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

Cabinet Member(s)	Councillor Ray Puddifoot MBE Councillor Jonathan Bianco
Cabinet Portfolio(s)	Leader of the Council Finance, Property & Business Services
Officer Contact(s)	Paul Whaymand, Finance
Papers with report	Appendices 1 to 10 (detailed MTFF proposals and amendments to Fees & Charges)

HEADLINES

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

RECOMMENDATIONS

That Cabinet:

1) **Approve the draft General Fund and Housing Revenue Account budgets and capital programme proposals for 2019/20 and beyond as the basis for consultation with Policy Overview Committees and other stakeholders.**

2) **Note that confirmation of the Local Government Finance Settlement is awaited from HM Government and this will be taken into consideration in the final budget proposal considered by Cabinet in February 2019.**

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

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

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

Reasons for recommendation

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

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

If approved by Cabinet, these budget proposals will be presented to Policy Overview Committees and local residents for consultation before being presented to Cabinet in February 2019 for recommendation to full Council. Once approved by Council in February 2019 proposals will become effective immediately.

Alternative options considered / risk management

In order to comply with the Budget and Policy Framework, the Cabinet needs to publish a draft budget for consultation at this meeting. The Cabinet could, however, choose to vary the proposals set out in the report, with any amendments reflected in the papers consulted upon with Policy Overview Committees during January 2019.

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

Policy Overview Committee comments

A full report on the budget process, financial strategy and detailed budget proposals for each of the service Directorates will be taken to the relevant Policy Overview Committees for review in January 2019, with feedback presented to Cabinet alongside the final budget report to Cabinet on 14 February 2019.

SUPPORTING INFORMATION

SUMMARY

1. This is the first report to Cabinet on development of the Council's 2019/20 budget, which is presented in the context of a challenging medium term outlook requiring total savings of £48,155k over the four years to 2022/23. Budget proposals for 2019/20 include a thirteenth successive Council Tax freeze for over 65s and a fourth year of avoiding implementation of the Social Care Precept, which can be delivered while maintaining frontline services through planned releases from General Balances and a 2.4% increase in Council Tax. This uplift in Council Tax has been limited to 90% of the average 2018/19 increases for households in the neighbouring boroughs of Ealing, Harrow and Hounslow, and equates to £26.71 per annum or £0.51 pence per week for a Band D household.

2. An update on the Council's capital programme is also presented in this report, with £448,812k of planned investment in local infrastructure over the period 2018/19 to 2023/24. This includes a new swimming pool in the Yiewsley / West Drayton area, a major programme of investment in the borough's highways and re-provision of the Hillingdon Outdoor Activity Centre in response to High Speed 2. The programme is supported by £125,987k external funding, £94,352k Capital Receipts for disposal of surplus assets and Community Infrastructure Levy alongside £228,473k Prudential Borrowing.

3. The headline £48,155k savings requirement over the period to 2022/23 is expected to be primarily driven by inflation, demand-led service pressures and capital financing costs, in contrast to experience since 2010, which has seen relatively low levels of inflation and sustained reductions in Government funding. An overview of the Council's broader budget strategy over this period is outlined below.

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

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Underlying Savings Requirement	**15,868**	**14,439**	**9,213**	**8,635**	**48,155**
Proposed Council Tax Increase	(2,684)	(3,509)	(3,689)	(3,884)	(13,766)
Current Savings Proposals	(6,358)	13	(20)	(1)	(6,366)
Savings to be identified	0	(13,719)	(8,504)	(5,750)	(27,973)
Unwind call on General Balances	950	7,776	5,000	2,000	N/A
In-year Call on General Balances	**(7,776)**	**(5,000)**	**(2,000)**	**(1,000)**	**(15,776)**
Closing General Balances	**(31,836)**	**(26,836)**	**(24,836)**	**(23,836)**	**N/A**

4. Savings proposals totalling £5,085k have been developed under three broad themes in the 2019/20 budget setting process, with a focus on maintaining the current service offer through Zero Based Reviews, Service Transformation and Maximising Income. In addition, management action to contain the growing costs of more volatile and demand-led budgets managed through Development & Risk Contingency is expected to contribute a

further £1,281k, bringing total savings to £6,366k. Together with the proposed 2019/20 Council Tax increase and indicative inflationary uplifts of 2.99% on Council Tax from 2020/21 securing £13,766k additional income, this leaves £27,973k of savings to be identified over the next three budget cycles.

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

6. Since 2010, the Council has grown General Balances to £39,612k to smooth the impact of Government funding reductions, with this draft budget proposing release of £7,776k to support the 2019/20 budget and £8,000k over the following three years while further savings are developed and implemented as outlined below. This strategy maintains General Balances at £23,836k within the £15,000k to £32,000k recommended range for unallocated reserves, leaving a further £8,836k available to manage emerging risks or meet exceptional calls on upon the Council's resources.

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

BACKGROUND

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

9. This is the first report to Cabinet on the budget for 2019/20, building upon the position outlined in the 2018/19 budget report to Council in February 2018. In February the savings requirement for 2019/20 was estimated to be £20,274k, which has been revised downwards to reflect the announcement of £2,820k additional Social Care funding in the Chancellor's November 2018 Budget and the favourable impact of deferring planned borrowing alongside a range of smaller adjustments to estimates. The resulting budget gap for 2019/20 therefore stands at £15,868k, rising to £16,818k after unwinding the planned £950k draw down from balances for 2018/19, which is to be managed through a combination of £2,684k additional revenue from the proposed Council Tax increase, £6,358k savings and £7,776k release from General Balances to meet the residual gap.

10. Over the four year MTFF period the total budget gap stands at £48,155k, with a budget strategy to manage this through a combination of Council Tax increases, use of General Balances and £34,339k savings proposals set out in the Medium Term section of this report.

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

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

12. Alongside, the outputs from these session which form the basis of this report, development of the 2019/20 budget builds upon the 2018/19 budget and therefore the current monitoring position provides a useful context as many of the same challenges are

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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 in the event that planned savings cannot be secured.

