THE COUNCIL'S BUDGET:
MEDIUM TERM FINANCIAL FORECAST 2018/19 - 2022/23

Cabinet Member(s)	Councillor Ray Puddifoot MBE Councillor Jonathan Bianco
Cabinet Portfolio(s)	Leader of the Council Finance, Property & Business Services
Officer Contact(s)	Paul Whaymand, Finance
Papers with report	Appendices 1 to 9 (detailed MTFF proposals, amendments to Fees & Charges and proposed amendments to Council Tax Reduction Scheme)

HEADLINES

Summary	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2018/19, 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 2018/19 for the tenth successive year, and for the over 65s for the twelfth successive year, without reducing service provision or levying the Social Care precept for the third successive year, whilst maintaining balances and reserves above the minimum recommended level.
Putting our Residents First	This report supports the following Council objectives of: *Our People; Our Natural Environment; Our Built Environment; Our Heritage and Civic Pride; Strong Financial Management.* The Medium Term Financial Forecast is the financial plan for the Council and contains the funding strategy for delivering the Council’s objectives.
Financial Cost	Zero increase in Council Tax for the tenth successive year and a twelfth 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
Relevant Ward(s)	All

RECOMMENDATIONS

That Cabinet:

1) **Approve the draft General Fund and Housing Revenue Account budgets and capital programme proposals for 2018/19 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.**

5) **Following the completion of a public consultation, agree to recommend to Council for approval in January amendments to the Council's local Council Tax Reduction Scheme effective from 1 April 2018 in order to align the scheme with recent changes to Housing Benefit.**

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2018/19. This includes the impact on Council Tax, alongside housing rents and service charges.

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

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 2018 for recommendation to full Council. Once approved by Council in February 2018 proposals will become effective immediately.

Recommendation 5 seeks approval to recommend to Council in January a number of revisions to the local Council Tax Reduction Scheme to align this scheme with recent changes to Housing Benefit. These amendments were considered by Cabinet for public consultation in June 2017, with this exercise now having been completed. Further detail on proposed amendments, alongside analysis of consultation responses is set out in Appendix 9.

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 2018.

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 2018, with feedback presented to Cabinet alongside the final budget report to Cabinet on 15 February 2018.

SUPPORTING INFORMATION

SUMMARY

1. This report represents the output following a comprehensive refresh of the Council's 2018/19 draft budget and medium term projections through to 2022/23. Budget proposals have been developed to support a tenth successive Council Tax freeze for all residents and a twelfth 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, £1,000k 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 14% in 2018/19 alone, alongside a growing population driving an ever increasing demand for locally provided services.

2. In freezing Council Tax for a tenth year, savings have been developed under four broad themes, which focus on maintaining the existing service offer: Zero Based Reviews, Service Transformation, Effective Procurement and Maximising Income. In addition, a programme of management action around those more volatile and population-led budgets managed through Development & Risk Contingency is intended to mitigate the financial impact of population growth across the Borough.

3. The refreshed Medium Term Financial Forecast, covering 2018/19 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 into the next decade. The key driver in responding to this challenge will be to continue to 'Put Residents First' while securing efficiencies equivalent to approximately 25% of current expenditure.

4. An update on the Council's capital programme is also presented in this report, with £386,370k of planned investment in local infrastructure over the period to 2022/23 including: continued delivery of school places to meet the needs of a growing population, provision for a new swimming pool in the Yiewsley / West Drayton area, further investment in the Borough's highways, continued investment in bowls clubs, reprovision of the Hillingdon Outdoor Activity Centre in response to High Speed 2 and commencement of a rolling Borough-wide programme of library and leisure centre refurbishment.

5. Finally, this report refreshes Housing Revenue Account budgets to deliver a 1% reduction in rents for existing tenants in 2018/19, alongside a programme of investment in existing and new housing stock - including for 545 new affordable homes for residents by 2022/23, partly financed through the reinvestment of Right to Buy sale proceeds.

BACKGROUND

6. 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 and 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. This first report to Cabinet on the budget for 2018/19 quantifies the financial challenge faced by the Council, and outlines an approach to meeting this challenge whilst continuing to 'Put Residents First'.

7. This is the first report to Cabinet on the budget for 2018/19, building upon the position outlined in the 2017/18 budget report to Council in February 2017. In February the savings requirement for 2018/19 was estimated to be £16,117k, which has been revised downwards following the announcement in March 2017 of £2,947k Improved Better Care Fund monies to support Adult Social Care and £2,602k Collection Fund surpluses amongst a number of minor revisions to projections. The resulting budget gap for 2018/19 therefore stands at £10,197k, rising to £56,107k over the five year MTFF period.

8. Groups have been developing savings proposals sufficient to meet this externally driven budget gap and respond to increases in cost pressures. In addition to this work across directorates, a comprehensive review of the corporate elements of the budget has been undertaken since February, 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 2016/17 outturn, particularly any on-going issues arising.
- The current position in 2017/18 - both monitoring and savings delivery.
- Existing and emerging pressures which need to be addressed in the 2018/19 budget and forecasts for future years.
- Progress on the development of savings proposals for 2018/19 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 2018/19 without recourse to reductions in service levels or levying the Social Care precept while freezing Council Tax for all residents for a tenth successive year and funding the freeze for older persons into a twelfth year in 2018/19.

10. Development of the 2018/19 budget builds upon the 2017/18 budget and therefore the current monitoring position provides a useful context as many of the same challenges are expected to continue into the new financial year. In addition, progress towards delivery of existing savings targets 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.

2018/19 GENERAL FUND REVENUE BUDGET

UPDATE ON 2017/18 BUDGET MONITORING POSITION

11. An underspend of £980k is reported on normal operating activities at Month 7. This position incorporates a £748k net underspend across Directorate Operating Budgets and an underspend of £415k across treasury management activities within Corporate Operating Budgets being off-set by contingency pressures of £183k reported on Looked After Children placement costs and Asylum income. The following positions are reported on individual Directorate Operating Budgets:

    a. Chief Executive's Office (£1k underspend) - No material variance reported at Month 7.

    b. Finance (£293k underspend) - This is due to staffing underspends arising from the early implementation of 2018/19 savings proposals.

    c. Residents Services (£310k underspend) - This includes a combination of staffing underspends totalling £1,163k and an improved outlook for income from on-street parking that are sufficient to contain expenditure pressures across ICT and Fleet Management, alongside income shortfalls reported on off-street parking, imported food sampling and cemeteries.

    d. Social Care (£144k underspend) - Across the Directorate an overall underspend of £144k is reported as a result of a number of compensatory variances, including Adults workforce underspends off-setting pressures arising from the use of agency staff within Children's Services.

12. Good progress is being made against delivery of the £15,508k savings included in the 2017/18 budget. At Month 7, £14,460k savings are either banked or on track for delivery during 2017/18, with £1,048k savings being classed as amber due to slippage, although these are expected to ultimately be delivered in full.

13. The reported position at Month 7 assumes that £750k uncommitted General Contingency and £234k remaining Unallocated Priority Growth will be utilised to manage as yet unidentified emergent pressures and new initiatives.

14. The Council is currently permitted to finance the costs associated with service transformation from Capital Receipts, with both one-off implementation costs and the support for service transformation, including the BID team, being funded from this resource. Current projections include an estimate of £4,342k for such costs, which will remain under review over the remainder of the year and have been excluded from reported monitoring positions. It is anticipated that these costs will be financed from a combination of Capital Receipts and Earmarked Reserves.

15. General Fund Balances are expected to increase to £38,772k as a result of the forecast position detailed above, from a closing 2016/17 balance of £38,738k. The Council's current MTFF assumes that unallocated balances will remain between £15,000k and £32,000k to manage emergent risks, with any sums above that level earmarked for use to smooth the impact of government funding cuts.

BUDGET REQUIREMENT

16. The movement from the 2017/18 baseline to the 2018/19 budget requirement is summarised in the following table, which reflects the current position incorporating movements since the budget was agreed in February 2017. Further details on each of the items accounting for this movement are expanded upon within the report. The balanced budget proposals detailed below reflect the impact of latest projections across all areas of the budget, and includes £1,895k of new Priority Growth.

Table 1: Budget Requirement

	Movement from 2017/18 £'000	2018/19 Budget Requirement £'000
Council Tax Revenues	(4,230)	(112,929)
Business Rates Revenues	(675)	(52,989)
100% Retention Pilot Pool	(5,400)	(5,400)
Revenue Support Grant	6,389	(13,124)
Other Central Government Funding	783	(34,386)
Planned Use of General Balances	4,050	(950)
Total Resources	**917**	**(219,778)**
Budget Requirement		
Roll Forward Budget		220,695
Inflation	4,577	
Corporate Items	(613)	
Contingency	369	
New Priority Growth	1,895	
Savings Programme	(7,145)	
Budget Requirement 2018/19	**(917)**	**219,778**
Budget Surplus	**0**	**0**

17. In addition to the £7,145k of savings above, this draft budget also includes £3,052k management action to contain rising costs within Development & Risk Contingency which are expanded upon below. This combined £10,197k programme of activity will be monitored throughout 2018/19 to ensure successful delivery of a balanced budget.

18. The attached Corporate Summary details the remaining budget gap over the MTFF period, showing the cumulative impact of the reduction in government funding and service pressures and the resultant savings requirement, which is projected to reach £56,107k by 2022/23. This is driven by an anticipated 31% reduction in core government grants and forecast cost pressures over the same period.

