THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2021/22 - 2025/26

Cabinet Members	Councillor Sir Ray Puddifoot MBE Councillor Jonathan Bianco
Cabinet Portfolios	Leader of the Council Finance, Property & Business Services
Officer Contact(s)	Paul Whaymand, Finance
Papers with report	Appendices 1 to 10

HEADLINES

Summary	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2021/22, along with indicative projections for the following four years. Budget proposals for 2021/22 include a 4.8% 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 3% increase relating to an Adult Social Care Precept to fund ongoing pressures within Adult Social Care. Cabinet are requested to recommend their budget proposals to Council on 25 February 2021. This is in order to formally set the General Fund revenue budget, the Housing Revenue Account budget, the Capital Programme and Council Tax for the 2021/22 financial year.
Putting our Residents First	This report supports the following Council objectives of: *Our People; Our Natural Environment; Our Built Environment; Our Heritage and Civic Pride; Strong Financial Management.* In addition, this budget has been prepared in line with the Council's commitment to achieving carbon neutrality and 100% clean energy by 2030. 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 4.8% Council Tax increase, utilising the Social Care Precept to fund ongoing demand in this area and maintaining additional support via the Council Tax Reduction Scheme for 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 approves for recommendation to Council:

1) **Approve the draft General Fund and Housing Revenue Account budgets and capital programme proposals for 2021/22 and beyond as the basis for consultation with Policy Overview Committees and other stakeholders.**

2) **Approve the proposed amendments to fees and charges included in 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 Provisional Local Government Finance Settlement is awaited from HM Government and the output from this will be factored into the final 2021/22 budget proposals to be considered by Cabinet in February 2021.**

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

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2021/22. 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 2021 for recommendation to full Council. Once approved by Council in February 2021 proposals will become effective immediately.

Alternative options considered / risk management

In order to comply with the Budget and Policy Framework, the Cabinet needs to publish a draft budget for consultation at this meeting. The Cabinet could, however, choose to vary the proposals set out in the report, with any amendments reflected in the papers consulted upon with Policy Overview Committees during January 2021.

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 2021, with feedback presented to Cabinet alongside the final budget report to Cabinet on 25 February 2021.

SUPPORTING INFORMATION

SUMMARY

1. This is the first report to Cabinet on development of budgets for the financial years 2021/22 to 2023/24 and is presented in the context of the ongoing COVID-19 pandemic and the considerable financial uncertainty that this brings.

2. This covering report outlines how the budget strategy approved by Cabinet and Council in February 2020 has been affected by the outturn for 2019/20, experience to date in 2020/21 and latest projections into 2021/22 and beyond. Following these updates, the report addresses the three usual tools to deliver a balanced budget – Council Tax levels, use of balances and the savings programme.

3. Budget proposals within this report along with 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 £31,933k income/saving requirement over the period to 2023/24. In addition to this new savings requirement, the £6,334k use of reserves to support the 2020/21 base budget will be largely unwound to increase the headline gap of £38,267k.

4. The projections in this report are based on the Council's review and interpretation of the one-year Spending Review 2020 announced in Parliament on 25 November 2020, with confirmation of this interpretation expected through the Provisional Local Government Settlement, which is anticipated to be published in December. As such there is therefore a level of uncertainty within the Council's funding that is expanded on further in the report. This consultation budget is presented on the basis that overall Government funding is consistent with this interpretation and remains relatively stable over the remaining period of the Medium Term Financial Forecast in the absence of a multi-year settlement, with any further COVID-19 pressures being covered by funding from Government.

5. 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.

6. The Chancellor confirmed in the Spending Review that the Government's threshold on Council Tax will be maintained at the 2% level and the Social Care Precept will be increased from 2% to 3% for 2021/22. The Social Care precept level has been increased by 1% (from 2% to 3%) because of the exceptional pressures being experienced within Social Care arising from the COVID-19 pandemic. This consultation budget has been prepared around the assumption that Hillingdon adopt the Social Care Precept at the 3% level, returning to the previous level of 2% from 2022/23 and throughout the remainder of the medium term.

The extra 1% Social Care precept will be added to the Council's COVID-19 earmarked reserve to fund COVID-19 related pressures. In addition to the precept, it is proposed to maintain the approach of benchmarking core Council Tax increases to 90% of the expected London average, which is forecast to equate to a 1.8% uplift for 2021/22. The combined effect of these two measures would secure £5,862k of additional income for the Council.

7. The following table sets out this draft budget strategy, with £10,851k of savings already identified savings and an assumed £16,141k additional income from Council Tax uplifts leaving a residual savings target of £11,275k to be bridged across 2022/23 and 2023/24. £3,421k General Balances will be released to smooth this savings requirement, leaving £27,763k uncommitted General Balances – £2,858k higher than the £24,905k projection arising from the February 2020 budget strategy as a result of a favourable outcome from the Spending Review and the projected underspend in the 2020/21 budget.

Table 1: Budget Strategy 2021/22 to 2023/24

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Current MTFF £'000
Underlying Savings Requirement	**9,792**	**10,003**	**10,223**	**11,707**	**31,933**
Unwind Prior Use of Balances	7,776	6,334	2,421	1,000	6,334
Total Savings Requirement	**17,568**	**16,337**	**12,644**	**12,707**	**38,267**
Proposed Council Tax Increase	(4,421)	(5,862)	(4,989)	(5,290)	(16,141)
In-year Call on General Balances	(6,334)	(2,421)	(1,000)	0	N/A
Current Savings Proposals	(6,813)	(8,054)	(2,797)	0	(10,851)
Savings to be identified	**0**	**0**	**3,858**	**7,417**	**11,275**
Closing General Balances	**(31,184)**	**(28,763)**	**(27,763)**	**(27,763)**	**N/A**

**THIS TABLE HAS BEEN UPDATED – the table published above has been updated to reflect proposals regarding the Older People's Council Tax Discount, which were amended by Cabinet at this meeting – and can be viewed below:*
Addendum - including changes to the Cabinet's Budget Proposals & an updated Equalities Impact Assessment - Published 10 December 2020 , item 6. PDF 287 KB (hillingdon.gov.uk)

8. The Budget Strategy is predicated on an assumption that both the in-year and any ongoing pressures arising from the pandemic will be funded from a combination of specific Government grant funding and the £9,126k of reserves earmarked for COVID-19. This assumption is a significant one but is based around the experience of COVID-19 on the Council's budget position to date and the funding measures announced in the Spending Review.

9. The budget strategy also sets out a revised plan for the use of balances to ease the impact of the budget gap over the next three years to allow time for a savings programme to be designed and implemented during a time when the Council will be seeking to recover from the COVID-19 pandemic. The COVID-19 earmarked reserve will be specifically required to fund an element of the 2020/21 Collection Fund deficit over the next three years.

10. The report highlights (paragraphs 42 to 45) the potential impact on Council budgets of Heathrow Airport Limited's challenge to their rating liability as a result of the pandemic. If this were successful this would cost the Council a further £3,584k in the current financial year, after allowing for the first 75% to be covered by the newly announced Central Government support for Collection Fund losses, and would therefore hit the COVID-19 Earmarked Reserve. If the rating reduction continued into 2021/22 and beyond there would be a further significant hit to balances, potentially in excess of £40,000k, with 25% of this value falling on the Council, i.e. £10,000k. This issue has been raised with Central Government through the Council's updating of the Government on the financial impacts of COVID-19, with little central support currently offered to the aviation industry, to cover fixed costs such as rates potentially having a more material impact on Hillingdon than other boroughs.

11. A refresh of the HRA MTFF has also been undertaken, with the landlord function continuing to be financially sound and its thirty-year business plan remaining viable.

BACKGROUND

12. The Council continues to operate within a reduced funding envelopment following marked reductions in central government funding over the period since 2010/11, and although funding levels have stabilised since 2019/20 there remains an element of the legacy grant cuts being financed through releases from General Balances. Alongside the funding challenge, 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 2021/22 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'.

13. This report to Cabinet on the budget for 2021/22, building upon the position outlined in the 2020/21 budget report to Council in February 2020, the outturn position for the 2019/20 financial year and experience to date during 2020/21 alongside latest projections and an assessment of the financial impact of the proposed savings programme. This background to development of the 2021/22 budget is outlined below, with the following sections of this report setting out the resulting budget proposals for the new financial year.

2020/21 Budget

14. At the time of Council Tax setting for the current year in February 2020, it was anticipated that this combination of inflationary pressures, growing demand for services and increased capital financing costs would generate an underlying savings requirement of £34,954k over the period 2021/22 to 2023/24. In addition, it was planned to step down use of General Balances from £6,334k in 2020/21 to zero over two years which would increase the total savings requirement to £41,288k.

15. The budget strategy presented to Cabinet and Council assumed that use of the Social Care Precept and inflationary growth in Council Tax (pegged at 90% of the maximum permissible level) would generate £14,959k, with £1,113k full year effects from approved savings proposals reducing the residual budget gap to £25,216k for 2021/22 to 2023/24 as set out below.

Table 2: February 2020 Budget Strategy

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Current MTFF £'000
Underlying Savings Requirement	**9,792**	**12,765**	**11,529**	**10,660**	**34,954**
Unwind Prior Use of Balances	7,776	6,334	3,000	0	6,334
Total Savings Requirement	**17,568**	**19,099**	**14,529**	**10,660**	**41,288**
Proposed Council Tax Increase	(4,421)	(4,695)	(4,983)	(5,281)	(14,959)
In-year Call on General Balances	(6,334)	(3,000)	0	0	0
Current Savings Proposals	(6,813)	(760)	(203)	(150)	(1,113)
Savings to be identified	**0**	**10,644**	**9,343**	**5,229**	**25,216**
Closing General Balances	**(27,905)**	**(24,905)**	**(24,905)**	**(24,905)**	**N/A**

16. This approach was expected to reduce unallocated General Balances to £24,905k, providing a level of headroom against the £15,000k minimum level of balances required to manage risks in an authority such as Hillingdon. To avoid further depletion of balances, this strategy necessitated the delivery of approximately £10,000k savings over the two budget setting cycles in 2021/22 and 2022/23. Beyond this timeframe, projections were for an annual savings requirement of circa £5,000k per annum – driven by growing demand for services and cost inflation being partially offset by a growing tax base and inflationary uplifts on income.

2019/20 Outturn

17. At the time of budget setting in February 2020, General Balances had been projected to total £34,239k at 31 March 2020. An improvement of £1,019k was reported in the final months of the year as unallocated growth and contingency sums were released alongside minor improvements across a range of services, which together with the decision to capitalise £2,274k of Highways expenditure previously planned to be funded from Earmarked Reserves increased this underspend to £3,293k.

18. This improvement of £3,293k was set aside in Earmarked Reserves to provide funding for COVID-19 pressures not covered by grant monies, and supplemented by redirecting other previously earmarked sums to create a £9,126k reserve for COVID-19 costs, while General Balances remained at the budgeted level of £34,239k.

2020/21 Budget Monitoring Position

19. As at Month 7, pressures totalling £29,428k are projected in relation to the various impacts of the COVID-19 pandemic on General Fund operations during 2020/2 Significant additional funding has been awarded to manage these pressures, with four separate tranches of grants totalling £25,133k having been awarded to Hillingdon and a further £7,700k expected through the Government's commitment to finance 75% of Fees & Charges losses above a 5% threshold. While funding due from Government therefore currently exceeds identified pressures, it is likely that the ongoing management of the pandemic and its local impacts will result in further costs emerging over the remainder of this year and into 2021/22. In the event that in year costs exceed available grants, the COVID-19 reserve is available to isolate any impacts from General Balances.

