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
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Papers with report	Appendices 1 to 14

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. Overall there will be an increase in the level of Council Tax as although the revenue budget proposals result in a freeze on the Hillingdon element at 2017/18 levels, there is a proposed increase of 5.1% on the Greater London Authority (GLA) precept. This equates to a £14.21 increase for Band D properties. The Housing Revenue Account budget proposals continue to underpin the self financing regime and include rent decreases of 1% in line with Government direction. Cabinet are requested to recommend their budget proposals to Council on 22 February 2018. This is in order to formally set the General Fund revenue budget, the Housing Revenue Account budget, the Capital Programme and Council Tax for the 2018/19 financial year.
Putting our Residents First	This report supports the following Council objectives of: *Our People; Our Natural Environment; Our Built Environment; Our Heritage and Civic Pride; Strong Financial Management.*

	The Medium Term Financial Forecast is the financial plan for the Council and contains the funding strategy for delivering the Council's objectives.

Financial Cost	Zero increase in Council Tax for the 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 approves for recommendation to Council:

1) **The General Fund and Housing Revenue Account budgets and Capital Programmes outlined in appendices 1 to 7;**

2) **Proposed amendments to Fees & Charges included at Appendix 8;**

3) **The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Statement for 2018/19 to 2022/23 as detailed in Appendix 10;**

4) **The proposed London Borough of Hillingdon Pay Policy Statement for 2018/19 set out at Appendix 11;**

5) **The proposed Housing Rents Policy set out at Appendix 12;**

6) **That it resolves that Cabinet may utilise the general reserves or balances during 2018/19 in respect of those functions which have been reserved to the Cabinet in Article 7 of the Constitution (as set out in Schedule G of the Constitution - Budget and Policy Framework Procedure Rules).**

That Cabinet notes:

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

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules. They facilitate the presentation to Council of recommended budgets for 2018/19, including the impact on Council Tax, alongside housing rents and service charges. Council will be requested to approve the proposals put forward by Cabinet. If approved by Council without further amendment they will be effective immediately.

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. The Treasury Management Strategy has also been refreshed, setting out the framework under which the Council will borrow and invest over the MTFF period.

Both Cabinet and Council should give full consideration to the Corporate Director of Finance's comments under the Local Government Act 2003 and the need to ensure sufficient resources are available in balances and contingencies in the event of any significant adverse changes in the Council's funding environment. These comments are set out from paragraph 161 of this report.

The Localism Act 2011 requires local authorities to publish a Pay Policy Statement annually. This Pay Policy Statement must set out the authorities' policies for the financial year relating to remuneration of its Chief Officers; remuneration of its lowest paid employees; and the relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers. The proposed 2018/19 policy is included as Appendix 11 to this report.

Alternative options considered / risk management

Growth proposals included in the budget could be removed and either the Council Tax requirement reduced or alternative items substituted for them. Similarly, further items could be added to the budget requirement either through additional growth, increased provision for risk, or by reducing the package of savings. Council Tax could then be increased accordingly within the constraints imposed by the Government's capping regime, which would limit any increase to 2.99% of general Council Tax and a further 3.00% in the form of a Social Care Precept. The current budget proposals reflect no increase in the Hillingdon share of Council Tax. A change in the budget requirement of £1,103k either way (increase or decrease) will result in an increase or decrease of 1.0% in the level of the Council Tax, equivalent to £11.13 per annum at Band D level.

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

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

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

The Development and Risk Contingency identifies the key risks and uncertain items for which provision is contained within the revenue budget. Reduction of this provision is not recommended. This would otherwise increase the likelihood of unfunded pressures emerging into budget monitoring in the 2018/19 financial year. The Capital Programme also includes a contingency sum to manage financial risk on key schemes. In addition, unallocated balances are held within the range recommended by the Corporate Director of Finance. Whilst further contributions from balances could be made, any reduction in balances to below the lower limit of this range is not recommended.

Policy Overview Committee comments

Full report on the budget process, financial strategy and detailed budget proposals for services within the remit of each Policy Overview Committees were presented for review at meetings during January 2018, with comments from each committee presented in Appendix 13 to this report.

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, support for first time buyers, £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 13% 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 Income Generation. 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 more than 25% of current expenditure.

4. An update on the Council's Capital Programme is also presented in this report, with £435,510k 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, pump priming for the Council's new Housing Company, 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 the required 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 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 second report to Cabinet on the budget for 2018/19, refreshing the position outlined in the draft budget approved by Cabinet in December 2017. In February 2017 the savings requirement for 2018/19 was estimated to be £16,117k, which was 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 stood at £10,197k in December 2017, rising to £56,107k over the five year MTFF period. Since publication of the draft 2018/19 budget in December 2017, further indications of the likely level of pay inflation amongst other new intelligence has resulted in the 2018/19 budget gap being revised upwards to £10,655k; and the five year gap to £60,211k.

8. Groups have been developing savings proposals 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 2017, 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 and subsequent work, 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 people 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 £1,102k is reported on normal operating activities at Month 9. This position incorporates a £839k 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 £152k reported on Looked After Children placement costs, Asylum income and SEN Transport. The following positions are reported on individual Directorate Operating Budgets:

    a. Chief Executive's Office (£1k underspend) - No material variance reported at Month 9.

    b. Finance (£296k underspend) - This is due to staffing underspends arising from the early implementation of 2018/19 savings proposals.

    c. Residents Services (£388k underspend) - This includes a combination of staffing underspends totalling £1,648k 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 (£154k underspend) - Across the Directorate an overall underspend 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 9, £15,141k savings are either banked or on track for delivery during 2017/18, with £367k savings being classed as amber due to slippage, although these are expected to ultimately be delivered in full.

13. The reported position at Month 9 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 £4,434k 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 £38,894k 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.

HILLINGDON LONDON

CHANGES SINCE REPORT TO CABINET ON 14 DECEMBER 2017

16. The table and narrative below outlines the changes to the recommended budget proposals from the report considered by Cabinet on 14 December 2017, with marginal movements in funding projections and new proposals sufficient to off-set a higher level of workforce inflation than previously anticipated. Each of these items is also considered in the relevant section of this report.

Table 1: Changes since December Cabinet

	Movement from December 2017 2018/19 Draft Budget £'000	£'000
Projected Collection Fund Surplus	(9)	
Restated Business Rates Tariff	90	
Reduced Revenue Support Grant	93	
Revised Public Health Grant	(28)	
Adult Social Care Support Grant	(650)	
New Homes Bonus Topslice	(214)	
Housing Benefit Administration Grant	158	
Extended Right to Free Travel Grant	2	
Refreshed Funding Forecasts		**(558)**
Funding for Local Government Pay Award Offer (2.5% total cost)	1,149	
TfL Concessionary Fares Levy	(133)	
Latest Inflation Estimates		**1,016**
Release of Unallocated Priority Growth	(250)	
Museums & Archives Service	221	
Fireworks Noise Nuisance Response Team	29	
Release from Earmarked Reserves to fund one-off initiatives	(683)	
University Bursaries to mark centenary of the end of World War I	320	
Recycling Initiative Pilots	200	
Early Years Centres Subsidy	122	
Drainage Officer Post (1 Year Extension)	41	
Net Cost of New Priority Growth		**0**
Public Health BID Review	28	
BID / Service Transformation Savings	(486)	
Updated Savings Programme		**(458)**
Net Impact on 2018/19 budget		**0**

17. Following approval of the draft 2018/19 budget by Cabinet in December 2017, a minor £9k favourable movement in local Council Tax collection projections has been accompanied by a number of external funding announcements resulting in a net £90k adverse movement in resources available to support local services. This £90k adverse movement includes:

a. A net £90k loss of locally retained Business Rates income following a late revision to the Tariff set by MHCLG during January 2018, after initial Tariff figures had been published on 19 December 2017. This represented an additional loss of funding after a £93k reduction in Revenue Support Grant was incorporated into the Provisional Local Government Finance Settlement published on 19 December 2017. This position was confirmed in the Final Local Government Settlement published on 6 February 2018.

b. In response to concerns raised around the longer term sustainability of Social Care funding, MHCLG announced a one-off Adult Social Care Support Grant for 2018/19 to be funded from departmental underspends. Hillingdon's share of this £150m grant has been set at £650k.

c. A marginal £28k improvement in assumed Public Health funding reduced the year on year cut in the grant to £463k, was accompanied by a £214k favourable movement as confirmation was received that substantially reduced New Homes Bonus awards would not be further cut as had been anticipated. In addition, a £158k adverse movement on the Housing Benefit Administration Grant was announced, with a marginal £2k adverse movement on the Extended Rights to Free Travel Grant.

18. During January 2018, a pay offer for London local government employees was presented to unions - reflecting a 2% inflationary uplift for all grades in 2018/19 with additional uplifts for those employees on Spinal Column Point 19 and lower of the main pay scale. The additional cost of this level of uplift has been calculated at £1,149k and incorporated into this latest budget. Confirmation of the TfL Concessionary Fares levy at £133k lower than previously anticipated reduces the net cost of additional inflation to £1,016k.

19. The £250k balance of Unallocated Priority Growth included in the December budget report has been released to support £221k additional investment in the newly refurbished Battle of Britain Bunker on former RAF Uxbridge site and provision of £29k to ensure a team is in place to respond to anti-social noise from fireworks during festivals and holidays.

20. In addition, a further £683k is to be deployed from Earmarked Reserves to provide:

a. In commemoration of the end of the 1914 to 1918 war, funding of £140k and £180k totalling £320k for bursaries to support local children with the cost of university tuition;

b. A dedicated £200k fund to support new recycling initiative pilots;

c. £122k to cover any potential subsidy required for Early Years Centres following the Schools Forum decision to cease Dedicated Schools Grant Support funding with effect from 1 April 2018. This will supplement £200k which will be earmarked in balances at the end of 2017/18 from unallocated Youth Priority Growth; and,

d. £41k to support a drainage officer post for a further year after Government funding has been depleted.

21. The higher than anticipated Public Health Grant award has enabled the related saving to be reduced by £28k, with further BID / Service Transformation savings of £684k to be

identified and delivered through further BID / Service Transformation projects in order to manage the additional cost of the likely increased pay award not off-set by movement in external funding.

BUDGET REQUIREMENT

22. 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 2: Budget Requirement

	Movement from 2017/18 £'000	2018/19 Budget Requirement £'000
Council Tax Revenues	(4,239)	(112,938)
Business Rates Revenues	(585)	(52,899)
100% Retention Pilot Pool	(5,400)	(5,400)
Revenue Support Grant	6,482	(13,031)
Other Central Government Funding	51	(35,118)
Planned Use of General Balances	4,050	(950)
Total Resources	**359**	**(220,336)**
<u>Budget Requirement</u>		
Roll Forward Budget		220,695
Inflation	5,593	
Corporate Items	(613)	
Contingency	369	
New Priority Growth	1,895	
Savings Programme	(7,603)	
Budget Requirement 2018/19	**(359)**	**220,336**
Budget Surplus	**0**	**0**

23. In addition to the £7,603k of savings above, this budget also includes £3,052k management action to contain rising costs within Development & Risk Contingency which are expanded upon below. This combined £10,655k programme of activity will be monitored throughout 2018/19 to ensure successful delivery of a balanced budget.

24. 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 £60,211k 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

25. Total resources available to support the budget requirement are projected to fall by £359k for 2018/19, as a result of the aforementioned reduction in central government grant, which totals £6,533k in 2018/19. Locally generated income from Council Tax and Business Rates is set to grow by £4,824k 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 3: 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)	(2,180)	(2,680)
Retained Business Rate Receipts	(50,314)	(2,654)	(52,968)
Business Rates (Surplus) / Deficit	(2,000)	2,069	69
Business Rates Retention Pilot Pool	0	(5,400)	(5,400)
Local Income Streams	**(161,013)**	**(10,224)**	**(171,237)**
Revenue Support Grant	(19,513)	6,482	(13,031)
Other Government Grant	(35,169)	51	(35,118)
Government Funding Streams	**(54,682)**	**6,533**	**(48,149)**
Planned Use of Balances	**(5,000)**	**4,050**	**(950)**
Total Resources	**(220,695)**	**359**	**(220,336)**

26. 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 provisional allocations published by awarding bodies, including the multi-year settlement offer and barring any exceptional material movements in final funding announcements, are therefore expected to only vary marginally as final allocations are confirmed over coming months.

27. 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. In the event that the actual level of additional income received from the pool is less than £5,400k, it is planned to manage any shortfall from Earmarked Reserves.

Council Taxbase Projections

28. 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.

29. 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.

30. The £2,059k 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 alongside other minor Taxbase movements. 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 4: Council Taxbase Projections

	2017/18 Band D Equivalent Properties	Increase / (Decrease) Band D Equivalent Properties	2018/19 Band D Equivalent Properties
Residential Properties	119,687	1,153	120,840
MOD Properties	683	0	683
Discounts & Exemptions	(11,556)	0	(11,556)
Empty Property Premium	85	0	85
Gross Council Taxbase	**108,899**	**1,153**	**110,052**
Council Tax Reduction Scheme	(10,188)	200	(9,988)
Allowance for Losses in Collection	(1,491)	497	(994)
Net Council Taxbase	**97,220**	**1,850**	**99,070**

31. In addition, a surplus of £2,680k is reported against Council Tax at Month 9. 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 £4,239k towards a balanced budget for 2018/19.

Council Tax Increases and the Social Care Precept

32. This budget assumes no uplifts in the headline rate of Council Tax over the MTFF period, although under current regulations increases of 5.99% per annum for 2018/19 and 2019/20 and 2.99% per annum thereafter would be possible without triggering a local referendum. The additional 3% 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 MHCLG to access this flexibility, however given that Social Care

demographics and inflationary pressures are running significantly above this amount it would not be an issue. A 1% increase in Council Tax would secure an additional £1,103k income in 2018/19.

Business Rates Income

33. Under the current retention system, locally retained Business Rates revenues for 2018/19 are projected to be £52,968k, £2,654k higher than 2017/18 due to a £1,323k inflationary uplift reflecting the 3.0% increase in the multiplier and £1,331k of additional revenue from projected growth in the taxbase. Under the existing 50% Business Rates Retention Model, the £52,968k represents only 14% of the £373,161k projected income to be raised from businesses within the Borough. The remainder is distributed between Central Government, the GLA and local authorities across England through the £51,529k Tariff and other authorities reporting losses on Business Rates through the £7,451k Levy.

34. 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, minimising the number of progressed appeals. 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 £1,331k growth in the taxbase.

35. An in-year deficit of £69k is projected on Business Rates, which together with the £2,654k uplift in 2018/19 income and falling out of the £2,000k surplus banked in 2017/18, locally retained rates deliver a net £585k contribution towards bridging the 2018/19 budget gap.

London 100% Business Rates Retention Pilot Pool

36. 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 budget taking account of £5,400k additional income for Hillingdon for 2018/19 and 2019/20.

37. 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.

38. All London authorities signed up to the 100% Pilot Pool before the 16 January 2018 deadline, enabling proposals to go ahead for 2018/19, although it will be necessary for all authorities to reconfirm their participation for 2019/20. Business Rates income projections from all 33 billing authorities in the capital are being consolidated and a revised estimate for Hillingdon's share is expected to be available during February. In the event that this sum varies from the £5,400k contained within these budget proposals, the variance will be managed through Earmarked Reserves.

Central Government Grant

39. Corporate grant income is projected to fall by £6,533k from 2017/18 levels with a £6,482k 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. This position incorporates the £650k Adult Social Care Support Grant announced alongside the Final Local Government Settlement on 6 February 2018.

40. As an authority participating in the London 100% Business Rates Pilot Pool, the Ministry of Housing, Communities and Local Government (MHCLG) did not publish a separate Revenue Support Grant figure within the provisional 2018/19 Local Government Finance Settlement, with the £13,031k sum quoted in this report derived from restated Business Rates Baselines to enable consistent local reporting. This figure is £93k lower than the 2018/19 figure quoted in the multi-year settlement originally published in February 2016, with the movement arising from the MHCLG approach to determining pooling arrangements. In addition, temporary funding of £515k awarded through the Transition Grant for 2016/17 and 2017/18 will not continue into 2018/19, in line with previous assumptions.

41. The Public Health Grant will fall to £17,534k for 2018/19, a marginal £28k improvement previously released indicative allocations from the Department of Health. This is a year-on-year reduction of £463k, in line with the Government's intention to reduce the grant by 9.6% over the period 2015/16 to 2019/20, which will see funding returned to 2013/14 levels in cash terms despite inflationary and demographic pressures impacting upon service expenditure.

