2023/24 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF THE RESIDENTS' SERVICES SELECT COMMITTEE

Committee name	Residents' Services Select Committee
Officers reporting	Gemma McNamara / Ceri Lamoureux, Finance
Papers with report	N/A
Ward	All

HEADLINES

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme for the services within the remit of the Residents' Services Select Committee. Following consideration by Cabinet on 15 December 2022, these proposals are now under consultation, and the relevant proposals being discussed at the January cycle of the Select Committees.

2. Cabinet will next consider the budget proposals on 16 February 2023, and the report will include comments received from Select Committees. At the meeting on 16 February 2023 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2023/24. Subsequently, Council will then meet to agree the budgets and Council Tax for 2023/24 on 23 February 2023.

3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the Residents' Services Cabinet Portfolio, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

That the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals affecting the relevant service areas within the Residents' Services Cabinet Portfolio, within the context of the corporate budgetary position; and

That, if required, authority be delegated to the Democratic Services Officer, in conjunction with the Chairman (and in consultation with the Opposition Lead), to finalise the wording of the Committee's comments on the budget proposals.

<u>**General Fund Budget**</u>

Budget Strategy

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. The Month 7 monitoring position for the services within this select committee present a net variance of £277k as presented in the table below:

Table 1: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget £'000	Forecast Outturn £'000	Variance (As at Month 7) £'000	Variance (As at Month 6) £'000	Movement from Month 6 £'000
Residents' Services	Expenditure	63,220	65,229	2,009	1,840	169
	Income	(35,051)	(36,783)	(1,732)	(1,614)	(118)
	Sub-Total	**28,169**	**28,446**	**277**	**226**	**51**

7. With the following narrative setting out the variances and movement from Month 6 on an exception basis:

   a. **Residents' Services** – a net overspend of £277k is forecast representing an adverse movement of £51k from Month 6, with the large subjective variances largely being driven by the Housing service where high levels of demand are being mitigated through a combination of increased rental income and Government support targeting homelessness and rough sleeping, with the adverse movement being driven by a growing demand for homeless services outstripping the increased Government funding. At the time of writing, newly announced in-year grant support for Homelessness and implementation of mitigations is expected to allow for improvement in this position in future months. The net overspend is being driven by two key drivers, housing demand outstripping Government funding, alongside a reduction in parking income in the early part of the financial year. The movement in Month 7 is largely driven by the continuation of increased demand in Housing alongside additional funding, with this funding improvement being netted down by a reduction in Building Control income.

8. 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.

9. The position on the savings included in the 2022/23 budget within the remit of this Select Committee is as follows:

Table 2: Savings Tracker

Cabinet Member Portfolio	Blue Banked £'000	Green Delivery in progress £'000	Amber I Early stages of delivery £'000	Amber II Potential problems in delivery £'000	Red Serious problems in delivery £'000	Total £'000
Cabinet Member for Residents' Services	(1,161)	(1,889)	(1,224)	(986)	0	(5,260)

10. 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 3: 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)**
Of which, Service Expenditure in the remit of this committee: Residents' Services	28,169	22,591	22,972	24,491	26,167	27,869

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

Risk Management

20. 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).

21. 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.

22. 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.

23. 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.

24. 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.

Budget Proposals for the Residents' Services Select Committee

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

Table 4: Service Expenditure Budget Proposals

	2022/23	Inflation	Demand-led Growth	Corporate Items	Savings Proposals	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Residents' Services	28,169	3,159	3,194	0	(11,931)	22,591

26. Inflation: Cost pressures of £3,159k are projected against 2022/23 expenditure going into 2023/24, with material uplifts in relation to workforce budgets, contracted expenditure and energy costs. In line with wider MTFF modelling, inflation projections are predicated on CPI being 10% during 2022/23 and 2023/24 before returning to 4% over the remainder of the Council's budget strategy. The exceptional inflationary environment within the national, and global, economy is the largest driving force behind the Council's saving requirement in the short-term, with 2022/23 CPI running above the Council's assumptions at the time of setting the 2022/23 budget, leading to the 2023/24 budget proposals including an element of funding for the 2022/23 uplifts above the budgeted level which are currently being funded from Earmarked Reserves.

27. Demand-Led Growth: items within the remit of this Select Committee account for £3,194k of the £23,081k increase across the Council over the life of the budget strategy to 2027/28, with a breakdown of these items presented below.

28. 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.

29. 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.

30. 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.