20. With COVID-19 related pressures being managed in this way, an underspend of £3,279k is reported across the Council's normal General Fund operations. Within this position it is expected that a number of one-off or temporary underspends will be sufficient to contain a pressure of circa £1,000k arising from a higher than budgeted pay award being agreed nationally (2.75% rather than 2.00%). The reported underspend includes a £764k underspend on corporate budgets primarily relating to savings on short term borrowing and reduced spend on debt financing budgets due to the timing of capital expenditure impacted by COVID-19, alongside £2,299k underspends from across service budgets. This Month 7 monitoring position would deliver General Balances of £31,184k at outturn.

2021/22 Budget Development

21. Services have been developing savings proposals with a view to bridging the future budget gap and the growing cost of providing valued services to residents. 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 autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:

- The current position in 2020/21 - both monitoring and savings delivery.
- Existing and emerging pressures that need to be addressed in the 2021/22 budget and forecasts for future years.
- Progress on the development of savings proposals for 2021/22 and beyond.
- Identification of any potential growth or invest-to-save bids.
- Capital programme requirements.

22. As noted above, in February 2020 the savings requirement for 2021/22 had been estimated to be £19,099k, which has been revised downwards by £2,762k – primarily due to a favourable movement in funding from the Spending Review, the Chancellor's announcement on freezing public sector pay and managed reductions in borrowing costs offsetting a higher than anticipated pay award in 2020/21. The resulting budget gap for

2021/22 therefore stands at £16,337k after unwinding the planned £6,334k drawdown from balances for 2020/21, which is to be managed through a combination of £5,862k additional revenue from the proposed Council Tax increase, £8,054k savings and £2,421k release from General Balances to meet the residual gap.

23. Over the three year MTFF period the total budget gap stands at £38,267k, with a budget strategy to manage this through a combination of Council Tax increases, use of General Balances and £22,126k of existing and future savings proposals as set out in the Medium Term section of this report. Longer term projections covering the following three years are included in the body of the report, with a five year medium term outlook presented to provide context for decision making and align to the horizon for capital investment plans.

GENERAL FUND REVENUE BUDGET

BUDGET REQUIREMENT

24. This report sets out further detail on the refresh of the MTFF position which drives the latest forecast savings requirements and other figures set out in this MTFF report. It sets out in detail the assumptions that have been made with regards to inflation, funding demographics etc.

25. The resultant movement from the 2020/21 baseline through the three-year budget cycle to 2023/24 budget requirement is summarised in the following table, incorporating the latest estimates for funding, inflation and growth in demand for services to reach a refreshed saving requirement of £38,267k, reducing to an underlying savings requirement of £31,933k before taking into account the unwinding of the prior use of balances.

Table 3: 2021/22 to 2023/24 Budget Requirement

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Current MTFF £'000
Changes in Recurrent Funding	(7,689)	(349)	(2,554)	(2,582)	(5,485)
Changes in One-Off Funding	6,312	245	29	(27)	247
Inflation	6,222	4,700	6,342	6,497	17,539
Corporate Items	664	1,901	3,076	4,413	9,390
Contingency (Service Pressures)	4,260	3,456	3,330	3,406	10,192
Priority Growth	23	50	0	0	50
Underlying Savings Requirement	**9,792**	**10,003**	**10,223**	**11,707**	**31,933**
Unwind Prior Use of Balances	7,776	6,334	2,421	1,000	6,334
Total Savings Requirement	**17,568**	**16,337**	**12,644**	**12,707**	**38,267**

26. The following sections of the report set out the latest position on funding alongside inflation, Corporate Items, contingency and priority growth to explain the context behind the £31,933k underlying saving requirement.

FUNDING SOURCES

27. Recurrent funding available to support the budget requirement is projected to total £226,975k in 2021/22, rising to £232,111k by 2023/24. This recurrent funding is supplemented by £293k of one-off funding, including £834k of funding from earmarked reserves in 2021/22 to compensate for COVID-19 related pressures within funding impacting on the Council's saving requirement. In total this provides £228,054k of funding for services before considering the proposed Council Tax increase and the use of balances. With one-off funding being forecast for 2023/24 of £1,077k, increasing total resources £233,188k by year 3. Total funding therefore increases by £5,238k between 2020/21 and 2023/24 as a result of increases in local tax yield alongside a minor increase in Government Grants.

28. This position presented below demonstrates the return to regular growth in both Business Rates and the Revenue Support Grant from 2022/23 onwards, with Council Tax increases being driven by a growing taxbase as a result of housing development in the Borough, alongside Business Rates yield increases driven by the regular CPI uplift returning to normal levels, at an estimated 2%, bringing a net benefit to the Council's funding position of £5,520k. This is being offset by a reduction in Government Grants by a marginal £35k, predominantly driven by a reduction in the New Homes Bonus, offset by an increase in Social Care funding, bringing a total uplift in recurrent funding of £5,485k, whilst one-off funding is forecast to move adversely by £247k, equating to a net movement on total funding of £5,238k.

Table 4: Funding Projections

	2020/21 £'000	Change £'000	2021/22 £'000	Change £'000	2022/23 £'000	Change £'000	2023/24 £'000
Council Tax Base	(120,786)	*(1,354)*	(122,140)	*(1,419)*	(123,559)	*(1,420)*	(124,979)
Business Rates Income	(56,005)	*900*	(55,105)	*(1,102)*	(56,207)	*(1,125)*	(57,332)
Revenue Support Grant	(6,763)	*(35)*	(6,798)	*(136)*	(6,934)	*(139)*	(7,073)
Other Government Grants	(43,072)	*140*	(42,932)	*103*	(42,829)	*102*	(42,727)
Recurrent Funding	**(226,626)**	***(349)***	**(226,975)**	***(2,554)***	**(229,529)**	***(2,582)***	**(232,111)**
Collection Fund Deficit	(459)	*1,586*	1,127	*702*	1,829	*0*	1,829
Collection Fund Deficit Govt Funding	0	*(1,372)*	(1,372)	*0*	(1,372)	*1*	(1,371)
Business Rates Pilot Pool	(865)	*865*	0	*0*	0	*0*	0
Release of COVID-19 Reserves	0	*(834)*	(834)	*(673)*	(1,507)	*(28)*	(1,535)
One-Off Funding	**(1,324)**	***245***	**(1,079)**	***29***	**(1,050)**	***(27)***	**(1,077)**
Total Funding	**(227,950)**	***(104)***	**(228,054)**	***(2,525)***	**(230,579)**	***(2,609)***	**(233,188)**

29. 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 2021/22 are primarily based on the outcomes of the Spending Review 2020 and

that funding remaining largely stable in the short term thereafter. As Spending Review covered only the one financial year to 31 March 2022 there remains a level of uncertainty in this forecast. In addition, no income is forecast for any pooling arrangements across London, with the London Pool losing its pilot status on 31 March 2020 and returning to the standard 50% retention for 2020/21. Due to the impacts of COVID-19, no benefit from pooling Business Rates is forecast across London in 2020/21, with this position expected to continue over the next three years to 2023/24.

Council Taxbase Projections

30. Income from Council Tax is projected to grow by £1,354k through a 1,144 Band D equivalent or 1.1% growth in the tax base as a result of continuing residential development across the Borough and the reducing cost of the local Council Tax Reduction Scheme (CTRS) as transitional protections are unwound through natural turnover, in previous years the turnover rate has led to a reduction in Band D equivalents of 200 properties. However, due to unprecedented demand for CTRS in 2020/21 driven by the pandemic, this reduction is forecast to slow in the coming financial year. Income is expected to increase by a further £1,420k in 2022/23 and £1,420k in 2023/24, predominantly driven by the reduction in demand for the Council Tax Reduction Scheme forecast to return to the normal attrition rate of 200 Band D properties per annum. This tax base growth provides a mechanism to contribute towards funding the growing demand for services linked to an expanding local population.

Table 5: Council Tax Base Projections

	2020/21 Band D	***Change*** *Band D*	**2021/22** Band D	***Change*** *Band D*	**2022/23** Band D	***Change*** *Band D*	**2023/24** Band D
Residential Properties	123,275	*1,012*	124,287	*1,012*	125,299	*1,012*	126,311
MOD Properties	683	*0*	683	*0*	683	*0*	683
Discounts & Exemptions	(11,317)	*0*	(11,317)	*0*	(11,317)	*0*	(11,317)
Empty Property Premium	85	*0*	85	*0*	85	*0*	85
Gross Council Taxbase	**112,726**	***1,012***	**113,738**	***1,012***	**114,750**	***1,012***	**115,762**
Council Tax Reduction Scheme	(9,588)	*144*	(9,444)	*200*	(9,244)	*200*	(9,044)
Allowance for Losses in Collection	(1,031)	*(12)*	(1,043)	*(12)*	(1,055)	*(12)*	(1,067)
Net Council Taxbase	**102,107**	***1,144***	**103,251**	***1,200***	**104,451**	***1,200***	**105,651**
Council Tax Revenues (£'000)	**120,786**	***1,354***	**122,140**	***1,420***	**123,559**	***1,420***	**124,979**

31. New residential development is expected to deliver a net 1,012 Band D equivalent properties after allowing for maintenance of the current 99% collection rate, with 911 of these properties specifically identified from the pipeline of major developments and the remaining 101 expected to be secured through smaller developments.

32. A further 144 Band D equivalent growth in the tax base is forecast to be met from a continuation of the trend for reduced uptake of the Council Tax Reduction Scheme through the unwinding of historic protections through normal attrition rates. In previous years this reduction has been higher, however, due to increased demand for Council Tax Support in 2020/21 due to COVID-19 and households facing increased financial difficulties a high level of demand for support has presented in the first half of the year. The projections anticipate a return to the normal decrease playing out over the remainder of the year and into 2021/22, with a return to the normal net 200 increase in Band D properties in the tax base from 2022/23 onwards.

33. All of which is netted down by a reduction in Band D equivalents of 12 properties, representing the allowance for the loss of collection, as in normal circumstances the Council consistently achieves a 99% collection rate.

Council Tax Increases and the Social Care Precept

34. This draft budget includes a 4.8% increase in the headline rate of Council Tax, securing £5,862k additional funding to support local services at a cost of £56.80 per annum for a Band D household and a further £48.90 in 2023/24 based on a 3.8% increase from 2022/23 onwards. The 4.8% uplift is based on 90% of the 2% anticipated increase across London (1.8%), plus making full use of the 3% Adult Social Care Precept in 2021/22, reducing down to 2% from 2022/23 on the assumption that the Government return to this threshold at the next Spending Review.

35. The Spending Review 2020 confirmed the continuation to give the Council the option to increase basic Council Tax by 2% per annum without triggering a referendum for a further year with confirmation that the Social Care Precept will continue into the new year with the option to increase Council Tax by a further 3% for 2021/22. The Social Care precept level has been increased by 1% (from 2% to 3%) because of the exceptional pressures being experienced within Social Care arising from the COVID-19 pandemic. This consultation budget has been prepared around the assumption that Hillingdon adopt the Social Care Precept at the 3% level, returning to the previous level of 2% from 2022/23 and throughout the remainder of the medium term. The extra 1% Social Care precept will be added to the Councils COVID-19 earmarked reserve to fund COVID-19 related pressures. A 1% movement in Council Tax would represent £11.83 per annum on the Council's share of a Band D household and generate £1,221k additional revenue.

36. This proposed uplift includes continuing the use of the Social Care Precept at the reduced rate of 2% in the future years, on the assumption that the Government return the increase to the prior years' value. In the absence of the anticipated Social Care Green Paper, it is expected the Government will continue to utilise this as one of the preferred mechanisms to fund growth within Social Care until such as time as the paper is published. In addition, a consultation on the continuation of the precept was due from Government pre-pandemic

and is likely to emerge in the near future, which would underline their commitment to this being a key funding stream for future growth in the cost of social care.