FUNDING SOURCES

19. Total resources available to support the budget requirement are projected to fall by £917k for 2018/19, as a result of the aforementioned reduction in central government grant,

which totals £7,172k in 2018/19. Locally generated income from Council Tax and Business Rates is set to grow by £4,905k from 2017/18 as a result of taxbase growth, with a further £5,400k expected additional income from the 100% Retention Pilot enabling the previously planned £5,000k drawdown from balances to be scaled back to £950k.

Table 2: Funding Projections

	2017/18 £'000	(Increase) / Decrease £'000	2018/19 £'000
Council Tax Precept	(108,199)	(2,059)	(110,258)
Council Tax (Surplus) / Deficit	(500)	(2,171)	(2,671)
Retained Business Rate Receipts	(50,314)	(2,744)	(53,058)
Business Rates (Surplus) / Deficit	(2,000)	2,069	69
Business Rates Retention Pilot Pool	0	(5,400)	(5,400)
Local Income Streams	**(161,013)**	**(10,305)**	**(171,318)**
Revenue Support Grant	(19,513)	6,389	(13,124)
Other Government Grant	(35,169)	783	(34,386)
Government Funding Streams	**(54,682)**	**7,172**	**(47,510)**
Planned Use of Balances	**(5,000)**	**4,050**	**(950)**
Total Resources	**(220,695)**	**917**	**(219,778)**

20. The rationale behind current funding assumptions and associated risks are discussed for each revenue stream in turn below. Local income projections reflect latest intelligence around new economic and residential development in the Borough, with recent experience indicating limited scope for material variation in these estimates. Projections for grant funding for 2018/19 are primarily based on indicative allocations published by awarding bodies, including the multi-year settlement offer and unless there are new funding announcements in the Provisional Local Government Finance Settlement this month, are therefore expected to only vary marginally as final allocations are confirmed over coming months.

21. Following the collective agreement of London Leaders during early November and subsequent confirmation in the Autumn Budget, the anticipated £5,400k additional income from the 100% Business Rates Retention Pilot for London has been incorporated into the MTFF. Given that this pilot is expected to operate during 2018/19 and 2019/20 only, this additional income is being treated as exceptional in nature and therefore primarily utilised to reduce previously anticipated drawdowns from balances rather than reduce the savings requirement. If for any reason the pilot does not proceed as planned, the budget strategy would revert to the previously planned £5,000k drawdown from General Balances.

Council Taxbase Projections

22. Income from Council Tax is projected to grow by £2,059k from 2017/18 to support a precept of £110,258k whilst maintaining the Hillingdon share of Council Tax at £1,112.93 for a Band D property. This growth includes £1,506k additional income from taxbase growth during 2018/19 alongside an increase in the budgeted long term collection rate from 98.5% to 99% securing an additional £553k.

23. Since 2013/14 the Council has consistently outperformed the current 98.5% long term collection rate for Council Tax and therefore reliably secured surpluses in excess of £500k per annum. While these surpluses are released to the General Fund in the following financial year, there is scope to baseline this windfall income from 2018/19 and budget for an additional 497 Band D equivalent properties and secure £553k revenue.

24. The £1,506k growth in the Council Taxbase is based on adding 1,850 Band D equivalent properties during 2018/19, which is expected to be met from a 200 Band D reduction in the cost of the Council Tax Reduction Scheme, the previously noted 497 Band D increase relating to a review of collection rates and a 1,153 Band D increase from new developments. Of these additions from new developments, 647 have been identified from the pipeline of major developments across the Borough, a further 200 expected from Office to Residential conversion and the remaining 306 from smaller developments.

Table 3: Council Taxbase Projections

	2017/18 **Band D Equivalent Properties**	**Increase / (Decrease)** **Band D Equivalent Properties**	**2018/19** **Band D Equivalent Properties**
Residential Properties	119,548	1,153	120,701
MOD Properties	683	0	683
Discounts & Exemptions	(10,882)	0	(10,882)
Empty Property Premium	50	0	50
Gross Council Taxbase	**109,399**	**1,153**	**110,552**
Council Tax Reduction Scheme	(10,688)	200	(10,488)
Allowance for Losses in Collection	(1,491)	497	(994)
Net Council Taxbase	**97,220**	**1,850**	**99,070**

25. In addition, a surplus of £2,671k is reported against Council Tax at Month 7. This is mainly as a result of continuing strong taxbase growth, a reduction against the bad debt provision and declining demand for the Council Tax Reduction Scheme, all of which are expected to continue into the new financial year. Together with the £2,059k budgeted growth and falling out of the £500k surplus banked in 2017/18, this delivers £4,230k towards a balanced budget for 2018/19.

Council Tax Increases and the Social Care Precept

26. This draft budget assumes no uplifts in the headline rate of Council Tax over the MTFF period, although under current regulations increases of 3.99% per annum for 2018/19 and 2019/20 and 1.99% per annum thereafter would be possible without triggering a local referendum. The additional 2% capacity available up to 2019/20 relates to the Social Care precept. It would be necessary to demonstrate an equivalent increase in adult Social Care expenditure to DCLG to access this flexibility, however, given that Social Care demographics and inflationary pressures are running significantly above this amount it should not be an issue. A 1% increase in Council Tax would secure an additional £1,103k income in 2018/19.

Business Rates Income

27. Under the current system, locally retained Business Rates revenues for 2018/19 are projected to be £53,058k, £2,744k higher than 2017/18 due to a £1,419k inflationary uplift reflecting the anticipated 3.2% increase in the multiplier and £1,325k of additional revenue from projected growth in the taxbase. Under the existing 50% Business Rates Retention Model, the £53,058k represents only 14% of the £378,883k projected income to be raised from businesses within the Borough. The remainder is distributed between Central Government, the GLA, local authorities across England through the £53,066k Tariff and other authorities reporting losses on Business Rates through the £7,541k Levy.

28. The £1,419k inflationary uplift in the Business Rates Baseline reflects a 3.2% increase in bills linked to September RPI as set out in the latest iteration of the multi-year settlement from February 2017, and is lower than the actual September RPI which was 3.9%. As movement in this percentage uplift would result in a corresponding change to the Revenue Support Grant the latest figures published by DCLG have been retained to simplify analysis of the 2018/19 Local Government Finance Settlement.

29. Since its launch in April 2017, it has become clear that the new Check, Challenge, Appeal process created by the Valuation Office Agency to manage appeals against Business Rates valuations requires greater input from businesses rather than their agents. Therefore the provision held against future appeal losses has been reduced by £2,000k, Hillingdon's share of this is £304k, which forms part of the £1,325k growth in the taxbase.

30. An in-year deficit of £69k is projected on Business Rates, which together with the £2,744k uplift in 2018/19 income and falling out of the £2,000k surplus banked in 2017/18, locally retained rates deliver a net £675k contribution towards bridging the 2018/19 budget gap.

London 100% Business Rates Retention Pilot Pool

31. In November 2017, Leaders of London local authorities collectively approved the principle of a 100% Business Rates Retention Pilot Pool for the capital, which is expected to enable an additional £240,000k income to be retained for local use. The Chancellor confirmed Government support for the Pilot Pool in the Autumn Budget, with this draft budget taking account of £5,400k additional income for Hillingdon for 2018/19 and 2019/20.

32. The Pilot Pool is underpinned by a 'no detriment' clause backed by HM Treasury, whereby no authority can receive less funding within the pilot than would have been the case under the existing 50% Business Rates Retention system. In addition, a £36,000k Investment Pot will be created through the pilot, providing a mechanism to attract further funding for pump priming activity to support Economic Development. As this funding stream will be linked to specific projects and subject to a bidding process no income has been reflected in 2018/19 budgets at this stage.

33. In order to sign up to the 100% Pilot Pool, it will be necessary for the Council to formally opt-in within 28 days following publication of the Local Government Finance Settlement in December. Given the uncertainty around timing of the publication date for the settlement, recommendations to enable the Council to join the pool are not included within this main budget report, but will be presented under delegated authority to the Leader of the Council.

Central Government Grant

34. Corporate grant income is projected to fall by £7,172k from 2017/18 levels with a £6,389k reduction in Revenue Support Grant representing the single largest reduction, alongside cuts to the Public Health Grant, the ending of the Education Services Grant and a loss of funding as resources are switched from New Homes Bonus into dedicated Adult Social Care grants.

35. Projections against Revenue Support Grant continue to be based on the multi-year settlement offer published by DCLG in February 2016 and are therefore unchanged. For 2018/19 Revenue Support Grant is anticipated to reduce by £6,389k, as previously announced by DCLG, to £13,124k. In addition, temporary funding of £515k awarded through the Transition Grant for 2016/17 and 2017/18 is not expected to continue into 2018/19.

36. The Public Health Grant is expected to fall to £17,506k for 2018/19 in line with previously released allocations from the Department of Health. This is a year-on-year reduction of £491k, in line with the Government's intention to reduce the grant by 9.6% over the period 2015/16 to 2019/20, which will see funding returned to 2013/14 levels in cash terms despite inflationary and demographic pressures impacting upon service expenditure.