2019/20 GENERAL FUND REVENUE BUDGET

UPDATE ON 2018/19 BUDGET MONITORING POSITION

13. An underspend of £241k is reported on normal operating activities at Month 7. This position incorporates a £224k net overspend across Directorate Operating Budgets and an underspend of £465k across treasury management and corporate funding. The following positions are reported on individual Directorate Operating Budgets:

    i. Chief Executive's Office (£149k underspend) - as a result of vacancies and non-staffing underspends and the overachievement of income within Human Resources.

    ii. Finance (£332k underspend) - This is due to staffing underspends arising from the implementation of 2018/19 savings and the early implementation of 2019/20 proposals.

    iii. Residents Services (£575k overspend) - incorporates pressures linked to vehicle hire and maintenance in Fleet services, feasibility costs for Capital and Planned works, Residual Education functions and pressures in Green Spaces which are offset by staffing vacancies and the use of Earmarked Reserves to support services.

    iv. Social Care (£130k overspend) - reflects legal costs and the cost of supporting Section 17 cases within Children Services, being partially offset through vacancies in the workforce and targeted use of Earmarked Reserves.

14. A net pressure of £523k is projected across more volatile and uncertain elements of activity being managed through specific provision within Development and Risk Contingency, with gross pressures reflecting increased complexity of need within Children's Services and growth in the population eligible for SEN Transport being offset by favourable movements on the cost of Homelessness and Waste Disposal. This pressure is to be funded from the £1,000k General Contingency, leaving £477k available to respond to emerging risks over the coming months.

15. General Fund Balances are expected to decrease to £39,612k as a result of the forecast position detailed above, from a closing 2017/18 balance of £40,321k. The Council's current MTFF assumes that unallocated balances will remain between £15,000k and £32,000k to manage emergent risks, with any sums above that level earmarked for use to smooth the impact of government funding cuts.

16. Earmarked Reserves, including Public Health and Parking Revenue Account balances, totalled £29,508k at 1 April 2018, with the release of £8,120k to support specific initiatives and the broader budget position in 2018/19 expected to result in a closing balance of £21,388k. This sum is retained to manage a range of specific risks, cyclical expenditure commitments and further one-off initiatives over the forthcoming MTFF period.

17. Good progress is being made against delivery of the £10,655k savings included in the 2018/19 budget. At Month 7, £8,805k savings are either banked or on track for delivery during 2018/19, with £1,850k savings being classed as amber due to slippage, although these are expected to ultimately be delivered in full and therefore not impact the budget gap in future years. The projected costs of implementation of these savings during 2018/19 are expected to total £2,213k, which are to be funded from a combination of Capital Receipts and Earmarked Reserves.

BUDGET REQUIREMENT

18. The movement from the 2018/19 baseline to the 2019/20 budget requirement is summarised in the following table, incorporating the latest estimates for funding (including the proposed Council Tax increase), inflation and growth in demand for services to reach a savings requirement of £14,134k, which is proposed to be managed through £6,358k savings and a £7,776k drawdown from balances.

Table 2: 2019/20 Budget Requirement

	Movement from 2018/19 £'000	2019/20 Budget Requirement £'000
Recurrent Funding	(2,296)	(213,671)
One-Off Funding (less use of General Balances)	1,271	(7,690)
Total Resources	**(1,025)**	**(221,361)**
Roll Forward Budget		220,336
Inflation	7,473	
Corporate Items	949	
Contingency (Service Pressures)	5,875	
Priority Growth	862	15,159
Gross Budget Requirement		**235,495**
Savings Requirement		**14,134**
Contingency (Management Action)	(1,281)	
Savings	(5,077)	**(6,358)**
Net Budget Requirement		**229,137**
Budget Gap		**7,776**
Planned Use of General Balances		7,776

19. This 2019/20 draft budget has been developed in the context of an estimated savings requirement of £34,339k over the four year period to 2022/23 arising from a combination of inflationary cost pressures, growing demand for services and the financing costs arising from the Council's Capital Programme being offset by inflationary uplifts in Council Tax. Appendix 1 presents the medium term outlook with additional commentary later in this report.

FUNDING SOURCES

20. Recurrent funding available to support the budget requirement is projected to total £213,671k in 2019/20, inclusive of £2,684k additional income linked to the proposed 2.4% increase in Council Tax to protect front line services for residents. This recurrent funding is supplemented by £15,466k of one-off funding including a £7,776k release from General Balances to support the £229,137k projected cost of delivering services in 2019/20.

Table 3: Funding Projections

	2018/19 **£'000**	**(Increase) / Decrease** **£'000**	**2019/20** **£'000**
Council Tax Base	(110,258)	(1,558)	(111,816)
Council Tax Increase	0	(2,684)	(2,684)
Business Rates Income	(52,968)	(2,138)	(55,106)
Revenue Support Grant	(13,031)	6,469	(6,562)
Other Government Grants	(35,118)	(2,385)	(37,503)
Recurrent Funding	**(211,375)**	**(2,296)**	**(213,671)**
Collection Fund Surplus	(2,611)	1,521	(1,090)
Business Rates Pilot Pool	(5,400)	(1,200)	(6,600)
Planned Use of General Balances	(950)	(6,826)	(7,776)
One-Off Funding	**(8,961)**	**(6,505)**	**(15,466)**
Total Funding	**(220,336)**	**(8,801)**	**(229,137)**

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

Council Taxbase Projections

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

Table 4: Council Taxbase Projections

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

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

Council Tax Increases and the Social Care Precept

24. Under current regulations, the Council has the option to increase basic Council Tax by 2.99% per annum without triggering a referendum with scope to implement a Social Precept of up to 8.00% over the period from 2016/17 to 2019/20. A 1% movement in Council Tax would represent £11.13 per annum for a Band D household and generate £1,118k additional revenue.