37. 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 (£4,700k) and demand-led growth in the cost of services (£4,677k) projected to total £9,377k in 2021/22, increasing to £9,903k by 2023/24.

Older People's Discount

38. The Older People's Discount scheme was set up and funded for the first 12 years from within the base budget funded through service efficiencies. When the scheme was first set up the Council also put further efficiency savings into an earmarked reserve in case it was required to fund the scheme. This earmarked reserve was not required and accordingly in 2019/20 and 2020/21 (years 13 and 14 of the scheme) was drawn down to support the scheme. In the current year the scheme cost is projected to total £1,726k, which would rise to £2,009k if continued into 2021/22 – representing an addition to the savings requirement, or additional call on reserves that is not factored into the current MTFF figures. In light of the challenge of the COVID-19 pandemic on the Council, it is not considered to be prudent to continue to fund the scheme in 2021/22.

**THIS PARAGRAPH HAS BEEN UPDATED – the proposals published above with regard to the Older People's Council Tax Discount were amended by Cabinet at this meeting – and can be viewed below:*
Addendum - including changes to the Cabinet's Budget Proposals & an updated Equalities Impact Assessment - Published 10 December 2020 , item 6. PDF 287 KB (hillingdon.gov.uk)

Business Rates Income

39. The current forecast which includes a forecast reduction in the Rating List of £12,000k yielding a reduction of £6,012k of gross Business Rates income as a result of COVID-19 and the impact on the financial sustainability of local businesses. After factoring in this reduction, under the current 50% Business Rates Retention system, the Council is projecting to retain £55,105k or 15% of the £370,241k expected to be collected from commercial property across the Borough in 2021/22. Following this reduction, the Council is forecasting a stable Business Rates taxbase from 2022/23 onwards meaning retained rates are forecast to increase by £1,102k to £56,207k, with a further increase of £1,124k in 2023/24 taking total retained income to £57,331k as a result of the annual uplift in the Business Rates multiplier.

40. The Council receives 15% of additional income generated through expansion of the taxbase above the baseline level set by Government, with the reduction in the taxbase forecast as a result of the pandemic, retained growth is forecast to reduce by £1,136k to £7,648k. Together with the £47,457k baseline level of income to be retained locally, this delivers

£55,105k to support local services. From 2022/23 onwards the 15% retention of additional growth is forecast to return to an increasing funding streaming for the Council, with £153k of the £1,102k growth in Business Rates anticipated to come from retained growth, increasing to £156k in year 3.

41. The remainder of the £370,241k to be collected in 2021/22 and corresponding value in 2022/23 onwards 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.

42. There remains a material amount of uncertainty within Business Rates income as a result of an open review between Heathrow Airport Limited and the Valuation Office Agency. Due to the pandemic the airport is currently experiencing a large reduction in footfall and business. Heathrow Airport Limited have therefore opened a case with the Valuation Office Agency for a reduction in the rateable value of the airport site. The review is currently at the 'Challenge' stage of the 'Check, Challenge, Appeal' process. If Heathrow Airport Limited are successful with their appeal, any reduction will have a significant direct impact on the Council's funding, as unlike a discount, decreases in value are not funded by a compensating Government grant, however, the Government have confirmed that there will be funding support for the first 75% of Collection Fund losses, meaning the remaining 25% falls on the Council to fund.

43. The value of the reduction at the airport has the potential to consume a significant proportion of the Council's retained growth and reduce the Council's funding by approximately £3,600k. For 2020/21 this means that 40% of the Council's Retained Growth of £8,784k could be in jeopardy, with potential impacts of such a reduction spanning into future years.

44. While documentation of the 'Challenge' shared by the Valuation Office Agency does not provide additional context, informal discussions with Heathrow Airport Limited indicate that they do not expect the drop off in passenger numbers to be recovered until 2025 which would result in reduced Business Rates payments over an extended period. An initial estimate of the cumulative impact of these losses exceeds £40,000k by 2024/25, with 75% of this value to be funded by Government support announced in the Spending Review 2020, meaning 25%, or losses exceeding £10,000k will fall on the Council and therefore would fundamentally impact upon the Council's financial position and in the absence of any support rapidly exhaust General Balances.

45. The draft budget figures do not currently include this potential impact but the Council will need to make an assessment of the likelihood of this happening by 29 January 2021 when it has to make a formal estimate of its Collection Fund deficit for the year 2020/21. If this loss is included in the estimate then under current rules the Council will be able to spread

the impact over three financial years. If it does not include but then the revaluation happens before the year end the cost will impact fully in 2020/21. The Council has escalated this unsatisfactory position with MHCLG with a view to resolving this risk prior to budget setting but as things stand it remains a significant risk.

London Business Rates Retention Pool

46. Despite the Government's continued commitment to move to a national 75% retention rate, for 2021/22 it is anticipated that London will continue to operate under the 50% retention rate system, as is the case for 2020/21. At this time, London has applied to continue to pool Business Rates across the capital to maximise the top-up and tariff system, although given uncertainty around the impact of COVID-19 on yields across the capital, no additional income above the Council's own share has been factored into this draft budget.

Collection Fund Surpluses

47. As at Month 7, a deficit of £4,785k is projected across the Council's share of the 2020/21 Collection Fund, incorporating a £3,020k deficit on Council Tax and £1,765k deficit reported against Business Rates income. In line with updated guidance due to COVID-19, Central Government have advised authorities that this assessment of the likely in-year deficit can be released over a three year period as opposed to the standard practice of releasing the entire surplus or deficit generated by the Collection Fund in the following year. Within the £4,785k deficit, a surplus of £702k relates to 2019/20, meaning this value is fully released in 2021/22, with the remaining deficit of £5,487k being spread over the three year period, i.e. the deficit is being spread over the period 2021/22 to 2023/24 in equal thirds of £1,829k (with 2021/22 being offset by the £702k 2019/20 surplus) as opposed to the whole £4,875k falling on 2021/22.

48. The Spending Review announced a support package from the Government against the Collection Fund deficit, with the confirmation that 75% of the deficit will be covered by the Government. This consultation budget therefore includes £4,115k of Government support spread over the three-year period from 2021/22 to 2023/24. This forecast carries a degree of uncertainty until the Government confirm the final detail behind the support package.

Central Government Grant

49. The position presented in this budget report is based on a one year settlement announced in the Spending Review 2020, meaning a level of uncertainty exists within the Council's Government Grant funding in the absence of a multi-year settlement. The position reported in this report includes an anticipated small overall decrease in grant funding of £105k, driven predominantly by a reduction in the New Homes Bonus, offset by additional Social Care funding announced in the Spending Review, in 2021/22 to £49,730k, with a £33k increase in grant funding forecast for 2022/23, alongside an increase of £37k in 2023/24, taking total funding to £49,800k.

50. The Spending Review 2020 confirmed another one-year settlement for Local Government, bringing with it a level of uncertainty for the Council's funding in future years in the absence of a multi-year settlement. In addition, the Fair Funding Review was expected to look at distribution methodology across Local Government, but this is now delayed until 2022/23.

51. Under the current Business Rates Retention system, the Revenue Support Grant and Baseline Business Rates income are calculated from the Settlement Funding Assessment, and it is has been confirmed that the Government will only be uplifting this value in line with inflation (0.5%), moving away from the 2020/21 real terms increase. The Settlement Funding Assessment is therefore expected to deliver an additional £271k for the authority, increasing by a total of £2,463k over three years taking total funding from this source to £56,447k by 2023/24 in anticipation that inflation rates return to the Bank of England target rate of 2% by 2022/23.

52. The Public Health Grant has been confirmed to be remaining consistent at £17,810k for 2021/22 and beyond, the increase presented in the appendices that accompany the Budget Strategy report reflect the 2020/21 grant award that was confirmed after the Council set its budget at February Council. This additional funding will be reinvested back into the service, with a net nil impact on the overall budget gap, with a review of the required inflationary pressures within the service due to be conducted as the first call on the additional funding.

53. Better Care Fund projections for 2021/22 total £7,068k, incorporating an additional £95k above the 2020/21 funding level in line with the position reported to February Council, increasing to £7,263k by 2023/24. In addition to this, the Improved Better Care Fund (iBCF) is forecast to remain consistent throughout the MTFF with the 2020/21 position at £7,248k and includes the continuation of the inclusion of the Social Care Winter Pressures Grant in the iBCF in line with 2020/21. In addition, the Council's share of the new Social Care Grant confirmed as part of Spending Review 2019 at £5,896k, has been increased by £1,320k in 2021/22 to £7,216k and the MTFF assumes that this continues thereafter.

54. New Homes Bonus income of £2,200k is expected for 2021/22, representing a decrease of £1,539k on the 2020/21 allocation, primarily resulting from changes to the calculation methodology of the grant as announced as part of the Spending Review 2019, whereby the period of which local authorities are assessed against for delivering additional housing has been reduced by 1 year, from 4 years to 3 years. The Spending Review 2020 confirmed the continuation of this grant into 2021/22, however, there is a clear indication that the Government intend to cease this funding stream in the future with the review of this grant anticipated to be carried out this year by the Government having been delayed due to the global pandemic.

55. Other corporately managed grants are projected to total £1,390k for 2021/22, representing a decrease of £175k on 2020/21 allocations due to the forecast reduction in the Housing Benefit Administration Subsidy Grant as the level of demand for Housing Benefit reduces

due to new claimants being directed to Universal Credit. This is the only change anticipated for 2022/23, with a further reduction of £200k, bringing the total for other corporately managed grants to £1,190k in 2022/23 of this report, with a further £200k reduction in 2023/24.

Government Funding Uncertainty

56. Due to the ongoing pandemic, the Government's Spending Review 2020 presented a one-year settlement, with the position presented in this consultation budget being based on the interpretation of this announcement, with figures due to be firmed up in the Provisional Local Government Settlement due out in December, before finally confirming the Council's funding in early 2021. This consultation budget is therefore based on the Council's best estimates of the funding settlement in the absence of the provisional settlement.

57. The position presented in this consultation budget forecasts a small increase in Government funding (0.1%) being nearly wholly driven by the increase in Social Care funding, offset by the reduction in the New Homes Bonus in line with the announcement made as part of the Spending Review 2019.

58. To put this in the context of the funding settlements over the last two years, the Council experienced a 2% funding reduction going into 2019/20 driven by a reduction in the Council's SFA, offset by smaller increases in specific grants, mainly within Social Care. The following year saw a significant increase going into 2020/21 as the Government announced the end of austerity, with an exceptional increase in Government funding of 6%, driven by both an increase in the Council's SFA alongside significant increases in Social Care funding (whilst this increase in funding was all but counter acted by the end of the pilot status of the London Business Rates Pool, returning the Pool to a 50% retention rate).

59. With the Provisional Local Government Settlement expected in December, current projections are based on the Council's interpretation of the Spending Review, with a 1% movement either way would equate to approximately £971k, with any additional funding providing additional flexibility to reduce the Council's call on General Balances in 2021/22, whereas a funding decrease would likely lead to an increase in the budget gap that would ultimately need to be addressed through the Council's saving programme. With the Spending Review being a one-year settlement, the Council is carrying a greater level of uncertainty from 2022/23 onwards.

COVID-19 Funding

60. The release of earmarked reserves presented in this budget position reflects the use of reserves available to be deployed to fund COVID-19 pressures, meaning the impact of the pandemic does not fall on the General Fund in 2021/22 or 2022/23, with the ongoing effects of COVID-19 starting to impact on the budget position from 2023/24 of the MTFF as a result of a reduced Business Rates tax base.

