

2025/26 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF THE RESIDENTS' SERVICES SELECT COMMITTEE

Committee name	Residents' Services Select Committee
Officer reporting	Andy Goodwin, Head of Strategic Finance Richard Ennis, Corporate Director of Finance
Papers with report	Residents' Services Savings Appendix
Ward	All

HEADLINES

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme for the services within the remit of the Residents' Services Select Committee. Following consideration by Cabinet on 12 December 2024, 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 13 February 2025, and the report will include comments received from Select Committees. At the meeting on 13 February 2025 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2025/26. Subsequently, Council will then meet to agree the budgets and Council Tax for 2025/26 on 27 February 2025.
3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the corresponding Cabinet Portfolios, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

4. **That the Committee:**
 - a. **Notes the budget projections contained in the report; and**
 - b. **Comments as appropriate on the combined budget proposals affecting the relevant service areas within the corresponding Cabinet Portfolios, in the context of the corporate budgetary position.**

SUPPORTING INFORMATION

General Fund Budget

Executive Summary

5. The Council aims to set a balance budget for 2025/26, with the Consultation Budget presented to Cabinet in December presenting a requirement to drawdown £6.4m of reserves to achieve this, with further focus on the period to 2029/30, with this report setting out in the appendices, published alongside the consultation budget, a 5-year budget strategy. In this setting this medium-term financial strategy, the objectives are:
 - i. To continue to drive value for money for our residents in our services;
 - ii. To continue to be a low Council Tax charging borough;
 - iii. To review our operating model to deliver even more efficient and effective services and make significant savings;
 - iv. To invest in new assets for the borough, building out our infrastructure and seeking invest to save opportunities through our capital programme;
 - v. To invest in improving the quality of our homes for our housing residents;
 - vi. To increase our income levels and charge appropriate levels of fees;
 - vii. To continue to respond to inadequate levels of Government funding including lobbying central Government and the GLA for more funding for our residents;
and
 - viii. Rebuilding our financial resilience
6. These are financially challenging times for local authorities to deal with, and respond, to a number of significant national pressures, within a significantly reduced funding envelope. Particular pressures for Hillingdon include the increased cost of adult social care, children's placements, homelessness, asylum seekers and ensuring it has an experienced workforce to deliver the best services it can to its residents.
7. The Council will continue to lobby national Government and the Greater London Authority [GLA] for increases in funding to deal with particular issues to us, such as the impacts of being a port authority.

Budget Strategy

8. Budget proposals for 2025/26 have been prepared in the context of a wider strategy addressing the five-year MTFS period through which service expenditure is to be managed within available resources in the context of a challenging economic environment in terms of ongoing exceptional demand for Homelessness Support, Social Care and legacy impacts from periods of high inflation and the COVID-19 pandemic. To balance the budget, the Council has a number of mechanisms at its disposal to deliver this including a combination of:

- Options the Council has used in this budget strategy:
 - Increased net savings (reducing expenditure and maximising income);
 - Council Tax policy (within Referendum Thresholds); and
 - Release funding from reserves.

 - Options the Council is not pursuing:
 - Seek Secretary of State approval for an increase in Council Tax above the Referendum Threshold;
 - Hold a Referendum to ask the Residents to support a Council Tax increase above the Referendum Threshold; and/or
 - Seek Secretary of State approval for Exceptional Financial Support [EFS] through a Capitalisation Direction, which is effectively a loan to the Council that is required to be repaid (potentially with extra interest charges) but gives an authority more time to identify and implement measures that close the budget gap.
9. This budget strategy is based upon the Council's financial challenges including high demand for services, ongoing national issues and reduced Government funding since the austerity measures began in 2013/14, in a Council that has relatively low reserves compared to London neighbours. The latest monitoring position for the 2024/25 financial year reporting a net overspend of £8.9m which will leave uncommitted General Balances at £26.2m entering the 2025/26 financial year.
10. The Month 7 monitoring position for the services within this select committee present a net variance of £8.6m overspend as presented in the table below:

