THE COUNCIL'S BUDGET:
MEDIUM TERM FINANCIAL FORECAST 2020/21 - 2024/25

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 11

HEADLINES

Summary	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2020/21, along with indicative projections for the following four years. Budget proposals for 2020/21 include a 3.8% increase in the headline rate of Council Tax. This comprises a core Council Tax increase of 1.8% based on 90% of the 2% anticipated increase across London alongside a 2% increase relating to an Adult Social Care Precept to fund ongoing pressures within Adult Social Care. The budget proposals also include protection for the over 65's from the 1.8% increase in core Council Tax through the continuation of the Older Person's Council Tax Discount for the fourteenth successive year.
Putting our Residents First	This report supports the following Council objectives of: *Our People; Our Natural Environment; Our Built Environment; Our Heritage and Civic Pride; Strong Financial Management.* The Medium Term Financial Forecast is the financial plan for the Council and contains the funding strategy for delivering the Council's objectives.
Financial Cost	A 3.8% Council Tax increase, utilising the Social Care Precept to fund ongoing demand in this area, with a cash discount available for the over 65s protecting this vulnerable group for a fourteenth consecutive year, with additional support being continued via the Council Tax Reduction Scheme to support eligible residents.
Relevant Policy Overview Committee	Corporate Services, Commerce & Communities Residents, Education and Environmental Services Social Care, Housing and Public Health
Relevant Ward(s)	All

RECOMMENDATIONS

That Cabinet:

1) **Approve the draft General Fund and Housing Revenue Account budgets and capital programme proposals for 2020/21 and beyond as the basis for consultation with Policy Overview Committees and other stakeholders.**

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

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) **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 2020.**

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.**

6) **Having due regard to the Equalities Impact Assessment at Appendix 11a, approve for recommendation to full Council the following amendments to the Council's local Council Tax Reduction Scheme with a view to reforming the scheme with effect from April 2020:**

    a) **Introduction of a Banding Scheme for Working Age Claimants, including simplification of non-dependent deductions and earnings disregards;**
    b) **Reducing the capital limit for the scheme from £16k to £6k in line with Universal Credit,**
    c) **Establishing a £1 minimum weekly award, and;**
    d) **Maintaining current protections for those households in receipt of higher levels of support within the current scheme due to having more than two children prior to 31 March 2018.**

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 2020/21. 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, with forecast provided for the next five years and a specific budget strategy for the next three years set out in this document. 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 2020 for recommendation to full Council. Once approved by Council in February 2020 proposals will become effective immediately.

Alongside budget proposals, this report includes a recommendation that Cabinet submit to Council the changes to the Council Tax Reduction Scheme presented in Appendix 11, to make the scheme fit for purpose as Universal Credit is rolled out across the Borough.

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 2020.

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 2020, with feedback presented to Cabinet alongside the final budget report to Cabinet on 13 February 2020.

SUPPORTING INFORMATION

SUMMARY

1. This is the first report to Cabinet on the development of the Councils 2020/21 budget, which is presented in the context of a challenging medium term outlook requiring total savings of £41,733k over the three years to 2022/23. This report outlines the proposals for 2020/21, alongside a refreshed medium term budget strategy for the three years to 2022/23 and longer term forecasts for budgets in the subsequent two years.

2. Budget proposals for 2020/21 have been developed to deliver a fourteenth successive Council Tax freeze for the over 65's whilst meeting a £17,521k savings requirement through a savings programme delivering £6,713k, a draft 3.8% uplift in Council Tax securing £4,422k, and the release of £6,386k from General Balances. This represents an increased call on reserves above the £5,000k set out in the budget strategy presented to Cabinet and Council in February 2019. However, an improved outturn for 2018/19 and a projected underspend in 2019/20 result in the forecast balances at the end of 2020/21 being £128k higher than assumed in the February 2019 MTFF report (£26,792k compared to £26,664k).

3. This position takes into account the favourable outcome of Spending Review 2019, which broadly secures the previously anticipated £10m uplift in funding over the medium term with significant front-loading of new social care grants in 2020/21. The Spending Review and subsequent Queen's Speech indicated that the Government is minded to progress the long awaited review of social care funding, with continuation of the precept representing a key element of their funding strategy.

4. In light of this clear direction of travel from the Government, this draft budget has been prepared around the assumption that Hillingdon adopt the social care precept from 2020/21 at the recommended 2% level. In addition to the precept, it is proposed to maintain the approach of benchmarking core Council Tax increases to 90% of the London average, which is expected to equate to a 1.8% uplift for 2020/21. The combined effect of these two measures would secure £4,422k of additional income for the Council.

5. The combined effect of changes to funding projections, Council Tax assumptions and the savings programme leaves an unfunded budget gap of £6,386k in 2020/21, rising to £19,957k over the medium term. It is therefore proposed that £6,386k of General Balances are released in 2020/21 to deliver a balanced budget in the context of the budget strategy presented below.

Table 1: Draft Budget Strategy 2020/21 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2020/21 - 23 £'000
Underlying Savings Requirement	**16,119**	**9,745**	**12,684**	**11,528**	**33,957**
Unwind Prior Use of Balances	950	7,776	6,386	3,000	7,776
Total Savings Requirement	**17,069**	**17,521**	**19,070**	**14,528**	**41,733**
Current Savings Proposals	(6,609)	(6,713)	(760)	(203)	(7,676)
Proposed 3.8% Council Tax Increase	(2,684)	(4,422)	(4,695)	(4,983)	(14,100)
In-year Call on General Balances	(7,776)	(6,386)	(3,000)	0	N/A
Savings to be identified	**0**	**0**	**10,615**	**9,342**	**19,957**
Closing General Balances	**(33,178)**	**(26,792)**	**(23,792)**	**(23,792)**	**N/A**

6. The above strategy continues to include the planned release of General Balances while maintaining unallocated reserves within the recommended range for Hillingdon of £15,000k to £32,000k. While a review of the range of risks facing the Council does not indicate a change to this range will be necessary at the moment, there remains a level of uncertainty around treatment of historic retained DSG deficits, which is expanded upon later in this report.

7. Alongside the General Fund budget position, this report refreshes Housing Revenue Account budgets to deliver rent increases of CPI+1% per annum from 2020/21 to 2024/25 to reflect Government policy, whilst providing for substantial investment in new General Needs and Supported Living units. This includes 495 new homes for residents by 2024/25, partly financed through the reinvestment of Right to Buy sale proceeds.

8. An update of the Council's capital programme is also presented in this report, with £444,858k of planned investment in local infrastructure over the period 2019/20 to 2024/25. This includes a new Leisure centre in West Drayton, a major programme of investment in the Borough's highways, a programme of sports club rebuild/refurbishments, a libraries refurbishment programme, provision for investment in Youth infrastructure and the potential purchase of Uxbridge police station. The programme is supported by £120,931k of external funding, £77,883k of capital receipts from the disposal of surplus assets and Community Infrastructure levy alongside £246,044k of Prudential Borrowing.

BACKGROUND

9. 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 report to Cabinet on the budget for 2020/21 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'.

10. This is the first report to Cabinet on the budget for 2020/21, building upon the position outlined in the 2019/20 budget report to Council in February 2019. In February the savings requirement for 2020/21 was estimated to be £21,604k, which has been revised downwards to reflect the announcement of £4,117k additional Social Care funding in the Chancellor's September 2019 Spending Review and the favourable impact of deferring planned borrowing alongside a range of smaller adjustments to estimates. The resulting budget gap for 2020/21 therefore stands at £17,521k after unwinding the planned £7,776k draw down from balances for 2019/20, which is to be managed through a combination of £4,422k additional revenue from the proposed Council Tax increase, £6,713k savings and £6,386k release from General Balances to meet the residual gap.

11. Over the three year MTFF period the total budget gap stands at £41,733k, with a budget strategy to manage this through a combination of Council Tax increases, use of General Balances and £27,633k of existing and future savings proposals as set out in the Medium Term section of this report. Longer term projections covering the following two years are included in the report appendices to provide context for decision making and align to the five year outlook for capital investment plans.

12. 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 2018/19 outturn, particularly any ongoing issues arising.
    - The current position in 2019/20 - both monitoring and savings delivery.
    - Existing and emerging pressures that need to be addressed in the 2020/21 budget and forecasts for future years.
    - Progress on the development of savings proposals for 2020/21 and beyond.
    - Identification of any potential growth or invest-to-save bids.
    - Capital programme requirements.

13. Alongside, the outputs from these sessions which form the basis of this report, development of the 2020/21 budget builds upon the 2019/20 budget and therefore the current monitoring position provides a useful context as many of the same challenges are expected to continue into the new financial year. In addition, progress towards delivery of existing savings targets is of vital importance in considering both the feasibility of future savings initiatives and the potential need to identify alternative measures in the event that planned savings cannot be secured.