61. The underlying saving requirement is therefore unaffected by COVID-19, with £834k being deployed per annum over the three-year period, with this budget strategy utilising the identified £9,126k Earmarked Reserves available to fund pressures driven by the pandemic.

62. The Budget Strategy presented in this consultation budget is predicated on the assumption that any further pressures resulting from COVID-19 will be met by additional Government funding, with the planned use of Earmarked Reserves being used only to meet the ongoing pressures within the Collection Fund from a reduced tax base within Business Rates and to fund the future year impacts of the 2020/21 Collection Fund deficit, with the newly announced Government scheme funding 75% of the deficit, leaving 25% to be funded by the Council from this source.

INFLATION

63. An inflation requirement of £4,700k has been estimated for 2021/22, with £5,457k of cost increases across £270,995k expenditure budgets subject to inflationary pressures and a corresponding £757k uplift on associated income budgets. The most significant items within this provision are £1,327k on workforce budgets, £2,443k on care placement budgets and £1,241k on contracted services. With this position forecast to increase the inflation requirement in 2022/23 by £1,642k by 2022/23 to £6,342k, with an additional £155k being required in year 3 taking the total provision to £6,497k.

Table 6: Inflation Provision

	2020/21 Baseline £'000	Inflation Rate %	2021/22 Inflation £'000	2022/23 Inflation £'000	2023/24 Inflation £'000
Workforce Expenditure (including Pension Contributions)	125,795	1.1% 21/22 2.0% onward	1,327	3,200	3,282
Added Years Pension Costs	1,900	0.5% 21/22 2.0% onward	10	38	39
Energy	2,617	8% 21/22 5% onward	210	141	148
Vehicle Fuel	1,053	2.3%	24	54	57
Contracted Expenditure	42,807	2.0%	1,241	915	939
Homecare Provision (Adult Social Care)	12,007	3.0%	360	371	382
Care Placements (Adult Social Care)	50,848	2.4%	1,535	1,571	1,609
Care Placements (Children's Services)	21,429	2.0%	548	562	575
Business Rates	3,199	2.0%	16	64	66
Levies	9,340	2.0%	186	190	194
Gross Inflation Provision	**270,995**		**5,457**	**7,106**	**7,291**
Less: Externally Funded Items	N/A	Various	(757)	(764)	(794)
Net Inflation Provision	**270,995**		**4,700**	**6,342**	**6,497**

64. The annual Workforce Expenditure uplift has been estimated at 0.35% per annum in 2021/22 following the Government's announcement in the Spending Review that there will be a pay freeze for all staff earning greater than £24k per annum, and 2022/23 based on a return to more recent pay awards, with the 2.75% pay award for 2020/21 expected to be an outlier with general inflation well below the Bank of England 2% target rate. The position presented in this report includes an uplift of 1.11% in 2021/22 due to the requirement to catch up on the funding of the additional 0.75% pay award for 2020/21 above the 0.35% estimate for 2021/22. Whilst payroll uplifts are based on the projected 0.35% 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% for 2021/22 following the 2019 Triennial Valuation of the Pension Fund, with an anticipated 0.5% being added from 2022/23 onwards. Where staff costs are financed from a targeted

Government grant, or recharged to capital or other funding streams, associated income targets have been uprated.

65. 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. This figure has now been published at 0.5%, leading to £10k in 2021/22 being built into the position, increasing to 2% the year after, adding £39k by 2022/23 against a £1,899k base budget.

66. Energy inflation has been applied to the Council's electricity and gas budgets in line with recent experience, with an uplift of 8% or £210k included for 2021/22 reducing to 5% or £148k in 2022/23. Vehicle fuel has been uprated by 2.3% or £24k, fuel inflation has been negative since March 2020 as COVID-19 reduced demand, this position therefore reflects a return to more normal inflation rates in fuel from next year, increasing from 2022/23 to our normal fuel inflation assumption rate of 5% for the medium term adding £54k to the 2022/23 budget requirement and a further £57k the year after.

67. Provision of £1,241k has been included for the Council's £42,807k of externally contracted expenditure, representing a 2.9% uplift on expenditure, with inflation in this area forecast to be 2% for the majority of contracted expenditure, with an overall increase of 2.9% as a result of ICT contracts forecast to have a step change in 2021/22. This position is expected to reduce to 2% in 2022/23 in line with expectations that CPI will revert to the Bank of England target rate by this time. 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 Corporate Director of Finance will continue to approve releases from this provision.

68. In addition to general contracted expenditure, care placement costs across Adult and Children's Social Care of £84,284k 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 £2,443k in 2021/22, increasing to £2,566k by 2023/24. In line with other contracted expenditure, the Corporate Director of Finance will continue to approve releases from this provision on a case by case basis.

69. In addition to the above, inflation has been applied to Clinical Commissioning Groups (CCG) 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 £323k in 2021/22, growing to £340k by 2023/24, and is included in the Externally Funded items in table 4.

70. The final element of the Social Care inflation provision is based on the inflationary increases in care package costs affecting incomes for those clients contributing to the cost of their care, with a further £218k forecast to be received as part of the annual uplift in client charges. These uplifts are predominantly driven by increases in the benefits received by the clients, funded by the Department of Work & Pensions.

71. Provision of £16k is included to support inflationary uplifts and unwinding of transitional relief on Business Rates for the Council's own properties in 2020/21, increasing to £66k by 2023/24. In addition, £186k inflation has been included on the £9,340k levies budget in 2021/22, increasing to £194k by 2023/24, reflecting a 2% uplift against Concessionary Fares of £8,424k in 2020/21 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.

72. 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 2021/22 and throughout the MTFF period. This £757k includes the £323k of CCG contributions and £218k of client contributions within Social Care mentioned above leaving the remaining balance of £216k to come from workforce costs rechargeable to dedicated funding streams, with externally funded inflation set to increase to £794k by 2023/24.

CORPORATE ITEMS

73. There are a range of issues impacting upon the Council's overall budget and are therefore managed corporately, including movements in Capital Financing Costs, the Added Years Pension Costs, the unwinding of the flexible use of capital receipts to finance service transformation and some smaller items shown in the table below alongside some additional one-off items of investments and savings. It is projected that the net cost of these items will increase by £680k in 2020/21, increasing to £4,413k by 2023/24.

Table 7: Corporate Items

	2021/22 Corporate Items £'000	2022/23 Corporate Items £'000	2023/24 Corporate Items £'000
Capital Financing Costs	1,553	1,513	3,250
Addition to the COVID-19 Earmarked Reserve	1,221	0	0
Housing Benefit Subsidy (Recovery of Overpayments)	100	100	100
Flexible Use of Capital Receipts to finance Service Transformation	0	1,274	0
Concessionary Fares Rebate	(1,107)	(444)	1,088
Movement in Added Years Pension Costs	(25)	(25)	(25)
Adjustments to Corporate Budgets	**1,742**	**2,418**	**4,413**
Additional Investment in Public Health	159	0	0
Troubled Families Programme	0	658	0
Total Corporate Items	**1,901**	**3,076**	**4,413**

**THIS TABLE HAS BEEN UPDATED – the table published above has been updated to reflect the Older People's Council Tax Discount and was amended by Cabinet at this meeting – it can be viewed below:*
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74. An uplift of £1,553k in respect of capital financing costs is included in this 2021/22 consultation budget, with a further £3,250k forecast by 2023/24, or £6,316k over the three-year period. Broader implications of current capital commitments and drivers of the cost of borrowing are outlined in the Capital Programme later in this report, but essentially any capital expenditure from 2020/21 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.

75. Presented in the Capital Programme section of this report are details behind the reduction in expected future borrowing of £55,663k, with the latest intelligence on the likely cost of financing debt, projections for ongoing capital financing costs have been refreshed and a net improvement of £3,904k has been identified over the period to 2025/26 from the position presented at February 2020 Cabinet. With £2,785k of this improvement directly linked to the reduction in debt financed capital investment and the remaining £1,119k improvement from lower than previously projected long-term borrowing costs as the UK government gilts remain at historically low levels.

76. The Council's budget strategy is predicated on the Government funding any costs directly associated with the pandemic, however, it is likely that there will be costs in Adult Social Care as a result of increased demand from COVID-19, primarily relating to new care

placements, which will represent an ongoing cost to the authority. The Council has therefore deemed it prudent to add £1,221k to the COVID-19 Earmarked Reserve to fund this pressure, with this value representing the 1% of the increased Council Tax income generated by the 3% Adult Social Care Precept.

77. 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 per annum throughout the MTFF. Ongoing work reviewing the transition from Housing Benefit to Universal Credit is being reviewed in light of the latest intelligence and demand metrics, with an anticipated impact coming from COVID-19 and the effect the pandemic is having on the economy and financial hardship faced by residents that could lead to an accelerated take up of Universal Credit.

78. Under current Government guidelines, the Council is permitted to fund service transformation through Capital Receipts generated from the sale of assets, with 2021/22 being the last year these guidelines permit these powers, this budget presents the unwinding of these powers within the base budget, adding £1,274k to the budget gap as this activity will still be required to deliver future efficiencies.

79. Investment in Public Health activity of £159k has been built into the position, with a review to take place of the inflationary uplifts required in the service and these pressures assumed to be the first call on the additional funding.

80. Following the Spending Review 2020, it was confirmed that the Troubled Families Programme would continue for another year into 2021/22, with no confirmation that this will continue beyond March 2022. This budget reflects the anticipated removal of this £658k income stream from the Council in 2022/23, with no further impact thereafter.

81. Following the announcement from London Councils that Freedom Pass usage is reducing as a result of the restrictions applied during the pandemic, the Council's charge is set to reduce in future years, with London Councils confirming the saving should be in the region of £1,107k in 2021/22, rising to £1,551k in 2022/23 and reducing to £463k in 2023/24, with this rebate expected to be unwound in 2024/25.

DEVELOPMENT AND RISK CONTINGENCY

82. 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.

83. The following table provides an overview of projections across Development and Risk Contingency, with £3,456k of anticipated increases in demand for services linked to

demographic / population-led drivers in the 2021/22 budget requirement, increasing to £10,192k by 2023/24.

Table 8: Development and Risk Contingency

	Development & Risk Contingency Items		
	2021/22 £'000	2022/23 £'000	2023/24 £'000
Development and Risk Contingency Opening Balance	**13,657**	**17,113**	**20,443**
Movement in Demographic Growth Items	3,456	3,330	3,406
Movement in Risk Items	0	0	0
Projected Development and Risk Contingency Requirement	**17,113**	**20,443**	**23,849**

84. 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

85. Waste Disposal Levy and Contracts (£2,050k provision, £900k growth from 2020/21) – 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 2021/22. Refinement of this position will be informed by the Council's own disposal contracts and a review of the WLWA levy consultation.

86. Support for Looked after Children (£3,211k provision, £656k growth from 2020/21) – Growth in numbers of Looked after Children continues to outstrip broader population trends with projected numbers of placements forecast to increase during 2021/22. Given the high unit cost and complexity of reasons for entering care, this is expected to remain a volatile area going forward.

87. Support for Children with Disabilities (£895k provision, £117k growth from 2020/21) – Alongside Looked after Children, Children with Disabilities continues to see growth in placement numbers necessitating a £117k uplift in the contingency requirement for 2021/22.

88. SEN Transport (£2,723k provision, £495k growth from 2020/21) – Following the large investment in this area in 2020/21 (£2,135k) driven by growth in SEN placements, this report presents a return to the normal increase in demand in this area, with an increase of £495k forecast for 2020/21.

89. Adult Social Care Placements (£2,793k provision, £1,288k growth from 2020/21) – Forecast growth in this area is anticipated to be in line with population growth of approximately 2% following the 2020/21 additional investment in the Mental Health service, with this budget

presenting a return to the usual population based growth. In addition, £200k has been added to this position to fund additional demand for legal services related to Adult Social Care, mainly driven by increased demand for Deprivation of Liberty Safeguards (DoLS) assessments.