42. 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 underspends from MHCLG budgets have been applied to fund a continuation of the Adult Social Care Support Grant into 2018/19, with £650k available to the Council.

43. New Homes Bonus income is projected to be cut by £3,065k or 43% from 2017/18 levels to £4,040k, 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. This position is better than anticipated in December 2017 as the proposed topslice to reflect the 'quality of decisions made by local planning authorities', is not to be implemented during 2018/19.

44. Publication of allocations for the Housing Benefit Administration Subsidy Grant has confirmed funding of £1,012k will be available for 2018/19, representing a reduction of £120k on the 2017/18 budgeted position.

45. 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 £11k.

Balances and Reserves

46. As of Month 9 Budget Monitoring, General Balances are projected to total £38,894k 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.

47. The profile of planned drawdowns has been reviewed and now totals £7,950k from 2018/19 to 2022/23, which results in remaining uncommitted general balances of £30,944k. This level of uncommitted balances falls within the current recommended range of £15,000k to £32,000k, which remains unchanged from the recommended range for 2017/18. Within this range, adjustments have been made to increase the levels of balances held against future interest rate rises whilst reducing the amounts held to manage the risk around slippage of the savings programme. In addition, an increase to the maximum level of balances held to manage supplier risk, mainly within Social Care, is off-set by a reduction relating to the risks around capital expenditure. The rationale for the recommended range of balances is provided in Appendix 9 of this report.

48. On the basis of this range and proposed reserves strategy, the Council would be able to deploy up to £15,944k 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

49. An inflation requirement of £5,593k has been estimated for 2018/19, with £6,196k 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. Since December 2017 this estimate has been revised upwards by £1,149k to reflect the recent local government pay offer for London and downwards by £133k to reflect the published TfL Concessionary Fares levy. The following paragraphs outline key assumptions behind this inflation provision.

Table 5: Inflation Provision

	2017/18 Baseline £'000	Inflation Rate %	2018/19 Inflation Provision £'000
Employee's Pay	112,819	2.5%	2,835
Added Years Pension Costs	1,934	3.0%	58
Contracted Expenditure	40,573	1.5%	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	0.7%	67
Gross Inflation Provision	**253,090**		**6,196**
Less: Grant Funded Items			(103)
Less: Review of 2017/18 Requirement			(500)
Net Inflation Provision			**5,593**

50. During January 2018, a 2018/19 pay offer for London local government employees was presented to unions - reflecting a 2% inflationary uplift for all grades with additional uplifts for those employees on Spinal Column Point 19 and lower of the main pay scale. The net impact of this offer on the Council's 2018/19 workforce budgets has been calculated at £2,835k or 2.5%, representing an increase of £1,149k on the previously budgeted level of pay inflation. It is not expected that a final pay award will be approved prior to budget setting, with the current offer representing a best estimate of costs for the new year.

51. 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.

52. Provision of £622k inflation for the Council's £40,573k of externally contracted services has reduced marginally since July, with provision of 1.5% being included. This 1.5% 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.

53. 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.

54. 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 smaller levies to reflect the impact of both taxbase/population growth and inflationary pressures on levying authorities' budgets, although the TfL Concessionary Fares levy has been confirmed to be £133k lower than anticipated in December 2017, reducing the overall inflation provision for levies to 0.7%.

55. The total requirement of £6,196k 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

56. 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 6: 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)**

57. 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.

58. 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.

59. 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.

60. 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

61. 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.

62. Table 7 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 7: 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**

63. 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 within service operating budgets. Following these releases, £8,560k funding remains within Development & Risk Contingency for 2017/18.

64. This 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, £367k 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.

65. 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.

66. 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.

67. 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 is projected to hold a further £2,651k by 31 March 2018.

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 £2,264k 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 MHCLG 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 budget. This is in addition to the dedicated Earmarked Reserve which is currently forecast to hold £250k at 31 March 2018.

e. **Asylum Service (£1,885k provision) -** Provision of £1,885k is included within this budget to reflect the costs, both direct and indirect, of supporting Unaccompanied Asylum Seeking Children. This represents a £237k increase from the 2017/18 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 (CWD) 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 by £2,695k. Within this sum annual uprating of client income to reflect the growing cost of care packages is expected to secure an additional £330k 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

68. This budget includes £2,699k recurrent 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:

    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;

    g. £360k further growth for the expanded Museums and Archives Service in addition to the £140k allocated in 2017/18; and,

    h. £29k to support an enhanced offer from the Anti-Social Behaviour and Environment teams, extending the existing out of hours response anti-social behaviour from Thursday to Sunday to incorporate weekdays when fireworks noise from festivals and holidays is likely.

69. Alongside this recurrent growth being built into budgets from 2018/19, the Council retains a base budget of £200k for Hillingdon Improvement Programme (HIP) Initiatives, supplemented by a further £834k dedicated reserves to meet emerging or one-off growth requirements, with the £200k Leader's Initiative for Older People and £500k base budget provision for the First Time Buyer's Scheme continuing into the new financial year. In the case of the First Time Buyer's scheme, 2018/19 will see parameters of the scheme refreshed to ensure Residents can continue to benefit from this service offer.

70. This growth is to be further supplemented by £683k one-off releases from existing Earmarked Reserves to deliver the following initiatives, bringing the total use of Earmarked Reserves to £933k.

    a. In commemoration of the end of the 1914 to 1918 First World War, sums of £140k and £180k totalling £320k will be made available to provide bursaries to support local children with the costs of University fees. Further detail on the operation of and eligibility for the scheme will follow.

b. Establishing a dedicated £200k fund to support new recycling initiatives, including such measures as facilitating recycling of disposable coffee cups.

c. £122k to cover any potential subsidy required for Early Years Centres following the Schools Forum decision to cease Dedicated Schools Grant Support funding with effect from 1 April 2018. This will supplement £200k which will be earmarked in balances at the end of 2017/18 from unallocated Youth Priority Growth.

d. With Government support for a dedicated drainage officer post expected to be fully depleted by March 2018, provision of £41k is to be made available to meet this cost for a further twelve months.

SAVINGS PROGRAMME

71. The refreshed projections in respect of funding, inflation, contingency, corporate budgets and growth results in a £7,603k 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 8: 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)	(1,299)	**(3,936)**
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)**	**(1,827)**	**(7,603)**

72. 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 £10,655k.

73. 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 £3,250k, which will be managed through a combination of Capital Receipts and Earmarked Reserves where necessary.

Chief Executive's Office

74. 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

75. Within Finance, £728k proposals are included within this 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

76. 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.

77. 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.

78. 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

79. Across Social Care, £2,233k of savings have been included in this 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.

80. 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.

81. 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

82. Cross-Cutting initiatives included within this budget total £1,827k and include £1,299k Service Transformation proposals, £278k of Effective 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.

83. Service Transformation proposals include a target of £463k 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. In addition, a further savings target of £486k has been incorporate into this budget since December 2017 to manage the impact of an increased pay award without equivalent funding from Government.

84. 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

85. 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.

86. 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 budget contains the following amendments to the 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.

    d. Battle of Britain Bunker - Following the approval of entrance fees for the refurbished facility by Cabinet in January 2018, this report sets out further charges for lettings and events at the Bunker.

2018/19 - 2022/23 MEDIUM TERM FINANCIAL FORECAST

87. 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 £53,270k savings between 2019/20 and 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

88. The latest MTFF assumes that funding from Central Government will fall by £16,979k 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 MHCLG 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.

89. 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.

90. An increase of £6,410k 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 75% 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.

91. The combined effect of the above funding projections is a £3,668k 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 £7,668k.

INFLATION & SERVICE PRESSURES

92. Inflationary pressures of £29,707k are expected to impact upon the Council's £220,695k base budget, with the most significant areas affected being workforce budgets (£15,649k), 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 2.0% per annum from 2020/21, building upon the 5.3% pay offer covering 2018/19 and 20/19, 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.

93. 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.

94. 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 £60,211k. The longer-term impact of the current programme of savings is expected to reduce this sum to a residual gap of £53,270k - of which £20,274k falls in 2019/20, with a further £11,046k for 2020/21.

2018/19 - 2022/23 GENERAL FUND CAPITAL PROGRAMME

BACKGROUND TO CAPITAL PROGRAMME

95. 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.

96. 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.

97. A range of new initiatives are included within the draft budget approved by Cabinet in December 2017, 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, the December draft budget resulted in an overall increase of £37,183k in the Council's borrowing requirement.

98. Since December, the programme has been further refined with £2,000k additional funding for Highways, £756k for other investment and a £50,000k provision to finance investment through the Council's new Housing Company. In addition, a £3,616k reduction in Transport for London funding and associated expenditure over the MTFF period has been included. The net impact of these changes increase the additional borrowing requirement to £89,783k, although it should be noted that the £50,000k funding for the Housing Company will generate an equivalent revenue stream and therefore not adversely impact upon the Council's revenue budget.

99. 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

100. As at Month 9, a net overall underspend of £658k is reported on the current Capital Programme, with a forecast £324k underspend against the Schools Programme and a net underspend of £334k across the remainder of the programme. Within the reported position at Month 9, there remains £6,524k of unallocated contingency across the five year MTFF period.

2018/19 - 2022/23 CAPITAL PROGRAMME UPDATES

Changes since report to Cabinet on 14 December 2017

101. The narrative below outlines the changes to the recommended budget proposals from the report considered by Cabinet on 14 December 2017, with the following sections of this report refreshed to incorporate these changes:

    a. An additional £2,756k of Council Resourced expenditure has been added to the Capital Programme to ensure sufficient funding is in place to meet the latest requirements for Highways Structural Works (£2,000k), the Purchase of Uxbridge Police Station (£500k) and Environmental and Recreational Initiatives to fund water fountains and other projects (£256k).

    b. A sum of £50,000k to be financed from Council Resources has been added to the programme to provide capacity within the budget to finance the Council's new Housing Company. On-going revenue financing costs associated with borrowing to support this investment are expected to be off-set by resulting revenue streams from the Housing Company, with scope to return profits to support provision of local services.

    c. Provisional Transport for London funding allocations for 2018/19 and the expected impact across the remainder of the MTFF period has led to a £3,616k reduction in grant funding and equivalent expenditure.

102. The on-going revenue implications of the above programme changes will be limited to the additional financing costs on the £2,756k borrowing required to support additional programme expenditure, with the Housing Company investment generating equivalent revenue streams and therefore not adversely impacting on the General Fund revenue position.

Schools Expansion Programme

103. 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.

104. 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.

105. 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.

106. 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.

107. 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.

108. 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.

109. 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.

110. 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

111. Alongside the refreshed Schools Expansion Programme, proposals for new General Fund capital projects and amendments to existing schemes totalling £152,355k have been developed for consideration and potential inclusion in the Capital Programme. These are outlined in the following paragraphs.

Self-Financing Developments

112. 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.

113. Housing Company Funding - A sum of £50,000k to be financed from Council Resources has been added to the programme to provide capacity within the budget to finance the Council's new Housing Company. This funding will be applied through both the purchase of equity in the firm and to meet the initial outlay of borrowing to the company on commercial terms. On-going revenue financing costs associated with borrowing to support this investment are expected to be off-set by resulting revenue streams from the Housing Company, with scope to return profits to support provision of local services.

Main Programme

114. 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 firm 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 this project is to be externally funded, there will be no direct impact upon the Council's cost of borrowing.

c. Uxbridge Police Station - provision of £5,000k 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.

115. 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.

e. Environmental and Recreational Initiatives - Additional growth of £256k has been included in this budget to finance the ongoing programme of providing water fountains in parks across the Borough and other projects.

Programmes of Works

116. Overall, this report sets out a £18,415k increase in capital investment across the five year programme, inclusive of an amount of £13,962k added for existing programmes for

2022/23. This is partly financed from additional grants and contributions totalling £5,601k. Significant changes are on the following programmes:

a. Highways Refurbishment Programme - £13,000k 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 further 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.

e. Transport for London - Provisional funding allocations for 2018/19 and the expected impact across the remainder of the MTFF period has led to a £3,616k reduction in grant funding and equivalent expenditure. This reduction relates to a cut in the Local Improvement Plan Corridors and Neighbourhoods funding, assumed to continue over the full MTFF period, and loss of Borough Principal Road Network (BPRN) funding in 2018/19 and 2019/20 - if this reduction is confirmed there may be scope to recoup an element of lost funding through bids against a centrally managed London-wide fund of £3m per annum. Any material movement in funding allocations will be reported to Cabinet through the regular monthly budget monitoring report.

HILLINGDON
LONDON

CAPITAL FINANCING AND REVENUE IMPLICATIONS

117. 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.

118. Projections in respect of capital income streams have also been refreshed. The table below provides a summary of capital expenditure and financing included in this programme.

Table 9: 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	138,446	158,104
Self Financing Developments	150	79,408	79,558
Programme of Works	29,274	79,420	108,694
Development & Risk Contingency	2,000	7,500	9,500
Capital Expenditure	**61,967**	**373,543**	**435,510**
Prudential Borrowing	18,253	174,305	192,558
Capital Receipts	20,324	60,090	80,414
Community Infrastructure Levy	2,500	26,500	29,000
Council Resources	**41,077**	**260,895**	**301,972**
Government Grants	18,034	80,586	98,620
Other Contributions	2,856	32,062	34,918
Capital Financing	**61,967**	**373,543**	**435,510**

119. Capital Receipts of £80,414k over the period from 2017/18 to 2022/23 are now forecast, a marginal increase of £154k on the previously budgeted sum. Provision of £10,265k 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 £3,559k 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 manage service transformation costs which are eligible for capitalisation.

120. 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.

121. 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.

122. 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.

123. 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 £89,783k from £102,775k to £192,558k, mainly as a result of the new major project additions and increases to existing programmes detailed above. On-going revenue financing costs associated with this borrowing are fully reflected in the medium term outlook for the Council's finances presented earlier in this 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 10: 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)
Self Financing Developments		51,939	51,939
Main Programme	1,132	71,287	72,419
Programme of Works	4,983	20,982	25,965
General Contingency		2,032	2,032
Financing Changes			
Capital Receipts	(5,824)	5,670	(154)
CIL 2022/23		(5,500)	(5,500)
Additional Section 106		(121)	(121)
SEND Grant		(2,916)	(2,916)
HS2 Funding		(26,500)	(26,500)
Grants and Contributions 2017-2023	(1,047)	(9,054)	(10,101)
Revised Prudential Borrowing Budget	**18,253**	**174,305**	**192,558**
Increased Borrowing Requirement	**(11,715)**	**101,498**	**89,783**

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

124. 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.

125. 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.

UPDATE ON 2017/18 HRA BUDGET

126. 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 9, a deficit of £9,389k is projected on the HRA, a favourable variance of £2,275k compared to the budget, resulting in forecast unallocated general balances of £36,437k 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.

127. Variances within the £2,275k reported underspend include: rent and other income favourable variance of £163k, housing management overspend of £554k; tenant services underspend of £437k, mainly due to caretaking and sheltered housing staffing related costs; planned maintenance and repairs underspend of £2,332k due to the validation, procurement and consultation timetables required to deliver these; and interest and investment income overspend of £103k.

128. There were 60 properties sold through RTB arrangements between April and December 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

Changes since report to Cabinet on 14 December 2017

129. The narrative below outlines the changes to the recommended budget proposals from the report considered by Cabinet on 14 December 2017, with the following sections of this report refreshed to incorporate these changes:

    a. Increased stock numbers following a decline in Right to Buy Sales, increasing rental income by £207k and reducing administrative income by £71k;

    b. Additional inflation of £45k to manage the increased pay award offer, which equates to a 2.1% uplift in HRA workforce budgets at a total cost of £193k. In line with the approach being taken in the General Fund is to be managed through an equivalent Service Transformation saving; and,

c. A reduced revenue contribution to finance capital expenditure to enable the minimum level of balances to be maintained at £15,000k rather than above £12,000k as proposed in December 2017.

Budget Requirement 2018/19

130. 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 £38,728k and a £21,437k 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 11: 2018/19 HRA Budget Requirement

	£'000
Funding Sources Rental Income	 55,932
Total Resources	**55,932**
Budget Requirement 2017/18 Inflation Corporate Items Development and Risk Contingency Savings	39,111 83 284 2 (839)
Budget Requirement 2018/19	**38,641**
Contribution to Finance Capital Programme	**38,728**
Planned Drawdown from Balances	**(21,437)**

131. Appendix 7 to this report continues this presentation over the MTFF period, with unallocated General Balances maintained at a minimum level of £15,000k. Rental income assumptions for 2022/23 are expected to achieve £61,559k, meeting repayment of debt under self-financing £15,686k, contribution to fund capital expenditure on existing and new stock of £21,421k and repairs & management costs of £24,452k.

