THE COUNCIL'S BUDGET:
MEDIUM TERM FINANCIAL FORECAST 2023/24 - 2027/28

Cabinet Members	Councillor Martin Goddard
Cabinet Portfolios	Finance
Officer Contact(s)	Andy Evans, Corporate Director of Finance
Papers with report	Appendix A: General Fund Budget Proposals Appendix B: HRA Budget Proposals Appendix C: Proposed Amendments to Fees and Charges

HEADLINES

Summary	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2023/24, presented in the context of the Council's five-year budget strategy to 2027/28. Budget proposals for 2023/24 include a 4.99% increase in the headline rate of Council Tax. This comprises a core Council Tax increase of 2.99% alongside a 2% increase relating to the Adult Social Care Precept. Cabinet are requested to approve publication of this draft budget for consultation with Select Committees and residents during December 2022 and January 2023. Following consultation, Cabinet will be asked to consider final budget proposals in February 2023 for presentation to Full Council for final approval.
Putting our Residents First	This report supports the delivery of the Council Strategy 2022-2026. 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	This report outlines a balanced budget for the 2023/24 financial year, on the basis of a below inflationary 2.99% increase in the headline rate of Council Tax and use of the 2.00% Social Care Precept in line with the Government's funding framework for local services.
Relevant Select Committee	All
Relevant Ward(s)	All

RECOMMENDATIONS

That Cabinet:

1) **Approve the draft General Fund and Housing Revenue Account budgets and capital programme proposals for 2023/24 (as detailed in Appendices A and B) and beyond as the basis for consultation with Select Committees and other stakeholders.**

2) **Approve the proposed amendments to fees and charges to take effect in 2023/24 included in Appendix C, as the basis for consultation with Select Committees and other stakeholders.**

3) **Request the comments of individual Select Committees on the draft budget proposals relating to their areas of responsibility.**

4) **Note that Provisional Local Government Finance Settlement is awaited from HM Government and the output from these will be factored into the final 2023/24 budget proposals to be considered by Cabinet in February 2023.**

5) **Authorise the Corporate Director of Finance, in consultation with the Cabinet Member for Finance, 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 2023/24. 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 this document outlining Cabinet's budget strategy for the next five years. 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 Select Committees and residents for consultation before being presented to Cabinet in February 2023 for recommendation to full Council. Once approved by Council in February 2023 proposals will become effective immediately.

HILLINGDON
LONDON

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 Select Committees during January 2023.

This budget report has been prepared in the context of a broad range of risks faced by the Council, with key items noted in the report alongside mitigating and/or management strategies to suppress or contain these risks.

The Corporate Director of Finance can give positive assurances on the robustness of estimates included within this consultation budget, which is based on established, rigorous business processes around robust financial modelling and closely aligned to service plans. Implementation of budget proposals will be closely tracked through the monthly budget monitoring processes during 2023/24.

Select Committee comments

A full report on the budget process, financial strategy and detailed budget proposals for the relevant Cabinet portfolios will be taken to Select Committees for review in January 2023, with feedback presented to Cabinet alongside the final budget report to Cabinet on 16 February 2023.

SUPPORTING INFORMATION

INTRODUCTION

1. This report provides an overview the Cabinet's budget proposals in respect of the Council's General Fund and Housing Revenue Account (HRA), alongside an update on the latest position on the Schools Budget which is being prepared in the context of the Council's Safety Valve agreement with the Department for Education. Both General Fund and Housing Revenue Account budgets are presented for the purposes of consultation with Select Committees and residents, in advance of budgets for the 2023/24 financial year being presented to Cabinet and Council for final approval in February 2023.

2. The General Fund budget for 2023/24 has been prepared in the context of a five-year strategy, which incorporates the impact of a comprehensive review of capital investment plans and strategic savings programme in the context of challenging economic circumstance globally, nationally and locally. Despite the first multi-year settlement in a few years in October 2021, there remains uncertainty around future funding levels due to political volatility and economic turmoil which has led to significant increases in service expenditure and ongoing uncertainty surrounding the implications for a high inflationary environment in the context of the Council's funding settlement. The Council continues to operate in a post-pandemic legacy environment with ongoing pressures from COVID-19, with the further pressures from inflationary pressures and the cost-of-living crisis impacting on residents' financial sustainability.

3. A similar approach has been adopted for the HRA, with the five-year strategy being complemented by a 30 Year Business Plan which demonstrates the long-term financial sustainability of the ring-fenced account and viability of the significant capital investment plans expanded upon the relevant sections of this report. Inflationary pressures on management of current stock and new investment represent a challenge to HRA operating model, with the capping of rental increases at 7% by Government necessitating a renewed focus upon delivery of efficiency savings in this area.

GENERAL FUND REVENUE BUDGET

BUDGET STRATEGY AND SUMMARY OF PROPOSALS

4. Budget proposals for 2023/24 have been prepared in the context of a wider strategy addressing the five-year MTFF period through which service expenditure is to be managed within available resources in the context of a challenging economic environment both in terms of an exceptional inflationary pressures and legacy COVID-19 impacts, with further impacts resulting from the cost-of-living crisis and the impact on residents' financial standing. This balanced budget is to be achieved through a combination of delivering efficiency savings, increases in the Council Tax, and Fees and Charges, while maintaining General Balances at forecast 2022/23 levels.

5. This budget strategy is based upon the principle of sound financial management set against the backdrop of these challenging economic conditions, with the latest monitoring position for the 2022/23 financial year reporting a net underspend of £61k which will leave uncommitted General Balances at £26,780k entering the 2023/24 financial year. However, included in the 2022/23 position is a significant use of Earmarked Reserves to fund £5,307k of exceptional inflationary pressures on service budgets experienced to date, with much of this reserve created from favourable movements during outturn 2021/22. Furthermore, the Council budgeted to drawdown £5,913k to fund COVID-19 pressures included in the February 2022 budget strategy with a further £3,431k being drawn down above this and the inflation drawdown to fund pressures within service operating budgets, the majority of which are covering new and emerging COVID-19 pressures**.**

6. Of the £13,346k savings within the 2022/23 budget, 92% are banked or on track for delivery in full, with potential risks on 7% (£986k) - relating to the Leisure Centre management fee and reflects the particular impact of the COVID-19 pandemic on this sector and the ongoing challenges facing this service. Further information on this position is set out in the budget monitoring report also presented to Cabinet on this agenda, but it is expected that all 2022/23 savings will ultimately be banked in full.

7. Based on 2.99% per annum increases in the core Council Tax and 2% per annum increases in the Social Care Precept, funding available to support service expenditure is projected to grow by £39,475k to £290,522k between 2022/23 and 2027/28. A combination of inflation and demand-led pressures (including legacy impacts of the COVID-19 pandemic), together with capital investment plans is projected to generate a £49,017k uplift in service expenditure. In order to address this differential, to date, a savings programme of £45,683k has been developed, leaving a residual budget gap of £9,542k in later years of the MTFF period.

Table 1: Budget Strategy

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Total Resources	251,047	264,763	271,475	277,868	284,082	290,522
Total Service Expenditure	251,047	264,763	271,475	281,886	290,046	300,064
Cumulative Budget Gap	**0**	**0**	**0**	**(4,018)**	**(5,964)**	**(9,542)**

8. As is the case for the vast majority of local authorities, the Council has experienced exceptional economic factors that are driving a material inflationary requirement, which is having a significant impact on the cost of providing services to residents. The generally accepted measure of inflation, the Consumer Price Index (CPI) reached 10.1% in September 2022 and has yielded a forecast inflationary requirement of £21,877k in 2023/24, rising to £62,047k by 2027/28. This compares to a forecast of £6,430k for 2023/24 when the Council set out the previous iteration of the budget strategy in February 2022, with this latest refresh presenting a three-and-a-half-fold increase from these projections. Inflation, along with other updates on demand-led growth and corporate items has generated the need for a major savings programme, which stands at £20,791k in 2023/24, a significant increase from the £9,630k which was identified in February 2022.

9. The adverse economic conditions and particularly the sudden onset of a recession and inflationary pressures represent the main cause of the current cost-of-living crisis, with the impact from increasing costs and declining revenues having negative impacts on local residents and businesses, creating a challenging economic environment. It should be recognised that this in turn creates an element of risk on the Council's funding, with circa 75% of the Council's funding now being derived from local taxation.

10. Furthermore, COVID-19 legacy issues continue to impact on Council services and finances, with pandemic related pressures in 2022/23 of £14,722 at Month 7, with £11,291k of this having been factored into the previous budget strategy in February 2022 and £3,431k of new and emerging issues**.** While these extraordinary costs have been financed from specific central government grants up to 31 March 2022, it is not expected that any further funding will be forthcoming and ongoing structural pressures emerging from the pandemic will continue to cause cost pressures. This is largely driven by the unwinding of £4,406k of reserve balances used in 2022/23 to cover part of the budgeted pressure for the year and the £3,431k of new and emerging issues.

11. Notwithstanding the additional challenges presented by economic turmoil and the legacy impacts from the pandemic, this budget strategy does not rely upon use of General Balances to support service expenditure and therefore maintains these at £26,780k 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 £20,000k and £39,000k, meaning that £6,780k remains available to the Council to deploy, should it be required.

