

COUNCIL BUDGET - 2023/24 REVENUE AND CAPITAL MONTH 7 BUDGET MONITORING

Cabinet Member

Councillor Martin Goddard

Cabinet Portfolio

Cabinet Member for Finance

Officer Contact

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HEADLINES

Summary

This report provides the Council's forecast financial position and performance against the 2023/24 revenue budget and Capital Programme.

A marginal £2k underspend is reported against General Fund revenue budget normal activities as of October 2023 (Month 7), with no movement on the position at Month 6. As would be expected, there are a number of potential risk areas and pressures which need to be managed to deliver this headline outturn. Unallocated reserves are projected to total £26,848k at 31 March 2024. In addition, Earmarked Reserves are forecast to total £13,926k at 31 March 2024.

While exceptional inflationary pressures were included and funded through the Council's budget strategy, such pressures remain relatively high with a £3,622k release from specific Earmarked Reserves projected to meet this potential pressure. Headline Inflation rates remain at historically high levels, albeit that latest data indicates a reduction from 6.7% to 4.6% which is in line with budgeted assumptions.

The Collection Fund is forecast to deliver a surplus of £3,671k due to lower than anticipated appeals against the 2023 Business Rates revised list. This surplus has not been reflected in this outturn forecast and will support the Council's 2024/25 budget.

The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £12,820k at Month 7, representing an adverse movement of £8,358k with this overspend is due to ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not adequately reflected in the funding which the Council is receiving from the Department of Education (DfE). The cumulative deficit carried forward to 2024/25 is £26,487k.

No material variances have been reported across the Housing Revenue Account (HRA) or Capital Programme, with in-year pressures on increased revenue expenditure in the HRA being offset by favourable movements on capital financing.

Putting our Residents First	This report supports the following Council objective of: <i>Strong financial management</i> . Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.
Financial Cost	N/A
Select Committee	Finance & Corporate Services
Relevant Ward(s)	All

RECOMMENDATIONS

That the Cabinet:

- 1. Note the budget monitoring position and treasury management update as at October 2023 (Month 7), noting the actions proposed by officers as outlined in Part A of this report.**
- 2. Approve the financial recommendations set out in Part B of this report.**

Reasons for recommendation

- The reason for **Recommendation 1** is to ensure that the Council achieves its budgetary objectives, providing Cabinet with the update on performance at Month 7 against budgets approved by Council on 23 February 2023 contained within **Part A** of this report. An update on the Council's Treasury Management activities is included within this section of the report.
- Recommendation 2** seeks approval for the range of financial recommendations set out within **Part B** of this report, which may include acceptance of grant funding, revisions to fees & charges and ratification of decisions taken under special urgency provisions.

Alternative options considered / risk management

- There are no other options proposed for consideration.

Select Committee comments

- None at this stage.

PART A: MONTHLY BUDGET MONITORING

SUMMARY

GENERAL FUND REVENUE

5. A marginal underspend of £2k is reported against General Fund revenue budget normal activities as of October 2023 (Month 7), with no movement from Month 6, with a range of risks and pressures being managed within this position. This will result in unallocated General Balances totalling £26,848k at 31 March 2024, in line with MTFE expectations.
6. Over and above the specific variances being reported, there are a number of risk areas which continue to be closely monitored against a backdrop of challenging external conditions. The key items relating to progress in delivery of savings, pressures on demand-led services and inflationary pressures.
7.
 - i. Within this position, £17,029k of the £22,762k savings planned for 2023/24 are banked or on track for delivery in full by 31 March 2024, with £5,492k or 24% tracked as being at an earlier stage of implementation. Where slippage in savings delivery is expected this has been factored into the reported monitoring position, with the full £22,762k savings expected to be delivered in full.
 - ii. Pressures are identified against demand-led service budgets, although these have been funded by demand-risk reserves held by the Council for this purpose. In particular, there are pressures related to volatility within Looked After Children, SEND transport and Adult Social Care placements, alongside increasing approaches from residents seeking support with homelessness and reduced income from planning fees, as a result of broader economic conditions. Across these areas, officers are developing mitigations in year, including a review of discretionary expenditure and balance sheet items to release capacity where appropriate, while meeting this demand.
 - iii. The 2023/24 budget incorporated £21,691k to absorb inflationary pressures, with current projections indicating that a further £3,622k additional funding may be required, largely to meet the costs of a higher than anticipated staff pay award. Specific provision has been made within the Council's Earmarked Reserves to meet such costs, with this sum being offset in-year by £1,500k windfall income from the West London Waste Authority.
8. The latest forecast underspend of £2k against the Council's General Fund reflects present best estimates for inflation and demand figures, alongside assumptions around the impact of both in flight and planned management actions. Given the current challenging external conditions, it is expected that such management actions will be complemented by a review of discretionary expenditure and the Council's balance sheet to ensure available funds are being deployed to best effect. This balance sheet review will cover application of any unallocated third-party contributions or grants, provisions for doubtful debts and risk items, and historic overprovision of Minimum Revenue Provision.

9. The Council holds Earmarked Reserves to manage risks and fund cyclical and project-based activities, with £20,060k being held at the beginning of 2023/24. Based on the Month 7 forecast, including the recently approved Local Authority pay award and an estimation for further inflationary demands above the approved budget totalling £3,622k, the Council is forecasting to drawdown £6,134k of this balance, with £4,550k of this being planned use within the Council's budget strategy, leaving a projected closing balance of £13,926k as at 31 March 2024, which is an adverse movement of £180k from Month 6, predominantly linked to the Council drawing down planned and specific reserves that are held to manage the risk of increased demand for homelessness services. With the closing balance being available to support the Council's ongoing financial resilience and fund project and cyclical based work in 2024/25 and beyond.
10. Within the Collection Fund, a surplus of £3,671k is reported at Month 7, with the surplus being derived from a favourable position within Business Rates of £5,097k from an increase in the Council's rating list above the budgeted position approved by Council in February 2023, offset by a slower than budgeted growth in Council Tax, linked to the ongoing slowing down in the construction industry due to the impacts of inflation and economic conditions on the viability of development. This position is compounded by an adverse position reported against Council Tax Support as demand has been impacted by the cost-of-living crisis, although this has started to decline again in line with budgeted assumptions, these pressures lead to a forecast deficit of £1,426k on Council Tax.
11. These in-year pressures on Council Tax are being mitigated through the overachievement of Business Rates income, resulting in a net £5,097k favourable movement against the approved budget. The favourable movement of £42k at Month 7 is driven by a number of minor updates.
12. Variances against the Collection Fund do not directly impact upon the 2023/24 monitoring position, but instead the variance up to Month 9 will be factored into the Council's budget proposals for the forthcoming year to be presented to Cabinet in December 2023 as part of the consultation budget, with any variances from Month 10 to outturn not impacting until 2025/26 with resulting impacts on MTFE forecasts. The £3,671k will therefore be available to support the Council's 2024/25 budget.
13. Continuing challenging national economic conditions will continue to drive a requirement to closely monitor service expenditure and trends in 2023/24, particularly for demand-led services where there are higher risks and given the context of Hillingdon's commitment to Social Care and its budget being based on delivering a substantial savings programme. These challenges are not unique to Hillingdon, numerous local authorities continue to report significant in-year cost pressures reflecting these factors and the downturn in economic forecasts since 2023/24 budgets were set. Hillingdon will also continue to press for dedicated funding in recognition of its specific exposures as a port authority.