Service Pressures – Risk Items

90. Homelessness Prevention (£822k provision, no change from 2020/21) – This is an area that has seen significant impact from the COVID-19 pandemic, alongside additional funding from Central Government during the crisis largely targeted at Rough Sleeping. This position presents a return to the pre-pandemic levels of homelessness, with the expectation being that the Council can manage demand within the average budgeted level of 130 clients and that grant funding opportunities from Government continue to be available.

91. Asylum Funding Shortfall (£1,063k provision, no change from 2020/21) – Home Office funding available to the Council to support Unaccompanied Asylum-Seeking Children remains insufficient to meet the full cost of this demand.

92. Additional Investment Income (£400k assumed income, no change from 2020/21) – Anticipated dividends from the Council's £15,000k minimum level of General Balances which is held in Strategic and Long-dated Pooled Funds to deliver a level of financial return while maintaining security and liquidity of these monies.

93. General Contingency (£500k provision, no change from 2020/21) – In order to manage emerging pressures or other volatility, it is proposed to retain a General Contingency of £500k, with in-year monitoring suggesting this provision is sufficient for this Council.

PRIORITY GROWTH

94. This consultation budget includes one specific Priority Growth item of £50k to support Domestic Abuse Initiatives to further support this service area in light of increases in need. In addition, the Council has £1,038k of Priority Growth Earmarked Reserves that can fund any new and emerging issues going into 2021/22, with further Earmarked Reserves being available for specific areas of spend, including Environment and Recreational initiatives (£450k) and the All-Age Sport and Activity Fund (£308k).

SAVINGS PROGRAMME

95. Work to date on the development of a savings programme for the 2021/22 and 2022/23 financial years has identified proposals totalling £10,851k, with £8,054k of this sum being achievable in 2021/22 and the remaining £2,797k to be delivered in 2022/23 as a result of longer lead in times or other dependencies. This programme is outlined below, with savings presented by directorate and theme.

Table 9: Savings Proposals for 2021/22 to 2022/23

	Finance Directorate £'000	Social Care £'000	Environment, Education & Community Services £'000	Building Services, Transport & Business Improvement £'000	Corporate Resources & Services £'000	Cross-Cutting Initiatives £'000	Total £'000
Service Transformation	(500)	(150)	(642)	(930)	(2,038)	0	(4,260)
Effective Procurement	(120)	(250)	0	0	0	0	(370)
Managing Demand	0	(1,000)	(500)	(35)	0	0	(1,535)
Income Generation & Commercialisation	0	(100)	(1,105)	(410)	0	(1,011)	(2,626)
Zero Based Reviews	(190)	(250)	0	(1,020)	0	(100)	(1,560)
Policy Decisions	0	0	(500)	0	0	0	(500)
Savings Proposals	**(810)**	**(1,750)**	**(2,747)**	**(2,395)**	**(2,038)**	**(1,111)**	**(10,851)**

96. 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. Savings measures fall into six broad themes, with the first five representing efficiency savings and charging proposals that do not directly impact upon the service offer to residents:

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 reflect efficiencies gained through the commissioning of services from third parties, including the insourcing of functions where this represents better value for money than previously externalised services.

iii. Managing Demand items relate to measures intended to maintain or improve services to residents – particularly in relation to social care and other direct support for clients – through investment in early intervention, identification of alternative support models and other initiatives.

iv. Income Generation & Commercialisation proposals include the regular annual review of Fees and Charges against those of neighbouring authorities, alongside savings arising from reviews of services with scope to operate with a reduced level of subsidy from the Council Taxpayer.

v. Savings proposals from Zero Based Reviews represent budgets, which have been identified as being surplus to requirements through the line-by-line review of the 2019/20 outturn position and similar exercises being undertaken by Finance.

vi. Policy Decisions represents a step change in the Council's service offer rather than efficiency gains, with a single proposal relating to the cessation of the local First Time Buyer's Scheme falling in this category.

Pump Priming Savings and Flexible Use of Capital Receipts

97. The Council is currently allowed 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 2021/22 savings programme, estimated at £3,000k in line with recent experience, will be financed from a combination of Capital Receipts and Earmarked Reserves as appropriate.

Finance

98. Two savings are proposed for Revenues and Benefits Service within the Finance Directorate including the use of robotics and automation to streamline processes (£162k) and a BID review of the structures and ways of working within the team expected to deliver a further £138k in 2021/22, increasing to £338k by 2022/23.

99. In addition, two savings are presented for Fleet Services centred around a review of the Repairs and Maintenance contract (£120k) and a zero based review of the budgets in this area, including fuel and vehicle damage (£190k).

Social Care

100. A zero based review is planned for Social Care across both Adults and Children's services, including a review of the future demand for the service and unit cost assumptions. In view of a reduced headcount within Adult Social Care and implementing early intervention services within Children's Services, this review is expected to deliver a reduction in spend of £1,000k for 2021/22.

101. Reviews of Children's services including both structures and processes, ensuring a clear pathway for each child and a zero based review of the Asylum Service are anticipated to deliver £400k of savings for 2021/22. Alongside this, a further £100k of income is expected to be generated by leasing out part of the Civic Centre to one of the Council's care partners.

Environment, Education & Community Services

102. A number of proposals have been included within the Green Spaces, Sports and Culture service area, with these proposals expected to deliver £1,115k from a range of income generation and commercialisation initiatives as well as service transformation. The largest elements of this being driven by service transformation of the services, maximising the use of the Council's assets alongside a number of income generation and commercialisation

projects including reviewing charging options associated with Parks and Courts, and the removal of the Council's subsidy within Golf Courses, Museums and Theatres.

103. A further £750k is proposed against the Housing Service for 2021/22, increasing to £1,000k by 2022/23, with approximately half of this value to come from improved management of temporary accommodation, maximising the impact of Central Government grant income, with the other half to come from the closing of the First Time Buyers Scheme in light of the other support in this area offered by Central Government including Help to Buy Equity Loan, Shared Ownership and First Homes schemes.

104. Finally a £95k proposal has been included for the in-sourcing of a Planning Service contract to ensure greater efficiencies for the Council.

Building Services, Transport & Business Improvement

105. Proposals totalling £725k have been included for Waste Services, with a number of initiatives around Service Transformation, Zero Based Reviews and Income Generation & Commercialisation including reviews of food waste and recycling, bulky waste collections, recycling and waste bags and a zero based review of the budgets, realigning the service with the West London Waste Authority (WLWA) levy budgets and contracts.

106. A further £450k of savings are being proposed centred around Highways and Parking, with a review of the use of the Council's capitalisation powers in Highways and Service Transformation work within Parking expected to drive efficiencies without reducing service levels.

107. A series of further zero based reviews are planned for this area, including energy budgets, lease income and Business Rates payments that the authority makes, which in total are expected to deliver savings of £360k in 2021/22.

Corporate Resources & Services

108. Service Transformation in this area is expected to deliver £988k from a review of Business Support and other back office functions within the Council, including the streamlining of processes, including a review of financial processes, human resources and admin support within the Council, with a further £138k to come from a similar review of the Council's contact centre, all without impacting on front line services. These savings are expected to increase by an additional £750k in 2022/23, taking the total saving in this area to £1,738k.

109. Democratic Services are proposing a £300k saving in 2022/23 as a result of the Boundary Review within the Borough and the reduction in the number of wards.

Cross-Cutting Initiatives

110. The Council continues to review recruitment and retention requirements of Council run services, with a review of vacant posts expected to deliver a £100k saving for 2021/22.

FEES & CHARGES

111. 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.

112. 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. This realignment of charges incorporates £1,011k additional income, with £164k of this sum already agreed at February 2020 Cabinet and £847k of new proposals for implementation in 2020/21.

113. Uplifts to Fees & Charges that were agreed at February 2020 Cabinet contributing 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 an additional £3k in 2021/22.

   ii. Pay by Phone – A £56k saving is included in the budget proposals related to the introduction of Pay by Phone technology in 2019/20, with the financial impact stemming from income lost through parking suspensions following theft and vandalism to machines estimated to be £113k, with £57k of this value being included in the 2020/21 budget, with the remaining balance being proposed to be included in 2021/22.

   iii. Parking – Following the usual benchmarking exercise, the proposed increase for Off-Street Pay & Display parking, Visitor Vouchers and Residents Second Parking Permits were staggered over a two year period, with £105k included in the 2021/22 proposals as a result of the Council opting to spread the impact of the increased charge over a two year period.

114. Several new proposals have been included in this consultation budget, contributing £894k and include:

   i. Building Control - A review of Building Control Fees & Charges has identified the potential for uplifts across 3 main headings, including Building Notice Charges for the erection of New Housing & Flats, Domestic Extensions Plan Charge and Domestic Loft Conversions, with this review focused around the 90% benchmark approach expected to deliver an additional £122k of income for 2021/22.

ii. Food Health & Safety – Following the Council's approach to benchmarking charges, Food Health & Safety increases are forecast to yield an additional £1k.

iii. Waste - Refreshed benchmarking of Trade Waste Collection rates for bin hire and emptying has identified headroom in the charging for this service, delivering £29k, with an additional £83k coming from Trade recyclables and Trade Waste charges at New Years Green Lane Civic Amenity site being increased in line with the charges of neighbouring boroughs.

iv. Highways – Uplifts to the Application and Supervision for Highways crossovers is proposed to deliver £82k based on the 90% benchmark approach.

v. Street Naming & Numbering – A further £10k is expected from this income stream following the Council's review of neighbouring boroughs' charges and targeting uplifts at 90% of those charges.

vi. CCTV Requests - The CCTV service currently provides video evidence to external insurance companies to support insurance claims where available. A number of Local Authorities are charging for this service, and it is proposed to introduce a new production fee of £120 for supplying video evidence. Alongside this charge, it is proposed to introduce a fee to recover Officer time spent searching through CCTV footage, as the level of resource required for each CCTV request is different, and does not always result in the production of footage to support a claim. Therefore, it is proposed to introduce a fee based on the search time spent of the hourly rate of a CCTV operative with this proposal forecast to yield an additional £5k for 2021/22.

vii. Gated Tennis Courts – It is proposed to introduce a small charge for the use of gated tennis courts in the Borough in line with neighbouring authorities following the introduction of a gating system last year, with the data from this system suggesting a small fee of £5 an hour should generate £48k of income for the Council.

viii. Residents Parking Permits – Neighbouring boroughs all charge an issuance and administration fee associated with parking management schemes, with the Council proposing a fee greatly below the 90% average to yield £30k of income for 2021/22.

ix. Pay & Display Parking Fees– Following a refresh of the benchmarking data for both on-street and off-street pay and display charges, this consultation budget includes a proposal to generate £437k of additional income from increasing off-street pay and display charges at a rate that is still significantly below the 90% benchmark rate.

2019/20 to 2025/26 CAPITAL PROGRAMME

Introduction

115. This section provides an overview of the latest General Fund Capital Programme for consideration, with latest projections included for investment and asset sales, the impact of recent decisions on the phasing of the Leisure Centre development and removing the Theatre development, alongside a number of minor adjustments captured in routine MTFF discussions. In line with usual practice, a detailed programme is set out for the current financial year (2020/21) and subsequent five years (through to 2025/26).

116. Over the period to 2025/26, the proposed Capital Programme includes £344,775k planned investment, with £167,079k of this outlay to be financed through Prudential Borrowing. This level of borrowing will ultimately generate £15,701k annual revenue financing charges, necessitating £7,729k growth from 2020/21 budgets and contributing to the Council's underlying savings requirement. This pressure on revenue budgets is £3,904k lower than anticipated in February 2020, primarily as a result of the recent decision to remove the Theatre development and identifying further sites for disposal, alongside an anticipated reduction in long term borrowing costs.

