THE COUNCIL'S BUDGET:
MEDIUM TERM FINANCIAL FORECAST 2024/25 - 2028/29

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

HEADLINES

Summary	This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2024/25, presented in the context of the Council's five-year budget strategy to 2028/29. Budget proposals for 2024/25 include a 4.99% increase in the headline rate of Council Tax. This comprises a core Council Tax increase of 2.99% alongside a 2% increase relating to the Adult Social Care Precept. Cabinet are requested to approve publication of this draft budget for consultation with Select Committees and residents during December 2023 and January 2024. Following consultation, Cabinet will be asked to consider final budget proposals in February 2024 for presentation to Full Council for final approval.
Putting our Residents First	This report supports the delivery of the Council Strategy 2022-2026. Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.
Financial Cost	This report outlines a balanced budget for the 2024/25 financial year, on the basis of a below inflationary 2.99% increase in the headline rate of Council Tax and use of the 2.00% Social Care Precept in line with the Government's funding framework for local services.
Relevant Select Committee	All
Relevant Ward(s)	All

RECOMMENDATIONS

That Cabinet:

1) **Approve the draft General Fund and Housing Revenue Account budgets and capital programme proposals for 2024/25 (as detailed in Appendices A and B) and beyond as the basis for consultation with Select Committees and other stakeholders.**

2) **Approve the proposed amendments to fees and charges to take effect in 2024/25 included in Appendix C, as the basis for consultation with Select Committees and other stakeholders.**

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

4) **Note that Provisional Local Government Finance Settlement is awaited from HM Government and the output from these will be factored into the final 2024/25 budget proposals to be considered by Cabinet in February 2024.**

5) **Authorise the Corporate Director of Finance, in consultation with the Cabinet Member for Finance, to respond on behalf of the Council to the consultation on the provisional Local Government Finance Settlement and to the Mayor of London's budget consultation.**

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2024/25. This includes the impact on Council Tax, alongside housing rents and service charges.

The Council has powers only to approve revenue budgets and set Council Tax and housing rents for the following financial year. Medium term revenue budgets are presented to aid future financial planning and support good decision-making, with this document outlining Cabinet's budget strategy for the next five years. The Capital Programme is approved over a five-year period as the statutory framework provides greater freedoms under the Prudential Code to encourage a longer-term approach to capital financing and borrowing decisions.

If approved by Cabinet, these budget proposals will be presented to Select Committees and residents for consultation before being presented to Cabinet in February 2024 for recommendation to full Council. Once approved by Council in February 2024 proposals will become effective immediately.

Alternative options considered / risk management

In order to comply with the Budget and Policy Framework, the Cabinet needs to publish a draft budget for consultation at this meeting. The Cabinet could, however, choose to vary the proposals set out in the report, with any amendments reflected in the papers consulted upon with Select Committees during January 2024.

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

The Corporate Director of Finance can give positive assurances on the robustness of estimates included within this consultation budget, which is based on established, rigorous business processes around robust financial modelling and closely aligned to service plans. It is expected that over the period through to final budget setting in February 2024 that further development of budget proposals will lead to greater refinement around the deliverability of planned savings. Implementation of budget proposals will be closely tracked through the monthly budget monitoring processes during 2024/25.

Select Committee Comments

A full report on the budget process, financial strategy and detailed budget proposals for the relevant Cabinet portfolios will be taken to Select Committees for review in January 2024, with feedback presented to Cabinet alongside the final budget report to Cabinet on 15 February 2024.

SUPPORTING INFORMATION

INTRODUCTION

1. This report provides an overview the Cabinet's budget proposals in respect of the Council's General Fund and Housing Revenue Account (HRA), alongside an update on the latest position on the Schools Budget which is being prepared in the context of the Council's Safety Valve agreement with the Department for Education. Both General Fund and Housing Revenue Account budgets are presented for the purposes of consultation with Select Committees and residents, in advance of budgets for the 2024/25 financial year being presented to Cabinet and Council for final approval in February 2024.

2. The General Fund budget for 2024/25 has been prepared in the context of a five-year strategy, which incorporates the impact of a comprehensive review of capital investment plans and strategic savings programme in the context of challenging economic circumstance globally, nationally and locally. With 2024/25 being the final year in the current Spending Review period and with no indication from Government on local authority funding from 2025/26 and beyond, there remains a significant amount of risk within the Council's funding position whilst the sector awaits an update from Government. The Council continues to operate in a high inflationary environment whilst residents deal with cost-of-living pressures, with the Council also continuing to see legacy impacts from the pandemic impacting on demand for Council services.

3. A similar approach has been adopted for the HRA, with the five-year strategy being complemented by a 30 Year Business Plan which demonstrates the long-term financial sustainability of the ringfenced account and viability of the significant capital investment plans expanded upon in the relevant sections of this report. Increased expenditure associated with damp and mould costs alongside additional costs pressures associated with meeting the requirements of the Housing Regulator and increasing stock management represent a challenge to the HRA operating model, with the Council managing these costs in-year through a reduction in capital financing charges, with these pressures ultimately requiring a permanent funding solution in the medium to longer term.

GENERAL FUND REVENUE BUDGET

BUDGET STRATEGY AND SUMMARY OF PROPOSALS

4. Budget proposals for 2024/25 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, the impact of the cost-of-living crisis and the continuing legacy of COVID-19. To balance the budget, the Council has a number of mechanisms at its disposal to deliver this including a combination of delivering efficiency savings, increases in the Council Tax, and Fees and Charges, whilst setting a strategy that increases reserves above those forecast within the 2023/24 position.

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 2023/24 financial year reporting a net underspend of a minor £2k which will leave uncommitted General Balances at £26,848k entering the 2024/25 financial year.

6. However, the 2023/24 position reflects the use of Earmarked Reserves to fund £3,622k of exceptional inflationary pressures on service budgets including the 2023/24 pay award. Furthermore, the Council is drawing down £1,785k from reserves to fund local priorities, £1,535k to fund legacy impacts against taxation income driven by the pandemic and £692k of other costs. With windfall income from the West London Waste Authority of £1,500k offsetting these drawdowns, the net impact is a £6,134k use of reserves, leaving a closing balance of £13,926k against the Council's Earmarked Reserves.

7. Of the £22,762k savings within the 2023/24 budget, 75% are banked or on track for delivery in full, with potential risks arising on 1% (£242k), relating to timing issues on practical implementation of two projects, which are ultimately expected to be resolved. Further information on this position is set out in the month 7 budget monitoring report also presented to Cabinet on this agenda, but it is expected that all 2023/24 savings will ultimately be banked in full or replaced with alternative measures in the event of any ongoing shortfall.

8. Based on 2.99% per annum increases in the core Council Tax and 2% per annum increases in the Social Care Precept for 2024/25, reducing to 3.8% overall increase in 2025/26 and 2.8% thereafter, funding available to support service expenditure is projected to grow by £35,209k to £298,487k between 2024/25 and 2028/29. A combination of exceptional inflationary pressures particularly in the earlier years of the budget strategy and demand-led pressures (including the legacy impacts of the COVID-19 pandemic), together with capital investment plans is projected to generate a £52,788k uplift in service expenditure across the five year term. In order to address this differential, to date, a savings programme of £33,411k has been developed, leaving a residual budget gap of £17,579k across the five year MTFF period, with £15,752k of savings being proposed for 2024/25 increasing throughout the later years of the MTFF period.

Table 1: Budget Strategy

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Total Resources	263,278	280,712	280,462	287,245	292,253	298,487
Total Service Expenditure	263,278	280,712	287,351	298,386	306,971	316,066
Cumulative Budget Gap	**0**	**0**	**(6,889)**	**(11,141)**	**(14,718)**	**(17,579)**

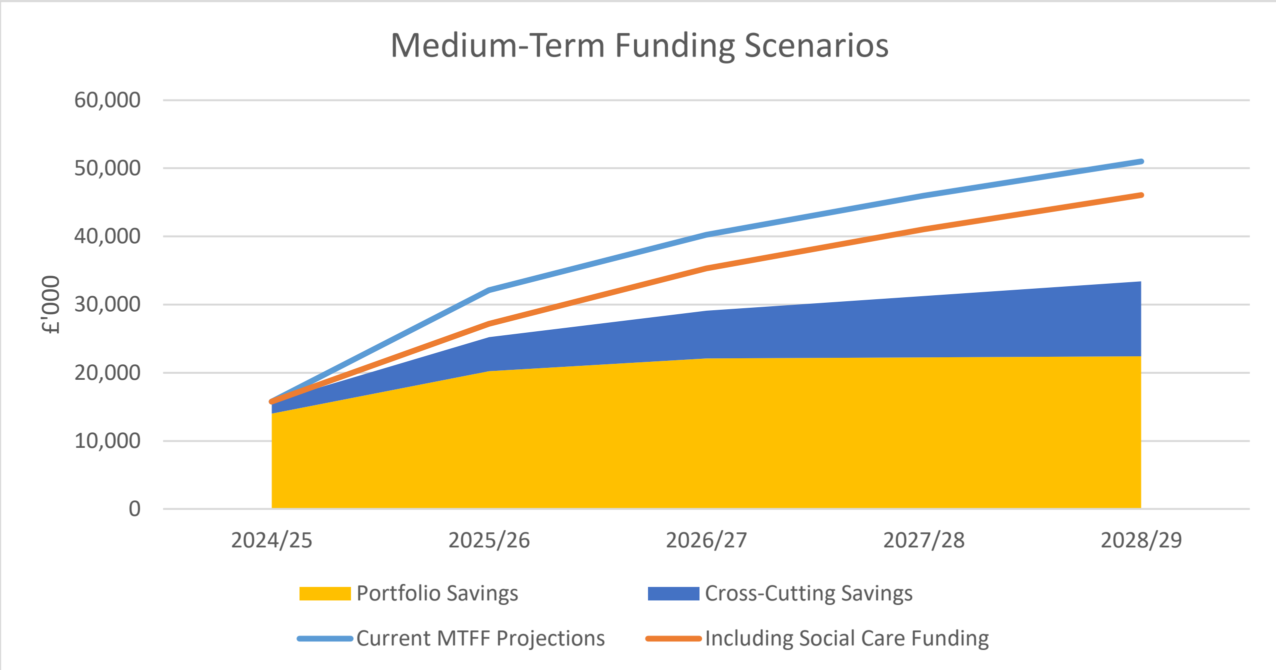
9. As is the case for the vast majority of local authorities, the Council has experienced exceptional economic factors that are driving a material inflationary requirement, which is having a significant impact on the cost of providing services to residents, with Government funding no longer keeping pace with the increased expenditure the Council is facing. The generally accepted measure of inflation, the Consumer Price Index (CPI) continues to track above the Bank of England target rate of 2% and peaked at 11.1% in October 2022 before falling to 4.6% in the latest published data for October 2023. This high inflation environment has yielded a forecast inflationary requirement of £16,659k in 2024/25, rising to £48,176k by 2028/29.