37. In March 2017 the Government announced supplementary funding for the Better Care Fund which results in a £5,362k increase from the 2017/18 budget approved by Members in February 2017. This additional funding has already been deployed during 2017/18 to stabilise the Adult Social Care provider market, including providing for wages across the sector to keep pace with growth in the London Living Wage, leaving no capacity within Department of Health grants to manage uplifts in Adult Social Care costs for the new financial year. In addition the £1,045k one-off Adult Social Care Support Grant for 2017/18 is not expected to continue into the new financial year.

38. New Homes Bonus income is projected to be cut by £3,237k or 46% from 2017/18 levels to £3,868k, despite consistent taxbase growth, as a result of reforms reducing the number of years bonus from six to four and limiting bonus payments to growth over an arbitrary 0.4% baseline. These previously announced reforms to the scheme are expected to be

accompanied by a further topslice reflecting the 'quality of decisions made by local planning authorities', based on the number of successful residential appeals as a percentage of total residential planning decisions. The most recent dataset for the 24 months to June 2016 would result in the loss of approximately £225k if applied in 2018/19. Confirmation of any topslice is expected alongside provisional New Homes Bonus allocations in December.

39. The 2017/18 allocation of the Housing Benefit Administration Subsidy Grant (£1,228k) was £96k higher than expected due to the rolling-in of elements which had previously been stand alone grants and therefore the existing assumption of roughly 9% year-on-year reduction (in the absence of a specific index) has been updated to reflect the new baseline.

40. It is expected that the Council Tax Administration Subsidy Grant (£308k), Local Reform & Community Voices Grant (£142k) and Lead Local Authority Flood Grant (£16k) will continue at the levels projected in the previous report presented to Cabinet in February 2017. The Extended Rights to Free Travel Grant has been included for 2018/19 and results in an improvement of £13k.

Balances and Reserves

41. As of Month 7 Budget Monitoring, General Balances are projected to total £38,772k at 31 March 2018 with previous iterations of the MTFF assuming that £14,500k of this sum would be released to smooth the impact of funding reductions over the period to 2022/23. As noted above, the 100% Business Rates Pilot Pool provides an alternative one-off funding mechanism to reduce the £5,000k planned releases from reserves in 2018/19 and 2019/20.

42. The profile of planned drawdowns has been reviewed and now totals £7,950k from 2020/21 to 2022/23, which results in remaining uncommitted general balances of £30,822k. This level of uncommitted balances falls within the current recommended range of £15,000k to £32,000k. In line with usual practice, the final budget report in February 2018 will provide an update on the recommended range of balances, although at this stage it is not except to move materially from the current £15,000k to £32,000k range.

43. On the basis of this range and the current reserves strategy, the Council would be able to deploy up to £15,822k further balances without breaching the lower limit. While this additional capacity does not represent a sustainable funding stream, there is scope to utilise further drawdowns from balances to meet the costs of any exceptional or emerging pressures.

INFLATION

44. An inflation requirement of £4,577k has been estimated for 2018/19, with £5,180k cost increases across the £253,090k 2017/18 expenditure budgets subject to inflationary growth being off-set by £103k of specific funding streams, and £500k of the 2017/18 inflation provision expected to be surplus to requirements. The following paragraphs outline key assumptions behind this inflation provision.

Table 4: Inflation Provision

	2017/18 Baseline £'000	Inflation Rate %	2018/19 Inflation Provision £'000
Employee's Pay	112,819	1.5%	1,686
Added Years Pension Costs	1,934	3.0%	58
Contracted Expenditure	40,572	1.6%	622
Adult Social Care Placements	68,055	2.6%	1,865
Looked After Children's Placements	17,123	2.6%	417
Business Rates	2,611	3.0%	332
Levies	9,975	2.0%	200
Gross Inflation Provision	**253,090**		**5,180**
Less: Grant Funded Items			(103)
Less: Review of 2017/18 Requirement			(500)
Net Inflation Provision			**4,577**

45. For financial planning purposes it has been assumed that the 2018/19 inflationary uplift in payroll costs will exceed the 1% seen in recent years, with a provisional 1.5% figure included in this draft budget at a cost of £1,686k. As it is not expected that a final settlement will be reached at either a national or regional level prior to budget setting in February 2018, this level of provision will remain under review.

46. Added Years Pension Costs are uprated annually in April by the preceding September CPI, which was 3% and requires £58k inflation on the £1,934k base budget.

47. Provision of £622k inflation for the Council's £40,572k of externally contracted services has reduced marginally since July, with provision of 1.6% being included. This 1.6% uplift has been assumed on the basis of CPI returning to the 2% Bank of England target during 2018/19 and allowing for a modest level of efficiency savings within contracts. Uplifts on contract budgets will be held centrally and released with specific approval of the Corporate Director of Finance.

48. In addition to general contracted out services, aggregate provision for 2.6% inflation has been included against the £68,055k of Adult Social Care Placements and £17,123k Looked After Children's Placements at a total cost of £2,282k. This headline inflation rate reflects the salaries-based elements of provision being uprated in line with growth in the London Living Wage from £9.75 in November 2016 to £10.20 in November 2017. For Homecare this equates to a 3.75% uplift, with a 2.5% increase across all other placements.

49. The cost of the regular inflationary uplift in the Council's own £2,611k Business Rates bills has been included for 2018/19 at £78k, with a further exceptional £254k to rebase budgets following confirmation of the overall impact of the 2017 Revaluation and unwinding of transitional relief awarded in 2017/18. Provision of 2% continues to be included across

Levies to reflect the impact of both taxbase/population growth and inflationary pressures on levying authorities' budgets.

50. The total requirement of £5,180k has been reduced by £103k to reflect the element of inflationary pressures relating to externally funded expenditure and an expected £500k for 2017/18 inflation funding which is ultimately expected to not be required.

CORPORATE ITEMS

51. There are a range of issues impacting upon the Council's overall budget and therefore managed corporately, including transfer of functions to other bodies, revenue implications of capital investment and operation of the Housing Benefit Subsidy system. It is projected that the net cost of these items can be reduced by £613k in 2018/19.

Table 5: Corporate Items

	2018/19 £'000
New Burdens & Transfers of Responsibility	
Transfer of Residual Education Functions from Local Government	(145)
Adjustments to Funding, Financing & Corporate Budgets	
Movement in Council Tax Older People's Discount	(50)
Rephasing of Capital Financing Costs	0
Housing Benefit Subsidy (Recovery of Overpayments)	(418)
Total Corporate Items	**(613)**

52. A £145k increase in income is included to reflect the full year effect of the transfer of a number of Education functions from base budget to the Dedicated Schools Grant and new specific School Improvement funding streams from the Department for Education. It should be noted that together with the £847k cut in funding arising from the abolition of Education Services Grant, this results in a net pressure of £702k being met from savings proposals across other services.

53. The cost of the Council Tax Older People's Discount continues to fall, with a reduction of £63k in the cost of the scheme during 2016/17, the trend has continued into 2017/18 and expected to allow for a further £50k reduction in the 2018/19 budget.

54. Latest projections in respect of capital financing costs indicate that no additional funding will be required in 2018/19 to manage the on-going costs of historic investment, with the £1,000k allocation from Priority Growth sufficient to manage costs associated with the most recent investment in school place provision. It is expected that up to £60,000k new borrowing will be required during 2018/19, which will be met from a combination of longer term PWLB debt and shorter term borrowing from other local authorities where this provides better value. The full revenue impact of this new borrowing will impact from 2019/20 onwards.

55. Within the Housing Benefit Subsidy system, declining levels of outstanding overpayments and associated requirement for doubtful debt provisions as initiatives such as RTI and

FERIS enable more timely changes to benefit awards are expected to deliver £418k additional income over and above the previous budget.

DEVELOPMENT & RISK CONTINGENCY

56. 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.

57. Table 6 outlines the latest projections for Development & Risk Contingency, with an overall increase of £369k in the cost of contingent budgets reflecting a £3,759k growth in demographic / population-led demand for services being off-set by £3,052k management action and £338k other reductions. This results in a headline 2018/19 contingency provision of £8,929k.

Table 6: Development & Risk Contingency

	£'000
Original 2017/18 Development & Risk Contingency	19,216
Releases to Operating Budgets During 2017/18	(10,656)
Revised 2017/18 Development & Risk Contingency	**8,560**
Demographic / Population-led Growth	3,759
Demand Management / Cost Avoidance Measures	(3,052)
Other Movement in Contingency Requirement	(338)
Increase in Contingency Requirement	**369**
2018/19 Development & Risk Contingency	**8,929**

58. During 2017/18 £9,897k of funding in relation to prior years' growth in the Waste Disposal Levy, Looked after Children and Adults Care Placements has been released into base budgets, reflecting that this activity is no longer contingent on expected population growth. In addition, £759k of funding for Deprivation of Liberty Safeguard assessments has also been released to reflect that this new burden is now being managed with service operating budgets. Following these releases, £8,560k funding remains within Development & Risk Contingency for 2017/18.

59. This draft budget includes £3,759k of projected growth across demographic and population-led expenditure, which reflects latest intelligence and outputs from local modelling. These uplifts include: £1,396k in respect of Transitional Children, £735k increases in the cost of waste disposal, £664k placements for Children with Disabilities, £465k growth in demand for Adult Social Care Placements, £259k for SEN Transport and £537k anticipated growth in the Looked after Children population.