Table 1: Service Operating Budgets

Service		Approved Budget	<i>Underlying Forecast</i>	<i>Earmarked Reserves</i>	<i>Transformation Capitalisation</i>	Forecast Outturn	Variance	Month 6	Movement
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children, Families & Education	Expenditure	98.6	106.8	0.0	(4.1)	102.7	4.1	4.1	0.0
	Income	(23.3)	(24.4)	0.0	0.0	(24.4)	(1.1)	(1.1)	0.0
	Subtotal	75.3	82.4	0.0	(4.1)	78.3	3.0	3.0	0.0
Corporate Resources & Infrastructure	Expenditure	191.6	192.3	(0.2)	(3.4)	188.7	(2.9)	(3.0)	0.1
	Income	(118.2)	(118.0)	0.0	0.0	(118.0)	0.2	0.3	(0.1)
	Subtotal	73.4	74.3	(0.2)	(3.4)	70.7	(2.7)	(2.7)	0.0
Residents' Services	Expenditure	84.8	104.1	(0.8)	(0.5)	102.8	18.0	15.9	2.1
	Income	(47.1)	(56.6)	0.1	0.0	(56.5)	(9.4)	(9.4)	0.0
	Subtotal	37.7	47.5	(0.7)	(0.5)	46.3	8.6	6.5	2.1
Health & Social Care	Expenditure	160.1	169.8	0.0	(0.5)	169.3	9.2	9.1	0.1
	Income	(50.3)	(55.1)	(0.3)	0.0	(55.4)	(5.1)	(4.9)	(0.2)
	Subtotal	109.8	114.7	(0.3)	(0.5)	113.9	4.1	4.2	(0.1)
Total Service Operating Budgets		296.2	318.9	(1.2)	(8.5)	309.2	13.0	11.0	2.0

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

- a. **Residents' Services** – An underlying overspend of £8.6m with this position being driven largely by homelessness demand outstripping the level of demographic growth built into the service area in the budget strategy, with £6.2m of the pressure relating to homelessness support and driving £1.5m of the adverse movement. The majority of the remaining pressure is being driven by the Community Safety service, with this largely being the impact of changes in relation to imported food as a result of ongoing Brexit impacts. Waste Services are experiencing increased demand equating to a £0.6m pressures for the service, with this service accounting for the remaining balance of the adverse movement due to the income from the West London Waste Authority in respect of energy no longer expected to be received in 2024/25.

12. The savings requirement for 2024/25 is £15.8m as set out in the Council's budget strategy, this position has been supplemented by a further £5.7m of prior year savings carried forward into 2024/25, resulting in an overall programme of £21.5m savings being delivered in year:

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
Children, Families & Education	(0.3)	(0.6)	(0.3)	(0.2)	(0.3)	(1.7)
Corporate Resources & Infrastructure	(0.4)	(3.3)	(0.3)	(0.5)	(0.4)	(4.9)
Residents' Services	(0.2)	(1.9)	(0.7)	0.0	(0.9)	(3.7)
Health & Social Care	(0.1)	(1.2)	(0.2)	0.0	0.0	(1.5)
Cross-Cutting	0.0	0.0	(6.1)	0.0	(3.6)	(9.7)
Total 2024/25 Savings Programme	(1.0) 5%	(7.0) 33%	(7.6) 35%	(0.7) 3%	(5.2) 24%	(21.5) 100%

13. Based on 2.99% per annum increases in the core Council Tax and 2% per annum increases in the Social Care Precept for 2025/26 and throughout the life of the MTFs, funding available to support service expenditure is projected to grow by £49.2m to £333.8m between 2024/25 and 2029/30. A combination of exceptional demand pressures within Social Care and Homelessness support, together with capital investment plans is projected to generate a £111.4m uplift in service expenditure across the five-year term. In order to address this differential, to date, a savings programme of £65.2m has been developed, leaving a residual budget gap of £3.1m across the five-year MTF period, with £32.6m of savings being proposed for 2025/26 increasing throughout the later years of the MTF period.