12. In addition to General Balances, the Council holds Earmarked Reserves to manage specific risks, projects and cyclical expenditure commitments. At 31 March 2023, these are projected to total £18,641k, with £2,149 k of this sum being the remaining balance held to manage COVID-19 costs and a further £4,297k being the remaining balance of identified funding to meet exceptional inflationary pressures. This strategy includes budgeted releases from Earmarked Reserves of £6,791k, with a drawdown of £3,834k being included to bridge the gap between funding and expenditure in 2023/24, with a further £1,535k of previously planned releases from COVID-19 funding and the continuation of the funding for the Older Peoples Discount for a further year, leaving a forecast £10,328k of Earmarked Reserves on the balance sheet at the end of the five-year budget strategy.

13. Savings proposals totalling £45,683k have been developed towards mitigating the emerging expenditure pressures as funding levels are projected to grow at a slower rate than demand for Council Services, with a residual £9,542k budget gap to be mitigated over the period from 2025/26 to 2027/28 should this programme of savings be realised in full. As in previous years, savings proposals for the forthcoming financial year are specific in nature, with medium-term plans structured around wider strategic approaches to transformation of local services. Proposals have been developed within the themes of Service Transformation, Effective Procurement, Managing Demand and Income Generation & Commercialisation, with an overview of specific measures set out within this report.

14. Whilst the Local Authority settlement is still awaited, it is clear that Government Grants and Business Rates income will fail to match prevailing levels of inflation currently and in the medium term and that demand levels for Adult and Children's Social Care provision have shown and will continue to show unrelenting growth. It has therefore proved necessary for the Council to propose a step change increase in Fees & Charges. These have historically been the lowest in London. The proposed increases will narrow the gap with other authorities and will still leave Hillingdon with the one of the lowest levels of Fees & Charges per capita in London.

15. Within Income Generation & Commercialisation savings are a range of proposals relating to levels of income raised from Fees & Charges, which are levied to support a number of specific services rather than the cost of these measures falling wholly on the local Council Taxpayer. The Council has sought to maintain lower levels of charges as part of the broader approach of delivering Sound Financial Management for residents, a strategy which has succeeded with charges per household being amongst the very lowest across London. As a result of the broad range of competing demands on limiting funding, a strategy of moving towards full cost recovery on these charges is set out within this budget.

16. This draft budget outlines £340,003k 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 £59,405k is to be financed through borrowing. Taken together with historic capital spending, this investment will result in the

Capital Financing Requirement peaking at £273,015k in 2024/25 and declining thereafter. Of this peak borrowing requirement, £232,870k is expected to necessitate external borrowing, with £40,145k being financed through General Fund reserves and working capital.

17. The following sections of this report and appendix A provide further commentary and analysis to support the General Fund budget strategy, before returning to the Schools Budget and Housing Revenue Account in turn.

RISK MANAGEMENT

18. A fundamental context to the Council's budget strategy are its levels of reserves. The Council holds a combination of General and Earmarked Reserves in order to mitigate the Council's financial position against the risk of unforeseen or exceptional financial shocks, with General Balances held to cover a broad range of risks as set out in the Council's Balances & Reserve Policy that was approved in February 2022 (along with the Council's current budget strategy) which set a range of balances between £20m and £39m, and Earmarked Reserves being held to mitigate specific risks, or to fund project and cyclical expenditure (where the cycle is something other than a financial year).

19. The rationale for holding General Balances is set out in the Balances & Reserves Policy, and covers impacts from the general financial climate, including the Council's own financial standing and that of its residents and local businesses, the risk of inflation and/or interest rate shocks, demography and contact management, the timing of capital receipts and availability of reserve levels. These General Reserves represent a mechanism for the Council to manage shocks, and with the reserve balance forecast to be £26,780k by 31 March 2023 these are within the approved range. For 2022/23, General Reserves stand at 13% of the Council's budgeted Net Revenue Expenditure, which represents the cost of running Council services before taxation income and Government grants.

20. Earmarked Reserves are held for a number of reasons but are more specific in nature than the risks that General Balances cover, with the Council forecast to hold £18,641k by 31 March 2023. The Council holds Earmarked Reserves for a variety of purposes which include the mitigation of inflation and price risk, smoothing the impact of project related and cyclical commitments spanning financial years, managing expenditure associated with transformation and holding ringfenced/specific funding streams.

21. With Earmarked Reserves forecast to be £18,641k by 31 March 2023, this represents a further 9% of reserves cover against the Council's Net Revenue Expenditure, this, alongside General Balances means the Council has total reserves available to cover 22% of Net Revenue Expenditure based on the 2022/23 budget, before considering increases in expenditure over the life of the budget strategy. The application of these earmarked reserves in the current financial year has enabled the Council to navigate the challenging economic

conditions but means that consideration should now be given to rebuilding reserves over the medium-term within ongoing government funding constraints.

22. The budget strategy presented in this report has taken a prudent approach to the review of inflation, with the Council's core inflation assumption being that CPI continues to track at c. 10% per annum for 2022/23 and 2023/24, before falling to 4% for the remainder of the five-year strategy. The approach assumes that much of the Council's core contracted expenditure ultimately presents for an increase of this magnitude, albeit with an expectation that the timing of uplifts will present on a staggered basis. On a similar approach, Social Care continues to generate a significant inflation requirement against an expenditure budget exceeding £110m. Energy and fuel inflation forecasts continue to track significantly above inflation, predominantly linked to the impact from the war in Ukraine.

23. Following ten years of Hillingdon freezing Council Tax before applying more modest increases in recent times, Hillingdon has positioned itself as a low tax authority, however, as the Government assume that Councils will raise Council Tax in line with the referendum threshold, the Council's core spending power is tracking behind where Government models would assess it to be. Indeed, it should be noted that as a result of the ten-year freeze, even after applying this increase in 2023/24, Council Tax levels in Hillingdon are amongst the lowest in London This means that the robustness of estimates is critical as the Council needs to ensure that Service Operating Budgets are sufficient to fund services going forward without the reliance on reserves.

24. The Council continues to take a robust approach to the recommended Savings Programme, which is focussed on making improvements and efficiencies in service delivery rather than service reductions, with fully assessed proposals being included in the Council's budget strategy, without arbitrarily assigning savings targets to departments, meaning that the Council can have greater certainty in the delivery of the saving programme, albeit with an inherent level of risk due to continuing adverse economic conditions and the increasingly complex nature of the savings initiatives being undertaken.

25. The combination of this substantial savings programme and proposed uplifts in Fees & Charges are projected to secure £21m benefit in the 2023/24 financial year, indicating the scale of measures required to manage the significantly increased savings requirement for the forthcoming financial year.

26. Based on the approach adopted to generating the Council's budget strategy, the procedures it follows, and the assumptions included in this report, the budget strategy is deemed to be based on sound forecasting and realistic assumptions that enable the Cabinet to present this position to the public, local businesses and Council members for consideration.

27. As part of the Cabinet's final budget proposals to Council presented in February 2022, the Corporate Director of Finance will provide assurances around robustness of estimates and adequacy of reserves as part of the statutory framework for local authority budget setting.

These assurances will be framed with reference to principles and standards included within CIPFA's Financial Management Code.

FUNDING SOURCES

28. General funding available to support the Council's service expenditure is projected to grow from £251,047k in 2022/23 to £290,522k by 2027/28, an uplift of £44,365k across Council Tax, Business Rates and Government Grants offset by unwinding reliance on one-off funding sources to leave a net increase in resources of £39,475k by 2027/28. The following table and commentary provide an overview on each of these funding streams, with Appendices A1 and A2 providing detailed projections.

Table 2: Funding Sources

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Council Tax Revenues	131,179	137,440	146,651	153,953	159,891	166,040
Business Rates Income	56,616	60,670	61,883	61,883	61,883	61,883
Corporate Grant Income	58,362	61,291	62,941	62,032	62,308	62,599
Total Recurrent Funding	**246,157**	**259,401**	**271,475**	**277,868**	**284,082**	**290,522**
Collection Fund Deficit	(1,023)	(78)	0	0	0	0
Release of COVID-19 Reserves	5,913	1,535	0	0	0	0
Planned Use of Earmarked Reserves	0	3,780	0	0	0	0
Total One-Off Funding	**4,890**	**5,237**	**0**	**0**	**0**	**0**
Total Resources	**251,047**	**264,638**	**271,475**	**277,868**	**284,082**	**290,522**

29. Income from Council Tax is projected to grow by £34,861k over the period to 2027/28 as a result of inflationary uplifts in the headline rate, further use of the Social Care Precept and growth in the taxbase. The first two years of the budget strategy include below inflationary increases but utilising the revised Council Tax referendum thresholds announced in the Autumn Statement, uplifts of 2.99% per annum have been factored into this budget, together with 2.0% per annum increases in the Social Care Precept in line with the Government's approach to managing demand in this area. From 2025/26 onwards, in line with the Council's inflation assumption, Council Tax is forecast to increase at the lower rate of 1.8% per annum for the core uplift alongside a further 1% Social Care Precept. Together, these increases secure £27,387k of the additional funding to meet growing demand and inflationary pressures.

30. The remaining £7,474k additional income from Council Tax is driven by growth in the taxbase as a result of 5,916 Band D equivalent properties from new residential development in the borough over the next five years and a 16% reduction in demand for the Council Tax Reduction Scheme as the economic impact of COVID-19 unwinds. Projections for new development represent a 4% increase in the number of homes in the borough, a growth rate which remains consistent with recent experience, while reflecting both planned new

development in the borough and medium-term population projections. The Council is proposing to review the Council Tax Reduction Scheme and improve the targeting of the service to better support local residents.