60. Demand management activity is expected to mitigate £3,052k of this projected growth, with initiatives focused on Adult Social Care placements and associated income streams. Specific actions reflected in Development & Risk Contingency include: £1,027k additional

income towards the cost of care packages from both self-funders and partner organisations, £1,062k CHC income in support for care packages with substantial healthcare elements, £606k savings arising from the transfer of clients into Supported Living provision and a £357k efficiency from the Council's new dry recyclables contract.

61. Finally, revisions to a number of non-population-led contingency items are expected to deliver a net £338k reduction in the overall contingency requirement. These adjustments include: £250k increase in General Contingency, £100k reduction in specific provision for the HS2 Challenge fund, a £178k reduction in the expected Apprenticeship Levy, a £147k favourable movement on Winterbourne View contingency to reflect dowry income and a £237k adverse movement on Asylum to reflect changes to the Home Office funding regime. In addition, £400k of contingent income has been included within Development & Risk Contingency to capture the impact of improved investment returns on longer dated investments.

62. The following paragraphs provide an overview of items specifically identified within Development & Risk Contingency, identifying key risks and emerging issues where appropriate:

   a. **Uninsured Claims (£291k provision)** - The level of contingency funding for insurance claims below current excess limits of £100k for Property and £250k for other classes is maintained at £291k for 2018/19. In addition to this contingency provision and £359k base budget, a dedicated Earmarked Reserve for general insurance claims held a further £2,523k at 1 April 2017.

   b. **Impact of Welfare Reform on Homelessness (£1,736k provision)** - The existing level of provision has been retained, with an expectation that numbers of families in Temporary Accommodation could rise by more than 3% during 2018/19 and levels of expenditure sensitive to the proportion of Bed and Breakfast cases and the success of preventative measures. For MTFF purposes, it has been assumed that the full range of preventative activity undertaken by the Council will be sufficient to contain the cost of Homelessness at £1,736k above base budgets. It is assumed that the dedicated Earmarked Reserve for incentives will continue to provide a mechanism to finance prevention activity where appropriate, with £2,388k projected to be held in this reserve by 31 March 2018. Work is underway on costing the financial impact of the Homelessness Reduction Act and Universal Credit reforms announced in the Autumn Budget, with any net additional cost from the combined effect of these measures assumed to be managed from DCLG New Burdens funding and the Earmarked Reserve. Officers will continue to keep this under review and brief Members as appropriate.

   c. **Waste Disposal Levy & Associated Contracts (£1,172k provision)** - Growth of £735k in the underlying cost of Waste Disposal as a result of 1.5% population growth and the anticipated RPI uprating of Landfill Tax to £88.95 per tonne is expected to increase the gross contingency requirement to £1,529k for 2018/19. The recently awarded dry recycling disposal contract is expected to deliver a saving of £357k per annum which reduces the net requirement to £1,172k.

d. **Heathrow Expansion Challenge Fund (£200k provision)** - In order to provide additional capacity to support the Council's opposition to the expansion of Heathrow, £200k of specific contingency provision is included in this draft budget. This is in addition to the dedicated Earmarked Reserve which is currently forecast to hold £309k at 31 March 2018.

e. **Asylum Service (£1,885k provision)** - Provision of £1,885k is included within this draft budget to reflect the costs, both direct and indirect, of supporting Unaccompanied Asylum Seeking Children. This represents a £237k increase in the 2016/17 level of contingency as the changing age profile of the client base is expected to result in reduced grant funding which can only be partially mitigated through the reduced level of support necessary for those clients over 18. Additionally, the new Children and Social Work Act 2017 is expected to place further responsibilities on local authorities to support UASC care leavers up to the age of 25, however, as the Home Office have indicated that new burdens funding will be forthcoming for this responsibility it has not been factored into the 2018/19 contingency requirement.

f. **Looked after Children's Placements (£797k provision)** - During 2017/18 numbers of Looked after Children have remained reasonably stable at between 220 and 230 placements, however, the specific needs of these children are generally quite complex and therefore require use of higher cost residential placements. In line with previous years it is expected that LAC numbers will grow to reflect broader population trends, requiring a 2% or £210k uplift on current costs. The remaining £587k reflects the expected cost of the current cohort of placements.

g. **Support for Children with Disabilities (£367k provision)** - The introduction of the Children's and Families Act 2014 has impacted upon the number of Children with Disabilities remaining within the care of Children's services, with greater numbers and more complex cases coming into the system than transitioning to Adult services. In order to better reflect this area of activity within the MTFF CWD is now presented as a standalone contingency item outside of the broader LAC position.

h. **Social Worker Agency Contingency (£277k provision)** - As the market for recruiting Social Workers remains competitive, specific contingency provision to manage the premium involved in use of agency staff has been retained for 2018/19.

i. **SEN Transport (£443k provision)** - While the on-going implementation of the review of this service is expected to deliver substantial savings across 2017/18 and 2018/19, underlying demographic growth is expected to continue with uplifts of approximately 5% in eligible student numbers. Demographic growth for 2018/19 accounts for £259k of the contingency provision, with the remaining £184k relating to 2017/18 growth.

j. **Adults Placements - Transitional Children (£2,607k provision)** - Latest projections for the number of children transitioning into Adult Social Care provision from both the Council's own CWD cohort and other education settings indicate an uplift of £1,396k on the 2017/18 contingency will be required for the new financial year - equivalent to 39 new clients entering the system during 2018/19.

k. **Adults Placements - General (£1,877k reduction in expenditure)** - The contingency requirement for other Adult Social Care placements is expected to grow by £465k primarily as a result of underlying population growth, with a number of initiatives expected to enable the overall cost of placements to be managed down. Annual uprating of client income to reflect the growing cost of care packages is expected to secure an additional £380k income, while reviews of current client, CCG and Continuing Healthcare contributions are expected to deliver a £1,759k reduction in the net cost of care packages. Finally, the continuing roll out of the Council's expanded Supported Living programme is expected to reduce expenditure by £606k to result in a net £2,230k fall in care placement expenditure from 2017/18. Together with the £353k contingency relating to 2017/18 growth, this results in a net £1,877k reduction in expenditure to be managed through Development and Risk Contingency.

l. **Adults Placements - Winterbourne View (£50k provision)** - As a result of anticipated dowry funding from the NHS, it is expected that the net cost to the Council of Winterbourne View placements will be limited to £50k in 2018/19.

m. **Apprenticeship Levy (£381k provision)** - Latest projections for the Council's 2018/19 Apprenticeship Levy total £381k, which is provided for within Development & Risk Contingency.

n. **Additional Investment Income (£400k contingent income)** - Greater use of strategic and long dated pooled funds is proposed for those cash balances backed by the Council's General Reserves, rather than working capital. This approach would enable returns in excess of 3% per annum to be secured on an element of the Council's cash holdings, outperforming the 0.42% rate of return seen over recent months. Taking the £15,000k minimum level of General Fund Reserves as a proxy for a cash sum which could be earmarked for longer term investments, this is expected secure £400k per annum additional income.

o. **General Contingency (£1,000k provision)** - In order to manage emerging pressures or other volatility, it is proposed that a General Contingency of £1,000k be held for 2018/19.

PRIORITY GROWTH

63. This draft budget includes £2,699k provision for Priority Growth, consisting of £554k brought forward funding, £250k of funding from Earmarked Reserves and £1,895k additional resources identified for 2018/19. This provision is earmarked to support the following initiatives, with £250k retained as unallocated Priority Growth:

    a. £1,000k resources committed to meeting capital financing costs associated with the Council's flagship School Expansions Programme;

    b. £576k provision to support operation of a new Waste and Recycling Centre in the south of the Borough, complementing the existing offer at New Years Green Lane;

    c. £84k investment in a Bulky Waste Collection service for residents;

    d. £250k per annum funding for the Metropolitan Police to 2022/23 in order to support the continued operation of Uxbridge Police Station, alongside further investment outlined in the capital section of this report;

    e. £200k support for an expanded youth offer from the Council, including provision for a grant programme to support independent youth groups;

    f. £200k additional funding for Counter Fraud Activity to ensure the Council protects its finances; and,

    g. £139k further growth for the expanded Museums and Archives Service in addition to the £140k allocated in 2017/18.

64. Alongside the £250k unallocated Priority Growth available to finance further initiatives, the Council retains a base budget of £200k for Hillingdon Improvement Programme (HIP) Initiatives, supplemented by a further £796k Earmarked Reserves to meet emerging or one-off growth requirements.

SAVINGS PROGRAMME

65. The refreshed projections in respect of funding, inflation, contingency, corporate budgets and growth results in a £7,145k savings requirement for 2018/19. The following paragraphs of this report provide detail on savings proposals developed to meet this requirement. Savings proposals are focused on increased efficiency and effectiveness, rather than reduction in service provision, and fall into four broad themes; Service Transformation, Effective Procurement, Income Generation & Commercialisation and Zero Based Reviews.

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

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

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

d. 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 2016/17 and similar exercises being undertaken by Finance.