31. Corporate Items: There are no Corporate Items within the remit of this Select Committee.

Savings Proposals

32. As mentioned above, £20,971k of savings proposals have been incorporated into the draft budget for 2023/24, with £11,931k falling within the remit of this Select Committee. Included within this savings programme are proposals to increase Fees & Charges at a general increase of 30%, representing the unprecedented inflation rates for 2022/23 and 2023/24 and an accelerated catch up of historically low fees and charges compared to neighbouring authorities, with Hillingdon generating £108.61 per resident from this funding stream compared to the Council's three immediate neighbours in West London raising £209.02 per resident.

33. Broader reviews have been undertaken of the following areas within the remit of this Select Committee, with recommendations to increase fees at a slightly differing levels to contribute to the full cost recovery of providing the service, minimising the subsidy currently borne by the wider Council Taxpayer:

    a. Cemeteries – Uplifts of 25% are required across fees to recover the full cost of providing the service
    b. Crematorium – Uplifts of 25% are proposed to reflect the full cost of the service and reflect volatility around energy prices
    c. Local Land Charges – It is proposed to increase fees to recover the full cost of providing the service. The cost for a search of an additional parcel of land on an LLC1 form is recommended to increase to £45.00 from £15.00.
    d. Development Control – Pre-Application Fees – The revised charges ensure the Council recovers the full cost of providing the service, with an average increase of 20% across the fees.
    e. Food Health & Safety - This follows changes arising from Brexit. VAT should be levied at standard rate on fees raised for the issue of export certificates relating to animal and fishery products (as the work can now be undertaken by non-local authority organisations, such as vets, rendering the service open to competition). Accordingly, the Products of Animal Origin lines are recommended to increase by 30% to accommodate both the VAT element and CPI general uplift.
    f. Parking – The Council continues to offer some of the lowest parking rates across London. Uplifts proposed for pay and display parking range from 10p – 50p per chargeable period, with preferential rates and free parking to remain in place for Hillingdon First card holders. Refreshed pay & display parking charges now make parking for On-Street more expensive than Off-Street for all equivalent parking periods, to increase vehicle turnover outside shops, improve the flow of traffic and encourage alternative means of transport.
    g. Residents Permits – To recover the cost of administration and enforcement of controlled resident parking areas, it is proposed to introduce a new charge of £75 for a first Resident parking permit and uplift additional permits by an average of 9%.
    h. Visitor Vouchers – It is proposed to increase 10 Visitor Vouchers / Sessions from £10.50 to £13.00

i. Special Collections – Bulky Waste – To recover the cost of service, it is proposed to increase the special collections fee from £30 to £48, and to introduce a new charge for Over 65's at a discounted rate of £35.
j. Golf – introduction of new discounted rates for 3-ball and 4-ball groups

34. Details of the savings programme propels within the remit of this Select Committee are discussed below.

35. <u>Residents Services:</u> 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).

36. 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.

37. 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.

38. 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).

39. 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).

40. 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).

41. 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.

Capital Proposals

42. 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 is detailed in appendix A8 that accompanied the Consultation Budget Report presented at December Cabinet.

Table 5: General Fund Capital Programme by Cabinet Portfolio

	Major Projects **£'000**	**Programme of Works** **£'000**	**General Contingency** **£'000**	**Total** **£'000**
Total Capital Programme	**193,865**	**137,358**	**8,780**	**340,003**
Of which, Service Expenditure in the remit of this committee: Residents' Services	2,914	8,259	0	11,173

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

44. **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.

Housing Revenue Account

Background

45. 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.

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

    a. Housing Supply – delivering more than 100 new homes per annum to support increasing demand for social housing in a growing borough.
    b. Estate Regeneration – delivery of 370 new homes across the Avondale and Hayes Town Centre estates, a net increase of 72 during the MTFF period on the current configuration.
    c. Works to Stock – an enhanced programme of works to ensure that properties are refreshed on a rolling programme.

47. 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.

48. 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.

49. 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.

Rental Income

50. 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.

51. 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.

52. 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 6: 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

53. 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.

54. 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

55. 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

56. 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

57. 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.

58. 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:

    a. Leveraging substantial programme of planned capital investment to minimise the requirement for higher cost reactive repairs;
    b. Review of contracted expenditure to ensure that arrangements continue to meet service requirements and deliver Value for Money to rent payers, and;

59. 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

60. 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.

61. 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.

62. £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.

Table 7: HRA Capital Programme

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Major Projects	45,263	42,508	24,235	44,209	45,325	7,000
Housing Regeneration Programme	14,700	38,231	29,744	34,994	28,302	15,012
Programmes of Work	30,511	34,444	36,166	37,251	37,640	30,511
Total	**79,071**	**111,249**	**88,423**	**115,369**	**110,878**	**59,652**

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECAST 2023/24 - 2027/28, presented to 15 December 2022 Cabinet Meeting