GENERAL FUND CAPITAL

14. As at Month 7 a £9,380k underspend is projected on the 2023/24 General Fund Capital Programme of £129,417k, representing a forecast movement of £4,171k from Month 6, with the forecast outturn variance over the life of the 2023/24 to 2027/28 programme estimated to breakeven. General Fund Capital Receipts of £22,000k are forecast for 2023/24 and are

projected to reach the income target of £93,617k for the five years to 2027/28. Overall, Prudential Borrowing required to support the 2023/24 to 2027/28 capital programme is forecast to be on budget at £65,848k, with overall borrowing levels projected to peak at £305,669k in 2024/25 in line with the MTFF.

SCHOOLS BUDGET

15. The Dedicated Schools Grant (DSG) monitoring position being reported for Month 7 is an in-year overspend of £12,820k when compared to the budgeted position, representing an adverse movement from Month 6 of £8,358k which continues to be driven by High Needs placement demand and cost pressures. The forecast overspend reported for Month 7 follows a zero based review of the position and reflects ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not reflected in the funding which the Council is receiving from the DfE. The cumulative deficit carried forward to 2024/25 is forecast at £26,487k.
16. The issue of mounting DSG deficits remains a national issue, with projections for a £4bn deficit across the country forming a key strand to lobbying by sector bodies such as the LGA and London Councils.

HOUSING REVENUE ACCOUNT

17. The Housing Revenue Account (HRA) is currently forecasting a breakeven position at Month 7, with inflationary pressures on operating costs being mitigated by capital expenditure slippage and available headroom in financing costs. The 2023/24 closing HRA General Balance is forecast to be £15,101k, exceeding the £15,000k target level established for 2023/24. The use of reserves is funding investment in new housing stock. An in-year underspend of £529k is reported against the £118,138k 2023/24 HRA Capital Programme with this being a projected cost underspend across the 5-year capital budgets, with this position representing no forecast movement from Month 6.

FURTHER INFORMATION

General Fund Revenue Budget

18. A marginal £2k underspend is projected across the General Fund at Month 7, representing no movement from Month 6, with the following section of this reporting providing an overview of emerging variances and management action in place to deliver this position. General Fund Balances are expected to total £26,848k at 31 March 2024, and therefore remain within the recommended range 2023/24 of £22,000k to £41,000k as approved by Cabinet and Council in February 2023.

Table 1: General Fund Overview

Service	Month 7		Variance (As at Month 7) £'000	Variance (As at Month 6) £'000	Movement from Month 6 £'000
	Approved Budget £'000	Forecast Outturn £'000			
Service Operating Budgets	260,767	260,765	(2)	(2)	0
General Contingency	500	500	0	0	0
Unallocated Budget Items	2,011	2,011	0	0	0
Subtotal Expenditure	263,278	263,276	(2)	(2)	0
Corporate Funding	(263,278)	(263,278)	0	0	0
Total Net Expenditure	0	(2)			
Balances b/fwd	(26,846)	(26,846)			
Balances c/fwd 31 March 2024	(26,846)	(26,848)			

19. The Council's budget contains a number of areas subject to demographic pressures and higher levels of volatility which are closely monitored and discussed in the Budget Strategy & MTFF under the "demand-led growth" banner, with pressures emerging across both Adult Social Care Placements and SEND Transport, with these areas forecast to be funded from the release of provisions from the Council's Balance Sheet to manage the in-year volatility.
20. Within the Council budget there is a Managed Vacancy Factor across the board of 3.5%, or £4,137k, to reflect natural levels of turnover and resulting structural underspend in the workforce budgets. Current indications are that the higher vacancy rate experienced during 2022/23 will continue into the new financial year and therefore result in an underspend over and above the Managed Vacancy Factor. The Council continues to closely manage recruitment activity, with post-level establishment controls providing a key mechanism for managing workforce costs at the organisational level.
21. The Council budgeted for a pay award in 2023/24 of 4%, however, due to the exceptional inflationary environment, the recently approved pay offer exceeds this sum and equates to approximately 5.7% with £2,622k being in place to meet this additional uplift in the Council's workforce expenditure included in the forecast use of the Council's identified earmarked reserve for exceptional inflationary pressures above the Council's approved budget.
22. Further provision for use of Earmarked Reserves has been included in this position, with £1,785k support for local priority initiatives, £1,535k release of grant funding to cover brought

forward COVID-19 pressures in the Collection Fund, £1,000k further provision for inflationary risks and a net £1,422k of other costs. Windfall income from the West London Waste Authority's Energy from Waste operations has allowed £1,500k to be allocated to Earmarked Reserves, resulting in a net drawdown of £6,134k to leave a closing balance of £13,926k at 31 March 2024

23. This represents an adverse movement of £180k on Month 6 which predominantly relates to the use of specific grant funding awarded to the Council to manage demand for housing services. The reported surplus against the Collection Fund of £3,671k offers an element of offsetting against the use of reserves in 2023/24 when these are realised in the 2024/25 financial year.

Progress on Savings

24. The savings requirement for 2023/24 is £21,197k, which together with £1,565k brought forward from 2022/23, gives an overall total of £22,762k to be managed in the current financial year. The savings being reported as undelivered in 2022/23 (£1,565k) were attributable to the Council managing measures required to contain and offset inflationary pressures as well the ongoing legacy issues associated with the COVID-19 pandemic. This value has been added to the budgeted savings agreed as part of the 2023/24 budget.

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 Property, Highways & Transport	(721)	(733)	(100)	(303)	0	(1,857)
Cabinet Member for Finance	(100)	0	(17)	0	0	(117)
Cabinet Member for Corporate Services	(721)	(515)	(198)	(50)	0	(1,484)
Cabinet Member for Residents' Services	(4,462)	(5,913)	(267)	(1,642)	(242)	(12,525)
Cabinet Member for Children, Families & Education	(150)	(820)	(50)	(415)	0	(1,434)
Cabinet Member for Health and Social Care	(830)	(1,565)	0	0	0	(2,395)
Cross-Cutting	(500)	0	(500)	(1,950)	0	(2,950)
Total 2023/24 Savings Programme	(7,484) 33.0%	(9,545) 42.0%	(1,132) 5.0%	(4,360) 19.0%	(242) 1.0%	(22,762) 100.0%
Month on Month Movement	(70) 0%	(5,522) 24%	5,592 -25%	0 1%	0 0%	0 0%

25. As of Month 7, £7,484k (33%) of the savings programme has already been banked, with a further £9,545k (42%) being reported as delivery in progress and £5,492k (24%) in the early stages of delivery which are ultimately expected to be delivered in full. There are a further £242k of savings recorded as having a serious problem with timely delivery, these savings could ultimately slip into 2024/25. Key items within this £242k relate to timing issues on

practical implementation of two projects, which are ultimately expected to be resolved. The movement from Month 6 is largely due to the Council firming up forecasts related to the impact of changes in Fees & Charges levels delivering against the revised income targets.