Table 7: Savings Programme

	Chief Executive's Office £'000	Finance £'000	Residents Services £'000	Social Care £'000	Cross Cutting £'000	Total £'000
Service Transformation	(27)	(526)	(1,190)	(894)	(841)	**(3,478)**
Effective Procurement	0	0	(450)	(300)	(278)	**(1,028)**
Income Generation & Commercialisation	0	0	(347)	494	(250)	**(103)**
Zero Based Review	(31)	(202)	(770)	(1,533)	0	**(2,536)**
Total Savings	**(58)**	**(728)**	**(2,757)**	**(2,233)**	**(1,369)**	**(7,145)**

66. In addition to this programme of savings, £3,052k further initiatives to contain the rising cost of services managed through Development & Risk Contingency increase the overall programme of activity to deliver a balanced budget for 2018/19 to £10,197k.

67. 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 2018/19 is £2,750k, which will be managed through a combination of Capital Receipts and Earmarked Reserves where necessary.

Chief Executive's Office

68. A total of £58k savings have been developed across the Chief Executive's Office, with £27k expected to be secured from a review of staffing structures within Learning and Development alongside £31k from Zero Based Reviews of budgets.

Finance

69. Within Finance, £728k proposals are included within this draft budget, including £526k Service Transformation savings and £202k from Zero Based Reviews. Service Transformation proposals include £375k from a BID Review of the Finance function, £95k from Revenues & Benefits linked to digital strategy and £56k from a review of Health and Safety within Business Assurance. Zero Based Review proposals include £120k from Added Years Pension Costs, £25k from External Audit Fees and £57k from a range of other minor items across the Group.

Residents Services

70. The Residents Services savings programme totals £2,757k and consists of £1,190k Service Transformation proposals, £450k savings from Effective Procurement, £347k Income Generation & Commercialisation and £770k of Zero Based Reviews. Within this total £171k relates to the full year effect of 2017/18 Service Transformation proposals relating to Highways & Street Lighting and Business & Technical Support.

71. New Service Transformation proposals of £1,019k for 2018/19 include: £657k arising from BID Reviews of Waste Services, £150k from a review of the Council's Fleet operations, £120k from the outsourcing of the Telecareline service and £92k from a new approach to managing Emergency Response Officers.

72. Effective Procurement initiatives include £300k savings from various Facilities Management contracts and £150k from a review of the Graffiti cleaning contract, while Income Generation & Commercialisation savings of £347k relate to the planned 20% uprating of nationally-set planning fees. Zero Based Reviews are expected to deliver £770k further savings, including an additional £500k from various income streams within the Parking Revenue Account to reflect current levels of activity (excluding School Keep Clear Zone surplus income which is separately earmarked).

Social Care

73. Across Social Care, £2,233k of savings have been included in this draft budget with £894k Service Transformation proposals, planned efficiencies from Effective Procurement of £300k and £1,533k of Zero Based Reviews being off-set by a £494k adverse movement due to the falling out of time-limited Troubled Families Grant income.

74. Service Transformation proposals include a further £599k from the review of Transport Services, where a range of initiatives are reducing costs while maintaining levels of service, £200k of savings from a BID Review of the Reablement Service and £95k in relation to the full year effect of the 2017/18 in sourcing of Children's Centres.

75. An Effective Procurement saving of £300k is included to capture the benefits of the new Dynamic Purchasing Scheme for Homecare through Electronic Call Monitoring, while Zero Based Reviews capture £1,296k from a rebasing of Care Placement budgets and preventative services, alongside £237k from the review of funding arrangements for the Independent Living Service.

Cross-Cutting

76. Cross-Cutting initiatives included within this draft budget total £1,369k and include £841k Service Transformation proposals, £278k of further procurement savings and £250k from Income Generation and Commercialisation. Throughout the remainder of the budget setting process and into the new financial year, it is anticipated that an element of these savings will be transferred into Directorate budgets as specific proposals are further developed.

77. Service Transformation proposals include a target of £491k to manage the cut in Public Health funding within services historically funded from this grant, £250k from a broader review of the Council's Digital Strategy intended to streamline customer contact in relation to more straight forward issues and £100k from the BID Review of residual Education functions.

78. Alongside this programme of Service Transformation, a target of £278k is retained for the further benefits of Effective Procurement impacting on 2018/19 with £150k additional income expected from the annual review of Fees & Charges and a new £100k saving to reflect the planned roll out of a Supplier Early Payment Programme.

FEES AND CHARGES

79. 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.

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

    a. Music Service - The second phase of planned increases of charges to 90% of neighbouring authorities as outlined in the February 2017 budget report to Cabinet and Council.

    b. Early Years Centres - Increased rates to reflect the likely cost of inflationary pay award on this service.

    c. Adult Education - The second phase of planned increases of charges to 90% of neighbouring authorities as outlined in the February 2017 budget report to Cabinet and Council.

2018/19 - 2022/23 MEDIUM TERM FINANCIAL FORECAST

81. While the immediate focus of this report is on the development of a balanced budget for 2018/19, projections over the medium term have been refreshed and although there remains a level of uncertainty around a number of items it is clear that the Council faces a significant challenge in delivering a further £49,624k savings by 2022/23. The following paragraphs provide an overview of the latest assumptions driving this savings requirement, taking account of the capital investment programme outlined later in this report.

FUNDING PROJECTIONS

82. The latest MTFF assumes that funding from Central Government will fall by £16,946k over the period to 2022/23, primarily as a result of the reductions factored into the multi-year settlement which ends in 2019/20. From 2020/21 onwards it is expected that funding levels will be adjusted to reflect the outcomes of the Government's Fair Funding review, and while such a review is expected to acknowledge Hillingdon's greater than average growth since formulae were last refreshed in 2012/13 there is a risk that treatment by DCLG of capacity to raise Council Tax could wipe out any uplift in funding. In light of this uncertainty it has been assumed that core funding remains fixed in cash terms from 2020/21 onwards.

83. The local Council Taxbase is expected to continue to grow by around 1,200 Band D equivalent properties or approximately 1.2% per annum, which will secure an additional £6,901k additional funding towards meeting the associated costs of a growing population. At present no increases in the headline rate of Council Tax have been reflected in the MTFF, with a 1% uplift securing a further £1,103k of income per annum.

84. An increase of £6,418k in Business Rates revenues is projected over the MTFF period, capturing both expected taxbase growth and the annual uprating of bills by Central Government. The outlook for retained Business Rates income is complicated by the anticipated move to 100% Business Rates Retention from 2020/21 which would retain more income locally, and an associated re-set of funding baselines which would see an element of banked growth redistributed to other authorities. For planning purposes it has been assumed that the impact of these two reforms will balance out to see retained growth maintained at 2020/21 levels going forward.

85. The combined effect of the above funding projections is a £3,627k reduction in resources over the five year period to 2022/23, while the Council faces the challenge of meeting both inflationary and demand-led pressures arising from a growing population. Combined with the unwinding of the previously assumed drawdown from General Balances, this brings the overall reduction in funding to £7,627k.

INFLATION & SERVICE PRESSURES

86. Inflationary pressures of £25,644k are expected to impact upon the Council's £220,695k base budget, with the most significant areas affected being workforce budgets (£11,453k), Social Care Placements (£9,613k) and externally contracted expenditure with both commercial organisations and levying authorities (£4,204k). Latest projections assume that the Council's own workforce receive an average pay award of 1.5% per annum, with a 2.5% assumed increase in employer's pension contributions. Social Care Placement expenditure is expected to be driven primarily by growth in the London Living Wage, expected to remain around 5% per annum over the period, while contracted expenditure is based on an underlying assumption that CPI will return to the 2% Bank of England target rate.

87. Alongside inflationary growth, a £12,241k uplift in the Development & Risk Contingency is included in medium term projections which includes the impact of population growth and demographic changes on Adult Care Placements (£8,528k), Waste Disposal Costs (£4,185k), Looked After Children's Placements (£2,274k) and SEN Transport (£1,644k) being off partially mitigated through a number of measures to manage demand.

88. Taking account of the £10,595k additional funding for Corporate Items and Priority Growth, which primarily relate to funding the Council's capital investment programme, this results in a headline savings requirement of £56,107k. The longer-term impact of the current programme of savings is expected to reduce this sum to a residual gap of £49,624k - of which £18,951k falls in 2019/20, with a further £10,498k for 2019/20.

2018/19 - 2022/23 GENERAL FUND CAPITAL PROGRAMME

BACKGROUND TO CAPITAL PROGRAMME

89. The Council's capital programme, as approved by Cabinet and Council in February 2017, continues to be focused on the provision of sufficient school places to meet rising demand across the Borough. Additionally, provision for major investment across the Borough is included in the budget alongside the recurrent programme of works to maintain local infrastructure.

90. This report provides an update on the current capital programme, refreshed projections for investment in schools expansion from 2018/19, new proposed capital projects and a comprehensive review of all capital financing forecasts. Refreshed school places forecasts indicate lower growth in demand for primary school places than previously estimated and this has enabled the Schools Expansion Programme to be reduced by £11,281k overall.

91. A range of new initiatives are included within this draft budget, including provision for a new swimming pool in the Yiewsley / West Drayton area, expansion of the on-going programme of investment in the Borough's highways, further investment in bowls clubs, provision to purchase Uxbridge Police Station, reprovision of the Hillingdon Outdoor Activity Centre in response to High Speed 2 and commencement of a rolling Borough-wide programme of library and leisure centre refurbishment. Taking account of this additional investment and latest funding projections, there is an overall increase of £37,027k in the Council's borrowing requirement.

