

2025/26 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF HEALTH & SOCIAL CARE SELECT COMMITTEE

Committee name	Health and Social Care Select Committee
Officer reporting	Andy Goodwin, Finance
Papers with report	Appendix A – Work Programme
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 Health & Social Care 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 Health & Social Care Cabinet Portfolio, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATION

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 Health & Social Care Cabinet Portfolio, within the context of the corporate budgetary position.

SUPPORTING INFORMATION

General Fund Budget

Executive Summary

4. 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
5. 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.
6. 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

7. Budget proposals for 2025/26 have been prepared in the context of a wider strategy addressing the five-year MTF 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.
8. 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.
9. The Month 7 monitoring position for the services within this select committee present a net variance of £4.1m overspend as presented in the table below:

Table 1: Service Operating Budgets

Service		Approved Budget	Underlying Forecast	Earmarked Reserves	Transformation Capitalisation	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

10. With the following narrative setting out the variances and movement from Month 6 on an exception basis:
- a. **Health & Social Care** – An underlying overspend of £4.1m is reported at Month 7, with the overspend largely being due to exceptional demand for adult social care services being materially higher than the amount included in the Council’s budget strategy, with management action aiming to contain an element of this spend by supplier management and containing annual uplifts to a value below the budgeted increase (with the budgeted increase being based on the ADASS value of 7.9% and CPI running significantly below this value at 1.7% in September 2024). The overspend driven by Adult Placements after management action is forecast to be £4.5m, with staffing underspends across the service reducing the overall pressure on the portfolio budget to £4.1m.
11. 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%

12. 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 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £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	58.8	59.5	60.8	63.0	65.3
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	126.3	129.5	134.9	140.5	145.9
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

13. 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.
14. 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.

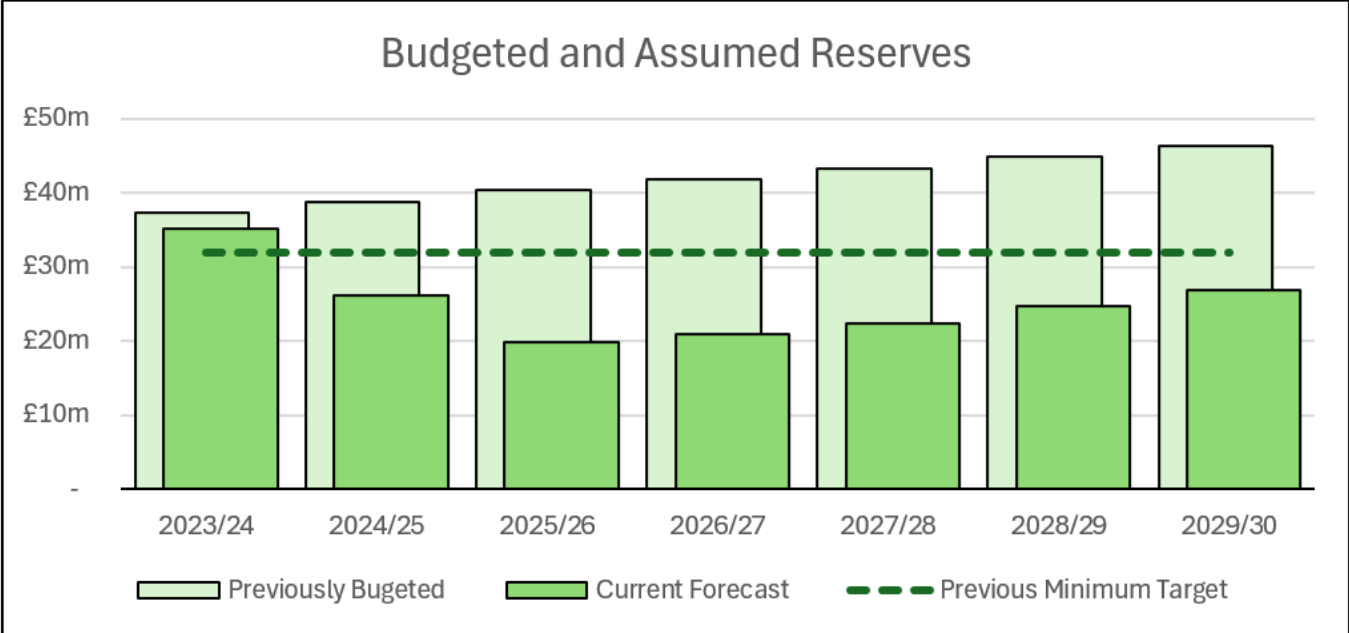
Risk Management

15. 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.
16. Council approved the 2024/25 Budget and MTFS 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.

