Older People's Discount	(25)
Rephasing Capital Financing Costs	(750)
Technical Adjustment (Review of Capitalisation)	111
Funding for HIP Initiatives	(200)
Reduced Drawdown from Earmarked Reserves	400
Total Corporate Items	**(1,266)**

49. As noted within the Government Grants section of this report, the abolition of the Education Services Grant from September 2017 will require the transfer of a number of functions directly into the Dedicated Schools Grant (for which the current annual budget is £740k per annum) and result in the local authority no longer being funded for provision of School Improvement and Education Welfare services (current annual budget of £635k) per annum. This broader process will be managed through the BID Review of residual Education functions, for School Improvement and Education Welfare services, this draft budget assumes services will either cease from September 2017 or continue on the basis of a Service Level Agreements funded by contributions from schools. There is scope for recently announced funding for School Improvement to support this element on an on-going basis. The £802k reduction in expenditure for 2017/18 represents the part year effect, with a further £573k reduction resulting in 2018/19.

50. The 2016/17 budget approved by Members in February 2016 included rephasing of £1,400k capital financing budgets, with £650k assumed to be required in 2017/18 to meet additional borrowing costs arising from capital investment. As at Month 7 in the current financial year, £1,100k can be rephased from 2017/18 to reflect slippage in capital expenditure during 2016/17, accelerated use of capital receipts within the General Fund and reduced interest income transfers to the HRA. In addition, it is proposed that £300k contingency previously held within budgets for interest and other treasury risks be released to deliver a £750k reduction in capital financing costs.

51. The revenue impact of capitalising equipment expenditure is expected to require £111k per annum additional provision within capital financing costs - this represents a reduction of £60k from the position previously reported to Members as a result of expenditure on such equipment reducing in 2017/18. Elsewhere within this report, capital budgets have been reduced from 2017/18 to reflect this lower level of activity.

52. The forecast of likely take-up of the Older People's Council Tax discount has been reflected in this draft budget resulting in a small reduction of £25k per annum. In addition, base budget funding for HIP Initiatives has been rebased to reflect current levels of activity, releasing £200k from 2017/18. The 2016/17 budget included a £400k drawdown from earmarked reserves, which is not assumed to continue into 2017/18.

DEVELOPMENT & RISK CONTINGENCY / SERVICE PRESSURES

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

54. The budget approved in February 2016 assumed a net increase of £2,108k would be required in 2017/18, which has since been revised up by £1,354k to £3,462k. This increase consists of growth in provision for Looked After Children's placements, Adult Social Care placements for transitional children and a new pressure from Deprivation of Liberty Safeguarding assessments.

Table 7: Development & Risk Contingency

	£'000
2016/17 Contingency Budget	18,453
Releases to Operating Budgets	(2,912)
Increase to Contingency Requirement	3,462
2017/18 Contingency Budget	**19,003**

55. Appendix 3 to this report provides a breakdown of the draft Development & Risk Contingency for 2017/18, with an explanation of key assumptions and risk factors on each item set out below:

- **Uninsured Claims (£50k reduction from 2016/17)** - A reduction to £291k in the provision for uninsured claims is proposed in this draft budget, which combined with base budget funding would be sufficient to contain £650k of claims annually. There is scope to finance any exceptional or high value claims over this amount from dedicated earmarked reserves, which currently total £2,415k.

- **Impact of Welfare Reform on Homelessness (£289k reduction from 2016/17)** - Numbers of households within Temporary Accommodation have risen by 5% from 2015/16 levels, although this has been largely mitigated through increased demand management. Challenges in securing a sufficient supply of affordable accommodation has resulted in a continued reliance of higher cost Bed & Breakfast placements, and limited scope for moving clients on which could result in further increased numbers in Temporary Accommodation as 2016/17 progresses. In addition, the roll out of further changes to welfare, including benefit cap reductions from November 2016, is expected to impact upon households presenting as homeless. In response to these challenge, a range of initiatives, including the new placement policy enabling out of borough placements where appropriate, refocusing of the Council's Homelessness & Lettings service following a BID review and closer working with Social Care and Fraud, are currently anticipated to enable the contingency requirement to be managed down by £289k to £1,736k.

- **Waste Disposal Levy & Associated Contracts (£831k increase from 2016/17)** - Underlying waste tonnages continue to grow in line with population growth and increasing economic activity is projected to drive on-going increases in the cost of waste disposal, with the latest modelling producing a £831k uplift in the contingency requirement for 2017/18. This movement is driven by projected growth in the West London Waste Authority Levy to reflect both population growth and the RPI-uprating of Landfill Tax, although final levy costs will remain subject to confirmation throughout 2017/18. Alongside the levy, there remains a level of risk around the Council's own waste disposal contracts which are expected to remain less expensive than WLWA provision but may vary according to prevailing market conditions.

- **High Speed 2 & Heathrow Expansion Challenge Funds (£100k reduction from 2016/17)** - This draft budget includes £200k to meet costs associated with the Council's on-going opposition to the expansion of Heathrow Airport, with a further £100k included to meet costs relating to High Speed 2.

- **Asylum Funding Shortfall (£564k reduction from 2016/17)** - Ongoing work within Social Care to manage down expenditure on Unaccompanied Asylum Seeking Children (UASC) is expected to reduce the contingency requirement by £564k to £1,648k in 2017/18. This remaining contingency requirement represents the cost of supporting the UASC population not met from Home Office grant and therefore falling upon the local Council Taxpayer. It is projected that numbers of under-18 UASCs will fall from the current 97 during 2017/18 due to aging up, with numbers in care expected to reach 48 by March 2018 - in line with the effective cap within the new National Transfer Agreement. Thereafter client numbers and costs are projected to remain constant across the MTFF period.

- **Children's Social Care Demographic Pressure (£1,564k increase from 2016/17)** - As reported through 2016/17 budget monitoring, the underlying cost of Looked After

Children placements is higher than existing budget provision as a result of the complexity of need being seen in current caseloads. The proposed £1,564k increase held in Development and Risk Contingency will result in £5,298k contingency funding for 2017/18, which alongside base budget provision of £5,953k is available to to manage the expected caseload of 433 Looked After Children. This 2017/18 baseline reflects reductions in numbers of residential placements and a move towards in house fostering as set out in 2016/17 savings proposals.

- **Children's Services Structure - Agency Pool (no change from 2016/17)** - Provision is proposed to manage the additional costs associated with use of agency cover for Children's Social Work where permanent recruitment has not yet been completed, or proves more challenging. The provision of £277k is based on the estimated premium associated with 10% of Social Worker and Social Work Management posts being covered by agency staff. This sum will continue to be managed through Development and Risk Contingency to provide transparency around such costs.

- **Special Educational Needs Transport (£184k increase from 2016/17)** - Following the substantial reduction in the cost of SEN Transport included in the 2016/17 budget, expenditure is projected to grow in line with a growing eligible population. Recent experience has shown numbers of Children with a Statement of Special Educational Need or Education, Health and Care Plan have grown faster than general school-age population, which is expected to continue with 5% annum growth resulting in an additional £184k contingency requirement.

- **Transitional Children (£1,211k increase from 2016/17)** - Provision is included within this draft budget to meet the costs associated with 30 children expected to transition into Adult Social Care placements during 2017/18. The estimated additional cost of £1,211k reflects the full year effect of those children who transitioned in 2016/17, with the schedule of expected transfers refreshed since the previous MTFF update. In all cases, it is assumed that the previous cost of care for these clients will reduce as a result of Adult Care Needs assessments.

- **Adult Social Care Demographic Pressures (£353k increase from 2016/17)** - A refresh of the Adult Social Care placements forecast and current commitments indicates a £353k uplift will be required for 2017/18. This results in a Development and Risk Contingency requirement of £785k to supplement the £48,260k base budget provision for placement costs.

- **Winterbourne View (£196k reduction from 2016/17)** - Projected costs for those clients transferring from the National Health Service in response to the Winterbourne View report have been refreshed, reflecting the ongoing dowry funding for the majority of cases and additional support from Hillingdon CCG where appropriate. This results in a residual cost of £197k per annum to the Council, which will be confirmed during 2017/18 upon the transfer of the final clients. The reduction from previous estimates represents the increased level of dowry funding available from the Department of Health.

- **Deprivation of Liberty Safeguards Assessments (new item - £759k increase from 2016/17)** - The Supreme Court decision on the Cheshire West case ruling from March 2014 continues to drive an increase in number of Deprivation of Liberty assessments, with no indication of any sustained funding from Central Government leaving this as a pressure to be managed locally. As the Council builds up experience in managing the volatile demand for assessments, it should be possible to reduce the level of provision within Development and Risk Contingency going forward.

- **Care Act New Burdens Funding (£300k reduction from 2016/17)** - It is proposed to release the £1,031k contingency provision required to fund ongoing Care Act responsibilities into Social Care base budgets, while the £300k applied to meet transitional costs will contribute towards reducing the budget gap for 2017/18.

- **Apprenticeship Levy (new item - £559k increase from 2016/17)** - From 1 April 2017 the Government will introduce an Apprenticeship Levy at 0.5% on all employers with a payroll in excess of £3,000k per annum, the cost of which is estimated at £559k and provided for within Development and Risk Contingency. This levy forms part of the broader agenda to encourage apprenticeships and the proceeds are to be made available to support training costs in those organisations making greater use of apprentices. A cross-cutting BID Review is being undertaken to develop sufficient off-setting efficiencies to mitigate this pressure and is included within the Savings section of this report. This review will look at the scope for changing some of our existing posts to apprentice posts and to register some of our existing training as apprenticeship training so it can be offset against the new levy. The aim is to try and make the proposed changes cost neutral for the Council.