26. Where savings are at risk of not being delivered in full during 2023/24, the associated pressures have been factored into the monitoring position with compensating actions bringing the overall position back to breakeven. At this time, it is expected that the full £22,762k will ultimately be delivered in full or replaced with alternative measures in the event of any ongoing shortfall.
27. The Council is permitted to finance the costs associated with the delivery of this savings programme through Capital Receipts, with both one-off implementation costs and the support for service transformation being funded from this resource. Current projections include £6,551k for such costs, with all such costs subject to a specific funding strategy. It is anticipated that these pump priming costs will be financed from a combination of the £3,000k budget established for this purpose in 2023/24, alongside a release of additional Capital Receipts secured during 2022/23.

Service Operating Budgets

28. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents. With the Council continuing to operate in a high inflation environment driven by global and national influences, these budgets were supplemented with £21,691k of funding to meet forecast inflationary pressures and £12,753k for demographic and other drivers impacting on demand for services going into the 2023/24.
29. Table 3 represents the position reported against normal activities for the Service Operating Budgets, the salient risks and variances within this position are summarised in the following paragraphs.

Table 3: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget	Forecast Outturn	Variance (As at Month 7)	Variance (As at Month 7)	Movement from Month 6
		£'000	£'000	£'000	£'000	£'000
Property, Highways & Transport	Expenditure	20,277	20,431	154	3	151
	Income	(10,418)	(10,994)	(576)	(421)	(155)
	Subtotal	9,859	9,437	(422)	(418)	(4)
Finance	Expenditure	140,708	140,493	(215)	(304)	89
	Income	(106,809)	(107,297)	(488)	(399)	(89)
	Subtotal	33,899	33,196	(703)	(703)	0
Corporate Services	Expenditure	26,632	26,818	186	159	27
	Income	(2,053)	(2,272)	(219)	(192)	(27)
	Subtotal	24,579	24,546	(33)	(33)	0
Residents' Services	Expenditure	69,426	70,800	1,374	1,139	235
	Income	(47,148)	(46,122)	1,026	1,176	(150)
	Subtotal	22,278	24,678	2,400	2,315	85
Children, Families & Education	Expenditure	96,576	97,059	483	(122)	605
	Income	(24,295)	(25,014)	(719)	31	(750)
	Subtotal	72,281	72,045	(236)	(91)	(145)
Health & Social Care	Expenditure	138,379	138,195	(184)	(239)	55
	Income	(40,508)	(41,332)	(824)	(833)	9
	Subtotal	97,871	96,863	(1,008)	(1,072)	64
Total Service Operating Budgets		260,767	260,765	(2)	(2)	0

30. As can be seen from the table above, Service Operating Budgets are forecasting a marginal underspend of £2k which is the cumulative effect of a number of variances which are briefly outlined below by Cabinet Portfolio:

- i. **Property, Highways & Transport** – An underspend of £422k is forecast, representing a favourable movement of £4k from Month 6. The movements in this area relate to the costs associated with property works increasing, offset by recharge income from the capital programme due to the intrinsic link between the property team and the delivery of the Council's capital programme. The overall variance in this area is driven by that connection between the properties service and the capital programme.
- ii. **Finance** – A net underspend of £703k is reported at Month 7, representing no movement from Month 6, with this position being driven by a reduction in the Council's energy requirements, this is being compounded by a number of small overachievements against income targets, with additional grant funding being provided to support Homes for Ukraine provided in the borough and a favourable variance against investment income as a result of high interest rates.

- iii. **Corporate Services** – a net underspend of £33k is reported, representing no movement from Month 6, with the underspend being driven by a number of small variances, with the staffing position forecast to deliver this underspend across the various services within the Corporate Services portfolio, with this position compounded by additional grant funding to support Ukrainian refugees.
- iv. **Residents' Services** – an overspend of £2,400k is forecast for this portfolio, with a gross pressure of £4,000k included within the position offset by £1,600k of measures to reduce the pressure to the reported level, with steady progress being made against these measures. The variance in this portfolio is being driven by three key areas:
 - i. Firstly, the saving programme within the Green Spaces is being impacted by external factors, including exceptional inflationary pressures, leading to approximately a third of the reported pressure.
 - ii. Secondly a third of the pressure is being driven by the Community Safety & Enforcement service, with these pressures being driven by a combination of issues at Heathrow, including Brexit related changes and a cessation of Government funding, as well as pressures against parking income as recovery rates from the pandemic continue to track below budgeted predictions.
 - iii. Finally, pressures within the Planning Service are driving a large quantity of the remaining pressure as a result of income pressures against fees and charges reflecting adverse economic conditions, as well as expenditure pressures from staffing costs and the use of external consultants to carry out planning activities.
 - iv. The above pressures are being managed down by measures aimed at delivering a £1,600k reduction in expenditure, through staffing spend controls, a review of discretionary spend and securing of additional grant funding. Steady progress is being reporting in reducing the outstanding balance of this £1,600k.

The movement in this portfolio relates to a combination of increased expenditure in the Housing service being offset by grant income related to Ukraine support, with an adverse movement on parking income from a refreshed trend analysis for the service.

Within this portfolio there are two areas that fall within the Council's Demand-Led Growth section of the budget strategy as a result of the impacts of demographics and volatility, with these two areas being Homelessness Prevention and Waste Disposal. Homelessness Prevention is experiencing a substantial uplift in demand with a gross pressure of £818k anticipated to be managed out during 2023/24 through a variety of actions and approaches. Waste Disposal costs are currently forecast in line with budget and the Demand-Led Growth bid included in the budget proposals in February 2023.

- v. **Children, Families & Education** – an underspend of £236k is being forecast at Month 7, which represents a favourable movement of £145k, with education functions including SEND and Adult Education largely breaking even, with additional

expenditure being incurred to support Children in Need alongside the running of the Early Years Centres, offset by a reduction in the cost of service delivery for Looked After Children and measures put in place to contain staffing expenditure to deliver a further benefit for the portfolio. The movement in this area relates to a reduction in respite costs for Children with Disabilities, with the large movements between expenditure and income relating to Asylum support of £750k offset by grant funding.

Within this portfolio, there are three services that are reported in the Council's budget strategy under Demand-Led Growth: Children's Placements, Asylum Funding and SEND Transport. There remains inherent volatility in demand for Looked after Children and Asylum services, with the Looked After Children service continuing to present a pressure in Month 7, which is being driven by asylum placements and is offset by Government funding as part of the Asylum Dispersal programme. SEND Transport is currently forecasting a pressure due to higher numbers than anticipated of pupils requiring transport, with this pressure being offset by re-routing efficiencies, leaving a net pressure which is forecast to be funded through the release of Balance Sheet provisions.

