2025/26 BUDGET AND FUTURE MEDIUM-TERM FINANCIAL STRATEGY

Cabinet Member & Portfolio	Cllr Martin Goddard, Cabinet Member for Finance and Transformation
Responsible Officers	Tony Zaman, Chief Executive Richard Ennis, Corporate Director of Finance
Report Authors & Directorate	Andy Goodwin, Head of Strategic Finance & Deputy Section 151 Matt Davis, Director Strategic & Operational Finance
Papers with report	Appendices A to G

HEADLINES

Summary	Hillingdon Council has provided very good and value for money services for a number of decades. It has managed to keep its Council Tax lower than its neighbouring authorities and is the lowest council tax authority in its comparator group of 16 outer London boroughs. There have been significant national economic and health events and reductions in local government funding and in spite of this the Council has maintained many good services at a very low council tax. This report brings together the significant challenges that the Council has to deal with particularly in 2025/26, and beyond, and sets out the progress on developing and refreshing the Council's Medium-Term Financial Strategy [*MTFS*] since the position set out in the consultation budget received by cabinet in December 2024. In building this budget, the options available included the Council asking Government to increase the Council Tax greater than the 4.99% prescribed referendum maximum, asking Government for permission to sell assets or borrow to fund day-to-day expenditure via a Capitalisation Direction (Exceptional Financial Support [*EFS*]); or running key services in a different way and generating efficiencies from non-universal services combined with looking to change the target operating model of the Council. Cabinet have already decided at its December Cabinet that it wishes to pursue the latter options of the above list, albeit that no reduction in key services is currently planned.
Putting our Residents First	This report supports our ambition for residents / the Council of: An efficient, well-run, digital-enabled council working with partners to deliver services to improve the lives of all our residents

Delivering on the Council Strategy 2022-2026	This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council

Financial Cost	This report sets out a financial budget for 2025/26 and an outline medium-term financial strategy for a further four years. For the General Fund, available and usable reserves would fall from £35.1m at the start of 2024/25 to an expected £24.5m at the end of 2024/25 and thereafter to £20.3m by the end of 2025/26. The proposals set out in the Medium-Term Financial Strategy would, if all fully materialise as planned, see available and usable reserves rise to £43.7m by the end of 2029/30. The most important year in this plan is 2025/26.

Select Committee	All

Ward(s)	All

RECOMMENDATIONS

That the Cabinet approves for recommendation to Council:

1) **The General Fund and Housing Revenue Account budgets and Capital Programme proposals for 2025/26 (as detailed in Appendices A, B and C) and beyond, having taken the consultation responses and select committees' comments conscientiously into account outlined in Appendix F Budget Consultation Feedback.**

2) **The Capital Strategy, Treasury Management Strategy Statement, Investment Strategy, and Minimum Revenue Provision Statement for 2024/25 to 2029/30 as detailed at Appendix D.**

3) **The proposed London Borough of Hillingdon Pay Policy Statement for 2025/26 set out at Appendix E.**

That Cabinet:

4) **Request the Corporate Director of Finance to bring in capacity and capability to create and deliver a Financial Improvement Plan [*FIP*] with support from CIPFA, as outlined in paragraph 13.14, and to report back to Cabinet on progress on a quarterly basis.**

5) **Approves the land and property disposals target of £17m of Capital Receipts for 2025/26 to be used for transformation.**

6) Approve the transformation plan, as set out in Section 12, and the use of £17m of capital receipts for this purpose, subject to Government confirmation on utilising receipts for this purpose for a further year.

7) Authorise the Corporate Director of Finance, in consultation with the Cabinet Member for Finance & Transformation, to respond on behalf of the Council to the consultation on the Mayor of London's budget consultation.

8) Authorise the Leader of the Council and Cabinet Member for Finance & Transformation to authorise all invest-to-save schemes as set out in Appendix A8i and other additions to the Capital Programme under the advice of the Corporate Director of Finance.

9) Note the Period 9 (December) monthly monitoring forecast, as set out in Section 3.

10) Agrees that all drawdowns from General Contingency, Contract Risk Contingency, Risk Provision against Savings Delivery or Reserves will require Cabinet approval under the advice of the Corporate Director of Finance.

11) Agrees the introduction of a new fee as part of the recent implementation of the Border Target Operating Model.

12) Approves acceptance of gift funding in relation to a Planning Performance Agreement in accordance with the provisions of Section 93 of the Local Government Act 2003 for

- **i. Colt Campus - £142,750**
- **ii. Colt Public Artwork - £12,500**
- **iii. Rainbow and Kirby Industrial Estate - £96,000**
- **iv. Hyde Park Hayes - £66,200**
- **v. Unit 4 Silverdale - £28,500**
- **vi. Land off Long Drive - £39,700**
- **vii. Nestle Landscaping - £19,200**

13) Accepts a grant of £934,446 from North West London Integrated Care Board to fund initiatives to support hospital discharge.

14) Agree that proposals to charge for green waste collection (provisionally included in the schedule of savings) be subject to consultation and authority be delegated to the Cabinet Member for Community & Environment, in conjunction with the Cabinet Member for Finance & Transformation, to decide on such matters after considering the outcome of that consultation.

Reasons for recommendation(s)

The recommendations have been put forward in accordance with the Budget and Policy Framework Procedure Rules as set out in the Council's Constitution. They allow the presentation to Council of recommended budgets for 2025/26. This includes the impact on Council Tax, alongside housing rents and service charges.

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

Alongside budget proposals for recommendation to Council, this report provides an update on the strategy and policy statements surrounding investment and borrowing activity for the forthcoming financial year. In line with guidance from the MHCLG / CIPFA in this area, the content of the Capital and Investment Strategies is provided in the four documents contained within Appendix D, with no substantive changes proposed for the new financial year.

The Localism Act 2011 requires local authorities to publish a Pay Policy Statement annually. This Pay Policy Statement must set out the authority's policies for the financial year relating to remuneration of its Chief Officers; remuneration of its lowest paid employees; and the relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers. The proposed 2024/25 policy is included as Appendix E to this report.

Recommendation 11 seeks approval to introduce a new fee for the Border Target Operating Model. Since the implementation of the Border Target Operating Model on 30 April 2024 (with new controls on EU products), the Imported Food Office has experienced multiple consignments involving goods not remaining in Great Britain. There are two categories:

i. A transit: goods arrive at one port in Great Britain and are then transferred to Heathrow for their onward flight out of Great Britain
.
ii. A transhipment: goods are flown into Heathrow prior to transferring to another flight from Heathrow out of Great Britain.

As the Border Control Post of exit, the service is required to control these goods. Charging is currently based on the weight of the consignment (mirroring those for regular veterinary checks) but it is deemed more appropriate to levy a specific fee. The service has considered Official Controls Regulations to evaluate the cost of such consignments and proposes the following addition to the Council's Fees and Charges schedule:

POAO Transit / Transhipment Charge: £180

Recommendation 12 Gift funding has been offered by developers which if accepted by Cabinet will be utilised to fund dedicated staff to support this pre-application and application work and seeks authority from Cabinet to approve the acceptance of £404,850k in relation to seven major developments.

i. Colt Campus - £142,750
ii. Colt Public Artwork - £12,500
iii. Rainbow and Kirby Industrial Estate - £96,000
iv. Hyde Park Hayes - £66,200
v. Unit 4 Silverdale - £28,500
vi. Land off Long Drive - £39,700
vii. Nestle Landscaping - £19,200

Recommendation 13 seeks acceptance of a ringfenced grant that is intended to support more complex discharges from hospital and to divert people away from care home placements where possible. A key focus of the funding is on schemes to address demand pressures on hospital beds during the winter period. Schemes to be funded from the grant have to be agreed between the Council, the Integrated Care Board and place-based health and care partners.

Recommendation 14 - Cabinet wishes to invite the views of residents on proposals to charge for the green waste collection service and is thereby recommending the commencement of a consultation exercise on the matter. It is proposed to delegated authority to the Cabinet Member for Community & Environment, in conjunction with the Cabinet Member for Finance & Transformation, to decide on the matter after duly considering the outcome of that consultation including any environment and equalities impact assessments required.