2020/21 GENERAL FUND REVENUE BUDGET

UPDATE ON 2019/20 BUDGET MONITORING POSITION

14. An underspend of £610k is projected across normal operating activities for 2019/20 at Month 7, with no exceptional items identified at this stage. An underspend of £6k is projected against Directorate Operating Budgets with reported pressures being largely offset by compensating underspends. An underspend of £602k across Corporate Operating Budgets relating predominantly to two areas, firstly a favourable variance against capital financing costs of £356k and secondly, the release of historic credit balances held on the Council's Balance Sheet, offsets the small pressure on Directorate Operating Budgets. Grant income is in line with budget, with minor variances as grant allocation amounts are confirmed leading to a minor £2k favourable variance.

15. Within the budget monitoring position, £476k of the £1,000k General Contingency remains uncommitted at Month 7 which remains broadly consistent with the call on this funding stream in previous years. Within the broader contingency position, favourable movements on waste disposal, social care funding, looked after children and asylum are sufficient to contain emerging pressures on mental health placements and SEND transport provision. These demand-led pressures are expected to continue into the new financial year and are expanded upon in the contingency section of this report.

16. Outside core General Fund activity, the only area of activity with scope to materially impact upon the Council's budget strategy is the growing pressure within the Dedicated Schools Grant. As at Month 7, an in-year pressure of £5,092k is reported, resulting in a cumulative deficit of £13,584k by 31 March 2020. While the Department for Education are clear that they do not expect any such deficit to be financed from General Reserves, local authorities are awaiting further detailed guidance from CIPFA and the Government on how this expectation can be delivered in practice. In the meantime, the Council will continue to comply with directions from the Government and await clarification on how the DSG deficit will be dealt with going forward.

17. Strong progress is reported on delivery of the £8,141k 2019/20 savings, with £4,940k savings already banked, £2,331k on track for delivery in full and £870k tracked at amber due to either being in the early stages of delivery or deemed higher risk. All savings are ultimately expected to be banked in full or alternative savings achieved.

18. The current budget monitoring position therefore suggests that the MTFF is starting from a solid baseline, with no significant issues – other than the DSG deficit - within the 2019/20 position unaccounted for within the Budget Strategy.

BUDGET REQUIREMENT

19. The movement from the 2019/20 baseline to the 2020/21 budget requirement is summarised in the following table, incorporating the latest estimates for funding, inflation and growth in demand for services to reach a savings requirement of £17,521k alongside a programme of savings totalling £6,713k, leaving a remaining budget gap of £6,386k after allowing for a 3.8% uplift in Council Tax, which is being addressed by a planned use of balances.

Table 4: 2020/21 Budget Requirement

	Movement from 2019/20 £'000	**2020/21 Budget Requirement £'000**
Recurrent Funding	(7,562)	(222,078)
Council Tax Increase (3.8%)		(4,422)
One-Off Funding	6,268	(1,368)
Planned Use of General Balances		(6,386)
Total Resources	**(1,294)**	**(234,254)**
Roll Forward Budget		229,928
Inflation	6,222	
Corporate Items	664	
Contingency (Service Pressures)	4,260	
Priority Growth	(107)	11,039
Budget Requirement		**240,967**
Gross Savings Requirement		**6,713**
Contingency (Management Action)	(677)	
Savings	(6,036)	**(6,713)**
Net Budget Gap		**0**

20. This 2020/21 draft budget has been developed in the context of an estimated savings requirement of £41,733k over the three year period to 2022/23 driven by a combination of inflationary cost pressures, growing demand for services and the financing costs arising from the Council's Capital Programme. Appendix 1 presents the medium term outlook with additional commentary later in this report.

FUNDING SOURCES

21. Recurrent funding available to support the budget requirement is projected to total £226,500k in 2020/21. This recurrent funding is supplemented by £7,754k of one-off funding, to provide £234,254k funding for services after considering the proposed Council Tax increase, but before the use of balances. Total funding is projected to increase by £4,326k, with £4,422k of this coming from the proposed Council Tax increase and the benefits of the latest funding increases announced as part of the 2019 Spending Review and other sources being netted down to a reduction of £96k as a result of the decision to end the Pilot status of the London Rating Pool which has cost the Council £5,775k net.

Table 5: Funding Projections

	2019/20 £'000	(Increase) / Decrease £'000	2020/21 £'000
Council Tax Base	(114,500)	(1,865)	(116,365)
Council Tax Increase (3.8%)	0	(4,422)	(4,422)
Business Rates Income	(55,859)	(1,144)	(57,003)
Revenue Support Grant	(5,809)	44	(5,765)
Other Government Grants	(38,348)	(4,597)	(42,945)
Recurrent Funding	**(214,516)**	**(11,984)**	**(226,500)**
Collection Fund Surplus	(1,036)	493	(543)
Business Rates Pilot Pool	(6,600)	5,775	(825)
Planned Use of General Balances	(7,776)	1,390	(6,386)
One-Off Funding	**(15,412)**	**7,658**	**(7,754)**
Total Funding	**(229,928)**	**(4,326)**	**(234,254)**

22. 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 2020/21 are primarily based on interpretation of the 2019 Spending Review and figures quoted in the MHCLG allocation consultation ahead of the Provisional Local Government Finance Settlement, including an anticipated £4,117k of new Social Care funding announced by the Chancellor in the Spending Review. Income projections for the London Business Rates Pilot Pool have been replaced with the anticipated benefit of a Non-Pilot Pool across London, with a net benefit of £825k for the Council.

Council Taxbase Projections

23. Income from Council Tax is projected to grow by £1,865k through a 1,637 Band D equivalent or 1.0% growth in the taxbase as a result of continuing residential development across the borough and the reducing cost of the local Council Tax Reduction Scheme as transitional protections are unwound through natural turnover. This taxbase growth provides a mechanism to contribute towards funding the growing demand for services linked to an expanding local population.

Table 6: Council Taxbase Projections

	2019/20 Band D	Change Band D	2020/21 Band D
Residential Properties	122,061	1,214	123,275
MOD Properties	683	0	683
Discounts & Exemptions	(11,556)	239	(11,317)
Empty Property Premium	85	0	85
Gross Council Taxbase	**111,273**	**1,453**	**112,726**
Council Tax Reduction Scheme	(9,788)	200	(9,588)
Allowance for Losses in Collection	(1,015)	(16)	(1,031)
Net Council Taxbase	**100,470**	**1,637**	**102,107**
Council Tax Revenues (£'000)	**114,500**	**1,865**	**116,365**

24. New residential development is expected to deliver a net 1,214 Band D equivalent properties after allowing for maintenance of the current 99% collection rate, with 947 of these properties specifically identified from the pipeline of major developments and the remaining 267 expected to be secured through smaller developments. A further 200 Band D equivalent growth in the taxbase is forecast to be met from a continuation of the trend for reduced uptake of the Council Tax Reduction Scheme through the unwinding of historic protections through normal attrition rates. All of which is netted down by a reduction in Band D equivalents of 16 properties, representing the allowance for the loss of collection, as the Council currently achieves a 99% collection rate.

25. The remaining 239 Band D equivalent growth in the taxbase comes from the cessation of the 21 Day Discounts offered for unoccupied and substantially unfurnished homes. The value of the discount is not deemed to be material against a household's liability and as such, it is proposed to cease the 21 Day Discount from 1 April 2020, which helps the Council to redirect resources within the wider context of the budget strategy, to areas where a greater need exists by maximising funding available to the Council to deploy to frontline services.

Council Tax Increases and the Social Care Precept

26. This draft budget includes a 3.8% increase in the headline rate of Council Tax, securing £4,422k additional funding to support local services at a cost of £43.31 per annum for a Band D household. The 3.8% uplift is based on 90% of the 2% referendum threshold for core Council Tax (1.8%), plus making full use of the 2% Adult Social Care Precept.

27. Following the Spending Review 2019 and updated regulations, the Council has the option to increase basic Council Tax by 2% per annum without triggering a referendum with a steer from Government to implement a Social Precept of up to a further 2.00% for 2020/21. A 1% movement in Council Tax would represent £11.40 per annum on the Council's share of a Band D household and generate £1,161k additional revenue.

28. This proposed uplift includes introducing the Social Care Precept for the first time as it becomes apparent from the Spending Review that this is one of the Government's preferred

mechanisms to fund growth within Social Care, with one third of the £1.5bn additional funding announced by the Chancellor to come from this source. In addition a consultation on the continuation of the precept is due from Government, which would underline their commitment to this being a key funding stream for future growth in the cost of social care.

29. The remaining 1.8% reflects Hillingdon's ongoing policy of differentiation across neighbouring boroughs against a likely 2% uplift across London. This uplift is intended to provide a mechanism to contribute towards inflationary and demand-led growth in the cost of services projected to total £10,482k in 2020/21.

30. The council will be continuing the Older People Discount into 2020/21, increasing discounts awarded in 2019/20 to cover the 1.8% increase in the local Council Tax in 2020/21. This represents the fourteenth year of this scheme.

Business Rates Income

31. Under the current 50% Business Rates Retention system, the Council is projecting to retain £57,003k or 14% of the £395,786k expected to be collected from commercial property across the Borough in 2020/21, which includes a forecast increase in the Rating List of £2,600k yielding an additional £1,297k of gross Business Rates income. Income retained through the 50% system has grown by £1,144k from 2019/20, of which £804k is linked to the 1.7% inflationary uplift on Business Rates bills set by the Government.