- vi. **Health & Social Care** – an underspend of £1,008k is reported for this portfolio, with staffing underspends after Social Care activities being driven by recruitment difficulties for the sector impacting both at a local level and nationally. The reported overachievement of income is spread across services within the remit of this portfolio with no material variances, with the largest being additional grant income. The movement at Month 7 is driven by a number of minor updates, the most material of which relates to an increase in the forecast spend on Adult Social Care Placements offset by a number of smaller forecast updates spread across the remaining services within the Health & Social Care portfolio.

Within this portfolio, Adult Social Care Placements is the only area that falls within the Demand-Led Growth section of the Council's budget strategy, with the Month 7 refresh of the impact of demographics and inflation forecasting an emerging pressure being driven by both demographic demand and price pressures, with these pressures forecast to be funded in-year by a further release of Balance Sheet provisions.

Collection Fund

- 31. A surplus of £3,671k is reported within the Collection Fund at Month 7. Within the Collection Fund, an adverse position is reported within Council Tax of £1,426k, offset by a favourable position within Business Rates of £5,097k. This position is driven by 3 key factors:
 - i. The pressure in Council Tax is predominantly driven by a reduction in the forecast growth of the taxbase as construction continues to slow down, due to inflationary pressures in the sector, with the slippage equating to 1,467 Band D properties.
 - ii. This position is then compounded by an adverse position within Council Tax Support due to a short period of increased demand driven by the cost-of-living crisis, with demand returning to a declining rate, with the short-term increase accounting for a pressure of 478 Band D properties.

- iii. The favourable position within Business Rates is being driven by the Month 7 refresh continuing to suggest that benefits of the increased revenue from the national revaluation of commercial property can be released into the Council's financial position, with a favourable movement of £42k being driven by a number of small movements.

32. Any deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2024/25 saving requirement and will be included in the Council's refresh of the budget strategy that will be presented to Cabinet in December 2023, with any further updates between Month 10 and outturn impacting on 2025/26. This position will therefore reduce the Council's gross saving requirement by £3,671k for 2024/25, with any movement from Month 10 onwards to be factored in the next update to the Council's Budget Strategy for 2025/26.

General Fund Capital Programme

33. As at Month 7 the General Fund forecasts are reporting a variance of £9,380k, an increase of £4,171k from Month 6. Demand for school places and inflation on tender prices remain the most significant risks to the Council's investment programme with £27,810k contingency in place over the MTF period as part of the broader mitigation strategy. Strong progress is reported across the Council's asset disposal programme, which forms a key element of the financing strategy for the DSG Safety Valve and broader transformation programme, alongside a mechanism to avoid recourse to borrowing to finance local investment.

Capital Programme Overview

34. Table 5 below sets out the latest forecast outturn on General Fund capital projects. Forecasts for future years include capital projects and programmes of work approved by Cabinet and Council in February 2023. Projected variance against budget for the 2023/24 financial year are analysed between cost and rephasing, in the case of the latter, budget will only be rolled forward for use in future financial years with the explicit approval of Cabinet. As of Month 7, a total favourable variance of £9,380k is projected against the rephasing variance. Full details are included in Appendix A1 to this report.

Table 5: General Fund Capital Programme Summary

	Approved Budget 2023/24	Forecast 2023/24	Cost Variance 2023/24	Project Re-phasing 2023/24	Total Project Budget 2023-2028	Total Project Forecast 2023-2028	Total Project Variance 2023-2028	5-year Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cabinet Member Portfolio								
Finance	9,779	9,779	0	0	22,724	22,724	0	0
Residents	4,625	4,142	0	(483)	10,664	10,664	0	0
Corporate Services	2,073	1,958	0	(115)	4,805	4,805	0	0
Children, Families and Education	21,425	20,650	0	(775)	25,499	25,499	0	0
Health and Social Care	2,850	2,850	0	0	14,250	14,250	0	0
Property, Highways and Transport	76,855	68,848	0	(8,007)	214,849	214,849	0	0
Contingency	11,810	11,810	0	0	17,810	17,810	0	0
Total Capital Programme	129,417	120,037	0	(9,380)	310,601	310,601	0	0
Major Projects	80,887	77,480	0	(3,407)	169,736	169,736	0	0
Programme of Works	36,720	30,747	0	(5,973)	123,055	123,055	0	0
General Contingency	11,810	11,810	0	0	17,810	17,810	0	0
Total Capital Programme	129,417	120,037	0	(9,380)	310,601	310,601	0	0
Movement	(33,196)	(4,171)	0	29,025	320	320	0	0

35. **Finance:** At Month 7, the use of Capitalisation powers to fund Transformation Capitalisation and the DSG Safety Valve agreement commitments are on track for delivery, with the Council's Purchase of Vehicles similarly forecast to breakeven, as reported at Month 6.
36. **Residents:** The Residents portfolio includes rephasing of £483k Month 7, an increase of £83k from Month 6. The Town Centre improvements and Shopping Parade investments forecasting to come in on budget, with these two schemes accounting for £1,927k of the budget. Other Capital Programme activity within this portfolio includes expenditure on the Council's green spaces, environmental and recreational initiatives, and the playground replacement programme forecasting £283k rephasing, alongside the Chrysalis programme which is forecasting £200k rephasing.
37. **Corporate Services:** The Corporate Technology and Innovation budget (£1,873k) includes rephasing of £333k from 2022/23 and is forecasting a balanced budget, as reported at Month 6. Projects this year include telephone improvements and the Laptop and Desktop Refresh programme. The Older Peoples Initiative is forecasting rephasing of £115k at Month 7 as the previous alarms scheme is being phased out.
38. **Children, Families & Education:** The Schools SEND programme is underway on several projects to provide additional special needs places. Work is progressing on site at Charville, Ruislip and Wood End Primary. The pre-construction service agreement for the Harefield Academy site to be used as a satellite school to be managed by Meadow High School has changed to a demolition and rebuild scheme. A revised planning application is pending, and it is expected that approval to appoint the main works contractor will be requested in January for an expected start on site in February 2024. The main works contractor has been appointed for the Meadow Site expansion and work will start on site in December 2023. Revised cost estimates remain significantly above confirmed grant funding however, discussions are taking place with the Department for Education on available capital funding to deliver on SEND provision within the Safety Valve agreement. The budget for the SEND provision expansion

is forecasting a balanced budget this year, as reported at Month 6. However, the Youth Provision budget is forecasting rephasing of £775k, work is expected to commence this year.

