

2024/25 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF FINANCE AND CORPORATE SERVICES SELECT COMMITTEE

Committee name	Finance and Corporate Services Select Committee
Officer reporting	Andy Goodwin & Marie Stokes, Finance
Papers with report	N/A
Ward	All

HEADLINES

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme for the services within the remit of the Finance & Corporate Services Select Committee. Following consideration by Cabinet on 14 December 2023, these proposals are now under consultation, and the relevant proposals being discussed at the January cycle of the Select Committees.
2. Cabinet will next consider the budget proposals on 15 February 2024, and the report will include comments received from Select Committees. At the meeting on 15 February 2024 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2024/25. Subsequently, Council will then meet to agree the budgets and Council Tax for 2024/25 on 22 February 2024.
3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the Finance and Corporate Services Cabinet Portfolios, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

4. **It is recommended that the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals affecting the relevant service areas within the Finance and Corporate Services Cabinet Portfolios, within the context of the corporate budgetary position.**

General Fund Budget

Budget Strategy

5. Budget proposals for 2024/25 have been prepared in the context of a wider strategy addressing the five-year MTFP period through which service expenditure is to be managed within available resources 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.

6. 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.
7. 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.
8. The Month 7 monitoring position for the services within this select committee present a net variance of £736k favourable as presented in the table below:

Table 1: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget	Forecast Outturn	Variance (As at Month 7)	Variance (As at Month 6)	Movement from Month 6
		£'000	£'000	£'000	£'000	£'000
Finance	Expenditure	140,708	140,493	(215)	(304)	89
	Income	(106,809)	(107,297)	(488)	(399)	(89)
	Subtotal	33,899	33,196	(703)	(703)	0
Corporate Services	Expenditure	26,632	26,818	186	159	27
	Income	(2,053)	(2,272)	(219)	(192)	(27)
	Subtotal	24,579	24,546	(33)	(33)	0
Total Services Within the Remit of This Committee	Expenditure	167,340	167,311	(29)	(145)	116
	Income	(108,862)	(109,569)	(707)	(591)	(116)
	Subtotal	58,478	57,742	(736)	(736)	0
Services within the remit of other committees	Expenditure	324,658	326,485	1,827	781	1,046
	Income	(122,369)	(123,462)	(1,093)	(47)	(1,046)
	Subtotal	202,289	203,023	734	734	0
Total Service Operating Budgets		260,767	260,765	(2)	(2)	0

9. With the following narrative setting out the variances and movement from Month 6 on an exception basis:
- Finance** – A net underspend of £703k is reported at Month 7, representing no movement from Month 6, with this position being driven by a reduction in the Council’s energy requirements, this is being compounded by a number of small overachievements against income targets, with additional grant funding being provided to support Homes for Ukraine provided in the borough and a favourable variance against investment income as a result of high interest rates.
 - Corporate Services** – a net underspend of £33k is reported, representing no movement from Month 6, with the underspend being driven by a number of small variances, with the staffing position forecast to deliver this underspend across the various services within the Corporate Services portfolio, with this position compounded by additional grant funding to support Ukrainian refugees.
10. 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.
11. The position on the savings included in the 2023/24 budget within the remit of this Select Committee are as follows:

Table 2: Savings Tracker

Cabinet Member Portfolio	Blue Banked £'000	Green Delivery in progress £'000	Amber I Early stages of delivery £'000	Amber II Potential problems in delivery £'000	Red Serious problems in delivery £'000	Total £'000
Cabinet Member for Finance	(100)	0	(17)	0	0	(117)
Cabinet Member for Corporate Services	(721)	(515)	(198)	(50)	0	(1,484)
Total Services within the remit of this Committee	(821)	(515)	(215)	(50)	0	(1,601)
Services within the remit of other committees	(6,163)	(9,031)	(417)	(2,360)	(242)	(18,211)
Cross-Cutting	(500)	0	(500)	(1,950)	0	(2,950)
Total 2022/23 Savings Programme	(7,484) 33.0%	(9,545) 42.0%	(1,132) 5.0%	(4,360) 19.0%	(242) 1.0%	(22,762) 100.0%

12. 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 MTF period, with £15,752k of savings being proposed for 2024/25 increasing throughout the later years of the MTF period.