Rental Income

132. 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 to 60 per annum from 2018, reflecting the latest monitoring position.

133. 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 was part of the last Government's wider welfare reform programme, 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 MHCLG confirmation in October 2017 of a 5 year rent settlement, whereby the social housing rent increase will be limited to CPI + 1% per annum between 2020/21 to 2024/25. 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 £55,932k.

Balances and Reserves

134. HRA general balances are projected to reach £36,437k by 31st March 2018, representing 64% of rental income for 2018/19. It is proposed to keep the minimum level of HRA balances at £15,000k with sums over and above this amount earmarked for investment in new or existing stock. The minimum level of balances is approximately 25% 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

135. A net inflation provision of £83k is included in the 2018/19 budget. This relates to inflation of £193k on salary and operating costs, and £110k inflation on charges to tenants and leaseholders. The impact of inflationary increases on charges to tenants and leaseholders has been incorporated into Appendix 8 of this report.

136. 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

137. Movements contained within Corporate Items include changes in provision for capital financing costs, changes in balances and other presentational changes. The net movement of £284k shown in Appendix 7a consists of realignment of budgets relating to RTB administration income of £156k and £100k from adjustments to recharges including the Independent Living service and a £28k reduction in interest earned on reduced balances.

Development & Risk Contingency

138. 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

139. The 2018/19 proposed savings total £839k and are summarised in Appendix 7b.

140. 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.

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

142. 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.

143. In addition a £45k saving has been included in this budget to manage the additional impact of the anticipated 2.1% cost of the pay award offer, which is to be delivered through further BID / Service Transformation work.

High Value Voids Levy

144. In December 2017 MHCLG confirmed that local authorities would not be expected to make a High Value Void Levy payment in 2017/18 or 2018/19. The latest communication noted that the framework legislation within the Housing and Planning Act 2016 requires that agreements with London authorities must require the delivery of at least two new affordable replacement homes for each unit sold.

145. In the absence of any detail and the late timing of this announcement, 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. Prior to detail on the operation of the scheme being available, this budget does not assume that any of these payments are retained for delivery of new units.

Medium Term Outlook

146. 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.

147. Rental income is projected to remain reasonably steady over the period to 2022/23, reaching £61,559k 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 439 properties are sold and 545 acquired over the MTFF period.

Table 12: Projected Movement in Housing Stock

	2018/19	2019/20	2020/21	2021/22	2022/23	Change
Projected Opening Stock	10,035	10,159	10,153	10,233	10,178	N/A
Forecast Right-to-Buy Sales	(60)	(60)	(60)	(60)	(60)	(300)
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	**10,159**	**10,153**	**10,233**	**10,178**	**10,141**	**106**
Projected Average Stock	10,097	10,156	10,193	10,206	10,160	N/A

148. 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 actual 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 indicative High Value Voids levy scheme should this come into effect from 2019/20.

149. 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 £9,235k from annual rental income available to finance investment in new stock while maintaining unallocated General Reserves at £15,000k to meet any emerging pressures.

150. The draft Capital Programme set out below outlines £164,254k of investment to deliver the 545 assumed new build properties or acquisitions over the MTFF period. Under the current 1:1 replacement scheme, the Council is able to finance up to 30% of this investment from the proceeds of Right to Buy sales within a three year period after the sale. Capital Receipts including from Right to Buy sales provide £55,201k towards this investment, with £64,024k financed from direct revenue contributions and the remaining £45,029k to be met from Prudential Borrowing.

151. Of the 545 new dwellings included in this budget, 89 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 £62,683k, with £22,935k borrowing and £20,943k revenue contributions no longer required.

152. 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

153. 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

154. As at Month 9 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

155. 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.

156. As noted above, 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.

157. 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 budget in order to respond to emerging risks and issues.

2018/19 SCHOOLS BUDGET PROPOSALS

158. The Council receives funding for Schools' Budgeted Expenditure through the Dedicated Schools Grant (DSG), which is a ring fenced grant. The DSG funds both the delegated individual schools budget and items which the School and Early Years Finance (England) Regulations allow to be retained centrally by the Council, including Special Educational Needs, Alternative Education provision and Early Years provision.

159. Proposals in relation to the Schools Budget are presented to Cabinet in a separate report on this agenda, with no cost falling upon the Council Taxpayer for those services funded from the Dedicated Schools Grant unless the Council chooses to supplement the Schools Budget from the General Fund. The budget proposals contained within this report do not include any on-going application of General Fund base budget to support the Schools Budget. However, potential one-off General Fund resources may be required in 2018/19 as a response to the Schools Forum decision to cease DSG funding for Early Years Centres with effect from 1 April 2018. This will depend upon the response from Government on the Council's disapplication request outlined in the following paragraph.

160. The Council has submitted a disapplication request to the Secretary of State in regard to the Schools Budget proposals, seeking to maintain DSG support for Early Years Centres during the transition to a new revenue neutral operating model in 2018/19. In the event this request is rejected, this one-off cost will be managed through the allocation of £122k Priority Growth during 2018/19, alongside £200k that will be earmarked from the 2017/18 Youth Priority Growth allocation.

OVERALL BUDGET FOR COUNCIL TAX SETTING 2018/19

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

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

- The robustness of the estimates for the coming year.
- The adequacy of the Council's reserves.

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

- The use of an established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process. This has been further strengthened through the continued development of the Business Improvement Delivery programme.
- The inclusion within the base budget of a £8,929k Development and Risk contingency.
- Service managers having made reasonable assumptions about demand pressures and taken a prudent view of volatile areas.
- Risk based financial monitoring being undertaken during the year and reported to Cabinet on a monthly basis. This includes the agreement of recovery plans to ensure that the budget is delivered in overall terms.
- Procedures in place to capture and monitor procurement and other efficiency savings.
- Prudent assumptions made about interest rates.
- The recommended increases in Fees and Charges are in line with the assumptions in the revenue budget.

163. The Corporate Director of Finance also has a duty to comment on the adequacy of the Council's reserves when the budget is being set. At the time of budget setting for 2018/19, the Corporate Director of Finance set a recommended range of balances of between £15,000k and £32,000k which remains unchanged from that determined for the 2017/18 budget setting cycle. The following paragraphs outline the approach taken in determining this recommended range.

Statement on Balances and Reserves

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

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

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

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

167. The assessment, although based on the Council’s procedures and structures, has an element of subjectivity and to allow for this the optimum level of reserves incorporates a range. The recommended range has been maintained at £15,000k to £32,000k following a review of the risks facing the Council, with adjustments having been made to increase the levels of balances held against future interest rate rises whilst reducing the amounts held to manage the risk around slippage of the savings programme. In addition, an increase to the maximum level of balances held to manage supplier risk, mainly within Social Care, is off-set by a reduction relating to the risks around capital expenditure. A fuller rationale for the recommended range of balances is provided in Appendix 9 of this report, with budget proposals contained within this report having been structured to maintain balances within this recommended range.

THE COUNCIL TAX REQUIREMENT FOR 2018/19

168. The budget proposals included in this report represent Cabinet’s budget strategy for 2018/19 and beyond. The revenue budget proposals have been developed to deliver a zero increase in the Hillingdon element of Council Tax for the tenth successive year. The approved Council Tax level for 2018/19 is subject to Members’ final choices in the budget setting process.

Council Tax Referendum

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

170. The general Council Tax increase at which local authorities would be required to hold a referendum for 2018/19 as directed by the Secretary of State for Communities and Local Government is 3%. As the budget proposals outlined in this report maintain Council Tax at the same level as in 2017/18, the referendum threshold will not be triggered for the financial year 2018/19.

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

Greater London Authority Precept

172. The Mayor of London's final budget proposals for 2018/19 are scheduled for consideration and approval by the London Assembly on 22 February 2018. The proposals result in a 5.1% increase in the element of Council Tax relating to GLA functions, equivalent to a £14.21 increase in annual bills for Band D Households.

RESIDENT BENEFIT & CONSULTATION

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

173. The 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.

174. The 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

175. Each of the Policy Overview Committees has received reports setting out the proposed revenue budget and Capital Programme proposals relevant to their remit. This was approved by Cabinet on 14 December 2017 for consultation at the January 2018 round of meetings. Comments on the budget from each of the service Policy Overview Committees were referred to the Corporate Services and Partnerships Policy Overview Committee,

who met on 1 February 2018 to consider the comments received from the three other Policy Overview Committees on the budget proposals relevant to their remit. The comments from that Committee are presented to Cabinet in Appendix 13.

176. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the borough. A budget consultation survey was published on the Council's website in relation to the Cabinet's budget proposals after the meeting on 14 December 2017, with the full report to December Cabinet also being available to view. Analysis of responses to this consultation is available on the Council's website and presented as Appendix 14 to this report for information.

177. The Council received 165 responses from residents, with 77% satisfied with the Council's budget proposals, 76% agreeing proposals represent value for money and 75% felt well informed. Of those satisfied with the budget proposals, comments highlighted the freeze in Council Tax and continuing investment in services - including specifically the new swimming pool in the Yiewsley / West Drayton area. Of those not satisfied with the budget proposals, comments focused upon the potential risk to quality of services through continued Council Tax freezes and specific investment proposals - including the new swimming pool for the Yiewsley / West Drayton area.

CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

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

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

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

182. The second duty for Members to note is the duty imposed on the Corporate Director of Finance to comment on the adequacy of the Council's reserves. Members will note that a

Statement of Reserves and Balances is contained within paragraphs 164 to 167 of the report which discharges this duty.

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

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

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

Comments from other relevant service areas

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

APPENDICES

Appendices 1 - 5 - 2018/19 to 2022/23 General Fund MTFF (Corporate Summary) 2018/19, including schedules of Development & Risk Contingency, Priority Growth and Savings;

Appendix 6 - 2018/19 to 2022/23 General Fund Capital Programme;

Appendix 7 - 2018/19 to 2022/23 Housing Revenue Account MTFF and Capital Programme;

Appendix 8 - Proposed Amendments to Fees & Charges Schedule;

Appendix 9 - Balances & Reserves Policy - Assessment of General Fund Reserves Requirement;

Appendix 10 - Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Statement for 2018/19 to 2022/23;

Appendix 11 - Pay Policy Statement for 2018/19;

Appendix 12 - Housing Rents Policy

Appendix 13 - Policy Overview Committee Comments on Budget Proposals

Appendix 14 - 2018/19 Budget Consultation Feedback

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

Report to Cabinet (14 December 2017) - The Council's Budget: Medium Term Financial Forecast 2018/19 - 2022/23

The Council's Budget 2018/19 - 2022/23 Medium Term Financial Forecast

Appendix 1

General Fund Corporate Summary	2017/18 £(000s)	2018/19 £(000s)	2019/20 £(000s)	2020/21 £(000s)	*2021/22 £(000s)*	*2022/23 £(000s)*	Net Change £(000s)
Resources							
Increase in Council Tax (%)	0.0%	0.0%	0.0%	0.0%	*0.0%*	*0.0%*	0.0%
Increase in Social Care Precept (%)	0.0%	0.0%	0.0%	0.0%	*0.0%*	*0.0%*	
Council Tax Band D (£)	£1,112.93	£1,112.93	£1,112.93	£1,112.93	£1,112.93	*£1,112.93*	
Increase in Council Tax Base (Band D properties)	1,450	1,850	1,200	1,200	*1,200*	*1,200*	6,650
Council Tax Base (Band D properties)	97,220	99,070	100,270	101,470	*102,670*	*103,870*	
Gross Council Tax Revenues	**108,199**	**110,258**	**111,593**	**112,929**	***114,265***	***115,600***	**7,401**
Collection Fund (Deficit) / Surplus	500	2,680	0	0	*0*	*0*	(500)
Net Council Tax Revenues	***108,699***	***112,938***	***111,593***	***112,929***	***114,265***	***115,600***	***6,901***
Baseline Business Rate Income	44,098	45,517	47,156	48,099	*49,061*	*50,042*	5,944
Retained Business Rate Growth	6,216	7,451	7,950	8,307	*8,512*	*8,682*	2,466
Additional Yield from 100% Pilot Pool	0	5,400	5,400	0	*0*	*0*	0
Collection Fund (Deficit) / Surplus	2,000	(69)	0	0	*0*	*0*	(2,000)
Net Business Rate Revenues	***52,314***	***58,299***	***60,506***	***56,406***	***57,573***	***58,724***	***6,410***
Revenue Support Grant	19,513	13,031	6,562	5,619	*4,657*	*3,676*	(15,837)
Other Central Government Funding	35,169	35,118	34,566	34,213	*34,027*	*34,027*	(1,142)
Corporate Grant Income	***54,682***	***48,149***	***41,128***	***39,832***	***38,684***	***37,703***	***(16,979)***
Planned Use of General Balances	***5,000***	***950***	***0***	***4,000***	***2,000***	***1,000***	***(4,000)***
Total Resources	**220,695**	**220,336**	**213,227**	**213,167**	***212,522***	***213,027***	**(7,668)**
Budget Requirement							
Roll Forward Budget	228,088	220,695	220,695	220,695	*220,695*	*220,695*	220,695
Inflation	5,863	5,593	12,657	18,283	*23,966*	*29,707*	29,707
Corporate Items	(1,523)	(613)	2,804	3,452	*2,700*	*4,555*	4,555
Contingency	3,675	369	2,665	5,753	*8,996*	*12,241*	12,241
Priority Growth	100	1,895	1,895	3,245	*6,040*	*6,040*	6,040
Savings	(15,508)	(7,603)	(7,215)	(6,941)	*(6,941)*	*(6,941)*	(60,211)
Total Budget Requirement	**220,695**	**220,336**	**233,501**	**244,487**	***255,456***	***266,297***	**213,027**
Budget (Gap) / Surplus	**0**	**0**	**(20,274)**	**(31,320)**	***(42,934)***	***(53,270)***	

General Fund Corporate Summary - Breakdown of Funding Streams	2017/18 £(000s)	2018/19 £(000s)	2019/20 £(000s)	2020/21 £(000s)	2021/22 £(000s)	2022/23 £(000s)
Business Rate Revenues						
Forecast Growth on Rating List	5,200	6,200	3,100	2,600	500	0
Forecast Gross Business Rate Yield	359,811	373,161	388,136	397,217	405,420	413,529
Less: Central Government / GLA Share (70%)	251,868	261,213	271,695	278,052	283,794	289,470
Forecast LBH Share of Business Rate Yield (30%)	***107,943***	***111,948***	***116,441***	***119,165***	***121,626***	***124,059***
Less: Baseline Business Rate Income	(44,098)	(45,517)	(47,156)	(48,099)	(49,061)	(50,042)
Less: Tariff	(51,412)	(51,529)	(53,384)	(54,452)	(55,541)	(56,652)
Growth on LBH Share	***12,433***	***14,902***	***15,901***	***16,614***	***17,024***	***17,365***
Less: (Levy on Growth) / Safety Net Payments	(6,217)	(7,451)	(7,951)	(8,307)	(8,512)	(8,683)
Retained Growth	***6,216***	***7,451***	***7,950***	***8,307***	***8,512***	***8,682***
Add: Baseline Business Rate Income	44,098	45,517	47,156	48,099	49,061	50,042
Net Business Rate Revenues	**50,314**	**52,968**	**55,106**	**56,406**	**57,573**	**58,724**
Other Central Government Funding						
Public Health Grant	17,997	17,534	17,078	17,078	17,078	17,078
Better Care Fund	6,043	11,405	12,388	12,450	12,513	12,513
Adult Social Care Support Grant	1,045	650	0	0	0	0
New Homes Bonus	7,105	4,040	3,730	3,435	3,306	3,306
Education Services Grant	847	0	0	0	0	0
Housing Benefit Administration Subsidy Grant	1,132	1,012	912	812	712	712
Transition Grant	515	0	0	0	0	0
Council Tax Administration Subsidy	328	308	288	268	248	248
Local Reform & Community Voices Grant	142	142	142	142	142	142
Lead Local Authority Flood Grant	15	16	17	17	17	17
Extended Rights to Free Travel	0	11	11	11	11	11
Total Other Central Government Funding	**35,169**	**35,118**	**34,566**	**34,213**	**34,027**	**34,027**

General Fund - Corporate Items	Group	Net Variation from 2017/18 Budget				
		2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Description		£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
New Burdens & Transfers of Responsibility						
Transfer of Residual Education Functions from Local Government	RS	(145)	(145)	(145)	(145)	(145)
Adjustments to Funding, Financing & Corporate Budgets						
Movement in Council Tax Older People's Discount	Corp	(50)	(75)	(100)	(125)	(125)
Rephasing of Capital Financing Costs	Corp	0	3,342	3,915	3,088	3,988
Housing Benefit Subsidy (Recovery of Overpayments)	Corp	(418)	(318)	(218)	(118)	(18)
Flexible Use of Capital Receipts to finance Service Transformation	Corp	0	0	0	0	855
Total Corporate Items		**(613)**	**2,804**	**3,452**	**2,700**	**4,555**