Alternative options considered / risk management

Proposed Council Tax Increases in the budget could be removed and the Council Tax increase raised above 4.99% albeit the Council would be asking MHCLG for late consideration after their deadline (or require a resident referendum to be held). Alternative items could be added to increase savings or reduce growth. Similarly, further items could be added either to the budget requirement through additional increases, increased provision for risk via the general contingency, or by reducing the package of savings. Council Tax is already recommended at the maximum constraint level imposed by the Government's referendum regime, which limits any increase to 2.99% of general Council Tax before triggering the need for a referendum and a further 2.00% in the form of a Social Care Precept. The current budget proposals reflect the full use of these limits, as it continues to be clear that this is the Government's intended way to raise funding for Social Care pressures. A change in the budget requirement of £1,468k either way (increase or decrease) would for example if funded from Council Tax, result in an increase or decrease of 1.0% in the level of the Council Tax, equivalent to £13.92 per annum for two adults in a Band D household.

Members could decide to replace like for like in value or remove new capital schemes from the Capital Programme included in this report. The funding for any additional new schemes would necessarily come from Prudential Borrowing in the first instance. This would have a consequential upward impact on the revenue budget requirement and Council Tax and/or the level of balances if they are HRA capital projects. Any reduction in General Fund projects financed by borrowing to fund the proposed capital programme would result in a positive impact on the level of future revenue reserves.

Members could decide to vary the proposed Fees and Charges outlined at Appendix C. Any decision to do so could have an impact on the budget requirement. This would need to be reflected in the budgets to be recommended to Council.

The Council may choose to set HRA housing rents lower than those proposed, however between 2016/17 and 2019/20 Government directed local authorities to decrease rents by at least 1%, thereby removing the option to increase rents, with 2025/26 being the sixth year of a return to rent increases. Lowering rents for a further year, or reducing the increase proposed, would result in less income and a detrimental impact upon HRA balances or ability to maintain housing standards.

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

The Leader and Cabinet recognised the scale of the challenges ahead of them and brought in Grant Thornton [*GT*] to undertake a zero-based budgeting exercise. This was also followed by an officer led Star Chamber process. These exercises have identified the significant scale of change needed to now deliver over £34m of savings in 2025/26, which is double the level of anything delivered in recent times.

There is significant risk in this budget strategy, which underlines the necessity of delivery in the 2025/26 financial year being of paramount importance, any non-delivery in 2025/26 will increase the scale of challenge in 2026/27. Whilst there are still expected to be £24.5m of reserves at the end of this financial year this requires the forecast outturn for 2024/25 to not move adversely. To end with reserves at £20.3m at the end of 2025/26 requires £34.0m of savings to be delivered. The overriding risk is the Council has not delivered savings at this scale before, since 2010 the Council has reported previous average delivery of £13.1m per annum. The absorption of cost overruns has, in addition to significant reductions in Local Government funding, led to the pressures that Hillingdon in particular and many other councils face.

Hillingdon is not alone, indeed the funding issues are national issues that require a Government solution. In the absence of that national solution the Council is left with the options above.

The Council's Director of Finance (Section 151 Officer) will in a Section 25 Statement provide views on:

a) the robustness of the estimates made of the purposes of the calculations,

b) the adequacy of the proposed financial reserves

In arriving at a view on these matters the Director of Finance will rely, amongst other things, on the integrity of the Council's budget monitoring and the accuracy of the delivery, forecasts and growth estimates from the Council's senior officers. Corporate Directors have been requested to remove optimistic and undeliverable savings from the base budget and give a realistic and resilient assessment of likely required growth.

The Council has engaged with the Chartered Institute of Public Finance and Accountancy [*CIPFA*] to commence work on a financial improvement plan for the Council. This financial improvement plan is broader than just the Finance department and will cover all departmental areas. This will include a review of the Balance Sheet. Findings from that work will be used to inform a further update on the assessed minimum and maximum levels of reserves that the Council aims to hold against potential risk.

Corporate Directors have been through the budget a number of times to ensure they recognise the scale of the challenge for the year ahead and have had opportunities to build the budget notwithstanding the information challenges experienced. The key point being, the increased speed at which savings need to be delivered from the start of the year. In testing the sensitivity of the budget strategy and adequacy of reserves, for example, should the growth proposals be exceeded by 10%; savings proposals not be achieved by 10%; and 25% of annual savings proposals be delayed in delivery by one year, closing reserves at the end of 2025/26 would fall from the predicted £20.3m to £12.2m.

If the average reported level of savings from 2010/11 to 2024/25, which is £13.1m, were to be delivered in 2025/26 out of the £34.0m then £20.9m of the savings would not be delivered. We have a contingency of £10.5m, which would leave a £10.4m problem (£20.9m minus £10.5m). This would mean that the target saving level for 2026/27 would be £10.4m plus the existing requirement of £17.8m, so the Council would face a £28.2m budget gap, £5.8m lower than the budget gap in 2025/26.

As indicated above, in addition to the reserves, there is also built into the budget a contingency provision of £10.5m to provide a degree of insulation to the reserves from potential deficiencies in the current estimates as to savings delivery or growth pressures. This sum should be protected in accordance with the recommendation above, i.e., that any release of the same will require a Cabinet resolution on the advice of the Chief Financial Officer, so that it would be available to add to reserves carried forward into 2026/27.

Democratic compliance / previous authority

This is the second budget report in the 2025/26 to 2029/30 cycle having previously reported to Cabinet in December 2024, with consultation responses and latest updates to that previous report now included for February 2025 Cabinet.

Select Committee comments

Full reports on the budget process, financial strategy and detailed budget proposals for services within the remit of each Select Committees were presented for review at meetings during January 2025, with comments from each committee presented in Appendix F to this report.

SUPPORTING INFORMATION

1. EXECUTIVE SUMMARY OF REPORT

1.1. The Council is currently running a billion-pound plus business as set out in the table below:

Table 1: Total Council Budgeted Spend

Budgeted Spend	£,000's
General Fund	499,181
Housing Revenue Account	81,736
Schools Budget	385,990
Total Expenditure 2024/25	**966,907**
General Fund Capital	207,078
Housing Revenue Account Capital	125,319
Grand Total	**1,299,304**

1.2. The Council aims to set a balanced budget for 2025/26, with further focus on the period to 2029/30, with this report setting out in the appendices a 5-year budget strategy. In setting this medium-term financial strategy, the objectives are:

- To continue to drive value for money for our residents in our services;
- To continue to be a low Council Tax charging borough;
- To review our operating model to deliver even more efficient and effective services and make significant savings;
- To invest in new assets for the borough, building out our infrastructure and seeking invest to save opportunities through our capital programme;
- To invest in improving the quality of our homes for our housing residents;
- To increase our income levels and charge appropriate levels of fees;

- To continue to respond to inadequate levels of Government funding including lobbying central Government and the GLA for more funding for our residents; and
- Rebuilding our financial resilience.

1.3. 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 the sector and Hillingdon include the increased cost of adult social care, children's placements, homelessness and asylum seekers.

1.4. The Council has done all it can to maintain services and keep Council Tax low. Indeed, Hillingdon has the lowest Council tax of the 16 councils in its comparator group. The Council delivered the expectations of the then Government in keeping Council Tax increases as low as possible.

1.5. Government has reduced local authority funding significantly as set out in the economic and financial outlook section of the Consultation Budget report presented to Cabinet in December. In addition, world health and economic events and advanced medical practices have made it significantly tougher for councils like Hillingdon to maintain its low tax and good services objectives. It is in many ways incredibly commendable that the Council has managed to do so for such a long period.

1.6. The Council has an extremely challenging savings delivery programme that will require focussed leadership both politically and particularly by officers to deliver this 2025/26 budget. 2026/27 is already a challenging year and any slippage in 2025/26 will increase the scale of these challenges as already set out.

1.7. The Closedown process in 2024/25 requires the Council to capitalise some £11m of expenditure to reduce its overspend utilising CIPFA. This will largely be done as a year-end exercise so is not certain at this point. Any shortfall in delivering this target will impact on the level of reserves carried forward into 2025/26.

1.8. Hillingdon needs to finalise a number of operational plans, such as Temporary Accommodation solution, and management of demand and market inflation across adult social care and children's care costs to deliver to budget. In addition, CIPFA will be undertaking a review of the balance sheet which may reveal favourable and/or adverse impacts that will need addressing.

1.9. It is important to recognise that the Cabinet are being asked to support the bringing in of a small team from the Chartered Institute of Public Finance and Accountancy to develop a Financial Improvement Plan [*FIP]* to deliver solutions to help the Council. It is also very possible that this work will also identify further financial issues to be dealt with.