10. This compares to a forecast of £10,906k for 2024/25 when the Council set out the previous iteration of the budget strategy in February 2023, with this latest refresh presenting a 53% increase from these projections. Inflation, together with further increase in demand-led growth and corporate items has generated the need for the continuing development of savings programmes. It is expected that this will continue to be a key requirement within our budget strategy in the years ahead.

11. The Autumn Statement announced in parliament on 22 November 2023 implied spending targets for unprotected Government departments from 2025/26 onwards will result in real terms spending reductions, with the OBR estimating spending on unprotected departments would fall by 2.3% in real terms from 2025/26, with this number forecast to increase to 4.1% per year, should the government follow through on its ambition to increase defence spending to 2.5% of GDP and return overseas development assistance to its 0.7% of gross national income target. This therefore might imply that the best-case scenario would see cash flat settlements from 2025/26 onwards.

HILLINGDON
LONDON

Chart 1: Medium Term Funding Scenarios



12. As can be seen from the analysis above, the savings programme outlined in this budget strategy would only be sufficient to contain service expenditure within the resource envelope in a scenario where the £4.9m funding allocated by the Government in core Adult Social Care spending is retained in 2025/26 and beyond. However, the current savings programme reflects specifically identified actions at this time and we expect to develop and increase the programme further over the life of the MTFF. It should be recognised that in the absence of the retention of the aforementioned Adult Social Care Funding and increased savings, a requirement for a 30% uplift in core government grant support would be necessary in order to balance later years budgets.

13. The continuation of a second year of adverse economic conditions and the stubbornly high inflationary pressures represents the main cause of the current cost-of-living pressures, with the impact from increasing costs and declining revenues having negative impacts on local residents and businesses, with the Council in turn exposed to these forces and facing similar challenges in service delivery, albeit on a larger scale and in the context of a range of statutory responsibilities. The impact of this is particularly evident in the Council's homelessness prevention service, which is experiencing a sustained period of high demand, with the Council needing to materially increase the level of budgetary provision in this area. Furthermore, COVID-19 legacy issues continue to impact on Council services and finances, with pandemic related pressures believed to be a strong driver for the ongoing financial pressures within Adult Social Care.

14. Notwithstanding the additional challenges presented by adverse economic conditions and the legacy impacts from the pandemic, this budget strategy does not rely upon use of

General Balances to support service expenditure and aims to increase net reserves over the five-year MTFF period to build the Council's financial resilience going forward, with this strategy proposing an increase in reserves of £7,500k by 2028/29 if no unforeseen economic shocks are sustained A review of the range of general risks affecting the Council and the anticipated release of significant sums from provisions and EMRs in 2023/24 indicates that the recommended level of uncommitted reserves (General Balances) should be between £22,000k and £41,000k, meaning that £4,848k over and above earmarked reserves 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 2024, these are projected to total £13,926k, with £3,048k being the remaining balance of identified funding to meet exceptional inflationary pressures. This strategy includes no further release from earmarked reserves to fund ongoing service expenditure.

16. Savings proposals totalling £33,411k 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 £17,579k budget gap to be mitigated over the period from 2024/25 to 2028/29. 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, Digital Strategy, Workforce, Managing Demand and Income Generation & Commercialisation and Zero Based Reviews, with an overview of specific measures set out within this report.

17. Following on from the Autumn Statement announcement in November 2023 and whilst the Local Authority settlement is still awaited, it is considered highly likely that Government Grants and Business Rates income will fail to match prevailing levels of inflation currently being experienced 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 continue the approach of proposing increases in Fees & Charges to keep pace with inflation and in part mitigate the shortfall in Government funding.

18. This draft budget outlines £346,869k 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 £74,076k is to be financed through borrowing. Taken together with historic capital spending, this investment will result in the Capital Financing Requirement peaking at £318,748k in 2025/26 and declining thereafter. Of this peak borrowing requirement, £271,057k is expected to necessitate external borrowing, with £47,691k being financed through General Fund reserves and working capital.

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

RISK MANAGEMENT

20. In developing a strategy to deliver services within a constrained resource envelope, it is necessary to reflect upon both risk and opportunity arising from the Council's current financial standing, with this assessment in essence representing an informed view of the organisation's financial resilience. The following paragraphs provide an update on the constituent elements of this assessment:

i. **General Fund Reserve-levels:** a key indicator of financial resilience, the Council is projected to retain £45.2m at 31 March 2023 between general and earmarked reserves at the time of budget setting in February 2023, with the final outturn for the year seeing this sum increase to £46.9m. Latest projections for the 2023/24 year would see this sum fall to £40.5m by 31 March 2024, which remains broadly in line with budget strategy assumptions as one-off or windfall gains are being deployed to meet additional cost pressures arising from the ongoing high inflation environment while also reflecting that the Council has historic commitments against specific earmarked reserves. Of this sum £26.9m is projected to be held in unallocated General Balance, with £13.9m earmarked for specific purposes.

   The Corporate Director of Finance is required to set out a recommended range for unallocated reserves, which was set between £22m and £41m for the 2023/24 financial year. Current reserve levels are therefore towards the lower end of the acceptable range for an authority such as Hillingdon, and as outlined in the Section 25 Statement in the Budget Strategy report presented to Cabinet in February 2023, this budget now proposes increasing reserves by £7.5m by 2028/29. The recommended range for General Balances is predicated on the Council being able to deliver balanced budgets and makes no provision for substantial deployment of reserves over the MTFF period.

   While reserve-levels remain within the recommended range, it is notable that the Council's absolute levels of reserve are an outlier in London – being ranked 31 from 33 authorities at 31 March 2022 (the last date for which comparable data is available). This will impact how the Council develops its budget strategy over the coming years with a focus on building resilience through £7.5m budgeted contributions to reserves over the five year period of the MTFF.

ii. **Dedicated Schools Grant Deficit:** the cumulative deficit arising from sustained underfunding of SEND provision by the Department for Education stood at £21.9m at 31 March 2023, equivalent to 47% of the Council's total General Fund Reserves. There is currently a time-limited statutory override in place until 31 March 2025 which ensures that this deficit does not impact upon general reserves, and the Council's General Fund budget strategy is predicated on the further continuation of this override. As the Council continues to invest significant funds and capacity to bring this ringfenced account into balance over the medium term, the DSG deficit will continue to represent an additional call on financial capacity .

iii. **Capital Financing Requirement:** this reflects the Council's underlying need to borrow and the element of historic investment that has not yet but will ultimately be funded from Council Tax receipts. At the time of the last budget setting in February 2023 this was projected to total £259.7m at 31 March 2023, with the final outturn position falling marginally to £257.6m as a result of slippage in planned capital spending. At 21.5% of the Council's £1,196m asset base, this does not represent an excessive level of borrowing for an authority such as Hillingdon and plans are in place to fully meet this obligation over the useful economic lives of the associated assets.

The Council retains no material interest in investment property or other commercial interests on its balance sheet, with assets held primarily for delivery of services to local residents. As a result, a material write-down of asset values is not considered a material risk for Hillingdon and economic conditions would not be in a position to require accelerated funding of the Capital Financing Requirement.

Shareholding in the Council's housing development company currently totals £4.9m, with facility for further lending to finance specific schemes on a case-by-case basis. Given the scale of projects delivered by the company and the Council's status as sole shareholder and lender, the risk of this operation adversely affecting the Council's broader financial resilience is limited.

21. On the basis of these core balance sheet measures, Hillingdon maintains significant capacity for capital investment with limited exposure to commercial risk, albeit with a lower level of reserves cover than other authorities which emphasises the requirements for a greater focus on reliable delivery of balanced budgets. While it is likely that almost all local authorities are facing a budgetary challenge of a similar nature to Hillingdon, it is notable some of those authorities may have higher debt and associated risk with the recent increases in interest rates. In this context the current MTFF strategy depends on the achievement of asset sales with circa £75 million assumed over the next five years and these providing the financing towards the Council's transformation programme and DSG Safety Valve agreement requirements.