Table 3: Budget Strategy

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m	£m
Total Resources	284.5	299.8	305.5	315.1	325.2	333.8
Total Service Expenditure	284.5	306.2	303.7	312.9	322.2	330.7
(Surplus)/Deficit	0.0	6.4	(1.8)	(2.2)	(3.0)	(3.1)
Select Committee Spend:						
Children, Families & Education	60.2	57.8	57.4	57.1	58.8	60.6
Corporate Resources & Infrastructure	73.0	74.1	79.2	82.5	87.3	91.4
Residents' Services	38.1	42.0	42.3	43.2	44.9	46.6
Health & Social Care	125.4	127.3	131.6	138.6	144.7	150.6
Corporate Budgets	(12.2)	5.0	(6.8)	(8.5)	(13.5)	(18.5)
Total Service Expenditure	284.5	306.2	303.7	312.9	322.2	330.7

14. As is the case for the vast majority of local authorities, the Council has experienced exceptional demand for homelessness support and social care against the backdrop of the country exiting a period of high inflation, 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. Furthermore, the Council has carried out a rebasing exercise that adjusted for legacy budget issues, adding £14.1m to the 2025/26 saving requirement, with a further £6.4m of legacy unallocated savings being written out.
15. The Autumn Statement announced in parliament on 30 October 2024 announced increased funding for Social Care and Homelessness, as well as an overall increase in funding for Local Authorities. The statement also confirmed that the public sector will receive compensation against the changes in employers National Insurance against the Council's own workforce. These elements have been estimated in the Council's budget strategy to yield an additional £3.9m, with this sum to be firmed up in the Provisional Local Government Settlement expected in the third week of December 2024 or subsequently in the Final Settlement due at the end of January 2025.

Risk Management

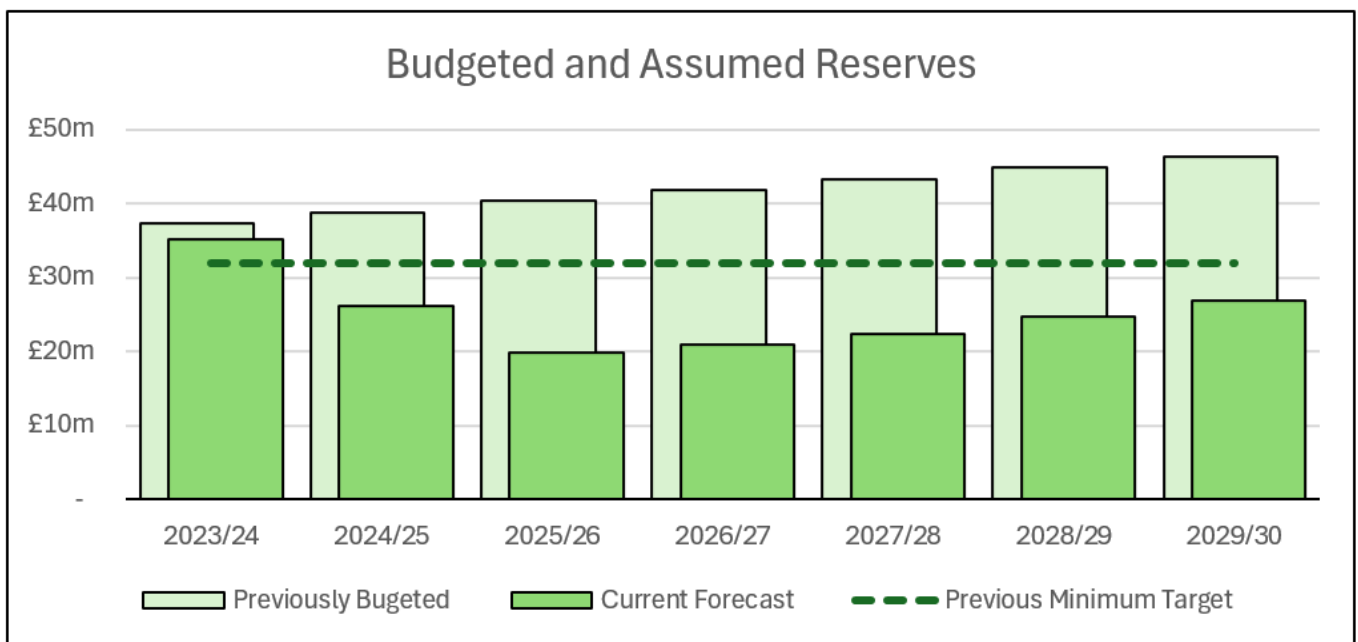
16. The draft budget set out in this report includes a number of savings that are in early stages of development, and which need to be thoroughly refined and progressed over the coming months ahead of and during the early part of 2025/26. This is the case for all savings proposals and in particular, for the Target Operating Model saving line (£5m in 2025/26, rising to £15m in 2026/27 and a further £5m in both 2028/29 and 2029/30). They will need a laser focus on planning and delivery and where needed additional capacity and expert capability added to our existing teams. Risk awareness, management and mitigations will have a heightened importance over the course of the remainder of this financial year and onwards to maintain a robust budget with adequate reserves to mitigate for any further adverse financial developments or non-delivery of assumed savings.