32. The Council receives 15% of additional income generated through expansion of the taxbase, which accounts for the remaining £340k uplift in income and increases total retained growth to £8,889k for 2020/21. Together with the £48,114k baseline level of income to be retained locally, this delivers £57,003k to support local services.

33. The remainder of the £395,786k to be collected in 2020/21 is redistributed between Central Government, the Greater London Authority (GLA) and local authorities across England through the Tariff and Levy mechanisms, although continuation of the London Business Rates Retention Pool, even without the pilot status, would see additional sums retained over and above this amount. Assumptions regarding income from the pool are discussed below.

London Business Rates Retention Pool

34. Latest intelligence suggests that the London Business Rates Retention Pool will lose its Pilot status at the end of 2019/20, moving the Pool's retention rate from 75% to 50% effective from 1 April 2020, despite the Government's continued commitment to move to a national 75% retention rate.

35. Following the London Council's Leaders Committee meeting on 8 October 2019, London Leaders have decided to operate a London wide Business Rates Retention Pool without the Pilot status, thereby benefiting Councils across London by maximising the Top Up and Tariff mechanisms under the 50% retention scheme, benefiting Hillingdon by an estimated £825k. This represents a reduction of £5,775k from the level of income secured in 2019/20, with

£3,175k of the reduction being directly attributable to the reduction in retention rate from 75%.

Collection Fund Surpluses

36. In addition to the benefits of the London Pool, a surplus of £543k is projected across the Council's share of the 2019/20 Collection Fund, incorporating a £45k deficit on Council Tax and £588k additional retained Business Rates income. In line with local government accounting requirements, the latest assessment of the likely surplus will be confirmed during January 2020 and released to support the General Fund in 2020/21.

Central Government Grant

37. The position presented in the February 2019 budget report assumed a £1,500k benefit from the 2019 Spending Review. Following the announcement from the Chancellor, this benefit was removed from budget assumptions and replaced with the specific outcomes of the announcement. The announcement included a number of increases to Local Government funding with an additional £4,553k against Government Grants. Projected Government grant income for 2020/21 totals £48,710k, representing around 22% of the £226,500k recurrent funding with the remainder raised locally through Council Tax and Business Rates.

38. The current year, 2019/20, is the fourth and final year of the multi-year settlement entered into in 2016/17. From 2020/21 onwards initial assumptions at the time of setting the 2019/20 budget in February 2019 was for a new multi-year settlement via the 2019 Spending Review and a Fair Funding Review to look at distribution methodology across Local Government. Due to the uncertainty around Brexit, the Government announced a one year settlement, with both the multi-year settlement and Fair Funding Review being delayed, meaning the earliest these two reviews will impact on Local Government funding is 2021/22.

39. The Council's £5,809k Revenue Support Grant allocation for 2019/20 was set out in the multi-year settlement in 2016/17, with budget assumptions in February 2019 assuming continuing reduction into 2020/21. However, as part of the Spending Review, the Chancellor announced a real terms increase, expecting to improve Hillingdon's funding position by £902k based on current inflationary assumptions. Under the current Business Rates Retention system, the Revenue Support Grant and baseline Business Rates income are calculated from the Settlement Funding Assessment.

40. The Public Health Grant is expected to increase to £17,651k for 2020/21, with this increase of £580k being announced as part of the Spending Review. It is anticipated that this additional funding will be reinvested back into the service, with a net nil impact on the overall budget gap, with £118k required to meet inflationary pressures within the service, leaving £462k available for new investment.

41. Better Care Fund projections for 2020/21 total £6,973k, incorporating an additional £250k above February 2019 assumptions following a favourable announcement within the

Spending Review. In addition to this, the Improved Better Care Fund (iBCF) is expected to remain consistent with the 2019/20 position at £6,207k, the Local Government Finance Settlement has confirmed that the Social Care Winter Pressures Grant will be rolled into the iBCF, adding £1,041k to the allocation taking the total up to £7,248k. In addition, the Council's share of the new funding confirmed as part of Spending Review 2019 has been published by the Government, delivering £5,896k.

42. New Homes Bonus income of £3,612k is expected for 2020/21, representing a reduction of £53k on the 2019/20 allocation, primarily resulting from the Government's decision to limit bonus payments to growth above a 0.4% baseline. As part of the Spending Review 2019, the Government confirmed that the 0.4% baseline remains unchanged for 2020/21. Whilst this is an adverse movement year on year, this represents an improvement on the February 2019 budget assumptions by £312k as a result of strong growth in the taxbase and a reduction in long term empty properties.

43. Other corporately managed grants are projected to total £1,565k for 2020/21, representing a decrease of £722k on 2019/20 allocations due to the falling out of the one off levy surplus refund. Within this sum, £1,100k relates to the Housing Benefit Administration Subsidy and £290k funding for the administration of the local Council Tax Support scheme.

Balances and Reserves

44. As of Month 7 budget monitoring, General Balances are projected to total £33,175k at 31 March 2020, assuming unallocated contingency and growth are committed in full. This draft budget proposes to release £6,386k of this sum in 2020/21 and £3,000k over the subsequent two years to smooth the savings requirement. This strategy would therefore apply £9,386k of General Balances, leaving £23,792k uncommitted over the medium term. This is in line with the £23,664k assumed in the February 2019 budget and consistent with the current budget strategy.

45. The Balances and Reserves Policy approved by Cabinet and Council in February 2019 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.

46. In addition to General Balances, the Council held £28,416k Earmarked Reserves available for general application at 31 March 2019, with the current monitoring position reflecting a net £6,417k release during the current year to leave a balance of £21,999k at outturn. This balance is held to manage a range of specific projects and risk items – such as the insurance reserve – with a number of releases planned for 2020/21, including £1,694k to finance the continuation of the Council Tax Older People's Discount and £633k monies earmarked to manage the costs of responding to Heathrow Airport Development Consent Orders.

INFLATION

47. An inflation requirement of £6,222k has been estimated for 2020/21, with £6,878k of cost increases across £265,813k expenditure budgets subject to inflationary pressures and a corresponding £656k uplift on associated income budgets. The most significant items within this provision are £3,211k on workforce budgets, £2,326k on care placement budgets and £851k on contracted services.

Table 7: Inflation Provision

	2019/20 Baseline £'000	Inflation Rate %	2020/21 Inflation £'000
Workforce Expenditure (including Pension Contributions)	120,646	2.0%	3,211
Added Years Pension Costs	1,892	1.7%	32
Energy	2,306	7.9%	185
Vehicle Fuel	1,100	2.3%	25
Contracted Expenditure	42,591	2.0%	851
Homecare Provision (Adult Social Care)	11,765	3.0%	369
Care Placements (Adult Social Care)	50,848	2.4%	1,444
Care Placements (Children's Services)	21,429	2.0%	513
Business Rates	3,143	2.0%	63
Levies	10,093	2.0%	185
Gross Inflation Provision	**265,813**		**6,878**
Less: Externally Funded Items	N/A	Various	(656)
Net Inflation Provision	**265,813**		**6,222**

48. The annual Workforce Expenditure uplift has been estimated at 2% based on recent pay awards, which at the time of writing this report is above CPI (1.7% in September 2019) and will be updated as more intelligence becomes available. Whilst payroll uplifts are based on the projected 2% pay award, agency uplifts vary across the services, but are expected to be broadly in line the anticipated pay award. Alongside this, the Employer's Pension Contribution rate has been set to 0% following the 2019 Triennial Valuation of the Pension Fund. Where staff costs are financed from a targeted government grant, or recharged to capital or other funding streams, associated income targets have been uprated.

49. 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. As this has now been published, the final figure of £32k has been built into the position against a £1,892k base budget.

50. Energy inflation has been applied to the Council's electricity and gas budgets in line with recent experience, with an uplift of 7.9% or £185k included for 2020/21. Vehicle fuel has been uprated by 2.3% or £25k, fuel inflation has been decreasing since April 2019, the rate applied is the average of the last few months to smooth out volatility in the market.

51. Provision of £851k has been included for the Council's £42,591k of externally contracted expenditure, representing a 2.0% uplift on expenditure in line with expectations that CPI will revert back to the Bank of England target and continue to track at that rate by the time contract negotiations begin. 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.

52. In addition to general contracted expenditure, care placement costs across Adult and Children's Social Care of £84,042k 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 1.9% increase to £10.75 per hour in November 2019. 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 £2,326k. In line with other contracted expenditure, the Director of Finance will continue to approve releases from this provision on a case by case basis.

53. In addition to the above, inflation has been applied to Health contributions to care packages in line with expenditure uplifts offered to suppliers, this is on the basis that Health contribute fixed percentages to care costs on a client by client basis, with uplifts offered to suppliers translating into increased income from the CCG. The uplift applied to these budgets equates to £322k in 2020/21 and is included in the Externally Funded items in table 6.