25. This draft budget includes a 2.4% increase in the headline rate of Council Tax, securing £2,684k additional funding to support local services at a cost of £26.71 per annum for a Band D household. This uplift is intended to provide a mechanism to contribute towards inflationary and demand-led growth in the cost of services projected to total £13,348k in 2019/20, which represents the largest elements of the savings requirement over this Administration in contrast to the previous four year period when funding reductions were the primary driver of the savings requirement, although these funding reductions do

continue into 2019/20. Revenue Support Grant and other grants will fall by a further £4,084k and the late decision by HM Treasury to limit the ratio retention in the London Pool Pilot to 75% rather than the 100% has taken away a further £4,000k.

26. While a 2.4% increase in Council Tax represents a change from freezing Council Tax for ten years, the Council continues to demonstrate its commitment to Sound Financial Management through differentiation with increases proposed across London. Average increases across London (including the Social Care Precept) rose from 2.71% in 2016/17, to 3.67% in 2017/18 and 3.66% in 2018/19, with intelligence suggesting that a similar level of increase is likely for the forthcoming financial year. The 2.4% increase represents 90% of the increases (excluding the Social Care Precept) applied by Hillingdon's three nearest neighbours (Ealing, Harrow and Hounslow) in 2018/19.

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

Business Rates Income

28. Under the current 50% Business Rates Retention system, the Council is projecting to retain £55,106k or 14% of the £388,136k expected to be collected from commercial property across the borough in 2019/20. Income retained through the 50% system has grown by £2,138k from 2018/19, although £1,907k is linked to the expected 3.6% inflationary uplift on business rates bills set by the Government with equivalent funding topsliced from the Council's Revenue Support Grant allocation.

29. The Council receives 15% of additional income generated through expansion of the tax base, which accounts for the remaining £231k uplift in income and increases total retained growth to £7,950k for 2019/20. Together with the £47,156k baseline level of income to be retained locally, this delivers £55,106k to support local services.

30. The remainder of the £388,136k to be collected in 2019/20 is redistributed between Central Government, the GLA and local authorities across England through the Tariff and Levy mechanisms, although continuation of the London Business Rates Retention Pilot Pool would see additional sums retained over and above this amount. Assumptions regarding income from the pool are discussed later in this report.

London Business Rates Retention Pilot Pool

31. In November 2017, Leaders of London local authorities collectively approved the principal of a 100% Business Rates Retention Pilot Pool for the capital, which was expected to secure an additional £240m for local use during 2018/19. These proposals were subsequently approved by Government for 2018/19, with an expectation that the pilot

would continue into 2019/20. For Hillingdon, this additional income was expected to total £5,400k in both 2018/19 and 2019/20.

32. Following completion of the NNDR1 budget estimates process in January 2018, the estimated additional income for 2018/19 was revised upwards to £296m as a significant number of authorities (not Hillingdon) substantially revised income forecasts. Subsequent intelligence indicates that London-wide growth will be around £350m as a result of further improvements in the position reported by other authorities. For 2018/19, it is therefore expected that £8,000k income will be secured, with £5,400k already included in the 2018/19 budget and the £2,600k windfall build into the 2019/20 budget.

33. On 8 November 2018, the Chair of London Councils and the Mayor of London received notification from Government that the pool would be scaled back from 100% to 75% for 2019/20, effectively halving the £8,000k additional income to £4,000k in the new financial year. Taking this together with the £2,600k additional 2018/19 income, £6,600k is projected to be available to support local services during 2019/20.

Collection Fund Surpluses

34. In addition to the benefits of the London Pool, a surplus of £1,090k is projected across the Council's share of the 2018/19 Collection Fund, incorporating a £715k surplus on Council Tax and £375k additional retained Business Rates income. In line with local government accounting requirements, the latest assessment of the likely surplus will be confirmed during January 2019 and released to support the General Fund in 2019/20.

Central Government Grant

35. Corporate Grant income is projected to fall by £4,084k from 2018/19 levels, with a £6,469k cut in the Revenue Support Grant representing the majority of this movement being partially mitigated by the recent announcement of additional Social Care funding. Projected government grant income for 2019/20 totals £44,065k, representing around 20% of the £213,671k recurrent funding with the remainder raised locally through Council Tax and Business Rates.

36. 2019/20 is the fourth and final year of the multi-year settlement entered into in 2016/17, which confirmed Revenue Support Grant allocations for the period and therefore leaves limited scope for variation in funding allocations. As 2019/20 also represents the final year of the Government's current Spending Review period, limited movement in other funding streams is expected.

37. The Council's £6,562k Revenue Support Grant allocation was set out in the multi-year settlement in 2016/17, representing a reduction of £6,469k on the prior year award. Under the current Business Rates Retention system, Revenue Support Grant and baseline Business Rates income are calculated from the Settlement Funding Assessment, with inflationary uplifts in business rates topsliced from the Revenue Support Grant.

38. The Public Health Grant is expected to fall to £17,078k for 2019/20 in line with previously released allocations from the Department of Health. This is a year-on-year reduction of £456k, 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.

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

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

41. New Homes Bonus income of £3,730k is expected for 2019/20, representing a reduction of £310k of the 2018/19 allocation primarily as a result of the Government's decision to limit bonus payments to growth above a 0.4% baseline. As part of the technical consultation of the 2019/20 settlement, the Government reiterated that the 0.4% baseline remains under review and would be determined alongside the provisional settlement in December, a 0.1% movement in this figure would equate to a loss of £113k for Hillingdon.

42. Other corporately managed grants are projected to total £1,370k for 2019/20, representing a reduction of £119k on 2018/19 allocations. Within this sum, £912k relates to the Housing Benefit Administration Subsidy and £288k funding for the administration of the local Council Tax Support scheme.

Balances and Reserves Strategy

43. As of Month 7 budget monitoring, General Balances are projected to total £39,612k at 31 March 2019 with this draft budget proposing to release £7,776k of this sum in 2019/20 and £8,000k over the subsequent three years to smooth the savings requirement. This strategy would therefore apply £15,776k of General Balances, leaving £23,836k uncommitted over the medium term.

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

INFLATION

45. An inflation requirement of £7,473k has been estimated for 2019/20, with £7,856k of cost increases across £259,754k expenditure budgets subject to inflationary pressures and a corresponding £383k uplift on associated income budgets. The most significant items within this provision are £4,197k on workforce budgets, £2,112k on care placement budgets and £852k on contracted services.