22. Based on the Council's assessment of its financial resilience, the budget strategy presented in this report has taken a prudent approach to the review of inflation, with the Council's core inflation assumption being that CPI continues to track at circa 7% per annum for 2023/24 and 2024/25, before falling to 4% for 2025/26 before returning to the Bank of England target rate of 2% for the remainder of the five-year strategy. The approach assumes that much of the Council's core contracted expenditure ultimately presents for an increase of this

magnitude, albeit with an expectation that the timing of uplifts will present on a staggered basis. On a similar approach, Social Care continues to generate a significant inflation requirement against an expenditure budget exceeding £110m. Energy and fuel inflation forecasts continue to track significantly above inflation, predominantly linked to the impact from the war in Ukraine with a further risk from the current Israeli-Palestinian Conflict.

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

24. The Council continues to take a robust approach to the recommended Savings Programme, which is focussed on making improvements and efficiencies in service delivery rather than service reductions, with assessed proposals being included in the Council's budget strategy, and the majority of savings targets assigned to specific service departments, This allows the Council to have greater certainty in the delivery of the saving programme, albeit with an inherent level of risk due to continuing adverse economic conditions and the increasingly complex nature of the savings initiatives being undertaken.

25. The combination of this substantial savings programme and proposed uplifts in Fees & Charges are projected to secure £15.7m benefit in the 2024/25 financial year, indicating the scale of measures required to manage the increased savings requirement for the forthcoming financial year.

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

27. As part of the Cabinet's final budget proposals to Council presented in February 2024, the Corporate Director of Finance will provide assurances around robustness of estimates and adequacy of reserves as part of the statutory framework for local authority budget setting. These assurances will be framed with reference to principles and standards included within CIPFA's Financial Management Code.

FUNDING SOURCES

28. General funding available to support the Council's service expenditure is projected to grow from £263,278k in 2023/24 to £298,487k by 2028/29, an uplift of £38,190k across Council Tax, Business Rates and Government Grants offset by unwinding reliance on one-off funding sources to leave a net increase in resources of £35,209k by 2028/29. This position includes £1.7m of ongoing increased income from Business Rates despite the risk of rates appeals against the 2023 list despite a 5% increase in bills raised to local businesses from the national revaluation, with the in-year benefit from this position being the key driver behind one-off funding of £3,577k from the collection fund surplus being realised in 2024/25. The Autumn Statement provided an indication of the certainty of Government funding for 2024/25, with this position to be firmed up once the Provisional Local Government Settlement is announced, with this expected to be later in December 2023. The following table and commentary provide an overview on each of these funding streams, with Appendices A1 and A2 providing detailed projections.

Table 2: Funding Sources

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Council Tax Revenues	137,440	145,751	153,743	159,690	165,851	172,185
Business Rates Income	60,670	68,276	69,080	69,080	69,080	69,080
Corporate Grant Income	63,687	63,808	57,939	58,375	58,822	58,722
Total Recurrent Funding	**261,797**	**277,835**	**280,762**	**287,145**	**293,753**	**299,987**
Collection Fund Deficit	(54)	4,377	1,200	1,600	0	0
Release of COVID-19 Reserves	1,535	0	0	0	0	0
Rebuilding Reserves	0	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Total One-Off Funding	**1,481**	**2,877**	**(300)**	**100**	**(1,500)**	**(1,500)**
Total Resources	**263,278**	**280,712**	**280,462**	**287,245**	**292,253**	**298,487**

29. Income from Council Tax is projected to grow by £34,745k over the period to 2028/29 as a result of inflationary uplifts in the headline rate, further use of the Social Care Precept and growth in the taxbase. The first two years of the budget strategy include below inflationary increases but utilise the revised Council Tax referendum thresholds announced in the Autumn Statement, with an uplift of 2.99% per annum factored into this budget for 2024/25, reducing to 1.8% in 2025/26, together with 2.0% per annum increases in the Social Care Precept in line with the Government's approach to managing demand in this area. From 2026/27 onwards, in line with the Council's inflation assumptions, Council Tax is forecast to increase at the lower rate of 1.8% per annum for the core uplift alongside a further 1% Social Care Precept. Together, these increases secure £26,751k of the additional funding to meet growing demand and inflationary pressures.

30. The remaining £7,994k additional income from Council Tax is driven by growth in the taxbase as a result of 6,027 Band D equivalent properties from new residential development

in the borough over the next five years and a 20% reduction in demand for the Council Tax Reduction Scheme as the economic impact of COVID-19 unwinds. Projections for new development represent a 4% increase in the number of homes in the borough, a growth rate which remains consistent with recent experience, while reflecting both planned new development in the borough and medium-term population projections. The Council is proposing to review the Council Tax Reduction Scheme shortly and improve the targeting of the service to provide the most effective support to local residents.

31. Business Rates revenues are projected to grow by £8,410k, primarily driven by the Council releasing some of the benefit from the national 2023/24 revaluation of commercial property that the Council offset in the 2023/24 budget with an increase in the provision whilst the new rating list was embedded, and appeal data was monitored. The Autumn Statement confirmed a 6.7% increase for 2024/25 against the multiplier for the first year of the budget strategy, albeit with the lower multiplier remaining cash flat and the Government funding the lost income to local authorities via grant income. In the following years the multiplier is held flat in the absence of a Government announcement on local government funding beyond this point. Under the Business Rates Retention Scheme, the Council retains circa 15% of locally raised income, with the remainder being distributed between the Government, Greater London Authority and other local authorities.

32. The Autumn Statement for 2023 was announced on 22 November and formed the basis of the consultation budget being presented in this report, however, these projections will be firmed up when the Government publish the Provisional Local Government Finance Settlement in late December 2023 which will provide this detail for 2024/25, before the final settlement in late January or early February confirms the Council's final grant funding position for the new year.

33. Last year's Autumn Statement confirmed the upcoming Social Care reforms set to introduce a cap on personal care costs alongside the Fair Cost of Care reform have both been delayed for two years with no further updates on these provided at this time. The funding refresh included in this report, assumes the Council's business rates baseline income and revenue support grant will increase by 6.3%, offset by a reduction in the Services Grant, to see a net favourable impact on funding of 6% in line with the Autumn Statement.

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

    i. The Autumn Statement for 2023 provided a mechanism for the Council to assess Government Grant income for 2024/25, with this assessment expected to be firmed up when provisional allocations of funding from this statement will be published, however, this is expected to be after December Cabinet has taken place.

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

iii. Alongside the formula review, a reset of the Business Rates Retention system is planned which would redistribute growth secured since 2013/14. As Hillingdon has delivered strong growth over this period, this would be expected to adversely impact funding levels, which would probably eliminate any gains arising from distributional changes, with the revised budget strategy presented in this report increasing our exposure to this risk due to the increasing benefit from retained growth as revaluation gains are firmed up.

35. Prior to the COVID-19 pandemic, pooling of Business Rates income across London secured additional income on occasions and has thus been beneficial to Hillingdon. This may offer similar such opportunities in the future and hence will be held under continuing review and scrutiny, however, London will not be pooling Business Rates in 2024/25 as it is deemed to not generate a benefit at this time, with exposure to losses across London increased due to the uncertainty on revaluation appeals following the publication of the 2023 list, with the potential for greater exposure to rating appeals in Central London being the driver of this decision.

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

SERVICE EXPENDITURE

37. Service expenditure will grow due to inflationary pressures, demand-led growth and other corporate items including capital financing costs. The below table sets out the impact of these expenditure movements across the Council's Cabinet Portfolios.

Table 3: Cabinet Portfolio Service Expenditure

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Property, Highways & Transport	10,798	9,746	10,035	10,277	10,526	10,781
Finance	33,213	38,514	42,677	47,289	47,575	48,062
Corporate Services	24,893	24,166	23,760	22,915	23,474	24,045
Residents' Services	22,681	24,874	26,004	27,412	29,166	30,962
Children, Families & Education	58,231	59,878	60,030	62,139	64,300	66,512
Health & Social Care	114,084	125,627	130,097	135,509	140,986	146,659
Corporate Budgets	(622)	(2,093)	(5,252)	(7,155)	(9,056)	(10,955)
Total Service Expenditure	**263,278**	**280,712**	**287,351**	**298,386**	**306,971**	**316,066**

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

Inflation

39. Due to the current economic climate impacting prices around the globe, nationally and locally, inflation is the key driver behind the Council's increases in Service Expenditure for a second year running, with inflationary cost pressures continuing to remain high and projected to total £58,176k against 2023/24 expenditure over the period to 2028/29, with material uplifts shown in relation to workforce budgets, care placements, contracted expenditure and energy costs in the table below. In order to ensure that budget plans are structured on the basis of robust projections, local inflation estimates have been reached following review of a broad range of economic forecasts – including EY Item Club, the Council's treasury advisors Arlingclose, the Bank of England and Office for Budget Responsibility.

40. These inflation projections are predicated on a mix of CPI and service weighted measures broadly averaging 7% during 2023/24 and 2024/25 before returning to 3% in 2025/26 before reducing to the Bank of England target rate of 2% for the following years. As the Council set the 2023/24 budget with a lower inflation assumption for the pay award than has been agreed, this position includes an element of 'catch up' inflation to fund the forecast shortfall against the Council's Workforce Expenditure budgets which has been funded from the Council's price risk reserve in 2023/24. The following table and commentary provide an overview of this requirement, with further detail set out in Appendix A3.

