

## 2022/23 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF ENVIRONMENT, HOUSING & REGENERATION SELECT COMMITTEE

<b>Committee name</b>	Environment, Housing and Regeneration Select Committee
<b>Officer reporting</b>	Iain Watters / Gemma McNamara, Finance
<b>Papers with report</b>	Appendix A8i & Appendix A8ii - The Council's Budget (2022/23 - 2026/27) - Medium Term Financial Forecast
<b>Ward</b>	All

### HEADLINES

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 Environment, Housing & Regeneration 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 Environment, Housing & Regeneration Cabinet Portfolio, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

### RECOMMENDATION

**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 Environment, Housing & Regeneration Cabinet Portfolio, within the context of the corporate budgetary position.**

### SUPPORTING INFORMATION

#### General Fund Budget

#### **Budget Strategy**

4. 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.

5. 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 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.
6. 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 MTF 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
<b>Budget Gap</b>	<b>0</b>	<b>0</b>	<b>(3,108)</b>	<b>(3,323)</b>	<b>(4,520)</b>	<b>(4,735)</b>
<u>Of which, Service Expenditure in the remit of this committee:</u> Environment, Housing & Regeneration	30,228	30,240	30,175	30,765	31,340	31,899
<b>Total</b>	<b>30,228</b>	<b>30,240</b>	<b>30,175</b>	<b>30,765</b>	<b>31,340</b>	<b>31,899</b>

7. 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.
8. 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 MTF 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.

9. 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.
10. 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.
11. 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 Environment, Housing & Regeneration Select Committee**

12. 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
Environment, Housing & Regeneration	30,228	1,405	610	0	(2,003)	30,240
<b>Total Service Expenditure</b>	<b>30,228</b>	<b>1,405</b>	<b>610</b>	<b>0</b>	<b>(2,003)</b>	<b>30,240</b>

13. Inflation: Cost pressures of £1,405k 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%.
14. Demand-Led Growth: items within the remit of this Select Committee account for £610k of the £24,932k increase across the Council, with a breakdown of these items presented below.
15. An uplift of £610k is projected on waste disposal costs, with circa 2% per annum growth in waste tonnages and 2% per annum disposal costs driving this sustained increase in costs, although there remains scope for volatility in both demand and price. Provision has been included within this budget to manage the requirement for additional vehicles and collection routes to account for population growth within the borough.

16. No additional provision for homelessness prevention has been incorporated into this budget, as current levels of specific grant funding for the service are sufficient to manage demand, although, in line with other demand-led service budgets this will continue to be closely monitored.

### Savings Proposals

17. As detailed in the Consultation Budget presented to December Cabinet, £10,381k of savings proposals have been incorporated into the draft budget for 2022/23, with £2,003k falling within the remit of this Select Committee, with details of these items at Cabinet Portfolio level discussed below.
- i. Environment, Housing and Regeneration: On-going reviews across Green Spaces are expected to secure savings of £737k through improvements to operating models, contract management and maximising income where appropriate. Reduction in waste volumes through food waste and recycling initiatives are expected to secure savings of £550k, while a programme of activity around homelessness prevention is planned to secure £250k through more cost effective use of temporary accommodation, increasing supply and maximising grant income. In addition, Fees and Charges proposals are projected to secure £466k of additional income. Furthermore, £2,591k is included in the budget strategy from 2023/24 to 2026/27, with £1,956k of this linked to inflationary uplifts in Fees and Charges and the remainder from reviews across Commercial Waste and Green Spaces.

### Capital Proposals

18. 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
<b>Capital Programme</b>	<b>215,689</b>	<b>158,464</b>	<b>374,153</b>
Contingency			<b>8,917</b>
<b>Total Capital Programme</b>	<b>215,689</b>	<b>158,464</b>	<b>383,070</b>
<u>Of which, Service Expenditure in the remit of this committee:</u>			
Environment, Housing & Regeneration	0	9,740	9,740
<b>Total</b>	<b>0</b>	<b>9,740</b>	<b>9,740</b>

19. Further to the overview presented above, the below section sets out the Capital Proposals within the remit of this Select Committee.

20. Environment, Housing and Regeneration: Investment in the Chrysalis Programme, alongside a range of other environmental projects and funds to manage the cyclical renewal of playgrounds across the borough.