54. Provision of £63k is included to support inflationary uplifts and unwinding of transitional relief on Business Rates for the Council's own properties in 2020/21. In addition, £185k inflation has been included on the £10,093k levies budget, reflecting a 2% uplift against Concessionary Fares of £8,335k to fund both growth in demand and limited increases in travel card costs, with the remaining levies being uplifted in line with the Council Tax referendum threshold, which from 2020/21 onwards are now in alignment with one another.

55. Where specific income streams are linked to expenditure budgets subject to inflationary pressures, these have been uprated to avoid overstating the net inflation requirement for 2020/21. This £656k includes £323k of Health contributions within Social Care and the impact of inflationary increases in care package costs affecting incomes for those clients contributing to the cost of their care and workforce costs rechargeable to dedicated funding streams.

CORPORATE ITEMS

56. There are a range of issues impacting upon the Council's overall budget and are therefore managed corporately, including movements in the Added Years Pension Costs, Capital Financing Costs, the use of Earmarked Reserves and some smaller items shown in the table below. It is projected that the net cost of these items will increase by £664k in 2020/21.

Table 8: Corporate Items

	2020/21 Corporate Items £'000
Capital Financing Costs	812
Housing Benefit Subsidy (Recovery of Overpayments)	100
Movement in Added Years Pension Costs	(25)
Planned Use of Earmarked Reserves	(285)
Hillingdon First Limited Dividend	(400)
Adjustments to Corporate Budgets	**202**
Additional Investment in Public Health	462
Total Corporate Items	**664**

57. An uplift of £812k in respect of capital financing costs is included in this 2020/21 consultation budget. 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 continuing through 2019/20 and beyond.

58. The uplift in capital financing costs in 2020/21 is driven by the requirement for £70m new physical borrowing, with £20m of this sum refinancing maturing debt and £50m linked to supporting new capital investment. With the recently announced uplift in the cost of borrowing from the Public Works Loan Board driving a £2,043k uplift in the cost of financing current capital commitments over the medium term, it is proposed to finance £25m of 2020/21 borrowing through local authority markets. This approach will allow short term borrowing at a cost of 1% per annum, rather than higher cost longer term debt at 2.7% per annum, deferring the impact of rising costs into later years.

59. Broader implications of current capital commitments are outlined in the Medium Term Outlook section of this report but essentially any capital expenditure from 2019/20 onwards not fully funded through grant or capital receipts will necessitate physical borrowing and therefore contributes towards the headline savings requirement over the medium term.

60. Within the Housing Benefit Subsidy system, declining levels of outstanding overpayments and associated requirement for doubtful debt provisions, as initiatives such as RTI and FERIS enable more timely changes to benefit awards, are expected to reduce income secured from Government through this route by £100k in 2020/21. Ongoing work reviewing the transition from Housing Benefit to Universal Credit is being reviewed in light of the latest intelligence and demand metrics.

61. This draft budget includes a net reduction of £285k in the use of Earmarked Reserves to support base budget activity, representing the unwinding of the £1,095k of such support included in 2019/20 budgets and financing the cost of the Older People's Discount.

62. In addition, £400k dividend towards support services costs from the Council's property trading company, Hillingdon First Limited has been reflected in this draft budget.

63. Investment in Public Health activity of £462k has been built into the position, after funding £118k of inflationary uplifts in this area, has been reflected in this draft budget in line with the additional funding announced as part of the 2019 Spending Review.

DEVELOPMENT AND RISK CONTINGENCY

64. 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 is known at outturn. Rather than inflating Directorate Operating Budgets to cover all potential risk items, these are collated and budgeted for in the round.

65. The following table provides an overview of projections across Development and Risk Contingency, with £5,281k of anticipated increases in demand for services linked to demographic / population-led drivers and a net £1,021k reduction in provision for risk items resulting in a net £4,260k uplift in the 2020/21 budget requirement. Offsetting these pressure items, a number of management actions totalling £677k have been built into the position covering the Social Worker Agency Contract and relating to demand management in Homelessness Prevention.

Table 9: Development and Risk Contingency

	2020/21 Development & Risk Contingency Items £'000
Revised 2019/20 Development and Risk Contingency	**10,074**
Movement in Demographic Growth Items	5,281
Movement in Risk Items	(1,021)
Proposed Management Action	(677)
Projected 2020/21 Development and Risk Contingency	**13,657**

66. 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

67. Waste Disposal Levy and Contracts (£2,407k provision, £850k growth from 2019/20) – 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 2020/21.

68. Support for Looked after Children (£3,211k provision, £341k growth from 2019/20) – Growth in numbers of Looked after Children continues to outstrip broader population trends with projected numbers of placements rising from 231 on 1 April 2019 to 239 during 2020/21. Given the high unit cost and complexity of reasons for entering care, this is expected to remain a volatile area going forward.

69. Support for Children with Disabilities (£762k provision, £112k growth from 2019/20) – Alongside Looked after Children, Children with Disabilities continues to see growth in placement numbers necessitating a £112k uplift in the contingency requirement for 2020/21.

70. SEN Transport (£2,873k provision, £2,135k growth from 2019/20) – As evidenced through 2019/20 budget monitoring, there has been a significant increase in the cost of SEN Transport during the current financial year, with an increasing reliance on low occupancy routes reflecting a lack of capacity at in borough SEN Provision. With annual growth of around 10% in numbers of Education, Health and Care Plans, including significant growth in the pre-school and post-18 age groups, further pressure on this service is anticipated.

71. Adult Social Care Placements (£3,842k provision, £1,843k growth from 2019/20) – An uplift in the cost of care placements is projected for 2020/21. The main area of growth is within the Mental Health service, where demand is currently exceeding 2019/20 budget assumptions. Growth in this area, in part, relates to Government initiatives to put mental health on a par with physical health as well as greater awareness of mental health issues nationally. In addition to this, underlying growth of 1.9% in the over 65 population and 2.3% in the population with moderate to severe learning difficulties has been built into the position.

72. This underlying growth in demand is expected to translate into an additional £1,843k 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

73. Homelessness Prevention (£1,736k provision, no change from 2019/20) – Over the first five months of 2019/20 the use of temporary accommodation (TA) has increased, with a higher percentage increase in the number of clients placed in Bed and Breakfast (B&B) accommodation due to the handback of properties on alternative TA schemes. The average number of clients in B&B in year to date is 180, 50 above the original budget assumptions that set a target of 130 clients. However, measures have been implemented to recover the

position in year, resulting in a current year forecast underspend against contingency. Actions include: maximising supply at zero cost to the General Fund through the use of shortlife, ring-fenced and general needs properties held in the HRA which will reduce expenditure on B&B and Private Sector Placements. Demand levels are projected to be managed through additional prevention casework.

74. Asylum Funding Shortfall (£1,196k provision, £689k decrease from 2019/20) – Home Office funding available to the Council to support Unaccompanied Asylum Seeking Children remains insufficient to meet the full cost of this demand, with £1,196k costs falling to the local taxpayer. The improvement in this position relates to changes in Home Office funding rates.

75. General Contingency (£500k provision, £332k decrease from 2019/20) – 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 2020/21 and reflecting experience in recent years, it is recommended that this provision be reduced from its 2019/20 level of £832k.

Management Action

76. Homelessness Prevention (£914k management action, £250k favourable from 2019/20) – 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.

77. Social Worker Agency (£0k management action, £277k favourable from 2019/20) – The contracting arrangements for the provision of interim Social Workers and other professionally qualified workers has resulted in a significant drop in the premium paid per worker. In addition to this, the department's outturn position for 2018/19 suggests that staffing budgets are sufficient in this area to cover the cost of agency staff, with budget monitoring in 2019/20 supporting this view, it is therefore being proposed that this item is no longer required.

78. SEN Transport (£150k management action, £150k favourable per annum from 2019/20) – This proposal aims to reduce the overall impact on the Council of the pressures within SEN Transport by contracting a consultant to manage the service, with an anticipated net benefit of £150k reduction in spend through using a more commercial approach.

PRIORITY GROWTH

79. This draft budget includes £543k of funding for Priority Growth items based on new growth proposals identified, with funding held in Earmarked Reserves being available for any new and emerging Priority Growth proposals during the year, proposals incorporated in the budget at this time are:

   i. £130k for three new officers in the Anti-Social Behaviour and Environment Team (ASBET).
   ii. £113k for a Planning Lawyer.
   iii. £79k for a lead officer to support the Council deliver its additional duties as a result of the Environment Bill.
   iv. £60k for Patrol Officers at Little Britain Lake.
   v. £56k for a Military History Curator to support work at both the Battle of Britain Bunker and across the Borough.
   vi. £55k for the Licensing Team to support Animal Welfare as a result of changes in legislation.
   vii. £50k to strengthen the Council's Domestic Violence support.

SAVINGS PROGRAMME

80. Taking into account the uplift in funding of £4,326k, the £6,386k drawdown from General Balances and £677k management action on contingency items, savings of £6,036k are proposed from Directorate Operating Budgets. Table 10 provides a summary of these proposals by Directorate and type of saving.

