

2022/23 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF CORPORATE, FINANCE & PROPERTY SELECT COMMITTEE

**Contact Officer: Iain Watters
Telephone: 01895 556537**

REASON FOR ITEM

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme for the services within the remit of the Corporate, Finance & Property Select Committee. Following consideration by Cabinet on 16 December 2021, these proposals are now under consultation, and the relevant proposals being discussed at the January cycle of the Select Committees.
2. Cabinet will next consider the budget proposals on 17 February 2022, and the report will include comments received from Select Committees. At the meeting on 17 February 2022 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2022/23. Subsequently, Council will then meet to agree the budgets and Council Tax for 2022/23 on 24 February 2022.
3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the Property & Infrastructure, Finance and Corporate Services & Transformation Cabinet Portfolios, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

4. It is recommended that the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals affecting the relevant service areas within the Property & Infrastructure, Finance and Corporate Services & Transformation Cabinet Portfolios, within the context of the corporate budgetary position.

General Fund Budget

Budget Strategy

5. Budget proposals for 2022/23 have been prepared in the context of a wider strategy addressing the five-year MTFP period through which service expenditure is to be managed within available resources. This is to be achieved through a combination of delivering efficiency savings, manageable increases in the Council Tax, and Fees and Charges, while maintaining General Balances at 2021/22 levels.
6. This budget strategy is based upon strong foundations, with the latest monitoring position for the 2021/22 financial year reporting a net underspend of £419k which will leave uncommitted General Balances at £26,520k entering the 2022/23 financial year. Of the £10,416k savings

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within the 2021/22 budget, 79% are either already banked or track for delivery, with 12% at an earlier stage of implementation and potential risks on 9% - relating to the Leisure Centre management fee. Further information on this position is set out in the budget monitoring report also presented to Cabinet in December 2021, but it is expected that all 2021/22 savings will ultimately be banked in full.

7. Based on 1.8% per annum increases in the core Council Tax and 1% per annum increases in the Social Care Precept, funding available to support service expenditure is projected to grow by £32,034k to £270,279k between 2021/22 and 2026/27. A combination of inflation and demand-led pressures (including the on-going impacts of the COVID-19 pandemic), together with capital investment plans would require a £66,341k uplift in service expenditure. However, to date, a savings programme of £29,572k has been developed, enabling delivery of a balanced budget for 2022/23 and leaving a residual budget gap of £4,735k in later years of the MTFF period.

Table 1: Budget Strategy

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Total Resources	238,245	249,862	251,897	256,317	263,130	270,279
Total Service Expenditure	238,245	249,862	255,005	259,640	267,650	275,014
Budget Gap	0	0	(3,108)	(3,323)	(4,520)	(4,735)
<u>Of which, Service Expenditure in the remit of this committee:</u>						
Property & Infrastructure	6,478	6,817	6,901	5,675	5,748	5,821
Finance	16,745	17,756	18,257	18,513	18,983	19,469
Corporate Services and Transformation	25,305	25,451	25,916	26,506	27,115	27,741
Total	48,528	50,024	51,074	50,694	51,846	53,031

8. A significant factor affecting the development of this budget strategy is the on-going impact of COVID-19 on Council services and finances, with pandemic related costs over and above planned service expenditure of £31,492k in 2020/21 and £18,710k in 2021/22. While these extraordinary costs have been financed from specific grants to date, it is not expected that further funding will be forthcoming and on-going structural pressures emerging from the pandemic of £7,098k are contributing towards the overall budget gap by 2026/27.
9. Notwithstanding the additional challenge presented by the pandemic, this budget strategy does not rely upon use of General Balances to support service expenditure and therefore maintains these at £26,520k over the five-year MTFF period. A review of the range of general risks affecting the Council indicates that the recommended level of uncommitted reserves should be between £15,000k and £32,000k.
10. In addition to General Balances, the Council holds Earmarked Reserves to manage specific risks, projects and cyclical expenditure commitments. At 31 March 2022, these are projected to total £30,185k, with £11,162k of this sum held to manage COVID-19 costs. This strategy

limits budgeted releases from Earmarked Reserves to £10,108k, with £2,660k of previously planned releases and £7,448k COVID-19 funds being drawn down, leaving £20,077k of Earmarked Reserves on the balance sheet. Of this remaining balance, £4,164k is held to meet potential future COVID-19 costs.

11. This draft budget outlines £383,070k of proposed capital expenditure – including substantial investment in local infrastructure, a new leisure centre and delivery of significant additional SEND capacity in the borough’s schools – of which £121,746k is to be financed through borrowing.
12. Taken together with historic capital spending, this investment will result in the Capital Financing Requirement peaking at £311,768k in 2025/26 and declining thereafter. Of this peak borrowing requirement, £273,484k is expected to necessitate external borrowing, with £38,285k being financed through General Fund reserves and working capital.