1.10. The Council will continue to lobby national Government, the National Health Service and the Greater London Authority [*GLA*] for increases in funding to deal with issues relevant to us, such as the impacts of having a port authority within its boundary and supporting the NHS to return patients from hospitals back to the community.

2. CURRENT APPROVED BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY

2.1. The Council approved a budget for 2024/25 and a Medium-Term Financial Strategy [*MTFS*] at its meeting on 22 February 2024. That budget set out projections for a balanced budget for 2024/25 but with further mitigations to be identified over the remainder of the MTFS planning period to achieve a continued balanced position. The gap inherent in the MTFS assumptions was forecast to have a residual budget deficit rising from £7.1m in 2025/26 to £18.5m by 2028/29.

2.2. The balanced budget for 2024/25 and forward-looking MTFS positions was predicated on the delivery of £15.8m of savings to be delivered in the first year and a further £17.7m over future years – a total of £33.5m over the full MTFS planning horizon.

2.3. The ability to balance the 2024/25 Budget was predicated on the full deliverability of the savings and being able to mitigate all other pressures that might emerge during the year. However significant pressures emerged early in the year which resulted in a necessity to rebase certain budgets in this 2025/26 budget, some due to demand and others related to unit cost inflation. The main areas affected being homelessness applications and adults and children's social care placements. The increasing costs in homelessness and care costs are a national issue that is having a significant impact on the Council's budget.

2.4. During the first quarter of 2024/25, the Council assessed the budget set against current and forecast commitments and identified a requirement to rebase Service Operating Budgets due to the challenges mentioned above and to account for legacy issues including undelivered savings from 2023/24 and prior years that no longer had viable delivery options. The review concluded that Service Operating Budgets required an additional £14.1m of funding, with Cabinet recognising this increase in the Month 6 monitoring report, effectively transferring out service pressures and creating an additional saving requirement to be held in the corporate centre. These pressures add to the budget the following year where new savings are not identified. The revised 2024/25 budgets following rebasing are set out in the table below.

Table 2: 2024/25 Revised Portfolio Budgets

Portfolio		£m
Property, Highways & Transport	Expenditure	18.5
	Income	(10.2)
Property, Highways & Transport Total		**8.5**
Finance & Transformation	Expenditure	145.6
	Income	(106.3)
Finance & Transformation Total		39.3
Corporate Services	Expenditure	26.8
	Income	(1.7)
Corporate Services Total		25.1
Residents' Services	Expenditure	49.1
	Income	(17.7)
Residents' Services Total		31.4
Children, Families & Education	Expenditure	126.5
	Income	(55.1)
Children, Families & Education Total		**60.1**
Health & Social Care	Expenditure	175.2
	Income	(48.5)
Health & Social Care Total		126.7
Development & Risk Contingency	Expenditure	0.5
Development & Risk Contingency Total		**0.5**
Unallocated Budget Items	Expenditure	(17.2)
Unallocated Budget Items Total		(17.2)
Funding		(284.5)

3. LATEST BUDGET FORECAST FOR 2024/25

3.1. The Council has carried out a review of the budget monitoring position in conjunction with constructing the budget strategy, with the in-year position setting out the pressures and challenges that the Council faces, with this budget report setting out how these measures will be addressed over the medium term.

3.2. As at Month 9, the Council is reporting an adverse movement of £1.2m from the position presented at Month 7 due to increasing costs associated with Adult Social Care placements adding £1.1m, with a further £1.0m adverse movement increased costs within the Children’s Social Care service area, with this position being offset by a £0.9m favourable movement from Corporate Services as a result of maximising alternative funding streams to support service delivery. Overall, the Council is forecasting a £10.1m adverse General Fund revenue variance.

3.3. Homelessness support is recognised as a national issue, with particular implications for London authorities, with London Councils, the collective of Local Government in the capital, reporting the capital are facing an overspend of £600m in 2024/25 (averaging at £18.2m per borough), with £170m of this relating to homelessness support. Within the Council's forecast £10.1m overspend, £4.9m relates to homelessness demand outstripping budgeted assumptions.

3.4. The outputs from the Zero-Based Budgeting review at the beginning of the year continue to be the foundations of the Star Chamber interventions that reduce the in-year pressures and form the basis of the savings programme set out in this budget strategy report.

3.5. The below table sets out the Council's Month 9 General Fund revenue monitoring position, presenting an overspend of £10.1m, representing a £1.2m adverse movement within Service Operating Budgets. Furthermore, the below table shows the £14.1m of rebasing and £4.7m of unallocated savings that require unwinding, as set out in the Corporate Items section of the budget strategy with a directorate breakdown of the rebasing number included in that section. The remaining Star Chamber Outputs adjustment reflects the intention to carry out a capitalisation exercise and transfer revenue expenditure to the capital programme.

Table 3: Month 9 Monitoring Overview

Service	Approved Budget £m	Forecast Outturn £m	Underlying Variance £m	Forecast Variance Prior Month £m	Change in Variance £m
Service Operating Budgets	302.1	307.0	4.9	13.0	(8.1)
Development & Risk Contingency	0.5	0.0	(0.5)	0.0	(0.5)
Unallocated Budget Items: Pay Award Inflation	0.6	0.0	(0.6)	(0.9)	0.3
Unallocated Budget Items: Unallocated Savings	(4.7)	0.0	4.7	6.3	(1.6)
Unallocated Budget Items: Rebasing	(14.1)	0.0	14.1	14.1	0.0
Total Net Expenditure	**284.4**	**307.0**	**22.6**	**32.5**	**(9.9)**
Corporate Funding	(284.4)	(285.9)	(1.5)	0.0	(1.5)
Net Total	**0.0**	**21.1**	**21.1**	**32.5**	**(11.4)**
Star Chamber Outputs	0.0	(11.0)	(11.0)	(23.6)	12.6
Total	**0.0**	**10.1**	**10.1**	**8.9**	**1.2**

3.6. This position therefore takes General Fund reserves from £35.1m to £24.5m after factoring in £0.5m use of Earmarked Reserves and the £10.1m overspend by 31 March 2025, with this being the opening position of the reserves as set out in Appendix A1 of this budget strategy.

3.7. The breakdown of the undelivered savings is as follows:

Table 4: Undelivered Savings Breakdown

	£'m
2024/25 Savings Undelivered	
Yellow Box Junction Fines	(1.5)
Garage Income	(0.3)
Prior Year Savings Undelivered	
Public Health Rebadging	(1.0)
Further BID Savings	(1.8)
Planning Service Review	(0.1)
Total	**(4.7)**

2024/25 Progress on Savings

3.8. The savings requirement for 2024/25 was £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 required to be delivered in year:

Table 5: 2024/25 Savings Tracker

Cabinet Member Portfolio	Blue Banked £m	Green Delivery in progress £m	Amber I Initial stages of delivery £m	Amber II Potential problems in delivery £m	Red Serious problems in delivery £m	Savings to be Written Out £m	Total £m
Cabinet Member for Property, Highways & Transport	(0.5)	(0.6)	(0.2)	(0.4)	0.0	0.0	**(1.7)**
Cabinet Member for Finance	0.1	(0.5)	0.0	0.0	(0.9)	0.0	**(1.3)**
Cabinet Member for Corporate Services	(0.1)	(1.3)	(0.1)	0.0	0.0	0.0	**(1.5)**
Cabinet Member for Residents' Services	(0.6)	(2.5)	(0.6)	0.0	(0.8)	(2.9)	**(7.4)**
Cabinet Member for Children, Families & Education	(0.2)	(0.6)	(0.4)	0.0	(0.5)	(0.3)	**(2.0)**
Cabinet Member for Health and Social Care	(1.2)	0.0	(0.2)	0.0	0.0	0.0	**(1.4)**
Cross-Cutting	0.0	0.0	0.0	0.0	0.0	(6.2)	**(6.2)**
Total 2024/25 Savings Programme	**(2.5)** 12%	**(5.5)** 26%	**(1.5)** 7%	**(0.4)** 2%	**(2.2)** 10%	**(9.4)** 44%	**(21.5)** 100%
Month 7	**(1.0)** 5%	**(7.0)** 32%	**(5.2)** 55%	**(0.6)** 3%	**(7.6)** 6%	**0.0** 6%	**(21.5)** 100%
Movement	**(1.5)** 7%	**1.5** -6%	**3.7** -48%	**0.2** -1%	**5.4** 4%	**(9.4)** 38%	

3.9. As at Month 9, £8.0m (38%) of the savings and interventions are being recorded as banked or on track for delivery, with a further £1.9m (9%) being at initial stages of delivery. In addition, £2.2m (10%) are being reported as having potential challenges in delivery, with alternative delivery methods being considered in-year where appropriate. Further savings of £9.4m have been written out of the Council’s budget and form part of the Corporate Items in the budget strategy included in the rebasing requirement (£14.1m) and the Reversal of Undelivered Savings (£4.7m).