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17. Council approved the 2024/25 Budget and MTF5 and recognised the need to replenish reserves, then estimated to total £37.3m at the start of the current year and then grow by £1.5m per year to total £44.8m by the end of 2028/29. This rebuilding in reserves was consistent with the then Director of Finance written opinion that between a minimum of £32m up to a maximum £55m was necessary given the financial risks facing the Council. The position on the expectation on reserves will be revisited ahead of the February budget considering our prevailing financial position.
18. Some of the risks identified in (or unforeseen at the time of) the current year budget being set in February 2024 have materialised and as such our latest revenue monitoring position reflects closing general and available earmarked reserves falling to £26.2m against a previously anticipated £38.8m. This change from previous assumptions helps illustrate the need to hold adequate levels of reserves against such events.
19. The Council has not needed to request Exceptional Financial Support [EFS] from Government and is working hard to resolve its own financial pressures. Given the pressures and scale of financial savings officers will ensure that the Cabinet and Council are regularly updated in this respect. Our financial position is very challenging and whilst this is a national issue and systematic failure and not a uniquely Hillingdon problem, it is the Council's responsibility to ensure strong financial management to avoid this risk crystallising. If the savings are not delivered in broad terms EFS cannot be ruled out as is the case with many boroughs.
20. The Cabinet have given a clear steer to officers that they wish to resolve as much as possible the financial issues facing the borough, with our own efficiencies and savings programme. Exceptional Financial Support through borrowing as viewed by many as a 'sticking plaster' that does not resolve the underlying reductions and lack of funding for Hillingdon and Local Government as a whole. EFS, increases the cost to the tax payer, through additional borrowing costs, unless funded through additional capital receipts to a large extent.
21. Reference to the summary budget position set out in Section 6 of this report shows anticipated levels of future reserves based on the budget assumptions set out in this report and is summarised below:

Chart 11: Budgeted and Assumed Levels of Reserves



22. Having low levels of reserves to mitigate future potential risk is a significant risk in itself and ultimately could lead to the issuing of a s114 Notice leading to an immediate cessation of all non-essential spend and raising the possibility of Government intervention
23. The budget as it currently stands contains a significant degree of risk in its assumptions, and in particular the following:
 - i. Declining and the slow rebuild of general and earmarked reserve levels;
 - ii. Significant and the largest savings programme put forward to be delivered and will require stringent monitoring to ensure delivery and any optimism bias removed;
 - iii. Further potential demand pressures that may arise – particularly around social care costs and temporary accommodation pressures;
 - iv. Macro-economic headwinds including inflation, interest rates and pressures that could further arise as the result of any downturn in the general economy;
 - v. Future Government funding levels being maintained in real terms – especially if the government’s growth agenda to re-balance public finances fails to deliver as planned;
 - vi. Changes to the business rates system further increasing cost of occupying the Council’s larger buildings or indirectly through our partners on the running cost of leisure centres;