31. Business Rates revenues are projected to grow by £5,267k, primarily driven by forecast increases of 2% per annum against the multiplier for the first two years of the budget strategy, with 2023/24 being funded by Section 31 Grant income following the Government's announcement to freeze the multiplier next year, with the remaining increase coming from an element of the COVID-19 related drop in income during 2020/21 and 2021/22 being recouped through economic recovery. Under the Business Rates Retention Scheme, the Council retains circa 15% of locally raised income, with the remainder being distributed between the Government, Greater London Authority and other local authorities.

32. Due to the current economic climate, there remains a risk with the Council's forecast taxation income as residents and local businesses continue to be exposed to the recession in a high inflation environment, impacting on their ability to pay taxes. The Council has factored in a reduction in the collection of Council Tax for 2023/24 and 2024/25, but due to the significant impact this is having on individuals and businesses alike, there remains an element of risk within these forecasts.

33. The Government's announcement of the Autumn Statement on 17 November 2022 gave the Council greater certainty on grant funding for the next two years, albeit with actual grant funding levels yet to be confirmed for individual local authorities. The Provisional Local Government Finance Settlement will be published in December 2022 and is expected to provide this detail for 2023/24 and potentially the remainder of the current Spending Review Period to 2024/25. While individual allocations are yet to be confirmed, the Chancellor's Autumn Statement provides an indication of the overall quantum of funding for the local government sector which informs a £4,237k increase in grant funding over the MTFF period factored into this draft budget. Further clarity will be provided in the February 2023 iteration of this budget, following the expected DLUHC Policy Statement.

34. The Autumn Statement confirmed the upcoming Social Care reforms set to introduce a cap on personal care costs alongside the Fair Cost of Care reform have both been delayed for two years, however, the funding that the Government set aside for these initiatives will continue to be allocated to Councils to support Social Care service expenditure. This, alongside other funding updates means the Government are increasing Council funding by up to £2.8bn in 2023/24 and up to £4.7bn in 2024/25 dependent on individual councils' use of the Social Care Precept at 2%. The funding refresh included in this report, assumes an additional £500k of grant funding for the Council, which will be firmed up once the Provisional Settlement is published.

35. There remain a number of areas of uncertainty regarding future funding levels, the most salient of the funding risks include:

i. The Autumn Statement presented a level of clarity for Council funding over the next two years, however, until the Provisional Settlement is published, there remains an element of uncertainty in the interpretation of the statement.

ii. The delayed review of the formula for distribution of grant funding between local authorities by the Department for Levelling Up, Housing and Communities is expected to marginally benefit Hillingdon as a result of the borough's higher than average population growth since the distribution method was last reviewed for 2013/14. The progress of this review will continue to be closely monitored, in particular around the potential impact of the levelling up agenda.

iii. Alongside the formula review, a reset of the Business Rates Retention system is planned which would redistribute growth secured since 2013/14. As Hillingdon has delivered strong growth over this period, this would be expected to adversely impact funding levels, which would probably eliminate any gains arising from distributional changes.

36. Furthermore, there are a number of risks associated with the Council's taxation income that have already been expanded upon, including the impact on residents and local businesses of the recession and inflationary pressures. Prior to the COVID-19 pandemic, pooling of Business Rates income across London secured additional income on occasions and has thus been beneficial to Hillingdon. This may offer similar such opportunities in the future and hence will be held under continuing review and scrutiny.

37. The Council will continue to review and track progress against these risks, some of which may be included in future iterations of the Council's budget strategy prior to the Council setting the 2023/24 budget in February 2023, whilst others will require a longer review period and will be reported through the Council's budget monitoring process. The Council will continue to review and assess new and emerging risks and call upon existing strategies to manage and mitigate these risks.

SERVICE EXPENDITURE

38. 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 Council's Cabinet Portfolios.

Table 3: Cabinet Portfolio Service Expenditure

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Property & Infrastructure	10,997	10,798	10,314	10,736	11,281	11,846
Finance	25,307	33,455	37,980	40,550	40,213	41,317
Public Safety and Transport	23,964	24,733	25,280	26,657	27,389	28,142
Corporate Services and Transformation	28,169	22,591	22,972	24,491	26,167	27,869
Environment, Housing & Regeneration	52,295	58,231	59,132	61,702	64,090	66,694
Health & Social Care	107,487	114,506	120,887	127,294	133,950	140,740
Corporate Operating Budgets	2,828	378	(5,090)	(9,544)	(13,044)	(16,544)
Cross-Cutting Initiatives	0	0	0	0	0	0
Total Service Expenditure	**251,047**	**264,692**	**271,475**	**281,886**	**290,046**	**300,064**

39. The drivers behind these expenditure changes, alongside the draft savings programme, are expanded upon in the following section.

Inflation

40. Due to the current economic climate impacting prices around the globe, nationally and locally, inflation is the key driver behind the Council's increases in Service Expenditure, with inflationary cost pressures projected to total £62,047k against 2022/23 expenditure over the period to 2027/28, with material uplifts shown in relation to workforce budgets, care placements, contracted expenditure and energy costs in the below table. In order to ensure that budget plans are structured on the basis of robust projections, local inflation estimates have been reached following review of a broad range of economic forecasts – including EY Item Club, the Council's treasury advisors Arlingclose, the Bank of England and Office for Budget Responsibility.

41. These inflation projections are predicated on CPI averaging 10% during 2022/23 and 2023/24 before returning to 4% in the following years. As the Council set the 2022/23 budget with lower inflation assumptions than are currently being experienced in the market, this position includes an element of 'catch up' inflation to fund the forecast shortfall in 2022/23 which has been funded from a specific reserve which was created at outturn 2021/22 for exceptional inflation. The following table and commentary provide an overview of this requirement, with further detail set out in Appendix A3.

Table 4: Inflation Provision

	2022/23 Budget £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Workforce Expenditure (including Pension Contributions)	129,727	8,618	2,076	2,662	2,853	2,911
Social Care Placements	110,393	8,703	6,626	5,030	5,230	5,438
Contracted Expenditure	40,238	3,219	2,607	1,843	1,915	1,992
SEND Transport	7,018	421	223	230	237	244
Energy & Fuel	4,580	3,644	411	432	453	476
Other Expenditure	11,014	156	225	228	233	238
Less: Externally Funded Items	(23,522)	(2,884)	(1,262)	(1,076)	(1,128)	(1,177)
Budgets Out of Scope of Inflation	(28,401)	0	0	0	0	0
Total Inflation Requirement	**251,047**	**21,877**	**10,906**	**9,349**	**9,793**	**10,122**

42. The workforce expenditure inflationary requirement is calculated to be £19,120k or 14% over the five-year budget strategy, which incorporates three discrete elements. Firstly, the requirement to fund the outcome of the 2022/23 pay award negotiations, reflecting a 5.9% uplift, with the approved budget for the year including a 2% inflationary requirement, with the Council therefore required to fund the 3.9% balance. Secondly, nationally negotiated pay settlements over the five-year period are forecast to be 11.35%, including a level of front-loading to reflect the current spike in general inflation. Finally, the unwinding of the 1.25% Employers' National Insurance Contributions, following the reversal of the uplift applied from April 2022 from 6 November 2022.

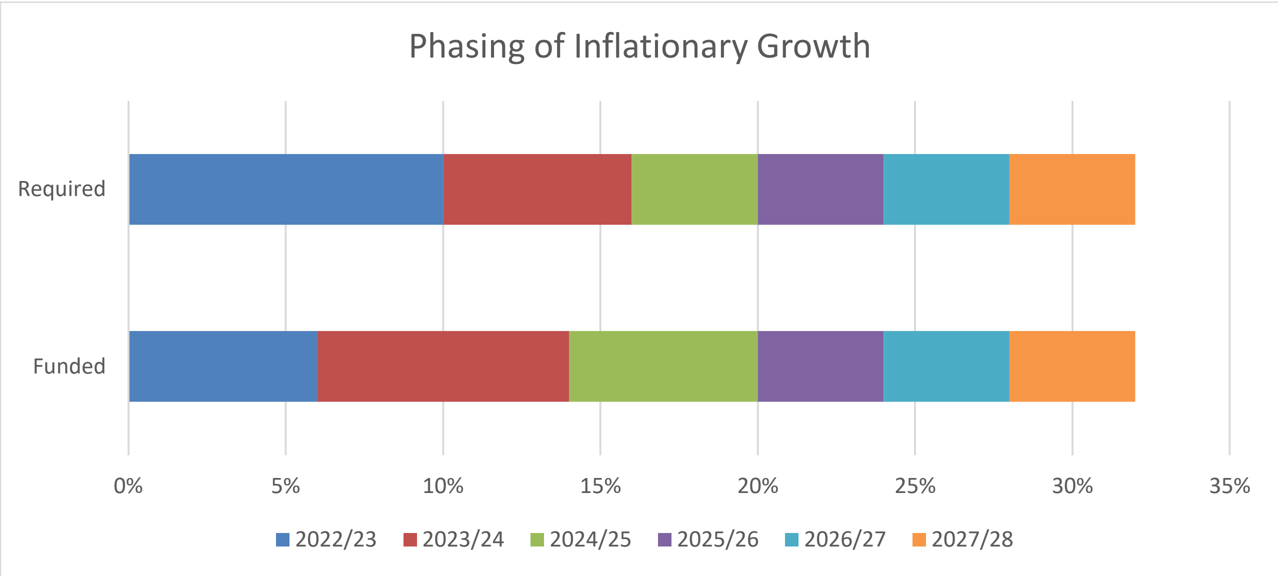
43. Inflationary increases of 7.9% have been added to Social Care Placements for 2023/24 in order to reflect inflationary pressures faced by the sector alongside upward pressure on wages, with an element of this uplift factoring in a permanent funding strategy for 2022/23 increases above the approved budget for the year. The following year is forecast to increase by 5.6% reflecting a 4% CPI uplift, plus an element of time delay of the 10% 2023/24 CPI uplift presenting. Children's Social Care is forecast to be somewhat protected from these exceptional uplifts and net down the overall uplift for Social Care, believed to be linked to high historical market rates, meaning providers are able to absorb much of the exceptional inflationary demand on their cost base. Future years are forecast to return to 4% per annum increases and track above the Bank of England target rate of 2% to reflect current conditions. Across both care placements and other contracted expenditure, budgeted uplifts will be held centrally and released to departmental budgets on confirmation of contractual requirements. This position adds £8,703k to the 2023/24 inflation requirement, rising to £31,027k over the five-year budget strategy.