Table 5: Inflation Provision

	2018/19 Baseline £'000	Inflation Rate %	2019/20 Inflation £'000
Workforce Expenditure (including Pension Contributions)	114,959	3.8%	4,197
Added Years Pension Costs	1,872	2.4%	45
Energy	2,100	8.0%	148
Vehicle Fuel	774	19.0%	147
Contracted Expenditure	43,009	2.0%	852
Homecare Provision (Adult Social Care)	11,897	3.0%	357
Care Placements (Adult Social Care)	55,419	2.4%	1,331
Care Placements (Children's Services)	17,664	2.4%	424
Business Rates	2,943	3.6%	106
Levies	9,117	2.0%	249
Gross Inflation Provision	**259,754**		**7,856**
Less: Externally Funded Items	N/A	Various	(383)
Net Inflation Provision	**259,754**		**7,473**

46. During 2018/19 a two year pay award for local government staff was approved nationally, with 2% per annum inflationary increases across all pay grades and a further 1.3% targeted uplifts for the lowest paid staff across 2018/19 and 2019/20. The 3.8% inflation provision for 2019/20 includes 2% per annum inflation for all staff and 0.8% of the targeted uplifts for staff up to Spinal Column Point 19, alongside a 1% increase in the Employer's

Pension Contribution rate agreed in the 2016 Triennial Valuation of the pension fund, at a total cost of £4,197k. Where staff costs are financed from targeted government grant, or recharged to capital or other funding streams associated income targets have been uprated.

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

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

49. Provision of £852k has been included for the Council's £43,009k of externally contracted expenditure, representing a 2.0% uplift on expenditure in line with CPI returning to the 2.0% Bank of England target rate over the coming six months. As in previous years, it is not expected that this inflation requirement will fall evenly across contracted spend and where appropriate providers will be expected to secure efficiencies where possible, it is therefore proposed that the Director of Finance will continue to approve releases from this provision.

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

51. Provision of £106k is included to support inflationary uplifts and unwinding of transitional relief on Business Rates for the Council's own properties in 2019/20. In addition, £249k inflation has been included on the £9,117k levies on the basis of a 2% uplift reflecting broader inflation alongside a higher uplift on the West London District Coroner's service reflecting pressures reported in 2018/19.

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

CORPORATE ITEMS

53. There are a range of issues impacting upon the Council's overall budget and therefore managed corporately, including movements in the budget for the Older People's Discount, movement in the Added Years Pension Costs, Rephasing of Capital Financing Costs, the use of Earmarked Reserves and some smaller items shown in the table below. It is projected that the net cost of these items will increased by £949k in 2019/20.

Table 6: Corporate Items

	2019/20 Corporate Items £'000
Movement in Council Tax Older People's Discount	410
Movement in Added Years Pension Costs	(25)
Rephasing of Capital Financing Costs	2,447
Housing Benefit Subsidy (Recovery of Overpayments)	100
Flexible Use of Capital Receipts to finance Service Transformation	(188)
Use of Earmarked Reserves to fund HIP and Leader's Initiatives, and Older People's Discount	(1,495)
Recharges to Other Funds and Entities	(300)
Total Corporate Items	**949**

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

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

56. Within the Housing Benefit Subsidy system, declining levels of outstanding overpayments and associated requirement for doubtful debt provisions, as initiatives such as RTI and FERIS enable more timely changes to benefit awards the budget requirement is expected to reduce income secured from Government through this route by £100k in 2019/20. A

review of activity meeting the criteria for capitalisation under transformation powers has identified a further £188k expenditure linked to the development and implementation of savings, which can be funded through this route in 2019/20.

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

DEVELOPMENT AND RISK CONTINGENCY

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

59. The following table provides an overview of projections across Development and Risk Contingency, with £6,281k of anticipated increases in demand for services linked to demographic / population-led drivers and a net £406k reduction in provision for risk items primarily relating to General Contingency resulting in a net £5,875k uplift in the 2019/20 budget requirement. Offsetting these pressure items, a number of management actions totalling £1,281k and relating to demand management, effective procurement and income generation.

Table 6: Development and Risk Contingency

	2019/20 Corporate Items £'000
Revised 2018/19 Development and Risk Contingency	**7,937**
Movement in Demographic Growth Items	6,281
Movement in Risk Items	(406)
Proposed Management Action	(1,281)
Projected 2019/20 Development and Risk Contingency	**12,531**

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

Service Pressures – Demographic Growth Items

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

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

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

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

65. Adult Social Care Placements (£2,987k provision, £1,223k growth from 2018/19) – An uplift in the cost of care placements is projected for 2019/20, reflecting underlying growth of 1.9% in the over 65 population and 1.3% in the population with moderate to severe learning difficulties. This underlying growth in demand is expected to translate into an additional £1,223k net expenditure on care placements as new working age clients transition into the service, with effective management of the front door and service delivery models continuing to support independence and avoiding any uplift in the cost of Older People's Care placements.

Service Pressures – Risk Items

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

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

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

69. General Contingency (£500k provision, £500k decrease from 2018/19) – In order to manage emerging pressures or other volatility, it is proposed to retain a General Contingency of £500k. Given the substantial growth proposed for specific risk items in 2019/20 and reflecting experience in recent years, it is recommended that this provision be reduced from its 2018/19 level of £1,000k.

Management Action

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

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

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

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

PRIORITY GROWTH

74. This draft budget includes £862k new funding for Priority Growth items, which together with £20k of brought forward resources will support £632k specific initiatives and £250k unallocated growth available to meet emerging requirements. Specific growth proposals include £34k for a Freedom of Information and Subject Access Requests officer, £188k towards an enhanced CCTV / Community Safety offer, a £250k increase in Ruislip Lido budgets to maintain the current service offer, an increase in Voluntary Sector Grants of £100k and £60k for a new Domestic Violence post.