- vii. Whilst a fundamental review of the local government finance system has again been promised, any rebasing has the potential for the Council to lose the gains from growth above baseline already accumulated since 2013/14; and
- viii. The Council has a significant Dedicated Schools Grant deficit which is currently held on the Balance Sheet but not impacting on the level of general reserves. Should the statutory over-ride preventing it from affecting general reserves be withdrawn this would result in general reserves being negative

24. Any delay in the timeframes for the delivery of assumed savings (or their quantum) has the potential to adversely impact on the forecast level of future reserves. To date, a significant number of savings proposals remain to have a full delivery programme validated to provide necessary assurance

Budget Proposals for the Residents' Services Select Committee

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

Table 4: Service Expenditure Budget Proposals

	2024/25	Inflation	Demand-led Growth	Corporate Items	Savings Proposals	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Children, Families & Education	60.2	2.4	0.4	0.0	(5.2)	57.8
Corporate Resources & Infrastructure	73.0	2.8	0.0	5.3	(7.0)	74.1
Residents' Services	38.1	2.8	7.7	0.0	(6.6)	42.0
Health & Social Care	125.4	3.0	4.2	2.5	(7.8)	127.3
Corporate Budgets	(12.2)	(6.3)	0.0	29.5	(6.0)	5.0
Total Service Expenditure	284.5	4.7	12.3	37.3	(32.6)	306.2

26. Inflation: Cost pressures of £2.8m are projected against 2024/25 expenditure going into 2025/26, with material uplifts in relation to workforce budgets, contracted expenditure and energy costs. In line with wider MTFs modelling, inflation projections are predicated on contracted expenditure uplifts for 2025/26 being in line with September's CPI figure of 1.7% in line with the Government's approach to use this index to uplift funding and expenditure across many areas of the public sector, with latter years forecast to be in line with the Bank of England's target rate of 2% per annum. The 2024/25 pay award has been agreed below the Council's assumptions at the time of setting the 2024/25 budget, with the MTFs including

an assumption that the pay award is 3% in 2025/26, also reducing to 2% per annum thereafter.

27. Demand-Led Growth: items within the remit of this Select Committee account for £7.7m of the £12.3m increase across the Council for 2025/26, with a breakdown of these items presented below.
- a. Waste Disposal Levy & Contracts are forecast to increase by £1.7m in 2025/26, rising by a further £2.6m per annum to 2029/30 with the additional pressure in 2025/26 providing a mechanism to fund the additional pressures in 2024/25 due to West London Waste Authority (WLWA) Levy costs from residual tonnages being the key element for the in-year pressure.
 - b. Homelessness Prevention is currently facing exceptional demand, with the in-year monitoring position reporting an overspend of £5.0m, with the increase in the budget strategy affectively funding the additional growth that is in the system, with savings included later in this report that set out the Council's mitigating actions to address this pressure going forward. Homelessness support is a national issue and is forecast to generate an overspend of £170m across London in 2024/25.
 - c. Private Sector Housing require an investment of £0.4m in 2025/26 due to increasing statutory responsibilities, with the service unable to meet these without additional resource, with the service under increasing pressure due to inspections, including unlicensed HMOs in the borough, with the service generating income from fines that partially offsets the cost of the service.
28. Corporate Items: there are no Corporate Items within the remit of this Select Committee , with the £37.3m increase across the Council in 2025/26 impacting on other areas.

