

## 2022/23 BUDGET PLANNING REPORT FOR SERVICES WITHIN THE REMIT OF THE PUBLIC SAFETY AND TRANSPORT SELECT COMMITTEE

<b>Committee name</b>	Public Safety and Transport Select Committee
<b>Officer reporting</b>	Iain Watters, Finance
<b>Papers with report</b>	N/A
<b>Ward</b>	All

### HEADLINES

This is the first opportunity for the Select Committee to discuss the current stage of development of budget planning work with regard to services within the remit of Public Safety and Transport Select Committee. This paper gives a strategic context in which the detailed proposals to be discussed at Select Committee meetings in January 2022 will need to be considered.

### RECOMMENDATIONS

1. **That the Committee notes the financial context in which the 2022/23 budget setting process will take place in advance of detailed savings proposals being developed and approved at Cabinet in December 2021.**

### SUPPORTING INFORMATION

2. This is the first of two opportunities within the planning cycle for the Select Committee to consider issues relating to budget planning for 2022/23 and beyond. The focus of this report is the broader financial position of the Council, with the report to be considered in January 2022 setting out the detailed budget proposals for relevant services, those proposals having been included in the report to Cabinet on the Medium Term Financial Forecast (MTFF) in December 2021.

#### Corporate Overview – General Fund

##### 2021/22 General Fund Revenue Monitoring & COVID-19 Impact

3. The ongoing impact of COVID-19 on the Council's finances during 2021/22 is projected to generate pressures totalling £14,478k, bringing the total pandemic related pressures since March 2020 to £47,553k. To date, sufficient funding has been received from Government to meet these costs without recourse to local resources, however the Council has set aside £10,126k in a dedicated Earmarked Reserve to manage any costs over and above funding received from the Government.
4. With the COVID-19 pressure being managed within external funding, an underspend of £351k is reported on the General Fund at Month 2 (May), with the underspend being driven by a

combination of lower borrowing costs linked to reductions in capital spending and a favourable outlook on demand-led budgets. General Balances are projected to total £26,452k at 31 March 2021 in line with the Council's recommended range for unallocated reserves between £15,000k and £35,000k.

### 2022/23 to 2025/26 General Fund Savings Requirement

5. While the focus of the discussion for the Select Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position. The following paragraphs outline the medium-term financial position presented in the 2021/22 Budget Setting Report approved by Cabinet and Council in February 2021.
6. At the time of budget setting, the gross savings requirement for the Council's General Fund over the period 2022/23 to 2025/26 was projected to total £44,332k which was primarily driven by inflationary cost pressures, growing demand for services and the cost of servicing and repaying borrowing incurred in delivery of the capital programme which are expanded upon below. For 2022/23, the gross savings requirement was forecast to total £10,302k.

**Table 1: Projected Budget Gap detail**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Changes in Funding	(868)	(2,613)	(1,462)	(2,534)	(7,477)
Inflation	6,342	6,497	6,654	6,816	26,309
Contingency / Service Pressures	3,330	3,406	3,442	3,442	13,620
Corporate Items (incl. capital financing costs)	1,498	5,938	2,406	(383)	9,459
<b>Underlying Savings Requirement</b>	<b>10,302</b>	<b>13,228</b>	<b>11,040</b>	<b>7,341</b>	<b>41,911</b>

7. An uplift of £7,477k in recurrent funding is projected over the four-year MTFF period, primarily driven by the favourable movement within the taxbase as new homes are delivered across the borough – a growth rate of circa 6% on the 2021/22 baseline.
8. Inflation represents the single largest element of the underlying savings requirement, reflecting the growing cost of maintaining current service provision, with a headline pressure of £26,309k over the MTFF period. Workforce inflation through anticipated annual 2% pay awards and an expected 0.5% per annum increase in employers' pension contributions accounts for £13,297k of this growth, with £10,396k increases on the cost of care provision where annual pay inflation of around 4% is expected to keep pace with growth in the London Living Wage. The remaining £2,616k inflation reflects other contracted expenditure, energy costs and other expenses.
9. Increasing demand for services linked to a growing and changing population accounts for £13,620k of the projected savings requirement, which reflects a continuation of current trends across Waste disposal, Adult Social Care, SEN Transport and Children's Social Care. Annual growth in the cost of waste disposal due to a combination of population growth and price increases is expected to require £3,600k growth, with £4,454k increase in demand for Adult Social Care reflecting growing demand across the full range of care provision. Provision of

£3,322k is included to manage growing demand across Children’s Services, with £2,244k uplifts on SEN Transport partially driven by the ongoing impact of the 2014 Children’s and Families Act.

10. Corporate Items, which primarily relate to the ongoing costs of financing capital investment, represent the remainder of the budget gap with £9,459k growth required over the MTF period. Budgeted capital investment in the current programme is the key driver of a £6,535k growth in debt financing and repayment costs over the medium term. The remaining balance of Corporate Items relate to the unwinding of COVID-19 related reductions in the TfL Concessionary Fare Levy and use of capital receipts to finance transformation activity, alongside moving the Council Tax Older People’s Discount to being funded from base budget rather than Earmarked Reserves.
11. The position presented would result in a net increase of £41,911k in the cost of delivering services to residents, which alongside unwinding the use of £2,421k balances to support spending in the 2021/22 financial year results in a gross savings requirement of £44,332k over the four year period to 2025/26. The following table sets out the outline budget strategy presented in February 2021 to manage this savings requirement.