44. Whilst the Autumn Statement included the delay of the Social Care reforms by two years, when the Fair Cost of Care review goes live in October 2025, the impact on the Social Care provider market and is expected to drive up the cost of care provision, however, under the Government's new burdens doctrine, this Government driven review should be fully funded

by Grant funding and not impact on the Council's net Service Expenditure. For these reasons, the impact from this review has not been accounted for in this iteration of the budget strategy.

45. Contracted Expenditure is forecast to rise in line with CPI at 10% per annum for 2022/23 and 2023/24, however, it is anticipated that there will be a time lag in these uplifts presenting to the Council as suppliers grapple with a volatile inflationary environment and present uplift requests as and when forecasts become available to them. For this reason, the Council is forecasting c.4% of the uplifts driven by 2022/23 and 2023/24 indices will impact on the 2024/25 budget before returning to 4% per annum from 2025/26 onwards as shown graphically below. These assumptions add £3,219k in 2023/24, rising to £11,576k by 2027/28.

Chart 1: Deferred Cost of Inflation



46. Special Educational Needs or Disability (SEND) Transport is forecast to require a 6% uplift in 2023/24, with this service area particularly exposed to volatility in fuel prices, with future uplifts forecast to reduce to 3%, tracking 1% below the Council's forecast for contracted Services, with this position added £421k to service operating budgets in 2023/24, rising to £1,355k over the life of the budget strategy.

47. Exceptional inflation provisions of 93.5% and 31.8% respectively have been included for energy and fuel budgets in 2023/24, reflecting ongoing market conditions, with this element of the budget particularly impacted by the war in Ukraine, with inflation requirements in the medium term projected at 5% per annum. This position is adding £3,644k in 2023/24, increasing by a further £1,772k over the remainder of the five-year budget strategy to £5,416k. Given current market volatility, this area will remain under close review and where possible mechanisms to minimise cost increases and/or minimise volatility will continue to be investigated.

48. Other inflation requirements relate primarily to levies payable to other public sector bodies, Business Rates payable on the Council's property portfolio and added years pension costs, all of which are expected to track with the headline rate of inflation in the medium term. For 2023/24, no inflation has been applied to Business Rates in line with the freeze confirmed by the Chancellor in Autumn Statement 2022.

49. In a number of areas, an element of inflationary cost pressures can be directly recouped from external funding sources, such as external grants, partner organisations and self-funding social care service users. Over the period to 2027/28, such mechanisms are expected to reduce the net cost of inflation by £7,527k.

50. In overall terms the Council has the ability to manage inflation risk through the Council's Balances & Reserve Policy and the amount contained within for inflation risk, alongside further cover that was provided at outturn 2021/22 when the Council set up a specific Earmarked Reserve to fund inflation volatility. To date, £5,307k of exceptional inflation has been drawn down from the reserve, with £4,297k remaining available for new and emerging pressures. The Council is in a position where it should take a prudent approach to assessing inflation in view of the experience in the current financial year, resulting draw on earmarked reserves and some uncertainty of inflation rates over the MTFF period. In this context there is a need to ensure service operating budgets are sufficiently resilient to cover forecast inflationary impacts and avoid any assumed reliance or expectation of reserve drawdowns.

Demand-Led Growth

51. Demand-led service projections relate to Council services where the financial impacts are driven by demand levels, and in some services, the markets in which those services are procured. These items are projected to add £23,081k or approximately 18% to the £125,877k budget for these functions in 2022/23, with this movement expanded upon below and in Appendix A4.

Table 5: Demand-led Growth

	2022/23 Budget £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Waste Disposal Levy & Contracts	14,148	483	706	561	561	563
WLWA One-Off Income	0	(1,000)	1,000	0	0	0
Support for Looked After Children	14,294	2,266	353	360	365	375
Support for Children with Disabilities	2,699	57	40	41	42	43
SEN Transport	11,442	703	683	656	627	497
Adult Social Care Placements	61,920	1,777	1,409	1,523	1,616	1,714
Homelessness Prevention	3,299	2,111	0	0	0	0
Asylum Funding Shortfall	1,175	599	14	0	0	0
Investment in Public Health	18,538	394	342	0	0	0
GLL Leisure Contract	(1,638)	1,600	0	0	0	0
Total Demand-led Growth	**125,877**	**8,990**	**4,547**	**3,141**	**3,211**	**3,192**

52. An uplift of £2,874k is projected on waste disposal costs, with an average of 1.7% per annum growth in waste tonnages over the five-year period and 4% per annum disposal costs in 2023/24, reducing to 2% per annum thereafter, driving this sustained increase in costs, although there remains scope for volatility in both demand and price. The Council continues to monitor demand and the effectiveness of the collection operation in an attempt to maximise efficiencies and reduce the environmental impact, with the Council required to use the West London Waste Authority for disposals and therefore unable to directly influence unit costs.

53. The COVID-19 pandemic continues to have a legacy impact in numbers of Looked after Children, with 2022/23 continuing to see higher than budgeted demand, with this demand being driven by demand for mental health services and the impact of court delays on children's care provision. The 2023/24 increase therefore includes an element of funding for those children that have already presented to the Council. With the legacy pandemic related demand now starting to slow and return to normal levels, future years are forecast to grow by 2% per annum in line with population growth forecasts. This position therefore adds £2,266k to the Council's Service Expenditure for 2023/24 before reducing to £1,453k for the remaining four-year period. This area remains one of the Council's high risk service areas, with demand continuing to be volatile, the ongoing risk exposure to high cost in-year placements and with the potential for the cost-of-living crisis to drive further demand for this service area. Included in the Council's Saving Programme presented elsewhere in this report, is a proposed saving to reduce spend on Looked After Children by £950k from 2024/25 from the creation of the registered care beds, with the Demand-Led Growth bid representing the increase required before this mitigating action.

54. Numbers of Children with Disabilities are expected to grow in line with historic trends, adding a further £223k to the cost of this service over the life of the budget strategy. As a result of

increasing numbers of children being supported by an Education, Health and Care Plan (EHCP), demand for SEND Transport is expected to grow by £3,166k by 2027/28 to finance transport to education settings within and outside the borough.

55. Underlying demand for the Adult Social Care Placements is projected to continue to grow over the budget strategy period, which continues to have an ongoing COVID-19 legacy issue, with an element of the 2023/24 increase being required to fund a marginal increase in demand during 2022/23, before returning to pre-pandemic population increases. This position is therefore driving a demographic increase of £1,777k for 2023/24 before returning to a 2% per annum increase in client numbers, adding £6,262k from 2024/25 to 2027/28. Included in the proposed Savings Programme later in this report, are three savings initiatives aimed at reducing spend on Adult Social Care Placements by £2,550k by 2024/25, with the Demand-Led Growth bid representing the increase required before these initiatives are factored in to reduce the overall spend in this area.

56. Homelessness continues to see additional demand presenting to the service, however, up until recently this has been met by additional Government funding following the introduction of the Homelessness Reduction Act in 2017 and ongoing central government measures to specifically address the Rough Sleeping cohort. Based on the Council's current demand and levels of Government funding, it is forecast that this service area will require additional demand funding of £2,111k in 2023/24, driven by additional numbers being placed in high-cost nightly accommodation. This service area is particularly volatile and is being impacted by pandemic legacy demand, the cost-of-living crisis and an increase in private sector evictions, all in the context of consultation on the Government funding allocations, for this reason, this area will continue to be kept under review, with any further changes to the Council's Service Expenditure to be presented in future refreshes of the Council's budget strategy.

57. Demand pressures associated with supporting Unaccompanied Asylum-Seeking Children (UASC), some of which is being driven by global crises, are intended to be met through specific grant. However, an increase in the number of children not eligible for grant funding is one of the key factors behind an increase the Council's net service expenditure, with a further impact being driven by subsistence for Care Leavers, with an increase of £599k in 2023/24, followed by a residual £14k in 2024/25, taking the total increase to £613k over the life of the budget strategy. It should be noted, that grant funding has not been sufficient to meet the financial burden on the Local Authority and that the Home Office are yet to revise rates for 2022/23, in the current economic climate, the absence of an inflationary increase in the funding regime could lead to further pressures on the Council's budget.

58. With Public Health continuing to be a ringfenced fund, the increase in service expenditure relates to the forecast increase in the Council's Public Health Grant allocations based on the 2021 Spending Review which set a multi-year settlement. With the Council required to spend any increase in Government funding on Public Health, this increase ensures the

Council meets its statutory obligations and re-invests the increased funding into Public Health services, the remaining balance of the increased funding is being utilised to fund inflationary uplifts reported under contracted expenditure.