Table 10: Savings Proposals

	Chief Executive's Office £'000	Finance Directorate £'000	Residents Services £'000	Social Care £'000	Cross-Cutting Initiatives £'000	Total £'000
Service Transformation	(31)	(228)	(625)	(1,146)	0	(2,030)
Effective Procurement	0	0	(1,186)	(732)	0	(1,918)
Income Generation & Commercialisation	0	0	(981)	0	0	(981)
Zero Based Reviews	0	0	0	(617)	(490)	(1,107)
Savings Proposals	**(31)**	**(228)**	**(2,792)**	**(2,495)**	**(490)**	**(6,036)**

81. The following paragraphs provide an overview of savings proposals included in this draft budget. These include efficiency savings and other measures reducing the cost of service delivery without impacting upon service. As in previous years, savings measures fall into four 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 recently agreed BID Reviews and the expected benefits arising from potential new BID Reviews.

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

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

iv. Savings proposals from Zero Based Reviews represent budgets, which have been identified as being surplus to requirements through the line-by-line review of outturn 2018/19 and similar exercises being undertaken by Finance.

Pump Priming Savings and Flexible Use of Capital Receipts

82. 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 2020/21 savings programme, estimated at £3,750k, will be financed from a combination of Capital Receipts and Earmarked Reserves as appropriate.

Chief Executive's Office

83. A total of £31k service transformation savings proposals have been presented in relation to the Chief Executive's Office for 2020/21 from a remodelling of Human Resources. Full year effects from the proposal are expected to increase these savings in future years to deliver £49k by 2021/22.

Finance

84. Within Finance, £228k of proposals are presented for 2020/21 through service transformation from the Exchequer and Business Assurances Services service review. A further £190k full year effect is expected from the Exchequer and Business Assurances Services service review, taking the total full year effect saving for Finance to £418k.

Residents Services

85. Savings proposals totalling £2,792k are presented for Residents Services in 2020/21, including £625k service transformation items, £1,186k from procurement efficiencies and £981k from income generation and commercialisation. Further proposals with longer implementation times are expected to secure an additional £355k savings in 2020/21, bringing the total savings proposals for Residents Services to £3,147k.

86. Service Transformation proposals include a £400k reduction in spend against waste and recycling disposal costs through increasing the percentage of waste collected for recycling.

A further £125k is expected from the BID review for Digital Strategy, increasing to £263k by 2021/22 through channel shift of calls and face-to-face contacts to an online platform. The remaining £100k balance of the £625k Transformation savings comes from a proposal to introduce a Selective Landlord Licensing Scheme to be applied to designated areas of the Borough to promote improved standards in the private rented sector.

87. The £986k procurement efficiency saving presented within this report relates to the tendering of the Leisure Management Contract and the anticipated uplift in the management fee from the preferred bidder. An additional £200k has been built into the position from the transitioning from running dual applications across Microsoft Office and Google as the Council transitions to a single product, Microsoft Office 365.

88. Income generation and commercialisation proposals totalling £981k for 2020/21 include an anticipated £901k increase in Fees & Charges from the annual benchmarking exercise which is expanded upon below, a further £80k net income from invest to save schemes proposed to increase Cemeteries income by increasing the availability of niches and plaques.

Social Care

89. Across Social Care, savings proposals totalling £2,495k have been put forward, with £1,146k of these proposals relating to Service Transformation, with a further £732k coming from Effective Procurement and the remaining £617k being delivered by Zero Based Reviews. In addition to the £2,495k of proposals in 2020/21, a further £100k of full year effect saving is included for 2021/22.

90. Within Service Transformation, 2 BID reviews are proposed for consideration including a review of Children and Family Development Services (£213k) to come from reshaping service delivery, with a full year effect of £313k achieved by 2021/22 and a review of the Occupational Therapy service delivery model (£269k) indicating efficiencies from moving to a mixed service delivery with a part outsourced, part in-house service model.

91. Two further savings are proposed within Service Transformation including a SEND review targeting early intervention and support (£161k) with a transfer of posts from the General Fund to the Dedicated Schools Grant (DSG), with efficiencies within the DSG expected to absorb the additional cost and a transfer of the Mental Health Service's team to be managed in-house (£123k) with £110k relating to the impact of withdrawing from the Section 75 Agreement and a minor £13k relating to staffing costs.

92. The final element within the Service Transformation total is a £380k saving expected to come from a BID review of the Social Care support function, which has been broken down into 4 workstreams covering:

i. the Early Intervention and Prevention Service;
ii. Brokerage;

iii. the impact of the roll out of the new Liquid Logic system (with the main focus starting on the SEND service);
iv. Continuous review of Social Care structures to be considered as part of the Social Care Programme Board workload.

93. The £732k Effective Procurement saving centres around the review of the Children's semi-independent living provision and contracts, with the rationalisation of existing contracts including the decommissioning of Olympic House (£424k), more effective use of existing provision, releasing Ventura House to be fully utilised by Housing (£295k) and maximising the use of block contracts, thereby producing an efficiency against spot purchases (£13k).

94. Zero Based Review savings reflect £617k spend on client equipment that will be funded from capital grant within the broader Better Care Fund, producing a net benefit for the department's revenue position.

Cross Cutting

95. Cross cutting initiatives include the recently completed review of the Managed Vacancy Factor that has identified £490k of zero based budgeting savings where high turnover in certain areas of the Council mean that the Managed Vacancy Factor can be increased without impacting on service standards.

FEES AND CHARGES

96. 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.

97. 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 realignment of charges incorporates £901k additional income, with £492k of this sum already agreed earlier in 2019/20 and £409k of new proposals for implementation in 2020/21.

98. Proposals already agreed and contributing £492k towards the Income Generation & Commercialisation savings total include:

    i. Licensing - October Cabinet approved revisions to Shop Front Tables and Chairs fees and Temporary Street Trading Pitches, with these changes forecast to deliver £20k in 2020/20, increasing to £24k by 2022/23.

    ii. Highways Crossovers - A new charging structure for vehicle crossover fees and charges was approved as part of July 2019 Cabinet, generating increased income of £98k. The agreed proposals included the introduction of two new charges for crossover application fees for planned works and Supervision fees for ad-hoc crossovers, with uplifts applied to two existing charges.

    iii. Bay Suspensions: Revised rates became effective from mid-October following approval in September's Cabinet to increase fees to match the Council's three nearest neighbours of Ealing, Hounslow and Harrow is expected to deliver a £213k saving, with the majority of parking bay suspensions being for essential works, including utility and telecommunications works, or for commercial purposes including construction and large deliveries.

    iv. Season Tickets - Revisions to the Council's season ticket offer in Grainges and Cedars car parks, particularly in consideration of promotion and marketing opportunities, setting of maximum season ticket allocations per site, and the review of fees and charge was agreed in November Cabinet, with additional income built into the fees and charges saving of £104k.

v. Pay by Phone / New Pay & Display Machines - Following the introduction of Pay by Phone technology earlier this year, and, although difficult to estimate the potential impact, income lost through parking suspensions following theft and vandalism to machines totalled £113k in 2018/19, with £57k of this value being built into the savings proposals for 2020/21, with the remaining £56k forecast to be achieved by 2021/22.

99. New proposals presented as part of this budget report contribute £409k and include:

i. Breakspear Crematorium & Cemeteries – Following a benchmarking review of our nearest neighbours and following Hillingdon's approach to charging at 90% of the Borough's nearest neighbours, charges have been increased to reflect this approach. This will increase income by £29k per annum, but the Crematorium increases will be phased over three years to limit the impact in year.

ii. New Years Green Lane Civic Amenities Site – A similar benchmarking approach has been taken to Trade and DIY waste charges, with a 90% benchmark approach expected to yield an additional £18k of income.

iii. Parking – A number of increases are being proposed to parking charges across the Borough for non residents including incremental uplifts at the Cedars and Grainges car parks, on-street and off-street parking, resident permits and visitor vouchers, all of which are projected to increase income by £219k in year 1, increasing to £376k by 2022/23. Parking charges will again remain frozen for residents.

iv. Temporary Traffic Regulation Orders - The Council authorises Temporary Traffic Regulation Orders (TTROs) when it is necessary to prohibit or control vehicular and/or pedestrian traffic along a highway because of planned works or public events, which are on or near a road. Increasing charges in line with the Council's three nearest neighbouring boroughs would increase income by £107k in 2020/21.

v. Highway Crossovers - In addition to the uplifts approved by Cabinet in July 2019, further incremental uplifts are proposed as part of a second phase of uplifts to deliver £36k in new income for 2020/21, with application fees being in line with the 90% benchmark approach and other recharges being based on standard indexation and inflationary uplifts.