39. **Health and Social Care:** The capitalisation of social care equipment is forecast in line with budget, as reported at Month 6. The Disabled Facilities Grant adaptations includes rephasing from 2022/23 of £279k and is forecasting rephasing of £1,659k, an increase of £159k from Month 6. The full budget is projected to be committed; however, a significant number of adaptations will commence this year but will complete in 2024/25. Both budgets are financed by the Disabled Facilities Grant, and the Council have been allocated a further £445k grant for 2023/24.
40. **Property, Highways & Transport:** The single largest project within this portfolio is the new West Drayton Leisure Centre, with the Capital Programme approved budget for this project being a total investment of over £36m over 3 years. Construction works were halted when the contractor entered administration at the beginning of September 2023. In the interim, the Council will continue with weather-tight works to keep the structure safe while procurement of a replacement contractor takes place. Work is not expected to restart until February 2024 at the earliest and as a result rephasing of £11,535k was proposed and approved at Month 6. The forecast for Month 7 a balanced budget of £8,521k.
41. Planning for the Hillingdon Water Sports Facility has been submitted and a decision is expected at the end of January. Procurement of a contractor was progressing through a Pre-Construction Services Agreement route, however the process has had to be restarted as the contractor has entered into administration. While some enabling works can still take place as planned, the main works contract is now expected to commence early in the new financial year. Rephasing of £10,843k was proposed and approved at Month 6. The forecast at Month 7 is a balanced budget of £1,095k.
42. New slippage is reported at Month 7 for the Northwood Hills Library Buyback and rephasing of £2,392k is proposed. Planning, designs and surveys is underway at New Years Green Lane proposed extension, work has started later than planning and rephasing of £1416k is proposed. Design and survey work has commenced on Uxbridge Cemetery Gatehouse and Botwell leisure Centre adaptations, however works are not now expected to be commenced until next financial year and rephasing of £400k and £200k is proposed.
43. The Carbon Zero Initiatives revised budget of £18,855k, funded from a grant of £13,751k from the Department for Business, Energy and Industrial Strategy, has been fully earmarked for the Park Farm Solar Farm, installation of PV panels at the Civic Centre, Winston Churchill Hall, Hillingdon Sports and Leisure Centre, and Highgrove swimming pool. The contract award to Ameresco was made in September 2023 and the equipment order has now been placed. The forecast at Month 7 £15,120k as reported at Month 6. There is little headroom against the grant allocation, with any further slippages requiring a conversation with the grant awarding body.
44. As of Month 7 the Transport for London (TFL) programme confirmed grant award is £2,527k, and is based on the 2023/24 Local Implementation Plan award and is significantly lower than pre-pandemic funding levels. The forecast is to budget, as reported at Month 6.

45. The Civic Centre transformation project has commenced with a number of projects under various workstreams to start in 2023/24. The main works contractor for the refurbishment was appointed in June and works are started in September on the pilot phase. The forecast is to budget, as reported at Month 6.
46. The Schools Building Condition Works programme has been agreed and as reported at Month 6 is projecting slippage of £1,272k for works planned for next summer and for final stage payments due next year.

Capital Financing - General Fund

Table 6: Capital Financing

	Approved Budget 2023/24 £'000	Forecast 2023/24 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2023-2028 £'000	Total Financing Forecast 2023-2028 £'000	Total Variance £'000	5-year Movement
Source of Finance								
Capital Receipts	28,734	22,000	0	(6,734)	93,617	93,617	0	0
CIL	2,463	2,463	0	0	18,963	18,963	0	0
Prudential Borrowing	41,780	41,780	0	0	65,848	65,848	0	0
Total Council Resources	72,977	66,243	0	(6,734)	178,428	178,428	0	0
Grants & Contributions	56,440	53,794	0	(2,646)	132,173	132,173	0	0
Capital Programme	129,417	120,037	0	(9,380)	310,601	310,601	0	0
Movement	(33,196)	(4,171)	0	29,025	320	320	0	0

47. The MTFF disposals programme 2023-28 forecasts total capital receipts of £93,617k and includes £39,888k of further specific capital receipts to be identified. In 2023/24 forecast capital receipts are £22,000k, with solid progress being reported across the board on progressing potential asset disposals. These receipts will form a key strand to financing the Council's DSG Safety Valve and broader transformation programme, and therefore this activity remains a key corporate priority.

Schools Budget

48. The Dedicated Schools Grant (DSG) monitoring position reported for Month 6 was an in-year overspend of £4,462k. However, it was also reported that this position was deteriorating significantly, and that an updated forecast would be reported for the Month 7 budget monitoring report to Cabinet, following conclusion of an internal zero based review and refresh of the Safety Valve work programme.
49. Following this review work the forecast overspend has been updating accordingly and the Month 7 forecast is an in-year overspend of £12,820k. The cumulative deficit carried forward to 2024/25 is now forecast at £26,487k. This overspend is due to ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors and increasing numbers and complexity of pupils with High Needs, with these pressures not being reflected in the funding which the Council is receiving from the DfE.
50. The forecast spend on Education Healthcare Plan (EHCP) has increased significantly over the past year. Total High Needs costs for 22/23 were £58.1m and forecast costs for 23/24 are £69.4m, so the projected increase in total High Needs block spend between 22/23 and 23/24 is £11.3m.
51. Approximately £6m of this year-on-year cost increase is due to a 10% growth in the number of EHCPs and the remainder of the total cost increase (around £5.3m) is due to a 9% increase in the average cost of an EHCP placement.
52. The Council has already identified that under-capacity in borough has driven increases in the number and cost of independent placements significantly and is a key area of management action within the High Needs Block.. Inflationary pressures across the sector have continued to increase and are impacting on the costs of High Needs placements within each type of school setting as we continue to preserve these services to pupils with High Needs. Measures are in place to reduce the number of high cost Out of Borough Independent placements which present the largest unit cost within the High Needs Block, costing 58% more on average than In Borough Independent placements. However, these improvements will take time to deliver as there is a significant time lag between implementing new policies and the impact on costs.
53. The issue of mounting DSG deficits is a national issue with London Councils estimating that deficits could rise across London to almost £300m by the end of 2023/24 and a deteriorating. The number of students with Education, Health and Care Plans (EHCPs) and those requiring SEN support has risen substantially over the past year and is expected to continue to rise through to 2025/26 with no changes in either statutory responsibilities or the funding regime expected in the near future.

Table 7: DSG Income and Expenditure Summary

Funding Block	Month 7		Variance (As at Month 7) £'000	Variance (As at Month 6) £'000	Change from Month 6 £'000
	Approved Budget £'000	Forecast Outturn £'000			
Dedicated Schools Grant Income	(348,931)	(348,931)	0	0	0
Schools Block	266,069	266,069	0	0	0
Early Years Block	26,511	26,511	0	0	0
Central Schools Services Block	2,938	2,938	0	0	0
High Needs Block	55,693	68,513	12,820	4,462	8,358
Total Funding Blocks	2,280	15,100	12,820	4,462	8,358
Balance Brought Forward 1 April 2023	21,887	21,887			
Safety Valve Funding	(7,750)	(10,500)			
Balance Carried Forward 31 March 2024	16,417	26,487			

54. As noted above, the sole material variance on the Schools Budget at Month 7 remains the High Needs Block where inflationary pressures on individual High Needs placements are significantly outstripping funding made available by the DfE through the DSG. This differential accounts for the budgeted £2,280k pressure, with continuing high levels of inflation exacerbating this in the new year. There is no standard mechanism for the DSG to be varied to reflect inflationary pressures and therefore the shortfall represents a continuing challenge in the context of the Safety Valve.