59. Following on from the pandemic, the Council continues to see legacy impacts in demand for leisure services, creating a challenging environment for the Council's leisure. In recognition of the ongoing impact of the pandemic on demand, the Council is close to finalising a review of its contract for delivery of leisure services with a £1,600k increase in service expenditure reflecting unwinding the existing contract, while the Savings Programme in this report including £1,300k of ongoing income which is expected to be more reflective of current market conditions, therefore representing a £300k net adverse movement overall.

60. The Council continues to monitor the impacts of demography across all Council services and in the wider context of population growth projections from the ONS and other sources and reviews these against the Council's forecast movements in the taxbase, with monthly updates on key areas reported on through the Council's monthly monitoring processes. The Council's Balances & Reserves strategy includes an element within the General Balances assessment for exceptional demographic pressure, with the Council also holding Earmarked Reserves specifically to mitigate against demographic pressure variations. The Council's monthly monitoring process also allows for early indication of new and emerging issues in a timely manner, allowing for remedial action to be reviewed and agreed where appropriate.

Corporate Items

61. Adjustments to centrally managed or cross-cutting elements of the Council's budgets are presented within Corporate Items are projected to add £9,572k to service expenditure by 2027/28, with the servicing and repayment of borrowing undertaken in support of capital investment representing the most significant element of this movement. These adjustments are summarised below and within Appendix A4 of this report.

Table 6: Corporate Items

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Capital Financing Costs	3,553	2,047	376	(1,208)	199
Flexible Use of Capital Receipts to finance Service Transformation	0	0	1,029	0	0
Public Health Rebadging	(1,000)	0	0	0	0
Earmarked Reserve Drawdown to Fund Transformation	681	0	0	0	0
Hillingdon First Enabling Developments	0	(1,000)	0	0	0
Cost of Older People Discount	(92)	(85)	(80)	(75)	(70)
Earmarked Reserves use for Older People Discount	(92)	1,422	0	0	0
Concessionary Fares	544	1,609	1,539	0	0
Housing Benefit Subsidy (Recovery of Overpayments)	100	100	100	100	100
Movement in Added Years Pension Costs	(125)	(25)	(25)	(25)	(25)
Total Corporate Items	**3,569**	**4,068**	**2,939**	**(1,208)**	**204**

62. Capital investment plans set out within this budget will require £59,405k borrowing over the period to 2027/28, the servicing and repayment of which will add £4,967k to the capital financing budgets over this period. In addition, the planned switch of funding from capital to revenue for the Council's embedded transformation resources will contribute a further £1,029k to service expenditure from 2025/26. As the Council continues to join up health and care spend, the Council has reviewed current expenditure and identified £1,000k of expenditure that meets the criteria for the Public Health ringfence and can therefore be funded by the Public Health Grant and free up general funding for other frontline services. The pipeline of developments for Hillingdon First Limited is expected to secure additional income of £1,000k per annum from 2024/25 through the delivery of high-quality housing.

63. With the Council Tax Older People's Discount Scheme closed to new entrants, the cost of providing this discount in expected to decline over the medium-term, albeit that this will no longer be financed from Earmarked Reserves from 2024/25 onwards, resulting in a net £1,330k addition to service expenditure.

64. The consequential impacts of reduced tube and bus usage by those residents making use of the Freedom Pass both during, and after, the pandemic has led to reductions in the Council's Concessionary Fares levy from Transport for London with the position presented above reflecting the return to pre-pandemic levels of demand. The combination of migration of claimants to Universal Credit and real time information sharing with the Department for Work and Pensions are expected to result in a £500k reduction in income recouped through the Housing Benefit Subsidy System by 2027/28. In addition, legacy added years pension payments are projected to decline by £125k over the same period, with 2023/24 including an additional £100k reduction for an accelerated reduction in demand during the pandemic.

65. Corporate risks are monitored on via the Council's monthly monitoring process, with outputs from this feeding into the medium-term budget strategy. This includes reviewing the impact of capital financing assumptions, both in terms of the Council's Capital Programme and cashflow management as well as the financial markets and the impact on the cost of borrowing and investment income due to interest rate changes both in the short and medium terms. An element of cover is included in the Council's Balances & Reserve Policy, with the Council also well placed manage cashflow requirements on a proactive basis through the regular review of the financial markets.

SAVINGS PROGRAMME

66. A programme of savings proposals totalling £20,791k have been developed for the 2023/24 financial year, with a further £24,892k measures from 2024/25 expected to secure £45,683k savings over the course of the MTFF. This represents a significant step change from the savings requirement anticipated in February 2022, when prior to the recent substantial uplift in inflationary pressures the 2023/24 budget gap was projected to total £9,620k. This savings programme will continue to be delivered through a similar range of themes to proposals delivered in previous years, albeit with a pivot towards broader strategic programmes of activity. These strategic programmes include:

   i. Leveraging technology and other tools to deliver transformational change in service delivery models as part of end-to-end Service redesign to ensure cost effective and efficient ways of working. Some of these tools include the deployment of Amazon Web Services to deliver voice automation within the Contact Centre to increase capacity for responding to resident engagement, adopting Perform Plus methodology to drive efficiencies in operational delivery, which has already been undertaken across Housing functions and greater use of automation to replace transactional processes where possible;

   ii. Moving towards a Community Hub model of service delivery, which brings together services within localities, providing residents with ready access to a range of Council provision while reducing overhead costs tied up in asset management;

   iii. Continuing to manage demand across demand-led services such as Social Care and Homelessness through investment in early intervention, prevention and targeted support where this is appropriate for the needs of the service users, for example in partnership working with the NHS to provide Mental Health crisis intervention services or bolstering affordable housing supply in the borough, and;

   iv. Continued proactive management of the Council's contracted out services, ensuring that third party provision continues to meet evolving resident requirements and secures Value for Money for the local taxpayer.

67. Over the next five years, these strategic measures, combined with an array of smaller tactical initiatives will be implemented to secure efficiencies and continue to deliver local services within the available financial envelope – a challenge made all the greater in the context of the high levels of inflation and ongoing constraints on funding. A thematic overview of this programme is set out below, with measures totalling £45,683k.

Table 8: Medium Term Outline Savings Programme

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Service Transformation	(6,612)	(5,139)	(2,407)	(1,000)	(1,000)
Effective Procurement & Commissioning	(3,430)	(675)	0	0	0
Managing Demand	(1,524)	(2,706)	(111)	(136)	0
Income Generation & Commercialisation	(6,845)	(4,218)	(2,500)	(2,500)	(2,500)
Zero Base Budgeting	(2,380)	0	0	0	0
Total Savings by Theme	**(20,791)**	**(12,738)**	**(5,018)**	**(3,636)**	**(3,500)**

68. Service Transformation proposals amounting to £16,158k reflect the expected outputs from the BID programme, which is built around a number of key objectives:

i. The impact of more fundamental, end to end, business process reengineering through a revised approach to digital customer contact/ channel shift at the front door, the roll out of robotics and automation to back-office processes and then the implementation of more efficient ways of working, such as the Perform Plus methodology.

ii. The modernisation and reshaping of service delivery models including moving towards more integrated service hubs, and more efficient and effective service offerings.

iii. The streamlining and refocussing of Council management structures and then associated staffing structures through further BID reviews.

iv. Maximising use of assets, alongside a strategic review of the capital programme and its financing.

69. Measures to manage demand continue to be focused on early intervention and similar approaches with a value at £4,477k, anticipated to secure improved outcomes for residents at the same time as securing reductions in the cost-of-service delivery. Examples in this area include continuation of the focus on reablement, in-borough provision of SEND places and the Stronger Families Programme, alongside the impact of Mental Health crisis stepdown as part of a review of this pathway within Adult Social Care.

70. Income Generation and Commercialisation measures totalling £18,563k reflect a continuation of the approach taken in 2022/23 to managing Fees and Charges, with the impact of inflation on core Council services necessitating a move towards greater cost recovery through Fees & Charges where appropriate. Appendix C to this report provides an overview of proposed Fees & Charges for the 2023/24 financial year, where this move

towards greater cost recovery is proposed to minimise the requirement for cross-subsidisation from Council Tax.

71. The following paragraphs provide an overview of specific savings proposed to balance the 2023/24 budget position, with appendix A6 providing a summary of savings proposals by Cabinet Member portfolio and theme. Where savings relate to back-office functions shared between General Fund and Housing Revenue Account, an element of the saving will benefit the HRA.