Collection Fund 2024/25

3.10. A deficit of £0.9m is reported within the Collection Fund at Month 9, representing an adverse movement of £0.9m from Month 7. Within the Collection Fund, an adverse position is reported within Council Tax of £2.1m, offset by a favourable position within Business Rates of £1.2m. This position is driven by 3 key factors:

- Council Tax is presenting an in-year pressure of £2.0m against a £145.8m budget, with a further £0.1m being driven by the adverse movement on 2023/24.
- Business Rates is presenting an in-year surplus of £0.3m driven by an increase in the realisation of the benefit from the revised rating list for 2023.
- The Business Rates position is then compounded by a favourable £0.9m against the 2023/24 outturn position.
- The Council continues to monitor the outstanding debt associated with Council Tax and Business Rates and provide cover against this debt, with this position remaining under review.

3.11. Any in-year surpluses or deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2025/26 saving requirement as set out later in this report, leading to £0.9m deficit requiring funding in 2025/26, with any further updates between Month 10 and outturn impacting on 2026/27.

3.12. **Housing Revenue Account (HRA) Month 9 Update**: The Housing Revenue Account (HRA) is continuing to forecast a breakeven position at Month 9 with no movement from Month 7, with the forecast rental yield leading to a £0.6m in-year pressure, the shortfall being driven by the budgeted increase in stock landing later in the year, this shortfall is being offset by a reduction in capital financing costs as a result of the delayed investment. The 2024/25 closing HRA General Balance is forecast to be £15.0m, in line with the target level established for 2024/25. The HRA has a substantial development and acquisition programme for 2024/25, with this programme forecast to ultimately deliver, but with the increase in stock numbers landing later than originally planned, with the remainder of the HRA Capital Programme also reporting a £1.7m underspend at Month 9 for 2024/25 with the five-year programme to 2028/29 forecast to breakeven.

3.13. **Schools Budget Month 9 Update:** The Dedicated Schools Grant [*DSG*] total Block for the Maintained Schools is forecasting an in-year deficit of £17.3m based on Month 9 with no movement from the Month 7 update, representing a significant improvement from the projected £25.6m reported at outturn 2023/24 as a result of a broad range of positive measures being deployed by the Council. This position has been impacted by a one-off £4.0m adverse movement as a result of a review of the balance sheet and the need to recognise a prior year correction required to the accounts. The in-year deficit is largely driven by High Needs placement demand and cost pressures which continue to be significantly underfunded in the DSG settlement that the authority receives from the DfE. This position means that the cumulative deficit carried forward to 2025/26 is forecast at £68.8m. The DSG deficit in Hillingdon will be circa £68.8m at the end of March 2025 and is held as a negative reserve on the balance sheet which is allowed for by Government through a statutory override up until 31st March 2026. Whilst the balance of opinion is Government will extend this override there is no certainty in this respect. This is another national funding issue. Were the statutory override to be removed Hillingdon would be one of many authorities with an education function in the country (91 forecast a DSG deficit by the end of 2024/25), to require Exceptional Financial Support. Clarity on the Governments position is needed and expected in the year ahead.

4. <u>ECONOMIC AND FINANCIAL OUTLOOK</u>

4.1. The December Cabinet Report set out in detail the impact of the economic and financial outlook.

5. <u>CHANGES SINCE DECEMBER CABINET</u>

5.1. Following December Cabinet on 12 December 2024, a number of funding assumptions have been firmed up, including announcements following the publication of the Final Local Government Finance Settlement increasing funding for the Council. This increase has been used to fund new and emerging pressures associated with demand-led growth areas in the budget.

5.2. The table and narrative below outline the changes to the recommended budget proposals from the report considered by Cabinet on 12 December 2024, with improvements in funding (£3.7m) and corporate items (£3.5m) in 2025/26 compounded by increased savings of £1.5m are largely being used to fund additional pressures within demand-led growth of £5.6m. Each of these items is also considered in the relevant section of this report.

5.3. With the provisional settlement not including the compensation for the National Insurance [*NI*] impacts on Local Government from the Autumn Statement announcements that include increasing the NI percentage rate for employers and reducing the threshold at which NI becomes payable, the final settlement confirmed these figures for the Council, but it is disappointing to see the Council have only received 80% funding for the direct impact of the change in rate and reduction in threshold. In effect Local Government did not receive the full compensation it expected. The more significant issue here is that private contractors who provide services such as adults care have not been compensated by Government and will therefore be asking the Council to increase the charges paid to them. The Council does not expect to be able to meet these requests and is not able to pick up the costs of Government's fiscal decisions given it has not been fully funded to do so.

Table 6: Changes Since December Cabinet

General Fund Budget **Corporate Summary**	**2025/26** **£'m**	***Five Year Outlook*** ***£'m***
Year on Year Change in Budget (Gap) / Surplus	**(6.4)**	**3.1**
Budget (Gap) / Surplus for the Year	(6.4)	
<u>Funding Updates</u>		
Provisional Settlement	2.3	3.7
Final Settlement	0.8	2.1
Collection Fund Deficit	(0.8)	0.0
Public Health Grant	1.4	1.4
CTRS 2026/27 Further Review	0.0	1.2
Council Tax Premium on Second Homes	0.0	0.6
<u>Inflation</u>		
NI Updates	(0.8)	(0.9)
Updated Pay Award Assumptions	0.0	(2.4)
Reduction in Pension Contribution	0.0	0.0
<u>Demand Updates</u>		
Investment in Public Health	0.4	0.4
Private Sector Housing	0.2	2.0
SEND Transport	0.0	(3.0)
Homelessness Prevention	(0.3)	(0.3)
Vehicle Repairs & Maintenance	(0.4)	0.2
Adult Social Care Placements	(0.5)	0.0
Digital & Intelligence Cost Rebasing	(1.0)	(1.0)
Energy Consumption & Costs	(1.4)	(1.4)
Children's Social Care	(2.6)	(2.6)
<u>Corporate Updates</u>		
Updates to Corporate Budgets	3.6	3.6
Capital Financing	1.5	(7.6)
Recharge Income	1.0	1.0
Feasibility	0.5	0.5
Risk Provision Against Savings Delivery	0.0	0.0
Investment in AI Software	(0.1)	(0.1)
Oracle System Development	(1.0)	(1.0)
Create Contract Risk Contingency	(2.0)	(2.0)
<u>Saving Programme Updates</u>	1.5	2.9
Total Updates	**2.3**	**(2.7)**
Proposed Drawdown from Reserves	4.2	(1.5)
Year on Year Change in Budget (Gap) / Surplus	**0**	**(1.1)**

5.4. Capital Programme Changes: Since publication of the consultation budget the General Fund Capital Programme has reduced by £5.8m, with the main movements being the inclusion of £9.0m for the Refurbishment of Crematorium and a further £6.5m in the Carbon Zero Initiatives budget to fund further initiatives offset by the removal of the Housing Company Finance budget (£10.9m) on the basis that should the housing company need financing they can access the Housing Developments programme budget. A further £7.5m has been taken out from the Additional Temporary Classrooms and Secondary Schools Expansion Programmes on the basis that these items will be considered in the context of available DfE funding. In addition, a £3.0m increase has been applied in the Property Works Programme for maintenance of Council Assets and £2.0m to fund Infrastructure Investments and £4.7m coming out of the general contingency, with the remaining £3.2m reduction coming from smaller updates.

5.5. Housing Revenue Account (HRA) Changes: include updating the Capital Programme and reducing this by £223.8m, predominantly linked to reduction in the Development & Acquisitions budget, meaning that the net stock increase has reduced from 1,669 to 1,021, a reduction of 648 units, leading to net revenue reducing by £4.7m over the five-year budget strategy. Other updates include updating pay inflation for the revised NI changes, adding 1.8% to staffing costs, and accounting for the reduction in the employers' pension contribution of 4% in 2026/27 for 3 years. Growth bids have also been included to fund tenancy management and repairs work as a result of increasing the stock numbers throughout the MTFS.