- **General Contingency (£500k reduction from 2016/17)** - This draft budget contains £500k General Contingency in line with the position reported to members in February 2016.

56. As in previous years, it is recommended that Development and Risk Contingency budgets in respect of prior year demographic growth are released into service budgets with effect from 1 April 2017 to reflect the less volatile nature of this expenditure. It is proposed to transfer funding in respect of the Waste Disposal Levy, Looked After Children, Transitional Children and Adults' Demographic Growth.

PRIORITY GROWTH

57. This draft budget includes provision of £534k of Priority Growth in 2017/18, with £140k expected to be required to support the new Museum service from autumn 2018, £40k to meet the full year cost of a Members Enquiry Monitoring Officer and £354k of base budget provision available to support further new initiatives. In addition, there remains further capacity within earmarked reserves to manage additional commitments over £354k should it be required.

58. The February 2016 budget report assumed that £1,000k of growth would be required to finance capital investment in school expansions, however latest capital expenditure projections indicate that these funds will not be required until 2018/19 at the earliest. Deferral of this growth therefore reduces the savings requirement for 2017/18 by £1,000k.

SAVINGS

59. The refreshed projections in respect of funding, inflation, contingency, corporate budgets and growth results in a £14,388k savings requirement for 2017/18. The following sections of this report provide detail on savings proposals developed to meet this requirement, consisting of £12,719k new savings proposals and £1,669k of full year effect of prior year initiatives. Savings proposals are focused on increased efficiency and effectiveness with no reduction in service provision, and fall into five broad themes, which are outlined below. These themes include; Service Transformation, Effective Procurement, Income Generation & Commercialisation, Preventing Demand and Zero Based Reviews.

60. Delivery of the programme of savings outlined below is expected to require resources to support pump priming and implementation costs, including redundancy payments, capital costs of early retirement and specialist project support amongst other items where relevant. An initial estimate of these costs for 2017/18 is £2,750k, which will be managed through a combination of capital receipts and earmarked reserves where necessary.

Table 8: Savings

	Admin £'000	Finance £'000	Residents Services £'000	Social Care £'000	Cross Cutting £'000	Total £'000
Service Transformation	(170)	(570)	(3,232)	(2,136)	(1,114)	**(7,222)**
Effective Procurement	0	0	(527)	(1,644)	0	**(2,171)**
Income Generation & Commercialisation	0	0	(445)	(572)	0	**(1,017)**
Preventing Demand	0	0	0	(407)	0	**(407)**
Zero Based Review	(25)	(260)	(2,123)	(1,163)	0	**(3,571)**
Total Savings	**(195)**	**(830)**	**(6,327)**	**(5,922)**	**(1,114)**	**(14,388)**

61. Alongside the development of new proposals, the full year effect of previously agreed proposals have been reviewed and resulted in increased savings from the review of Children's Centres and income expected from the Troubled Families Grant within Social Care. In addition the profile for delivery of new Supported Living provision has been revised to take account of the latest estimates for delivery dates. The resulting impact of these changes is an increase in prior year savings from the £1,655k estimated in February 2016 to £1,669k.

62. Service Transformation represents the majority of proposed 2017/18 savings, with items presented in this category ranging from the full year effect of previously implemented proposals through the implementation of agreed BID Reviews to the expected benefits arising from potential new BID Reviews.

63. Effective Procurement savings are similarly made up of full year effect items and proposed reviews of delivery models in a number of areas.

64. Income Generation & Commercialisation proposals include brought forward items for which plans are already in place, and proposed amendments to Fees & Charges discussed below.

65. Savings proposals in relation to preventing demand are focused on managing Social Care placement expenditure, including the benefits of the Supported Living Programme, and represent a continuation of existing initiatives within Social Care.

66. Savings proposals from Zero Based Reviews represent budgets which have been identified as being surplus to requirements through the line-by-line review of outturn 2015/16 and similar exercises being undertaken by Finance.

Administration

67. A total of £133k new Service Transformation savings proposals have been presented by Administration, relating to implementing the HR BID Review. In addition, £37k savings relating to a previous restructure in HR and £25k Zero Based Review relating to the small grants budget bring the total 2017/18 proposals for the Group to £195k. Detail on Administration proposals is set out in Appendix 5a.

Finance

68. Savings proposals from Finance total £830k for 2017/18, with new items consisting of £470k Service Transformation proposals and £260k output from Zero Based Reviews. An additional £100k full year effect savings relating to a previous restructure in Operational Finance bring the total 2017/18 proposals for the Group to £830k. Further detail on all proposals is included in Appendix 5b.

69. Service Transformation proposals include £100k full year effect items relating to a previous restructure in Operational Finance and £72k linked to the implementation of the BID Review consolidating financial support within the organisation. The remaining £398k new Service Transformation proposals are at an earlier stage of development proposals and include £298k from capturing the benefits of the new budget management system, £70k from the realignment of transactional functions across Accounting and Revenues & Benefits, £20k from a review of Business Assurance and £10k from the introduction a new digital strategy within Revenues & Benefits where new self service modules for Council Tax, NNDR and Benefits are being introduced.

70. Zero Based Review proposals totalling £260k include £180k from Compensatory Added Years budgets, £80k from External Audit Fees and other service budgets.

Residents Services

71. Savings totalling £6,327k have been developed across Residents Services in 2017/18, including £3,232k from Service Transformation, £527k from Effective Procurement, £445k from Income Generation & Commercialisation and £2,123k from Zero Based Reviews and capitalisation. Within this sum, £6,107k of new proposals are supplemented by a net £20k saving from the prior year proposals. An overview of individual proposals is set out in Appendix 5c.

72. Service Transformation proposals totalling £3,232k include savings arising from BID reviews covering Highways & Street Lighting (£1,346k), Phase 2 of the ICT Review (£750k), Business & Technical Support (£354k), a review of the directorate management structure (£250k), a review to secure efficiencies from synergies in the Grounds Maintenance and Street Cleansing operations (£250k), and reviews of Planning & Transportation (£212k), reviews of Housing/Homelessness functions (£131k), Parking Management (£115k), Pollution Control & Food Hygiene (£112k), Environmental Health, ASBIT & Community Safety functions (£74k), Bereavement & Culture services (£52k) and a review of standby arrangements for Emergency Response Officers (£10k). These proposals off-set the depletion of £424k per annum time limited DCLG funding for Weekly Collections, delivering £3,232k towards the broader savings requirement.

73. Proposals in relation to Effective Procurement include £100k of 2016/17 proposals for Facilities Management savings, with a further £332k new proposals through further review of contract arrangements in this area - including use of existing in-house resources where appropriate. In addition £95k savings on Blue Collar agency spend are included to reflect efficiencies in the recently let contract.

74. Income Generation & Commercialisation proposals are expected to deliver £445k savings, including £250k from proposed Fees & Charges changes outlined below and BID reviews to identify options for commercialisation of Trade Waste (£120k) and Building Control (£75k).

75. Zero Based Review savings total £2,123k, including £977k arising from expenditure reviews, £852k from income reviews, £252k from the use of flexibility to capitalise transformation costs and £122k from estates budgets following the expiry of the Council's lease for

Warnford Industrial Estate during 2016/17 and a review of provision for garages development and repairs. These new proposals for 2017/18 totalling £2,203k are off-set by £80k of one-off 2016/17 Zero Based Review savings falling out of the budget.

Social Care

76. Social Care have developed savings proposals totalling £5,922k, including £2,136k Service Transformation proposals, £1,644k from Effective Procurement, £572k from Commercialisation & Income Generation, £407k from Demand Management and £1,163k from Zero Based Reviews and capitalisation. This total includes £1,487k of full year effect savings and £4,435k of new savings. Further details on proposals for Social Care are included in Appendix 5d.

77. Service Transformation proposals consist of £403k savings from 2016/17, including review of the Children's Centre delivery model, and £1,733k new proposals. A planned major review of Social Care Staffing Structures is proposed to deliver £650k savings, with capitalisation of the Social Care Transformation Team previously funded from base budgets able to deliver £513k further savings. Proposed Transformation savings within provider services include £370k from the transfer of services from Merchiston House, £150k from reviewing staffing structures across in-house Children's Home provision and £50k from reviewing post 16 transport provision.

78. The £1,644k of proposals in respect of Effective Procurement include the £305k Full Year Effect of outsourcing Learning Disability Services and £1,339k new proposals being developed for consideration. The BID Review of the 0 to 19 Healthy Child Programme is expected to deliver savings of £800k through reductions in overheads and administration costs, with a further £539k from a planned BID Review of Supported Living Contracts.

79. The £572k Commercialisation & Income Generation proposals within Social Care all relate to the full year effect of previous savings, including £210k growth in Client Income and £362k increase in Troubled Families Grant income.

80. Demand Management proposals include £207k from the continued delivery of the Supported Living Programme, with an additional £200k of new proposals developed for this budget cycle in relation to reviewing high cost placements and day care provision within the All-Age Disabilities Service.

81. The line-by-line review of 2015/16 outturn and 2016/17 budgets has identified £1,163k Zero Based Review savings for 2017/18, including £360k from applying capital grant to fund for Telecareline equipment.

Cross-Cutting Proposals

82. £1,114k cross-cutting proposals included within this draft budget are summarised in Appendix 5e. Service Transformation items include a proposal being developed to off-set the £559k Apprenticeship Levy through reviewing the Council's approach to training and use of apprentices and an initial £100k is included to reflect potential savings that could be delivered from a review of workforce Terms and Conditions. This section also includes £455k savings within the Public Health ringfence for 2017/18 to manage the previously announced cut in funding levels.