Table 4: Inflation Provision

	2023/24 Budget £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Workforce Expenditure (including Pension Contributions)	135,913	8,445	2,744	2,941	3,001	3,062
Social Care Placements	122,840	8,500	3,940	4,058	4,180	4,306
Contracted Expenditure	42,298	3,284	1,358	931	950	968
SEND Transport	7,913	237	245	252	259	267
Energy & Fuel	7,868	(1,957)	295	311	326	342
Other Expenditure	11,026	376	230	233	238	243
Less: Externally Funded Items	(25,563)	(2,226)	(983)	(1,021)	(1,059)	(1,100)
Budgets Out of Scope of Inflation	(39,017)	0	0	0	0	0
Total Inflation Requirement	**263,278**	**16,659**	**7,829**	**7,705**	**7,895**	**8,088**

41. The workforce expenditure inflationary requirement is calculated to be £20,1936k or 14.9% over the five-year budget strategy, which incorporates three discrete elements. Firstly, the requirement to fund the outcome of the 2023/24 pay award negotiations, reflecting a 5.7% uplift, with the approved budget for the year including a 4% inflationary requirement, with the Council therefore required to fund the 1.7% balance. Secondly, nationally negotiated pay settlements over the five-year period are forecast to be 13.2%, including a level of front-loading to reflect the current spike in general inflation.

42. Inflationary increases of 7.78% have been added to Adult Social Care Placements for 2024/25 in order to reflect inflationary pressures faced by the sector alongside upward pressure on wages with the uplift being an outcome of a review carried out by the Association of Directors of Adult Social Services (ADASS), with 51% of this funded through Government grants aimed and supporting Market Sustainability. The following year is forecast to increase by 3% reflecting the underlying CPI uplift, with 2026/27 onwards forecast to remain at 3%, i.e., 1% above CPI for the sector to support recruitment and retention and promote sustainability. Children's Social Care is forecast to be not as severely exposed to these exceptional uplifts and continues to track below Adult Social Care pressures, which is believed to be linked to high historical market rates, meaning providers are able to absorb much of the exceptional inflationary demand on their cost base. Future years are forecast to return to 3% per annum increases and track above the Bank of England target rate of 2% to reflect current conditions and demand. Across both care placements and other contracted expenditure, budgeted uplifts will be held centrally and released to departmental budgets on confirmation of contractual requirements. This position adds £8,500k to the 2024/25 inflation requirement, rising to £24,984k over the five-year budget strategy.

43. Whilst the 2022 Autumn Statement included the delay of the Social Care reforms by two years, when the Fair Cost of Care review goes live in October 2025, the impact on the Social Care provider market and is expected to drive up the cost of care provision, however, under

the Government's new burdens doctrine, this Government driven review should be fully funded by Grant funding and not impact on the Council's net Service Expenditure. For these reasons, the impact from this review has not been accounted for in this iteration of the budget strategy.

44. Contracted Expenditure is forecast to rise in line with CPI, albeit with a delayed impact on the Council's expenditure with CPI forecast to be 7% for 2024 (with this being the average CPI forecast across various organisations and in line with the Office of Budget Responsibility forecasts) and being the driver behind the 2024/25 uplift in expenditure with some contracts expected to require a higher uplift where the cost base is predominantly staffing due to the London Living Wage increasing by 10%, driving an average rate of 7.8%. The Council will continue to monitor forecasts closely and overlay this against local experience based on uplift negotiations that have taken place over the last few years. For this reason, the Council is forecasting CPI to reduce to 3% from 2025/26, before returning to the Bank of England target rate of 2% by 2026/27 onwards. These assumptions add £3,284k in 2024/25, rising to £7,491k by 2028/29.

45. Special Educational Needs or Disability (SEND) Transport is forecast to require a 3% uplift per annum over the life of the budget strategy, with forecasts tracking below the Council's core CPI forecast, due to the service costs being materially driven by fuel prices, with fuel inflation being negative throughout 2023/24, offsetting pressures against other expenditure items within this service area. This position adds £237k to service operating budgets in 2024/25, rising to £1,260k over the life of the budget strategy.

46. An exceptional inflation provisions of -30.8% has been included for energy and 5% for fuel budgets in 2024/25, as the initial spike in prices caused by the war in Ukraine begins to unwind, with energy inflation requirements in the medium term projected at 5% per annum in line with fuel inflation over the life of the MTFF. This position is reducing the Council's inflationary requirement by £1,957k in 2024/25, with £1,274k being added for the period 2025/26 to 2028/29 giving an overall impact of a £683k reduction in expenditure. Given current market volatility, this area will remain under close review and where possible mechanisms to minimise cost increases and/or minimise volatility will continue to be investigated.

47. Other inflation requirements relate primarily to levies payable to other public sector bodies, Business Rates payable on the Council's property portfolio and added years pension costs, all of which are expected to track with the headline rate of inflation in the medium term.

48. In a number of areas, an element of inflationary cost pressures can be directly recouped from external funding sources, such as external grants, partner organisations and self-funding social care service users. Over the period to 2028/29, such mechanisms are expected to reduce the net cost of inflation by £6,389k, with £2,226k of this landing in 2024/25.

49. In overall terms the Council has the ability to manage inflation risk through the Council's Balances & Reserve Policy and the amount contained within for inflation risk, alongside further cover available to the Council in a specific Earmarked Reserve to fund inflation volatility. To date, £3,622k of is forecast to be drawn down from the reserve in 2023/24, with £3,048k remaining available for new and emerging price related pressures. With the reserve level dropping below the 2023/24 drawdown, the Council's budget strategy is based on a prudent approach to the 2024/25 pay award, with these funds to be held in the inflation risk reserve until the 2024/25 pay award is approved. The Council is in a position where it should take a prudent approach to assessing inflation in view of the experience in the current financial year, which has seen a need to draw on earmarked reserves and some continuing uncertainty of inflation rates over the MTFF period. In this context there is a need to ensure service operating budgets are sufficiently resilient to cover forecast inflationary impacts and avoid any assumed reliance or expectation of reserve drawdowns.

Demand-Led Growth

50. Demand-led service projections relate to Council services where the financial impacts are driven by demand levels, and in some services, the markets in which those services are procured. These items are projected to add £23,950k or approximately 18% to the £134,905k budget for these functions in 2023/24, with this movement expanded upon below and in Appendix A4.

Table 5: Demand-led Growth

	2023/24 Budget £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Waste Disposal Levy & Contracts	14,631	1,724	633	598	599	620
WLWA One-Off Income	(1,000)	1,000	0	0	0	0
Support for Looked After Children	16,560	(3)	373	392	412	433
Support for Children with Disabilities	2,756	36	38	40	42	44
SEND Transport	12,145	1,953	656	627	497	497
Adult Social Care Placements	63,697	3,216	1,463	1,554	1,650	1,749
ASC Market Sustainability and Improvement Fund	(2,438)	(1,228)	0	0	0	0
Investment in ASC Market Sustainability	2,438	1,228	0	0	0	0
ASC Discharge Fund	(1,047)	(698)	0	0	0	0
Investment in ASC Discharge Support	1,047	698	0	0	0	0
Homelessness Prevention	5,410	2,379	579	0	0	0
Asylum Funding Shortfall	1,774	(433)	0	0	0	0
Investment in Public Health	18,932	342	0	0	0	0
ULEZ Charges	0	240	0	0	0	0
Total Demand-Led Growth	**134,905**	**10,454**	**3,742**	**3,211**	**3,200**	**3,343**

51. An uplift of £4,174k is projected on waste disposal costs, with an average of 1.9% per annum growth in waste tonnages in 2024/25, tapering off to 1.5% over the five-year period and 4% per annum disposal costs in 2024/25, reducing to 2% per annum thereafter, driving this sustained increase in costs, although there remains scope for volatility in both demand and price. The 2024/25 projection includes an element of rebasing for 2023/24 with both demand and price outstripping the 2023/24 budget setting. 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 (WLWA) for waste disposals and therefore having limited influence on unit costs but deriving benefits from the economies of scale of a six Borough partnership.

52. The demand for Looked After Children services continues to grow, however, in 2024/25 an overall reduction in spend of £3k is presented due to the normal 2% increase in demand being offset by a more appropriate mix of service delivery within this area. During the pandemic, court delays led to more children being supported in residential care, with the service now able to align service provision with need more effectively which also leads to reduced spend. From 2025/26 onwards, demand is forecast to grow by 2% per annum and accounts for the increase in the service requirement of £1,610k over the remaining four years.

53. Numbers of Children with Disabilities are expected to grow in line with historic trends, adding a further £200k to the cost of this service over the life of the budget strategy. As a result of increasing numbers of children being supported by an Education, Health and Care Plan (EHCP), demand for SEND Transport is expected to grow by £4,230k by 2028/29 to finance transport to education settings within and outside the borough.

54. Underlying demand for the Adult Social Care Placements is projected to continue to grow over the budget strategy period, which continues to have an ongoing COVID-19 legacy issue, with an element of the 2024/25 increase being required to fund a material increase in demand during 2023/24, before returning to pre-pandemic population increases. This position is therefore driving a demographic increase of £3,216k for 2024/25 before returning to a 2% per annum increase in client numbers, adding £6,416k from 2025/26 to 2028/29. Included in the proposed Savings Programme later in this report, are three savings initiatives aimed at reducing spend on Adult Social Care Placements by £2,304k by 2028/29, with the Demand-Led Growth bid representing the increase required before these initiatives are factored in to reduce the overall spend in this area.