Approved Capital Programme and Latest Budget Monitoring Position (Month 7)

117. The Capital Programme approved by Cabinet and Council in February included £358,256k expenditure across the years 2020/21 to 2024/25, with £200,256k of this sum expected to be supported by Prudential Borrowing. With the addition of slippage from 2019/20 released at outturn, the current approved Capital Programme includes £222,234k borrowing linked to the following financing strategies:

    i. £19,031k investment linked to the generation of capital receipts on completion of projects, specifically relating to developments on the former Belmore Allotments and Falling Lane / Otterfield Road sites in Yiewsley;

    ii. £43,129k investment in Hillingdon First Limited, with ongoing debt financing costs to be funded through dividends, interest and principal payments to the Council, and;

    iii. £160,074k investment in assets linked to service delivery, which would necessitate increasing revenue budgets held for debt financing and repayment to £17,885k by 2024/25 – with growth of £11,633k factored into the MTFF to meet this requirement.

118. As of Month 7 (October 2020), an underspend of £4,028k is reported over the £386,122k expenditure budgets to 2024/25, with a favourable outlook on grant funding amongst other minor financing variances resulting in a £1,421k reduction in Prudential Borrowing. In contrast to these minor variances over the MTFF period, an underspend of £27,675k is projected against the £85,529k 2020/21 budget partly linked to COVID-19 specific rephasing alongside a recurrent level of slippage in line with experience in recent years. This would

result in £57,854k expenditure at outturn, although the ongoing impact of COVID-19 may see an increase in slippage and further deferral of expenditure into future years.

Proposed Amendments to Capital Programme

119. As part of broader work on refreshing the budget, planned capital expenditure and capital financing options have been reviewed, which reduce borrowing over the MTFF period by £54,551k to £167,079k.

Table 10: Proposed Amendments to Capital Programme

	Project Cost	Financed by:		
		Grants / S106	Receipts / CIL	Prudential Borrowing
	£'000	£'000	£'000	£'000
Approved Capital Programme (Month 7)	**386,122**	**93,568**	**70,320**	**222,234**
Latest Monitoring Variance (Month 7)	(4,028)	(1,263)	(1,344)	(1,421)
<u>Additions / Removals from Programme</u>				
Remove Theatre	(44,000)	(1,050)		(42,950)
Woodside Development / ASHA Day Centre	2,819		5,900	(3,081)
Capital Programme Housing Projects	(4,605)	(1,544)	39	(3,100)
<u>Schools Capital Programme Updates</u>				
Harlington PSPB	1,500			1,500
Basic Needs Grant 2021/22	0	(2,250)		2,250
Temporary Classrooms	(2,850)			(2,850)
<u>Other Project Updates</u>				
CCTV Programme 2021-2024	983			983
Cemeteries Projects	75			75
Battle of Britain visitors centre car park	150			150
1 & 2 Merrimans Housing Project	200			200
Cranford Park match funding update	69	19		50
PSRG / LPRG	(150)			(150)
<u>Review of Capital Financing</u>				
Redirect Social Care Funding to Equipment	(2,824)			(2,824)
Breakeven on Yiewsley Housing Development	0		704	(704)
<u>Roll Forward Programme to include 2025/26</u>				
Add 2025/26 Programmes of Works	9,814	9,750		64
Add 2025/26 General Contingency	1,500			1,500
Add 2025/26 Identified Capital Receipts & CIL			4,847	(4,847)
Changes from Approved Capital Programme	**(42,281)**	**2,265**	**10,005**	**(54,551)**
Draft Capital Programme	**344,775**	**97,230**	**80,466**	**167,079**

120. Due to the impact of the ongoing pandemic on the cultural industry and the level of uncertainty in the sector, the Theatre Development has been removed from the draft programme reducing the borrowing requirement by £42,950k.

121. In addition, the recently approved proposal to transfer Age UK to the Woodside Day Centre alongside decanting the Nestles Avenue Children's and Early Years Centres to the former ASHA has been included – with £2,819k on enabling project spend (including appropriation from the HRA) releasing £5,900k capital receipts from asset sales and therefore reducing borrowing by a further £3,081k.

122. Following a review of the Capital Programme Housing Projects, it is proposed that £4,605k planned expenditure is removed from the programme and replaced with a £3,090k capital receipt from the sale of the former Belmore Allotments site following a review of the Council's assets and a £10k uplift in the previous estimate for sale of Bartram Close are used to reduce borrowing by £3,100k.

123. The Schools Capital Programme has been updated to include the £6,053k contribution to the DfE managed Harlington School Rebuild, representing a £1,500k uplift in borrowing from the previously budgeted £4,550k estimate. On 29 May 2020, the DfE confirmed Basic Need grant allocations for the current financial year with no funds being allocated to Hillingdon, increasing the need to borrow by £2,250k. Finally on school expansions, an assessment of demand for temporary classrooms has allowed provision for such units to be reduced by £2,850k – leaving sufficient budget to deliver 4FE units up to 2022/23.

124. The following amendments to budgets for other existing projects are proposed:

i. CCTV coverage has been significantly expanded in recent years, with investment totalling £3,100k over the last three years across the Borough. The existing programme is coming to an end and further planned upgrades or new installations amounting to £483k are identified for 2021/22. These include introducing cameras and automatic number plate recognition on arterial routes across the Borough and improving connectivity of CCTV imagery at corporate sites to the Control Room in the Civic Centre, and additional cameras in various locations will also support reducing anti social behaviour and fly tipping. It is also proposed to include £250k per annum for the following two years (2022/23-2023/24) to cover requirements that may emerge from Members, residents, and the police in the future. The planned programme for 2021/22 has an annual revenue impact of £17k from 2022/23 onwards for annual servicing and licensing, however this is offset by savings of £16k arising from replacing 25 mobile cameras under a former WCCTV contract with upgraded cameras via the Council's CCTV term contractor.

ii. An increase of £75k in the £401k funding provided for Cemeteries schemes has been included to manage additional costs for drainage issues at Cherry Lane and respond to a petition on the Lake Gardens project.

iii. In order to limit uncontrolled offsite parking during special events at the Battle of Britain Visitors Centre, £150k additional budget has been provided to deliver 30 to 35 spaces adjacent to the Uniter Building.

iv. A £200k uplift in the £250k budget established in February 2016 for autism respite accommodation on the 1&2 Merrimans site is included to facilitate six larger bedrooms and a dedicated sensory room.

v. Following confirmation of the final funding streams for the Cranford Park project, it is necessary to adjust project costs marginally by £69k funded through a combination of third party funding and borrowing.

vi. It is proposed to reduce the annual £100k budget for PSRG/LPRG to £50k per annum, reflecting both current and historic activity levels.

125. A review of financing assumptions has been undertaken, with £2,824k unallocated capital funding included in the Better Care Fund being allocated to fund the purchase of Social Care equipment previously financed from borrowing. In addition, financing assumptions around the Yiewsley Housing Developments have been simplified to include the schemes as breaking even before taking account of any land sales, rather than requiring a subsidy.

126. With the extension of the capital programme to include the 2025/26 financial year, a new approach to setting Programme of Works budgets is proposed (further detail is provided in the following section) which would limit the need for additional borrowing to £56k. In addition, £1,500k General Contingency has been added to budgets, alongside reflecting an expected £4,847k capital income from the General Fund share of Right to Buy receipts and CIL for 2025/26.

Programme of Works

127. The current approved capital programme includes £173,028k Programme of Works budgets over the period 2020/21 to 2025/26, with £111,775k of this sum to be funded from Council Resources. While a proportion of this locally funded element will be met from receipts and CIL, any variation in this level of expenditure would result in an increase or decrease in the Council's need to borrow.

128. A limited number of budget lines with Programme of Works are based upon profiled costs of cyclical investment, such as the Purchase of Vehicles and ICT budgets, or specific programmes of investment such as the roll out of new parking machines. The remainder of locally funded budget lines are set on the basis of historic precedent, and in recent years have delivered material underspends at outturn.

129. In order to avoid overstating the borrowing requirement, future revenue financing costs and ultimately the savings requirement, it is proposed to align Programme of Works budgets to actual levels of expenditure, rather than simply adding another year at historic budgeted

levels. Current budgets for Chrysalis (£1,000k per annum) and the Leader's Initiative (£200k per annum) regularly spend to the budgeted level and are therefore not being scaled back.

130. Actual levels of expenditure on the relevant budget lines over the past three years, average at £11,092k per annum against future budgets of £16,411k in the current capital programme. This draft budget lowers annual budgets to £12,834k which would reduce the future borrowing requirement by £16,411k from the level required under the historic approach to rolling budget assumptions forward.

Revenue Impact of Capital Programme

131. Taking account of the £54,551k reduction in future borrowing costs, and latest intelligence on the future cost of borrowing, projections for ongoing capital financing costs have been refreshed and a net improvement of £3,904k has been identified over the period to 2025/26. With £2,785k of this improvement directly linked to the reduction in debt financed capital investment and the remaining £1,119k improvement from lower than previously projected long term borrowing costs.

132. The benefits of these changes are very much weighted towards the latter years of the MTFF, reflecting the longer term nature of larger capital schemes and local government capital accounting where provision for repayment of debt is delayed into the financial year after the year of spend. There is however scope to secure temporary savings in the earlier years of the forecast through maintaining the current approach to borrowing short-term on local authority markets.

133. The Council is able to borrow from other local authorities for periods for up to two years at rates below 1.0% per annum, in contrast to securing longer term borrowing from capital markets where rates are projected to be around 1.8%, with confirmation in the Spending Review of the PWLB rate returning to this value. With new borrowing of £210,000k required by 2022/23, being able to borrow at the lower rate could secure tactical savings of around £1,867k by moving the majority of this debt over to short term.

134. Increased reliance on short-term borrowing will increase the Council's exposure to interest rate risk, whereby replacing short-term debt in 2022/23 and 2023/24 could result in higher interest rates than the 1.8% modelled into the MTFF. Given that all market indications are that the current and sustained low interest environment will continue, this risk is considered manageable by officers – a view echoed by the Council's professional treasury management advisors, with scope to minimise risk through forward dealing, securing a spread of maturities and investigating other mechanisms.

135. The MTFF forecast is based on the PWLB rate remaining at the revised rate of 1.8% announced in the Chancellor's Spending Review. With confirmation now having been received of future borrowing rates from the PWLB it will be possible for the Council to identify

the most cost effective approach to borrowing in the longer term and therefore begin to lock in debt for the longer term.

136. This approach secures the majority of the £2,441k reduction in borrowing costs over the period to 2022/23 for which a budget strategy is currently being developed. The combined effect of these drivers on the future cost of borrowing is outlined below and factored into the Corporate Items section of the General Fund revenue budget discussed earlier in this report.

Table 11: Change in Revenue Impact of Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Funding included in February 2020	**10,432**	**13,479**	**16,729**	**19,605**	**19,605**
Capital Programme Changes	144	(574)	(1,691)	(1,876)	(2,785)
Use of Short-term Borrowing	(1,051)	(1,867)	(750)	0	0
Long-term Borrowing Rate	0	0	0	(1,493)	(1,119)
Revised Funding Requirement	**9,525**	**11,038**	**14,288**	**16,236**	**15,701**
Annual Savings Requirement Change	(907)	(1,534)	0	(928)	(535)
Cumulative Change in Savings Requirement	**(907)**	**(2,441)**	**(2,441)**	**(3,369)**	**(3,904)**

BUDGET STRATEGY 2021/22 TO 2025/26

MEDIUM TERM OUTLOOK

137. In line with the position for 2021/22 to 2023/24, 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 taxbase. Latest projections for this period indicate a £50,350k overall savings requirement as set out below, which is to be managed through a combination of savings and Council Tax increases.