SAVINGS PROGRAMME

75. Refreshed projections for funding, inflation, contingency, growth and corporate items result in a savings requirement of £6,358k for 2019/20, with £1,281k management action on contingency items reducing savings to be identified from Directorate Operating budgets to £5,077k.

Table 7: Savings Proposals

	Chief Executive's Office £'000	Finance Directorate £'000	Residents Services £'000	Social Care £'000	Cross-Cutting Initiatives £'000	Total £'000
Service Transformation	(282)	(580)	(182)	(921)	(600)	(2,565)
Income Generation & Commercialisation	(105)	0	(571)	(1,198)	0	(1,874)
Zero Based Reviews	0	0	361	205	(1,204)	(638)
Savings Proposals	**(387)**	**(580)**	**(392)**	**(1,914)**	**(1,804)**	**(5,077)**

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

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

    ii. Income Generation & Commercialisation proposals include brought forward items for which plans are already in place, and proposed amendments to Fees and Charges discussed in the dedicated section from paragraph 89.

    iii. Savings proposals from Zero Based Reviews represent budgets that have been identified as being surplus to requirements through the line-by-line review of outturn 2016/17 and similar exercises being undertaken by Finance.

Pump Priming Savings and Flexible Use of Capital Receipts

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

Chief Executive's Office

78. Savings proposals totalling £387k have been identified for 2019/20, including £282k service transformation savings proposals that have been presented in relation to the Chief Executive's Office, including £123k from a remodelling of Human Resources and £159k from the consolidation of Senior Management posts within the service. The remaining £105k included in 2019/20 relates to an anticipated increase in Fees & Charges from the annual benchmarking exercise which is expanded from paragraph 89. Full year effects from the remodelling proposals are expected to increase these savings in future years to deliver £514k by 2021/22.

Finance

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

Residents Services

80. Savings proposals totalling £392k are presented for Residents Services in 2019/20, including £182k service transformation items, £571k from income generation and commercialisation with a £361k net increase in budget requirement arising from Zero Based Reviews. Further proposals with longer implementation times are expected to secure a further £265k savings in future years, bringing the total savings proposals for Residents Services to £657k.

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

82. Income generation and commercialisation proposals totalling £571k for 2019/20 include an anticipated £446k increase in Fees & Charges from the annual benchmarking exercise

which is expanded upon from paragraph 89, a further £95k net income from investment in additional Street Scene Enforcement capacity and £30k from income related to Uxbridge's Battle of Britain Bunker. Beyond 2019/20 savings under this theme are expected to increase to £626k to reflect options for commercialisation of aspects of the Rural Activities Garden Centre offers.

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

Social Care

84. Across Social Care, savings proposals totalling £1,914k have been identified for 2019/20, reducing to £1,502k as Troubled Families Grant income falls out in its entirety from 2020/21 onwards. 2019/20 proposals include £921k service transformation savings, £1,198k income generation proposals linked to joint funding of packages by local health partners and a net £205k adverse movement from zero based budgeting as the benefits of the Troubled Families scheme decline.

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

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

87. Zero Based review savings reflect £187k client equipment that will be funded from capital grant within the broader Better Care Fund, alongside a decline of £392k in budgeted Troubled Families income in 2019/20. In 2020/21 the Troubled Families Grant is expected to end, requiring the residual £412k income target to be written out.

Cross Cutting

88. Cross Cutting initiatives include a net £600k contribution from BID Reviews and Service Transformation activity to be undertaken during 2018/19 and 2019/20, including the initial outputs from a refreshed BID Programme. Alongside these reviews, the recently completed review of long-term vacant posts has identified £804k of zero based budgeting savings where posts can be deleted without impacting on service standards. Net savings of £400k have been identified through Zero Based Budgeting activity across the Council.

FEES AND CHARGES

89. 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.

90. The Council continues to benchmark Fees and Charges against those of neighbouring authorities and other service providers, with charges being set at a maximum of 90% of the relevant benchmark for residents, and at benchmark for non-residents where applicable. As the Council has frozen many charges since 2011, while other providers apply annual uplifts, periodic benchmarking at 90% can result in larger rises in a single year than seen in other authorities. This alignment programme incorporates £556k additional income from the following proposed amendments to the specific charges:

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

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

    iii. Planning Performance Agreements – Aligning charges to developers to reflect current agency planner costs and an element of overheads would secure £100k additional income, with a further £90k income from recharging capital schemes and topslicing asset sales in line with charges to external developers.

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

    v. Highways Crossovers – Uprating charges to reflect increased cost to the Council of works while remaining within 90% benchmark to secure a further £4k income, ensure costs are fully recharged to providers to deliver an additional £18k of income, and introduction of a supervision fee to secure £36k income;

    vi. Cemeteries – Uprating charges in line with 90% neighbouring authorities would deliver £57k increase in revenue;

    vii. Licenses – Simplification of the charging schedule, alongside benchmarking against neighbouring boroughs is expected to secure and additional £31k of income;

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

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

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

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

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

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

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

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

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

HILLINGDON
LONDON

2018/19 to 2023/24 CAPITAL PROGRAMME

Proposed Changes to Capital Programme and Funding

93. This report outlines a number of proposed changes to the Council's Capital Programme over the period 2018/19 to 2023/24, which would increase total investment to £448,812k to be funded through a combination of grants, developer contributions, capital receipts and £228,473k borrowing. The following table provides an overview of proposed amendments to the programme, with further detail on major changes provided in the following paragraphs and an overview of the programme set out in Appendix 9.