6. THE CURRENT BUDGET STRATEGY

6.1. Since the consultation budget was presented to December Cabinet, the Council has received the Provisional and Final Local Government Settlements and continued to update projections against Funding, Inflation, Demand-Led Growth and Corporate Items to assess the budget gap, with this refresh setting out a budget gap for 2025/26 of £38.2m before drawing on reserves, rising to a cumulative impact of £67.7m by 2029/30. To date, the Council has identified savings of £34.0m in 2025/26, leaving a budget gap of £4.2m which the Council will be required to meet from reserves, with savings in later years increasing to a cumulative total of £66.6m. This budget strategy therefore forecasts reserves to reduce to £20.3m by the end of 2025/26, before increasing to £43.7m by 31 March 2030, with this position set out in the table below:

Table 7: Budget Gap Analysis

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Gross Budget Deficit/(Surplus)	15.8	34.0	41.5	48.6	55.4	67.7
Cumulative Savings	(15.8)	(34.0)	(51.8)	(56.6)	(61.6)	(66.6)
Gross Budget Deficit/(Surplus)	**0.0**	**0.0**	**(10.3)**	**(8.0)**	**(6.2)**	**1.1**
Reserves	24.5	20.3	30.6	38.6	44.8	43.7

6.2. With a budget deficit for 2025/26 of £4.2m after taking account the impact of the savings programme, the Council faces a challenge to deliver a balanced budget by February 2025 in line with the statutory requirement, meaning the Council will be drawing down from reserves to balance the budget for 2025/26. Local Authorities have a number of options available to them to close a budget gap, with details set out below:

- 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 (with extra interest charges) but gives an authority more time to identify and implement measures that close the budget gap.

6.3. The Council's 2025/26 budget gap is driven by Inflation, Demographic Growth pressures and pressures classified as Corporate Items, (with the latter pressures being cross-cutting in nature or relate to the overarching delivery of a local authority). The breakdown of these items is set out as follows:

- Inflation is driving **£5.5m** of the proposed increased expenditure for the authority, with an overarching inflation assumption that 2025/26 contracted expenditure will be maintained at 1.7% as per September's CPI, in line with the Government's approach to index link many government-led uplifts to this measure. Additional budget has been set aside to deal with some of the spike in inflation on a case by case basis, but not at the level required by the latest Bank of England forecasts. Inflation increasing since September had added further risks to the Councils budget. Workforce pay expenditure is forecast to increase by 2% in 2025/26, plus a further 1.8% from the National Insurance changes announced by Government, with these uplifts being offset by a forecast 11.1% reduction in energy inflation, with full details set out in the Inflation section of the report and Appendix A3.

- Demand-Led Growth and demographic pressures are forecast to increase Council expenditure by a further **£17.8m** in 2025/26, with Adults & Children's Social Care accounting for £6.7m of this growth and a further £5.0m due to exceptional demand for homelessness support in line with other authorities across the country. Demand for Waste services is projected to increase costs by a further £1.6m, with £4.5m coming from other smaller updates as set out in the Demand-Led Growth section of the report and Appendix A4.

- Corporate Items add **£35.6m** to the Council's running costs in 2025/26, this is being driven by £14.1m of rebasing Service Operating Budgets for historical pressures as set out above and in the Month 6 monitoring report. A further £4.7m is being added to write-out unallocated savings held in the corporate centre, a £10.0m increase to fund financial risks, including £4.0m General Contingency and £6.0m is proposed in recognition of increasing risks associated with contracted expenditure and £1.4m is being added to fund capital financing costs largely associated with the borrowing requirement within the capital programme. Further items add £5.4m to this sum from smaller updates including £1.7m transfer of grant to Adult Social Care as a result of the Final Local Government Settlement consolidating funding, £1.0m to support the implementation of the new Oracle Financial System, £1.6m due to the Council's pan-London responsibility to fund Concessionary Fares for residents as set out in the Corporate Items section of the report and Appendix A5.

- Finally, a forecast increase in funding reduces this pressure by **£24.9m** due to £8.5m of increased income from Council Tax, £3.2m from Business Rates, £12.9m from Corporate Grant, with a drawdown from reserves of £4.2m to fund the remaining budget gap, less £0.8m adverse movement from other updates, mainly the unwinding of the 2023/24 Collection Fund surplus, with the full breakdown of this movement included in the funding section of the report and Appendices A1 and A2.

6.4. The table below sets this out alongside 2026/27 and 2029/30:

Table 8: Budget Gap Breakdown 2025/26 to 2029/30

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Changes in Recurrent Funding	24.6	10.3	9.2	10.1	8.6
Changes in One-Off Funding	0.3	(3.3)	0.0	0.0	0.0
Total Changes in Funding	**24.9**	**7.0**	**9.2**	**10.1**	**8.6**
Inflation	5.5	2.6	6.5	6.6	11.8
Corporate Items	17.8	5.4	4.7	4.3	4.3
Demand-Led Growth	35.6	6.5	5.1	6.0	4.8
Total Changes in Service Expenditure	**58.9**	**14.5**	**16.3**	**16.9**	**20.9**
Gross Annual Budget Deficit	**34.0**	**7.5**	**7.1**	**6.8**	**12.3**
Savings	(34.0)	(17.8)	(4.8)	(5.0)	(5.0)
Net Annual Budget Gap	**0.0**	**(10.3)**	**2.3**	**1.8**	**7.3**
Cumulative Budget (Surplus)/Deficit	**0.0**	**(10.3)**	**(8.0)**	**(6.2)**	**1.1**

7. Inflation

7.1 Inflation is set to add £5.5m to the Council's budget gap in 2025/26, rising to £33.0m by 2029/30, with the breakdown of this set out in the below table:

Table 9: Inflation 2025/26 to 2027/28

	Base Budget £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Workforce Expenditure (excluding Pension Contributions)	144.4	4.2	4.7	3.0	3.0	2.8	**17.7**
Workforce Expenditure (Pension Contribution)		0.0	(5.9)	0.0	0.0	5.9	**0.0**
Social Care Placements	136.3	2.3	2.8	2.8	2.9	2.9	**13.7**
Contracted Expenditure	36.8	0.6	0.7	0.8	0.8	0.8	**3.7**
SEND Transport	14.2	0.2	0.3	0.3	0.3	0.3	**1.4**
Energy & Fuel	5.7	(0.5)	0.2	0.2	0.2	0.3	**0.4**
Other Expenditure	13.6	0.4	0.3	0.3	0.3	0.3	**1.6**
Less: Externally Funded Items	(23.8)	(1.7)	(0.5)	(0.9)	(0.9)	(1.5)	**(5.5)**
Budgets Out of Scope of Inflation	(42.6)	0.0	0.0	0.0	0.0	0.0	**0.0**
Total Inflation Requirement	**284.6**	**5.5**	**2.6**	**6.5**	**6.6**	**11.8**	**33.0**

7.2 Workforce Expenditure is forecast to increase by 2% in 2025/26 (less release of 2024/25 underspend) and remain at the Bank of England target rate of 2% thereafter, the 2025/26 position includes 1.8% to fund the NI impact from the Government's announcement in the Autumn Statement to reduce the employers threshold and increase the rate, with the impact of this against the Council's £144.4m workforce budget expected to increase expenditure by £4.2m in 2025/26, the impact of the pay award has been offset by an expected 4% reduction in the employers pension contribution from 2026/27 as a result of the refreshed triennial review of the pension fund, leading to negative inflation in that year, with the overall impact on the Council's workforce budget leading to a net increase of a further £13.5m by 2029/30. The early triennial review work for the period 2026/27 has been undertaken by our actuary Hymans Robinson and will require that position to be maintained when the triennial valuation work is completed and for the Council's pension fund to approve the contributions rates at the Pension Committee. This provides a position that has independent recommendations and independent decision making for the pension fund. The budget 2026/27 process will update on the final position. The Councils pension fund is currently in a good position, and it is important that a medium- and long-term view is maintained.

7.3 Social Care Placements costs are forecast to increase by 1.7% in 2025/26 in line with September CPI and in line with the Government's approach to use this index to uplift many costs and income across the public sector, this adds £2.3m to the £136.3m spend in this area, with future uplifts based on the Bank of England target rate of 2%, adding a further £11.4m by 2029/30.