Table 12: Medium Term Outlook

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2021/22 to 26 £'000
Changes in Recurrent Funding	(349)	(2,554)	(2,582)	(2,506)	(2,534)	(10,525)
Changes in One-Off Funding	245	29	(27)	1,077	0	1,324
Inflation	4,700	6,342	6,497	6,654	6,816	31,009
Corporate Items	1,901	3,076	4,413	2,486	(460)	11,416
Contingency (Service Pressures)	3,456	3,330	3,406	3,442	3,442	17,076
Priority Growth	50	0	0	0	0	50
Underlying Savings Requirement	**10,003**	**10,223**	**11,707**	**11,153**	**7,264**	**50,350**

138. Anticipated growth in recurrent funding of £10,525k over the period to 2025/26 reflects £7,032k additional Council Tax coming from a 5.8% growth in residential properties. In addition, the medium term outlook includes an expected £3,642k increase in income from locally retained business rates driven by £4,147k from assumed inflationary uplifts offset by £505k reduction in the Rating List driven by the year one impact from COVID-19. Other movements within recurrent funding include an anticipated £149k decrease in grants predominantly driven by changes to the New Homes Bonus award methodology and the expectation that this funding stream will eventually be abolished, alongside a reduction in the Housing Benefit Administration Subsidy Grant as more residents are anticipated to switch to Universal Credit, offset by an increase in Social Care funding announced in the Spending Review 2020.

139. As a result of the above growth assumptions, the Council is expecting to be in receipt of £49,686k grant funding alongside £51,368k of baseline business rates giving a total of £101,054k of Government-directed funding. This includes £58,727k allocated through the Settlement Funding Assessment, £21,727k of dedicated social care funding through mechanisms such as the Better Care Fund, £17,810k of Public Health monies and £2,790k of other smaller grants. As with all areas of the MTFF, there remain a number of potential risks around these funding streams:

   i. Following the Spending Review 2020, projections assume inflationary uplifts will be awarded across the Settlement Funding Assessment in line with assumed inflation rates of 0.5% in 2021/22, increasing to the Bank of England target rate of 2% from 2022/23 onwards. This uplift represents £4,743k of 2025/26 projections.

   ii. The upcoming Fair Funding Review is expected to 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 an uplift in Hillingdon's core funding to reflect the relative growth in population – although this is forecast to be offset by the impact of resetting the Business Rates Retention system.

   iii. The reset of the Business Rates Retention system will put the Council's £8,279k per annum growth by 2025/26 at risk as these monies are clawed back from authorities increasing their taxbase since 2013/14 and recycled into formula funding. As noted above, it is anticipated that the net loss after recycling will be mitigated through population gains in the main funding formula.

140. The position presented in this report is carries a level of uncertainty due to the one year funding announced in the Spending Review 2020, the current forecast is therefore based on the Council's interpretation of this announcement whilst further detail is awaiting in the Local Government Funding Settlement, with Government funding provided to the Council forecast

to continue from 2022/23 onwards in the absence of a multi-year settlement. The Medium Term Outlook is forecasting a 4.1% increase in total funding over the five year period to 2025/26, or just 0.8% per annum. Any increase in funding above this level is likely to be reviewed in the context of the Council's budget strategy, in particular the use of General Balances to delay the impacts of the forecast saving requirement.

141. The decline in one-off funding reflects the impact of the COVID-19 pandemic on the London Business Rates Retention Pool, with the capital forecasting to not generate sufficient economic growth to maximise the top up and tariff system to secure a benefit for the member boroughs. This impact has led to a reduction of £865k in 2021/22 alongside the reversal of the 2019/20 Collection Fund surplus that generated a net benefit to the Council of £459k in 2020/21. A forecast deficit within the 2020/21 Collection Fund (£4,785k) is being spread over a three year period to 2023/24, offset by a 75% funding package for the deficit announced in the Spending Review 2020, with the impact of this deficit being net nil over the five year period.

142. Inflationary growth of £31,009k is anticipated over the period to 2025/26, with workforce costs, social care placements and other contracted expenditure representing the key components. Pay awards of 2.0% per annum from 2022/23 have been built into the position, including an additional 0.75% in year one on top of the 0.35% estimated pay award to catch up the 2020/21 pay award, alongside a 0.5% uplift in pension contributions from year two onwards of the MTFF contributing £14,624k 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 £12,839k 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.

143. 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 £11,416k provided for corporate items over the period to 2025/26. Total forecast borrowing of £167,079k includes £114,384k in support of schemes without specific funding strategies in place. This equates to financing costs of £7,729k per annum by 2025/26.

144. Increased demand for services linked to a growing population is expected to require £17,076k additional expenditure by 2025/26, including £5,742k of funding for Adult Social Care, £2,739k uplift in the cost of SEN Transport, £4,095k of growth in support for children in care, and £4,500k additional waste disposal costs, and being offset by reductions in other contingency provisions.

145. Finally, new Priority Growth of £50k has been added to the budget for 2021/22 for Domestic Violence Initiatives to support this area in light of increased demand for these services.

146. The combined effect of these forecasts would be a budget gap of £50,350k, with proposals for Council Tax increases over the medium term and savings already identified during the 2020/21 budget cycle reducing the savings requirement for the financial years 2021/22 through to 2025/26 to £18,148k as outlined in table 15 below.

2021/22 to 2025/26 BUDGET STRATEGY

147. Budget proposals for the two year period 2021/22 and 2022/23 along with 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 £50,350k saving requirement over the period to 2025/26. In addition to this new savings requirement, the £6,334k use of reserves to support the 2020/21 base budget will be unwound to increase the headline gap of £56,684k.

148. 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.

149. The following table sets out this draft budget strategy, with £10,851k of savings already identified and an assumed £27,685k additional income from Council Tax uplifts leaving a residual savings target of £18,148k to be bridged by 2025/26, an average of £3,630k per annum. In addition, £3,421k General Balances will be released to smooth this savings requirement, leaving £27,763k uncommitted General Balances – £2,858k higher than the £24,905k projection arising from the February 2020 budget strategy.

Table 13: Draft Budget Strategy 2020/21 to 2025/26

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2021/22 – 26 £'000
Underlying Savings Requirement	**9,792**	**10,003**	**10,223**	**11,707**	**11,153**	**7,264**	**50,350**
Unwind Prior Use of Balances	950	6,334	2,421	1,000	0	0	6,334
Total Savings Requirement	**10,742**	**16,337**	**12,644**	**12,707**	**11,153**	**7,264**	**56,684**
Current Savings Proposals	(6,813)	(8,054)	(2,797)	0	0	0	(10,851)
Proposed Council Tax Increase	(4,421)	(5,862)	(4,989)	(5,290)	(5,607)	(5,937)	(27,685)
In-year Call on General Balances	(6,334)	(2,421)	(1,000)	0	0	0	N/A
Savings to be identified	**0**	**0**	**3,858**	**7,417**	**5,546**	**1,327**	**18,148**
Closing General Balances	**(31,000)**	**(28,763)**	**(27,763)**	**(27,763)**	**(27,763)**	**(27,763)**	**N/A**

**THIS TABLE HAS BEEN UPDATED – the table published above has been updated to reflect proposals regarding the Older People's Council Tax Discount, which were amended by Cabinet at this meeting – and can be viewed below:*

Addendum - including changes to the Cabinet's Budget Proposals & an updated Equalities Impact Assessment - Published 10 December 2020 , item 6. PDF 287 KB (hillingdon.gov.uk)

150. 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

151. This draft budget includes a 4.8% increase in the headline rate of Council Tax for 2021/22, decreasing to 3.8% over the remainder of the MTFF period, securing £27,685k additional funding to support local services. In line with the recommended approach for 2021/22, this uplift is based on 90% of the 2% anticipated increase across London (1.8%), plus making full use of the 3% Social Care Precept in 2021/22, reducing to 2% from 2022/23 onwards based on the assumption that the Government will return to a lower Social Care Precept in the next Spending Review.

152. 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. The recently announced Spending Review 2020 has confirmed that this mechanism will continue into 2021/22, in the absence of a multi-year settlement it is thought likely that the precept will continue to be a key mechanism for funding the growing cost of care over the medium term.

BALANCES AND RESERVES STRATEGY

153. The Balances and Reserves Policy approved by Cabinet and Council in February 2020 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. This assessment is based on the assumption that any ongoing or newly emerging COVID-19 pressures are funded by the Government, with the exception of the reduced Business Rates tax base and the spreading of the 2020/21 Collection Fund deficit where the Council is proposing to meet 25% from COVID-19 Earmarked Reserves.

154. The budget strategy set out in February 2020 planned for the release of £9,334k from General Balances (including £3,000k in 2021/22) to leave £24,905k available to manage the broad range of risks facing an authority such as Hillingdon. With proactive management of the in-year position during 2020/21 unallocated balances are projected to be £31,184k by 31 March 2021 and therefore within this recommended range.

155. In light of the impact of COVID-19 on the Council's ability to develop and implement savings around its business as usual structures and processes, the revised budget strategy assumes the release of £3,421k over three years leaving £27,763k General Balances available to

manage emerging or future risks. This approach will increase the call on balances to £2,421k in 2021/22, which together with the £8,054k savings programme and additional Council Tax will be sufficient to deliver a balanced budget for 2021/22.

156. Given there remains a budget gap of £11,275k to be met in the two subsequent financial years, it is recommended that any windfall gains in monitoring or improvements in the outlook for funding upon publication Provisional Local Government Settlement be directed towards bolstering General Balances within the £15,000k to £32,000k recommended range.

157. Earmarked Reserves are projected to total £23,211k at 31 March 2021, with monies earmarked for a range of specific purposes including unapplied grants, member initiatives and other funds to manage individual projects or risks. While there is a level of variability in the usage of Earmarked Reserves, the 2021/22 budget is predicated upon the use of £2,147k of these monies – primarily to fund HIP projects and Leaders' Initiatives – with the remaining £19,636k committed to specific projects or risk items over the medium to longer term and therefore not generally available to support new investment.

Table 14: Balances and Reserves Projections

Closing Reserves	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Original Budget Strategy Feb 2020						
General Balances	41,620	34,239	27,905	24,905	24,905	24,905
Draft MTFF Budget Strategy						
General Balances	41,620	34,239	31,184	28,763	27,763	27,763
Closing EMR balances	27,143	30,920	23,211	19,636	15,401	11,302
Total Reserves	**68,763**	**65,159**	**54,395**	**48,399**	**43,164**	**39,065**

158. In terms of the Schools Budget, the Department for Education have indicated that the intention is to not finance deficits from general resources, and have gone so far as to make this explicit in the Dedicated School Grant conditions for 2020/21. Officers are awaiting detailed guidance on how this will be managed in practice and how this will address the DSG deficit going forward, but note that these developments in effect remove any need to hold General Balances for the purposes of managing DSG deficits.

SAVINGS REQUIREMENT AND BUSINESS IMPROVEMENT DELIVERY (BID) PROGRAMME

159. 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 £28,999k over the period to 2025/26. The full year effect of proposals outlined in the 2021/22 to 2023/24 section of this report would secure £10,851k of this sum, leaving £18,148k to be identified.

160. Successfully identifying this level of savings over the next few years will continue to present a challenge, with savings for 2019/20 and 2020/21 only totalling £14,575k. Given the step change in Central Government support as part of the Spending Review 2019 (6.1%), followed by much smaller increase in the Spending Review 2020 (0.1%), the likelihood of needing to make this level of savings is now much higher. However, given that £8,054k of savings have been identified for 2021/22, an increase on both 2019/20 and 2020/21, this suggests that further savings of £18,148k should be deliverable. The savings delivered over the last 5 years are set out in the following table.