2018/19 to 2023/24 CAPITAL PROGRAMME

Proposed Changes to Capital Programme and Funding

100. This report outlines a number of proposed changes to the Council's Capital Programme over the period 2019/20 to 2024/25, which would increase total investment to £444,858k to be funded through a combination of grants, developer contributions, capital receipts and £246,044k of borrowing – with this borrowing representing 55% of capital investment. 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 11: Proposed Capital Programme Updates

2019/20 to 2024/25 Capital Programme	Capital Expenditure	Capital Financing		
		Grants & Conts	Capital Receipts & CIL	Prudential Borrowing
	£'000	£'000	£'000	£'000
Approved Capital Programme	407,062	109,390	72,601	225,071
Month 6 Variance	206	359	45	(198)
MTFF Changes				
Purchase of Uxbridge police station	5,000			5,000
Property Works Programme	4,848			4,848
Social Care Equipment	4,448	1,324		3,124
Sports Clubs Refurbishments	3,750			3,750
Cranford Park	2,597	2,382		215
Youth Provision	2,500			2,500
Civic Centre Programme	2,442			2,442
Corp Tech & Innovation	2,284			2,284
Environmental Projects	2,151	1,750		401
Shopping Parades Initiative	2,098	113		1,985
Highways Structural Works	2,000			2,000
Uxbridge Mortuary Extension	1,231	615		616
Purchase of Vehicles	649			649
Battle of Britain bunker increase	560			560
Uniter Building Refurbishment	390		390	0
CCTV Programme	342			342
Equipment Capitalisation	260			260
Woodside GP surgery	(1,939)			(1,939)
Yiewsley Development	(6,779)		(5,982)	(797)
Secondary Schools Expansions	(16,866)	(5,250)		(11,616)
Add 2024/25 Programmes of Works & Contingency	25,624	10,000	14,874	750
Refresh of Capital Receipts, CIL & S106		248	(4,045)	3,797
Revised Capital Programme	**444,858**	**120,931**	**77,883**	**246,044**
Movement from Approved Programme	**37,796**	**11,541**	**5,282**	**20,973**

i. Uxbridge Police Station – Purchase of the Uxbridge Police Station at a cost of £5,000k.

ii. Property Works Programme – Additional investment required of £4,848k for the upkeep of various Council properties across the borough over the next five years.

iii. Social Care Equipment – This proposal is centred around making more effective use of the Better Care Fund (BCF) and Disabled Facilities Grant (DFG) by switching this capital resource for revenue monies currently managed by the CCG. This approach sees £4,448k additional expenditure routed through the Council's capital programme, ensuring that the grant is fully deployed and delivering a £617k saving to the General Fund on top of banking the £570k at risk element of the 2018/19 saving for maximising CCG income.

iv. With agreement from the CCG in place, this proposal has been made to add £4,448k to Capital budgets, and will also ensure the Council maximise its use of the DFG, reducing the net increase in the Capital Programme by £1,324k.

v. Sports Club Refurbishment – Proposed investment of £3,750k in Sports Clubs across the Borough to promote the health and wellbeing of the Borough's residents.

vi. Cranford Park – The bid entails the repair and regeneration of the historic buildings and landscape at Cranford Park along with the introduction of visitor facilities at a total cost to the Capital Programme of £2,597k, attracting £2,382k of National Lottery Heritage Funding.

vii. Youth Provision – Due to the success of this programme that was originally planned to finish in 2019/20, an additional investment of £500k per annum has been built into the Capital Programme over the next five years, adding a total of £2,500k to the budget.

viii. Civic Centre Programme – Increased investment required for continuing upkeep of Civic Centre based on identified works over next five years adds £2,442k.

ix. Corporate Technology & Innovation – A £2,284k additional ICT investment is required to fund a desktop and laptop refresh project, associated Windows 10 licenses and Cloud migration costs.

x. Environmental Projects - a £1,750k programme of investment including pollution screens for the borough's schools. Plus an additional £401k for other projects including additional columbaria chambers at Northwood Cemetery, increased burial plots at Cherry Lane and additional Garden niches and memorial mushrooms at Breakspear Crematorium.

xi. Shopping Parade Initiatives – Future rollout of the popular shop front grant scheme to local neighbourhood parades, with new initiatives at 8 different sites, adding £2,098k to the Capital Programme. This is partly funded by £703k income (£590k TfL grant transferred from within the current programme and £113k contribution from shopkeepers).

xii. Highways Structural Works – It is planned to increase investment in Highways Structural Work by an additional £2,000k, taking planned investment to £10,000k for the 2020/21 financial year.

xiii. Uxbridge Mortuary Extension – It is planned to extend the building, increasing space for training, post mortems, body reception and fridges at a cost of £1,231k, with a 50% contribution being sought from the London Borough of Ealing generating £615k towards the project as the mortuary covers both authorities' populations.

xiv. Purchase of Vehicles – £649k is added for the latest estimates of the rolling vehicle replacement programme requirement from 2019-25.

xv. Battle of Britain Bunker – A review of potential risks around the refurbishment of this heritage building has indicated the need for additional contingency provision to manage risks such as water ingress, £500k has been included in this draft programme to provide this contingency. In addition £60k has been provided for the purchase of equipment for the Battle of Britain museum.

xvi. Uniter Building Refurbishment – £390k investment in a refurbish programme at the Uniter Building.

xvii. CCTV – The existing programme has been increased by £342k to support the ongoing CCTV programme across the Borough.

xviii. Equipment Capitalisation – Increase in equipment capitalisation budget required as forecast demand for the supply of bulk waste and recycling bins to customers of the Business Waste Service is expected to increase in 2020/21 adding £260k.

xix. Woodside Surgery – Following feedback from Hillingdon Clinical Commissioning Group, it is being proposed that the Woodside Surgery is removed from the Capital Programme, reducing the overall spend by £1,939k, with evidence suggesting that there is sufficient level of supply in the area.

xx. Yiewsley Development – The approved budget is based on original plans for 72 discounted market sale units (General Fund) and 12 supported housing units (HRA) at two development sites, Falling Lane and Otterfield Road. Further investigation of options for these two developments has identified scope to intensify the development to include 107 units and potentially deliver an element through a development partner, resulting in a net £797k increase in the projected surplus on the project.

xxi. Secondary Schools Expansions – A £16,866k reduction in expenditure projections for new secondary provision based upon the latest pupil place planning forecasts, with a corresponding £5,250k reduction in Government Grant support. As with all aspects of the Capital Programme, this item is subject to a level of volatility due to levels of demand, market forces and the risks inherent in projects managed by third parties.

101. 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 2024/25 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 12: Capital Programme Funding Strategy

	2019/20 £'000	2020/21 £'000	2021/22 to 2024/25 £'000	Total £'000
Capital Expenditure	**85,461**	**88,218**	**271,179**	**444,858**
Prudential Borrowing	45,203	60,603	140,238	246,044
Capital Receipts	6,581	6,413	43,389	56,383
Community Infrastructure Levy	4,000	3,500	14,000	21,500
Council Resources	**55,784**	**70,516**	**197,627**	**323,927**
Government Grants & Other Contributions	29,677	17,702	73,552	120,931
Capital Financing	**85,461**	**88,218**	**271,179**	**444,858**

102. 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

103. 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 £246,044k borrowing fall into three broad financing strategies, with a fourth category of investment to be financed from future Council Tax revenues:

   i. £19,228k 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. £11,359k 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. £165,457k investment in assets linked to service delivery, with significant elements of this sum including £44,000k for a theatre on the former RAF Uxbridge site, £53,537k for Highways Structural Works, £35,741k to meet demand for school places and £32,000k for a new West Drayton Leisure Centre.

104. Debt financing costs and any associated revenue savings will be reflected in the Council's revenue budgets as appropriate, with the £165,457k investment in assets linked to service delivery representing the most significant element of the £12,445k uplift in capital financing costs captured in the MTFF over the period to 2024/25. This sum will rise from a total cost of £5,700k in 2019/20 to £17,885k by 2024/25 as the full borrowing requirement feeds through into revenue. There is scope to minimise this future revenue cost through rationalisation of programme commitments, securing alternative funding or increasing capital receipts, with a £10,000k reduction in the borrowing requirement equating to £575k per annum of financing savings to revenue.

BUDGET STRATEGY 2020/21 TO 2022/23

MEDIUM TERM OUTLOOK

105. In line with the position for 2020/21, the medium term savings requirement is driven primarily by inflation, demand-led pressures managed through contingency and capital financing costs. The uplift in funding is projected over this period as a result of steady growth in the Council Tax base and the front loaded additional resources announced in Spending Review 2019. Latest projections for this period indicate a £33,957k overall savings requirement as set out below, which is to be managed through a combination of savings and Council Tax increases.

Table 13: Medium Term Outlook

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2020/21 - 23 £'000
Changes in Recurrent Funding	(7,562)	(1,144)	(2,546)	(11,252)
Changes in One-Off Funding	6,268	1,368	0	7,636
Inflation	6,222	5,861	6,198	18,281
Corporate Items	664	3,193	4,396	8,253
Contingency (Service Pressures)	4,260	3,406	3,480	11,146
Priority Growth	(107)	0	0	(107)
Underlying Savings Requirement	**9,745**	**12,684**	**11,528**	**33,957**

106. Anticipated growth in recurrent funding of £11,252k over the period to 2022/23 reflects £4,599k additional Council Tax coming from a 3.1% growth in residential properties. In addition, the medium term outlook includes an expected £3,486k additional income from locally retained business rates driven by £2,748k from assumed inflationary uplifts and £738k from growth in the Rating List. Other movements within recurrent funding include an anticipated £3,162k increase in grants in line with indications with Spending Review 2019.