## **Housing Revenue Account**

### **Background**

21. The HRA is a ring-fenced, self-financing account whereby rental income from the Council's 10,222 social housing units are reinvested in the management, maintenance and expansion of stock for the benefit for tenants. Underlying detailed budget proposals for the 2022/23 financial year and the period to 2026/27 is a 30 Year Business Plan, which demonstrates that over the longer term the HRA is financially sustainable and that proposed capital investment will maintain this position.
22. The HRA budget strategy over the MTFF period is structured around three key work programmes:
- a. Housing Supply – delivering more than 100 new homes per annum to support increasing demand for social housing in a growing borough.
  - b. Estate Regeneration – delivery of 369 new homes across the Avondale and Hayes Town Centre estates, a net increase of 185 during the MTFF period on the current configuration.
  - c. Works to Stock – an enhanced programme of works on a five-year cycle.
23. Forward looking financial plans are based on solid foundations, with an underspend of £109k reported on the 2021/22 budget and unallocated reserves projected to total £15,292k at 31 March 2022. Given that £15,000k reserves are judged to provide sufficient capacity for risk management purposes, the budget strategy releases £292k to support capital investment and maintains unallocated reserves at the target level.
24. Over the period to 2026/27, measures to strengthen the regulatory regime for residents of Social Housing will necessitate additional capacity being created within Housing Services, with this budget outlining a range of efficiency savings to meet this cost and the additional capacity required to support the enhanced works to stock programme and major programme of capital investment.
25. Capital investment plans will result in the HRA Capital Financing Requirement reaching £335,062k in 2026/27, with both the budget strategy and 30 Year Business Plan demonstrating that the ongoing servicing and repayment of this level of borrowing can be sustained.

### **Rental Income**

26. HRA Rental Income is projected to grow from £58,944k in 2021/22 to £73,510k by 2026/27, with this £14,566k increase in funding driven by a combination of inflationary rent increases and net growth of 500 dwellings as investment in delivery of new stock outstrips losses through Right to Buy sales. Annual rental increases continue to be based on CPI+1% in line

with HM Government guidance, with provision of 1.35% included to allow for void units in 2022/23, declining to 1.0% over the MTFF period.

### Service Expenditure

27. The below table sets out the 2022/23 Service Expenditure for the Housing Revenue Account, setting out the changes over the next financial year:

**Table 4: HRA Service Expenditure 2022/23**

	£'000	£'000
Roll Forward Budget		39,923
Inflation	1,593	
Capital Charges	813	
Savings	(924)	
Growth	924	
Contribution to Finance Capital Programme	19,652	
<b>Total Service Expenditure</b>		<b>61,981</b>

### Inflation

28. Inflationary cost pressures of £1,593k are projected within the HRA, with material uplifts relating to workforce costs, materials in relation to repairs and maintenance works and energy inflation. Further analysis of the inflation requirement is presented in Appendix B2 that accompanied the Council's Consultation Budget that was presented to Cabinet in December 2021.

### Capital Charges

29. Capital investment plans necessitate £234,829k of new borrowing over the period to 2026/27, the ongoing servicing and repayment of which will add £813k to HRA service expenditure for 2022/23, increasing to £4,781k over the MTFF period.

### Growth

30. Projections for service expenditure have been uplifted by £924k in 2022/23, increasing by a further £190k in 2023/24 to take account of changes in requirements placed upon the HRA by HM Government and local policy decisions. Within this total growth figure, £373k of growth has been included to fund additional costs linked to the incoming Social Housing Regulator's expectations and consumer standards charter. In terms of local policy decisions, additional funding of £250k to reduce void levels from 1.35% to 1.00% over the medium term and £250k to facilitate efficient use of existing stock are expected to maximise housing supply. Further investment of £201k in additional workforce capacity to implement the enhanced programme of works and £40k to manage Council Tax costs on long term empty units have also been included.

### SAVINGS

31. A programme of £924k in 2022/23 has been developed to fund the above growth items, with £500k secured through zero based reviews of service expenditure, £199k through an

efficiency review of housing services and £352k from a range of further BID projects – including the impact of robotics in streamlining business processes, with £190k of this programme expected to impact in 2023/24.

### **Capital Programme**

32. Capital investment of £518,953k in expansion and enhancement of the housing stock over the period 2021/22 to 2026/27 has been fully reflected within this draft budget, including £325,034k funding to deliver 869 new dwellings gross and £193,919k investment in existing housing stock. Further detail on these investment plans can be found in Appendix B5 that accompanied the Consultation Budget Report presented to Cabinet on 16 December 2021.

**Table 5: HRA Capital Programme**

	<b>2021/22 Budget £'000</b>	<b>2022/23 Draft Budget £'000</b>	<b>2023/24 Draft Budget £'000</b>	<b>2024/25 Draft Budget £'000</b>	<b>2025/26 Draft Budget £'000</b>	<b>2026/27 Draft Budget £'000</b>
Major Projects	24,536	36,177	26,253	36,387	37,116	37,857
Housing Regeneration Programme	15,143	14,607	32,848	21,028	23,385	19,697
Programmes of Work	29,646	27,083	33,199	34,114	36,071	33,806
<b>Total</b>	<b>69,325</b>	<b>77,867</b>	<b>92,300</b>	<b>91,529</b>	<b>96,572</b>	<b>91,360</b>

### **Implications on related Council policies**

33. 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**

34. 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**

35. None at this stage.

### **Legal Implications**

36. None at this stage.

### **BACKGROUND PAPERS**

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