55. 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 £2,379k in 2024/25 and a further £579k in 2025/26, driven by additional numbers being placed in high-cost nightly accommodation and the wider supply constraints across the housing market. This service area is particularly volatile and is being impacted by the cost-of-living crisis and pandemic legacy demand as well as 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.

56. Demand pressures associated with supporting Unaccompanied Asylum-Seeking Children (UASC), some of which is being driven by global crises, are intended to be met through specific grant. Within this area, a reduction in the service expenditure requirement of £433k is presented, driven by increased UASC funding increasing over 2023/24. However, it should be noted, that grant funding remains well below that required to meet the financial burden on the Local Authority and the net budget for this service area remains at £1,341k with government funding continuing to lag behind expenditure and the Council continuing its lobbying efforts in this area.

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

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

58. Following the London Mayor's rollout of the Ultra Low Emission Zone (ULEZ) expansion into Outer London Boroughs, the Council is required to create a budget to fund the Council's own ULEZ charges, this budget therefore includes a proposal to create a £240k budget to fund these charges.

Corporate Items

59. Adjustments to centrally managed or cross-cutting elements of the Council's budgets are presented within Corporate Items. These are projected to add £14,073k to service expenditure by 2028/29, with the servicing and repayment of borrowing undertaken in support of capital investment representing the most significant element of this movement. These adjustments are summarised below and within Appendix A4 of this report.

Table 6: Corporate Items

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Capital Financing Costs	2,735	2,139	2,651	(361)	(189)
Flexible Use of Capital Receipts to finance Service Transformation	73	916	0	0	0
Hillingdon First Enabling Developments	(250)	0	0	0	0
Cost of Older People Discount	(85)	(80)	(75)	(70)	(65)
Earmarked Reserves use for Older People Discount	1,422	0	0	0	0
Concessionary Fares	2,103	1,492	1,342	0	0
Housing Benefit Subsidy (Recovery of Overpayments)	100	100	100	100	100
Movement in Added Years Pension Costs	(25)	(25)	(25)	(25)	(25)
Total Corporate Items	**6,073**	**4,542**	**3,993**	**(356)**	**(179)**

60. Capital investment plans set out within this budget will require £74,076k borrowing over the period to 2028/29, the servicing and repayment of which will add £6,975k to the capital financing budgets over this period. In addition, the planned switch of funding from capital to revenue for the Council's embedded transformation resources will contribute a further £989k to service expenditure between 2024/25 and 2025/26.

61. With the Council Tax Older People's Discount Scheme closed to new entrants, the cost of providing this discount in expected to decline over the medium-term, albeit that this will no longer be financed from £1,422k Earmarked Reserves from 2024/25 onwards, resulting in a net £1,047k addition to service expenditure as this sum is offset by anticipated reductions in spend over the MTFF period

62. The consequential impacts of reduced tube and bus usage by those residents making use of the Freedom Pass both during, and after, the pandemic has led to reductions in the Council's Concessionary Fares levy from Transport for London with the position presented above reflecting the return to pre-pandemic levels of demand, with this position compounded by inflationary pressures on the sector, requiring total funding of £4,937k over the budget strategy. The combination of migration of claimants to Universal Credit and real time information sharing with the Department for Work and Pensions are expected to result in a £500k reduction in income recouped through the Housing Benefit Subsidy System by 2027/28. In addition, legacy added years pension payments are projected to decline by £125k over the same period.

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

SAVINGS PROGRAMME

64. A programme of savings proposals totalling £15,752k have been developed for the 2024/25 financial year, with a further £17,659k of measures from 2025/26 expected to secure £33,411k savings over the course of the five-year life of the budget strategy. This savings programme will continue to be delivered through a similar range of themes to proposals delivered in previous years, which include:

i. Service Transformation – fundamentally reviewing service models with a view to ensuring the most cost effective and efficient ways of working are in place across Council services, delivering for residents within the available resource envelope.

ii. Digital Strategy – closely aligned to service transformation and focused on leveraging technology to further enhance and streamline the Council's business operations, alongside promoting self-service models internally and externally.

iii. Workforce – seeking to release savings through an enhanced level of scrutiny on recruitment decisions across all service areas.

iv. Income Generation & Commercialisation – ensuring that those services empowered to secure income through user charging are offsetting growth in the cost of delivery where appropriate.

v. Zero Based Reviews – a structured programme of activity seeking to align service budgets to outcomes across the full range of Council services.

65. Over the next five years, these themes will be pursued to secure efficiencies and continue to deliver local services within the available financial envelope – a challenge made all the greater in the context of the high levels of inflation, increasing demand for services and ongoing constraints on funding. A thematic overview of this programme is set out below, with measures totalling £33,411k.

Table 7: Medium Term Outline Savings Programme

Theme	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Service Transformation	(8,998)	(3,622)	(46)	60	57
Digital Strategy	(920)	(2,450)	(1,900)	(200)	(200)
Workforce	(2,500)	0	0	0	0
Income Generation & Commercialisation	(2,723)	(2,597)	(2,270)	(2,050)	(2,050)
Zero Based Reviews	(1,250)	(1,250)	0	0	0
Impact on Other Funds	639	445	342	36	36
Total Savings by Theme	**(15,752)**	**(9,474)**	**(3,874)**	**(2,154)**	**(2,157)**

66. To support the delivery of the Council's Saving Programme, pump priming expenditure will be required, with the level to be determined as savings proposals are fully developed ahead of the February Budget Setting report. In line with the Government's direction, Local Authorities are permitted to fund such expenditure from Capital Receipts generated through the sale of assets by the Council. Furthermore, in line with the Month 7 Budget Monitoring position presented to Cabinet on the same agenda as this report, a further £6,551k is forecast to be funded in this way in support of the Council's General Fund savings delivery.

67. The following paragraphs provide an overview of specific savings proposed to balance the 2024/25 budget position, with appendix A6 providing a summary of savings proposals by Cabinet Member portfolio and theme and appendix A6a setting out the Council's pump priming proposals to support delivery of the programme. Where savings relate to back-office functions shared between General Fund and Housing Revenue Account, an element of the saving will benefit other funds, i.e., the Housing Revenue Account (HRA) and Schools Budgets (£1,498k).

Table 8: 2024/25 Savings Programme

Portfolio	Gross Saving £'000	Impact on Other Funds £'000	Net General Fund Saving £'000
Property, Highways & Transport	(2,143)		(2,143)
Finance	(1,614)	289	(1,325)
Corporate Services	(6,732)	1,209	(5,523)
Residents' Services	(6,629)		(6,629)
Children, Families & Education	(3,810)		(3,810)
Health & Social Care	(2,981)		(2,981)
Cross-Cutting Initiatives	(11,000)		(11,000)
Total Savings by Portfolio	**(34,909)**	**1,498**	**(33,411)**

68. As shown in table 7 above and expanded upon in the following paragraphs, £15,752k of General Fund savings proposals have been incorporated into the draft budget for 2024/25, with a net General Fund benefit of £33,411k across the MTFF. Proposals are itemised in the savings appendix alongside this report, which will continue to present risk in terms of both delivery and phasing.

69. Property, Highways & Transport: Maximising the use of assets is core to the wider transformation programme and projects are underway to review assets across the Borough including a wide-ranging programme for the use of the Civic Centre, which will reduce running costs by £975k in 2024/25 and an asset review of the Garage Sites delivering a further £250k. As part of the review of assets, leases to voluntary sector organisations will be considered with a view to consolidating assets, which is anticipated to deliver £50k.

70. A comprehensive review of contracts within Facilities Management along with the appropriate recharging of works to leaseholders and licensors will deliver £360k. Zero-based reviews across Operational Assets and Highways will target a reduction of £145k from budgets.

71. Implementation of electric vehicle charging point (EVCP) infrastructure across the borough over the next 7 years is expected to deliver £36k in 2024/25. Sites include staff parking, Harlington Road Depot, High Street and on and off-street parking locations.

72. New maintenance technology has been implemented in the Highways Team resulting in cost savings for highways asset maintenance in 2024/25 of £30k.

73. A further £117k is to be delivered from reviewing staffing vacancies across the portfolio.

74. Finance: Significant transformation continues within the Finance portfolio with the planned implementation of new ERP/EPM system in early 2024/25 enabling a streamlining of back office financial processes, improved reporting & analysis capabilities and self-service for internal managers & external suppliers / customers. This digital investment will facilitate a

streamlining of business processes, enabling efficiency savings of £600k to be realised on the new model achieving maturity in 2025/26, with a part-year benefit of £300k in 2024/25. Looking beyond this initial implementation, savings of £100k per annum are anticipated from 2026/27 through leveraging wider efficiencies from this investment on an ongoing basis.

75. Revenues & Benefits Operating Model: Savings of £420k are expected to be delivered through the reconfiguration of back-office functions to coincide with the termination of the current outsourced contract in June 2024. Savings of £120k are badged against the 2024/25 financial year with a further £300k to be delivered across the three-year period 2026/27 through to 2028/29 from the increased use of self-service technology.

76. Energy Consumption & Review of Civic Centre Opening Times: Following unprecedented levels of inflationary price increases for energy during 2023/24 due to market pressures arising from geopolitical events, suppliers are forecasting price reductions for 2024/25 following a period of comparatively stable prices – albeit at a level which remains over and above the lower average price trends in previous years. Further savings for 2024/25 are expected to be driven by a continuation of the current year reduction in consumption levels facilitated by the implementation of carbon reduction measures across the Civic Centre and Council Car Parks (Cedars and Granges) as examples. Additional reductions in consumption are expected to arise through the continued rationalisation of Council assets including a review of opening hours for the Civic Centre.