Table 7: 2023/24 Savings Programme

	Gross Saving £'000	HRA Share £'000	General Fund Saving £'000
Property, Highways & Transport	(1,727)	0	(1,727)
Finance	(117)	18	(99)
Corporate Services	(1,466)	388	(1,078)
Residents' Services	(11,931)	0	(11,931)
Children, Families & Education	(1,111)	0	(1,111)
Health & Social Care	(2,395)	0	(2,395)
Cross-Cutting Initiatives	(2,450)	0	(2,450)
Total Service Expenditure	**(21,197)**	**406**	**(20,791)**

72. As shown in the table above and expanded upon in the following paragraphs, £20,791k of General Fund savings proposals have been incorporated into the draft budget for 2023/24 (based on specific, planned measures but inherent risk in delivery as ever),

i. Property, Highways & Transport: A comprehensive service review of Highways and Transport is expected to deliver savings of £150k through the implementation of a staffing restructure and changes to operating models, alongside working with schools to implement a new model of road safety measures, which will reduce costs by £90k. In addition to this, maximising the use of assets is core to the wider transformation programme and projects are underway to review assets across the Borough including a wide-ranging programme for the use of the Civic Centre, which will to reduce running costs by £325k in 2023/24. As part of the review of assets, leases to voluntary sector organisations will be considered with a view to consolidating assets, which is anticipated to deliver £100k. The review of Fees & Charges in this area is projected to yield £356k of additional income.

ii. In line with maximising the appropriate funding available, zero-based reviews of Highways (£150k), Street lighting (£210k) and Town Centre (£346k) works will all be undertaken and relevant activities to be funded through Capital, releasing an estimated £706k of savings.

iii. Finance & Transformation: Significant transformation is underway with the planned implementation of a new ERP system within Finance, which will enable the automation of transactional functions, impacting from 2024/25 onwards and result in corresponding savings of £600k from the back office. In addition, ongoing work within the Revenues and Benefits services, including channel shift to enable greater levels of self-service, is expected to achieve £220k of savings. For 2023/24, savings include an initial £100k from the review of Revenues and Benefits, alongside £17k increased income from Fees & Charges.

iv. Corporate Services: Service redesign within this portfolio has led to a series of planned restructures across these support functions, which will deliver £1.4m over a period of 3 years (with £1.1m expected to be delivered during 2023/24), including Human Resources (£206k), Business Support (£446k), Business Performance (£170k), Complaints and Members Enquiries (£90k), Democratic Services (£150k) and a wider review of the management structure across the Group (£200k), with a particular focus use of technology and removing management tiers. The review of Fees & Charges is expected to generate an additional £204k within this portfolio.

v. Residents Services: A series of restructures will be undertaken across the teams within Residents Service, following reviews of processes, ensuring that robust and efficient structures are in place to ensure efficient delivery of front-line services. These restructures include reviews within the following areas: Community Safety (£72k), Graffiti (£85k), Out of hours teams including merging Park locking duties (£240k), Parking (£45k), Projects and Events (£70k), and a wider review of management tiers across the Place Group (£200k).

vi. Within Green Spaces, extensive transformation is underway, reviewing the service offer to ensure efficient functioning of parks and green spaces maintenance across the Borough in a sustainable way. Replacing bedding plants with perennials results in lower maintenance and is anticipated to save £50k, removing the Council subsidy at the Rural Activities Garden Centre of £150k and reviewing hanging baskets (£50k) will all contribute to ensuring a cost-effective service. A wider Service redesign of Green Spaces will be undertaken, reviewing structures, operating models and funding strategies and aims to deliver a further £615k.

vii. As part of wider Service redesign work, the operating model of several service areas will be undertaken to minimise Council subsidy where appropriate and ensure cost effective service delivery. A review of street cleaning to align more closely to the rerouted waste rounds is anticipated to deliver £400k, a full redesign of the Housing service, using technology and efficient ways of working to mitigate costs (£300k), investigating the creation of a charitable trust for heritage assets within the Borough (£115k), installation of LED lights within Cedars and Grainges car parks to reduce energy costs (£110k), rightsizing the active operations of the CCTV room to focus on peak activity times (£160k) and the creation of a locality needs based approach to libraries (£350k), will all be implemented over the course of 2023/24.

viii. Within Waste Services, a series of projects are underway focusing on increasing levels of recycling and reducing contamination to ensure waste can be disposed of in the most cost-effective manner. The projects include; the re-routing of waste rounds, which was implemented on the 31st October, with a full year effect saving of £250k, further work to improve capacity at the Household recycling centre (£100k), continued management of demographic growth through effective recycling and disposal (£75k), reviewing food waste, compost and bottle bank options (£84k), implementing changes to the distribution of recycling bags (£200k) and increasing levels of recycling within Schools to cut down on residual waste costs (£70k).

ix. The review of the Leisure contract following the significant impact of pandemic on this industry, which is close to being finalised, will secure a saving of £1,300k as part of a broader programme of procurement and commissioning activities including a review of additional grant monies to fund Police activities (£500k).

x. A number of zero-based review savings are included within this portfolio, ensuring value for money and maximising alternative funding streams. These total £674k in 2023/24 and includes an increase in application of S106 monies (£300k), alternative funding for events (£24k) and capitalisation of appropriate works and equipment within Green Spaces (£350k).

xi. Within Residents Services, there are a number of opportunities to generate further income and a variety of proposals will be considered including increased parking charges (£3,470k) and in particular the implementation of a charge of £75 for the first parking permit within parking management schemes, removing the Council subsidy of the golf offer across the Borough (£100k) and increasing income from filming within the Borough (£50k). The broader review of Fees & Charges outlined within Appendix C is projected to generate an additional £5,516k income to support services within the Residents Services portfolio.

xii. <u>Children, Families & Education:</u> Demand management and innovation to reduce costs are the key focus within Children's Services. The Stronger Families programme continues to embed and to support families in crisis or at risk, to ensure that the family unit remains intact where appropriate and avoids children entering the care system, with a further cost reduction of £150k anticipated from this work. Reductions in the cost of SEN transport are anticipated across the term of the MTFF, in line with the DSG recovery plan through the creation of greater in-Borough sufficiency of placements, with this expected to deliver £229k in 2023/24. In addition, further work will be done to minimise the current subsidy on the Council's provision of Early Years nursery provision, with a target of a £130k reduction in 23/24. Amendments to Fees & Charges are expected to yield a further £602k within this area.

xiii. Health and Social Care: Within Health and Social Care, as in previous years, the Council continues to adopt a strong Early Intervention approach to deliver better outcomes for residents and contain placement costs. The Service continue to experience the impact of Covid on packages of care and work is focused on further mitigating these impacts, which is reflected in the savings within this area, with £500k in 2023/24 relating to post-pandemic reablement savings as the caseloads are stabilised and a further £500k for Mental Health Covid recovery reflecting efficiencies from both early intervention and placements. In year realignments of staffing budgets for 'hard to recruit' posts are expected to provide a further £500k of one-off savings in 2023/24 based on trends in 2022/23 budget monitoring and the social care workforce. A comprehensive review of the grants distributed to the Voluntary Sector, with the aim of moving to a fully commissioned model, meeting the Public Health objectives of the Council, has generated a further £830k in 23/24, with £65k savings linked to a review of staffing structures.

xiv. Cross-Cutting Initiatives: As detailed above, in addition to the specific portfolio savings programmes, there is a programme of strategic, multi-year activity, which cuts across all Council services, with £2,450k expected to be delivered in 2023/24. Moving to a Community Hub model of service delivery in localities across the Borough is underway and efficiencies through asset disposals are anticipated to deliver £500k in 23/24. Leveraging technology and other tools to deliver transformational change in service delivery models as part of end-to-end Service redesign is expected to deliver £650k in 23/24, with further savings planned across the term of the MTFF. Through effective procurement, it is anticipated that part of the inflationary impacts projected in 23/24 will be contained and the saving of £800k reflects this activity. Finally, a zero-based review of all Corporate discretionary spend will target a reduction of £500k from budgets.

73. In order to ensure the effective management and delivery of this savings programme, the Council has embedded a robust governance structure around Service Transformation with monthly programme management boards tracking progress against all proposals and reporting through to Cabinet Members on a regular basis. Overarching outputs from this process will continue to form part of the monthly budget monitoring report to Cabinet, providing a key tool for the management of risk around delivery of the savings programme and by extension a balanced budget.

74. Where implementation of savings proposals requires upfront investment, it is recommended that these costs are funded through a combination of Earmarked Reserves and Capital Receipts as permitted by Government Direction. In order to make use of Capital Receipts, it is necessary for the Council to adopt and report on an efficiency strategy, with the London Borough of Hillingdon's Medium Term Financial Forecast serving this purpose. Regular

reporting on use of these powers will be included in the monthly budget monitoring reports to Cabinet throughout 2023/24, with final outturn positions similarly reported to Cabinet.

CAPITAL PROGRAMME (2021/22 to 2026/27)

Capital Expenditure

75. Capital investment of £340,003k over the period 2022/23 to 2027/28 has been incorporated into the wider General Fund budget strategy set out within this report, with £193,865k investment in major projects, primarily delivering new or expanded infrastructure, and £137,358k investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved, with a contingency of £8,780k being set against this programme. An overview of these investment plans including changes from the programme approved by Council in February 2022 is detailed below, with further detail available in Appendix A8.

Changes to the Approved Programme

76. Development of the Capital Programme flows from the previously approved budget, where planned new borrowing over the MTFF period stood at £87,858k, with refinement of projections in respect of the Civic Centre transformation project and a review of alternative funding opportunities reducing this sum by £28,453k to leave a new borrowing requirement of £59,405k. This step change in the borrowing requirement has enabled the Council to mitigate the additional costs arising from increased debt financing costs flowing from recent uncertainty in the financial markets.

Capital Programme By Cabinet Portfolio

77. The revised draft capital programme of £340,003k from 2022/23 to 2027/28 by Cabinet Member portfolio is set out in the table below.