7.4 Contracted Expenditure is forecast to mirror Social Care expenditure, with the Council's approach to contract negotiations in 2025/26 to use this index, with this position adding £0.6m in 2025/26, rising by a further £3.1m by 2029/30. The Council are looking to mitigate against this increased cost with a Procurement saving of £0.6m per annum over the next three years as set out in the saving section below.

7.5 SEND Transport follows the same approach as Social Care Placements set out above, adding £1.4m to the Council's running costs by 2029/30.

7.6 Energy & Fuel are set to see a decrease in unit costs, with the impact of high energy prices driven by conflicts in Ukraine and other parts of the world having previously driven up costs in this area, with 2025/26 forecast to see a reduction in energy costs of 11.1%, with Fuel forecast to increase by 2%, seeing an overall reduction in expenditure in this area by £0.5m, with future uplifts forecast to increase by 5% thereafter, adding a further £0.9m by 2029/30.

7.7 Other Expenditure relates to smaller items of Council spend and includes the Council's own Business Rates and Council Tax liabilities as well as paying levies due from pan-London and regional arrangements, with expenditure in this area set to increase by £1.6m by 2029/30.

7.8 Externally Funded Items relates to funding streams that are directly linked to the Council's expenditure, the largest items in this area include contributions to Social Care provision from service users and the NHS, with these contributions set to increase by £5.2m by 2029/30, partially offsetting the increased costs associated with these services.

8. Demand-Led Growth

8.1 Demand-Led Growth is set to add £17.8m to the Council's budget gap in 2025/26, rising by a further £18.7m to £36.5m by 2029/30, with the breakdown of this set out in the below table:

Table 10: Demand-Led Growth Breakdown

	Base Budget £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Waste Disposal Levy & Contracts	15.9	1.6	0.7	0.7	0.7	0.7	4.4
Support for Looked After Children	18.6	2.9	0.4	0.4	0.4	0.4	4.5
Support for Children with Disabilities	2.4	0.1	0.0	0.0	0.0	0.0	0.1
Adoption Support	1.1	0.1	0.0	0.0	0.0	0.0	0.1
SEND Transport	15.2	0.7	0.5	0.5	0.5	0.5	2.7
Adult Social Care Placements	78.5	3.7	1.8	2.1	2.7	2.7	13.0
Homelessness Prevention	6.5	5.0	2.0	1.0	0.0	0.0	8.0
Investment in Public Health	19.5	1.4	0.0	0.0	0.0	0.0	1.4
Energy Consumption & Costs	2.2	1.0	0.0	0.0	0.0	0.0	1.0
Digital & Intelligence Cost Rebasing	16.7	0.5	0.0	0.0	0.0	0.0	0.5
Imported Food Office	0.6	0.3	0.0	0.0	0.0	0.0	0.3
Vehicle Repairs & Maintenance	4.3	0.3	0.0	0.0	0.0	0.0	0.3
Christmas Lighting Growth	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Total	**181.5**	**17.8**	**5.4**	**4.7**	**4.3**	**4.3**	**36.5**

8.2 Waste Disposal Levy & Contracts are forecast to increase by £1.6m in 2025/26, rising by a further £2.6m per annum to 2029/30 with the additional cost 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.

8.3 Support for Looked After Children & Children with Disabilities is forecast to grow in line with population projections, adding £3.1m in 2025/26 and a further £1.6m per annum thereafter. The demand-led growth bid in this service represents the gross pressure on the service before interventions, with savings later in the report that more than mitigate against this pressure and lead to an overall reduction in spend for the service. Included in this area is an increase Adoption Support of £0.1m that will support the service in this area and is linked to a report to Cabinet on the same agenda.

8.4 SEND Transport are forecasting an increase of £0.7m in 2025/26, rising by a further £2.0m over the following four years, the growth rate within the service is currently running at 7% per annum, with ongoing demand for Education, Health & Care Plan

[*EHCP*], with an underspend in 2024/25 being released to offset the growth in 2025/26, with the latter years anticipating this to reduce as population projections forecast children numbers to decline in later years.

8.5 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 new clients, 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 £3.7m in 2025/26, with a further £9.3m 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.

8.6 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 effectively funding the additional growth that is in the system, with a further £3.0m included thereafter, 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.

8.7 Investment in Public Health of £1.4m has been included in the budget to reflect the increase in the Public Health Grant for 2025/26 and ensuring funding remains within the ringfence.

8.8 Energy Consumption & Costs require an increase of £1.0m in 2025/26 as a result of pressures in 2024/25 requiring a permanent funding solution where forecast reductions in energy spend included in the budget strategy have not materialised.

8.9 Digital & Intelligence Cost Rebasing are currently forecasting a requirement to increase contracts expenditure by £0.5m in 2025/26 in recognition of the Council's increased investment in the Digital Strategy through the Capital Programme, ensuring that sufficient revenue resources are available to support to increased use of digital technology to support the Council's efficiency drive, with savings associated with the digital strategy included in the savings section of this report.

8.10 Imported Food Office requires a £0.3m increase in budget to right-size the service, due to the service having an income budget that is greater than the expenditure budget, creating a net surplus budget when the service is required to deliver a breakeven service and cannot make a surplus.

8.11 Vehicle Repairs & Maintenance costs have tracked above the budgeted assumptions for 2024/25 and require a permanent funding solution of £0.3m for 2025/26, with these costs remaining high in the current financial year as the Council delayed procuring new vehicles as a result of the complexity in determining the financial impact of the transition to electric vehicles where appropriate, leading to the Council maintaining an aging fleet.

8.12 Christmas Lighting Growth is required for £0.2m to write out the 2024/25 saving on a permanent basis, with a new saving proposal included in this budget report.

9. Corporate Items

9.1 Corporate Items are set to add £35.6m to the Council's budget gap in 2025/26, increasing to £58.0m by 2029/30 with movement in these items beyond year one largely driven by capital financing and concessionary fares pressures, with the breakdown of this set out in the below table.

Table 11: Corporate Items Breakdown

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Capital Financing Costs	1.4	3.0	4.4	2.4	2.3	**13.5**
Rebasing - Adult Services & Health	1.4	0.0	0.0	0.0	0.0	**1.4**
Rebasing - Children & Young People Services	2.8	0.0	0.0	0.0	0.0	**2.8**
Rebasing - Place	6.0	0.0	0.0	0.0	0.0	**6.0**
Rebasing - Central Services	1.4	0.0	0.0	0.0	0.0	**1.4**
Rebasing - Chief Digital Data & Technology	0.8	0.0	0.0	0.0	0.0	**0.8**
Rebasing - Cross-Cutting	1.7	0.0	0.0	0.0	0.0	**1.7**
Reversal of Undelivered Savings	4.7	0.0	0.0	0.0	0.0	**4.7**
Increase in General Contingency	4.0	0.0	0.0	0.0	0.0	**4.0**
Create Contract Risk Contingency	6.0	0.0	0.0	0.0	0.0	**6.0**
Risk Provision Against Savings Delivery	0.0	0.0	0.0	2.0	2.5	**4.5**
Risk Provision against Target Operating Model	0.0	2.5	0.0	0.0	0.0	**2.5**
Adult Social Care Discharge Funding	1.7	0.0	0.0	0.0	0.0	**1.7**
Concessionary Fares	1.6	1.0	0.7	1.6	0.0	**4.9**
Oracle System Development	1.0	0.0	0.0	0.0	0.0	**1.0**
Hillingdon First Enabling Developments	1.0	0.0	0.0	0.0	0.0	**1.0**
Creation of Feasibility Study Budget	0.5	0.0	0.0	0.0	0.0	**0.5**
Creation of a Corporate Redundancy Budget	0.5	0.0	0.0	0.0	0.0	**0.5**
Housing Benefit Subsidy (Recovery of Overpayments)	0.1	0.1	0.1	0.1	0.1	**0.5**
Investment in AI Software	0.1	0.0	0.0	0.0	0.0	**0.1**
Cost of Older People Discount	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	**(0.5)**
Movement in Added Years Pension Costs	0.0	0.0	0.0	0.0	0.0	**0.0**
Realignment of Funding Sources	(1.0)	0.0	0.0	0.0	0.0	**(1.0)**
Total Corporate Items	**35.6**	**6.5**	**5.1**	**6.0**	**4.8**	**58.0**

9.2 Capital Financing Costs are forecast to increase by £1.3m in 2025/26, rising to £13.4m by 2029/30, with this increases driven by the requirement to fund £252.4m from prudential borrowing to fund the proposed capital programme by 2029/30 as set out later in this report with this increase also including the servicing and repayment of the Council’s existing borrowing portfolio.