The Council's Budget 2018/19 - 2022/23 Medium Term Financial Forecast

Appendix 3

General Fund - Development & Risk Contingency	**Provision 2017/18**	**Released during 2017/18**	**Change from 2017/18**	**Group**	**Gross Risk 2018/19**	**Risk Adj.**	**Provision 2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£(000s)	£(000s)	£(000s)		£(000s)	(%)	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Potential Calls											
Uninsured claims	291	0	0	Fin	291	100%	291	291	291	291	291
Impact of Welfare Reform on Homelessness	1,736	0	0	RS	1,736	100%	1,736	1,736	1,736	1,736	1,736
Waste Disposal Levy & Associated Contracts	3,522	(2,728)	735	RS	1,529	100%	1,529	2,329	3,179	4,079	4,979
Dry Recyclables Contract (Management Action)	0	0	(357)	RS	(357)	100%	(357)	(357)	(357)	(357)	(357)
High Speed 2 Challenge Fund	100	0	(100)	RS	0	100%	0	0	0	0	0
Heathrow Expansion Challenge Fund	200	0	0	RS	200	100%	200	0	0	0	0
Asylum Service	1,648	0	237	SC	1,885	100%	1,885	1,885	1,885	1,885	1,885
Demographic Growth - Looked After Children	5,298	(5,038)	537	SC	797	100%	797	1,213	1,644	2,089	2,534
Demographic Growth - Children with Disabilities	0	0	367	SC	367	100%	367	417	469	523	579
Social Worker Agency	277	0	0	SC	277	100%	277	277	277	277	277
SEN transport	184	0	259	SC	443	100%	443	757	1,096	1,462	1,828
Adults Placements - Transitional Children	2,910	(1,699)	1,396	SC	2,607	100%	2,607	4,007	5,280	6,500	7,720
Adults Placements - General	785	(432)	465	SC	818	100%	818	1,083	1,436	1,904	2,372
Adults Placements - General (Management Action)	0	0	(2,695)	SC	(2,695)	100%	(2,695)	(3,444)	(3,654)	(3,864)	(4,074)
Adults Placements - Winterbourne View	197	0	(147)	SC	50	100%	50	50	50	50	50
Deprivation of Liberty Safeguards	759	(759)	0	SC	0	100%	0	0	0	0	0
Apprenticeship Levy	559	0	(178)	Corp	381	100%	381	381	381	381	381
Additional Investment Income	0	0	(400)	Corp	(400)	100%	(400)	(400)	(400)	(400)	(400)
General Contingency	750	0	250	Corp	1,000	100%	1,000	1,000	1,000	1,000	1,000
Total Potential Calls	**19,216**	**(10,656)**	**369**		**8,929**		**8,929**	**11,225**	**14,313**	**17,556**	**20,801**
Financing											
Base Budget							19,216	19,216	19,216	19,216	19,216
Contingency released to Directorate Budgets 2017/18							(10,656)	(10,656)	(10,656)	(10,656)	(10,656)
Increase / (Decrease) in Contingency Requirement							369	2,665	5,753	8,996	12,241
Total Financing							**8,929**	**11,225**	**14,313**	**17,556**	**20,801**
Managed Risk Gap in Contingency							**0**	**0**	**0**	**0**	**0**

General Fund - Priority Growth Proposals	**Group**	**Net Variation from 2017/18 Budget**				
		2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Description		£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
B/fwd Priority Growth		554	554	554	554	554
Planned Use of Earmarked Reserves		933	250	250	250	250
New Priority Growth		1,895	1,895	3,245	6,040	6,040
Available Priority Growth Balance		**3,382**	**2,699**	**4,049**	**6,844**	**6,844**
New Initiatives to be funded from Priority Growth						
Funding for School Expansion Programme	Corp	(1,000)	(1,000)	(1,850)	(2,850)	(2,850)
Savings Earmarked for Future Capital Investment	Corp	0	0	(500)	(2,295)	(2,295)
New Waste & Recycling Centre	RS	(576)	(576)	(576)	(576)	(576)
Bulky Waste Collection Service	RS	(84)	(84)	(84)	(84)	(84)
Police Funding	RS	(250)	(250)	(250)	(250)	(250)
Expanded Youth Offer	RS / SC	(200)	(200)	(200)	(200)	(200)
Investment in Counter Fraud Activity	Fin	(200)	(200)	(200)	(200)	(200)
Museum & Archives Service	RS	(360)	(360)	(360)	(360)	(360)
Fireworks Noise Nuisance Response Team	RS	(29)	(29)	(29)	(29)	(29)
University Bursaries to mark centenery of the end of World War I	RS	(320)	0	0	0	0
Recycling Initiative Pilots	RS	(200)	0	0	0	0
Potential Additional Early Years Centre Subsidy	RS	(122)	0	0	0	0
Drainage Officer (1 Year Extension)	RS	(41)	0	0	0	0
Remaining Unallocated Priority Growth		**0**	**0**	**0**	**0**	**0**

General Fund Savings by Directorate		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
		£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings		**228**	**(6,959)**	**(6,941)**	**(6,941)**	**(6,941)**
New Savings Proposals						
Chief Executive's Office		(58)	0	0	0	0
Finance		(728)	(180)	0	0	0
Residents Services		(2,586)	0	0	0	0
Social Care		(2,632)	(76)	0	0	0
Cross-Cutting Items		(1,827)	0	0	0	0
Total Savings		**(7,603)**	**(7,215)**	**(6,941)**	**(6,941)**	**(6,941)**

2018/19 General Fund Savings by Theme	Net Variation from 2017/18 Budget					
	Chief Executive's Office	Finance	Residents Services	Social Care	Cross Cutting	Total Savings
Description	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Savings Proposals						
Service Transformation	(27)	(526)	(1,190)	(894)	(1,299)	**(3,936)**
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)**	**(1,827)**	**(7,603)**

General Fund - Chief Executive's Office Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings		**0**	**(58)**	**(58)**	**(58)**	**(58)**
New Savings Proposals						
Human Resources - Learning & Development	Service Transformation					
Restructure within Human Resources team to realign the staffing resource to current workload.		(27)	0	0	0	0
Human Resources - Zero Based Review	Zero Based Review					
ZBR review of the Chief Executive's Office.		(31)	0	0	0	0
New Savings Proposals		**(58)**	**0**	**0**	**0**	**0**
Total Chief Executive's Office Savings		**(58)**	**(58)**	**(58)**	**(58)**	**(58)**

General Fund - Finance Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings		**0**	**(728)**	**(908)**	**(908)**	**(908)**
New Savings Proposals						
Business Assurance - Review of Health & Safety *To review the structure of the Health and Safety team to reduce management overheads and create an effective, resilient team to meet the H&S requirements of the Council.*	Service Transformation	(56)	0	0	0	0
Finance - Phase 1 *Phase 1 of the Finance BID review programme restructuring finance service management and the operating model, following the introduction of the new budget management system.*	Service Transformation	(250)	0	0	0	0
Finance - Phase 2 *Phase 2 of the Finance restructure, capturing efficiencies and business benefits of the new ways of working from implementation of the Collaborative Planning budget management system across the Council.*	Service Transformation	(125)	0	0	0	0
Revenues & Benefits - Digital Strategy & Self Service *Proposed restructure of the Housing Benefits Administration Team following implementation the self service module whereby Benefits claimants can apply for benefits online. As part of an ongoing digital strategy, delivery of a self service benefits module will increase efficiencies and reduce resource requirement.*	Service Transformation	(95)	0	0	0	0
Added Years Pension Costs *Payments made in respect of Added Years Pension costs continue to decline.*	Zero Based Review	(120)	(180)	0	0	0
Finance - External Audit Fees *It is anticipated that savings to local authorities will be made as a result of a procurement undertaken by the Public Sector Audit Appointments for external audit services starting from April 2018.*	Zero Based Review	(25)	0	0	0	0

General Fund - Finance Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Finance ZBR Savings						
Savings identified as part of Zero Based Reviews across the directorate.	Zero Based Review	(57)	0	0	0	0
New Savings Proposals		**(728)**	**(180)**	**0**	**0**	**0**
Total Finance Savings		**(728)**	**(908)**	**(908)**	**(908)**	**(908)**

General Fund - Residents Services Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings						
BID reviews - Highways & Street Lighting Programme						
Full year effect following on from Highways & Street Lighting review to extensively remodel and restructure the service (£1,346k saving in 17/18).	Service Transformation	(146)	0	0	0	0
BID reviews - Business and Technical support						
Full year effect from a range of staffing efficiencies across Business & Technical support (following on from the £354k saving in 17/18).	Service Transformation	(25)	0	0	0	0
Zero Based Reviews						
Review of income budgets to recognise current levels of activity within the directorate.	Zero Based Review	0	132	0	0	0
Cumulative Impact of Existing Savings Proposals		0	(2,757)	(2,625)	(2,625)	(2,625)
Full Year Effect of Prior Year Savings		**(171)**	**(2,625)**	**(2,625)**	**(2,625)**	**(2,625)**
New Savings Proposals						
Emergency Response Officers						
The transfer of the Emergency Management and Response Team from Technical and Business Support to Building Services and the deletion of two vacant posts within the Service.	Service Transformation	(92)	0	0	0	0
Fleet Review						
Proposed implementation of an externally commissioned review of the Council's Fleet Management	Service Transformation	(150)	0	0	0	0
Telecareline						
Externalisation of Telecareline and out-of-hours call monitoring service, alongside greater use of Reablement technology.	Service Transformation	(120)	0	0	0	0

General Fund - Residents Services Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Waste Services - Phase 1						
A business case was approved by the Leader of the Council in June 2017 setting out organisational, operational and management structure changes which aim to improve the services delivered by this key, high profile residents facing function.	Service Transformation	(357)	0	0	0	0
Waste Services - Phase 2						
In addition this review will cover efficiency options around recycling by reviewing the distribution of recycling bags required and delivery methods with a view to securing savings. The review will also link in with how residents contact the council via the contact centre.	Service Transformation	(300)	0	0	0	0
Facilities Management Contract Savings						
Proposed contract efficiencies for contracts across Facilities Management to be phased over MTFF period. Including Hard Services (£8.9m over 10 years, contract expires 31/10/17), Catering (£2.1m over 3 years, expires 23/3/18), Cleaning (£3.2m over 3 years, expires 6/9/18) and Security (£2m over 3 years, expires 14/3/19).	Effective Procurement	(300)	0	0	0	0
Graffiti Contract						
Proposed contract efficiencies for Graffiti removal (up for tender in 19/20, contract value £850k over 3 years). Service can be reviewed prior to re-tender as there is no minimum value guaranteed in the current contract.	Effective Procurement	(150)	0	0	0	0
Planning Fees						
Full Year Saving following Central Government offer to Local Authorities of a 20% uplift in nationally set planning fees originally planned for July 2017, but now expected in December 2017.	Income Generation & Commercialisation	(347)	0	0	0	0

General Fund - Residents Services Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Parking Revenue Account Surplus						
Rebase income targets following review of income projections, with the saving representing the net position after earmarking income arising from School Keep Clear zones.	Zero Based Review	(500)	0	0	0	0
Zero Based Reviews						
Additional savings following conclusion of detailed line-by-line budget reviews.	Zero Based Review	(270)	0	0	0	0
New Savings Proposals		**(2,586)**	**0**	**0**	**0**	**0**
Total Residents Services Savings		**(2,757)**	**(2,625)**	**(2,625)**	**(2,625)**	**(2,625)**

General Fund - Social Care Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings						
Review of Children Centre Delivery Model *Full Year Effect of proposals implemented during 2017/18, reflecting current staffing establishment.*	Service Transformation	(95)	0	0	0	0
Effective Use of Troubled Families Grant *Application of Troubled Families Phase 2 Grant funding, to support the turnaround of 1,990 families over the next five years, starting in 2015/16, where the grant payment has been front loaded for the attachment fee.*	Income Generation & Commercialisation	494	512	274	0	0
Cumulative Impact of Existing Savings Proposals		0	(2,233)	(1,797)	(1,523)	(1,523)
Full Year Effect of Prior Year Savings		**399**	**(1,721)**	**(1,523)**	**(1,523)**	**(1,523)**
New Savings Proposals						
Review of Reablement Service *To undertake a further review of the Reablement Service following its restructure in 2016.*	Service Transformation	(200)	0	0	0	0
Transport Review *To undertake a major review and transformation of the Transport Service, embedding new ways of working, improve purchasing of services and improve route planning.*	Service Transformation	(599)	(76)	0	0	0
Electronic Call Monitoring *To ensure that all Homecare providers use an Electronic Call Monitoring System to capture the time spent providing care to clients.*	Effective Procurement	(300)	0	0	0	0

General Fund - Social Care Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Adult Placement Budgets						
A review of the Adult Placements Budget has identified that there is scope to re-baseline the adult placement numbers, reflecting the robust processes that are in place to manage the support provided to clients.	Zero Based Review	(1,035)	0	0	0	0
Independent Living Service - Recharge to HRA						
BID Review of Independent Living Service and associated financing, saving relates to balance of funding and does not affect service levels.	Zero Based Review	(237)	0	0	0	0
Preventative Contract Services						
A review of the contracts required to provide Preventative Services has identified that a number of contracts can be rationalised.	Zero Based Review	(261)	0	0	0	0
New Savings Proposals		**(2,632)**	**(76)**	**0**	**0**	**0**
Total Social Care		**(2,233)**	**(1,797)**	**(1,523)**	**(1,523)**	**(1,523)**

General Fund - Cross-Cutting Savings		Net Variation from 2017/18 Budget				
		2018/19	2019/20	2020/21	2021/22	2022/23
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings						
Cumulative Impact of Existing Savings Proposals		0	(1,827)	(1,827)	(1,827)	(1,827)
Full Year Effect of Prior Year Savings		**0**	**(1,827)**	**(1,827)**	**(1,827)**	**(1,827)**
New Savings Proposals						
Further BID / Service Transformation Proposals	Service Transformation					
The on-going impact of further BID / Service Transformation projects to manage the impact of an unfunded pay award.		(486)				
Contact Centre Review / Digital Strategy	Service Transformation					
A review of the Digital Strategy of the Council, focusing initially on the ways in which customers access services.		(250)				
Education Review	Service Transformation					
On-going BID review of residual Education functions to deliver efficiency savings following the abolition of the Education Services Grant during 2018/19.		(100)				
Public Health Review	Service Transformation					
On-going BID review of all functions funded from the Public Health grant.		(463)				
Further Procurement work	Effective Procurement					
Cross cutting target included to capture expected benefits from a number of current and upcoming procurement exercises with scope to deliver savings in 2018/19		(278)				

General Fund - Cross-Cutting Savings		Net Variation from 2017/18 Budget				
		2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Review of Fees & Charges						
Recommended amendments to fees & charges applicable to a range of services, following refreshed benchmarking with neighbouring authorities.	Income Generation & Commercialisation	(150)				
Supplier Early Payment Programme						
Cross cutting Accounts Payable saving delivered through supplier rebates, achieved via agreed Early Payment Schemes.	Income Generation & Commercialisation	(100)				
New Savings Proposals		**(1,827)**	**0**	**0**	**0**	**0**
Total Cross-Cutting Savings		**(1,827)**	**(1,827)**	**(1,827)**	**(1,827)**	**(1,827)**