Table 15: Savings Programme (2016/17 to 2020/21)

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Service Transformation	3,864	7,222	3,936	2,816	2,130	**19,968**
Effective Procurement	1,388	2,171	1,385	0	1,918	**7,156**
Zero Based Reviews	3,705	4,691	2,536	1,470	1,107	**12,677**
Preventing Demand	1,171	407	2,695	1,281	677	**5,937**
Commercialisation & Maximising Income	854	1,017	103	1,874	981	**4,829**
Policy Decisions	2,327	0	0	0	0	**2,327**
Gross Savings Programme	**13,309**	**15,508**	**10,655**	**7,441**	**6,813**	**40,417**
Rebasing Legacy Items	0	0	0	(832)	0	**(832)**
Net Savings Programme	**13,309**	**15,508**	**10,655**	**6,609**	**6,813**	**52,894**

SCHOOLS BUDGET

161. As of Month 7, the Schools Budget is reporting an in year deficit of £9,451k (against a budgeted deficit of £7,175k), increasing cumulative deficits to £24,453k by the end of the 2020/21 financial year. Deficits continue to be driven by significant growth in the number of EHCPs which are not being matched by corresponding uplifts in funding. DfE funding announcements in recent months indicate that Hillingdon will receive a £4,826k uplift in High Needs funding for 2021/22, which will be insufficient to meet historic levels of spending, let alone any demographic growth in the new year.

162. The DfE have now issued a deficit management template which it requires all Councils with a DSG deficit or adverse movement in their reserves to complete and share with Schools Forum in advance of any disapplication request being made. This exercise has previously been limited to authorities with larger deficits, but the expanded criteria now require the majority of authorities to submit a recovery plan. While schools budgets deficits are underwritten by the DfE and will therefore not impact upon the Council's own financial position or budget strategy, the DfE are still placing the onus on local authorities to manage this fund to a breakeven position.

163. As in previous years, draft budget proposals for the 2021/22 financial year will require a transfer of funds from the schools block into high needs to mitigate an element of the growing pressure. In order to make this transfer the Council has submitted a disapplication request to the DfE in November 2020, with officers awaiting a response from the DfE.

HOUSING REVENUE ACCOUNT

164. The budget proposals for 2021/22 are based on the tenth 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.

165. This budget includes rent increases of CPI+1% per annum from 2021/22 to 2024/25 to reflect Government policy, whilst providing for substantial investment in new General Needs. There is also no change to the HRA rent policy.

166. The MTFF Budgets contained in this report do not include any housing regeneration schemes nor their financial impact, other than the annual revenue £500k budget for housing regeneration team costs. The MTFF Budgets will be updated in due course for the impact of any housing regeneration schemes subject to the approval and progress of schemes.

Update on 2020/21 Budget

167. Development of the 2021/22 Housing Revenue Account budget builds upon the 2020/21 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 £2,021k is projected in the HRA, a small underspend of £36k, giving forecast HRA General Balances of £15,054k at 31st March 2021, with the use of reserves funding investment in new housing stock.

Budget Requirement 2021/22

168. The movement from the 2020/21 baseline to the 2021/22 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 £19,021k, whilst maintaining HRA General Balance at their current level. This planned use of balances reflects increased investment in new housing stock, and the underlying financial position of the HRA remains robust.

Table 16: HRA Budget Requirement

	£'000	£'000
Funding Sources		
Rental Income	58,944	
Total Resources		**58,944**
Budget Requirement 2020/21	39,139	
Inflation	380	
Corporate Items	619	
Savings	(215)	
Budget Requirement 2021/22		**39,923**
Contribution to Finance Capital Programme		**19,021**
Surplus / (Deficit)		**0**

169. Appendix 10a to this report shows the 2020/21 approved budget and the 2021/22 draft budget. The rental income shows an increase of £1,072k from £57,872k in 2020/21 to £58,944k in 2021/22 due to a modest increase in stock and annual rent (CPI of 0.5% plus 1%). The rental increase funds inflation on operational budgets of £380k and corporate items of £619k in 2021/22. The remaining balance from the increase in rental income is £73k and alongside 2021/22 savings of £215k helps to finance the capital programme.

170. Appendix 10a to this report continues this presentation over the MTFF period 2021/22-2025/26, with unallocated HRA General Balances maintained at a minimum level of £15,000k. Rental income assumptions for 2025/26 are expected to achieve £67,597k, meeting repayment of debt under self-financing of £15,407k, contribution to fund capital expenditure on existing and new stock of £26,431k and repairs & management costs of £25,759k.

Rental Income

171. 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 2021/22 to 2023/24 and 40 from 2024/25.

172. The budget is based on rental increases of CPI + 1% in 2021/22 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. Thereafter it is assumed rent increases continue to be CPI+1%. At this stage it is assumed that the 1% provision for income losses arising from void properties will remain at this level, resulting in the forecast net dwelling rent income of £58,944k in 2021/22.

Balances and Reserves

173. HRA General Balances are budgeted at £15,054k by 31st March 2021, representing 25% of total resources for 2021/22. It is proposed to keep the minimum level of HRA balances set at £15,000k (25% of turnover) with sums over and above this amount earmarked for investment in new or existing stock. The Major Repairs Reserve (MRR) will be utilised to support capital investment and it is not planned to retain any uncommitted MRR balances over the medium term.

Inflation

174. A net inflation provision of £380k is included in the 2021/22 budget. This relates to inflation of £262k on salary and operating costs, £232k on repairs and planned maintenance and £114k 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

175. Movements contained within Corporate Items total £619k in 2021/22 as shown in Appendix 10a. This consists of realignment of budgets relating to recharges from other services to the HRA £500k, caretaking provision £30k and tenancy management growth proposal of £89k for staffing costs resulting from the draft Safety Bill 2020.

Development & Risk Contingency

176. The HRA budget includes contingency budgets totalling £1,260k to meet emerging risks and pressures during 2021/22. This budget remains unchanged and is for future development provision of £180k; General Contingency of £680k which includes £500k for housing regeneration team costs; and bad debts provision of £400k.

Savings

177. The 2021/22 proposed savings totalling £215k are shown in Appendix 10c and relate to housing service efficiency reviews £140k, energy efficiency £50k and gas maintenance contracts £25k.

Medium Term Outlook

178. 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.

179. Rental income is projected to remain reasonably steady over the period to 2025/26, reaching £67,597k 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 189 as 230 properties are sold and 419 developed or acquired over the MTFF period.

Table 17: Projected Movement in Housing Stock

	2021/22	2022/23	2023/24	2024/25	2025/26	Change
Projected Opening Stock	10,140	10,134	10,245	10,272	10,309	N/A
Forecast Right-to-Buy Sales	(50)	(50)	(50)	(40)	(40)	(230)
New General Needs Units	44	112	77	77	60	370
Shared Ownership	0	49	0	0	0	49
Projected Closing Stock	**10,134**	**10,245**	**10,272**	**10,309**	**10,329**	**189**
Projected Average Stock	10,137	10,190	10,259	10,291	10,319	N/A

180. Projected property sales relate to the continuation of existing RTB discounts, with numbers of sales expected to be 50 per annum from 2021/22 to 2023/24 and then reducing to 40 from 2024/25, although volumes of sales will be dependent upon market conditions, the impact of Covid-19 and subject to any changes in Government policy.

181. By 2025/26 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 £41,166k budget requirement. Taking account of the on-going capital investment in maintaining existing stock estimated at £14,743k, this would leave a balance of £11,688k from annual rental income available to finance investment in new stock while maintaining unallocated HRA General Balances at £15,000k to meet any emerging pressures.

182. 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.

183. Borrowing of £38,977k is forecasted to be required to fund the 2021/22 -2025/26 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 £38,977k borrowing is anticipated to be contained within existing budgets.

Table 18: Projected Borrowing

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22-2025/26 £'000
Projected Borrowing	17,021	11,125	7,387	3,444	0	**38,977**

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Background to Capital Programme

184. 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 and the total 5 year draft budget is £199,950k.

2021/22 - 2025/26 CAPITAL PROGRAMME

185. The HRA Capital programme budget includes £69,645k for the other HRA programmes of work including provision for investment in existing housing stock of £59,661k and £9,984k of funding for major adaptations to properties. This is funded from revenue contributions of £69,645k.This level of provision reflects the latest programme of works proposals.

186. The draft capital programme set out below outlines £130,305k of investment to deliver the 419 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. Capital Receipts including from Right-to-Buy sales provide £41,003k towards this investment, with £49,565k financed from direct revenue contributions, £760k from GLA grant and the remaining £38,977k to be met from Prudential Borrowing. This new build programme consists of the following elements:

i. For general needs housing (HRA), a provision of £122,668k is included to support the construction or purchase of 370 new properties within the HRA.

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 including 17 new units at Maple & Poplar and 10 new units at the Willow tree site.

iii. A budget of £7,637k has been built into the programme for New Build Shared Ownership to deliver 49 units; which includes 17 at Maple and Poplar, 27 at the Woodside Day Centre site and 5 units at Moorfield Road.

RESIDENT BENEFIT & CONSULTATION

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

187. 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 2021/22 have been developed to maintain service provision through a 4.8% increase in the headline rate of Council.

188. 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.

189. Proposals within this budget have been developed in the context of the Council's commitment to achieving carbon neutrality and 100% clean energy by 2030, with specific savings from the Council's fleet operations and energy budgets representing the financial corollary of efforts to minimise carbon emissions through improvements to business processes. In addition, projects within the Capital Programme will be further developed and implemented with a view to impacting favourably on the Council's carbon footprint.

190. Given that proposals to end the Council Tax Older People's Discount Scheme will be implemented should both Cabinet and Council approve the proposals outlined in this report, an Equalities and Human Rights Impact Assessment has been attached at Appendix 11 to support Cabinet and Council in considering this proposal.

Consultation carried out or required

191. Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2021. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 18 February 2021. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 25 February 2021.

192. 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 2020 and January 2021. 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

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

Legal

194. 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.

195. 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.

196. 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.

197. 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 25 February 2021. Its report will reflect the comments made by consultees and its response to them.

198. The public sector equality duty, as set out in section 149 of the Equality Act 2010, requires the Council when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act, to advance equality of opportunity and foster good relations between those who have a 'protected characteristic' and those who do not share that protected characteristic. The established protected characteristics include age. In paragraph 38 of the report, which falls under the heading of 'Older People's Discount', reference is made to an Equalities and Human Rights Impact Assessment which is attached as Appendix 11 to the report. The completion of such an assessment is capable of demonstrating that the Council has complied with its 'due regard' duty and therefore it is of the utmost importance that Cabinet properly considers the assessment in approving its draft proposals in relation to the

continuation, or otherwise, of the Older People's Discount as part of its overall draft budget proposals in respect of the 2021/22 financial year.

Comments from other relevant service areas

199. 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 - 2021/22 to 2025/26 General Fund MTFF (Corporate Summary) 2020/21, including schedules of Development & Risk Contingency, Priority Growth and Savings;

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

Appendix 9 – 9a - 2020/21 to 2025/26 General Fund Capital Programme;

Appendix 10 - 2021/22 to 2025/26 Housing Revenue Account MTFF, Amendments to Fees & Charges Schedule and Capital Programme;

Appendix 11 – Older People's Discount Equalities Impact Assessment

BACKGROUND PAPERS

Report to Cabinet (13 February 2020) and Council (20 February 2020) - The Council's Budget: Medium Term Financial Forecast 2020/21 - 2023/24