Table 8: Proposed Capital Programme Updates

2018/19 to 2022/23 Capital Programme	Capital Expenditure	Capital Financing			Fully Funded / Self-Financing Projects
		Grants & Conts	Capital Receipts & CIL	Prudential Borrowing	
	£'000	£'000	£'000	£'000	
Approved Capital Programme	**392,642**	**115,444**	**98,573**	**178,625**	
Reported Month 7 Variance	(115)	1,227	(1,900)	558	
Secondary Schools Expansions	(9,054)	(6,050)	0	(3,004)	
SEND Grant & School Contribution	962	962	0	0	Yes
RAGC Expansion	1,164	0	0	1,164	
Street Lighting Replacement	2,876	0	0	2,876	
Harlington Road Depot	600	0	0	600	
Equipment Capitalisation	3,968	1,920	700	1,348	
Civic Centre Programme	2,342	0	0	2,342	Partially
Property Works Programme	1,956	200	0	1,756	
CCTV Programme	1,000	0	0	1,000	
Corporate Technology (ICT)	5,647	0	864	4,783	Partially
Purchase of Vehicles	1,022	0	235	787	Partially
Private Sector Renewal Grants	(400)	250	50	(700)	
Car Park Pay and Display Machines Replacement	1,040	0	0	1,040	Yes
2023/24 Programmes of Works	12,527	8,197	4,330	0	
Highways Structural Works	29,000	0	0	29,000	
Yiewsley & West Drayton Pool – Community Centre Investment	2,000	0	0	2,000	
Purchase of Uxbridge Police Station removed	(5,000)	0	0	(5,000)	
2023/24 General Contingency	1,500	0	1,500	0	
Allocate Disabled Facility Grant at 2018/19 level	3,135	3,135	0	0	
S106 to existing schemes	0	702	0	(702)	
Extension of Capital Receipts for Transformation	0	0	(9,000)	9,000	
CIL	0	0	(1,000)	1,000	
Revised Capital Programme	**448,812**	**125,987**	**94,352**	**228,473**	
Of which, 2019/20 to 2022/23	**366,134**	**100,831**	**72,481**	**192,822**	
Movement from Approved Programme	56,170	10,543	(4,221)	49,848	

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 9: Capital Programme Funding Strategy

	2018/19 £'000	2019/20 to 2023/14 £'000	Total £'000
Capital Expenditure	**82,678**	**366,134**	**448,812**
Prudential Borrowing	35,651	192,822	228,473
Capital Receipts	18,371	46,981	65,352
Community Infrastructure Levy	3,500	25,500	29,000
Council Resources	**57,522**	**265,303**	**322,825**
Government Grants	17,971	72,569	90,540
Other Contributions	7,185	28,262	35,447
Capital Financing	**82,678**	**366,134**	**448,812**

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

Prudential Borrowing and Impact upon Revenue Budget

96. In approving a capital programme, the Council is required to operate within the Prudential Framework requiring that both individual schemes and the overall programme are tested for affordability, sustainability and prudence. Projects to be financed from the planned £228,473k borrowing fall into three broad financing strategies, with a fourth category of investment to be financed from future Council Tax revenues:

   i. £27,619k investment linked to the generation of specific capital receipts on completion of the project, such as the Yiewsley Development;

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

   iii. £7,905k invest-to-save projects intended to deliver revenue efficiencies sufficient to fully fund associated debt financing costs, such projects include investment in transformational ICT projects, and;

   iv. £142,949k investment in assets linked to service delivery, with significant elements of this sum including £42,950k for a theatre on the former RAF Uxbridge site, £48,265k for Highways Structural Works, £32,679k to meet demand for school places and £32,000k for a new swimming pool in the Yiewsley / West Drayton area.

97. Debt financing costs and any associated revenue savings will be reflected in the Council's revenue budgets as appropriate, with the £142,949k investment in assets linked to service delivery representing the most significant element of the £9,447k uplift in capital financing costs captured in the MTFF over the period to 2022/23. This sum will rise to a total cost of £11,788k from 2023/24 as the full borrowing requirement feeds through into revenue. There is scope to minimise this future revenue cost through rationalisation of programme commitments or securing alternative funding, including increase capital receipts with a £10,000k reduction in the borrowing requirement equating to £540k per annum of financing savings to revenue.

2019/20 to 2022/23 BUDGET STRATEGY

98. Budget proposals for 2019/20 and capital investment plans have been developed in the context of the medium term outlook for the Council's finances, with the combined impact of inflationary pressures, growing demand for services and increasing capital financing costs generating a £48,155k saving requirement over the period to 2022/23.

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

Table 10: Draft Budget Strategy 2019/20 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Underlying Savings Requirement	**15,868**	**14,439**	**9,213**	**8,635**	**48,155**
Proposed Council Tax Increase	(2,684)	(3,509)	(3,689)	(3,884)	(13,766)
Current Savings Proposals	(6,358)	13	(20)	(1)	(6,366)
Savings to be identified	0	(13,719)	(8,504)	(5,750)	(27,973)
Unwind call on General Balances	950	7,776	5,000	2,000	N/A
In-year Call on General Balances	**(7,776)**	**(5,000)**	**(2,000)**	**(1,000)**	**(15,776)**
Closing General Balances	**(31,836)**	**(26,836)**	**(24,836)**	**(23,836)**	**N/A**

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

MEDIUM TERM OUTLOOK

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

Table 11: Medium Term Outlook

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Changes in Recurrent Funding	388	(5,274)	(2,887)	(3,602)	(11,375)
Changes in One-Off Funding	321	7,690	0	0	8,011
Inflation	7,473	5,889	6,029	6,175	25,566
Corporate Items	949	3,257	3,065	2,972	10,243
Contingency (Service Pressures)	5,875	2,877	3,006	3,090	14,848
Priority Growth	862	0	0	0	862
Underlying Savings Requirement	**15,868**	**14,439**	**9,213**	**8,635**	**48,155**

102. Anticipated growth in recurrent funding of £11,375k over the period to 2022/23 reflects £5,787k additional income from Council Tax from a 5.2% growth in residential properties and expected additional income of £5,756k from locally retained business rates. In addition to this locally retained income, projections reflect an anticipated £10,168k decline in grants in line with provisional government allocations being offset by £10,000k of uplifts in funding from 2020/21 following the Fair Funding and Spending Reviews.

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

104. Inflationary growth of £25,566k is anticipated over the period to 2022/23, with workforce costs, social care placements and other contracted expenditure representing the key components. Pay awards of 2.0% per annum from 2020/21 in line with CPI alongside annual 0.5% growth in pension contribution rates contribute £13,112k to the savings requirement, with expected London Living Wage growth of 4.0% per annum over the medium term the key driver behind an expected £8,768k uplift in the cost of care placements. The remainder of this pressure reflects 2% per annum uplift on contracted services, alongside continuation of current trends in energy costs.