The Council's Budget 2018/19 - 2022/23 Medium Term Financial Forecast

Appendix 6

Draft General Fund Capital Programme

Total Project Cost (incl. Prior Years) £'000	Current MTFF Proposal	Project by Cabinet Member Portfolio	2018/19 Draft Budget £'000	2019/20 Draft Budget £'000	2020/21 Draft Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000	Financed by: Council Resources £'000	Government Grants £'000	Other Contributions £'000
		SCHOOLS PROGRAMME								
		Education and Childrens Services								
137,284		Primary School Expansions	119	0	0	0	0	119	0	0
15,326	UPDATE	New Primary School Expansions	5,985	1,043	1,051	0	0	6,879	1,200	0
56,000		Secondary Schools Expansions	19,828	4,163	17,186	8,627	4,500	19,251	35,053	0
46,095		Secondary Schools New Build	377	0	0	0	0	377	0	0
4,000	UPDATE	Additional Temporary Classrooms	2,400	1,600	0	0	0	4,000	0	0
1,640	UPDATE	Schools SRP	0	800	840	0	0	0	1,640	0
250	NEW	Meadow School	250	0	0	0	0	0	250	0
260,596		**Total Schools Programme**	**28,959**	**7,606**	**19,077**	**8,627**	**4,500**	**30,626**	**38,143**	**0**
		MAIN PROGRAMME								
		Community, Commerce and Regeneration								
9,269		Hayes Town Centre Improvements	2,327	275	0	0	0	0	1,300	1,302
895	UPDATE	Inspiring Shopfronts	74	200	0	0	0	274	0	0
3,151		Gateway Hillingdon	213	0	0	0	0	213	0	0
1,996		Uxbridge Change of Heart	950	0	0	0	0	950	0	0
614		Uxbridge Cemetery Gatehouse	549	0	0	0	0	549	0	0
		Central Services, Culture and Heritage								
2,393	UPDATE	Bowls Club Refurbishment	500	500	0	0	0	1,000	0	0
33,059		Hillingdon Sports & Leisure Centre	206	0	0	0	0	206	0	0
360		Ruislip Lido Railway Society Workshop Replacement	20	0	0	0	0	20	0	0
5,632		St Andrews Park Museum	525	3,590	1,417	0	0	4,782	0	750
44,000		St Andrews Park Theatre	300	1,000	5,000	18,800	18,800	42,850	0	1,050
		Finance, Property and Business Services								
1,053		Battle of Britain Underground Bunker	824	0	0	0	0	824	0	0
5,987		Battle of Britain Bunker Heritage Project	300	0	0	0	0	300	0	0
400		Uniter Building Refurbishment	300	0	0	0	0	300	0	0
1,370		Bessingby Football and Boxing Clubhouse	1,190	0	0	0	0	1,190	0	0
5,000	NEW*	Purchase of Uxbridge Police Station	5,000	0	0	0	0	5,000	0	0
1,684	UPDATE	CCTV Programme	600	600	450	0	0	1,650	0	0
3,000		Youth Provision	1,000	1,000	0	0	0	2,000	0	0
200	NEW	Botwell Leisure Centre Football Pitch Replacement	0	0	0	200	0	200	0	0
30,000	NEW	Yiewsley /West Drayton Area Swimming Pool	2,000	8,000	10,000	9,500	500	30,000	0	0
26,750	NEW	Hillingdon Outdoor Activity Centre Reprovision	7,000	13,500	6,000	0	0	0	0	26,500

Total Project Cost (incl. Prior Years) £'000	Current MTFF Proposal	Project by Cabinet Member Portfolio	2018/19 Draft Budget £'000	2019/20 Draft Budget £'000	2020/21 Draft Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000	Financed by: Council Resources £'000	Government Grants £'000	Other Contributions £'000
0		**Planning, Transportation and Recycling**								
11,151	UPDATE	Purchase of Vehicles	3,911	2,529	3,152	744	215	10,551	0	0
250		RAGC Car Park	200	0	0	0	0	200	0	0
5,500		Street Lighting - Invest to Save	900	0	0	0	0	900	0	0
1,657		Harlington Road Depot Improvements	50	0	0	0	0	50	0	0
		Social Services, Housing, Health and Wellbeing								
2,465		Dementia Centre	2,465	0	0	0	0	2,465	0	0
620		1 & 2 Merrimans Housing Project	570	0	0	0	0	570	0	0
		Cross Cabinet Member Portfolios								
1,433	UPDATE*	Environmental and Recreational Initiatives	500	0	0	0	0	500	0	0
199,889		**Total Main Programme**	**32,474**	**31,194**	**26,019**	**29,244**	**19,515**	**107,544**	**1,300**	**29,602**
		SELF FINANCING DEVELOPMENTS								
		Finance, Property and Business Services								
23,251		Yiewsley Site Development	1,860	11,491	9,513	0	0	22,864	0	0
4,605		Belmore Allotments Development	0	4,605	0	0	0	3,276	0	1,329
50,000	UPDATE*	Housing Company Financing	25,000	25,000	0	0	0	50,000	0	0
		Social Services, Housing, Health and Wellbeing								
1,939	NEW	Woodside GP Surgery	0	1,939	0	0	0	1,939	0	0
79,795		**Total Self Financing Developments**	**26,860**	**43,035**	**9,513**	**0**	**0**	**78,079**	**0**	**1,329**
		PROGRAMME OF WORKS								
N/A		Leader's Initiative	200	200	200	200	200	1,000	0	0
		Community, Commerce and Regeneration								
N/A		Chrysalis Programme	1,000	1,000	1,000	1,000	1,000	5,000	0	0
N/A		Playground Replacement Programme	250	250	250	0	0	750	0	0
		Central Services, Culture and Heritage								
N/A	NEW	Libraries Refurbishment Programme	1,000	1,000	1,000	0	0	3,000	0	0
N/A	NEW	Leisure Centre Refurbishment Programme	750	750	750	0	0	2,250	0	0
		Education and Childrens Services								
N/A		Devolved Formula Capital	363	317	271	222	222	0	1,395	0
N/A	UPDATE	School Conditions Building Programme	950	1,950	1,750	1,550	1,550	0	7,000	750
		Finance, Property and Business Services								
N/A		Civic Centre Works Programme	500	500	500	500	500	2,500	0	0
N/A	UPDATE	Corporate Technology and Innovation Programme	1,064	950	514	514	514	3,556	0	0
N/A		Property Works Programme	480	480	480	480	480	2,400	0	0
		Planning, Transportation and Recycling								
N/A	UPDATE*	Highways Structural Works	4,000	3,000	2,000	2,000	2,000	13,000	0	0
N/A		Road Safety	150	150	150	150	150	750	0	0
N/A	UPDATE*	Transport for London	3,812	2,473	3,473	3,473	3,473	0	16,323	381

Total Project Cost (incl. Prior Years) £'000	Current MTFF Proposal	Project by Cabinet Member Portfolio	2018/19 Draft Budget £'000	2019/20 Draft Budget £'000	2020/21 Draft Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000	Financed by: Council Resources £'000	Government Grants £'000	Other Contributions £'000
		Social Services, Housing, Health and Wellbeing								
N/A		Disabled Facilities Grant	2,300	2,300	2,300	2,300	2,300	0	11,500	0
N/A	UPDATE	Private Sector Renewal Grants	225	225	225	225	225	1,125	0	0
		Cross Cabinet Member Portfolios								
N/A		Equipment Capitalisation - General	363	363	363	363	363	1,815	0	0
N/A		Equipment Capitalisation - Adult Social Care	985	985	985	985	985	0	4,925	0
0		**Total Programmes of Works**	**18,392**	**16,893**	**16,211**	**13,962**	**13,962**	**37,146**	**41,143**	**1,131**
		Development & Risk Contingency								
N/A		Contingency	1,500	1,500	1,500	1,500	1,500	7,500	0	0
540,280		**Total General Fund Capital Programme**	**108,185**	**100,228**	**72,320**	**53,333**	**39,477**	**260,895**	**80,586**	**32,062**

** Starred Items have been refreshed from the draft Capital Programme approved by Cabinet on 14 December 2017.*

Housing Revenue Account Corporate Summary	2017/18 £(000s)	2018/19 £(000s)	2019/20 £(000s)	2020/21 £(000s)	2021/22 £(000s)	2022/23 £(000s)
Resources						
Increase / (Decrease) in average Weekly Rents (%)*	(1.0%)	(1.1%)	0.2%	2.7%	3.1%	3.1%
Average Weekly Rent (£)	£108.46	£107.31	£107.48	£110.43	£113.88	£117.38
Increase/(Decrease) in Number of Dwellings	(95)	124	(6)	80	(55)	(37)
Number of Dwellings	9,834	10,097	10,156	10,193	10,206	10,160
Gross Dwelling Rents	**55,612**	**56,497**	**57,075**	**58,691**	**60,599**	**62,180**
Void Risk Contingency	(548)	(565)	(571)	(587)	(606)	(621)
Net Dwelling Rents	***55,064***	***55,932***	***56,504***	***58,104***	***59,993***	***61,559***
Total Resources	55,064	**55,932**	**56,504**	**58,104**	**59,993**	**61,559**
Budget Requirement						
Roll Forward Budget	38,120	39,111	39,111	39,111	39,111	39,111
Inflation	937	83	619	1,129	1,529	1,286
Corporate Items	54	284	298	298	364	577
Contingency	0	2	2	2	2	2
Savings	0	(839)	(839)	(839)	(839)	(839)
Total Budget Requirement	**39,111**	**38,641**	**39,190**	**39,701**	**40,167**	**40,138**
Contribution to Finance Capital Programme	27,617	38,728	17,314	18,403	19,826	21,421
(Drawdown) / Contribution to Reserves	(11,664)	**(21,437)**	**0**	**0**	**0**	**0**
Opening HRA General Balance		**36,437**	**15,000**	**15,000**	**15,000**	**15,000**
Closing HRA General Balance		**15,000**	**15,000**	**15,000**	**15,000**	**15,000**

** Rent figures quoted above are inclusive of new build rents, average rents for existing tenancies are projected to reduce by 1% per annum from 2017/18 to 2019/20 and increase by 3.1% from 2020/21 to 2022/23.*

Housing Revenue Account - Corporate Items		**Net Variation from 2017/18 Budget**				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Description	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Realignment of Budgets to reflect current service needs	0	256	256	256	256	256
Capital Charges	0	0	0	0	66	279
Interest on Balances	54	28	42	42	42	42
Total Corporate Items	**54**	**284**	**298**	**298**	**364**	**577**

Housing Revenue Account - Development & Risk Contingency						
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Potential Calls	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Bad Debts Provision and Future Developments Provision	1,058	1,060	1,060	1,060	1,060	1,060
General Contingency including Housing Zone	680	680	680	680	680	680
Total Potential Calls	**1,738**	**1,740**	**1,740**	**1,740**	**1,740**	**1,740**
Financing						
Base Budget	1,738	1,738	1,738	1,738	1,738	1,738
Contingency released to Directorate Budgets	0	0	0	0	0	0
Increase / Decrease in Contingency	0	2	2	2	2	2
Total Financing	**1,738**	**1,740**	**1,740**	**1,740**	**1,740**	**1,740**
Managed Risk Gap in Contingency	**0**	**0**	**0**	**0**	**0**	**0**

Housing Revenue Account (HRA) - Savings		**Net Variation from 2017/18 Budget**				
		2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Description	**Theme**	£(000s)	£(000s)	£(000s)	£(000s)	£(000s)
Full Year Effect of Prior Year Savings						
Cumulative Impact of Existing Savings Proposals	*N/A*	0	(839)	(839)	(839)	(839)
Full Year Effect of Prior Year Savings		**0**	**(839)**	**(839)**	**(839)**	**(839)**
New Savings Proposals						
Repairs and Planned Maintenance						
A Zero Based Review of repairs and planned maintenance service including repairs delivery team.	Zero Based Review	(310)	0	0	0	0
Housing Service efficiency review						
Housing Service efficiency review	Zero Based Review	(157)	0	0	0	0
Telecareline						
Externalisation of Telecareline and out-of-hours call monitoring service, alongside greater use of Reablement technology.	Service Transformation	(327)	0	0	0	0
Further BID / Service Transformation Proposals						
The on-going impact of further BID / Service Transformation projects to manage the impact of an unfunded pay award.	Service Transformation	(45)	0	0	0	0
New Savings Proposals		**(839)**	**0**	**0**	**0**	**0**
Total HRA Savings		**(839)**	**(839)**	**(839)**	**(839)**	**(839)**

Draft Housing Revenue Account Capital Programme

Project	2018/19 Draft Budget £'000	2019/20 Draft Budget £'000	2020/21 Draft Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000	Financed by: Revenue Contributions £'000	Prudential Borrowing £'000	Capital Receipts £'000
Major Projects								
New General Needs Housing Stock	21,158	31,019	28,736	32,000	22,231	49,572	45,029	40,543
New Build - Shared Ownership	6,234	8,536	678	0	0	4,888	0	10,560
New Build - Supported Housing Provision	11,203	2,459	0	0	0	9,564	0	4,098
ICT	81	81	0	0	0	162	0	0
Total Major Projects	**38,676**	**42,095**	**29,414**	**32,000**	**22,231**	**64,186**	**45,029**	**55,201**
Works to Stock								
Works to Stock programme	11,111	7,373	8,326	10,579	10,900	48,289	0	0
Major Adaptations to Property	1,147	1,204	1,249	1,286	1,286	6,172	0	0
Total Works to Stock	**12,258**	**8,577**	**9,575**	**11,865**	**12,186**	**54,461**	**0**	**0**
HRA Capital Contingency	**2,500**	**0**	**0**	**0**	**0**	**2,500**	**0**	**0**
Total HRA Capital Programme	**53,434**	**50,672**	**38,989**	**43,865**	**34,417**	**121,147**	**45,029**	**55,201**
Financed by:								
RCCO	43,735	17,314	18,403	19,826	21,421			
Prudential Borrowing	0	22,542	2,055	14,553	6,327			
Capital Receipts	9,699	10,816	18,531	9,486	6,669			
Total	**53,434**	**50,672**	**38,989**	**43,865**	**34,417**	**0**	**0**	**0**

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
21. Battle of Britian Bunker Fees (Corporate / Event Fees)										
Visitor Centre										
Meeting Room (up to 20 People) per Hour	B	N/A	N/A	STD	50.00	N/A	50.00	N/A	N/A	01-Mar-18
Lecture Theatre (up to 100 people) per Half Day	B	N/A	N/A	STD	400.00	N/A	400.00	N/A	N/A	01-Mar-18
Exhibition Hall (up to 200 people, only available evenings) per Evening	B	N/A	N/A	STD	1,000.00	N/A	1,000.00	N/A	N/A	01-Mar-18
Entire Visitor Centre (up to 200 people, only available evenings) per Evening	B	N/A	N/A	STD	1,500.00	N/A	1,500.00	N/A	N/A	01-Mar-18
Bunker										
Bunker meeting room (up to 20 people) per Hour	B	N/A	N/A	STD	50.00	N/A	50.00	N/A	N/A	01-Mar-18
Grounds										
Gardens per Hour	B	N/A	N/A	STD	50.00	N/A	50.00	N/A	N/A	01-Mar-18
Entire site (Gardens, Bunker and Visitor Centre) per Evening	B	N/A	N/A	STD	2,000.00	N/A	2,000.00	N/A	N/A	01-Mar-18
Extras/Special Arrangements:										
Private tour of the Bunker (up to 50 people)	B	N/A	N/A	STD	250.00	N/A	250.00	N/A	N/A	01-Mar-18
Catering	B	N/A	N/A	STD	POA	N/A	POA	N/A	N/A	01-Mar-18
Equipment hire (e.g. AV equipment)	B	N/A	N/A	STD	POA	N/A	POA	N/A	N/A	01-Mar-18

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

VAT Status
STD-Standard EXP-Exempt
RED-Reduced NB-New Business

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
23. Music Service										
Standard tuition	R	63.72	N/A	EXP	68.90	8.13%	N/A	N/A	01-Apr-17	01-Apr-18
Advanced tuition plus Music School	R	195.26	250.00	EXP	215.00	10.11%	312.30	24.92%	01-Apr-17	01-Apr-18
Music School only	R	66.40	84.00	EXP	67.20	1.20%	114.30	36.07%	01-Apr-17	01-Apr-18
Weekday music school or Choir Only	R	33.10	48.00	EXP	33.00	-0.30%	81.50	69.79%	01-Apr-17	01-Apr-18
Use of Instrument	R	14.87	20.00	EXP	18.00	21.05%	21.00	5.00%	01-Apr-17	01-Apr-18
Standard tuition layer 2 (NEW)	R	43.00	N/A	EXP	44.00	2.33%	N/A	N/A	01-Apr-17	01-Apr-18
Standard tuition layer 1	R	15.00	N/A	EXP	15.50	3.33%	N/A	N/A	01-Apr-17	01-Apr-18
Advanced tuition plus Music School layer 2 (NEW)	R	120.00	N/A	EXP	130.50	8.75%	N/A	N/A	01-Apr-17	01-Apr-18
Advanced tuition plus Music School layer 1	R	40.00	N/A	EXP	43.50	8.75%	N/A	N/A	01-Apr-17	01-Apr-18
Music School only layer 2 (NEW)	R	46.00	N/A	EXP	42.00	-8.70%	N/A	N/A	01-Apr-17	01-Apr-18
Music School only layer 1	R	16.00	N/A	EXP	15.00	-6.25%	N/A	N/A	01-Apr-17	01-Apr-18
Weekday music school or Choir Only layer 2 (NEW)	R	21.00	N/A	EXP	21.00	0.00%	N/A	N/A	01-Apr-17	N/A
Weekday music school or Choir Only layer 1	R	9.25	N/A	EXP	9.30	0.54%	N/A	N/A	01-Apr-17	01-Apr-18
Use of Instrument layer 2 (NEW)	R	10.00	N/A	EXP	12.00	20.00%	N/A	N/A	01-Apr-17	01-Apr-18
Use of Instrument layer 1	R	5.00	N/A	EXP	6.00	20.00%	N/A	N/A	01-Apr-17	01-Apr-18
Hourly Charge for School Projects	S	N/A	37.00	NB	N/A	N/A	40.00	8.11%	01-Sep-10	01-Apr-18
Hourly Charge for School Projects (to Academies)	S	N/A	44.40	STD	N/a	N/A	50.00	12.61%	01-Sep-10	01-Apr-18
Whole Class Ensemble Tuition (Morning Discount)	S	200.00	N/A	EXP	200.00	N/A	N/A	N/A	01-Apr-17	N/A
Whole Class Ensemble Tuition (Afternoon Standard Price)	S	N/A	N/A	EXP	350.00	N/A	N/A	N/A	N/A	01-Apr-18