107. As a result of the above growth assumptions, the Council is expecting to be in receipt of £47,324k grant funding alongside £50,058k of baseline business rates giving a total of £97,382k of Government-directed funding. This includes £56,057k allocated through the Settlement Funding Assessment, £20,309k of dedicated social care funding through mechanisms such as the Better Care Fund, £17,651k of Public Health monies and £3,365k of other smaller grants. As with all areas of the MTFF, there remain a number of potential risks around these funding streams:

i. In line with the direction of travel outlined in Spending Review 2019, projections assume inflationary uplifts will be awarded across the majority of funding streams. These uplifts represent £2,938k of 2022/23 projections.

ii. The upcoming Fair Funding Review will refresh relative shares of all major funding streams, including social care monies, and although indications are that this exercise will result in a general transfer of resources from urban to rural authorities this effect is likely to be less severe for Hillingdon given its position on the edge of the capital. It is expected that this exercise will see a net uplift in Hillingdon's core funding to reflect the relative growth in population – although this will likely be required to offset the impact of resetting the Business Rates Retention system.

iii. The reset of the Business Rates Retention system will put the Council's £9,287k per annum growth by 2022/23 at risk as these monies are clawed back from authorities increasing their tax base since 2013/14 and recycled into formula funding. As noted above, it is anticipated that this loss will be mitigated through population gains in the main funding formula.

108. The decline in one-off funding reflects the anticipated decision of Government to terminate the London Business Rates Pilot Pool on 31 March 2020, reducing one-off funding by £6,600k in 2020/21. This impact has been partially mitigated by £825k from the proposal to form a Non-Pilot Pool across London. Alongside this, other movements in one-off funding include the 2019/20 Collection Fund surplus (£543k).

109. Inflationary growth of £18,281k 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 have been built into the position over the 3 year period alongside a 0.5% uplift in pension contributions in the final year of the MTFF contributing £8,736k to the savings requirement. With expected London Living Wage growth of 4.0% per annum over the medium term being the key driver behind an expected £8,558k 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.

110. 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 £8,253k provided for corporate items over the period to 2022/23. Total forecast borrowing of £246,044k includes £165,457k in support of schemes without specific funding strategies in place. This equates to financing costs of £11,499k per annum by 2022/23, rising to £17,625k beyond the current MTFF period.

111. Increased demand for services linked to a growing population is expected to require £11,146k additional expenditure by 2022/23, including £4,034k of funding for Adult Social Care, £3,003k uplift in the cost of SEN Transport, £2,030k of growth in support for children in care, and £2,650k additional waste disposal costs, and being offset by reductions in other contingency provisions.

112. The combined effect of these forecasts would be a budget gap of £33,957k, with proposals for Council Tax increases over the medium term and savings already identified during the 2020/21 budget cycle reducing the remaining savings requirement for the financial years 201/22 and 2022/23 to £19,957k as outlined below.

2019/20 to 2022/23 BUDGET STRATEGY

113. Budget proposals for 2020/21 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 £33,957k saving requirement over the period to 2022/23. In addition to this new savings requirement, the £7,776k use of reserves to support the 2019/20 base budget will be unwound to increase the headline gap of £41,733k.

114. The Council's draft budget strategy aims 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.

115. The following table sets out this draft budget strategy, with £7,676k already identified savings and an assumed £14,100k additional income from Council Tax uplifts leaving a residual savings target of £19,957k to be bridged in 2021/22 and 2022/23. In addition, £9,386k General Balances will be released to smooth this savings requirement, leaving £23,792k uncommitted General Balances – in line with the £23,664k projection arising from the February 2019 budget strategy.

Table 14: Draft Budget Strategy 2019/20 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2020/21 – 23 £'000
Underlying Savings Requirement	**16,119**	**9,745**	**12,684**	**11,528**	**33,957**
Unwind Prior Use of Balances	950	7,776	6,386	3,000	7,776
Total Savings Requirement	**17,069**	**17,521**	**19,070**	**14,528**	**41,733**
Current Savings Proposals	(6,609)	(6,713)	(760)	(203)	(7,676)
Proposed 3.8% Council Tax Increase	(2,684)	(4,422)	(4,695)	(4,983)	(14,100)
In-year Call on General Balances	(7,776)	(6,386)	(3,000)	0	N/A
Savings to be identified	**0**	**0**	**10,615**	**9,342**	**19,957**
Closing General Balances	**(33,178)**	**(26,792)**	**(23,792)**	**(23,792)**	**N/A**

116. The following paragraphs provide commentary on the assumptions included in this budget strategy around Council Tax, use of balances and savings.

COUNCIL TAX POLICY AND THE SOCIAL CARE PRECEPT

117. This draft budget includes a 3.8% increase in the headline rate of Council Tax over the MTFF period, securing £14,100k additional funding to support local services. In line with the recommended approach for 2020/21, this uplift is based on 90% of the 2% referendum threshold (1.8%), plus making full use of the 2% Social Care Precept.

118. As previously noted, it is becoming increasingly apparent that the Social Care precept is part of the Government's approach to financing growing demand for Social Care. Given the limited scope for any Government to repeat the substantial uplift in grant funding announced for 2020/21, it is likely that the precept could be the only uplift for care funding available over the following two years – although the forthcoming consultation and white paper are expected to clarify this.

BALANCES AND RESERVES STRATEGY

119. The Balances and Reserves Policy approved by Cabinet and Council in February 2019 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.

120. Given that General Balances are projected to total £33,178k at 31 March 2020 this provides up to £18,178k of capacity to defer savings into later years where this is necessary. The draft budget strategy above proposes releasing a further £9,386k of this sum to enable the majority of the savings requirement to be reprofiled into 2021/22 and 2022/23, leaving £23,792k General Balances available to manage emerging risks.

121. At present it is not proposed to draw down further sums from General Balances until the risk around accounting treatment for DSG deficits is clarified and ideally mitigated. While the Department for Education and CIPFA are indicating that the intention is to not finance deficits from general resources, officers are awaiting detailed guidance on how this will be delivered in practice and how this will address the DSG deficit going forward.

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SAVINGS REQUIREMENT AND BUSINESS IMPROVEMENT DELIVERY (BID) PROGRAMME

122. 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 savings requirement of £27,633k over the period to 2022/23. The full year effect of proposals outlined in the 2020/21 section of this report would secure £7,676k of this sum, leaving £19,957k to be identified.

123. Successfully identifying this level of savings over the next two years will necessitate a significant increase in the savings programme, with savings for 2019/20 and 2020/21 only totalling £13,322k. Given that the step change in central government is now already factored into the MTFF, the likelihood of needing to make this level of savings is now much higher. However, total savings delivered since 2010 are in the order of £140m, which suggests that further savings of £19,957k from a Council of this size should be deliverable.

Table 15: Savings Programme (2017/18 to 2020/21)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Service Transformation	7,222	3,936	2,816	2,030	**16,004**
Effective Procurement	2,171	1,385	0	1,918	**5,474**
Zero Based Reviews	4,691	2,536	1,470	1,107	**9,804**
Preventing Demand	407	2,695	1,281	677	**5,060**
Commercialisation & Maximising Income	1,017	103	1,874	981	**3,975**
Policy Decisions	0	0	0	0	**0**
Gross Savings Programme	**15,508**	**10,655**	**7,441**	**6,713**	**40,317**
Rebasing Legacy Items	0	0	(832)	0	(832)
Net Savings Programme	**15,508**	**10,655**	**6,609**	**6,713**	**39,485**

HOUSING REVENUE ACCOUNT

124. The budget proposals for 2020/21 are based on the ninth 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.

125. This budget includes rent increases of CPI+1% per annum from 2020/21 to 2024/25 to reflect 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.

Update on 2019/20 Budget

126. Development of the 2020/21 Housing Revenue Account budget builds upon the 2019/20 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 £1,214k is projected in the HRA, a favourable variance of £31k compared to the budget, giving forecast HRA General Balances of £17,046k at 31st March 2020, with the use of reserves funding investment in new housing stock.

127. The headline monitoring position at Month 7 incorporates underspends of £610k mainly in relation to planned works offsetting a £579k adverse variance predominantly from rental income. The latter reflecting slippage on income streams from new stock.

Budget Requirement 2020/21

128. The movement from the 2019/20 baseline to the 2020/21 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 £18,733k. This secures increased investment in new housing stock, with the underlying financial position of the HRA remains robust.