Savings Proposals

29. As mentioned above, £32.6m of savings proposals have been incorporated into the draft budget for 2025/26, with £6.6m falling within the remit of this Select Committee. Details of the savings programme propels within the remit of this Select Committee are discussed below, with a full list available included in Appendix A6 to this report, in line with the appendix presented with the Consultation Budget presented at December Cabinet.
30. Residents Services proposals for 2025/26 total £6.6m, increasing to £8.5m by 2027/28, with savings proposals in this portfolio including:
- i. Proposed measures to mitigate against rising Homelessness support totalling £3.6m are included for 2025/26, rising to £5.1m by 2027/28, offsetting the Demand-Led Growth proposal reported on earlier in this report. The mitigating

actions include finding alternative low-cost interventions, exploring procurement opportunities in the B&B market leasing additional accommodation.

- ii. Measure to increase income account for £1.4m in 2025/26, rising to £1.7m by 2027/28, with proposals including the introduction of parking charges on Sundays where charges currently don't exist, an increase in the parking fine banding level and reducing the discount offered to residents through the Hillingdon First Card but still maintaining a substantial discount, with total parking measures securing £1.1m in 2025/26. These proposals will be carefully monitored to assess any impact on total revenue from elasticity of supply. Other income measures include Building Control and Planning fees yielding an additional £0.4m in 2025/26.
 - iii. Other saving measures include the removal of the Beck Theatre subsidy, securing sponsorship for Christmas Lights and a review of the Out of Hours Noise Nuisance Service, with these three items forecast to deliver £0.6m in 2025/26.
 - iv. The remaining £1.0m of proposals come from a number of smaller updates, with full details set out in the Savings Appendix (A6).
31. Target Operating Model A full review of the Council's Target Operating Model to identify and deliver a further £5.0m saving in 2025/26, rising by a further £10.0m in 2026/27 to a total of £15.0m, with a further £5.0m in each of the last two financial years of the budget strategy, with a full review of every service and how it operates, building on the work that started in the Zero-Based Budgeting reviews that set the groundwork for this budget strategy. The delivery of target Operating Model savings are essential for the financial future of this Council.
32. Cross-Cutting Initiatives proposals amount to £6.0m in 2025/26, rising by a further £13.5m over the next two years to deliver £19.5m of savings by 2027/28. Savings recorded as cross-cutting include:
- i. Procurement savings of £0.6m are included in each of the three years, with the procurement service to work with service areas during contract negotiations and tender exercises to maximise opportunities for the Council and effectively counter the impact of the inflationary uplift built into the budget strategy.
 - ii. Pension measures of £0.4m are included for 2025/26, rising by a further £0.1m in 2025/26 from a combination of cashflow measures with the interactions between the General Fund and Pension Fund (£0.3m) and a proposal to delay automatic enrolment for new starters into the pension scheme until post-probation (£0.1m in 2025/26, £0.2m by 2026/27).
 - iii. Finally, inflationary uplifts to Fees & Charges from 2026/27 onwards are included under cross-cutting items at £1.1m per annum to 2027/28, with the impact of uplifts for 2025/26 included under each portfolio.

33. The increases in Fees & Charges is shown in Appendix C and maintains significant discounts for residents. Further work will be undertaken ahead of the February Cabinet to test any impact caused by the elasticity of demand.

Capital Proposals

34. Capital investment of £301.6m over the period 2025/26 to 2029/30 has been incorporated into the wider General Fund budget strategy set out within this report, with £134.1m investment in major projects, primarily delivering new or expanded infrastructure, and £157.5m investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved, 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	General Contingency	Total £'000
Total Capital Programme	174.1	157.5	10.0	341.6
Select Committee Breakdown:				
Children, Families & Education	11.3	2.3	0.0	13.6
Corporate Resources & Infrastructure	129.7	132.4	10.0	272.1
Residents' Services	8.6	8.5	0.0	17.1
Health & Social Care	24.5	14.3	0.0	38.8
Total Capital Programme	174.1	157.5	10.0	341.6