105. As noted earlier in this report, the uplift in financing costs necessary to support historic and current capital investment plans represents the single largest element of the £10,243k provided for corporate items over the period to 2022/23. Total forecast borrowing of £228,473k includes £142,949k in support of schemes without specific funding strategies in place. This equates to financing costs of £9,447k per annum by 2022/23, rising to £11,788k beyond the current MTFF period.

106. Increased demand for services linked to a growing population is expected to require £14,848k additional expenditure by 2022/23, including £5,966k of growth in support for children in care, £3,799k of funding for adult social care, £3,450k additional waste disposal costs, and £2,166k uplift in the cost of SEN Transport being offset by reductions in other

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

107. The combined effect of these forecasts is a headline savings requirement of £48,155k over the next four years, which represents a challenge on a similar scale to the £47,024k of pressures managed over the period from 2015/16 to 2018/19. In contrast to the previous four years when reductions in funding were the single largest contributor to the budget gap, the projected gap is very much driven by growth in expenditure partially mitigated through a more optimistic view of government support from 2020/21 onwards.

COUNCIL TAX POLICY AND THE SOCIAL CARE PRECEPT

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

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

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

111. On the basis of current taxbase projections, and assuming that the value of the Older People's Discount is maintained and frozen in cash terms from 2020/21 (rather than maintaining a freeze in total Council Tax), uplifts of 2.4% in 2019/20 followed by 2.99% per annum thereafter would deliver £13,766k towards the £48,155k savings requirement.

BALANCES AND RESERVES STRATEGY

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

113. Given that General Balances are projected to total £39,612k at 31 March 2019 this provides up to £24,612k of capacity to defer savings into later years where this is necessary. The draft budget strategy above proposes releasing £15,776k of this sum to enable the majority of the savings requirement to be reprofiled into 2020/21 and 2022/23, leaving £8,836k above the recommended minimum level for General Balances available to manage emerging risks.

114. As previously reported to Cabinet and reiterated in the Budget Monitoring report on this agenda, a cumulative deficit of £7,665k is projected on the retained element of the Schools Budget at 31 March 2019. This deficit primarily relates to funding as determined under the Department for Education's national funding formula failing to keep pace with growing demand for high needs placements for pupils with Education, Health and Care Plans following introduction of the 2014 Children and Families Act. In light of the systemic nature of this risk, the Council's Medium Term Financial Strategy has been developed on the assumption that Government will ultimately provide adequate funding to support implementation of the 2014 Act and therefore bring the Schools Budget back into balance – both locally and nationally.

SAVINGS REQUIREMENT AND BUSINESS IMPROVEMENT DELIVERY (BID) PROGRAMME

115. On the basis of the current medium term outlook and assuming that the approaches to Council Tax increases and use of General Balances outlined above are approved, this would leave a residual savings requirement of £34,339k over the period to 2022/23. The full year effect of proposals outlined in the 2019/20 section of this report would secure £6,366k of this sum, leaving £27,973k to be identified. However, as stated previously, this assumes that the Council will receive a significant boost in funding as part of the Spending and Fair Funding Reviews. If this does not materialise to the extent currently assumed then savings may need to be higher.

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

HOUSING REVENUE ACCOUNT

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

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

Update on 2018/19 Budget

119. Development of the 2019/20 Housing Revenue Account budget builds upon the 2018/19 budget and therefore the current monitoring position provides a useful context, highlighting areas of uncertainty which will impact upon the future of the HRA. As at Month 7, a drawdown from HRA General Balances of £21,145k is projected in the HRA, a favourable variance of £292k compared to the budget, giving a forecast HRA General Balances of £15,963k at 31st March 2019, with the use of reserves funding investment in new housing stock.

120. The headline monitoring position at Month 7 incorporates underspends of £722k mainly in relation to planned works and bad debt provision, offsetting a £430k adverse variance predominantly from rental income. The latter reflecting some slippage on income streams from new stock.

Budget Requirement 2019/20

121. The movement from the 2018/19 baseline to the 2019/20 budget requirement is summarised below, with rental income projections and budget requirement levels updated and refreshed. The budget includes a contribution to support in-year capital investment of £18,759k and £963k use of HRA General Balances. This planned use of balances reflects increased investment in new housing stock, and the underlying financial position of the HRA remains robust.

Table 12: HRA Budget Requirement

	£'000
Funding Sources Rental Income	 56,132
Total Resources	**56,132**
Budget Requirement 2018/19	38,366
Inflation	313
Corporate Items	552
Development and Risk Contingency	(480)
Savings	(415)
Budget Requirement 2019/20	**38,336**
Contribution to Finance Capital Programme	**18,759**
Surplus / (Deficit)	**(963)**

122. Appendix 9 to this report continues this presentation over the MTFF period, with unallocated HRA General Balances maintained at a minimum level of £15,000k. Rental income assumptions forecast £62,577k by 2022/23, meeting repayment of debt under self-financing of £15,869k, a contribution towards capital expenditure on existing and new stock of £22,309k and repairs & management costs of £24,399k.

Rental Income

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

124. 2016/17 was the first of four years of the 1% Social Rent reduction as part of the Chancellor of the Exchequer's announcement on rent reforms, which required all housing authorities to cut rents by 1% in the four year period 2016/17 - 2019/20, representing a reversal of the previous rental formula which allowed annual increases of CPI + 1%. The HRA MTFF assumed rental increases revert to CPI + 1% in 2020/21 in line with the MHCLG confirmation in October 2017 of a 5 year rent settlement whereby the social housing rent increase will be limited to CPI + 1% per annum between 2020/21 to 2024/25. The income projections continue to include a 1% provision for income losses arising from void properties, resulting in net dwelling rents of £56,132k in 2019/20.