Housing Revenue Account

55. The Housing Revenue Account (HRA) is currently forecasting a breakeven position compared to the budget, with ongoing inflationary risk being closely monitored. The 2023/24 closing HRA General Balance is forecast to be £15,101k, marginally higher than the £15,000k target level. The table below presents key variances by service area, with a reduced requirement on capital financing offsetting additional investment being undertaken through the revenue account in year.

Table 8: Housing Revenue Account

Service	Month 7		Variance (+ adv / - fav)		
	Budget	Forecast Outturn	Variance (As at Month 7)	Variance (As at Month 6)	Movement from Month 6
	£'000	£'000	£'000	£'000	£'000
Rent & Other Income	(74,063)	(73,863)	200	0	200
Net Income	(74,063)	(73,863)	200	0	200
Operational Assets	13,420	15,097	1,677	40	1,637
Director of Housing	9,287	9,381	94	144	(50)
Other Service Areas	1,080	1,080	0	(82)	82
Contribution to Shared Services	12,631	12,915	284	(102)	386
HRA Operating Costs	36,418	38,473	2,055	0	2,055
Capital Programme Financing	21,597	20,023	(1,574)	0	(1,574)
Interest and Investment Income	16,133	15,452	(681)	0	(681)
Capital Programme Financing	37,730	35,475	(2,255)	0	(2,255)
(Surplus) / Deficit	85	85	0	0	0
General Balance 01/04/2023	(15,186)	(15,186)	0	0	0
General Balance 31/03/2024	(15,101)	(15,101)	0	0	0

56. At Month 7, rental income and other income is forecasting an under-recovery position of £200k. This is due to delays expected in handing over new completions and the profile of buyback acquisitions ready to let is expected towards the latter part of the year. Other stock movements, such as voids and the regeneration programme will continue to be monitored closely. The budgets are based on a void rate of 1.35%, with any material variation from this level feeding into rental projections as appropriate.
57. The number of RTB applications received in the first seven months of 2023/24 was 78 compared to 73 for the same period in 2022/23. There have been 31 RTB completions in the first seven months of 2023/24 compared to 36 for the same period in 2022/23. The RTB applications and sales will be kept under review during the year. As at Month 7, the 2023/24 RTB sales forecast is 48 in line with budgeted expectations.
58. The HRA Operating Costs Budget is £36,418k and at Month 7 is forecast to overspend by £2,255k. In line with experience elsewhere in the Council, the risk of significant inflationary pressures is being closely monitored. Within this position, several variances are reported:

- i. The Operational Assets budget is £13,420k and includes repairs and planned maintenance budgets. The forecast is an overspend of £1,677k, partly relating to a specialist team put in place to enhance response times to damp and mould issues and ensure prompt remedial work. This is expected to be an ongoing pressure and is currently expected to be funded in year with a one-off saving from the external decorations budget. The responsive repairs service and planned maintenance budgets are currently not indicating budget pressures and will continue to be kept under review as the winter months approach when pressures tend to increase on day-to-day repairs. Legal disrepair costs are continuing to increase and are being monitored closely. Further pressures in this area are forecast in respect of non-recoverable excess payable on fire damage (at two sites) insurance claims and the increase on Water Quality testing requirement for the current year.
 - ii. The Director of Housing budget is £9,287k and includes tenancy management and tenants' services. The forecast is a net overspend position of £94k. This will be kept under review as changes occur during the year. The budgets include utility costs, and these will continue to be monitored given the budgeted increase in costs for electricity and gas.
 - iii. The Other Service Areas budget is £1,080k and includes the Careline contract, HRA specific ICT costs and the revenue regeneration costs with spend expected to be in line with budget.
 - iv. The Contribution to Shared Services budget is £12,631k and is forecast to overspend by £284k. The budgets include development and risk contingency, overheads and corporate and democratic core, and bad debt provision. The bad debt provision is being closely monitored. There are signs arrears are increasing and additional resource has been seconded to the income recovery team due to the increased caseload.
59. The MTF savings target is £690k and £284k is yet to be fully identified and the position presented in this report reflects this forecast.
60. As at Month 7 the capital programme financing budget of £36,680k is forecast to underspend. This budget forecast includes £20,023k (depreciation and revenue contributions) to fund the HRA capital programme, an underspend against budget of £1,574k it also includes £15,452k for repayments of loans and interest on borrowing, an underspend against budget of £681k due to £30,531m rephasing on the Hayes Estate Regeneration Programme resulting in lower-than-expected borrowing costs this year.

HRA Capital Expenditure

61. The HRA capital programme is set out in the table below. The 2023/24 revised budget is £84,460k, a movement of £33,678k due to the rephasing approved at Month 6. The Month 7 forecast is a balanced budget with no further rephasing, and a small cost variance of £529k. The five-year projections are forecast to deliver the £529k cost underspend reported for 2023/24, in line with the Month 6.

Table 9: HRA Capital Expenditure

	Revised Budget 2023/24	Forecast 2023/24	Cost Variance 2023/24	Project Re-Phasing 2023/24	Total Project Budget 2023-28	Total Project Forecast 2023-28	Total Project Variance 2023-28	Movement 2023-28
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA Capital Programme								
Major Projects	56,683	56,154	-529	0	316,034	315,505	(529)	0
Works to Stock programme	22,437	22,437	0	0	132,813	132,813	0	0
Green Homes Initiatives	3,000	3,000	0	0	33,141	33,141	0	0
Major Adaptations to Property	2,340	2,340	0	0	13,317	13,317	0	0
Total HRA Capital	84,460	83,931	-529	0	495,305	494,776	(529)	0
Movement	(33,678)	0	0	33,678	0	0	0	0