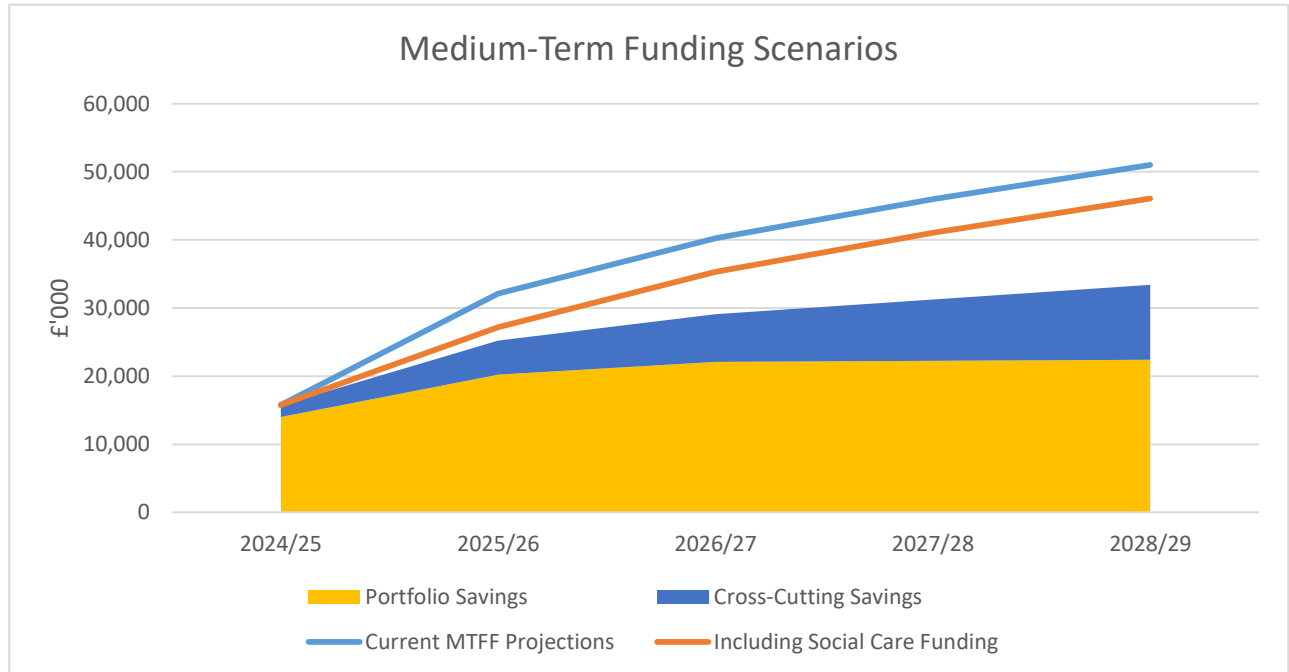
Table 3: Budget Strategy

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Total Resources	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)
<u>Of which, Service Expenditure in the remit of this committee:</u>						
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
Total Services within the remit of this Committee	58,106	62,680	66,437	70,204	71,049	72,107
Services within the remit of other committees	205,794	220,125	226,166	235,337	244,978	254,914
Corporate Budgets	(622)	(2,093)	(5,252)	(7,155)	(9,056)	(10,955)
Total	263,278	280,712	287,351	298,386	306,971	316,066

13. 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.
14. 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.
15. 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.

Chart 1: Medium Term Funding Scenarios



16. 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.
17. 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.

18. 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.
19. 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.
20. 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.
21. 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.
22. 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.

23. 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

24. 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:

- a. **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.

- b. **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.

- c. **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.

25. 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.
26. 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.

27. 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.
28. 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.
29. 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.
30. 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.
31. 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.

Budget Proposals for the Finance & Corporate Services Select Committee

32. Service expenditure will grow due to inflationary pressures, demand-led growth and other corporate items including capital financing costs. The below table sets out the impact of these expenditure movements across the Cabinet Portfolios within the remit of this Select Committee for 2024/25.