Table 9: Capital Programme by Portfolio

Cabinet Member Portfolio	Major Projects £'000	Programmes of Works £'000	General Contingency £'000	Total £'000
Property, Highways & Transport	137,859	100,483	0	238,342
Finance	28,000	4,376	8,780	41,156
Corporate Services	0	4,975	0	4,975
Residents' Services	2,914	8,259	0	11,173
Children, Families & Education	25,092	4,694	0	29,786
Health & Social Care	0	14,571	0	14,571
Total	**193,865**	**137,358**	**8,780**	**340,003**

78. **Property, Highways and Transport** – total investment of £238,342k from 2022/23 to 2027/28 includes £34,845k to complete the construction of the new West Drayton Leisure Centre in 2024/25, and £25,035k to develop the new Hillingdon Water Sports facility, replacing facilities dispersed by the HS2 project. Other projects include £20,000k on the

redevelopment of the Uxbridge Civic Centre to provide a modern base for Council services and release land for housing delivery, £25,000k investment in initiatives to reduce the borough's carbon footprint and £14,858k funding for Hillingdon First Limited to deliver high quality homes. In addition, major projects to deliver new libraries in Yiewsley and Northwood as part of wider developments, and a range of new investment in other Council assets have been included in this budget.

79. Complementing major projects investment is £100,483k programme of works spend, including £35,321k for the borough's roads and footways infrastructure, £21,766k works to improve the fabric of the borough's existing schools, and £12,974k investment in adaptations for residents through the Disabled Facilities Grant Programme. Other programmes include the cyclical renewal of the Council's existing asset base, ensuring that this remains fit for purpose.

80. **Finance** – the £28,000k budget under Major Projects relates to capitalisation support to cover costs of transformation (£12,000k in total over three years) and the DSG recovery plan (£16,000k in total over four years). These costs require to be financed by capital receipts which have been included in the capital financing budget. Under Programmes of Works, the budget of £4,376k focuses upon the programmed renewal of the Council's vehicle fleet.

81. **Corporate Services** – the budget of £4,975k includes £3,905k for continuing investment in the Council's ICT infrastructure and £1,070k for older people's initiatives.

82. **Residents' Services** – the draft budget of £11,173k includes £6,274k for the Chrysalis and playground replacement programmes, providing various facilities to residents, and £2,605k for various shopping parades initiatives to improve local high streets.

83. **Children, Families and Education** – within Major Projects a total of £25,092k based on current confirmed grant funding is included for increasing special educational needs places at several identified school sites, supporting the DSG recovery plan. There is also £4,694k under Programmes of Works for providing new uniformed scout/guide groups facilities (£1,900k) and devolved capital to schools.

84. **Health and Social Care** – the budget of £14,571 is for continuing investment in Social Care equipment for service users.

Capital Financing

85. The capital programme is financed from a range of sources, including government grants, developer contributions, capital receipts secured from disposal of surplus assets and borrowing. Where borrowing is utilised to support investment, resulting interest costs and ultimately repayment of loans will be met from the revenue budget, with appropriate provision having been made in the Corporate Items section of these budget proposals. The

following table and commentary provide an overview of capital financing changes and resulting levels of borrowing.

Table 10: General Fund Capital Financing

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Grants	24,032	43,469	24,435	12,848	9,574	9,574	123,933
CIL	9,742	2,463	3,750	3,750	4,500	4,500	28,705
Capital Receipts	21,920	51,336	25,236	15,848	6,817	6,803	127,960
Borrowing	18,793	19,699	9,302	3,789	7,323	500	59,405
TOTAL	**74,487**	**116,967**	**62,723**	**36,235**	**28214**	**21,377**	**340,003**

86. Prudential Borrowing has been reduced by £28,453k from the level approved by Cabinet and Council in February 2022, as set out in the above table of changes to the approved programme.

87. The capital receipts target has been required to be increased by £48,535k from the level of £79,425k approved in February 2022, mainly due to requiring £28,000k across transformation and DSG financing support, the latter being part of the safety valve agreement terms. Substantial receipts are expected to be generated through the planned reconfiguration of the Civic Centre site which will finance the gross £20,000k capital budget, alongside a broader review of the estate. Overall, this target for asset sales is deemed to be achievable, although there remains inherent risk from the necessary engagement with the market which will necessitate a level of investment to secure Value for Money in potentially challenging economic conditions.

88. Grants available to support planned investment include Department for Education funds for investment in special needs school places and condition works, Department of Health and Social Care monies routed through the Better Care Fund to support Social Care services, Transport for London funding for transport infrastructure and High Speed 2 Funding linked to the provision of new uniformed groups facilities. In addition, a number of smaller grants have been secured for specific projects and Section 106 contributions are applied to eligible expenditure.

89. The Community Infrastructure Levy is available to meet the additional infrastructure requirements of new development in the borough, with a requirement that spending plans are approved annually for this funding stream. For 2022/23 it is proposed that the majority of the levy is applied to fund the new leisure centre being provided in West Drayton, with the community-led element being used to fund the Chrysalis Programme.

90. Section 106 Financing - improvements to processes around the management of developer contributions are also expected to enable application of existing Section 106 monies, with £178k Section 106 contributions favourably being applied to existing schemes as part of capital financing outturn in 2021/22. A further £822k over three years are assumed able to support the capital programme, set against the Carbon Initiatives budget.

91. Planned new borrowing of £59,405k, together with the Council's historic capital investment will result in the Capital Financing Requirement peaking at £273,015k in 2024/25 and declining thereafter. Of this sum, £232,870k is expected to necessitate external borrowing, with £40,145k being financed through General Fund reserves and working capital as outlined in the table below.

Table 11: General Fund Borrowing

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Capital Financing Requirement	**258,645**	**271,850**	**273,015**	**268,334**	**266,962**	**258,455**
Projected External Borrowing	(202,000)	(239,935)	(232,870)	(215,805)	(218,740)	(211,675)
Projected Internal Borrowing	(56,645)	(31,914)	(40,145)	(52,529)	(48,222)	(46,780)

92. The ongoing cost of servicing and repaying this projected Capital Financing Requirement has been factored into the Council's budget strategy, with new borrowing and associated repayments to be matched to the useful life of relevant assets – estimated at 25 years. This level of investment and associated costs have been considered by the Corporate Director of Finance in the context of CIPFA's Prudential Code for Capital Financing and judged to be prudent, affordable and sustainable.

93. In addition to assessing forward-looking capital investment plans against the Prudential Code framework, a retrospective assessment of the Council's existing borrowing requirement provides a rounded view of the Council's capital health. As of 31 March 2022, the Council held General Fund assets valued at £1,196m, against which the outstanding Capital Financing Requirement stood at £248m or 21%. Provision to write-down this balance in full through Minimum Revenue Provision is in place, with 80% of the liability cleared over the next 24 years, reflecting a prudent estimate of the period over which these assets will be available for local service provision.

94. Financing plans set out within this draft budget include the application of £127,960k of Capital Receipts to be secured from the disposal of assets, with £28,000k of this sum being applied in line with Government direction towards the write-down of the Dedicated Schools Grant Deficit and funding investment in service transformation to secure future revenue savings. The residual £99,960k proceeds from projected asset sales will be applied to finance new investment as an alternative to borrowing, in the event that receipts are not available and subject to assessing prudence, affordability and sustainability, such new investment could be financed through additional borrowing.

SCHOOLS BUDGET

In-Year monitoring position and background

95. At month 7, the Schools Budget is reporting an in-year deficit of £6,029k which represents a net £543kk adverse movement from the original budgeted position. The cumulative deficit is therefore forecast to be £21,801k at 31 March 2023 after accounting for the £3,750k of Safety Valve funding and £4,000k Local Authority amortisation.

96. At the time of writing the Council is currently forecasting an in-year deficit, with a potential further deficit in 2023/24, however, the actions agreed in the Safety Valve agreement with the Department for Education are still forecast to be delivered by 2025/26 and deliver a balanced budget in that year, with the potential for this to deliver a surplus.

Funding Outlook

97. The core assumptions for the 2023/24 DSG budget have been informed by the funding announcements which indicated favourable settlements for both the Schools and High Needs Blocks in 2023/24 of 1%, however, in line with the process introduced in 2020/21 funding for the Central School services will decrease by a further 20% in 2023/24. The final funding settlements for the DSG are usually published in December alongside the wider local government settlement details and the detailed impact set out in the discrete Schools Budget report.

98. The recent Spending Review announced further COVID-19 recovery monies that were expected to be allocated directly to schools alongside a significant uplift in SEND capital funding. This latter element will support measures included within the Council's DSG recovery plan which are incorporated into the general fund capital forecasts.

Timetable

99. The Council is required to transition towards the national funding formula and in 2023/24 will need to be within 10% of this measure, with the Council presenting an update to Schools Forum to agree the Council's approach in January following the Government funding announcement in December, with the formal Schools Budget being set in March 2023.

HOUSING REVENUE ACCOUNT

BUDGET STRATEGY AND SUMMARY OF PROPOSALS

100. The HRA is a ringfenced, 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 2023/24 financial year and the period to 2027/28 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.

101. The HRA budget strategy over the Council's five-year budget strategy period is structured around three key work programmes:

    i. Housing Supply – delivering more than 100 new homes per annum to support increasing demand for social housing in a growing borough.

    ii. Estate Regeneration – delivery of 370 new homes across the Avondale and Hayes Town Centre estates, a net increase of 72 during the MTFF period on the current configuration.

    iii. Works to Stock – an enhanced programme of works to ensure that properties are refreshed on a rolling programme.

102. Development of HRA budgets over the five-year has been undertaken in the context of significant inflationary pressures, with CPI currently running in excess of 10%, which is being exacerbated by the inherent focus on construction and building-related expenditure which has been particularly affected during this period of high inflation. In order to manage this inflation in the context of Government capping rent increases below the prevailing rate of inflation at 7%, a programme of efficiency savings will be required over the MTFF period.