77. The level of savings to be delivered will be contingent upon the final energy price for 2024/25 confirmed by Suppliers towards the end of March 2024 and the continued pace of both the Carbon Reduction and Asset Utilisation strategy implementation. Any short-term spikes in energy prices and / or slower than expected progress in the implementation of Carbon Reduction will impact on savings delivery.

78. Further savings of £277k are expected to be delivered in 2024/25 through a review of vacant posts.

79. <u>Corporate Services:</u> Service redesign, commercialisation of services and better use of technology will enable £5,523k of savings from Corporate Services across the MTFF, with the breakdown of savings provided below.

80. Review of Human Resources: £150k is expected to be delivered in 2024/25 through the conclusion of wider HR transformation, with efficiencies relating to contract management, systems and resources.

81. Customer Engagement: £50k is expected to be delivered in 2024/25 from initiatives related to the redesign of Hillingdon Card for residents.

82. Review of Legal Services: Review undertaken to ensure that the Service operating model remains fit for purpose to meet requirements across the Council while also continuing to provide best value for Residents. Savings of £700k are expected to be delivered for 2024/25

with £130k for 2025/26 - £830k in total across the MTFF through the modernisation and reshaping of the service offer, and delivery model including the reduction of external spend.

83. Commercialisation of Filming Income: Continued commercialisation of the Councils filming offer is expected to generate additional revenue income for future years based on expanding the provision of a range of services for film and television productions, including increased access to council land or buildings for film locations, space for support vehicles and buildings, road closures, parking dispensations and traffic management and general advice. Additional income of £20k is to be delivered for 2025/26 with further income streams to be identified as the business model evolves.

84. Commercialisation of Mortuary Training Offer: Maximisation of opportunities for income generation through training provision at the Mortuary is expected to deliver £30k initially - £10k for 2024/25 with a further £20k to be delivered for 25/26. Income streams are expected to increase beyond these levels for future years as provision of this initiative is embedded.

85. Digital Road Map: Savings of £500k are expected to be delivered in 2024/25 with a further £3.7m to be delivered from 2025/26 onwards. Focussed on the three strategic programmes of Automation and Integration, Business Intelligence and Customer Experience, the digital road map seeks to deliver total savings of £4.2m through leveraging digital, data and technology to deliver transformational change in service delivery models as part of end-to-end service redesign to ensure cost effective and efficient ways of working. The implementation of a new data platform to enhance organisational analytic capability and strategic data driven decision making, and the utilisation of AI to drive efficiencies in council processes are examples.

86. Vacancy Management: Further savings of £404k are expected to be delivered in 2024/25 through vacancy management across the Portfolio.

87. <u>Residents Services:</u> A restructure has been undertaken across the Library Service ensuring that a robust and efficient structure is in place, following adoption of the new Library Strategy for the service. This restructure will deliver £250k in 2024/25, with an additional £135k achieved through new ways of working.

88. Ongoing reviews across Green Spaces are expected to secure savings of £1,100k through improvements to operating models, contract management and maximising income where appropriate. Zero-based review savings are included within the Residents Services portfolio, ensuring value for money and maximising alternative funding streams. These total £1,568k in 2024/25 and include an increase in application of S106 monies (£1,500k) and a reduction in Business rates expenditure following rate changes to Museums and Theatres (£68k).

89. A review of the Christmas lights programme will deliver £126k through the adoption of a corporate sponsorship model, allowing independent sponsorship for various Council schemes.

90. Across 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. These projects totalling £573k include; the review of resources and the introduction of an apprenticeship programme to improve customer service standards and support learning and development within the team (£136k), further work to improve capacity at the Household recycling centre (£100k), continued management of demographic growth through effective recycling and disposal (£100k), the promotion of food waste separation and a change in the style of caddy used (£107k), implementing fortnightly Garden Waste collections in winter months (£105k), improved waste and recycling facilities for privately owned flats (£7k) and increasing levels of cardboard separation at flatted properties (£18k). Further workstreams include the development of the trade waste operation to increase market share £260k, the introduction of advertising on Waste Vehicles £6k, and participation in a campaign against fly-tipping £7k.

91. Within Residents Services, there are a number of opportunities to generate further income across Parking Services £1,832k relating to the full year effect of proposals agreed as part of 2023/24 budget setting including enforcement of Yellow Box Junctions, the potential PCN banding change from B to A, and full year effect of Residents Parking Permits. Environmental Enforcement fines income of £110k is anticipated to be generated through stronger use of CCTV.

92. In addition to the specific savings programme, there are further expected cross-cutting savings of £370k from a review of discretionary spend and £575k from reviewing staffing vacancies across the Residents Services Portfolio.

93. <u>Children, Families & Education:</u> Demand management and innovation to reduce costs are the key focus within Children's Services. Hillingdon is facing a shortage of foster carers, so the Council is seeking to improve and modernise its fostering offer by addressing barriers to fostering and adopting a customer service approach to both recruit and retain foster carers. Lack of fostering households can result in children and young people being accommodated in inappropriate high-cost residential settings and prevent children returning from residential settings to stable home environments. Savings of £462k are anticipated in 2024/25 as a result of this work, with a further £1,300k targeted in 2025/26.

94. Alongside improving and modernising the Council's fostering offer, the Council is committed to reducing the costs of Childrens Placements through the increasing the number of in-borough residential placements, ensuring children are close to their original Hillingdon community when safe to do so, and have uninterrupted access to local education and professional support networks delivering better outcomes for the child. Grant funding has been secured and work is underway to develop two sites creating additional capacity for 14 beds within the borough, reducing the reliance on high cost out of borough placements. Savings of £950k will be delivered across the MTFF through the creation of additional in-house registered care beds.

95. Health and Social Care: Within Health and Social Care, as in previous years, the Council continues to adopt a strong Early Intervention approach to deliver better outcomes for residents and contain placement costs despite continuing to experience the impact of demographic growth and inflationary pressures. The Service is continuously looking to innovate and develop current ways of working and service provision to help manage these pressures. This is evident in the savings within this area that are linked to investment in digital solutions; investment in new Care Diagnostic Equipment is expected to better identify appropriate levels of support and reduce care costs by £150k in 2024/25 and a further £150k in 2025/26. Furthermore, as part of a wider Digital Front Door project, the automating of initial contact with prospective service users will enable effective triage to third sector providers or Care Act assessments which is expected to yield staffing savings of £150k in 2025/26. Finally, a review of the Telecare operating model and charging policy is expected to produce savings of £54k in 24/25 and a further £100k in each of the following 5 years.

96. Cross-Cutting Initiatives: As detailed above, in addition to the specific portfolio savings programmes, there is a programme of strategic, multi-year activity, which cuts across all Council services, with £500k expected to be delivered in 2024/25 through a review of discretionary spend, and £1,250k released through a programme of Zero Based Reviews. Additional cross-cutting savings in the MTFF relate to ongoing fees and charges uplifts in line with inflation and a further £1,250k in 2025/26 from the Zero Based Review exercise. The incremental impact of inflationary fees and charges uplifts and new proposals to be developed is proposed to deliver £2,000k per year from 2025/26 onwards.

97. Where implementation of savings proposals requires upfront investment, it is recommended that these costs are funded through a combination of Earmarked Reserves and Capital Receipts as permitted by Government Direction. In order to make use of Capital Receipts, it is necessary for the Council to adopt and report on an efficiency strategy, with the London Borough of Hillingdon's Medium Term Financial Forecast serving this purpose. Regular reporting on use of these powers will be included in the monthly budget monitoring reports to Cabinet throughout 2024/25, with final outturn positions similarly reported to Cabinet.

CAPITAL PROGRAMME (2024/25 to 2028/29)

Capital Expenditure

98. Capital investment of £217,772k over the period 2024/25 to 2028/29 has been incorporated into the wider General Fund budget strategy set out within this report, with £88,800k investment in major projects, primarily delivering new or expanded infrastructure, and £128,972k investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved. An overview of these investment plans including changes from the programme approved by Council in February 2023 is detailed below, with further detail available in Appendix A8.

Changes to the Approved Programme

99. Development of the Capital Programme flows from the previously approved budget, where planned new borrowing over the MTFF period stood at £62,395k, with a proposed increase in Highways maintenance of £10,000k over the next five years being the main driver behind a £10,681k increase in borrowing over the period to 2027/28, before adding a further £1,000k for 2028/29 to leave a new requirement of £74,076k. Increased highways investment reflects a review of the condition of highways and pavements within the borough which combined with a recognition of inflationary pressures has highlighted the need for an increased budget in order to maintain standards of quality and safety. This step change in the borrowing requirement is reflected in the Capital Financing Requirement reported under revenue Corporate Items above.

Capital Programme By Cabinet Portfolio

100. The revised draft capital programme of £217,772k from 2024/25 to 2028/29 by Cabinet Member portfolio is set out in the table below.