FEES AND CHARGES

83. 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.

84. Appendix 8 to this report sets out a number of amendments to the Council's schedule of Fees & Charges, which was presented in full to members as part of the February 2016 Cabinet and Council Budget Papers. The Council continues to benchmark Fees & Charges against those of neighbouring authorities and other service providers, with charges being set at a maximum of 90% of the relevant benchmark. Amendments are proposed in the following areas:

    - Highways Crossovers & Skip Licensing - It is proposed to increase both application fees for Crossover works and charges for Crossovers and Skip Licensing, while remaining under the 90% benchmark;
    - Golf Courses - A range of modest increases in charges frozen since 2011 are proposed, while remaining under the 90% benchmark for advertised prices at local courses;
    - Bereavement Services - Increasing charges across Breakspear Crematorium and the Council's Cemeteries, while remaining below the 90% benchmark;
    - Music Service - It is proposed to increase charges for the Music Service, which have been frozen since 2011, moving towards 90% of neighbouring authorities' charges over a three year period.
    - Riding Establishments - Increases to fees for larger establishments (more than 6 animals) to move towards 90% of neighbouring authorities over a two year period;
    - Adult Education Services - Tuition Fees for Hillingdon's establishments remain lower than those in neighbouring authorities, with proposals within this draft budget to increase charges in a move towards the 90% benchmark over a three year period;
    - In addition, this schedule includes amendments to HRA service charges noted later in this report and uprating of Social Care Client Contribution rates.

MEDIUM TERM OUTLOOK

85. The immediate focus of this report remains the delivery of a balanced budget for 2017/18; and while this report sets out an approach to meeting this immediate challenge in, there remains a significant savings requirement to be bridged from 2018/19. Sensitivity analysis of inflation and contingency items indicates limited scope for material favourable movements in the shorter terms, and therefore necessitates development of further savings proposals for delivery in the 2018/19 budget. In the case of funding, the current stance of Government combined with parliamentary timescales all but precludes any fundamental change to either the overall quantum of funding available to local government or its distribution amongst authorities.

86. Beyond 2018/19 there is potentially scope for a range of initiatives, including the move to 100% Business Rates Retention from 2019/20, the fair funding review considering distribution of resources between authorities for 2020/21, and further Health and Social Care integration through either the Better Care Fund or Sustainability and Transformation Plan to reduce the savings requirement for the Council. In addition, more radical options including local government reorganisation or a change in statutory responsibilities would be available

to Government in delivering a more sustainable local government sector within a smaller resource envelope.

87. Notwithstanding the significant uncertainty beyond 2018/19, medium term projections for funding, inflation, contingency items and the revenue impact of capital investment have been refreshed and a headline budget gap of £67,984k is now projected by 2021/22, with savings proposals developed to manage £15,983k of this sum. The following paragraphs outline the factors driving this budget gap and a number of potential opportunities to reduce the quantum of savings ultimately required from service budgets.

88. Declining Central Government funding (consisting of grants and the Business Rates Baseline) continues to drive the budget gap, with reductions of £19,941k projected over the MTFF period. This reduction is primarily due to Revenue Support Grant declining from £29,431k in 2016/17 to £6,655k in 2019/20 in line with the multi-year settlement offer. While there has been no indication as to funding levels beyond 2019/20, it is expected that RSG will be rolled into the Business Rates baseline and remain steady in cash terms. In addition, scaling back the New Homes Bonus reward from six years to four years is expected to add £3,527k to the budget gap. Notional increases in the Better Care Fund totalling £5,221k over this period will be funded from this cut in Revenue Support Grant and New Homes Bonus, and therefore do not represent a genuine increase in resources available to support Adult Social Care.

89. In Spending Review 2015, the Government outlined a funding settlement for Local Government to 2019/20 which protected funding in cash terms at 2015/16 levels through a variety of mechanisms including the Enhanced Better Care Fund and use of flexibility by Councils to raise Council Tax - both in relation to the Social Care precept and more generally. The reductions in funding outlined in the previous paragraph represent the local impact of this funding settlement - referred to as Spending Power - with assumed Council Tax / Social Care precept increases of 3.99% per annum over the period from 2016/17 to 2019/20 balancing these reductions in the Government's view of Local Government Finance as outlined below.

Table 9: Government Spending Power Calculations

HMT/DCLG Spending Power Analysis (Applied Hillingdon Projections)	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Baseline Council Tax Revenues	104,070	106,585	108,199	109,757	111,315
1.99% per annum Council Tax Increase	*N/A*	*2,121*	*4,316*	*6,586*	*8,932*
2.00% per annum Social Care Precept	*N/A*	*2,132*	*4,339*	*6,621*	*8,980*
Baseline Business Rates	42,858	43,214	44,067	45,367	46,819
Local Government Self-Financed Expenditure	**146,928** **76%**	**154,052** **80%**	**160,921** **85%**	**168,331** **89%**	**176,046** **91%**
Revenue Support Grant	39,509	29,431	19,513	13,124	6,655
Enhanced Better Care Fund	N/A	N/A	N/A	2,300	4,700
New Homes Bonus	8,079	9,127	9,127	5,800	5,600
Local Government Departmental Expenditure Limit	**47,588** **24%**	**38,558** **20%**	**28,640** **15%**	**21,224** **11%**	**16,955** **9%**
Local Government Spending (Cash Terms)	**194,516**	**192,610** **(1,906)**	**189,561** **(4,955)**	**189,555** **(4,961)**	**193,001** **(1,515)**
Assumed Council Tax Increases	*0*	*4,253*	*8,655*	*13,207*	*17,912*

90. Not only does this funding model outlined by Government effectively assume that all inflationary, demographic and locally-led investment would be financed from expenditure reductions in core services, but that a significant proportion of the Local Government sector's contribution to the broader programme of public sector deficit reduction would be met through raising headline rates of Council Tax.

91. Additional funding is being made available regionally by Department of Health to support transformation of health and care services to meet local needs, with local health and care systems to develop Sustainability and Transformation plans to access this funding. While actual levels of funding for Hillingdon are to be determined, and the majority of funding will likely be managed through the Clinical Commissioning Group, implications for the Council will remain under review and reflected in future MTFF updates as necessary. It is likely that the principal financial benefit to the Council from this initiative will be in greater synergies with the local health sector, rather than additional funding.

92. In addition to cuts to funding for core Local Government responsibilities, current indications from the Department of Health are that the Public Health grant will be cut by £1,380k by 2019/20. Public Health reserves of £2,611k are also available to smooth the impact of these reductions if necessary, or to support invest-to-save or transformation expenditure to manage Public Health within this declining resource envelope.

93. While the move towards 100% Business Rates Retention will result in consolidation of a number of funding streams, including Revenue Support Grant, into Business Rates baselines, this is projected to be revenue neutral with any increases in grant award reflecting additional responsibilities. There may be scope to contribute towards bridging the budget gap in cases where the move to 100% Business Rates Retention requires new functions to be transferred to the Council, either through identifying synergies with existing services or moving to alternative delivery models.

94. Conversely income projections from local taxation remain robust, with retained Business Rates income expected to grow by £2,619k to £7,965k in 2021/22 as a result of a 8% increase in Rateable Value across the borough. This growth projection is based on the current Development Control pipeline and remains consistent with experience since partial localisation of Business Rates in 2013/14. An additional 1% growth in Rateable Value would be expected to secure a further £582k income.

95. While it is likely that the move from 50% to 100% Business Rates Retention will allow the Council to retain a greater share of growth, any benefit in the medium term would be at least partially off-set by the impact of the planned 're-set' of the system in 2020/21. Given the uncertainties associated with this 're-set', the central scenario for Business Rates income within the MTFF is based upon maintenance of the current share of growth.

96. In July 2016 the Government published a consultation on the roll out of 100% Business Rates Retention which included detail on planned local flexibility to reduce the Business Rates multiplier and therefore bills for local businesses. This power will likely be limited to reducing rates payable by all businesses in the borough, with no scope for the Council to levy additional charges or limit discounts to certain classes of property. For more targeted reductions in Business Rates, the Council has scope to introduce discretionary reliefs under existing regulations.

97. Alongside growth in Business Rates, Council Tax income is projected to rise by £7,846k as a result of a 6,000 Band D Equivalent increase in the taxbase, 1,000 Band D Equivalent decline in demand for the Council Tax Reduction Scheme and 50 Band D Equivalent from introduction of an empty property premium. Taxbase growth reflects sites in the Development Control pipeline, with the 5.2% increase over the MTFF period marginally

lower than the 6.1% growth in working age population projected by the Office for National Statistics over the same period. Declining demand for the CTR Scheme reflects a continuation of experience since introduction of the scheme in 2013/14. A 1% or 972 Band Equivalent movement in tax base projections would deliver £1,082k additional income, although would also likely result in an equivalent increase in population-led contingency items at an approximate cost of £1,032k.

98. No allowance has been made within the MTFF for increases in the headline rate of Council Tax; although assuming the maintenance of current regulations annual increases of 1.99% and an additional 2% per annum to 2019/20 in respect of the Social Care Precept could be levied without triggering a local referendum. A 1% increase in Council Tax, equivalent to £11.13 for a Band D household, would secure an additional £1,082k income, with the approach to continuing the Older People's Discount requiring £216k of this sum for any increases in 2017/18 or 2018/19 to leave £866k additional income to fund services.