Table 16: HRA Budget Requirement

	£'000	£'000
Funding Sources		
Rental Income	57,872	
Total Resources		**57,872**
Budget Requirement 2019/20	38,611	
Inflation	482	
Corporate Items	430	
Savings	(384)	
Budget Requirement 2020/21		**39,139**
Contribution to Finance Capital Programme		**18,733**
Contribution to Earmarked Reserves		**2,041**
Surplus / (Deficit)		**(2,041)**

129. Appendix 10a to this report shows the 2019/20 approved budget and the 2020/21 draft budget. The rental income shows an increase of £1,686k from £56,186k in 2019/20 to £57,872k in 2020/21 due to a modest increase in stock and annual rent. The rental increase funds inflation on operational budgets of £482k and corporate items of £430k in 2020/21. The remaining balance from the increase in rental income is £774k and alongside 2020/21 savings of £384k helps to finance the capital programme, whilst holding £2,041k in an Earmarked Reserve and maintaining the HRA General Balances at £15,000k.

130. Appendix 10a to this report continues this presentation over the MTFF period 2020/21 - 2024/25, with unallocated HRA General Balances maintained at a minimum level of £15,000k – with an additional £2,041k balances held as an Earmarked Reserve to manage risks in the Works to Stock programme. Rental income assumptions for 2024/25 are expected to achieve £64,862k, meeting repayment of debt under self-financing of £15,407k, contribution to fund capital expenditure on existing and new stock of £18,733k and repairs & management costs of £30,722k.

Rental Income

131. 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. This budget has been prepared on the assumption that the RTB sales are 50 per annum from 2020/21 to 2023/24 and 40 for 2024/25.

132. Rental increases revert to CPI + 1% in 2020/21 in line with the MHCLG confirmation in October 2018 of a 5 year rent settlement whereby the social housing rent increase will be limited to CPI + 1% per annum between 2020/21 to 2024/25. At this stage it is assumed that the 1% provision for income losses arising from void properties will remain at this level, resulting in net dwelling rents of £57,872k in 2020/21.

Balances and Reserves

133. HRA General Balances are projected to reach £17,041k by 31st March 2020, representing 29% of total resources for 2020/21. It is proposed to keep the minimum level of HRA balances set at £15,000k with sums over and above this amount earmarked to provide a contingency for managing the Works to Stock programme. The minimum level of balances is approximately 26% of total resources. The Major Repairs Reserve (MRR) will be utilised to support capital investment and it is not planned to retain any uncommitted MRR balances over the medium term.

Inflation

134. A net inflation provision of £482k is included in the 2020/21 budget. This relates to inflation of £373k on salary and operating costs of which £150k is for agency worker regulations, £299k on repairs and planned maintenance and £190k inflation on charges to tenants and leaseholders. The impact of inflationary increases on charges to tenants and leaseholders has been incorporated into Appendix 10d of this report.

Corporate Items

135. Movements contained within Corporate Items total £430k in 2020/21 as shown in Appendix 10a. This consists of realignment of budgets relating to building safety £131k, caretaking provision of £129k, tenancy services provision of £91k, HRA waste recycling costs of £44k and extra care sites cleaning contracts of £35k.

Development & Risk Contingency

136. The HRA budget includes contingency budgets totalling £1,260k to meet emerging risks and pressures during 2020/21. This budget remains unchanged and is for future development provision of £180k; General Contingency of £680k which includes £500k for housing regeneration costs; and bad debts provision of £400k.

Savings

137. The 2020/21 proposed savings totalling £384k are shown in Appendix 10c and relate to housing service efficiency reviews £196k; zero based reviews £140k and the full year effect of prior year BID review savings £48k.

Medium Term Outlook

138. 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.

139. Rental income is projected to remain reasonably steady over the period to 2024/25, reaching £64,862k as a result of CPI + 1% per annum increases in headline rents for sitting tenants.

This projection assumes that void rates will remain at 1%, with property numbers increasing by 255 as 240 properties are sold and 495 developed or acquired over the MTFF period.

Table 17: Projected Movement in Housing Stock

	2020/21	2021/22	2022/23	2023/24	2024/25	Change
Projected Opening Stock	10,103	10,146	10,226	10,326	10,330	N/A
Forecast Right-to-Buy Sales	(50)	(50)	(50)	(50)	(40)	(240)
New General Needs Units	79	69	97	54	68	367
New Supported Housing Units	0	12	0	0	0	12
Shared Ownership	14	49	53	0	0	116
Projected Closing Stock	**10,146**	**10,226**	**10,326**	**10,330**	**10,358**	**255**
Projected Average Stock	10,125	10,186	10,276	10,328	10,344	N/A

140. Projected property sales relate to the continuation of existing RTB discounts, with numbers of sales expected to be 50 per annum from 2020/21 to 2023/24 and then reducing to 40 in 2024/25, although volumes of sales will be dependent upon market conditions.

141. By 2024/25 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 £40,943k budget requirement. Taking account of the on-going capital investment in maintaining existing stock estimated at £12,943k, this would leave a balance of £10,976k from annual rental income available to finance investment in new stock while maintaining the HRA General Balances at current levels to meet any emerging pressures.

142. The draft capital programme set out below outlines £137,739k of investment to deliver the 495 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 local authorities are still awaiting the outcome of the Government's consultation on the use of RTB receipts and the timescales to consume the receipts. Capital Receipts including from Right-to-Buy sales provide £49,236k towards this investment, with £46,228k financed from direct revenue contributions, £2,039k from GLA grant and the remaining £42,277k to be met from Prudential Borrowing.

143. The HRA was subject to a cap on the overall level of borrowing. As part of the Government's Budget on 29th October 2018, the HRA borrowing cap was abolished with immediate effect. However as before, 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.

144. Borrowing of £42,277k is forecasted to be required to fund the 2020/21 -2024/25 HRA capital programme, as shown in the table 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 £42,277k borrowing is anticipated to be contained within existing budgets.

Table 18: Projected Borrowing

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total 2020/21-2024/25 £'000
Projected Borrowing	21,860	6,093	4’950	6,525	2,849	**42,277**

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Background to Capital Programme

145. The HRA Capital Programme remains focused on the twin objectives of maintaining existing stock and construction of new dwellings. An overview of the revised programme is contained in Appendix 10e.

2020/21 - 2024/25 CAPITAL PROGRAMME

146. The HRA Capital programme budget includes £63,457k for the other HRA programmes of work including provision for investment in existing housing stock of £53,699k and £9,758k of funding for major adaptations to properties. This level of provision reflects the latest programme of works proposals including inflation aligned to BCIS indices.

147. The capital programme contains provision of £137,739k to fund delivery of 495 new homes within the HRA over the period to 2024/25 and a further breakdown by project is shown in Appendix 10f. 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:

   i. For general needs housing (HRA), a provision of £118,291k is included to support the construction or purchase of 367 new properties within the HRA, funded through 30% Right-to-Buy proceeds £35,487k, and 70% from revenue contributions £40,527k and borrowing £42,277k.

   ii. 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: 19 units at Acol Crescent, 33 units at the mixed tenure site at Belmore Allotments which also includes a further 53 shared ownership units, 27 new units across Maple & Popular and the Willow tree site plus 15 units across a range of 4 smaller sites.

iii. A budget of £15,673k has been built into the programme for New Build Shared Ownership, funded from capital receipts of £12,616k, revenue contribution of £1,018k and GLA grant of £2,039k, to deliver 116 units; which includes 27 new units at the Woodside Day Centre site, the 53 units at Belmore noted above, a further 17 units at Maple & Popular,14 units at Acol Crescent and 5 units at Moorfield Road.

iv. A budget of £3,775k includes funding the 12 units that are planned for the Yiewsley site and final year costs for the Parkview site. These will be funded from Capital receipts of £1,133k and revenue contributions of £2,642k.

148. The feasibility of a major Estate Regeneration Programme is currently being worked up and if viable will be added to the HRA Capital Programme for February Cabinet.

RESIDENT BENEFIT & CONSULTATION

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

149. 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 3.8% increase in Council Tax, whilst levying the social care precept for the first time and continuing the value of the Council Tax discount for over 65s, protecting this vulnerable group for the fourteenth successive year.

150. This draft budget has been developed with due regard to growing demand and the impacts ongoing reductions in Government support for local services since the Government's austerity measures began in 2010, 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

151. Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2020. 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 13 February 2020. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 20 February 2020.

152. 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 2019 and January 2020. 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.

CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

154. 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.

155. 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.

156. 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.

157. 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 20 February 2020. Its report will reflect the comments made by consultees and its response to them.

158. With regard to the proposed amendments to the Council Tax Reduction Scheme, the Borough Solicitor confirms that the Council's consultation has complied with Schedule 1A to the Local Government Finance Act 1992 and that the proposed amendments also comply with the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2013. In considering whether to agree the amendments, the Council must have regard to the Equalities Impact Assessment and the summary of consultation responses as set out in the report as well as the overall impact of the changes to Borough residents.

Comments from other relevant service areas

159. 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 - 2020/21 to 2023/24 General Fund MTFF (Corporate Summary) 2019/20, including schedules of Development & Risk Contingency, Priority Growth and Savings;

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

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

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

Appendix 11 – Council Tax Reduction Scheme proposal;

Appendix 11a – Council Tax Reduction Scheme proposal Equalities Impact Assessment

BACKGROUND PAPERS

Report to Cabinet (14 February 2019) and Council (21 February 2019) - The Council's Budget: Medium Term Financial Forecast 2019/20 - 2022/23