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

VAT Status
STD-Standard EXP-Exempt
RED-Reduced NB-New Business

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non Residents	Increase	Date of last change to charge	Effective Date
37. Early Years Centres										
Nestles Avenue Early Years Centre / South Ruislip Early Years Centre / Uxbridge Early Years Centre										
Less than 5 hours booking (£ per hour)										
Standard Rate - Under 2 year old	R	7.54	7.54	EXP	7.65	1.46%	7.65	1.46%	01-Sep-15	01-Apr-18
Concessionary Rate - Under 2 year old	R	6.79	6.79	EXP	6.89	1.47%	6.89	1.47%	01-Sep-15	01-Apr-18
Standard Rate - Over 2 year old	R	6.51	6.51	EXP	6.61	1.54%	6.61	1.54%	01-Sep-15	01-Apr-18
Concessionary Rate - Over 2 year old	R	5.86	5.86	EXP	5.95	1.54%	5.95	1.54%	01-Sep-15	01-Apr-18
More than 5 hours booking (£ per hour)										
Standard Rate - Under 2 year old	R	5.85	5.85	EXP	5.94	1.54%	5.94	1.54%	01-Sep-15	01-Apr-18
Concessionary Rate - Under 2 year old	R	5.27	5.27	EXP	5.35	1.52%	5.35	1.52%	01-Sep-15	01-Apr-18
Standard Rate - Over 2 year old	R	5.17	5.17	EXP	5.25	1.55%	5.25	1.55%	01-Sep-15	01-Apr-18
Concessionary Rate - Over 2 year old	R	4.65	4.65	EXP	4.72	1.51%	4.72	1.51%	01-Sep-15	01-Apr-18
10 Hour booking (£ per week)										
Standard Rate - Under 2 year old	R	262.50	262.50	EXP	266.45	1.50%	266.45	1.50%	01-Sep-15	01-Apr-18
Concessionary Rate - Under 2 year old	R	236.25	236.25	EXP	239.80	1.50%	239.80	1.50%	01-Sep-15	01-Apr-18
Standard Rate - Over 2 year old	R	237.00	237.00	EXP	240.56	1.50%	240.56	1.50%	01-Sep-15	01-Apr-18
Concessionary Rate - Over 2 year old	R	213.30	213.30	EXP	216.50	1.50%	216.50	1.50%	01-Sep-15	01-Apr-18
38. Adult Education Service										
Tuition Fee per Guided Learning Hour –LSC funded provision	R	2.87	4.55	EXP	3.26	13.59%	5.17	13.63%	1-Apr-17	01-Aug-18
Tuition Fee per Guided Learning Hour –LBH funded provision	R	2.87	4.55	EXP	3.26	13.59%	5.17	13.63%	1-Apr-17	01-Aug-18

Type
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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
44. Housing Revenue Account										
Development & Assets										
Service Charges										
CCTV Maintenance (per week)	R	0.74	N/A	NB	0.75	2%	N/A	N/A	03-Apr-17	02-Apr-18
Laundry Machines in Sheltered Housing Units - Servicing and Maintenance (per week)	R	0.78	N/A	NB	0.79	2%	N/A	N/A	03-Apr-17	02-Apr-18
Estates & Tenancy Management										
Parking Rents										
Car Ports (Council Tenants) (per week)	R	8.04	N/A	NB	8.20	2%	N/A	N/A	03-Apr-17	02-Apr-18
Car Ports (Private) (per week)	R	9.65	9.65	STD	9.84	2%	9.84	2%	03-Apr-17	02-Apr-18
Hard Standings / Parking Spaces (Council Tenants) (per week)	R	4.62	N/A	NB	4.71	2%	N/A	N/A	03-Apr-17	02-Apr-18
Hard Standings / Parking Spaces (Private) (per week)	R	5.53	5.53	STD	5.65	2%	5.65	2%	03-Apr-17	02-Apr-18
Grounds Maintenance and Gardening										
Grounds Maintenance (minimum) (per week)	R	1.26	N/A	NB	1.29	2%	N/A	N/A	03-Apr-17	02-Apr-18
Grounds Maintenance (maximum) (per week)	R	4.31	N/A	NB	4.40	2%	N/A	N/A	03-Apr-17	02-Apr-18
Hedge Cutting - Standard Frequency (per week - optional)	R	0.79	N/A	NB	0.80	2%	N/A	N/A	03-Apr-17	02-Apr-18
Lawn Mowing - Standard Frequency (per week - optional)	R	3.92	N/A	NB	4.00	2%	N/A	N/A	03-Apr-17	02-Apr-18
Bed Maintenance - Standard Frequency (per week - optional)	R	0.53	N/A	NB	0.54	3%	N/A	N/A	03-Apr-17	02-Apr-18

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Heating Charges										
Communal Electric (per week)	R	1.61	N/A	NB	1.64	2%	N/A	N/A	03-Apr-17	02-Apr-18
Sheltered Heating - Communal Element (per week)	R	3.50	N/A	NB	3.57	2%	N/A	N/A	03-Apr-17	02-Apr-18
Sheltered Heating - Property Element (Bedsit) (per week)	R	5.48	N/A	NB	5.59	2%	N/A	N/A	03-Apr-17	02-Apr-18
Sheltered Heating - Property Element (One Bedroom) (per week)	R	8.26	N/A	NB	8.43	2%	N/A	N/A	03-Apr-17	02-Apr-18
Sheltered Heating - Property Element (Two or More Bedrooms) (per week)	R	9.45	N/A	NB	9.64	2%	N/A	N/A	03-Apr-17	02-Apr-18
District Heating - Communal Element (minimum) (per week)	R	1.34	N/A	NB	1.37	2%	N/A	N/A	03-Apr-17	02-Apr-18
District Heating - Communal Element (maximum) (per week)	R	4.23	N/A	NB	4.32	2%	N/A	N/A	03-Apr-17	02-Apr-18
District Heating - Property Element (minimum) (per week)	R	6.05	N/A	NB	6.17	2%	N/A	N/A	03-Apr-17	02-Apr-18
District Heating - Property Element (maximum) (per week)	R	14.61	N/A	NB	14.91	2%	N/A	N/A	03-Apr-17	02-Apr-18
Peachey Close - Electricity (per week)	R	10.93	N/A	NB	11.15	2%	N/A	N/A	03-Apr-17	02-Apr-18
Other Services										
Electric Scooter Charging Point - Queen's Lodge, Cliftonville, Kent (per month)	R	N/A	5.78	STD	N/A	N/A	5.90	2%	03-Apr-17	02-Apr-18
Leaseholder Solicitors Enquiries	R	105.72	N/A	STD	107.8	2%	N/A	N/A	03-Apr-17	02-Apr-18

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Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Residents Services (Housing)										
Caretaking										
Caretaking - Band A (per week)	R	11.02	N/A	NB	11.24	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Band B (per week)	R	7.14	N/A	NB	7.28	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Band C (per week)	R	4.95	N/A	NB	5.05	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Band D (per week)	R	3.85	N/A	NB	3.93	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Band E (per week)	R	2.75	N/A	NB	2.80	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Band F (per week)	R	1.66	N/A	NB	1.69	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Sheltered Housing (per week)	R	5.49	N/A	NB	5.60	2%	N/A	N/A	03-Apr-17	02-Apr-18
Caretaking - Queen's Lodge, Cliftonville, Kent (per week)	R	N/A	6.92	NB	N/A	N/A	7.06	0.00%	03-Apr-17	02-Apr-18
Extra Care Housing										
Triscott House - Management Support Charge (per week)	R	25.01	N/A	NB	25.51	2%	N/A	N/A	03-Apr-17	02-Apr-18
Triscott House - Cleaning Charge (per week)	R	9.51	N/A	NB	9.70	2%	N/A	N/A	03-Apr-17	02-Apr-18
Triscott House - Grounds Maintenance (per week)	R	2.18	N/A	NB	2.23	2%	N/A	N/A	03-Apr-17	02-Apr-18

Type
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M-Mixed C-Concession

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RED-Reduced NB-New Business

Type of Fee / Charge	Type	Current Charge Residents	Current Charge Non-Residents	Vat Status	Proposed Charge Residents	Increase	Proposed Charge Non-Residents	Increase	Date of last change to charge	Effective Date
Marlborough Crescent										
Enhanced housing management charge (per bed space per week)	R	2.27	N/A	NB	2.32	2%	N/A	N/A	01-Apr-17	02-Apr-18
Electrical useage (per bed space per week)	R	4.45	N/A	NB	4.54	2%	N/A	N/A	01-Apr-17	02-Apr-18
Water usage Studio (per property type per week)	R	2.37	N/A	NB	2.42	2.0%	N/A	N/A	20-Apr-17	02-Apr-18
Water usage 1 Bed (per property type per week)	R	4.47	N/A	NB	4.56	2.0%	N/A	N/A	20-Apr-17	02-Apr-18
Water usage 3 Bed (per property type per week)	R	5.93	N/A	NB	6.05	2.0%	N/A	N/A	20-Apr-17	02-Apr-18
Water usage 4 Bed (per property type per week)	R	7.00	N/A	NB	7.14	2.0%	N/A	N/A	20-Apr-17	02-Apr-18
Caretaking (per bed space per week)	R	2.15	N/A	NB	2.19	2%	N/A	N/a	01-Apr-17	02-Apr-18
Furniture and furnishings (per property per week)	R	1.00	N/A	NB	1.02	2%	N/A	N/A	01-Apr-17	02-Apr-18

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

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Appendix 9 - Balances & Reserves Policy - Assessment of General Fund Reserves Requirement

Assessment of General Fund Reserves Requirement	Minimum Level 2018/19 (£ million)	Maximum Level 2018/19 (£ million)	Minimum Level 2017/18 (£ million)	Maximum Level 2017/18 (£ million)	Principal Reasons for Requirement
The general financial climate to which the Council is subject	1.5	4.5	1.5	4.5	Sustained reductions funding forecast over the medium-term with the austerity agenda set to continue over this parliament
The overall financial standing of the authority	1.0	2.0	1.0	2.0	To manage adverse movement in the Council's financial standing
Estimates of level of locally raised income	2.0	3.0	2.0	3.0	Locally raised income accounts for approximately 80% of corporate funding
The treatment of planned efficiency savings / productivity gains	1.0 (-1.0m)	4.0 (-1.0m)	2.0	5.0	To manage risk around slippage of the Council's major savings programme, in response to funding reductions
The treatment of inflation and interest rates	2.0 (+1.0m)	2.5 (+1.0m)	1.0	1.5	Assumptions have been refreshed to reflect latest intelligence, and further provision included within this analysis
The financial risk inherent in major contract arrangements	1.5	4.5 (+1.0m)	1.5	3.5	To manage any impact of services arising from supplier risk, particularly in respect of Social Care provision
The treatment of demand led pressures	2.0	4.0	2.0	4.0	Increased demand for services from an aging and increasing population
The financial risks inherent in any major capital developments	1.0	2.5 (-1.0m)	1.0	3.5	Inherent risks due to significant level of investment required for school places
Estimates of the level and timing of capital receipts	1.0	2.0	1.0	2.0	Slippage on asset disposal programme could lead to increased borrowing
The availability of reserves and other funds to deal with major contingencies and pressures	2.0	3.0	2.0	3.0	Cover for unforeseen events over and above £500k budgeted provision for General Contingency
Unallocated GF Reserves	**15.0**	**32.0**	**15.0**	**32.0**	

TREASURY MANAGEMENT and INVESTMENT STRATEGY 2018/19 to 2022/23

SUMMARY

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

Over the longer term, the Council considers the need to borrow money to fund its major capital projects and when the best time is to do this. The strategy aims to minimise borrowing and make use of internal funds where viable. Currently, there is an expectation that new borrowing will be required during 2018/19 of £107m. New borrowing to fund the capital financing requirement will be taken for cash flow purposes or where there is a positive budget impact in terms of the cost of carry. New debt will be a mixture of short and medium term durations designed to minimise cost without having a detrimental effect on re-financing risk.

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

This report details the investment instruments and counterparties in which the Council can invest. All institutions on the Counterparty List are regularly monitored assessing risk and determining the duration and value of limits on investments with counterparties.

For 2018/19, the following changes are proposed for the Treasury Management Strategy Statement (TMSS).

- Following European Money Market Fund reform, from January 2019, "Constant Net Asset Value" (CNAV) Funds will convert to "Low Volatility Net Asset Value" (LVNAV) Funds. The Council has expanded its Money Market Fund determination to accommodate the new classification.

- The European Markets in Financial Instruments Directive (MiFID II) came into force with effect from 3rd January 2018. MiFID II requires the Council to hold a minimum balance to be able to maintain its professional investor status and therefore access the services of advisers, brokers, custodians and counterparty investment vehicles. The Council has set a minimum investment level of £15m through Non-specified Pooled fund exposure which has been extended from 3 to 5 years in duration. A £15m investment into strategic and long-dated Non-specified pooled funds also aligns with the proposal to make greater use of the Council's reserves and the long-term objective of achieving £400k annual returns on this investment.

Appendix 10

1. INTRODUCTION

1.1 Under the Local Government Act 2003 the Council has a legal obligation to have regard to both the CIPFA Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) and DCLG Guidance on local authority investments in determining the Treasury Management Strategy Statement, Investment Strategy, Prudential Indicators and Minimum Revenue Provision Statement for the following financial year. The strategy is developed as part of the Council's MTFF process. The Council formally adopted the CIPFA Code in February 2012.

1.2 CIPFA consulted on changes to the Code and the Prudential Framework at the end of 2017. The new Code was issued in January 2018; however guidance notes are yet to be published. Following publication of the revised guidance notes any updated strategy documents will be brought to the relevant body for approval.

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

1.4 The major external influence on the Council's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19. Consumer price inflation was at 3.0% in December 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

2. BALANCE SHEET AND TREASURY POSITION

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

2.2 Estimates of the CFR, based on the projected capital programme over the next five years are shown in Table 1. The Council's opening CFR is estimated at £421m for 2018/19, based on the closing 2017/18 figures, outstanding loans £250m and other long term liabilities of £1m, resulting in a gross borrowing requirement of £170m. Existing borrowing is identified into separate loan pools for GF and HRA. GF debt is £61m and HRA £189m.

Table 1

	2017/18 Estimate £m	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**
General Fund CFR	219	285	322	348	356	347
HRA CFR	202	193	207	201	207	205
Total CFR	**421**	**478**	**529**	**549**	**563**	**552**
Existing Borrowing *	251	234	217	203	198	185
Gross External Borrowing required to meet CFR	**170**	**244**	**312**	**346**	**365**	**367**
Projected Usable Reserves **	142	114	108	101	98	98
Projected Working Capital	38	38	38	38	38	38
Investments / (New Borrowing Required)	**10**	**(92)**	**(166)**	**(207)**	**(229)**	**(231)**

* Borrowing profile does not include potential calls on LOBO borrowing. Borrowing includes £191.6m (£130.6m balance) paid to government by the HRA as settlement on the introduction of the self financing regime in March 2012.
** Council controllable reserves only

2.3 The increasing General Fund CFR is due to the Council's programme of capital investment funded by Council resources. The Capital programme continues to focus on provision of sufficient schools places to meet rising demand across the borough. In addition there are provisions in place for major investment on the St Andrews Park site in Uxbridge, a new swimming pool in the Yiewsley/West Drayton area and improvements to the Borough's highways. The Council is forecast to require borrowing from 2018/19 to meet the current costs of the capital programme.

2.4 Under the Prudential Code for Local Authorities, the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this, as new borrowing and existing borrow are less than the total CFR.