99. Taking account of £1,500k 2015/16 Collection Fund surplus dropping out over the MTFF period, total resources, excluding use of balances, are projected to fall by £6,760k or 3.0% although this includes £1,008k of additional grant funding for new responsibilities so funding to support existing services is expected to fall by £7,768k or 3.5% by 2021/22.

100. The current planned drawdown from balances contributes a further £4,216k to the budget gap by 2021/22, with the phased reduction in planned drawdowns reducing unallocated General Balances from £39,005k at 1 April 2016 to £21,459k. This leaves £6,516k over the £15,000k minimum recommended level of balances to support further smoothing of the savings requirement if required.

101. Provision to manage inflationary pressures over the MTFF period contributes a further £26,352k to the budget gap, including £12,542k relating to Social Care placements, £8,174k relating to workforce expenditure, £1,796k in respect of the Concessionary Fares Levy and £3,840k across contract and utilities expenditure. This level of inflation is broadly based on the rising inflationary pressures over the MTFF period, with CPI expected to increase to the 2% Bank of England target rate later after 2018/19. Concessionary Fares and contract expenditure are directly affected by headline inflation, with maintenance of CPI at 1% to 2021/22 could release approximately £2,000k.

102. Workforce inflation assumes continuation of the 1% per annum cap on inflationary pay increases within the public sector at a cost of £5,844k to 2021/22, with incremental drift being managed within individual service budgets. A 1% increase in inflationary pay awards would add £1,169k to the budget gap. In addition, pension contributions are assumed to rise by 2% over the MTFF period at a cost of £2,330k, resulting in £8,174k overall workforce inflation. Reductions in the Council's workforce from the current £115,068k payroll would result in a proportionate fall in inflation, with a 10% reduction reducing pay inflation by approximately £117k per annum.

103. Inflationary pressures on care placements costs expected to reflect the combined effect of private sector wage growth at least matching CPI-inflation and for the predominantly lower paid care workforce rising in line with the annual uplifts in the National Living Wage. This is expected to necessitate inflationary growth of £12,542k within the MTFF period. There may be scope to manage an element of this growth through reviewing procurement mechanisms for care placements, although some measures such as a move away from spot purchasing to block booking would result in the Council taking on additional risk in relation to void costs. Given that such a move would result in contract awards in excess of OJEU thresholds, legislative procurement timescales would prevent any material cashable savings from being realised prior to 2019/20.

104. Demand-led growth in service expenditure managed through Development and Risk Contingency is projected to contribute an additional £16,663k to the budget requirement, with Adult Social Care Placements (£8,461k), Waste Disposal (£4,234k), Children's Social Care Placement (£3,259k) and SEN Transport (£1,494k) representing the most significant areas of growing demand. An analysis of this growth between population-led and other factors identified £7,893k of this increase being driven by growth in population. A 1% movement in population projections from the latest 7.7% ONS Subnational Population projection to 2021/22 would add £1,025k to the contingency requirement.

105. Current capital programme commitments, including locally funded school expansions and the St Andrew's Park Theatre development, are projected to require an additional £5,345k for the servicing and repayment of debt. With the unwinding of one-off and short-term savings from the reversal of historic provision for debt repayment, deferral of borrowing and capitalisation of equipment adding a further £3,349k to capital financing budgets from the £4,855k 2016/17 baseline. This overall increase of £8,494k is equivalent to approximately £170,000k of locally financed capital expenditure, with a £10,000k movement in capital expenditure or capital receipts generated equivalent to approximately £500k per annum on-going revenue costs.

106. Overall, this results in a budget gap of £67,984k, with proposals totalling £15,983k over the period included in this report leaving £52,001k to be identified in future years, equivalent to 23% of current service expenditure.

CAPITAL PROGRAMME

Background to Capital Programme

107. The Council's Capital Programme, as approved by Cabinet and Council in February 2016, continues to be focused on the provision of sufficient school places to meet rising demand across the borough. In addition, provision for major investment on the St Andrew's Park site in Uxbridge is included in the current programme alongside the recurrent programme of works to maintain local infrastructure.

108. The future revenue implications of the current capital programme are reflected in the Council's Medium Term Financial Forecast with specific provision included to manage the £131,357k prudential borrowing over the period to 2020/21.

109. As at Month 7 the forecast outturn variance over the life of the approved 2016/17 to 2020/21 programme is £4,611k net under spend relating to various schemes and programmes of works. Prudential Borrowing required to support the 2016/17 to 2020/21 capital programme is forecast to be within budget by £6,467k due to additional available capital grants and contributions of £7,025k and scheme cost under spends of £4,611k, partly offset by a shortfall of £5,169k in forecast capital receipts.

Update on Current Schools Programme

110. As at Month 7 the Schools Programme reports slippage of £3,996k on the 2016/17 programme. This includes the Primary Schools Phase 4 expansions and Secondary Schools expansions budgets where construction works are not anticipated to commence this year. There are also forecast cost under spends of £1,608k partly relating to released contingencies on the completed Primary Schools Phase 2 programme and also cost savings on the completed first phase of the replacement of Northwood Secondary School.

111. Grant announcements earlier this year from the Department for Education in respect of Basic Needs grant and Capital Maintenance grant were £3,971k higher than the original budget estimate over the life of the programme and this has been reflected in the financing forecast with the grant increase largely resulting in a reduction in prudential borrowing for the Schools Expansions Programme. However in the existing approved budget there remain £14,990k in assumed Schools grants in future years that are not yet confirmed.

2017/18 - 2021/22 CAPITAL PROGRAMME

School Places Future Needs Analysis

Primary Schools Places

112. The latest school places forecast has been updated as part of the 2016 Schools Capacity Survey and this shows that future demand for primary school places is showing signs of plateauing in the north of the Borough whilst demand for places is sustained in the south of the Borough. Therefore the previously identified pressures in both PPA 3 and PPA 5 have subsided but have been replaced by pressures in PPA 6 and PPA 13.

113. The current capital programme has an approved budget of £27,400k for the anticipated need for a further 3 Forms of Entries (FE) above and beyond the additional capacity provided by the previous primary school expansion phases. The revised forecast shown in Table 3 highlights an overall need for up to 11 FE's by September 2021 of which 8 do not include any budgeted investment within the existing capital investment programme.

Table 10: Summary Analysis of the Primary FE Requirement

Intake Year	Sep-16	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21	Total
Pupil Planning Area 2	-	1	-	-	-	-	1
Pupil Planning Area 4	1	-	-	-	-	-	1
Pupil Planning Area 6	-	-	-	1	-	1	2
Pupil Planning Area 11	2	1	-	1	1	1	6
Pupil Planning Area 13	1	-	-	-	-	-	1
Total	4	2		2	1	2	11

114. Three sites have been chosen for expansion and these are Hillside, Newnham and Warrender Primary Schools. At this stage it is proposed that the expansion of Hillside and Warrender Primary Schools proceed as planned whilst the need for the expansion at Newnham remains under review. The expansion of Hillside will meet the demand pressure in PPA 2 whilst the central location of Warrender Primary School will support in meeting the small pockets of pressure from a number of neighbouring PPA's, specifically the marginal pressure in PPA 4.

115. Multi-disciplinary consultants appointed for the phase 4 expansion projects are continuing to progress the designs and planning applications are in the process of being submitted. There is a risk that the consultants may request an uplift in fees to compensate for having priced for three expansion projects whilst only two are proceeding at this stage.

116. The construction of the permanent expansions at the two sites will not be complete until September 2018 at the earliest with the interim short term pressure being met through the installation of modular classrooms. Mobile classrooms have recently been installed at both Hillside and Newnham Primary Schools, although the mobile at Newnham remains non-operational.

117. It should be noted that the estimated costs for the two expansions at Hillside and Warrender compared to original estimates that informed the development of the overall Phase 4 budget. Further investigation into each scheme's brief has highlighted shortcomings in terms of space guidance. These amendments have resulted in increased areas of new build construction required to adequately accommodate the proposed expansions. This has led to an increase in the overall construction cost of £1,769k.

118. Furthermore at Warrender Primary School, the brief has also developed to include Specialist Resource Provision (SRP). Discussions are ongoing with the school around these issues as agreement from the school to accept the SRP has not yet been reached.

119. These potential cost increases on Hillside and Warrender totalling £2,556k (including SRP/nursery provision) can be managed within the existing approved Phase 4 budget of £27,400k due to the suspension of the expansion at Newnham Primary School. However if a decision is made to proceed with the expansion at Newnham in the future there will be an overall cost pressure on the Phase 4 budget which would require additional funding provision in the MTFF.

120. The marginal FE pressure in both PPA's 4 and 13 will be kept under review by officers and have been managed within existing capacity across neighbouring PPA's.

121. The 3 FE pressure in the South (PPA 11) up to September 2017 relates to erratic supply assumptions from Nanaksar Free School. The school has encountered financial difficulties and the EFA has suspended its funding agreement resulting in the school being unable to

register any new pupils. This has resulted in the supply of 120 places per year group being taken out of the Schools Capacity Forecast model within primaries with no indication from the EFA when or if they are expected to be available for use. However this has been marginally offset by the 30 additional places from the installation of a bulge class at Guru Nanak School.

122. Initially the pressure in PPA11 has been met from offering pupil places in neighbouring planning areas where there is spare capacity. However this has an adverse impact on the capacity in those areas meaning a number of schools are starting to operate below the 5% margin that is set for working capacity. This is only a short term solution and there is clearly a risk that in future the Council may be required to fund this pupil places gap, potentially at very short notice.