62. As reported at Month 6 there is a small favourable cost variance of £529k on Major Projects. The Council acquired a property from a Registered Provider providing accommodation to vulnerable adults. The HRA will provide landlord services and Adults will continue to provide care.
63. At Month 7 slippage on the Hayes Estates Regeneration scheme is possible and depends on progress of piling works over the winter period. Demolition work is nearing completion at Hayes Town Centre Phase 1 and Avondale Drive Phase 1a. Piling is expected to commence shortly. The rephasing of expenditure from the current financial year reflects the latest project programming from the developer. As a result of this revised profiling, vacant possession of Wellings House is not needed now until summer 2024 and the block is being utilised for temporary accommodation until then, and all leaseholder interest vested to the council as planned on 31 October 2023. The compulsory purchase negotiations on the remaining phases will complete as planned by the 31 March 2025 with expenditure forecasts aligned accordingly.
64. The annual acquisitions cap for 141 receipts funded buybacks has increased from 20 units to 37, due to the commencement on site for the Maple and Poplar North Block redevelopment. Over the summer the council was success securing GLA and DLUCH grant to purchase 27 properties. Total new supply this year from acquisitions is therefore expected to be 64 units. The MTFE has set aside funding for 100 new units, and it is assumed that external grant funding would be secured towards financing the new supply together with the one-for-one replacement RTB receipts. The council share of the new GLA grant funded schemes being funded from the HRA Unallocated Acquisition budget. At Month 7 28 properties have been identified and approved on capital release of which 22 have been acquired. A further 33 properties have been identified for acquisition and are progressing through the approval process. The forecast is expected to be in line with budget, as reported at Month 6.
65. Construction works have commenced on site at Petworth Gardens, Sullivan Crescent and Rowan Road, following the recent appointments of the main contractors, to provide a total of ten 2, 3 and 4 bedroom houses. The forecast at Month 7 is in line with budgets, with no movement reported from Month 6.

66. The Works to Stock programme 2023/24 is in various stages of progress with works ongoing across the housing estate under numerous workstreams. Workstreams are forecast to spend in line with revised budgets, as reported at Month 6.
67. Agreement has been reached to deliver a lower number of units under the Green Homes Initiatives due to rising prices, works are nearing completion on delivering the Social Housing Decarbonisation Fund (SHDF) grant Wave 1, funded by £1,581k grant which is required to be spent by the 30 June 2023 after the granting of a short extension. Council match fundings of £2,069k towards Wave 1 is to be delivered by 31 October 2023.

HRA Capital Financing

68. The below table sets out the HRA Capital Financing forecast at Month 6:

Table 10: HRA Capital Financing

	Approved Budget 2023/24 £'000	Forecast 2023/24 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2023-2028 £'000	Total Financing Forecast 2023-2028 £'000	Total Variance £'000	Move-ment
Source of Finance								
Capital Receipts	8,122	8,122		0	38,109	38,109	0	0
Revenue Contributions	20,436	20,436		0	122,761	124,334	1,573	0
Prudential Borrowing	39,576	39,047	(529)	0	232,918	231,485	(1,433)	0
Total Council Resources	68,134	67,605	(529)	0	393,788	393,928	140	0
Grants & Contributions	16,326	16,326	0	0	101,517	100,848	(669)	0
Capital Programme	84,460	83,931	(529)	0	495,305	494,776	(529)	0
Movement	(33,678)	0	0	33,678	0	0	0	0

69. At Month 7, the £529k Capital Programme underspend is being funded by additional revenue contributions, leading to a reduction in prudential borrowing, with a reduction in grant income linked to the Green Homes Initiative, linked to the reduction in the number of units as mentioned above. The movement of £33,678k to the approved budget relates to the Hayes Regen capital programme rephasing approved at Month 6.

Treasury Management Update as at 31 October 2023

Table 10: Outstanding Deposits

Period	Actual (£m)	Actual (%)	Movement from Month 6 (£m)
Call Accounts and MMF's*	23.1	49.46	0.5
Up to 3 Month Fixed-Term Deposits	8.6	18.42	(0.3)
Total	31.7	67.88	0.2
Strategic Pooled Funds	15.0	32.12	0.0
Total	46.7	100.00	0.2

*Money Market Funds

70. Deposits are held with UK institutions, all of which hold a minimum A- Fitch (or lowest equivalent) long-term credit rating and AAA rated Money Market Funds (MMFs). UK deposits are currently held in NatWest Bank plc and the DMADF. There is also an allocation to Strategic Pooled Funds.
71. The average rate of return on day-to-day operational treasury balances is 4.71%, an increase of 0.05% since Month 6. As part of the Council's investment strategy for 2023/24, the Council continues to hold a total of £15m in three long-dated strategic pooled funds (£5m in each). The strategic pooled funds have a long-term investment horizon with dividends being distributed periodically. When including projected dividend income on these strategic pooled funds, the overall rate of return decreases to 4.59% based on the previous six months income average. With rising market interest rates there is a lag in terms of dividend yield whilst the underlying assets mature and are refinanced, however it is anticipated that income on these funds should increase over the investment horizon. As the fair value of these strategic pooled funds are currently lower than the sum initially invested it is not feasible to disinvest at this time.
72. The Council aims to minimise its exposure to bail-in risk by utilising bail-in exempt instruments and institutions whenever possible. However, due to the significant amount held in instant access facilities, which is needed to manage daily cashflow, it is not possible to fully protect Council funds from bail-in risk. At the end of October, 73% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a September benchmark average of 59% in the Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors). The Council's exposure reduces to 0% once instant access facilities are excluded from the total bail-in percentage.
73. Liquidity was maintained throughout October by placing surplus funds in instant access accounts and making short-term deposits, including overnight deposits, in the DMADF. Also, a £5m temporary local authority loan was rolled over for another year with only the interest being repaid. Cash-flow was managed by ensuring maturities of any short-term deposits with the DMADF were matched to outflows.

Table 11: Outstanding Debt

Average Interest Rate on Total Debt: 3.18% (3.17% in Month 6)

Average Interest Rate on Debt Excluding Temporary Borrowing: 3.15% (3.15% in Month 6)

Average Interest Rate on Temporary Borrowing: 3.42% (3.28% in Month 6)

	Actual (£m)	Actual (%)	Movement from Previous Month (£m)
General Fund			
PWLB	78.60	28.28	0
Long-Term Market	15.00	5.40	0
Temporary	35.00	12.59	(5.00)
HRA			
PWLB	116.32	41.86	0
Long-Term Market	33.00	11.87	0
Total	277.92	100.00	(5.00)

74. During October one temporary loan of £5m with another local authority was repaid. In addition, a £5m temporary local authority loan which had reach maturity was rolled over for another year.
75. Gilt yields fluctuated during October, however they ended the month about 0.05% higher than at the beginning. Although many loans are in discount, the Council's long-term borrowing need and the high interest rates on new borrowing makes early repayment unviable.
76. To maintain liquidity for day-to-day business operations during November, cash balances will be placed in instant access accounts and short-term deposits.
77. It is anticipated further borrowing will be required by the end of 2023/24 to manage cash flow requirements, and four forward dated temporary loans amounting to £30m were arranged in advance in October. Opportunities to secure further temporary borrowing will be monitored.

PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

- a. **Accepts a grant of £153,440 from the North West London Integrated Care Board to fund the development of an evidence base to support the health and emotional wellbeing of children and young people.**
- b. **Accepts a grant of £1,583,351 from the Department of Health and Social Care's Market Sustainability and Improvement Fund (MSIF) Workforce Fund to address adult social care workforce pressures during the winter period to 31 March 2024.**
- c. **Accepts a grant of £163,419 from the North West London Integrated Care Board to fund two staffing posts to support the implementation of Population Health Management.**
- d. **Approve the acceptance of a grant of £34.7k from Groundwork London in respect of the Crane Valley Project Fund.**
- e. **Approve the acceptance of additional grant of £445k from Department for Levelling Up, Housing and Communities for Disabled Facilities Adaptations.**
- f. **Approve the acceptance of a grant of £10.2k from Arts Council England LibraryOn Grant Programme for the creation of bespoke room booking website for bookable spaces in libraries.**
- g. **Approve a budget virement from the general fund capital risk and contingency budget for £300k to the ICT Corporate Technology & Innovation budget for the Oracle Fusion Cloud upgrade / implementation project.**
- h. **Approve a budget virement from the general fund capital risk and contingency budget for £74k to the Cranford Park project budget for sewer treatment plant works.**
- i. **Approve the commissioning of Grant Thornton to undertake an accelerated process, working in collaboration with Officers and Members, to deliver a zero-based budget plan to support and inform the Councils MTF process for 2024/25 and beyond. This will provide a detailed analysis of opportunities for efficiencies and savings within services. The cost of this work is £238,213 plus VAT. This work will also support the Council's continuing Transformation programme.**
- j. **Notes the £420k increase in insurance premiums as part of the annual premium's renewal process from £1,419k to £1,839k (29.5%), and increase in insurance excesses from £100k to £500k for Property claims.**

Reasons for recommendation

78. **Recommendation 2a** seeks approval to accept grant funding of £153k that is intended for research that will provide an evidence base to support the development of emotional wellbeing services for young people, particularly those aged 16-25 years, with the aim of addressing and preventing social exclusion.
79. **Recommendation 2b** seeks approval to accept grant funding of £1,583k in accordance with grant conditions, with this funding to be used to pay for a short-term increase in the rate paid to some providers; increasing workforce capacity and retention and reducing Adult Social Care waiting times. The Cabinet Member for Health and Social Care will be asked to approve a spending plan in her capacity as co-chairman of the Health and Wellbeing Board, which is also a grant condition.

80. **Recommendation 2c** seeks approval to accept grant funding of £163k to support the implementation of Population Health Management (PHM) which uses historical and current data to understand what factors are driving poor outcomes in different population groups. This informs the design new proactive models of care that will improve the health and wellbeing of these groups and contribute to managing demand on health and social care services. The grant will be added to the NHS funding received in 2022/23 to enable the Council to employ two suitably qualified people on two-year contracts to provide the capacity to implement PHM approaches in Hillingdon.
81. Groundwork London have awarded a grant of £34.7k from the Crane Valley Project Fund for a project for environmental improvements within Cranford Park, with **recommendation 2d** proposing to accept this grant, with the funding aiming to improve the biodiversity and nature conservation value of the important network within Cranford Park, targeting ditches and the River Crane. Feasibility and habitat works will take place at the western edge of Cranford Park, where it joins up with the River Crane at the south east end of the park. The project will be part of the Environmental and Recreational Initiatives capital programme.
82. **Recommendation 2e** seeks approval to accept a £445k grant from Department for Levelling Up, Housing and Communities awarded the London Borough of Hillingdon in the form of an additional Disabilities Facilities Grant award to fund works such as widening doorways and installing ramps for wheelchair access and providing access to bathroom facilities, either by means of a stair lift or a new ground floor bathroom.
83. **Recommendation 2f** proposed to accept an Arts Council England grant award of £10.2k from the LibraryOn Grant Programme for the creation of bespoke room booking website for bookable spaces in libraries in order to:
- improve the online presence of libraries through improvements made to their digital presence,
 - to improve the digital capability of libraries, making it easier to engage with their users,
 - To enhance online discoverability by making it easier for existing and new users to find, access and engage with libraries.
84. **Recommendation 2g** seeks approval for a £300k virement from the approved Capital Contingency for the upgrade from the current Oracle R12 system to the new Oracle Fusion Cloud system which will benefit the Council and is needed to replace the current Oracle R12 system which is no longer supported by Oracle and is being phased out. Investment in the Council's core financial systems will ensure that the necessary infrastructure is in place for the Finance Directorate to support the move towards a modern, well managed digital Council. Furthermore, the project is intended to deliver cashable savings in moving to a more modern cloud platform. The £300k release and has been approved by a Cabinet Member Decision Report.
85. **Recommendation 2h** requested a £74k virement from Capital Contingency to the Cranford Park project budget for sewer treatment plant works which is needed as currently there is no proper foul drainage system on the Cranford Park site. The £74k release has been approved by a Cabinet Member Decision Report which now requires funding through this virement proposal.

86. **Recommendation 2i** seeks approval to contract with Grant Thornton on a zero-based budgeting exercise. The Council's current approach to the development of the budget and MTFF (Medium Term Financial Forecast) is largely based on incremental changes to the previous year's plans combined with detailed rebasing of demand-led service areas rather than a fully "zero-based" approach, over which savings proposals emerging from services and wider transformation initiatives are overlaid. As in previous years a significant body of work has already been undertaken through the established MTFF process with wide engagement from service managers and budget holders. However, the Council like its peers is now required to embark on a much more ambitious programme of change and with funding projections necessitating the ongoing delivery of material savings in the medium-term there are a number of risks of continuing to place a heavy reliance on an incremental approach:

- There is an inherent assumption on the principle of 'business as usual' and continuity between one year and the next,
- As the incremental approach uses last year's budget as a baseline incorrect estimates or misstatements can be carried forward into future years.
- As the process tends to be backward looking there is the risk that service budgets do not always reflect the evolving needs of residents or changes in the strategic objectives and operational requirements of the Council.
- Whilst MTFF challenge sessions are service-led the incremental approach does not necessarily encourage full participation from budget holders and may reduce the scope for innovation and different options for service delivery. As the current process is conducted on a service basis it can also prevent development of cross-cutting savings and entrench departmental silos.

87. The delivery of year-on-year savings programme since 2010/11 has seen the Council deliver gross savings of £180m or 68% of 2023/24 net expenditure, necessitating an innovative approach to secure further savings against the ongoing challenge of limited funding that ensures all viable opportunities are identified, with which this work will assist.

88. **Recommendation 2j** - The current insurance contract was awarded on 1st December 2021 for a period of three years with the provision to extend for a further two years, covering 6 tendered lots:

- Property Insurance
- Liability Insurance
- Motor Fleet Insurance
- Personal Accident and Schools Insurance
- Engineering and Inspection Insurance
- Terrorism Insurance

89. Following an increase in claims, insurance premiums will increase by £420k as part of the annual premium's renewals process, primarily across the Property and Motor Fleet portfolios. £269k of the increased premium will be borne by the HRA, with an additional General Fund premium of £151k. Increases are within scope of the existing long-term agreement awarded in December 2021 which allows for rates to be renegotiated if the loss ratio exceeds 20%.

Additionally, Property insurance excesses will increase from £100k to £500k to minimise the increase in premium levels, with only 2 claims within this threshold in the current financial year.