Budget Proposals for the Corporate, Finance & Property Select Committee

13. Service expenditure will grow due to inflationary pressures, demand-led growth and other corporate items including capital financing costs. The below table sets out the impact of these expenditure movements across the Cabinet Portfolios within the remit of this Select Committee for 2022/23.

Table 2: Service Expenditure Budget Proposals

	2021/22	Inflation	Demand-led Growth	Corporate Items	Savings Proposals	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Property & Infrastructure	6,478	400	0	0	(61)	6,817
Finance	16,745	1,461	0	0	(450)	17,756
Corporate Services and Transformation	25,305	1,526	0	0	(1,380)	25,451
Total Service Expenditure	48,528	3,387	0	0	(1,891)	50,024

14. Inflation: Cost pressures of £3,387k are projected against 2021/22 expenditure going into 2022/23, with material uplifts in relation to workforce budgets, contracted expenditure and energy costs. In line with wider MTFE modelling, inflation projections are predicated on CPI exceeding 4% during 2022/23 before returning to the Bank of England target rate of 2%.

Savings Proposals

15. As mentioned above, £10,381k of savings proposals have been incorporated into the draft budget for 2022/23, with £1,891k falling within the remit of this Select Committee, with details of these items at Cabinet Portfolio level discussed below.
 - i. Property & Infrastructure: Savings of £61k are planned from uplifts in Fees and Charges, with further savings of £1,576k considered for the following four years 2023/24 to 2026/27.

- ii. Finance: An in-hand review of the Exchequer and Business Assurance function is expected to secure £200k efficiency savings, with a further £150k from further centralisation and streamlining of transactional financial process, and £100k from a range of measures to minimise damage to the Council's vehicle fleet. A further saving of £200k is being considered for 2024/25 from market testing the Revenues and Benefits Team.
 - iii. Corporate Services and Transformation: Efficiency savings of £500k are planned from the on-going Review of Technical Administration, primarily through increased automation of business processes, with a further £415k savings linked to an in-hand review of Customer Contact which is focused upon digitisation and channel shift activity. A further £300k savings are expected from Democratic Services following implementation of the boundary review in May 2022, while £100k efficiency savings are planned from the BID Review of Business Support. Fees and Charges proposals are expected to secure £65k savings. A further £360k is expected over the following four years of the MTFE from a combination of a review of Customer Contact and inflationary increases in Fees and Charges.
16. Cross-Cutting Initiatives: A review of the Council's senior management structure is expected to deliver £608k savings, with a further £500k savings expected to be secured from future reviews and £75k additional income planned from reviewing advertising opportunities across the borough. An additional £5,924k has been incorporated in the budget strategy over the period 2023/24 to 2026/27 for further BID reviews, automation of processes and a review of the Council's management structure.

Capital Proposals

17. Capital investment of £383,070k over the period 2021/22 to 2026/27 has been incorporated into the wider General Fund budget strategy set out within this report, with £215,689k investment in major projects, primarily delivering new or expanded infrastructure, and £158,464k investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved. An overview of these investment plans is detailed in appendix A8 that accompanied the Consultation Budget Report presented at December Cabinet.

Table 3: General Fund Capital Programme by Cabinet Portfolio

	Major Projects £'000	Programme of Works £'000	Total £'000
Total Capital Programme	215,689	158,464	383,070
<u>Of which, Service Expenditure in the remit of this committee:</u>			
Property & Infrastructure	145,473	49,856	195,329
Finance	0	8,485	8,485
Corporate Services and Transformation	0	5,166	5,166
Total	215,689	158,464	374,153

18. Further to the overview presented above, the below section sets out the Capital Proposals within the remit of this Select Committee.
19. Property and Infrastructure: £145,473k investment in new and expanded infrastructure features £36,670k on the new Yiewlsey Leisure Centre due to complete in 2024/25, £35,000k on the redevelopment of the Uxbridge Civic Centre to provide a modern base for Council services and release land for housing delivery or other uses, £26,501k spending on replacement outdoor leisure facilities to replace those displaced by HS2, £25,000k investment in initiatives to reduce the borough's carbon footprint and £20,000k funding for Hillingdon First Limited to deliver high quality homes. In addition, major projects to deliver new libraries in Yiewlsey and Northwood as part of wider developments, and a range of new investment in other Council assets have been included in this budget.
20. Complementing major projects investment is £49,856k programme of works spend, including £22,168k works to improve the fabric of the borough's existing schools, £11,739k investment in adaptations for residents through the Disabled Facilities Grant Programme and cyclical renewal of the Council's existing asset base, ensuring that this remains fit for purpose.
21. Finance: Capital investment of £8,485k focuses upon the programmed renewal of the Council's vehicle fleet.
22. Corporate Services and Transformation: Funding of £3,966k for the cyclical replacement and upgrade of critical ICT infrastructure and £1,200k investment in the Older People's Initiative.

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECAST 2022/23 - 2026/27, presented to 16 December 2021 Cabinet Meeting