2.5 The Council's projected capital programme over the next five years, alongside the projected financing, is fundamental in determining a borrowing strategy. Annex A provides detail on the Prudential Indicators associated with capital expenditure projections and its incremental impact on council tax and housing rent levels.

3. BORROWING STRATEGY

3.1 The Council's external debt at 31 March 2018 will be £250.1m, a decrease of £17.3m on the previous year as a result of naturally maturing debt. There were no opportunities to repay debt in 2017/18. A further £17.3m is scheduled for repayment in 2018/19. Over 2017/18 the Council's loan portfolio had an average interest rate of 3.29%.

3.2 Projected capital expenditure levels, market conditions and interest rate levels are monitored throughout the year. This enables the Council to adapt borrowing strategies to minimise borrowing costs over the medium to longer term whilst maintaining financial stability. Table 1 above shows the Council is expecting it will need to borrow in 2018/19 based on the full capital programme and debt maturity profile.

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

3.4 Taking new fixed rate borrowing in advance of need would not normally be cost effective when compared to utilising internal balances, due to the differential between debt costs and investment earnings, despite long term borrowing rates being at low levels; however this position may change with changes in interest rates. Delaying borrowing until required for cash flow purposes allows the Council to reduce credit risk and takes pressure off the Council's Counterparty list.

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

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

3.6 Although a mix of borrowing options will always be considered, the PWLB (or equivalent) will remain the primary source of long-term and variable rate borrowing whilst rates remain closely linked to government gilts. The Council currently has access to the preferential PWLB "certainty rate", which is 0.2% lower than normal PWLB lending rates. To cover unexpected cash flow shortages or short term borrowing requirements, the Council may borrow short term, which would mainly be sourced from other local authorities.

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

Interest Rate Risk

3.8 The Council's has fixed rate loans of £237.1m which protect against interest rate rises, whilst there are variable rate loans totalling £13m, £3m take advantage of favourably low rates and £10m are LOBO loans in their call period during 18/19. Although variable rate loans are exposed to increases in rates, any additional loan costs would be offset by a corresponding increase in investment income. Additionally, within the balance of variable rate loans, £3m is PWLB debt which can be prematurely repaid with minimal cost should the need arise.

3.9 Within the loan portfolio, the Council holds market loans of £48m of which £36m are Lender's Option Borrower's Option (LOBO) loans. The remaining £12m are classified as fixed rate debt. In 2018/19 two loans totalling £10m will be in their call period and so are reclassified for the period as variable. It is highly unlikely that the loans will be called given interest rates are now lower than those at the inception of the loan. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the new terms and also the option of repayment of the loan without penalty. The Council may utilise cash resources for repayment or may consider replacing the loan by borrowing from the approved sources. The default position however will be early repayment without penalty. The Council will not utilise LOBO's for any new borrowing.

Debt Rescheduling

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

3.11 Rates and markets are regularly monitored to identify opportunities for rescheduling and any borrowing and rescheduling activity is reported monthly to Cabinet. However, current market conditions are resulting in significant early redemption costs for fixed rate debt and unless these are significantly reduced, it is unlikely any debt rescheduling will be undertaken in 2018/19.

3.12 The Council will limit and monitor large concentrations of fixed rate debt needing to be replaced through the prudential indicator in table 2. The upper and lower percentage limits are intended to control excessive exposure to volatility in interest rates on refinancing of maturing fixed rate debt by setting a structure for borrowing maturity profiles. The first scheduled LOBO call option is included as the maturity date within this indicator.

Table 2

Maturity structure of fixed rate borrowing	% PWLB maturity profile at 31/03/18	% Market LOBO 1st call option profile at 31/03/18	Lower Limit for 2018/19 %	Upper Limit for 2018/19 %
under 12 months	6.39	4.05	0	25
12 months and within 24 months	6.39	2.43	0	25
24 months and within 5 years	12.50	6.07	0	50
5 years and within 10 years	11.13	2.02	0	100
10 years and within 20 years	23.47	0	0	100
20 years and within 30 years	9.13	0	0	100
30 years and within 40 years	11.57	0	0	100
40 years and within 50 years	3.23	0	0	100
50 years and above	1.62	0	0	100
Total	**85.43**	**14.57**	**0**	**100**

3.13 Prudential indicators in relation to borrowing limits and interest rate exposure are shown in Annex A.

4. INVESTMENT STRATEGY

4.1 In accordance with Investment Guidance from DCLG and best practice, the Council's primary objectives in relation to the investment of public funds remains:

- security of the invested capital;
- liquidity of the invested capital; and
- an optimum yield which is commensurate with security and liquidity.

4.2 When investing funds the Council looks to balance risk and return, minimising the risk of incurring losses from defaults, and the risk receiving unsuitably low investment income.

4.3 Negative Interest rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

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

Bail-In Risk

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

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

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

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

Funds

4.9 Money Market Funds (MMF's) remain an important vehicle for instant access deposits. Money Market Funds reduce the risk of bail-in as the funds are diversified with limits on the exposure to any specific bank. The Council also utilises more than one MMF to diversify exposure. Where MMF’s participate, the Council utilises the facilities of a MMF portal to make subscriptions and redemptions. The portal procedure involves the use of a clearing agent; however the Council’s funds are ring-fenced throughout the process. By January 2019 European Money Market Fund reform will require the conversion Constant Net Asset Value (CNAV) MMF's to Low Volatility Net Asset Value (LVNAV) funds. This change in classification has been reflected within the Specified Investment section in Annex B.

4.10 Pooled Funds provide the Council with the facility to access a diversified pool of longer duration investments which the Council could not utilise on a segregated basis. These funds have a variable net asset value and offer the potential of greater risk adjusted returns over the longer term. The Council expects to maintain its current holding of £15m within Cash-Plus and Short-Bond funds (Specified Investments) whilst placing a new allocation of £15m within Strategic & Long-Dated funds (Non-Specified Investments).

Credit Risk

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

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

High Credit Quality

4.13 The Council has defined "high credit quality" organisations and securities as those having a minimum credit rating of A- for UK counterparties, A+ for overseas counterparties and AA+ for non-UK sovereigns. Covered Bonds will be restricted to bond issues of AA or above. The Council's portfolio average credit rating as at 31 March 2018 is forecast at AA-.

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

Risk Assessment and Credit Ratings

4.15 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded resulting in it failing to continue to meet the approved investment criteria then:

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

Liquidity Risk

4.17 The Council will ensure it has liquid funds available to settle its payment obligations when they fall due and uses cash flow modelling techniques to determine the maximum term for which funds may be prudently committed. It will utilise instant access facilities including call accounts and Money Market Funds (MMF's) for core working capital balances and structure longer term maturities to correspond to large cash outflows with reference to the Council's capital programme.

Return on Invested Sums

4.18 As interest rates are forecast to remain low on liquid balances, the investment strategy is aiming to lengthen investment periods, where cashflow and credit conditions permit, in order to lock in higher rates of acceptable risk adjusted returns. Longer term investments will typically be through deposits with local authority entities, the use of secured deposits and Strategic & Long-Dated pooled funds. For 2018/19 a new £15m allocation to Strategic and Long-Dated pooled funds is targeting excess returns of 3% and £400k income per annum over the investment period.

Council's Bank Account

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

Non-Treasury Investments

4.20 Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property or set up vehicles for investment purposes. It may also make loans and investments for service purposes. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

5. OTHER ITEMS

Policy on Use of Financial Derivatives

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

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

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

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

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

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

Investment of Money Borrowed in Advance of Need

5.6 The Council may borrow in advance of need, where this is expected to provide the best long-term value for money. However, as amounts borrowed will be invested until spent, the Council is aware that it would be exposed to the risk of loss of the borrowed sums and the risk investment and borrowing interest rates may change in the intervening period. These risks would be managed as part of the Councils overall management of its treasury risks. The total amount borrowed would not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Balanced Budget Requirement

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

Investment Consultants

5.8 The Council has a contract in place with Arlingclose Ltd to provide treasury advisory services, which details the agreed schedule of services. Performance is measured against the schedule to ensure the services being provided are in line with the agreement.

Monitoring and Reporting

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

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

5.11 Following changes to the Code and the Prudential Framework issued in January 2018, the revised guidance is expected to follow in due course. Once issued any updated strategy documents will be brought to the relevant body for approval

Training

5.12 The CIPFA Code of Practice requires that all Members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. The Council adopts a continuous performance and development programme to ensure officers are regularly appraised and any training needs addressed. Treasury Officers also attend regular training sessions, seminars and workshops which ensure their knowledge is up to date and relevant. Details of training received are maintained as part of the performance and development process. Council Members are provided access to additional training where required.

ANNEX A

Prudential Indicators and Estimates of Capital expenditure

The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is a statutory limit for borrowing determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Table 3

Authorised Limit for External Debt	2017/18 Approved £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Borrowing	**510**	**578**	**592**	**592**	**593**	**582**
Other Long term Liabilities	1	1	1	1	0	0
Authorised Limit	**511**	**579**	**593**	**593**	**593**	**582**

The **Operational Boundary** is linked directly to the Council's estimates of the CFR and estimates of other day to day cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent scenario but without the additional headroom included within the Authorised Limit. This facilitates short-term additional borrowing in the event of unforeseen adverse events.

Table 4

Operational Boundary for External Debt	2017/18 Approved £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Borrowing	**480**	**548**	**562**	**562**	**563**	**552**
Other Long-term Liabilities	1	1	1	1	0	0
Operational Boundary	**481**	**549**	**563**	**563**	**563**	**552**

The Corporate Director of Finance has delegated authority, within the above limits, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Any such decisions will be based on the outcome of financial option appraisals and best value considerations based on current market and macroeconomic conditions. Cabinet is notified of any use of this delegated authority through monthly budget monitoring reports.

Upper Limits for Interest Rate Exposure

The following Prudential Indicators show the extent to which the Council is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Council is not unduly exposed to interest rate rises, which could adversely impact its revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Table 5

Upper Limits for Interest Rate Exposure	**31/03/18 Estimate %**	**2017/18 Approved %**	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**	**2021/22 Estimate %**	**2022/23 Estimate %**
Upper Limit for Fixed Interest Rate Exposure on Debt	95	100	100	100	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments	0	(75)	(75)	(75)	(75)	(75)	(75)
Upper Limit for Variable Interest Rate Exposure on Debt	5	50	50	50	50	50	50
Upper Limit for Variable Interest Rate Exposure on Investments*	(100)	(100)	(100)	(100)	(100)	(100)	(100)

*Investments with duration less than one year are classified as variable.

Upper limits for principal over 364 days

The Council has placed an upper limit for principal sums invested for over 364 days, as required by the Prudential Code. This limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. Under the Council's strategy only investments where risk is minimised, as set out in the non-specified investments in table 13, would be placed for over 1 year.

Table 6

Upper Limit for total principal sums invested over 364 days	**2017/18 Approved £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**
	35	35	35	35	35	35

Estimates of Capital Expenditure and other Prudential Indicators

It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, Housing Rent levels. In an environment of 'low rates for longer' the Council's strategy is currently to defer external borrowing and use internal borrowing where possible, thus avoiding unnecessary interest payments and simultaneously reducing counterparty investment risks. Estimates for capital expenditure shown in Table 7 are estimates of likely capital cash outflows.

Table 7

Capital Expenditure	**2017/18 Approved £m**	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**
General Fund	66	62	108	100	72	53	40
HRA	63	73	53	51	39	44	34
Total	**129**	**135**	**161**	**151**	**111**	**97**	**74**

Capital expenditure is expected to be financed as follows:

Table 8

Capital Financing	**2017/18 Approved £m**	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**
Prudential Borrowing	37	29	69	68	38	34	10
Capital Receipts	29	36	19	19	27	26	23
Community Infrastructure Levy	5	3	5	6	6	6	6
Government Grants & External Contributions	18	21	25	41	22	11	14
Revenue Contributions	40	46	43	17	18	20	21
Total Capital Financing	**129**	**135**	**161**	**151**	**111**	**97**	**74**

Actual External Debt: This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Table 9

Actual External Debt as at 31/03/2018	**£m**
General Fund Borrowing	61.5
HRA Borrowing	188.5
Other Long term Liabilities	1.4
Total	**251.4**

HRA Indebtedness: Following settlement and the introduction of the self-financing regime, a borrowing cap of £303.3m has been imposed by HM Treasury on HRA indebtedness. This gives the HRA potential headroom borrowing of up to £114.8m to finance future capital.

Incremental Impact of Capital Investment Decisions

As an indicator of affordability, Table 10 shows the notional impact of capital investment decisions on Council Tax and Housing Rent levels and represents the impact on these if the financing of the Capital programme were to be funded from taxes and rents.

Appendix 10

Table 10

Incremental Impact of Capital Investment Decisions	**2017/18 Revised**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
Increase in Band D Council Tax	£3.09	£10.09	£33.33	£18.95	£19.17	8.66
Increase in Average Weekly Housing Rents	£0.00	£0.00	£0.00	£0.00	£0.12	£0.53

The ratio of financing costs to the Council's net revenue stream is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of future revenue budgets required to meet borrowing costs. An element of the additional rents secured from new build properties within the HRA will contribute to borrowing costs linked to this investment. In terms of council tax, the incremental impact growth reflects the MTFF plan for priority growth projects in the Capital programme. There is an increase in the impact to council tax payers through to 2022/23 primarily due to the review of financing provisions during the budget setting process and an increase in financing costs due to the expectation of new borrowing mainly in support of secondary school expansion projects. These result in an increase in revenue costs that would that would ultimately fall on the local Council tax payer to fund.

Table 11

Ratio of Financing Costs to Net Revenue Stream	**2017/18 Revised**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
General Fund	2%	3%	4%	5%	7%	7%
HRA	28%	28%	27%	27%	26%	25%

ANNEX B

Specified Investments & Non-Specified Investments

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the “high credit quality” as decided by the Council and are not deemed capital expenditure investments under statute. Non-specified investments are those which do not meet the above criteria, for example more than 1 year in duration.

The Council defines “high credit quality” for:

- UK Organisations - The minimum credit rating is set at A- or higher
- Overseas Organisations - The minimum credit rating is set at A+ or higher
- Overseas Countries - The minimum credit rating for domiciles of overseas banks is set at AA+
- Secured Deposits - The minimum credit rating for collateral on secured deposits is set at AA.

Specified Investments identified for use by the Council

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Instant access facilities and fixed term deposits with specified banks & building societies
- Repurchase Agreements, Covered Bonds (Fixed and Floating Rate Notes))
- Gilts (bonds issued by the UK government)
- Treasury Bills (T-Bills)
- Local Authority Bonds
- Money Market Funds
- Pooled Funds

When determining the minimum acceptable credit quality the Council will not only consider the credit rating criteria above but also information on corporate developments and market sentiment towards investment counterparties, as set out in the Credit Risk indicator. For credit rated counterparties, the minimum criteria will be the lowest equivalent long term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned). Long-term minimum: A- (Fitch); A3 (Moody’s); A- (S&P). The Council will aim to have a weighted average credit score of A- for the whole portfolio of investments. Classification of specified and non-specified investment is made at the point of entering into the investment.

Table 12: Limits for Specified investments

Instrument	**Counterparty**	**Maximum Counterparty Limits %/£m**
Term Deposits	DMADF, DMO	No limit
Term Deposits	Other UK Local Authorities	£35m per Local Authority / No total limit
Instant Access Accounts / Notice Accounts / Term Deposits / Certificates of Deposit / REPO's	UK Banks and Building Societies - Lloyds Banking Group (Including Bank of Scotland) - Barclays Bank Plc - Close Brothers - Coventry Building Society - Goldman Sachs International Bank - HSBC Bank Plc - Leeds Building Society - Nationwide Building Society - Santander UK - Standard Chartered Bank	Unsecured Deposits Up to 5% / £7.5m (except Leeds Building Society £1m) Secured Deposit - REPO's (In addition to unsecured limits) Up to 10% / £15m
Instant Access Accounts / Notice Accounts / Term Deposits / Certificates of Deposit	Overseas Banks Australia - National Australia Bank Singapore - DBS Bank Ltd - Oversea-Chinese Banking Corporation Sweden - Svenska Handelsbanken - Nordea Bank	Unsecured Deposits 5% / £7.5m Overseas Bank Total - 50% in aggregate Secured Deposit - REPO's (In addition to unsecured limits) Up to 10% / £15m
Registered Secured Deposits (including Covered Bonds)	Bond issue minimum AA Rated	£15m / 10% (Per issue)
Gilts	DMO	No limit
Treasury Bills	DMO	No limit
Local Authority Bonds	Other UK Local Authorities	No limit
Money Market Funds	Money Market Funds (CNAV / LVNAV)	7.5%/£5m per fund. Maximum MMF exposure 50%
Pooled Funds	Pooled Funds (Cash Plus & Short-Bond Funds with investment horizons < 1year)	7.5%/£5m per fund. Maximum Pooled Fund exposure £15m

Note: The above list and limits would be amended on notification of any potential risk concerns. Cabinet will approve any additions to the above list of counterparties or investment instruments. There is no upper limit for the total of specified investments.