9.3 Rebasing adds £14.1m to the Council's budget gap in 2025/26 as a result of an exercise carried out in 2024/25 that identified a number of legacy pressures within the Council's budget related to the non-delivery of savings and unfunded pressures as a result of demand growth and income shortfalls. In October 2024, the Cabinet approved a budget virement to increase Service Operating Budgets by this amount and create an additional in-year saving target that is required to be written out of the Council's base budget with the breakdown by Corporate Director set out in the table above.

9.4 Writing Out Undelivered Savings is a second element of the review of the Council's base budget that removes the remaining balance of legacy savings that have not been delivered that are held in year in Corporate Operating Budgets, writing out these savings adds £4.7m to the pressures to be funded in 2025/26.

9.5 Increase in General Contingency is proposed to be increased by £4m to £4.5m in 2025/26 to provide adequate cover for unforeseen circumstances in 2025/26. With the Month 9 monitoring report presenting a pressure due to unfunded growth demand and an in-year rebasing exercise adding £14.1m to the budget gap, a greater level of contingency is required to ensure successful delivery of this budget strategy.

9.6 The budget strategy proposes to Create a Contract Risk Contingency in recognition of the ongoing impact external factors play in negotiating contract uplifts and ensuring suppliers are sustainable going forward, whilst also ensuring financial stewardship over public money, with a £6.0m proposal included in the budget strategy. Any drawdowns from this contingency will need Cabinet approval under recommendation from the Corporate Director of Finance.

9.7 Corporate Items includes the creation of a Risk Provision Against Savings Delivery from 2028/29 onwards to factor into the budget strategy an element of cover against the level of certainty increasing the further into the future projections are based, with this provision adding £4.5m by 2029/30 and a further proposal to add £2.5m in 2026/27 to create a Risk Provision against Target Operating Model.

9.8 The Adult Social Care Discharge Fund grant was combined with the newly named 'Local Authority Better Care Grant' (formerly known as the Improved Better Care Fund [*iBCF*]), with the Discharge Fund budgeted for within the Adult Social Care budget, with this budget proposal of £1.7m writing out the grant from the service operating budgets as a result of the combining of the grant into a corporately held grant.

9.9 Concessionary Fares relates to the Council funding the freedom pass for Hillingdon Residents, with cost being levied on the Council by Transport for London [*TfL*] based on usage statistics, with TfL predicting future demand, with the forecast contained in the budget strategy adding £3.3m over the next three years.

9.10 With the Council investing in a new financial system, a further £1.0m is required to support the ongoing Oracle System Development and maintenance of the system to ensure the Council maximises the benefits from the new system, with this investment linked to the £0.3m saving in 2024/25 and a further £0.1m in 2025/26, with the investment also enabling the Council to avoid cost increases within the finance and corporate portfolios, with a further proposal to invest in AI Software to support the delivery of savings.

9.11 Hillingdon First Enabling Developments are forecast to unwind the dividend paid to the borough, with £1.0m of income being removed from the base budget due to all completed developments having been sold and the company not having any active developments immediately in the pipeline, this position will be kept under review in line with market conditions.

9.12 Creation of a Feasibility Budget is included in the budget strategy to fund feasibility work associated with the delivery of the capital programme, where work is delivered that does not proceed to a capital development opportunity and therefore cannot be funded from within the capital programme budget, adding £0.5m to the budget requirement from 2025/26.

9.13 As a result of the substantial saving programme included in the budget strategy, a proposal has been included for the Creation of a Corporate Redundancy Budget to fund redundancy costs of up to £0.5m that cannot be charged to capital receipts under the Government's Flexible Use of Capital Receipts guidance.

9.14 Cost of Older People Discount continues to reduce as the Council closed the scheme to new entrants on 1 April 2021, with regular churn reducing this budget by £0.1m per annum.

9.15 Housing Benefit Subsidy (Recover of Overpayments) adds £0.1m to the Council's expenditure per annum due to the transition from Housing Benefit to Universal Credit impact on the income recouped through the Housing Benefit Subsidy system.

9.16 An Investment in AI Software for £0.1m has been included that supports the delivery of digital efficiency savings, with pay back on the investment being within the first year.

9.17 Included in the budget strategy is an item to for the Realignment of Funding Sources, increasing income other funds to benefit the Council by £1.0m be ensuring other funds such as the HRA are charged appropriately for the services received that operate within the Council's General Fund.

10. Funding

10.1 Funding is forecast to increase by £29.1m 2025/26, increasing to £58.0m by 2029/30, with the breakdown of this set out in the below table.

Table 12: Funding Breakdown

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Council Tax Revenues	145.8	154.3	165.7	175.5	186.1	195.1
Business Rates Income	69.0	72.2	72.2	72.1	72.2	72.1
Corporate Grant Income	66.8	79.7	78.6	78.1	77.5	77.2
Total Recurrent Funding	**281.6**	**306.2**	**316.5**	**325.7**	**335.8**	**344.4**
Collection Fund Deficit	4.5	(0.9)	0.0	0.0	0.0	0.0
Rebuilding Reserves	(1.5)	0.0	0.0	0.0	0.0	0.0
Drawdown from Reserves	0.0	4.2	0.0	0.0	0.0	0.0
Autumn Statement	0.0	0.0	0.0	0.0	0.0	0.0
Total One-Off Funding	**3.0**	**3.3**	**0.0**	**0.0**	**0.0**	**0.0**
Total Resources	**284.6**	**309.5**	**316.5**	**325.7**	**335.8**	**344.4**
Annual Movement		**24.9**	**7.0**	**9.2**	**10.1**	**8.6**
Cumulative Movement		**24.9**	**31.9**	**41.1**	**51.2**	**59.8**

10.2 Council Tax Revenues are forecast to increase by £8.4m in 2025/26 with £1.0m of this coming from a net 754 increase in the taxbase driven by 1,048 increase in the gross taxbase, offset by 386 reduction from increased demand for the Council Tax Reduction Scheme [*CTRS*]. This position is compounded by £7.4m increase driven by a 4.99% proposed increase in the rate of Council Tax, taking the Band D increase from £1,392.51 to £1,462.00, equivalent to £1.33 increase per week for a two-adult household in a Band D property.

10.3 Business Rates Income is forecast to increase by £3.2m in 2025/26 as a result of the Council releasing the final element of the 2023 revaluation impact applied against the rating list that saw the Council's commercial property taxbase increase by c5%, which the Council held in an appeals provision reserve in 2023/24 whilst the rating list stabilised, releasing funds in 2024/25 and again in 2025/26.

10.4 Corporate Grant Income grows by £12.9m 2025/26 as a result of an early indicative announcement of the Extended Producer Responsibility grant of £3.2m in relation to the Government taxing business for the amount of packaging they use and redistributing this across the Local Government sector, with the Final Government Settlement providing £8.4m, with a favourable movement of £6.9m against social care funding, with £1.3m increase in other grants as set out in Appendix A2, with the New Homes Bonus reducing by £0.5m as a result of the VOA decision on how Houses in Multiple Occupation (HMO) are classified.

10.5 In order to balance the budget, the Council will require a £4.2m drawdown from reserves to close the remaining budget gap after factoring in the £34.0m of savings in 2025/26.

10.6 Collection Fund Surplus in line with the Month 9 budget monitoring position, the Collection Fund reported a 2024/25 deficit of £0.9m, driven by a £2.1m deficit against Council Tax and £1.2m surplus against Business Rates, with any variances within the Collection Fund up to Month 9 impacting on the 2025/26 budget and any movement from this position between Month 9 and Outturn impacting on the 2026/27 budget.