92. This programme has been developed with reference to the Prudential Framework, with proposed schemes and the overall programme being tested for affordability, sustainability and prudence. Given the need to consider the full extent of the Council's commitments, financing and borrowing projections outlined below take account of the latest 2017/18 forecast outturn. All associated revenue implications have been factored into revenue budgets through the MTFF and reflected elsewhere in this report.

UPDATE ON CURRENT CAPITAL PROGRAMME

93. As at Month 7, a net overall underspend of £437k is reported on the current capital programme, with a forecast £200k underspend against the Schools Programme and a net underspend of £237k across the remainder of the programme.

94. Within the reported position at Month 7, there remains £7,468k of unallocated contingency across the five year MTFF period and £356k uncommitted budget for 2017/18 Environmental and Recreational Initiatives.

2018/19 - 2022/23 CAPITAL PROGRAMME UPDATES

Schools Expansion Programme

95. The Council's flagship Schools Expansion Programme remains at the centre of the capital programme, with total projected investment of £260,596k to secure 43 additional Forms of Entry (FE) over the period from 2010 to 2023. This represents a reduction of £12,564k and 1 FE from the position reported to Cabinet and Council in February 2017, reflecting reduced forecast growth in pupil numbers and favourable movements in underspends including those declared at 2016/17 outturn.

96. The Primary Schools Expansion Programme phases 1, 2 and 3 are now complete and construction works have commenced on Phase 4 of the programme at two sites. The approved Phase 4 budget of £27,400k provides for three single FE expansions across three sites, however, growth forecasts indicate that demand for primary school places is plateauing in the north of the Borough. As a result demand can be contained from the two expansions that are proceeding and it is therefore proposed to reduce the Phase 4 budget by £12,074k. This reduction also includes savings on the tendered prices for the two live expansions. The construction of the permanent expansions at these two sites are planned to be complete by September 2018.

97. The latest population growth forecast in the Secondary sector confirms the previously reported demand requirement of this programme as 13 FE inclusive of a 1 FE requirement in 2017/18. Therefore, there are no proposed changes to the existing Secondary Schools Expansion Programme budget of £55,900k. Two school expansions are currently undergoing the planning approval process with construction works expected to commence next year. These expansions will provide three forms of entry in total by September 2019.

98. The existing secondary schools expansions budget has been set with the assumption that 6 FE demand will be met through the provision of a new free school in the north of the Borough. However, it is unlikely that free school provision will be delivered by the ESFA by September 2019 as a site has not yet been identified. It is expected that a 2 FE shortfall in September 2019 will be met through provision of bulge classes. To ensure there is sufficient budget provision for this it is proposed to increase the existing temporary classrooms budget to £4,000k. This represents an increase of £353k from the existing budget provision, as uncommitted funding for temporary classrooms from the former Primary Schools Programme is reallocated to this budget heading, giving flexibility to meet temporary demand pressures across both primary and secondary programmes.

99. A provision of £250k has been added to the schools programme to support Meadow School to allow for a larger dining hall as part of phase 2 of the Department for Education Priority Schools Building Programme.

100. The demand pressure of pupils with additional needs is expected to be met through a combination of the existing budget for three Special Resource Provision (SRP) units being delivered and two free special school proposals that are supported by the Council. The Government has awarded SEN grant to Hillingdon amounting to £2,916k over the period 2018/19 to 2020/21. In order to access the funding the authority will be required to

develop formal plans in consultation with parents, carers and providers on the most efficient use of the funding. The deadline for submission of the plan to secure the grant is March 2018.

101. In the capital financing budget it is proposed to partially allocate the SEN grant towards the existing 2 SRP planned provision within the Secondary Schools Expansion Programme. It is also proposed to finance the existing budget provision of £1,200k for future SRPs in 2019-21 from the grant, reducing forecast Prudential Borrowing. A further £440k remains unallocated from the grant and it is assumed this will be utilised for further SRP needs that are identified.

102. Confirmed Basic Needs funding within the existing Schools Expansion Programme up to 2019/20 amounts to £23,025k with a further £8,850k in the approved budget currently assumed for the period 2019-21. A further £4,500k funding is assumed for 2022/23.

Proposed Additions and Amendments to the Capital Programme

103. Alongside the refreshed Schools Expansion Programme, proposals for new General Fund capital projects and amendments to existing schemes totalling £82,577k have been developed for consideration and potential inclusion in the capital programme. These are outlined in the following paragraphs.

Self-Financing Developments

104. Woodside GP Surgery - it is planned to redevelop the former Woodside Day Centre to provide shared ownership flats and a GP Surgery on the ground floor. The residential development will be resourced from the HRA with the cost of the surgery, initially estimated at £1,939k, charged to the General Fund. It is expected that this capital investment will be recouped over time through lease rental income.

Main Programme

105. Proposed new additions to the main programme include the following projects:

a. Yiewsley / West Drayton Swimming Pool - In view of the increase in population there is a requirement for additional swimming facilities which will be provided in the Yiewsley / West Drayton area. Feasibility work is to be carried out investigating potential sites and costs are not yet established, however, based on previous swimming pool provision at Botwell Leisure Centre an initial pre-feasibility estimate of £30,000k is included in the draft budget. The estimated timescale for the project is three to four years with construction starting on site around 2019/20 after design and obtaining planning approval.

b. Hillingdon Outdoor Activity Centre (HOAC) Re-provision - The Council has successfully negotiated funding of £26,500k from 2018/19 from the government sponsored HS2 Ltd to relocate the Hillingdon Outdoor Activity Centre from its current site near Harvil Road to a new site at Denham Quarry. Planning permission will be required followed by the installation of temporary buildings as

HOAC needs to be operational in 2018/19 with subsequent permanent construction thereafter. However, £250k is assumed in the current financial year for feasibility and initial costs as the project requires quick commencement to meet the time requirements for HOAC to be operational on the new site when the current site is vacated.

As the project will be fully externally funded there is no impact on prudential borrowing for budgeting purposes, however, the cash flow arrangements for accessing the funds require to be finalised, with a formal funding agreement to be drawn up.

c. Uxbridge Police Station - provision of £4,500k for the purchase of this community asset, which together with revenue support of £1,250k over five years is intended to maintain funding for a continued Metropolitan Police presence in Uxbridge.

d. Botwell Leisure Centre Football Pitch Replacement - in 2009 the Football Foundation provided a £250k grant to build a 3G pitch at Botwell Leisure Centre. There is an expectation on their part that the Council will replace the playing surface after a recommended 10 years. GLL have been completing the required maintenance on the pitch and the Football Foundation have advised that the pitch has an estimated remaining lifespan of four years meaning that it will need replacing in 2021. The cost of replacement estimated by the Football Foundation is £200k.

106. Increases in expenditure budgets are required to augment several existing projects and programmes. These include the following:

a. Vehicle Replacement Programme - a review of existing Fleet operations has been undertaken by external consultants who have proposed a change management programme to consider replacing some hired vehicles with outright purchases, as well as continuing replacement of existing owned vehicles. The recommendations include capital expenditure of £275k to improve workshop facilities and fleet management systems. Based on the existing fleet the total budget increase amounts to £7,761k up to 2022/23 with some ongoing replacement on an annual basis thereafter. However, the recommendations and future fleet requirement are currently under review and the overall budgetary requirement is subject to change prior to the final proposed budget to be submitted to February Cabinet.

b. CCTV Programme - further capital investment need, initially estimated at £1,650k over the next three years, has been identified to expand, upgrade and improve CCTV coverage across the Borough. The budgetary requirement is subject to change as the programme is developed.

c. Bowls Club Refurbishment Programme - investment in refurbishment of bowls clubs across the Borough has been increased to £500k in each of 2018/19 and 2019/20, to be wholly funded from the Council's own resources.

d. Inspiring Shopfronts - a further £200k funding is added to the 2019/20 budget to offer shopfront grants and design assistance. This would represent a future phase of the Inspiring Shop Fronts Programme to be rolled out within New Parade along the Uxbridge Road, Hayes End and Kingshill Avenue Parade, Hayes and Ruislip Town Centre.

Programmes of Works

107. Overall, this report sets out a £20,031k increase in capital investment across the five year programme, inclusive of an amount of £14,319k added for existing programmes for 2022/23. This is partly financed from additional grants and contributions totalling £9,217k. Significant changes are on the following programmes:

a. Highways Refurbishment Programme - £11,000k of funding for the Council's rolling programme of carriageway renewals has been included in this draft capital programme over the period to 2022/23. This builds upon substantial investment in recent years, ensuring that standards are maintained across this vital infrastructure.

b. Libraries & Leisure Centre Refurbishment Programmes - a rolling programme of refurbishment for the Borough's libraries is to be developed as it is the tenth anniversary of the opening of the first refurbished library and the busier sites are showing signs of wear and tear. It is also proposed to replace the lighting with LED bulbs which should reduce energy costs and also improve ICT infrastructure based on customer feedback.