123. The remaining 5 FE's pressure in the South of the Borough from Sept 2019 is largely due to the intensification of housing developments resulting in higher residential densities. The initial strategy to meet this pressure would be through the provision of a free school within the Pupil Planning Area. This will be subject to the EFA approving any potential applications in conjunction with the identification of a suitable site for any school.

Secondary Schools Forecast Pupil Placements Need

124. The table below shows the revised forecast demand for secondary school places in terms of Forms of Entry (FE) requirement. This shows the demand net of the planned provision of 5.5 FE from the three PSBP projects. These are Abbotsfield which is being expanded by 2.5 FE, Swakeleys 2 FE and Northwood 1 FE expansion.

Table 11: Summary Analysis of the Secondary FE Requirement (net of PSBP supply)

Intake Year	Sep-16	Sep-17	Sep-18	Sep-19	Sep-20	Sep-21	Total
Area - North	1	2	2	3	1	1	**10**
Area - South	-	-	-	2	-	1	**3**
Total	**1**	**2**	**2**	**5**	**1**	**2**	**13**

125. The revised forecast need of 13 FE over the period up to 2021/22 represents a 6 FE reduction on the previous capital position of 19 FE's (inclusive of the 1 FE need in 2016/17). The revised forecast assumes that a 1 FE shortfall will be mitigated for by the opening of Pinner High School in Harrow (2016) which is located on the border of Hillingdon and will therefore meet the short term pressure in the North of the Borough.

126. The approved Secondary Schools expansion programme was budgeted to provide 19 FE's at a total of £95,899k to meet this need which included the inflationary impact of construction commencing in quarter four of 2016. However as a result of the refreshed forecast highlighting a reduced demand for pupil places within secondary schools combined with the approval by the EFA for the opening of two Free Schools in the north of the Borough, it is proposed to reduce the budget by £40,000k over the life of the existing five year programme.

127. Approval had been received to progress to the design stage for the expansion of three secondary schools to meet the 5 FE pressure up to September 2018 in the North of the borough. The proposed expansions at Vyners, Queensmead and Ruislip High Secondary Schools were estimated to provide between an additional 5 to 6 FE's. The estimated cost of the three expansions was £38,128k.

128. It has recently been confirmed that Queensmead School no longer wishes to expand and as such only Ruislip High and Vyners Secondary Schools will proceed. These expansions will serve to meet the initial 4 FE pressure in the north of the Borough. The revised estimated

cost of the two expansions is £32,000k which is an increase from original cost estimates for both schools however this has been more than offset by the removal of the costs that had been attributed to the expansion of Queensmead School.

129. The construction works at the above schools are not expected to commence until summer 2017 with the additional places provided by the permanent expansions planned to come into effect in September 2019.

130. The immediate pressure in the short term is expected to be met through the provision of mobile temporaries. The estimated cost of mobile temporaries to meet the short term pupil capacity pressure is £2,400k. This will provide for four standard double modular classroom units across two school sites and a further specialist teaching unit at each of the sites. This cost is expected to be met in part from the £1,800k that has already been approved as part of the existing capital programme however this leaves a resource requirement for an additional £600k. It is important to note that the installations of mobile classrooms in secondary schools are complex in nature and is largely dependent on meeting the schools learning curriculum. As such it would be prudent to allow for some margin of error with respect to the estimated costs.

131. In September 2016 the EFA announced the successful application of two Free Secondary Schools in the north of the Borough. These were the Bishop Arden Church of England Free School and Hillingdon High School. Both are expected to accommodate 6 FE's. Officers are confident that at least one Free School will be delivered, thereby meeting the remaining 6 FE's need in the Borough up to September 2021.

132. The Free School is expected to be delivered at no cost to the Council although there remains a risk with respect to locating a suitable site for the school. A previous review of potential sites suitable to build a new secondary school undertaken by planning officers revealed very limited options being available in the North of the borough. The sites had a number of constraints and considerations against them or they were not in Council ownership. It is expected that any costs associated with finding a suitable site will be borne by the EFA although the Council will work in conjunction with the EFA in identifying any potential site.

133. A further £23,899k remains from the secondary schools expansions budget to meet the 3 FE pressure in the south of the Borough from September 2019. In the absence of detailed feasibility to meet this need, it is considered reasonable to set aside a budget provision of £8,000k per FE.

134. In summary the 13 FE need for secondary schools can be met through a combination of Council led expansions and the provision of a Free School at an overall estimated cost of £55,899k. Therefore the £95,899k budget within the existing capital programme can be reduced by £40,000k.

135. There is a risk of inflation from rising prices in the construction industry which may impact on the Schools Expansions Programme once specific projects are designed and tendered.

Special Educational Needs

136. Capital investment needs are for more specialist resource provision (SRPs) and development of existing special school provision to reflect changes in the profile of pupils with additional needs. A key challenge is the increased number of pupils with a diagnosis of autistic spectrum disorder and of children with severe, profound and multiple learning disabilities.

137. Whilst progress has been made on reducing reliance on placements in independent and non-maintained special schools out of the borough, further provision is required to manage the growth in child population. There are significant benefits for pupils being able to attend local schools as this reduces the time they spend travelling and means they are more able to form social links in their local community. Additional SRPs have been established in two of the new three primary schools (Lake Farm Park and St Martin's CE) and in addition at Cherry Lane Primary School). The new special free school, Pentland Field, is now operational. However increased local capacity is needed.

138. Based on 2015/16 figures it is estimated that in excess of 130 additional in-borough special school places are needed up to 2019/20 to meet forecast demand. The forecast beyond 2019/20 is yet to be completed and the existing strategy and estimates are currently in the process of being refreshed and updated.

139. To inform options for the future development of special educational provision in the Borough to meet residents' needs an initial feasibility study is being undertaken for the potential development and improvement of Meadow High School and Hedgewood School. This work is at its very early stages of commencement and therefore there are no quantifiable findings or options to report at this time.

140. The Department for Education (DfE) announced in February 2015 that applications for condition works at five Hillingdon Schools were successful as part of PSBP 2 including Meadow Special School. Any options stemming from the aforementioned feasibility study will need to consider these additional works to be delivered by the EFA in determining the most economic option in meeting any additional demand.

141. The DfE has notified the local authority that a special free school bid made by the Orchard Hill College Academy Trust has been approved.

142. There is also a potential need for additional SRP provision in mainstream secondary schools which is yet to be quantified. Indicative estimates provided by the Business Performance team suggest the need for 2-3 units although this will need to be confirmed as feasibility and overall strategy on the provision of SEN / SRP places progresses.

143. Based on the estimated cost of £400k for the provision of an SRP at Abbotsfield School, the budgetary requirement for a further 2 - 3 SRPs would be between £800k - £1,200k. This assumes that the refreshed forecast reaffirms the need for the SRP units. With the exception of Abbotsfield School, there is no further budget provision within the capital investment programme for special needs places. Potential exists for two SRP units to be provided at an expanded Ruislip High School and the needs analysis demonstrates a need for provision for children with physical disabilities as well as provision for children with autistic spectrum disorder (high functioning), which Ruislip High School have indicated their agreement to in principle.

Proposed New Schemes and Programme Changes

144. Alongside refreshed forecasts for school expansion projects, proposals in relation to a number of potential capital schemes for 2017/18 onwards have been developed and are presented as part of this draft budget for consideration. There are also a number of existing schemes and programmes which require changes to the approved budget. These proposals are set out in the table below.

Table 12: Proposed Changes to Approved Capital Programme

Capital Scheme	2017/18	2018/19-2021/22	Total
	£'000	£'000	£'000
Secondary Schools Expansions	(15,000)	(25,000)	(40,000)
Schools Specialist Resource Provision	-	1,200	1,200
Schools - additional temporary classrooms	600	-	600
Sub Total Schools	**(14,400)**	**(23,800)**	**(38,200)**
Changes / Additions to Existing Schemes and Programmes			
Highways Structural Works	2,000	0	0
New Museum	130	502	632
Environmental & Cultural Projects	600	0	600
Civic Centre Works Programme	500	0	500
Bessingby Football and Boxing Clubhouse	400	20	420
Other Programmes of Works changes 2017-2021	1,748	5,551	7,299
Programme of Works 2021/22		11,689	11,689
General Contingency 2021/22		1,500	1,500
Sub Total Additions to existing schemes / programmes	**5,378**	**19,262**	**24,640**
Belmore Allotments Mixed Tenure Development	0	4,605	4,605
RLRS Workshop	360		360
Uniter Building	400		400
Harlington Road Depot Resurfacing	200		200
Sub Total New Proposals	**960**	**4,605**	**5,565**
Overall Total	**(8,062)**	**67**	**(7,995)**

145. As discussed earlier in the report it is proposed to remove £40,000k expenditure budgets from the Secondary Schools Expansions Programme due to the lower than previously anticipated Forms of Entry requirement. In addition, £1,800k additional funding to support SRP and temporary classroom provision is included in this draft budget.

Additions to Existing Schemes and Programmes

146. Highways Structural Works - an additional £2,000k growth is included within this draft capital programme to support up to £3,000k investment in local highways infrastructure during 2017/18, with a further £1,000k per annum thereafter.

147. New Museum - recent detailed feasibility cost estimates from Gleeds consultants are £5,632k. The estimate is inclusive of an inflationary adjustment and makes provision to reflect a rise in some supply costs and cost pressures arising from the volatility in the local market for mechanical and electrical service costs. It is proposed to increase the budget from £5,000k in line with the latest cost estimate.

148. Environmental & Cultural Projects - growth of £600k is included to replenish the £1,000k fund for investment in a range of Environmental & Cultural projects within the borough during 2017/18.