**Table 2: Savings Requirement (February 2020) 2021/22-2022/23**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Underlying Savings Requirement	10,302	13,228	11,040	7,341	41,911
Unwind Prior Use of Balances	2,421	1,000	0	0	3,421
Proposed Use of General Balances	(1,000)	0	0	0	(1,000)
<b>Gross Savings Requirement</b>	<b>11,723</b>	<b>14,228</b>	<b>11,040</b>	<b>7,341</b>	<b>44,332</b>
3.8% Council Tax Increase	(5,054)	(5,290)	(5,606)	(5,936)	(21,886)
Current Savings Proposals	(2,797)	0	0	0	(2,797)
<b>Savings to be identified</b>	<b>3,872</b>	<b>8,938</b>	<b>5,434</b>	<b>1,405</b>	<b>19,649</b>
Closing General Balances	25,452	25,452	25,452	25,452	N/A

12. The assumed continuation of the Social Care Precept at 2.0% per annum plus a 1.8% inflationary uplift in the core Council Tax would deliver £21,886k towards the saving requirement, alongside existing savings proposals of £2,797k leaves £19,649k of savings to be identified over the four year period. This budget strategy is predicated on ongoing use of balances to support service budgets and therefore General Balances are expected to stabilise at £25,452k, in line with the recommended range for reserves.

### Strategy to deal with the Budget Gap

13. The Council continues to be well placed to manage the ongoing financial challenge, with a solid track record of delivering balanced budgets for the forthcoming financial year and securing an underspend position by outturn. This has been achieved through delivery of savings under a range of themes, including:

- a. Service Transformation represents the single largest category of savings, with items presented in this category primarily linked to implementation of the BID Programme;
- b. Savings proposals from Zero Based Reviews represent budgets which have been identified as being surplus to requirements through the line-by-line review of outturn and similar exercises being undertaken by Finance;
- c. Effective Procurement savings capture the benefits secured from efficiency savings from contracted services and reviews of delivery models in a number of areas;
- d. Preventing Demand - initiatives such as the Supported Living Programme where investment in early intervention and other support can avoid more costly intervention at a later date, and;
- e. Income Generation & Commercialisation proposals primarily relate to amendments to Fees and Charges.

14. While this successful approach is to be maintained for this year's budget setting cycle, savings proposals are being developed on a multi-year basis with the intention of delivering a more strategic presentation of activity to manage the budget gap in the medium term. Proposals will be developed over the coming months and subject to approval by Cabinet in December 2021, will be presented to Select Committees in January 2022 alongside the public consultation on the budget for the forthcoming year.

### **Corporate Overview - Other Funds**

15. The Housing Revenue Account (HRA) is subject to a statutory ring-fence, with £58,944k of rental income from the Council's social housing provision being reinvested in maintenance, improvement and expansion of housing stock. The approved capital programme includes funding to acquire 419 new dwellings over the period to 2025/26, providing a mechanism to replace an expected 230 sales of properties to sitting tenants through the Right to Buy scheme. The financial standing of the HRA remains sound, with the 30 Year Business Plan demonstrating sustainability of the current operation over the longer-term. The next iteration of the HRA MTF and Business Plan will incorporate the estate regenerations schemes recently endorsed through the ballot process.

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

17. As highlighted in the monthly budget monitoring reports to Cabinet, funding provided by the Department for Education through the DSG has failed to keep pace with growing demand on High Needs following the introduction of the 2014 Children's and Families Act. As of the latest budget monitoring position, the cumulative deficit on the DSG is projected to reach £34,294k

by 31 March 2022. As with all authorities reporting such a deficit, the Council is currently working on development of a recovery plan for the management of this deficit, with support from the Department for Education.

### MTFF Process Update and Timetable

18. The timetable for the budget process has been refreshed and the first MTFF sessions with Groups took place during July to review the detailed budget proposals developed by each group. Progress on the development and delivery of these proposals will be monitored monthly by the Corporate Management Team and Cabinet Members throughout the remainder of the year.

**Table 3: MTFF Timetable**

March to June	Review of Budget Assumptions and initial development of Savings Proposals
July	Summer Challenge Sessions
	Summer Budget Report to Cabinet (not published)
	Budget Scoping Reports to Select Committees
August to September	Refresh of Budget Assumptions and refinement of Savings Proposals
October	Autumn Challenge Sessions
November	Autumn Budget Report to Leader/Cabinet (not published)
December	Provisional Local Government Finance Settlement
	Consultation Budget Report to Cabinet
January	Public Budget Consultation
	Following year Budget Proposals to January POCs
February	Final Local Government Finance Settlement
	Final Budget to Cabinet and Council

### Next Steps

19. The Medium Term Financial Forecast setting out the draft revenue budget and capital programme will be considered by Cabinet in December 2021 and issued for consultation during the remainder of December 2021 and January 2022. This will include detailed consideration by each of the Select Committees of the proposals relating to their respective services.
20. Key issues within the remit of the Public Safety and Transport Select Committee will continue to be tracked through the Council’s budget monitoring process, with monthly reports to Cabinet detailing the latest position and outlook for 2020/21.

### Implications on related Council policies

A role of the Select Committees is to make recommendations on service changes and improvements to the Cabinet who are responsible for the Council’s policy and direction.

### How this report benefits Hillingdon residents

Select Committees directly engage residents in shaping policy and recommendations and the Committees seek to improve the way the Council provides services to residents.

### **Financial Implications**

None at this stage.

### **Legal Implications**

None at this stage.

### **BACKGROUND PAPERS**

The Council's Budget: General Fund Revenue Budget and Capital Programme 2021/22 – reports to Cabinet 18 February 2021 and Council 25 February 2021.

The Council's Budget: 2021/22 Revenue and Capital Month 2 Budget Monitoring – report to Cabinet 8 July 2021