   Specific needs and priorities are in the process of being identified, however, for the draft budget an amount of £3,000k over three years is included. The figures will be subject to change once detailed works are costed and phased. A further £2,250k has also been to the programme of works to support the rolling refurbishment of the Borough's leisure centres.

c. Corporate Technology & Innovation - the existing programme can be reduced by £814k mainly due to a significant change to the Windows 10 transition programme, by upgrading memory on existing hardware to ensure compatibility, rather than replacing machines outright.

d. School Conditions Building Programme (SCBP) - with fewer schools converting to Academy status than previously expected, the need for condition works to support building infrastructure at maintained schools continues to remain high. It is therefore recommended that for future years from 2019/20 the Capital Maintenance Grant is applied to the SCBP in full, where previously it has been partly allocated towards conditions improvements provided within the Schools Expansions programme. The financial impact of this will be to increase Prudential Borrowing by £2,581k on the Schools Expansion Programme as this is the amount of assumed future grant that will be reallocated to the SCBP.

   Prior to commencement of works, contributions from the individual schools requiring condition works will continue to be sought and agreed in line with the approved schools contributions policy.

CAPITAL FINANCING AND REVENUE IMPLICATIONS

108. In considering the funding strategy for the proposed capital programme and its associated revenue implications, it is necessary to include commitments in the current financial year in order to capture a comprehensive view of the Council's programme of investment. As such the following financing overview covers the period from 2017/18 to 2022/23.

109. Projections in respect of capital income streams have also been refreshed. Table 8 below provides a summary of capital expenditure and financing included in this programme.

Table 8: Capital Financing

	2017/18 £'000	2018/19 to 2022/23 £'000	Total £'000
Schools Programme	10,885	68,769	79,654
Main Programme	19,658	133,190	152,848
Self Financing Developments	150	29,408	29,558
Programme of Works	29,274	81,036	110,310
Development & Risk Contingency	2,000	7,500	9,500
Capital Expenditure	**61,967**	**319,903**	**381,870**
Prudential Borrowing	18,118	121,684	139,802
Capital Receipts	20,459	59,955	80,414
Community Infrastructure Levy	2,500	26,500	29,000
Council Resources	**41,077**	**208,139**	**249,216**
Government Grants	18,034	84,202	102,236
Other Contributions	2,856	32,062	34,918
Capital Financing	**61,967**	**324,403**	**386,370**

110. Capital Receipts of £80,414k over the period from 2017/18 to 2022/23 are now forecast, with a reduction of £2,979k from existing budgets mainly due to lower forecast General Fund share of Right to Buy (RTB) sales. Provision of £9,361k in respect of as yet unidentified surplus assets to be sold from 2018/19 onwards is included in the financing budget. Whilst this remains a risk this represents a reduction of £4,463k on this target as at February 2017, with this being achieved through a combination of increases in market values and identified new disposal sites. In addition to this main disposals programme, further Capital Receipts will be identified and secured to meet the estimated £2,750k service transformation costs for 2018/19 which are eligible for capitalisation.

111. Due to uncertainties in both the level and timing of future Community Infrastructure Levy (CIL) receipts the forecast has been reduced by £3,400k from existing budget assumptions. CIL receipts are mainly driven by forecast levels of residential development over the next five years with smaller elements relating to office, industrial and hotel developments and are affected by external economic factors. A further £5,500k is assumed for 2022/23 at a similar level to current assumptions.

112. Additional Section 106 contributions totalling £121k in respect of affordable housing have been received and included in the financing budget to support the General Fund

discounted market sale housing development at Belmore Allotments. Additional Education balances totalling £557k have been received in 2017/18 and it is anticipated that they will be utilised to support the existing Schools Expansion Programme. The budget includes £1,683k Highways related balances to supplement the Hayes Town Centre and Transport for London programmes including Crossrail complementary measures. The funding of £26,500k from HS2 Ltd for HOAC re-provision is categorised under Other Contributions in the above table.

113. There continues to be limited intelligence relating to grant awards beyond 2018/19, however, the majority of existing funding streams are expected to continue over the medium term. This position will remain under review and the implications of any variances between actual awards and assumptions reported to Cabinet as appropriate.

114. As a result of the programme changes outlined in this report, the Council's borrowing requirement over the period to 2022/23 is expected to increase by £37,027k from £102,775k to £139,802k, mainly as a result of the new major project additions and increases to existing programmes detailed earlier in the report. The table below sets out the movements in the Prudential Borrowing requirement arising from the proposed refresh of the General Fund capital programme:

Table 9: Prudential Borrowing

	2017/18 £'000	2018/19 to 2022/23 £'000	Total £'000
Approved Budget for Prudential Borrowing	**29,968**	**72,807**	**102,775**
Prudential Borrowing Forecast Month 7	**(12,891)**	**6,642**	**(6,249)**
Expenditure Changes			
Schools Expansions Programme	1,932	(12,963)	(11,031)
Main Programme	1,132	70,531	71,663
Self Financing Developments		1,939	1,939
Programme of Works	4,983	22,598	27,581
General Contingency		2,032	2,032
Financing Changes			
Capital Receipts	(5,959)	5,805	(154)
Additional Section 106		(121)	(121)
CIL 2022/23		(5,500)	(5,500)
SEND Grant		(2,916)	(2,916)
HS2 Funding		(26,500)	(26,500)
Grants and Contributions 2017-2023	(1,047)	(12,670)	(13,717)
Revised Prudential Borrowing Budget	**18,118**	**121,684**	**139,802**
Increased Borrowing Requirement	**(11,850)**	**48,877**	**37,027**

2018/19 HOUSING REVENUE ACCOUNT (HRA) BUDGET AND 2018/19 - 2022/23 HRA CAPITAL PROGRAMME

115. The budget proposals for 2018/19 are based on the seventh full year of self-financing for the Housing Revenue Account. 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.

116. This budget includes the 1% per annum reduction in rents up to 2019/20 and thereafter an increase of CPI+1% to reflect Government policy. It also assumes that Hillingdon remains within the Right to Buy (RTB) retention scheme over the MTFF period, with these contributing towards a programme of substantial investment in new General Needs and Supported Living units. In the ongoing absence of any formal notification that the High Value Void is still going to be implemented the budget makes an allowance for this from 2019/20.

UPDATE ON 2017/18 HRA BUDGET

117. Development of the 2018/19 Housing Revenue Account budget builds upon the 2017/18 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, a deficit of £10,350k is projected on the HRA, a favourable variance of £1,314k compared to the budget, resulting in forecast unallocated general balances of £35,476k at 31 March 2018. The budgeted HRA deficit in 2017/18 reflects the phasing of HRA capital investment, with significant programmed spend on General Needs and Supported Housing schemes in this year.

118. Variances within the £1,314k reported underspend include: rent and other income favourable variance of £293k, housing management overspend of £420k; tenant services underspend of £367k, mainly due to caretaking and sheltered housing staffing related costs; planned maintenance and repairs underspend of £1,177k due to the validation, procurement and consultation timetables required to deliver these; and interest and investment income overspend of £103k.

119. There were 40 properties sold through RTB arrangements between April and October 2017. Significant investment outlined in the HRA capital programme will support the replenishment of housing stock and avoid repayment of retained receipts with punitive interest charges.

2018/19 HRA BUDGET PROPOSALS

Budget Requirement 2018/19

120. The movement from the 2017/18 baseline to the 2018/19 budget requirement is summarised below, with rental income projections and budget requirement levels updated and refreshed. The budget includes a contribution to support in-year capital investment of £38,955k and a £21,800k drawdown from General Balances. This planned use of balances reflects increased investment in new housing stock across a range of

programmes, required as part of the Council's commitment under the RTB retention agreement. This agreement specifies that 70% of the cost of reprovision needs to be funded from HRA resources (either revenue or borrowing). Notwithstanding this requirement for capital investment the underlying financial position of the HRA remains robust.

Table 10: HRA Budget Requirement

	£'000
Funding Sources Rental Income	55,725
Total Resources	**55,725**
Budget Requirement 2017/18	39,111
Inflation	38
Corporate Items	213
Development and Risk Contingency	2
Savings	(794)
Budget Requirement 2018/19	**38,570**
Contribution to Finance Capital Programme	**38,955**
Planned Drawdown from Balances	**(21,800)**

121. Appendix 7 to this report continues this presentation over the MTFF period, with unallocated General Balances maintained at a minimum level of £12,000k. Rental income assumptions for 2022/23 are expected to achieve £61,256k, meeting repayment of debt under self-financing £15,686k, contribution to fund capital expenditure on existing and new stock of £21,118k and repairs & management costs of £24,452k.

Rental Income

122. 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, prospective sales to pay for the High Value Voids Levy from 2019/20 and properties being sold under the RTB scheme. This budget has been prepared on the assumption that there is a decline in RTB sales falling from 85 in 2018/19 to 60 over the medium term.

123. 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 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, which aimed to reduce the welfare bill by £12bn by 2019/20. Rental increases revert to CPI + 1% in 2020/21 in line with the DCLG confirmation in October 2017 of a 5 year rent settlement, whereby the social housing rent increase will be limited to CPI + 1% per annum between 2020/21 to 2024/25. 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 £55,725k.

Balances and Reserves

124. HRA general balances are projected to reach £35,476k by 31st March 2018, representing 64% of rental income for 2018/19. It is proposed to keep the minimum level of HRA balances 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 total resources. 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

125. A net inflation provision of £38k is included in the 2018/19 budget. This relates to inflation of £148k on salary and operating costs, and £110k inflation on charges to tenants and leaseholders.

126. The repairs and planned maintenance works budgets has no inflation added in 2018/19, however, inflation has been added for the remainder of the MTFF. A zero based budget review was completed for the repairs and planned maintenance service and the 2018/19 budgets reflect the need to maintain sufficient level of resources to fund the works required.