103. Forward looking financial plans are based on solid foundations, with a forecast balanced budget for 2022/23 and unallocated reserves projected to total £15,068k at 31 March 2023. Given that £15,000k reserves are judged to provide sufficient capacity for risk management purposes, the budget strategy maintains unallocated reserves at the target level.

104. Capital investment plans will result in the HRA Capital Financing Requirement reaching £344,273k in 2027/28, with both the budget strategy and 30 Year Business Plan demonstrating that the ongoing servicing and repayment of this level of borrowing is sustainable.

105. Further commentary on the HRA budget strategy is provided below, with detailed schedules included in Appendix B.

RENTAL INCOME

106. HRA Dwelling Rental Income is projected to grow from £61,689k in 2022/23 to £85,005k by 2027/28, with this £23,316k increase in funding driven by a combination of inflationary rent increases and net growth of 486 dwellings as investment in delivery of new stock outstrips projected losses through Right to Buy sales and the Hayes Estates Regeneration Scheme. Within this projections, levels of void losses are projected to decline from 1.20% to 1.00% as a result of investment in service capacity to bring these properties back into use.

107. As part of the November 2022 Autumn Statement, the Government established a 7% cap on rent increases within the sector, which has been reflected in this draft budget for the 2023/24 and 2024/25 years. Thereafter, rental uplifts are assumed to return to the previous national formula of CPI+1%. With CPI currently running in excess of 10%, the 7% rent cap will necessitate delivery of efficiency savings within the HRA in the medium term.

108. The table below provides an overview of projected changes in stock numbers, with new units being delivered through the capital investment plans expanded upon later in this report while units are sold under Right to Buy.

Table 12: HRA Stock Numbers

Tenanted Stock	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Change
Projected Opening Stock	10,222	10,239	10,285	10,487	10,541	10,713	N/A
Forecast Right-to-Buy Sales	(50)	(40)	(40)	(40)	(25)	(25)	(220)
New Units	107	93	100	100	100	20	520
Housing Regeneration voids	(40)	(7)	(65)	(6)	(66)	0	(184)
Housing Regeneration new build	0	0	207	0	163	0	370
Projected Closing Stock	**10,239**	**10,285**	**10,487**	**10,541**	**10,713**	**10,708**	**486**
Projected Average Stock	10,230	10,262	10,386	10,514	10,627	10,710	

INFLATION

109. Inflationary cost pressures of £8,806k are projected within the HRA, with material uplifts relating to workforce costs, materials in relation to repairs and maintenance works and energy inflation, with an element of this cost pressure being required to provide permanent funding for 2022/23 inflationary pressures which are forecast to be greater than budgeted for in February 2022. Further analysis of the inflation requirement is presented in Appendix B2.

110. Workforce costs reflect anticipated pay awards of 17.1% over the budget strategy period, with 2023/24 including an element of 'catch up' inflation following a higher than budgeted pay award in 2022/23. The Council's overarching inflation assumptions are for CPI to

continue to track at 10% per annum for 2022/23 and 2023/24, before returning to 4% thereafter, with elements of the Councils expenditure and income being driven by alternative indices. Material costs are projected to grow by RPI+2% in light of ongoing supply chain issues and energy budgets are projected to require exceptional uplifts of 214% for gas and 69% for electricity in 20223/24 to reflect current market volatility before returning to 5% in the medium term.

CAPITAL CHARGES

111. Capital investment plans expanded upon later in this report necessitate £242,257k of new borrowing over the period to 2027/28, the ongoing servicing and repayment of which will add £10,496k to HRA service expenditure over the MTFF period. These financing charges reflect the step change in borrowing costs in recent months, with underlying investment continuing to meet the thresholds for affordability, sustainability and prudence.

GROWTH

112. Specific uplifts of £306k in planned service expenditure have been incorporated into this draft budget to ensure that sufficient organisational capacity is in place to deliver on local and national priorities. £190k of growth has been included to bolster capacity to meet expectations of the Social Housing Regulator and consumer standards charter, with a further £116k building capacity within the repairs service to accelerate turnaround of void units and facilitate investment in existing stock, including in relation to decarbonisation.

SAVINGS

113. With the HRA operating as a ringfenced self-financing account, it is incumbent upon the Council to match expenditure to available resources. In the context of rental increases being capped at below the prevailing rate of inflation, it is therefore necessary to identify cost reductions to ensure the HRA remains financially sustainable. In order to ensure that capacity exists to continue to invest in existing and new housing stock, these cost reductions will be secured through identification of efficiency savings.

114. In line with the approach taken to managing service transformation on General Fund services through the BID Programme, a range of initiatives will be undertaken with a view to securing £1,690k of efficiency savings over the period from 2023/24 to 2024/25. These initiatives will include:

   i. Leveraging substantial programme of planned capital investment to minimise the requirement for higher cost reactive repairs;

   ii. Review of contracted expenditure to ensure that arrangements continue to meet service requirements and deliver Value for Money to rent payers, and;

iii. Reflecting the benefits of broader efficiency programmes in back-office services shared between General Fund and HRA including implementation of the Perform Plus programme across the service, with £406k expected to be delivered during 2023/24.

CAPITAL PROGRAMME (2022/23 to 2027/28)

Capital Expenditure

115. Capital investment of £621,109k in expansion and enhancement of the housing stock over the period 2022/23 to 2027/28 has been fully reflected within this draft budget, including £369,522k funding to deliver 890 new dwellings gross and £195,120k investment in existing housing stock. Further detail on these investment plans can be found in Appendix B3, with a brief overview set out below.

116. Investment in new housing includes £160,982k budgets for the flagship regeneration projects on the Avondale and Hayes Town Centre estates which are expected to deliver 370 new homes, a net increase of 185 on the current configuration. A further £208,540k has been allocated to deliver 520 units through internal development and acquisitions, with project timelines set out to maximise use of retained Right to Buy receipts over the MTFF period.

117. £195,120k has been budgeted for an enhanced programme of works to stock, based around a five-year cycle and including renewal of key components such as kitchens, bathrooms, roofs, windows and boilers. Through these works and further investment in insulation measures, this programme of investment is intended to increase energy efficiency and thereby contribute towards tackling fuel poverty. Additionally, investment in major adaptations to properties will continue, ensuring that wider needs of HRA tenants can be supported in their own homes where appropriate.

Capital Financing

118. Planned capital investment is to be financed from a range of sources, including external grant funding, capital receipts, direct contributions from the rental income and borrowing. Overall financing plans are summarised below, with a brief overview and further commentary on the sustainability of borrowing plans.

Table 13: HRA Capital Financing

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Revenue Contributions	25,309	21,580	24,025	26,089	25,234	24,582	**146,819**
Prudential Borrowing	27,167	64,665	35,740	61,774	52,911	0	**242,257**
Grants	15,146	16,922	21,258	17,133	22,014	33,593	**126,067**
Capital Receipts	11,449	8,082	7,400	10,372	10,719	1,476	**49,498**
Total	**79,071**	**111,249**	**88,423**	**115,369**	**110,878**	**59,652**	**564,641**

119. External grant funding has been secured in support of the estate regenerations schemes and a number of smaller development projects, together with external funding to support energy efficiency measures across the estate and Department of Health and Social Care monies being applied to support an element of the adaptations programme. The primary application of capital receipts is from the retained element of Right to Buy sales.

120. A substantial element of the cyclical investment in works to stock is financed directly from rental income, with borrowing focused on delivery of new housing units whereby servicing and repayment of this debt can be managed from additional rental income on the new units. Provision for the servicing and repayment of existing HRA borrowing and the £242,257k planned borrowing has been factored into the 30-year business plan, demonstrating that proposed investment is sustainable in the longer term. The outlook for debt levels of the MTFF period are shown below.

Table 14: HRA Borrowing

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Capital Financing Requirement	**180,612**	**235,382**	**260,879**	**312,320**	**354,800**	**344,273**
Projected External Borrowing	(165,612)	(220,382)	(245,879)	(297,320)	(339,800)	(329,273)
Projected Internal Borrowing	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)

RESIDENT BENEFIT & CONSULTATION

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

121. 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 2023/24 have been developed to maintain service provision through a 4.99% increase in the headline rate of Council.

122. This draft budget has been developed with due regard for the ongoing economic turmoil, the consequential cost of living crisis and legacy pandemic related pressures alongside the usual growing demand from population increases and the impacts of 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.

123. 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. 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.

Consultation carried out or required

124. Following consideration at Cabinet, this report will form the basis of consultation with Select Committees during January 2023. Comments from the Select Committees will be reported back to the Cabinet meeting on 16 February 2023. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 23 February 2023.

125. 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 2022 and January 2023. 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

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

Legal

127. 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.

128. 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.

129. Following this meeting, the Cabinet's proposals will be published and will form the basis of consultation with Select 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.

130. The Cabinet will ultimately consider any responses from the Select Committees and other consultees and take them into account in drawing up firm proposals for submission to full Council at its meeting on 16 February 2023. Its report will reflect the comments made by consultees and its response to them. Further legal advice will be provided in this report as necessary.

Comments from other relevant service areas

131. The draft budget proposals included in this report result from a substantial corporate process involving all service Groups. In particular, individual Corporate Directors, Executive 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

Appendix A – General Fund Budget Schedules

Appendix B – Housing Revenue Account Budget Schedules

Appendix C – Fees and Charges Proposals

BACKGROUND PAPERS

Report to Cabinet (18 February 2022) and Council (25 February 2022) - The Council's Budget: Medium Term Financial Forecast 2022/23 - 2026/27