35. Further to the overview presented above, the below section sets out the Capital Proposals within the remit of this Select Committee.
36. **Residents' Services** – An investment of £17.1m is included for this portfolio, with a proposed Major Projects budget of £8.6m, including £7.5m investment in Green Spaces equipment, with this proposal linked to reducing revenue expenditure within the Green Spaces service by investing in equipment to reduce day-to-day running costs. A further £1.6m is included for the investment of Shopping Parades supporting local commercial activity in the borough. The £8.5m Programme of Works budget mainly supports the Chrysalis Programme (£7.5m) and Playground Replacement (£1.0m).

Housing Revenue Account

Background

37. The Housing Revenue Account (HRA) is a ringfenced, self-financing account whereby rental income from the Council's c10,000 social housing units are reinvested in the management, maintenance and expansion of stock for the benefit for tenants. The budget strategy for the HRA for the 2025/26 financial year in the context of the five year's is set out in this report,

underpinned by 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.

38. The HRA Capital Programme that forms part of the budget strategy is structured around four key elements:
- i. Housing Supply – delivering a net 209 new homes in 2025/26, with a further 1,460 by 2029/30 to support increasing demand for social housing in a growing borough.
 - ii. Recognising the impact of the Autumn Statement announcement on the Right to Buy Scheme, where the Government has reduced the discount to Council Tenants from £136.4k to £16k for all applications received after 21 November 2024. As a result, the Council saw a spike in demand in October from an average of 3 per month to over 300 applications (not all applications will lead to finalised sales).
 - iii. Estate Regeneration – delivery of 370 new homes across the Avondale and Hayes Town Centre estates, a net increase of 72 during the MTFS period on the current configuration.
 - iv. Sdf Works to Stock – an enhanced programme of works to take into account early indicative results of a Housing Stock review, anticipating 30% of the Housing Stock to require further work to meet decency standard, with further investment to ensure that properties are refreshed on a rolling programme.
39. Development of HRA budgets over the five-year has been undertaken in the context of significant pressures on housing demand in the borough, across London and nationally, which is being compounded by the relatively high proportion of construction and building-related expenditure to meet housing regulatory requirements and to increase housing supply. The Government continue to cap rent increases at CPI+1% for 2025/26, with the Government consulting on extending this arrangement to the end of this MTFS period with the Government set to confirm this before the Council finalises the 2025/26 budgets, with any update to be brought to Cabinet in February 2025.
40. The Council increased the revenue budgets for managing the HRA in 2024/25 with a growth item of £1.5m to fund additional regulatory requirements (£0.5m) and ongoing maintenance and remedial work (£1.0m), with this increase proving to be sufficient in-year and beyond.
41. Forward looking financial plans are based on solid foundations, with a forecast balanced budget for 2024/25 and unallocated reserves projected to total £15.0m at 31 March 2025. Given that £15.0m 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. The Council will be reviewing the level of reserves in the future given the rising stock number over the medium-term.

Table 12: Housing Revenue Account Budget Strategy

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2027/28 £m	2028/29 £m
Total Resources	74.3	78.8	84.9	91.0	95.0	98.1
Total Service Expenditure	49.2	59.6	65.3	69.4	75.3	78.4
Contribution to Finance Capital Programme	25.2	19.2	19.6	21.6	19.7	19.7
Cumulative Budget Gap	(0.1)	0.0	0.0	0.0	0.0	0.0
Closing General Balances	15.0	15.0	15.0	15.0	15.0	15.0

42. Capital investment plans will result in the HRA Capital Financing Requirement reaching £496m in 2029/30, with both the budget strategy and 30 Year Business Plan demonstrating that the ongoing servicing and repayment of this level of borrowing is sustainable.
43. Further commentary on the HRA budget strategy is provided below, with detailed schedules included in Appendix B to the December Cabinet Consultation Budget.