Corporate Items

127. Movements contained within Corporate Items include changes in provision for capital financing costs, changes in balances and other presentational changes. The net movement of £213k shown in Appendix 7a consists of realignment of budgets relating to RTB administration income of £85k and Independent Living service recharges of £100k and a £28k reduction in interest earned on reduced balances.

Development & Risk Contingency

128. The HRA budget includes contingency budgets totalling £1,740k to meet emerging risks and pressures during 2018/19. This includes £880k provision for bad debts, £180k for future development provision and £680k is identified as General Contingency including housing zone costs. This represents a marginal £2k uplift on the 2017/18 level of contingency funding.

Savings

129. The 2018/19 proposed savings total £794k and are summarised in Appendix 7b.

130. A zero based budget review was completed for the repairs and planned maintenance service and the budgets reflect the need to maintain sufficient level of resources to fund the works required, the result of which is a saving of £310k.

131. A further saving of £157k is proposed as part of the housing service efficiency review.

132. The September 2017 Cabinet report on the Telecare and out of hours call monitoring service approved the externalisation of the service. The impact on the HRA is a saving of

£327k per annum for the duration of the 3 plus 1 year contract. The permanent saving has been built into the HRA budget.

High Value Voids Levy

133. The Government indicated during 2015 that as part of agreeing a deal with Housing Associations to start a RTB scheme the funding for this would be generated from councils selling their high value void properties. In the recent Autumn Budget documents published by the Treasury the budget of the RTB for Housing Associations tenants pilot is zero for 2018/19 and £85m for 2019/20, which suggests that the introduction of the levy may at the very least be delayed with any resulting impact on HRA finances unclear at this point.

134. Given the remaining uncertainty around the implementation of the levy, the HRA budget reflects a prudent approach with the first year of the levy now assumed to be 2019/20. It is assumed that the levy payments will be met from the proceeds of selling high value void properties, with the resulting marginal annual reduction in housing stock reflected in future rental income projections.

Medium Term Outlook

135. On the basis of current modelling, the financial standing of the HRA is expected to remain robust over the current MTFF period and over the longer 30 Year Business Plan period. This modelling assumes that the current legislative, policy, economic and housing market conditions do not materially change over the medium term.

136. Rental income is projected to remain reasonably steady over the period to 2022/23, reaching £61,256k as a result of 1% per annum reductions in headline rents for sitting tenants until 2019/20 and 3.1% uplifts linked to RPI thereafter. This projection assumes that void rates will remain at 1%, with property numbers expected to remain broadly consistent as 464 properties are sold and 545 acquired over the MTFF period.

Table 11: Projected Movement in Housing Stock

	2018/19	2019/20	2020/21	2021/22	2022/23	Change
Projected Opening Stock	10,010	10,109	10,103	10,183	10,128	N/A
Forecast Right-to-Buy Sales	(85)	(60)	(60)	(60)	(60)	(325)
Forecast Sales (High Value Voids Levy)	0	(35)	(35)	(35)	(34)	(139)
New General Needs Units	36	55	98	40	57	286
New Supported Housing Units	148	12	0	0	0	160
Shared Ownership	0	22	77	0	0	99
Projected Closing Stock	**10,109**	**10,103**	**10,183**	**10,128**	**10,091**	**81**
Projected Average Stock	10,060	10,106	10,143	10,156	10,110	N/A

137. Projected property sales relate to the continuation of existing RTB discounts, with numbers of sales expected to fall to 60 per annum by 2019/20 following the recent uplift in sales linked to the increase in levels of discount from 2013, although volumes of sales will be dependent upon market conditions. In addition, projected stock numbers take account of

the limited number of sales required to finance the High Value Voids levy should this come into effect from 2019/20.

138. By 2022/23 inflationary growth in workforce repairs and other costs, alongside other movements in the cost of delivering revenue services within the HRA will result in a £40,138k budget requirement. Taking account of the on-going capital investment in maintaining existing stock estimated at £12,186k, this would leave a balance of £8,932k from annual rental income available to finance investment in new stock while maintaining unallocated General Reserves at £12,000k to meet any emerging pressures.

139. The draft capital programme set out below outlines £164,254k of investment to deliver the 464 assumed new build properties or acquisitions over the MTFF. Under the current 1:1 replacement scheme, the Council is able to finance up to 30% of this investment from the proceeds of Right to Buy sales within a three year period after the sale. This mechanism provides £55,201k towards this investment, with £64,024k financed from direct revenue contributions and the remaining £45,029k to be met from Prudential Borrowing.

140. Of the 464 new dwellings included in this draft budget, 68 are to be financed in part from projected Right to Buy sales during 2018/19 and later years. In the event that either the Government reviews operation of the scheme or the Council opts out from 1 April 2018, capital investment plans could be reduced by £54,231k, with £21,545k borrowing and £16,531k revenue contributions no longer required.

141. The HRA remains subject to a cap on the overall level of borrowing, with the Council projecting £103,622k capacity available at 31 March 2018 which remains more than sufficient to finance the development programme outlined below. The primary constraint on borrowing to support further investment in new stock remains the affordability and sustainability tests within the Prudential Code, whereby it is necessary to demonstrate that future rental income and growth in asset values will be sufficient to repay borrowing related to specific new projects.

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Background to Capital Programme

142. 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 programme is contained in Appendix 7c.

Update on Current Programme

143. As at Month 7 the major projects programme is forecast to underspend by £1,768k in 2017/18 and £3,675k over the period 2017-2022, which is attributable to the revised scope of the Supported Housing Programme.

2018/19 - 2022/23 HRA Capital Programme

144. As outlined above, this budget includes £54,461k provision for investment in existing housing stock, including £6,172k of funding for major adaptations to properties. This level of provision reflects the latest programme of works proposals including inflation aligned to BCIS indices.

145. The capital programme contains provision of £164,254k to fund delivery of 545 new homes within the HRA over the period to 2022/23. These new build units will be financed from a combination of Capital Receipts from RTB property sales retained under the 1:1 Replacement Agreement, direct revenue contributions from the HRA and borrowing. This new build programme consists of the following elements:

    a. For general needs housing (HRA), a provision of £135,144k is included to support the construction or purchase of 286 new properties within the HRA, funded through 30% RTB proceeds and 70% revenue contributions.

    b. This programme provides broad provision for both schemes that are internally developed and acquisitions of new build houses from private developers and buy-backs of ex Council stock previously sold through RTB. A number of these acquisitions and developments are yet to be identified but there are a number of schemes that are being actively progressed. Some of the key projects include: 19 units at Acol Crescent, 38 units at the mixed tenure site at Belmore Allotments which also includes a further 43 shared ownership units, 28 new units across Maple & Popular and the Willow tree site plus 22 units across a range of 6 smaller sites.

    c. £15,448k has been built into the programme for New Build Shared Ownership to deliver 99 units; which includes 20 new units at the Woodside Day Centre site alongside the accommodation for 2 GP surgeries, the 43 units at Belmore noted above, a further 17 units at Maple & Popular,14 units at Acol Crescent, plus 5 units at Moorfield Road.

d. A budget of £13,662k is included which will see the completion of 148 new units across the 2 large supported housing projects at Grassy Meadow site and the Parkview site in 2018. A further additional 12 units are planned for the Yiewsley site to follow in 2019/20. These will be funded from 30% RTB Receipts and 70% revenue contributions. As noted within the Adult Social Care savings section of this report, these projects will support the wider re-ablement agenda and reduce the Council's reliance on residential care placements.

146. In addition to the £164,254k 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 capital section of this report. Finally, provision of £2,500k for HRA Capital Contingency is included within this draft budget in order to respond to emerging risks and issues.

RESIDENT BENEFIT & CONSULTATION

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

147. The draft budget proposals within this report result in a zero increase in Council Tax for the tenth successive year. The Medium Term Financial Forecast sets out the resources available for delivering the Council's objective. The effects on residents, service users and communities are therefore extremely wide ranging and managed through the performance targets and outcomes that will be delivered through the resources approved through the budget setting process.

148. The draft budget for 2018/19 has been developed with due regard to on-going reductions in Government support for local services, while minimising the impact on the level of service provision to residents. Overall, the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business by improving Value for Money in delivery and maximising funding, procurement, efficiency and service gains where possible.

Consultation carried out or required

149. Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2018. 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 15 February 2018. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 22 February 2018.

150. 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 the remainder of December 2017 and January 2018. Schools Forum will also be consulted on those proposals that have a potential impact on schools budgets. Where appropriate, 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.

151. This report includes a recommendation to aligned the local Council Tax Reduction Scheme with the Housing benefit regime, which is intended to assist understanding by claimants and for ease of administration. These proposals were approved by Cabinet for public consultation on 22 June 2017, with a public consultation exercise being completed from 4 September to 16 October 2017 in which 101 responses were received. The majority of respondents either agreed or strongly agreed with proposals, with further analysis of these results provided in Appendix 9.

CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

153. 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.

154. 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.

155. 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.

156. 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 22 February 2018. Its report will reflect the comments made by consultees and its response to them.

Comments from other relevant service areas

157. 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 Cabinet (16 February 2017) and Council (23 February 2017) - The Council's Budget: Medium Term Financial Forecast 2017/18 - 2021/22