149. Civic Centre Works Programme - additional funding of £500k is included to support investment in the Uxbridge Civic Centre.

150. Bessingby Football and Boxing Clubhouse - latest cost estimates for the planned development have resulting in project funding being increased by £420k to £1,370k in this draft capital programme.

Programmes of Works Changes

151. The table below sets out proposed changes to the approved budget in respect of core Programmes of Works.

Table 13: Programme of Works

Programme of Work Changes	2017/18	2018/19-2020/21	Total Changes 2017-2021	New Year 2021/22
	£'000	£'000	£'000	£'000
Expenditure Changes				
Leaders Initiative	-	-	-	200
Chrysalis	-	-	-	1,000
Highways Programme	-	-	-	1,000
Corporate Technology & Innovation	274	2,142	2,416	514
Property Works Programme	-	-	-	480
Road Safety	-	-	-	150
Street Lighting	(94)	(282)	(376)	-
Civic Centre Works Programme	-	-	-	500
PSRG	(225)	(675)	(900)	225
DFG	-	-	-	2,300
Adaptations for Adopted Children	(200)	(600)	(800)	-
School Conditions Building Prog	571	750	1,321	750
Devolved Formula Capital	74	172	246	222
Transport for London	-	-	-	3,000
Equipment Capitalisation	1,348	4,044	5,392	1,348
	1,748	**5,551**	**7,299**	**11,689**
Financing Changes				
Better Care Fund - DFG	531	1,593	2,124	2,300
Better Care Fund - Equipment	985	2,955	3,940	985
Capital Maintenance Grant	471	600	1,071	600
Schools Contributions	100	150	250	150
Devolved Formula Capital	74	172	246	222
Transport for London	-	-	-	3,000
Council Resources	(413)	81	(332)	4,432
	1,748	**5,551**	**7,299**	**11,689**

152. Proposed changes to the existing approved Programmes of Works budgets covering the period 2017 to 2021 are detailed in the following paragraphs.

153. Corporate Technology & Innovation - it is proposed that the former annual ICT Single Development Plan and one off major ICT investment projects are amalgamated under one new heading. The major increase proposed relates to Microsoft ending support for Windows 7 in January 2020, by which time the Council will need to have moved to Windows 10. Additionally with the recent improvements to wireless based communication it is proposed to remove all staff desktops and replace with laptops. The estimated cost of this exercise is £1,508k on the general fund and £162k on the HRA.

154. In 2017/18 there is a reduced funding requirement of £110k for Data Resilience to provide more robust disaster recovery measures. Current estimated costs are £300k of which £190k existing funding has been identified from the 2016/17 Single Development Plan budget which will require to be re-phased into next year.

155. Street Lighting - with the new £5,500k LED lighting replacement programme due to commence in January 2017 there is no longer a need to set aside funding in the medium term for replacement of defective columns and hence the recurring £94k per annum budget for this has been removed. This amounts to a total reduction of £376k over the period from 2017/18 to 2020/21.

156. Private Sector Renewal Grants - there have been recurring underspends against this £450k annual budget in recent years, so it is proposed to realign the budget to current activity levels, saving £900k over the next four years.

157. Adaptations for Adopted Children - Since this budget was created in 2014/15 there has been little demand against this budget and no new commitments arising in this financial year. It is proposed to remove this budget and manage any future cases from the recurring £1,500k per annum General Contingency budget. This reduces the budget by £800k over the next four years.

158. School Conditions Building Programme - previously the Schools Conditions Programme budget for the period 2017/18 to 2020/21 had reduced to reflect an expected increase in the number of academy conversions in the education sector. However the portfolio of local authority maintained schools remains higher than expected and the number of requests for urgency works being submitted by schools has therefore not reduced as anticipated. The confirmed 2016/17 Capital Maintenance Grant amounted to £2,270k and the Education Funding Agency has advised that it would be reasonable to assume the same level of funding for 2017/18. Therefore it is proposed that the 2017/18 school conditions budget be increased by a further £571k (including £100k Schools contributions) with a further £250k per annum assumed for future years. It should be noted that increased expenditure can only be committed following confirmation of the new Capital Maintenance Grant allocation early next year.

159. Devolved Formula Capital - in line with revised assumptions around academy conversions and the higher than previously anticipated DFC grant allocation for 2016/17 the forecast grant has also been uplifted for future years.

160. Equipment Capitalisation - in line with implemented financial control processes around the release and appropriate capitalisation of equipment expenditure it is proposed to formally recognise capitalisation of equipment in the five year capital programme. Based on current activity levels it is expected that £363k per annum of general equipment and furniture will be capitalised with an equivalent saving on revenue budgets. A further £114k per annum of ICT equipment is budgeted will be capitalised and included in the revised Corporate Technology & Innovation budget. In addition there is £985k Better Care Fund grant allocated to finance MedEquip and Telecareline equipment spend.

161. Disabled Facilities Grants - although the £2,300k per annum expenditure budget remains unchanged it is proposed that the Council resourced element of £531k per annum is replaced with the Better Care Fund grant releasing £2,124k Council resources over the next four years.

162. Due mainly to the full allocation of grant funding to Disabled Facilities Grants the net impact of changes to Programmes of Works over the current MTFF is a reduction of £332k in Council Resources.

163. It is assumed that existing Programmes of Works budgets will continue at similar levels for the new MTFF financial year 2021/22. The Council Resourced funding requirement for these schemes is £4,432k with the remainder from assumed continuing grants as set out in the above table.

New Proposals

Self Financing Developments

164. Belmore Allotments and Melrose Close Car Park Mixed Tenure Housing Development - a housing development in Hayes under a range of tenures including Discount Market Sale. Out of a total number of 111 units an amount of 30 units of varying sizes are proposed to be built however as these would be for private sale (similar to previous housing developments at South Ruislip and Hayes End libraries) the build costs would require to be financed from the General Fund. The build costs are estimated at £4,605k however if all the units are sold at 80% of market value it is anticipated that future capital receipts of around £7,700k would be generated which would generate a surplus over and above build costs. There would also be a notional capital receipt to the General Fund from the appropriation of the other portion of the site to the HRA for housing development.

165. As the development is primarily HRA it is proposed to fully charge expenditure for the construction of all units to the HRA and on completion which is forecast to be in 2019/20 the General Fund will purchase the Discounted Market sale units back from the HRA. There are existing unallocated affordable housing Section 106 contributions of £1,037k which can potentially be used to part finance the expenditure.

Main Programme

166. Ruislip Lido Railway Society Workshop - a proposal has been submitted by the Ruislip Lido Railway Society to replace their workshop as it is a very outdated corrugated steel dome shaped structure which is deteriorating. The railway now needs a new building that can house a greater number of locomotives than was the case when the original workshop was built. Works have been costed at around £360k.

167. Uniter Building - this facility is located on the former site of RAF Uxbridge adjacent to the Battle of Britain Bunker and is currently being used to store the Bunker's collection of historic artefacts. The Council's current storage facility for museum collections in the basement of the Civic Centre is humid with fluctuating temperatures and regular small scale floods and it is therefore proposed to develop a stable and secure storage facility for the Borough's collections at the Uniter Building. However the building has no services such as electricity, water, toilet facilities or telephone lines and would require installation of shelving and other storage units. An initial estimate for the works is £400k.

168. Harlington Road Depot Resurfacing - it is proposed to resurface the waste yard at Harlington Road Depot at an estimated cost of £200k.

Capital Financing Forecast

Capital Receipts

169. The current disposals programme has an income budget of £75,567k over the period 2016/17-2020/21 and as at Month 7 a shortfall of £5,169k is forecast on this target which is mainly due to revised forecasts of the General Fund share of Right to Buy sales which have fallen since the original budget is set. Projected capital receipts for inclusion in the MTFF have been further adjusted to reflect a further reduction in expected Right to Buy sales, alongside the use of £4,000k capital receipts to support delivery of service transformation.

170. Outside the core disposals programme, the Council will identify and secure additional capital receipts to support investment in service transformation under the flexibilities for use of capital receipts available since 1 April 2016.

Community Infrastructure Levy

171. The existing CIL financing budget of £25,080k from 2016/17 to 2020/2021 is mainly driven by forecast levels of residential development over the next five years with smaller elements relating to office, industrial and hotel developments. This projection has been refreshed to take account of latest intelligence and include 2021/22 income, resulting in a £5,800k increase to £30,580k income in this draft capital programme.

172. An application has been submitted by Ickenham residents for the establishment of a neighbourhood forum, which could ultimately lead to the creation of Neighbourhood Plan would. If successful, this would result in 25% CIL revenues within the plan area being allocated to projects via this forum. As this application progresses, future MTFF reports will update CIL income and associated capital programme expenditure assumptions to reflect the development of a Neighbourhood Plan.

Capital Grants

173. Basic Needs Grant - the confirmed grant for years 201617 to 2018/19 amounts to £10,331k which represents a favourable movement of £3,701k on the previously budgeted position. There remain in the approved budget £14,490k assumed Basic Needs funding from 2019-21 however based on the revised lower schools places forecast for Secondary Schools expansions it is assumed that grant awards for 2019-21 will be proportionately lower than previous assumptions and therefore the draft grant budget is reduced by £4,600k leaving £9,890k in assumed grants for 2019-21. For the new MTFF year 2021/22 it is assumed there will be a further Basic Needs allocation of £3,000k. Further analysis will be undertaken to provide sensitivity analysis around the funding outlook for school expansions.