Balances and Reserves

125. HRA General Balances are forecast to be £15,963k at 31st March 2019, representing 28% of total resources for 2019/20. It is proposed to keep the minimum level of HRA balances at £15,000k, with sums over and above this amount earmarked for investment in new or

existing stock. The Major Repairs Reserve (MRR) will be utilised to support capital investment and it is not planned to retain any uncommitted MRR balances over the medium term.

Inflation

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

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

Corporate Items

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

Development & Risk Contingency

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

Savings

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

Medium Term Outlook

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

132. Rental income is projected to remain reasonably steady over the period to 2022/23, reaching £62,577k as a result of 1% per annum reduction in headline rents for sitting tenants until 2019/20 and 3.1% uplifts linked to CPI thereafter. This projection assumes that void rates will remain at 1%, with property numbers expected to remain broadly consistent as 300 properties are sold and 428 developed or acquired over the five year capital programme.

Table 13: Projected Movement in Housing Stock

	2019/20	2020/21	2021/22	2022/23	2023/24	Change
Projected Opening Stock	10,127	10,161	10,243	10,261	10,258	N/A
Forecast Right-to-Buy Sales	(60)	(60)	(60)	(60)	(60)	(300)
New General Needs Units	38	87	78	57	57	317
New Supported Housing Units	0	12	0	0	0	12
Shared Ownership	56	43	0	0	0	99
Projected Closing Stock	**10,161**	**10,243**	**10,261**	**10,258**	**10,255**	**128**
Projected Average Stock	10,144	10,202	10,252	10,260	10,257	N/A

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

134. 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 £40,268k budget requirement. Taking account of the on-going capital investment in maintaining existing stock estimated at £12,874k, this would leave a balance of £9,435k from annual rental income available to finance investment in new stock while maintaining unallocated HRA General Balances at £15,000k to meet any emerging pressures.

135. The draft Major Projects capital programme set out below outlines £159,729k of investment to deliver the 428 assumed new build properties or acquisitions over the MTFF. Under the current 1:1 replacement scheme, the Council is able to finance up to 30% of this investment from the proceeds of Right to Buy sales, currently within a three year period after the sale, although at this stage the Government is consulting on the use of RTB receipts and the timescales to consume the receipts. Capital Receipts including from Right-to-Buy sales provide £54,357k towards this investment, with £54,411k financed from direct revenue contributions, £3,686k from GLA grant and the remaining £47,275k to be met from Prudential Borrowing.

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

137. Borrowing of £47,275k is forecasted to be required to fund the 2019/20 -2023/24 HRA capital programme, as profiled in Table 14 below. The borrowing would be undertaken with reference to the Prudential Framework, with proposed schemes being tested for affordability, sustainability and prudence over the 30 year business plan period. The forecast cost of the borrowing has also been included in the budgets.

Table 14: Projected Borrowing

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total 2019/20-2023/24 £'000
Projected Borrowing	14,282	15,413	9,503	6,130	1,947	47,275

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Background to Capital Programme

138. 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 element. An overview of the revised programme is contained in Appendix 10e.

2019/20 - 2023/24 CAPITAL PROGRAMME

139. The HRA Capital programme budget includes £65,421k for the other HRA programmes of work including provision for investment in existing housing stock of £55,565k, £9,515k of funding for major adaptations to properties, £260k for communal scooter stores and £81k for HRA technology and innovation. This level of provision reflects the latest programme of works proposals including inflation aligned to BCIS indices.

140. The capital programme contains provision of £159,729k to fund delivery of 428 new homes within the HRA over the period to 2023/24. These new build units will be financed from a combination of Capital Receipts from Right-to-Buy property sales retained under the 1:1

Replacement Agreement and non Right-to Buy receipts, direct revenue contributions from the HRA, GLA grant and borrowing. This new build programme consists of the following elements:

- For general needs housing (HRA), a provision of £139,345k is included to support the construction or purchase of 317 new properties within the HRA, funded through 30% Right-to-Buy proceeds £41,804k, and 70% from revenue contributions £50,266k and borrowing £47,275k.

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

- The Major Projects capital programme includes budget of £14,427k for New Build Shared Ownership, funded from capital receipts of £10,741k and GLA grant of £3,686k. This will deliver 99 units and includes; the Woodside Day Centre site incorporating two GP surgeries (20 units), Belmore Allotments (43 units), Maple & Poplar (17 units), Acol Crescent (14 units), and 5 units at Moorfield Road.

- A budget of £5,957k includes funding the 12 units that are planned for the Yiewsley site and final year costs in 2019/20 for the two supported housing projects at the Grassy Meadow site and Parkview site. These will be funded from Capital receipts of £1,812k and revenue contributions of £4,145k.

RESIDENT BENEFIT & CONSULTATION

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

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

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

Consultation carried out or required

143. Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2019. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services, Commerce & Communities Policy Overview Committee when Cabinet meets on 14 February 2019. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 21 February 2019.

144. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers in the Borough, which will be undertaken alongside a wider public consultation of these proposals during the remainder of December 2018 and January 2019. Schools Forum will also be consulted on those proposals that have a potential impact on schools budgets. Where appropriate, individual service Groups will also be undertaking consultation with service users, staff and other stakeholders over this period on the key elements of their service proposals prior to full implementation in the new financial year.

HILLINGDON
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CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

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

147. The Cabinet is free to amend the proposals in this report as it wishes. It must nevertheless have regard to the need for the budget to be soundly based, adequate to fund the expected level of service provision next year, and to provide for unexpected events through contingencies and balances. Following this meeting, the Cabinet's proposals will be published and will form the basis of consultation with Policy Overview Committees and other consultees such as business ratepayers in the Borough and the Schools Forum who will have a period of six weeks to put forward their views.

148. The Cabinet will ultimately consider any responses from the Policy Overview Committees and other consultees and take them into account in drawing up firm proposals for submission to full Council at its meeting on 21 February 2019. Its report will reflect the comments made by consultees and its response to them.

Comments from other relevant service areas

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

APPENDICES

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

Appendix 8 - Proposed Amendments to Fees & Charges Schedule;

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

Appendix 10 - 2019/20 to 2023/24 Housing Revenue Account MTFF and Capital Programme;

BACKGROUND PAPERS

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