Table 4: Service Expenditure Budget Proposals

	2023/24	Inflation	Demand-led Growth	Corporate Items	Savings Proposals	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Finance	33,213	(389)	240	6,037	(587)	38,514
Corporate Services	24,893	1,623	0	0	(2,350)	24,166
Total Services within the remit of this Committee	58,106	1,234	240	6,037	(2,937)	62,680
Services within the remit of other committees	205,794	15,146	10,214	36	(11,065)	220,125
Corporate Budgets & Cross-Cutting Initiatives	(622)	0	0	0	0	(622)
Total Service Expenditure	263,278	16,659	10,454	6,073	(15,752)	280,712

33. Inflation: Cost pressures of £1,234k are projected against 2023/24 expenditure going into 2024/25, with material uplifts in relation to workforce budgets, contracted expenditure and energy costs. In line with wider MTFF modelling, inflation projections are predicated on CPI being 7% during 2023, 3% in 2024 and 2% from 2025 onwards, with a forecast one-year time lag on these indices impacting on Council expenditure. For a second successive year, the exceptional inflationary environment within the national, and global, economy is the largest driving force behind the Council's saving requirement in the short-term, with 2023/24 pay award being greater than the Council's assumptions at the time of setting the 2023/24 budget, leading to the 2024/25 budget proposals including an element of funding for the 2023/24 pay award above the budgeted level which is being funded from Earmarked Reserves in-year.
34. Demand-Led Growth: items within the remit of this Select Committee account for £240k of the £23,950k increase across the Council over the life of the budget strategy to 2028/29, with a breakdown of these items presented below.
35. 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.
36. Corporate Items: budget movements within the remit of this Select Committee account for £6,037k of the £14,073k increase across the Council over the life of the budget strategy to 2028/29, with a breakdown of these items presented below.
37. 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.

38. With the Council Tax Older People's Discount Scheme closed to new entrants, the cost of providing this discount is 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.
39. 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.
40. 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 Proposals

41. As mentioned above, £15,752k of savings proposals have been incorporated into the draft budget for 2024/25, with £2,937k falling within the remit of this Select Committee. Details of the savings programme propels within the remit of this Select Committee are discussed below.
42. 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.
43. 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.

44. 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.
45. 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.
46. Further savings of £277k are expected to be delivered in 2024/25 through a review of vacant posts.
47. Corporate Services: Service redesign, commercialisation of services and better use of technology will enable £5,523k of savings from Corporate Services across the MTF, with the breakdown of savings provided below.
48. 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.
49. Customer Engagement: £50k is expected to be delivered in 2024/25 from initiatives related to the redesign of Hillingdon Card for residents.
50. 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 MTF through the modernisation and reshaping of the service offer, and delivery model including the reduction of external spend.
51. Commercialisation of Filming Income: Continued commercialisation of the Council's 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.

52. 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.
53. 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.
54. Vacancy Management: Further savings of £404k are expected to be delivered in 2024/25 through vacancy management across the Portfolio.

Capital Proposals

55. 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 that accompanied the Consultation Budget Report presented at December Cabinet.

Table 5: General Fund Capital Programme by Cabinet Portfolio

	Major Projects £'000	Programme of Works £'000	Total £'000
Total Capital Programme	88,800	128,972	217,772
<u>Of which, Service Expenditure in the remit of this committee:</u>			
Finance	11,000	1,945	12,945
Corporate Services	0	12,816	12,816
Total Services within the remit of this Committee	11,000	14,761	25,761
Services within the remit of other committees	77,800	114,211	192,011
Total	88,800	128,972	217,772

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

57. **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.
58. **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.

Implications on related Council policies

Select Committees are at the heart of how the Council shapes policy at Member level.

How this report benefits Hillingdon residents

Select Committees directly engage residents in shaping policy and recommendations from the Committees seek to improve the way the Council provides services to residents.

Financial Implications

None at this stage.

Legal Implications

None at this stage.

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECASST 2024/25 - 2028/29, presented to 14 December 2023 Cabinet Meeting