Non-Specified Investments (duration more than 1 year) - having considered the rational and risk associated with non-specified investments, the following have been determined for the Council's use:

Table 13

	Maximum maturity	**Max % of portfolio**
▪ Deposits and Bonds with other UK Local Authorities ▪ Deposits with UK Banks & Building Societies. ▪ Gilts ▪ Registered Secured Deposits (including Covered Bonds) AA rated or above	3 Years	40% in aggregate excluding Pooled Funds
▪ Pooled Funds (Strategic & Long-Dated Funds with investment horizons > 1year)	5 Years	£5m per fund Maximum Pooled Fund exposure £15m

In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty. The Council aims to hold an investment level of £15m in strategic and long-dated pooled funds.

ANNEX C

2018/19 MRP STATEMENT

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

The four options available to establish a prudent amount of MRP are:

- Option 1: Regulatory Method
- Option 2: CFR Method (4%)
- Option 3: Asset Life Method (equal instalment or annuity method)
- Option 4: Depreciation Method

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

MRP in 2018/19: Options 1 and 2 are used for GF supported borrowing prior to 31 March 2008. For capital expenditure incurred after 31 March 2008, MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases we will consider the most prudent method of providing for debt repayment. The HRA will make a form of MRP to pay down its self-financing settlement debt over the 30 year business cycle on which the settlement is based.

Capital expenditure incurred during 2018/19 is not subject to an MRP charge until 2019/20.

Appendix 11

HILLINGDON
LONDON

PAY POLICY STATEMENT - April 2018

1. Purpose

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

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

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

2. Approval

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

3. Scope

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

4. Communication

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

5. Publication & Access to Data

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

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

6. Definitions

Chief Officers

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

Lowest Paid Employees

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

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

Remuneration

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

Pay Multiples

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

7. Job Evaluation

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

7.2. All roles graded within the local government pay spine negotiated by the National Joint Council for Local Government Services (salaries between £17,961 and £60,525[1]) are evaluated using the Greater London Provincial Council (GLPC) Job Evaluation Scheme.

[1] The salary ranges quoted cover the period to 31 March 2018.

7.3. Roles falling within scope of the JNC framework (salaries between £60,558 and £146,165[1]) and those of the Chief Executive Officer and Corporate Directors are evaluated using the Local Government Employers (LGE) Senior Manager Job Evaluation Scheme.

8. London Living Wage

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

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

9. Appointments to Chief Officer posts and remuneration levels

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

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

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

Internal Appointments

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

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

External Appointments

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

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

10. Salary Benchmarking

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

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

11. Remuneration Levels

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

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

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

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

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

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

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

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

12. Additional Payments

Recruitment & Retention premia

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

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

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

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

Additional Responsibility payments

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

Car Allowances

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

Expenses incurred

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

13. Salary Progression & Performance Related Pay

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

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

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

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

14. Payments for local election duties

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

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

15. Bonus Payments

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

16. Redundancy and Severance Payments

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

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

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

17. Chief Officer Pay Multiples

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

17.2. The pay multiple between the salary of the lowest paid employees and the Chief Executive officer is 11.8[3].

17.3. The current pay multiple between the Council's median salary and that of the Chief Executive officer is 8.1.

18. Pensions

18.1. The Council's policy covering re-employment to a position with eligibility to join the Local Government Pension Scheme (LGPS), states that the total of the pension and salary from

[3] This pay multiple is based on CEO salary as at 1 April 2018 with the lowest salary of £19,147 inclusive of London Living Wage supplement.

the re-employment, should not exceed the index linked value of the salary on leaving employment. Should earnings exceed this level, then the pension will be subject to a temporary reduction of the excess, for the duration of re-employment.

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

19. Management of Workforce Costs

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

HRA RENT POLICY

Background

1. Government guidance on rent setting issued in 2001 prescribed that rents for social housing should be calculated using a set convergence formula based on county-wide manual earnings, bed size and property values. The aim was to ensure that similar rents were charged for similar social housing properties. The move towards the calculated rent (formula rent) was to be phased in over a number of years and to an end date assumed to be 2015/16. The maximum rent increase allowed under this policy was RPI+0.5%+£2.

2. The self-financing settlement in 2012/13 was calculated on the basis of rent restructuring principles, and any deviation from these rent levels will result in a loss or gain compared to the settlement figures.

3. While local authorities are free to set their own rent, if they do not follow the principles of the Government's rent policy they risk incurring penalties in the form of loss of housing benefit subsidy. The impact of this would be on the HRA rather than the General Fund.

4. At the 2010 Spending Review, the Government introduced "affordable rent", allowing landlords to let properties at affordable rent, equating to 80 per cent of local market rent, to help fund new affordable housing. Affordable rents are currently expected to increase by no more than CPI + 1.0 percentage point annually.

5. In May 2014 the Government issued "Guidance on rents for Social Housing" which set out a revised rent policy for social housing. The guidance assumed that from 2015/16 social rents would rise by Consumer Price Index (CPI) +1% for ten years. This move in rent policy towards CPI+1% has resulted in a significant loss of income to the 30 year business plan as the self financing settlement and the subsequent additional debt given to Hillingdon was based on rent convergence being achieved by 2015/16. The September CPI was 1.2% (RPI was 2.3%) resulting in a rent increase of £2.39 to £111.04 and this equates to £58m annual net rent for LB Hillingdon.

6. On 8th July 2015 the Chancellor announced within his budget that social housing rents would reduce by 1% from 2016/17 for four years with the stated aim of reducing the housing benefit bill. This impact of the rent decreases has been built into the Council's HRA business plan and has resulted in a loss of income.

7. On 4th October 2017 the DCLG has confirmed a 5 year rent settlement for the period 2020/21 - 2024/25 of annual increases of CPI + 1%.

Scope

8. This policy will cover the rents charged to HRA council house tenants both now and in the future. This includes those properties covered by shared ownership and shared equity.

9. The policy will also cover the methodology and approach required to set service charges for both Council tenants and leaseholders.

10. It will also detail the statutory notice process for informing tenants of changes in rents charged

Policy Statement

11. The rent setting policy for LB Hillingdon will set rents and service charges by following the principles outlined below:

    - The Council will set rents and service charges using fair and transparent calculations

    - Rents and service charges will be set to ensure a financially viable HRA both in the short and longer-term, and can meet future spending obligations which would include treasury management requirements and capital investment needs within the stock

    - Rents for both existing, void and new properties will be set out within this policy statement

Rents for Existing Tenants

12. The current Council approach is to increase rents as per Government guidance. Rents for existing tenants were set in 2015/16 based on "Guidance on rents for Social Housing" which assumed that from 2015/16 social rents would rise by Consumer Price Index (CPI)+1% for ten years.

13. However the Government has introduced a 1% per annum rent reduction over the 4 year period 2016-2020.

14. For 2016/17 LB Hillingdon has charged rents for existing tenants which reduce by 1% per annum. The rents will continue to be reduced by 1% per annum for the remaining period 2017/18-2019/20. Thereafter the rents increase by CPI + 1% in line with the Government's new 5 year rent settlement for the period 2020/21 - 2024/25.

15. Rent caps are applied to social housing rents and these vary per bed size. LB Hillingdon social housing rents should ensure that the rent caps are not breached for individual properties.

16. If an existing property has an extension built with additional bedrooms then the rent should be revised to reflect the increased property valuation and added bed size, using the Government's formula rent calculation.

Rent Rebate Subsidy Limitation Rule

17. When a local authority (LA) increases its average weekly rent above a limit set in England by the Secretary of State it will only receive subsidy on rebates up to the

limit and will have to fund the cost of additional rebates above the limit rent itself, therefore a cost to the HRA.

18. Increasing rents to the level of the limit rent is allowable when following the rent guidance, but will not be allowable between 2016/17 to 2019/20 as directed by legislation to decrease rents by 1%.

Re-let Rents for Void Properties

19. The current policy for new tenants moving into void Council properties is that their starting rents will be based on the rent restructuring formula rent calculated using Government methodology.

Rents for Newly Acquired or Built Properties

20. The Council signed a RTB agreement with the Government in 2013 which had the expectation that Councils would deliver affordable homes part funded from 1-4-1 RTB receipts. The intention was that these properties would be charged affordable rent. The intention behind this flexibility is to generate additional capacity for investment in new affordable housing.

21. The definition of affordable rent is a rent which equates to 80% of the value of local market rents (including service charges). However, it is not mandatory to set affordable rents for newly acquired or bought properties. There is scope to charge social housing rents or a level somewhere in between social housing and affordable rents.

22. Affordable rents should only be set where:

    - A Framework Delivery Agreement is in place with the GLA under the affordable homes programme, or

    - The GLA indicate that the new supply provides VFM and is not funded by Government grant, or

    - There is an agreement with the Government to retain additional RTB receipts for investment in new affordable rented homes.

23. Local Housing Allowance (LHA) rents are used as a fair and equitable benchmark of reasonable rents for non-working or low income households.

24. Rents for new properties need to be considered alongside the financial viability of each development and the impact on the thirty year HRA business plan. The Supported Housing New Build Programme is one area which assumed an affordable rent would be set to achieve a viable business case. The affordability for tenants will also inform policy.

25. Where the council builds or acquires new properties consideration will be given to letting these properties at a higher rent level i.e. at affordable rent.

Rent Flexibility

26. The Government rent policy allows flexibility for authorities to set rents at up to 5% above formula rent (10% for supported housing and sheltered housing). This policy does not expect this flexibility to be used for all rents.

27. An example where the flexibility could be applied is a significant refurbishment of an existing sheltered scheme where rents for void properties could be set at 10% above the formula rent to aid the viability of the scheme.

Shared Ownership/Shared Equity Properties

28. Rents for shared ownership/equity properties will be amended as per the requirements outlined in their lease.

Service Charges

29. Service charges reflect the additional services which are not attributable to every tenant and may include communal facilities rather than the occupation of part of the building. Government guidance is that service charges should be set on a reasonable and transparent basis and should reflect the service provided. Increases should be limited to CPI +1%, unless new or extended services are introduced.

30. At LB Hillingdon overall service charge increases should follow Government policy but also need to fully recover service costs.

31. Leaseholder service charges will recover all service costs but will also include a management charge.

Annual Rent Review

32. LB Hillingdon will give tenants 4 weeks written notice of any change in the level of rent which normally will be the first Monday in April, and rent increases will be applied in line with Section 13(2) of the Housing Act 1988.

Policy Review

33. This policy will be reviewed by Council in line with changes made by Government, as part of the Budget process.

Delegation of rents for Newly Acquired or Built Properties

34. For newly acquired or built properties the Leader of the Council and relevant Cabinet portfolio Member, may agree affordable rent levels on a scheme by scheme basis.

APPENDIX 13

Comments on the budget from the Policy Overview Committees

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

The Corporate Services & Partnerships Policy Overview Committee met on 1 February 2018 to consider the combined set of comments from the Policy Overview Committees and agreed they be referred to Cabinet and Full Council and as set out below:

	Budget remit	Comments
Corporate Services & Partnerships - **4 January 2018**	*Chief Executive's Office, Finance Directorate and Residents Services (Infrastructure).*	The Committee noted the budget proposals and continuing budgetary pressures, recognising the financial constraints that the Council are working under. Members also expressed their appreciation for the work that has been carried out by Officers in producing the budget.
Children, Young People and Learning – **16 January 2018**	*Children's Social Care & Residents Services (Education, Arts and Adult Learning)*	The Committee supported the budget and commended officers for their work in times of austerity.
Social Services, Housing & Public Health – **23 January 2018**	*Adult Social Care and Residents Services (Housing / Public Health)*	The Committee noted the budget proposals and the continuing budgetary pressures at this time. Officers were thanked for their work in managing the budget under such financial pressures, to ensure that residents were able to continue receiving good social care, public health and housing services. However, the Committee noted that the some of the figures in the report required further explanation, including inflation projections, and officers agreed to provide further financial information to Members. The Committee welcomed the provision of a new swimming pool in Yiewsley/West Drayton that would promote fitness within that part of the Borough, along with two new housing units, including a new dementia centre at the Grassy Meadow site to support some our more vulnerable residents.
Residents' & Environmental Services – **24 January 2018**	*Residents Services (various service areas)*	The Committee agreed that there was some good work being undertaken to benefit residents in areas such as the schools expansion programme, music services and adult education. This would be good for the health and wellbeing of residents. The Committee thanked officers for their input and efforts.

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

Appendix 14

HILLINGDON
LONDON

2018/19 Budget Consultation Feedback

Overview of Consultation Process

- This report highlights the key findings of the Budget Consultation 2018-19 conducted by the London Borough of Hillingdon from 15 December 2017 to 21 January 2018.

- The purpose of the consultation was to seek views from residents and local businesses on Hillingdon Council's budget proposals for 2018-19.

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

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

- The survey received 165 responses.

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

- All results are un-weighted.

- Results are based on all respondents unless otherwise stated.

- Where results do not add up to 100%, this may be due to non-responses, multiple responses, computer rounding or the exclusion of don't knows/not stated. Percentages are calculated based on the number of respondents to each question rather than the number of respondents overall.

Summary of key findings

- 98% of the respondents are residents.
- The majority of respondents (77%) are satisfied with the budget proposals.
- The majority of respondents (76%) agree that the budget proposals give value for money to local people and businesses.
- The majority of respondents (75%) feel well informed about the budget proposals.

Survey results

Q1. How satisfied are you with the council's budget proposals for 2018/19?

Response	Number of Responses	Percentage of Responses
Very Satisfied	58	35%
Satisfied	69	42%
Neither Satisfied nor	11	7%
Dissatisfied	18	11%
Very Dissatisfied	8	5%
Total	**164**	**100%**

Q1a. Please tell us why:

Positive

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

- The provision of a new swimming pool in Yiewsley/West Drayton.
- No rise in council tax for 2018-19.
- Well maintained services within existing funding.

Negative

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

- No increase to council tax poses a risk to maintaining essential services.
- A new swimming pool in Yiewsley/West Drayton is unnecessary expenditure.

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

Response	Number of Responses	Percentage of Responses
Very Satisfied	47	29%
Satisfied	78	48%
Neither Satisfied nor	22	13%
Dissatisfied	10	6%
Very Dissatisfied	7	4%
Total	**164**	**100%**

Q2a. Please tell us why:

Positive

Comments suggest that respondents agree for the following reasons:

- A freeze in council tax presents good value for residents at a time when the cost of living is rising.
- That there are no proposals to reduce any services.

Negative

Of the respondents that disagree, the common reasons for this are as follows:

- Some suggest that the proposed expenditure on a new swimming pool does not represent value for money to the majority of residents.
- There is a perception that services for vulnerable residents will suffer from a council tax freeze.

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

Response	Number of Responses	Percentage of Responses
Very Satisfied	28	17%
Satisfied	95	58%
Neither Satisfied nor	33	20%
Dissatisfied	7	5%
Total	**163**	**100%**

Q3a. Are there any other comments you would like to make about the council's budget proposals for 2018-19?

Common themes include:

- Positivity regarding the building of the new leisure centre in West Drayton
- That rubbish collection services and maintenance of roads and pavements are a priority for the borough.

Q4. Are you completing this survey...?

Response	Number of Responses	Percentage of Responses
As a resident	160	98%
On behalf of a local business	0	0.0%
Other	3	2%
Total	**163**	**100%**

Q5. Please tell us your postcode:

Response	Number of Responses	Percentage of Responses
UB7	31	31%
UB8	17	17%
HA4	14	14%
UB3	9	9%
UB4	9	9%
UB10	7	7%
UB9	5	5%
HA5	4	4%
HA6	4	4%
Other	1	1%
Total	**101**	**100%**

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

No responses.

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

No responses.

Q8. Are you:

Response	Number of Responses	Percentage of Responses
Male	75	46%
Female	87	54%
Total	**162**	**100.0%**

Q9. How old are you?

Response	Number of Responses	Percentage of Responses
Under 18	0	0%
18 to 24	1	1%
25 to 34	31	19%
35 to 44	34	21%
45 to 54	28	17%
55 to 64	30	18%
65 to 74	28	17%
75+	11	7%
Total	**163**	**100%**