Table 9: Capital Programme by Portfolio

Cabinet Member Portfolio	Major Projects £'000	Programmes of Works £'000	Total £'000
Property, Highways & Transport	70,034	88,736	158,770
Finance	11,000	1,945	12,945
Corporate Services	0	12,816	12,816
Residents' Services	532	8,500	9,032
Children, Families & Education	1,734	2,725	4,459
Health & Social Care	5,500	14,250	19,750
Total	**88,800**	**128,972**	**217,772**

101. **Property, Highways and Transport** – total investment of £158,770k from 2024/25 to 2028/29 includes £16,738k to complete the construction of the new West Drayton Leisure Centre in 2025/26, and £23,296k to develop the new Hillingdon Water Sports facility, replacing facilities dispersed by the HS2 project. Other projects include £6,500k on the redevelopment of the Uxbridge Civic Centre to provide a modern base for Council services and release land for housing delivery, £4,736k investment in initiatives to reduce the borough's carbon footprint and £10,858k funding for Hillingdon First Limited to deliver high quality homes. In addition, major projects to deliver new libraries in Yiewsley and Northwood as part of wider developments, and a range of new investment in other Council assets have been included in this budget.

102. Complementing major projects investment is £88,736k programme of works spend, including £40,000k for the borough's roads and footways infrastructure, £18,497k works to improve the fabric of the borough's existing schools, and £10,730k investment in adaptations for residents through the Disabled Facilities Grant Programme. Other programmes include

the cyclical renewal of the Council's existing asset base, ensuring that this remains fit for purpose.

103. **Finance** – the £11,000k budget under Major Projects relates to capitalisation support to cover costs of transformation (£3,000k in 2024/25) and the DSG recovery plan (£8,000k in total over two years). These costs require to be financed by capital receipts which have been included in the capital financing budget. Under Programmes of Works, the budget of £1,945k focuses upon the programmed renewal of the Council's vehicle fleet.

104. **Corporate Services** – The portfolio includes an investment of £11,816k in Corporate Technology and Innovation, with this investment driving the Digital Savings included in the Council's saving programme commented on above, the remaining £1,000k investment is for the older people's initiatives.

105. **Residents' Services** – the draft budget of £9,032k includes £7,500k for the Chrysalis and playground replacement programmes, and a further £1,000k for environmental and recreational initiatives, including tennis court upgrades, providing various facilities to residents, and £532k for various shopping parades initiatives to improve local high streets.

106. **Children, Families and Education** – within Major Projects a total of £1,734k based on current confirmed grant funding is included for increasing special educational needs places at several identified school sites, supporting the DSG recovery plan, with this being the remaining investment on a much larger project that is due to conclude in 2024/25. There is also £2,725k under Programmes of Works for providing new uniformed scout/guide groups facilities (£800k) and devolved capital to schools.

107. **Health and Social Care** – the budget of £22,600 includes the purchase of a care home to be run by the Council, investing £5,500k which will support an ongoing revenue saving for the service of £550k per annum from 2025/26, with the remaining £14,250k is for continuing investment in Social Care equipment for service users.

Capital Financing

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

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Table 10: General Fund Capital Financing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Grants	44,418	13,441	10,285	10,285	10,285	88,714
CIL	3,750	3,750	4,500	4,500	4,500	21,000
Capital Receipts	40,332	13,338	7,240	7,403	6,903	75,216
Borrowing	0	26,592	4,250	1,000	1,000	32,842
TOTAL	**88,500**	**57,121**	**26,275**	**23188**	**22,688**	**217,772**

109. Prudential Borrowing has been increased by £10,681k from the level approved by Cabinet and Council in February 2023, as set out in the above narrative changes to the approved programme. This additional investment will support increased investment in local services.

110. The capital receipts target remains unchanged from the level of £68,313k approved in February 2023 over the same period, before adding a further £6,903k for 2028/29. Substantial receipts are expected to be generated through the planned reconfiguration of the Civic Centre site which will finance the gross £6,500k capital budget, alongside a broader review of the estate. Overall, this target for asset sales is deemed to be achievable, although there remains inherent risk from the necessary engagement with the market which will necessitate a level of investment to secure value for money in potentially challenging economic conditions.

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

112. The Community Infrastructure Levy is available to meet the additional infrastructure requirements of new development in the borough, with a requirement that spending plans are approved annually for this funding stream. For 2024/25 it is proposed that the majority of the levy is applied to fund the New West Drayton Leisure Centre, with the community-led element being used to fund the Chrysalis Programme.

113. Planned new borrowing of £32,842k, together with the Council's historic capital investment will result in the forecast Capital Financing Requirement peaking at £318,748k in 2025/26 and declining thereafter. Of this sum, £271,057k is expected to necessitate external borrowing, with £47,691k being financed through General Fund reserves and working capital as outlined in the table below.

Table 11: General Fund Borrowing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Capital Financing Requirement	**290,872**	**318,748**	**311,517**	**300,086**	**288,416**
Projected External Borrowing	(232,317)	(271,057)	(263,811)	(259,125)	(243,439)
Projected Internal Borrowing	(58,555)	(47,691)	(47,706)	(40,961)	(44,977)

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

115. In addition to assessing forward-looking capital investment plans against the Prudential Code framework, a retrospective assessment of the Council's existing borrowing requirement provides a rounded view of the Council's capital health. As of 31 March 2022, the Council held General Fund assets valued at £1,088m, against which the outstanding Capital Financing Requirement stood at £257m or 25%. Provision to write-down this balance in full through Minimum Revenue Provision is in place, with 80% of the liability cleared over the next 24 years, reflecting a prudent estimate of the period over which these assets will be available for local service provision.

116. Financing plans set out within this draft budget include the application of £75,216k of Capital Receipts to be secured from the disposal of assets, with £11,000k of this sum being applied in line with Government direction towards the write-down of the Dedicated Schools Grant Deficit and funding investment in service transformation to secure future revenue savings. The residual £64,216k proceeds from projected asset sales will be applied to finance new investment as an alternative to borrowing, in the event that receipts are not available and subject to assessing prudence, affordability and sustainability, such new investment could be financed through additional borrowing.

SCHOOLS BUDGET

In-Year monitoring position and background

117. At month 7, the Dedicated Schools Grant (DSG) Budget is reporting an in-year overspend of £12,820k against the original budgeted position. The cumulative DSG deficit is therefore forecast to be £26,487k at 31 March 2024 after accounting for the forecast £2,500k of Safety Valve funding and £8,000k Local Authority amortisation.

118. While the DSG is expected to remain in deficit in the short-term the comprehensive range of measures included in Hillingdon's latest DSG Safety Valve management plan submission to the DfE are anticipated to bring the DSG into balance and reduce the cumulative deficit over the medium-term.

119. The submission of a revised DSG management plan reflects the significant change in national economic conditions over the last eighteen months. Inflation has driven up costs significantly beyond the prevailing rates at the time of finalising the original agreement, which has particularly impacted Hillingdon in relation to school places and the high level exposure to the independent sector which has been used to meet the growth in this statutory service. Whilst the development of in borough school places is being progressed as a priority the timescale required to achieve these together with cost pressures and volatility in the construction sector, leaves the borough exposed to the inflation driven pricing and the market forces of independent schools ahead of these additional places being delivered.

Funding Outlook

120. The core funding assumptions for the 2024/25 DSG budget have been informed by the provisional funding announcements which indicated a 1.6% increase in funding for the Schools Block and a 4.6% increase in funding for the High Needs Block. In line with the process introduced in 2020/21 the historical funding element for the Central School services will decrease by a further 20% in 2024/25 resulting in a net decrease of 2% in Central Schools funding. The final funding settlements for the DSG are usually published in December alongside the wider local government settlement details and the detailed impact set out in the discrete Schools Budget report.

Timetable

121. In relation to the Schools Block funding the Council is required to transition towards the national funding formula and in 2024/25 will need to be within 10% of this measure, with the Council presenting an update to Schools Forum to agree the Council's approach in January following the Government funding announcement in December, with the formal Schools Budget being set in March 2024.

HOUSING REVENUE ACCOUNT

BUDGET STRATEGY AND SUMMARY OF PROPOSALS

122. The HRA is a ringfenced, self-financing account whereby rental income from the Council's 10,381 social housing units are reinvested in the management, maintenance and expansion of stock for the benefit for tenants. Underlying detailed budget proposals for the 2024/25 financial year and the period to 2028/29 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.

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

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

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

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

124. Development of HRA budgets over the five-year has been undertaken in the context of significant inflationary pressures, with CPI remaining stubbornly high throughout 2024/25 which is being exacerbated by the relatively high proportion of 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.

125. Further cost pressures have arisen during 2023/24 with HRA Operating Costs forecast to overspend by £2,055k, predominantly as a result of increased expenditure required to meet damp and mould remedial work. This position is being mitigated in-year by a reduction in capital financing costs linked mainly to the rephasing of the Hayes Regeneration Programme into future years, however, with this programme being rephased into 2024/25 and beyond, a permanent funding solution will be required to fund these emerging pressures.

126. Forward looking financial plans are based on solid foundations, with a forecast balanced budget for 2023/24 and unallocated reserves projected to total £15,101k at 31 March 2024. Given that £15,000k reserves are judged to provide sufficient capacity for risk management purposes and considering the economic context, the budget strategy maintains unallocated reserves at the target level.

Table 12: Housing Revenue Account Budget Strategy

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Total Resources	67,164	72,809	77,147	80,617	83,508	85,999
Total Service Expenditure	45,652	50,477	53,379	56,817	58,731	61,439
Contribution to Finance Capital Programme	21,597	22,433	23,768	23,800	24,777	24,560
Cumulative Budget Gap	**(85)**	**(101)**	**0**	**0**	**0**	**0**
Closing General Balances	15,101	15,000	15,000	15,000	15,000	15,000

127. Capital investment plans will result in the HRA Capital Financing Requirement reaching £400,519k in 2028/29, with both the budget strategy and 30 Year Business Plan demonstrating that the ongoing servicing and repayment of this level of borrowing is sustainable.