- 17. 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.
- 18. 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.
- 19. 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.
- 20. 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



- 21. 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

22. 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
23. 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 Health & Social Care Select Committee

24. 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	1.4	0.0	(5.2)	58.8
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	3.2	2.5	(7.8)	126.3
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

25. Inflation: Cost pressures of £3.0m are projected against 2024/25 expenditure going into 2025/26, with material uplifts in relation to workforce budgets, care placements, 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.

26. Demand-Led Growth: items within the remit of this Select Committee account for £3.2m of the £12.3m increase across the Council for 2025/26, with a breakdown of these items presented below.
 - a. Adult Social Care Placements have seen exceptional demand since COVID-19, with ongoing pandemic related scarring continuing to impact on the service, since April 2023, the service has seen a 7% growth in headcount, with the majority of this landing in 2023/24 and remaining in the system, generating a full year impact in 2024/25 above the budgeted position, the growth in this area therefore funds this pressure on an ongoing basis, adding £3.2m in 2025/26, with a further £10.1m over the following four years. The service is looking to mitigate this pressure through a number of measures, including reviewing health funding eligibility, with savings proposals included later in this report that offer mitigating actions against this growth bid.
27. Corporate Items: budget movements within the remit of this Select Committee account for £2.5m of the £37.3m increase across the Council in 2025/26, with a breakdown of these items presented below.
 - a. Given the increase in exposure to the debt repayment as a result of the cost-of-living crisis and impacts from the pandemic on households, an Increase in Bad Debt Provision due to the Council's debt position has been increasing in recent times, the Council is forecasting an increase in the provision required to offer increased protection against the non-payment of debt, with this requirement adding £2.5m to the Council's budget gap in 2025/26.

Savings Proposals

28. As mentioned above, £32.6m of savings proposals have been incorporated into the draft budget for 2025/26, with £7.8m 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.
29. Health & Social Care savings proposals are forecast to deliver £7.8m in 2025/26, with a further £1.1m in 2026/27 taking the total savings to £8.9m, with detailed proposals including:
 - a. Reviewing service users eligibility for health funding in relation to Mental Health Needs is forecast to delivery £2.0m in 2025/26, with a further £2.5m of measures within Adult Placements from renegotiating care contracts (£1.7m) and decanting a building to deliver a more efficient service for residents (£0.2m) and banking service delivery efficiencies achieved in-year (£0.6m).
 - b. The acquisition of a care home is proposed to deliver £0.6m in 2025/26 through efficiencies in running the service via a Special Purpose Vehicle [SPV], with a further £0.3m to be achieved from the creation of an SPV to support the employment of temporary staff within the service.

- c. A saving of £0.6m in 2025/26, rising to £1.0m by 2026/27 has been proposed from a Post-16 review of the Council's Transport offer, implementing a revised policy to offer Personal Transport Budget [*PTB*] as the default offer to reduce expenditure on higher cost options including minibuses and taxis except in circumstances where it can be demonstrated that this is more cost effective.
 - d. The service are proposing to increase the use of Artificial Intelligence [*AI*] in the operation of Social Work Practices which is forecast to secure £0.5m of efficiencies without impacting on frontline services to residents, with the measure aimed at using technology to carry out admin tasks for the service, with scope for the technology to also consider if a client may also require a health assessment from the NHS.
 - e. Further savings included in this portfolio are included in the Savings Appendix (A6) to this report.
30. 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.
31. 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:
- a. 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.
 - b. 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).
 - c. 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.
32. 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

33. 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

34. Further to the overview presented above, the below section sets out the Capital Proposals within the remit of this Select Committee.
35. **Health & Social Care** – This portfolio has two capital programme budgets, with a £24.5m investment in Care Home Capacity, with this investment delivering a revenue budget for the service, alongside £14.3m of equipment capitalisation to support early intervention and prevention.

BACKGROUND PAPERS

2025/26 BUDGET AND FUTURE MEDIUM-TERM FINANCIAL STRATEGY, presented to 12 December 2024 Cabinet Meeting -

<https://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=115&MID=4751#AI47131>