174. Capital Maintenance Grant - the 2016/17 Capital Maintenance grant allocation of £2,270k for Hillingdon was £270k greater than what was assumed and this represents a favourable movement on the grant position. As stated earlier in the report the EFA has indicated that it would be reasonable to assume the same level of funding for 2017/18. Therefore the 2017/18 school conditions grant budget can be increased by a further £471k with increases of £200k per annum assumed in later years due to the lower than anticipated number of academy conversions that have taken place.

175. Disabled Facilities Grant (Better Care Fund) - an amount of £3,457k has been received in 2016/17 which is a significant increase on previous allocations although the former Social Care Grant is now amalgamated in this grant. On the assumption that future grant awards remain at similar levels the grant budget for DFG can be increased to £2,300k to replace

Council resources and a further £985k can be allocated to fund equipment capitalisation that supports BCF plans i.e. MedEquip and Telecare.

176. Transport for London Grant - a submission has recently been made for the 2017/18 Local Implementation Plan based on previous funding levels as per the guidance. A Major Scheme bid of £250k has also been included to undertake feasibility work around remodelling Grapes Junction which could release highway land for sale and redevelopment. Confirmation of funding from TfL is expected in December.

Prudential Borrowing

177. The table below shows the current monitoring position as at Month 7 and the potential impact of new project proposals outlined earlier in the report:

Table 14: Movement in Borrowing Requirement

	2016/17	2017/18	2018/19-2021/22	Total
	£'000	£'000	£'000	£'000
Approved Borrowing	**50,948**	**58,484**	**55,037**	**164,469**
Changes Reported in Cabinet Monitoring Report				
Cost Variance M7	(4,235)	(94)	(282)	**(4,611)**
Forecast Council Resources Phasing Variance M7	(23,746)	(21,610)	45,356	**0**
Additional Grants / contributions	(156)	0	(3,701)	**(3,857)**
DFG additional grant	(531)	(531)	(1,593)	**(2,655)**
New S106	(513)			**(513)**
Movement in capital receipts	15,631	(6,684)	(3,778)	**5,169**
Monitoring Forecast	**37,398**	**29,565**	**91,039**	**158,002**
MTFF Phasing Changes				
Prog of Works Council Resources re-phasing	3,918	(3,918)		**0**
MTFF Expenditure Changes				
Schools Programme additions		(14,400)	(23,800)	**(38,200)**
Additions to existing schemes		5,378	19,262	**24,640**
New scheme proposals		960	4,605	**5,565**
MTFF Financing Changes				
Schools Programme Grants			806	**806**
Programme of Works Grants		(1,632)	(11,133)	**(12,765)**
New S106			(1,037)	**(1,037)**
Capital Receipts adjustments		1,820	(2,500)	**(680)**
CIL 2021/22			(5,500)	**(5,500)**
Revised Borrowing	**41,316**	**18,017**	**72,024**	**131,357**
Movement from Approved Budget	(9,632)	(40,467)	16,987	(33,112)

178. As at Month 7 a favourable variance of £6,467k over the life of the programme is reported on prudential borrowing due partly to confirmed Basic Needs and Disabled Facilities grant awards which exceeded original budget assumptions. Forecast cost under spends of £4,611k are reported on various schemes and programmes including the Schools Expansions Programme.

179. Changes already reflected in the monitoring forecast have been incorporated in the revised MTFF five year programme. This includes the re-phasing of General Fund expenditure on the Grassy Meadow Dementia Centre project to the end of the project when the asset

becomes operational at which time the General Fund will credit the HRA for expenditure incurred during the construction period.

180. Further changes to the draft programme that impact on prudential borrowing are summarised in the following paragraphs.

181. Phasing Changes - In the 2016/17 monitoring forecast there is currently £5,916k slippage on various Programmes of Works consisting of £3,918k funded by Council Resources and £1,998k funded by grants and contributions. At this stage it is not proposed to re-phase these budgets as a review of commitments on these programmes will take place at financial year end to ensure uncommitted budgets are not re-phased.

182. Expenditure Changes - As noted earlier in the report the net impact of reduced Schools Programme expenditure is a favourable movement of £38,200k expenditure although there is a marginal forecast reduction in future assumed Basic Needs Grant beyond what has been confirmed as a result of the lower school places forecast. Additions to existing schemes are partly comprised of adding the new year 2021/22 Programmes of Works expenditure budgets to the new five year programme and also include the annual Equipment Capitalisation budget of £1,348k. New scheme additions are described earlier in the report with the most significant inclusion the self financing development of discounted market sale flats at Belmore Allotments.

183. Financing Changes - The most significant change in grants is the utilisation of Better Care Funding to part fund Equipment Capitalisation spend and increases in Capital Maintenance Grant from previous assumptions. The capital receipts income budget has been reduced up to 2020/21 partly by the impact of transformation financing over the next two years and also to reflect a lower forecast on General Fund share of Right to Buy sales. New assumed receipts of £4,500k are included for the 2021/22 financial year and a further £5,500k Community Infrastructure Levy funding.

184. The overall impact is a favourable reduction of £33,112k on prudential borrowing from the capital programme approved by Cabinet and Council in February 2016 due mainly to the reduction in the Schools Expansions Programme.

HOUSING REVENUE ACCOUNT

185. The budget proposals for 2017/18 are based on the sixth full year of self-financing for the Housing Revenue Account and follow on the same methodology and layout as the General Fund. Under self-financing, the regulations maintain a ringfence around the Council's provision of housing, the cost of which is fully supported by rental income.

186. This draft budget reflects the 1% per annum reduction in rents to reflect Government policy, includes the impact of the High Value Voids Levy based on informal intelligence while providing for substantial investment in new General Needs and Supported Living units.

Update on 2016/17 Budget

187. Development of the 2017/18 Housing Revenue Account budget builds upon the 2016/17 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 7, an underspend of £12,101k is projected on the HRA, a favourable variance of £2,839k compared to the budget, increasing forecast unallocated general balances to £46,045k at 31 March 2017.

188. Variances within the £2,839k reported underspend include: rent and other income favourable variance of £121k, mainly due to improved voids performance; housing management overspend of £141k; tenant services underspend of £458k, mainly due to caretaking and sheltered housing staffing related costs; planned maintenance and repairs underspend of £2,417k due to the validation, procurement and consultation timetables required to deliver these; and interest and investment income overspend of £16k.

189. There were 65 properties sold under Right to Buy (RTB) arrangements between April and October 2016. Significant investment outlined in the draft HRA Capital Programme is required to replenish housing stock and avoid repayment of retained receipts with punitive interest charges.

Budget Requirement 2017/18

190. The movement from the 2017/18 baseline to the 2017/18 budget requirement is summarised below, with rental income projections and budget requirement levels refreshed from the position included in the February budget report. The draft budget includes an increase of £19,038k in the contribution to support in-year capital investment and £11,664k use of 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 15: HRA Budget Requirement

	£'000
Funding Sources	
Dwelling Rents	55,064
Other Income	5,494
Total Resources	**60,558**
Budget Requirement 2016/17	52,193
Inflation	937
Corporate Items	19,092
Savings	0
Budget Requirement 2017/18	**72,222**
Surplus / (Deficit)	**(11,664)**

191. Appendix 7 to this report continues this presentation over the MTFF period, with annual surpluses set to reach £2,934k by 2021/22. Rental and Other income assumptions to 2021/22 are expected to achieve £63,296k, repayment of debt under self financing £15,407k, contribution to fund capital expenditure on existing stock of £13,516k and repairs & management costs of £31,436k, creating a surplus of £2,937k available to develop existing stock or support new development.

Rental and Other Income

192. 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, sales to pay for the High Value Voids Levy from 2018/19 and properties being sold under the RTB scheme. This draft budget has been prepared on the assumption that there is a decline in RTB sales from this peak of 115 to 60 over the medium term.

193. 2016/17 was the first of four years of the 1% rent reduction as part of the Chancellor of the Exchequer's announcement on rent reforms, which requires all housing authorities to cut rents by 1% in each of the next four years 2016/17 - 2019/20, a reversal of the 10-year old previous rental formula allowing annual increases of CPI + 1%. The announcement to reduce rents is part of the Government's wider welfare reform savings, aiming to reduce the welfare bill by £12bn by 2019/20. Rental increases are assumed to revert to CPI + 1% in 2020/21 and this is reflected in the resource assumption level outlined in Appendix 7. At this stage it is assumed that the 1% provision for income losses arising from void properties will remain at this level, resulting in net dwelling rents of £55,064k.

194. Other income is expected to total £5,494k for 2017/18, mainly relating to service charges which are expected to be increased by CPI (September 2016 i.e. 1%) and are not subject to restrictions imposed by the Chancellor's rent reforms.

Balances and Reserves

195. HRA general balances are projected to reach £46,045k by 31 March 2017, representing 76% of rental and other income for 2017/18. It is proposed to keep the minimum level of HRA balances set at £12,000k with sums over and above this amount earmarked for investment in new or existing stock. The minimum level of balances is approximately 20% of rental and other income and has been estimated following a similar methodology to that applied in the General Fund. 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

196. The inflation provision of £937k included in this draft budget has been estimated using the same assumptions as for the General Fund inflation provision. This sum includes £314k in respect of inflation on operating cost budgets and £623k on repairs and planned maintenance budgets. The latter sum will be reviewed as procurement work progresses and the future position on a number of significant contracted workstreams becomes clearer.

Corporate Items

197. Movements contained within Corporate Items include changes in provision for capital financing costs, direct contributions to support capital investment, changes in balances and other presentational changes. The net movement of £19,092k shown in Appendix 7a consists of £19,038k increases to contributions to capital and £54k reduction in interest on balances due to a reduction in cash balances.