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

RENTAL INCOME

129. HRA Dwelling Rental Income is projected to grow from £67,164k in 2023/24 to £85,999k by 2028/29, with this £18,835k increase in funding driven by a combination of inflationary rent increases and net growth of 445 dwellings as investment in delivery of new stock outstrips projected losses through Right to Buy sales and the Hayes Estates Regeneration Scheme properties come into operation. Within these projections, levels of void losses are projected to marginally decline from 1.18% to 1.14% as a result of investment in service capacity to improve property turnaround times.

130. As part of the November 2022 Autumn Statement, the Government established a 7% cap on rent increases within the sector, which formed the basis of the 2023/24 budget, with 2024/25 expected to return to CPI+1% and yield a 7.7% increase based on September's CPI rate of 6.7%. Thereafter, the CPI rate for September has been forecast to be 3.4% in 2025/26 before reaching the Bank of England's target rate of 2% in the medium-term.

131. 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 13: HRA Stock Numbers

Tenanted Stock	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Change
Projected Opening Stock	10,253	10,295	10,318	11,403	11,514	10,494	N/A
Forecast Right-to-Buy Sales	(50)	(40)	(40)	(40)	(40)	(25)	(235)
New Units	114	100	100	100	20	20	454
Housing Regeneration voids	(22)	(37)	(66)	0	(79)	(94)	(298)
Housing Regeneration new build	0	0	91	51	79	53	274
Projected Closing Stock	10,295	10,318	11,403	10,514	11,494	**10,448**	195
Projected Average Stock	10,274	10,307	10,361	10,459	10,504	10,471	n/a

INFLATION

132. Inflationary cost pressures of £7,186k 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 2023/24 inflationary pressures which are forecast to be greater than budgeted for in February 2023, with this pressure being primarily linked to the 2023/24 pay award being greater than the 4% budgeted uplift, the HRA having a larger percentage uplift that than the General Fund due to the recent pay awards being for a fixed uplift in cash terms, leading to a higher percentage for the HRA due to the average salary being lower in the HRA than the General Fund. Further analysis of the inflation requirement is presented in Appendix B2.

133. Workforce costs reflect anticipated pay awards of 16.1% over the budget strategy period, with 2023/24 including an element of ‘catch up’ inflation following a higher than budgeted pay award in 2023/24. The Council’s overarching inflation assumptions are for CPI to continue to average at 7% for 2023, with a time lag on contract uplifts meaning this value is realised in 2024/25, before declining to 3% in 2025/26, before reaching the Bank of England target rate of 2% thereafter, with elements of the Council’s expenditure and income being driven by alternative indices. Material costs are projected to grow by the September RPI rate of 8.9% in light of ongoing supply chain issues and energy budgets are projected to require uplifts of 8.9% for 2024/25 to reflect current market volatility before reducing to 3% in the medium term.

CAPITAL CHARGES

134. Capital investment plans expanded upon later in this report necessitate £395,414k of new borrowing over the period to 2028/29, the ongoing servicing and repayment of which will add £8,101k to HRA service expenditure over the MTFF period. These financing charges

reflect current borrowing costs, with underlying investment continuing to meet the thresholds for affordability, sustainability and prudence.

GROWTH

135. Specific uplifts of £1,500k 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. The growth is funding two key emerging areas with £1,000k of growth being included to fund repairs work, with the majority of this growth linked to the damp and mould remedial work including the resourcing of a specialist dedicated , with the remaining £500k being required to fund Housing Management resources to ensure Housing Regulator requirements are met alongside the stock increases and associated demand pressures.

SAVINGS

136. 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 increasing expenditure associated with damp and mould work alongside the additional demands on the Housing Management service, 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 using similar programmes to those deployed by the Council across General Fund services.

137. In line with the approach taken to managing service transformation on General Fund services, these HRA proposals will be developed alongside the existing workstreams and support work undertaken to maximise efficiencies within shared back office functions, with reductions in spend in these areas generating a benefit against the HRA's Contribution to Shared Services budget, with a particular focus on the Council's digital strategy that benefits both the General Fund and the HRA. As a result, the HRA is expected to contribute to this work and reduce expenditure by £500k per annum in 2024/25 and 2025/26.

CAPITAL PROGRAMME (2024/25 to 2028/29)

Capital Expenditure

138. Capital investment of £441,770k in expansion and enhancement of the housing stock over the period 2024/25 to 2028/29 has been fully reflected within this draft budget, including £264,951k funding to deliver 614 new dwellings gross and £176,819k investment in existing housing stock. Further detail on these investment plans can be found in Appendix B4, with a brief overview set out below.

139. Investment in new housing includes £131,248k 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 72 on the current configuration. A further £133,703k has been

allocated to deliver 340 units through internal development and acquisitions, with project timelines set out to maximise use of retained Right to Buy receipts over the MTFF period.

140. £176,819k 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 the wider needs of HRA tenants can be supported in their own homes where appropriate.

Capital Financing

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

Table 14: HRA Capital Financing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Revenue Contributions	22,337	22,579	22,311	22,507	21,522	111,257
Prudential Borrowing	50,399	52,354	52,507	41,412	30,787	227,458
Grants	13,461	15,426	15,081	18,391	13,242	75,600
Capital Receipts	6,340	7,003	7,253	3,379	3,480	27,454
Total	**92,537**	**97,362**	**97,151**	**85,689**	**69,030**	**441,770**

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

143. A substantial element of the cyclical investment in works to stock is financed directly from rental income, with borrowing focused on delivery of new housing units, whereby servicing and repayment of this debt can be managed from additional rental income on the new units. Provision for the servicing and repayment of existing HRA borrowing and the £395,414k planned borrowing has been factored into the 30-year business plan, demonstrating that proposed investment is sustainable in the longer term. The outlook for debt levels of the MTFF period are shown below.

Table 15: HRA Borrowing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Capital Financing Requirement	265,642	307,663	349,738	380,622	400,519
Projected External Borrowing	(260,538)	(302,558)	(344,633)	(375,517)	(395,414)
Projected Internal Borrowing	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)

RESIDENT BENEFIT & CONSULTATION

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

144. The Medium Term Financial Forecast sets out the resources available for delivering the Council's objectives. The effects on residents, service users and communities are therefore extremely wide ranging and managed through the performance targets and outcomes that will be delivered through the resources approved through the budget setting process. The budget proposals for 2024/25 have been developed to maintain service provision through a 4.99% increase in the headline rate of Council.

145. This draft budget has been developed with due regard for the ongoing economic turmoil, the consequential cost-of-living crisis and legacy pandemic related pressures alongside the usual growing demand from population increases and the impacts of ongoing reductions in Government support for local services since the Government's austerity measures began in 2010, while minimising the impact on the level of service provision to residents. Overall, the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business by improving Value for Money in delivery and maximising funding, procurement, efficiency and service gains where possible.

146. Proposals within this budget have been developed in the context of the Council's commitment to achieving carbon neutrality and 100% clean energy by 2030. In addition, projects within the Capital Programme will be further developed and implemented with a view to impacting favourably on the Council's carbon footprint.

Consultation carried out or required

147. Following consideration at Cabinet, this report will form the basis of consultation with Select Committees during January 2024. Comments from the Select Committees will be reported back to the Cabinet meeting on 15 February 2024. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 22 February 2024.

148. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers in the Borough, which will be undertaken alongside a wider public consultation of these proposals during the remainder of December 2023 and January 2024. Schools Forum will also be consulted on those proposals that have a potential impact on schools' budgets. Where appropriate, individual service Groups will also be undertaking consultation with service users, staff and other stakeholders over this period on the key elements of their service proposals prior to full implementation in the new financial year.

CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

150. The Cabinet is responsible for the preparation of the Council's Budget. Therefore, the Budget and Policy Framework Procedure Rules, as set out in the Constitution, require it to make proposals on its budgets in accordance with the timetable which it has publicised.

151. The Cabinet is free to amend the proposals in this report as it wishes. It must nevertheless have regard to the need for the budget to be soundly based, adequate to fund the expected level of service provision next year, and to provide for unexpected events through contingencies and balances.

152. Following this meeting, the Cabinet's proposals will be published and will form the basis of consultation with Select Committees and other consultees such as business ratepayers in the Borough and the Schools Forum who will have a period of six weeks to put forward their views.

153. The Cabinet will ultimately consider any responses from the Select Committees and other consultees and take them into account in drawing up firm proposals for submission to full Council at its meeting on 15 February 2024. Its report will reflect the comments made by consultees and its response to them. Further legal advice will be provided in this report as necessary.

Comments from other relevant service areas

154. The draft budget proposals included in this report result from a substantial corporate process involving all service Groups. In particular, individual Corporate Directors and CMT collectively have endorsed the proposals in this report. The implications for all services of the individual budget proposals are set out in detail in the attached appendices.

APPENDICES

Appendix A – General Fund Budget Schedules

Appendix B – Housing Revenue Account Budget Schedules

Appendix C – Fees and Charges Proposals

BACKGROUND PAPERS

Report to Cabinet (16 February 2023) and Council (23 February 2023) - The Council's Budget: Medium Term Financial Forecast 2023/24 - 2027/28