RENTAL INCOME

44. HRA Dwelling Rental Income is projected to grow from £74.2m in 2024/25 to £98.0m by 2028/29, with this £23.8m increase in funding driven by a combination of inflationary rent increases and net growth of 1,669 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.
45. As part of the Autumn Statement, the Government established a 1%+CPI rent increase for 2025/26 with future years expected to be confirmed by Government before the Council finalises its budget in February 2024, this budget strategy therefore takes a prudent approach of maintaining increases from 2026/27 onwards at CPI, with the expectation the additional 1% will be announced shortly.
46. 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	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Change
Projected Opening Stock	10,228	10,438	10,647	10,860	11,633	11,949	N/A
Net Movement*	210	209	213	773	316	158	1,669
Projected Closing Stock	10,438	10,647	10,860	11,633	11,949	12,107	1,669
Projected Average Stock	10,333	10,543	10,754	11,247	11,791	12,028	n/a

*The net movement includes: right-to-buy sales; new units and regeneration voids – updated and full details will be provided in the February 2025 Cabinet report

INFLATION

47. Inflationary cost pressures of £3.5m are projected within the HRA for 2025/26, rising to £17.3m by 2029/30, with contracted expenditure forecast to grow in line with the General Fund projections at 1.7% in 2025/26, then 2% thereafter in line with the Bank of England target rate. The pay award for the HRA is similarly in line with the General Fund at 3% in 2025/26 reducing to 2% per annum thereafter, with energy forecast to reduce in 2025/26 offsetting the increase in expenditure in year 1, before returning to a 5% increase thereafter. Further analysis of the inflation requirement is presented in Appendix B2 to the Consultation Budget.

CAPITAL CHARGES

48. Capital investment plans expanded upon later in this report necessitate £444.4m of new borrowing over the period to 2029/30, the ongoing servicing and repayment of which will add £12.0m to HRA service expenditure over the MTFs period. These financing charges reflect current borrowing costs, with underlying investment continuing to meet the thresholds for affordability, sustainability and prudence.

GROWTH

49. Growth of £1.5m was added to the HRA in 2024/25 to fund £0.5m of regulatory costs and £1.0m of repairs and maintenance costs, with the in-year monitoring position reporting that this growth bid is sufficient to cover these costs, with no further growth required in the HRA over the next 5 years.

SAVINGS

50. With the Council presenting a balanced budget for the HRA and maintaining reserves at £15.0m over the life of the budget strategy, the HRA is not in a position where efficiency savings are required, however, it is worth noting that this does not mean the HRA will seek to maximise efficiency opportunities with the running of the Council's housing stock.

HRA Capital Programme

51. Capital investment of £931m in expansion and enhancement of the housing stock over the period 2025/26 to 2029/30 has been fully reflected within this consultation budget, including £725.2m funding to deliver 1,669 net increase in dwellings and £206.0m investment in existing housing stock. Further detail on these investment plans can be found in Appendix B4, with a brief overview set out below.

52. Investment in new housing includes £132.3m 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 £592.9m has been allocated to deliver 1,299 net increase in units through internal development and acquisitions, with project timelines set out to maximise use of retained Right to Buy receipts over the MTFS period.
53. £156.4m 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, with this budget significantly increase since February 2024 to increase the standard of tenants' homes. A further £49.7m is included for further investment in insulation measures and green investments, with this programme of investment 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.

Table 7: HRA Capital Programme

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Major Projects	88.9	177.6	68.8	69.1	69.3
Housing Regeneration Programme	16.0	13.2	41.8	29.5	0.0
Programmes of Work	37.5	42.8	35.4	27.5	28.1
Total	142.4	233.6	146.0	126.1	97.4

BACKGROUND PAPERS

2025/26 BUDGET AND FUTURE MEDIUM-TERM FINANCIAL STRATEGY, presented to 12 December 2024 Cabinet Meeting ([London Borough of Hillingdon - Agenda for CABINET on Thursday, 12th December, 2024, 7.00 pm](#))