Development & Risk Contingency

198. The HRA budget includes contingency budgets totalling £1,738k to meet emerging risks and pressures during 2017/18. Within this sum £1,058k is identified as General Contingency with a further £680k provisionally earmarked for costs within the Repairs Service. At present there are no specific commitments against the General Contingency provision. The development and risk contingency budget will also be used, if required, to increase the level of the bad debt provision.

High Value Voids Levy

199. The Government indicated last year that as part of agreeing a deal with Housing Associations to start a Right to Buy scheme the funding for this from Government would be generated from Councils selling their high value void properties. This is now to be turned into a straight forward levy on Council HRAs. Then in the November 2016 Autumn Statement a five-year regional pilot of Right to Buy in the housing association sector, which DCLG ministers have since confirmed means no levy will be raised in 2017/18. Given the remaining uncertainty around the implementation of the levy, this draft budget reflects a prudent approach with the first year of the levy assumed to be 2018/19. It is assumed that the levies payments will be met from the proceeds of selling high value void properties; with the resulting marginal annual 34 property reduction in housing stock reflected in future rental income projections.

Medium Term Outlook

200. On the basis of current assumptions and projections, the financial standing of the HRA is expected to remain sound over the MTFF period. The following paragraphs outline the key assumptions included in this draft budget and highlight potential risks which could adversely impact upon the HRA budget to 2021/22.

201. The current draft budget assumes that rental income will reach £57,285k by 2021/22, with an additional £6,008k generated through service charges and other income. Total resources budgeted at £63,293k by 2021/22, which assumes rents will increase by CPI+1% from 2020/21 onwards. Over this period it is assumed that 1% of potential yield will be lost to void properties between tenancies.

202. There remains scope for volatility in rental income over the MTFF period as uncertainty around timing of additions to the housing stock and the loss of revenue associated with Right-to-Buy sales. This draft budget assumes that 445 dwellings will be sold over the five years to 2021/22 and 137 sold to fund the High Value Voids Levy, with the Council's current capital programme delivering an additional 335 units through new builds and buy-back mechanisms. It is expected that the current demand level for sales is at a peak following the discount changes in recent years and historically low interest rates, falling to approximately half of this level over the remainder of the MTFF. The net impact of these movements will be a reduction of 247 properties to leave 9,634 properties. A movement of 100 properties would be equivalent to securing approximately a net £10,200k capital receipt, however it would result in lost rent of £565k per annum.

Table 16: Projected Movement in Housing Stock

	2017/18	2018/19	2019/20	2020/21	2021/22
Projected Opening Stock	9,881	9,786	9,838	9,822	9,728
Forecast Right to Buy Sales	(115)	(105)	(105)	(60)	(60)
Forecast Sales (High Value Voids Levy)	0	(35)	(34)	(34)	(34)
New General Needs Units	20	30	85	0	0
New Supported Housing Units	0	162	0	0	0
Shared Ownership	0		38	0	0
Projected Closing Stock	**9,786**	**9,838**	**9,822**	**9,728**	**9,634**
Projected Average Stock	9,834	9,812	9,830	9,775	9,681

203. As reported through monthly budget monitoring, the Council's current 1:1 Replacement Agreement with DCLG enables the local retention of Right-to-Buy sale proceeds provided the Council replaces lost units within three years and provides 70% match funding. The increases in contributions to capital over the MTFF period are sufficient to meet this commitment, but will be kept under review given the sustained current demand of sales.

204. Revenue contributions to secure the level of new builds proposed in the draft capital programme are £63,150k, with £17,471k of Capital Receipts projected to support this investment over the medium term.

205. Alongside provision for investment in new stock this draft budget includes annual contributions towards the Works to Stock programme totalling £42,265k and £5,978k for major adaptations.

206. While there is sufficient capacity to finance the current approved HRA capital programme from direct revenue contributions and avoid use of Prudential Borrowing, annual provision of £15,407k is included in this draft budget for the servicing and financing of existing settlement debt. It is proposed to retain this level of provision in order to establish a capital contingency to enable further procurement of housing stock where opportunities present themselves.

207. The High Value Voids Levy remains a significant risk for the HRA. Whilst a prudent approach has been adopted by including the High Value Voids Levy in the MTFF, Hillingdon along with other Councils are awaiting Government guidance on when the levy will be implemented and the methodology for calculating the levy.

208. The projected HRA closing balances are shown in the table below.

Table 17: Projected Housing Revenue Account Closing Balances

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
General Balances	34,382	22,005	31,455	37,570	40,507

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Background to Capital Programme

209. 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 Reablement programme and associated revenue savings is a key strand. An overview of the revised draft programme is contained in Appendix 7b and this takes into account of the 2016/17 Month 7 budget monitoring position.

Update on Current Programme

210. As at Month 7 the major projects programme is forecast to underspend by £1,592k in 2016/17 and £2,910k over the period 2016-2021. This is attributable largely to the decision to cancel the supported housing development at the Chippendale Waye site (£2,510k) and a reduction in contract costs for the supported housing schemes at both the Grassy Meadow and Parkview sites (£400k) following a value engineering exercise. Furthermore there is £9,507k re-phasing of the New Build Supported Housing provision from 2016/17 into later years.

2017/18 - 2021/22 CAPITAL PROGRAMME

211. As outlined above, this draft budget includes £48,243k provision for investment in existing housing stock, including £5,978k of funding for major adaptations to properties. This level of provision reflects the latest programme of works proposals, including 5% project management fees and inflation aligned to BCIS indices.

212. The draft capital programme contains provision of £90,122k to fund delivery of 335 new homes within the Housing Revenue Account over the period to 2021/22. 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 direct revenue contributions from the Housing Revenue Account. This new build programme consists of the following elements:

213. **General Needs Housing (HRA)** - Provision of £31,391k to support construction or purchase of 135 new properties within the HRA is also included in this programme, funded through 30% Right to Buy proceeds and 70% revenue contributions. There is scope to deliver these units through either new build or Buy Back arrangements, although it will be necessary to secure land for any new build proposals.

214. Within the HRA capital programme £8,635k has been included for **New Build - Appropriation of Land** for 2 new sites.

215. £7,949k has been built into the programme for **New Build Shared Ownership** to deliver 38 units.

216. **Supported Housing Programme** - A budget of £32,647k is included to fund delivery of 162 Supported Housing units across a number of sites in the borough deliverable circa 2019/2020, which will be funded from 30% Right to Buy Receipts and 70% revenue contributions. As noted within the Adult Social Care savings section of this report, these projects will support the wider reablement agenda and reduce the Council's reliance on residential care placements.

217. Over and above this specific provision for securing additional units, a **capital contingency** of £9,500k is included within this draft programme to ensure the Council retains sufficient flexibility to secure additional housing units where opportunities become available. This contingency is to be initially funded from Prudential Borrowing, the on-going financing costs of which can be managed within the existing annual provision of £15,407k for the servicing and repayment of debt.

218. In addition to the £90,122k on new homes, £162k has been built into the HRA capital programme for HRA technology and innovation works. This is the HRA related costs of the Corporate Technology and Innovation programme, which is detailed in the MTFF Capital report. The £162k is for the Windows 7 and laptop replacement for HRA staff.

FINANCIAL IMPLICATIONS

219. This is a financial report and the financial implications are included throughout.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

220. The draft budget proposals in this report result in a zero increase in Council Tax for the eighth successive year. The Medium Term Financial Forecast sets out the resources available for delivering the Council's objectives. The effects are therefore extremely wide ranging and are managed through the performance targets and outcomes that will be delivered through the resources approved in the draft budget.

221. The draft budget for 2017/18 has been developed with due regard to on-going reductions in central Government support to the Council, while minimising any 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 the value for money offered by services and by maximising funding, procurement, efficiency and service effectiveness gains.

Consultation Carried Out or Required

222. Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2017. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 16 February 2017. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 23 February 2017.

223. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers in the Borough, which will be undertaken alongside a wider public consultation of these proposals during January 2017. Schools Forum will also be consulted on those proposals that have a potential impact on schools budgets.

224. Individual service Groups will also be undertaking consultation with service users, staff and other stakeholders over this period on the key elements of their service proposals prior to full implementation in the new financial year.

CORPORATE IMPLICATIONS

Corporate Finance

225. This is a corporate finance report and the corporate financial implications are noted throughout.

Legal

226. The Cabinet is responsible for the preparation of the Council's Budget. Therefore the Budget and Policy Framework Procedure Rules, as set out in the Constitution, require it to make proposals on its budgets in accordance with the timetable which it has publicised.

227. The Cabinet is free to amend the proposals in this report as it wishes. It must nevertheless have regard to the need for the budget to be soundly based, adequate to fund the expected level of service provision next year, and to provide for unexpected events through contingencies and balances.

228. Following this meeting, the Cabinet's proposals will be published and will form the basis of consultation with Policy Overview Committees and other consultees such as business ratepayers in the Borough and the Schools Forum who will have a period of six weeks to put forward their views.

229. The Cabinet will ultimately consider any responses from the Policy Overview Committees and other consultees and take them into account in drawing up firm proposals for submission to full Council at its meeting on 23 February 2017. Its report will reflect the comments made by consultees and its response to them.

Relevant Service Groups

230. 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.

BACKGROUND PAPERS

Report to Council 25 February 2016 – General Fund Revenue Budget and Capital Programme 2016/17 (including full schedule of Fees & Charges at Appendix 12)