11. SAVINGS PROPOSALS TO BRIDGE THE GAP

11.1 The Council's budget strategy includes £33.5m of savings for 2025/26, increasing to £66.1m by 2029/30 (including £5m Target Operating Model savings, rising to £25m by 2029/30), with the breakdown of these savings at Cabinet Portfolio level set out in the table below:

Table 13: Savings Programme 2025/26 to 2027/28

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Property, Highways & Transport	(0.8)	(0.5)	0.0	0.0	0.0	(1.3)
Finance & Transformation	(1.2)	(0.3)	0.1	0.0	0.0	(1.4)
Corporate Services	(3.6)	(1.0)	(0.3)	0.0	0.0	(4.9)
Residents' Services	(9.6)	(1.2)	(0.8)	0.0	0.0	(11.6)
Children, Families & Education	(4.6)	(1.9)	(2.0)	0.0	0.0	(8.5)
Health & Social Care	(7.4)	(1.1)	0.0	0.0	0.0	(8.5)
Target Operating Model	(5.0)	(10.0)	0.0	(5.0)	(5.0)	(25.0)
Cross-Cutting Initiatives	(1.8)	(1.8)	(1.8)	0.0	0.0	(5.4)
Total Savings	**(34.0)**	**(17.8)**	**(4.8)**	**(5.0)**	**(5.0)**	**(66.6)**

11.2 Property, Highways & Transport have savings proposals totalling £0.8m in 2025/26, rising by a further £0.5m in 2025/26 with three savings against this portfolio associated with increased rental yields from commercial properties and garages, with the third proposal centred around maximising the use of Council assets.

11.3 Finance & Transformation proposals amount to £1.2m in 2025/26, with key proposals including:

11.3.1 A review of the Revenues & Benefits service, targeting increased automation and digital solutions to secure £0.3m in 2025/26, rising to £0.6m by 2027/28.
11.3.2 A review of the Counter Fraud function is forecast to save £0.2m without impacting on Council's ability to combat fraud.
11.3.3 Further efficiencies from the new Oracle Fusion financial system, securing £0.1m in 2025/26 in addition to the £300k in 2024/25.
11.3.4 The remaining proposed balance relates to technical updates, reviewing recharges and cashflow arrangements with full details set out in the Savings Appendix (A6).

11.4 Corporate Services savings proposals for 2025/26 total £3.6m, increasing by a further £1.3m by 2027/28 to £4.9m. Savings in these are include the following proposals:

11.4.1 Savings in relation to the Digital Strategy, including contracted expenditure and reshaping resident experience are forecast to secure £3.0m in 2025/26, rising to £3.6m by 2027/28.

11.4.2 Reviewing structures and service delivery in Corporate Services are forecast to deliver £0.5m in 2025/26, rising to £0.9m by 2027/28, with these measures continuing to protect frontline service delivery.

11.4.3 The remaining balance comes from a number of smaller proposals aimed at increasing efficiency without impacting on resident experiences with full details set out in the Savings Appendix (A6).

11.5 Residents Services proposals for 2025/26 total £9.6m, increasing to £11.6m by 2027/28, with savings proposals in this portfolio including:

11.5.1 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.

11.5.2 Measure to increase income account for £5.0m in 2025/26, rising to £4.7m by 2027/28, with proposals including increases to parking charges and an increase in the parking penalty banding level as well as realigning parking income to match current demand. Other proposals include increasing income for Waste Services, securing £2.5m 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.

11.5.3 Other saving measures include securing sponsorship for Christmas Lights and a review of the Out of Hours Noise Nuisance Service, with these three items forecast to deliver £0.8m in 2025/26.

11.5.4 The remaining £0.2m in 2025/26 of proposals come from a number of smaller updates, with full details set out in the Savings Appendix (A6).

11.6 Children's, Families & Education proposals account for £4.6m of the savings programme for 2025/26, rising to £8.5m by 2027/28, with proposals including:

11.6.1 The service are proposing to reduce expenditure on Semi-Independent and Shared Accommodation by £2.2m in 2025/26, rising to £2.6m by 2027/28, with the proposal centred around moving young people into appropriate accommodation which has been a challenge in 2024/25 due to demands on General Needs property, with the plan to maximise the Council's 'Staying Close' strategy to reduce costs on the service.

11.6.2 A further £1.6m is proposed to be delivered from a revised Social Care Delivery Model which contains 2 strands of activity, firstly, under the Stronger Families Initiative, the service aim to avoid more cost interventions within the Children in Need service and the housing support provided to Children (£400k), secondly redirecting post adoption care to avoid court proceedings costs (£600k).

11.6.3 Children's Social Care are proposing a new Care Model (Operating Model), forecast to deliver £0.3m in 2025/26, rising to £3.3m by 2027/28, with the saving to be achieved by converting more expensive placements in external fostering provision to a lower cost internally run fostering service, effectively saving the management fee whilst maintaining or improving the level of service being offered.

11.6.4 Other savings included in this portfolio are set out in the Savings Appendix (A6) and include a review of the Early Years Operating Model (with a report to Cabinet on the same agenda as the budget report) securing £0.2m in 2025/26, with the remaining balance to come from smaller proposals.

11.7 Health & Social Care savings proposals are forecast to deliver £7.4m in 2025/26, with a further £1.1m in 2026/27 taking the total savings to £8.2m, with detailed proposals including:

11.7.1 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 £1.9m 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).

11.7.2 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.

11.7.3 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.

11.7.4 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.

11.7.5 Further savings included in this portfolio are included in the Savings Appendix (A6) to this report.

11.8 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. This work requires a fundamental rethink of what we do and how we do it making sure our income matches our ambition and presents value for money for residents. This means a more commercial, resident outcome-based approach, exploring what our residents need and expect, and the most cost-effective way of delivering that. As well as the adoption of lean, smart, digitally enabled approaches across people, systems, policies and processes. This builds on the work that started in the Zero-Based Budgeting reviews that set the groundwork for this budget strategy. The delivery of all savings including the Target Operating Model savings are essential for the financial future of this Council.

11.9 Cross-Cutting Initiatives proposals amount to £1.8m in 2025/26, rising by a further £3.6m over the next two years to deliver £5.4m of savings by 2027/28. Savings recorded as cross-cutting include:

11.9.1 A proposed increase in the Council's Managed Vacancy Factor from an average of 3.5% to 4.5% to deliver £1.1m in 2025/26, with 2023/24 outturn position delivering a higher level of vacancy factor and 2024/25 forecasting to continue with this trend.

11.9.2 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.

11.9.3 A review of employee Terms & Conditions is forecast to deliver £0.1m in 2025/26 and a further £0.1m in 2026/27.

11.9.4 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.

11.10 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.

12. Transformation Capitalisation

12.1 The financial challenges highlighted in this report require extensive work and innovative solutions to manage demand and reduce costs. Capital receipts will be deployed to fund implementation costs of activity to reduce overspend, and/or reduce budget costs.

The proposed Expenditure Plan will be supported by an approvals process led by the Chief Operating Officer in consultation with the Corporate Director of Finance and Cabinet Member for Finance and Transformation. This will ensure that Directorates draw down expenditure only where a clear, prioritised return on investment can be demonstrated that either reduces overspend, and/or reduces budget costs aligned with the MTFS. The Expenditure Plan includes a £500,000 Service Innovation Fund which will support the development and implementation of new savings opportunities identified during the year.

The Expenditure Plan has allocated funds to each Directorate as follows:

Table 14: Directorate Breakdown of Transformation Expenditure

Directorate	2025/26	2026/27
Homes and Communities	660	670
Place	880	1,640
Finance	1,000	600
Childrens	6,970	6,870
Adults and Health	630	630
Corporate Services	3,050	2,670
Cross Cutting	3810	2670
Total	**17,000**	**15,750**

A detailed breakdown can be viewed in Appendix G.

13. RISKS

13.1 The Council has a very large savings programme to deliver. The scale of the challenge has increased because of national issues from which Hillingdon is not exempt. The overspends in year and increases to these budgets have impacted this budget strategy. The opening reserves for 2025/26 requires the current in year overspend in 2024/25 to not worsen and includes a significant capitalisation of circa £11m.

13.2 The Council has two significant weaknesses reported on by the External Auditor EY that have been reported to the Audit Committee on 11th February. These areas are financial sustainability and quality of the Council's information. This information quality has remained and been a significant issue in building the budget for 2025/26.

13.3 Remediation is under way to address these management information issues, with the introduction of improved quality financial modelling and management dashboards, directed at Key Performance Indicators.

13.4 The draft budget set out in this report includes a number of savings that have been proposed and worked upon by Corporate Directors since the late summer and autumn. This is the case for the majority of savings proposals although the action plan for dealing with homelessness is currently receiving greater effort and attention. In addition, 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) is a continuing work in progress. The Target Operating

Model will involve a number of different approaches including policy considerations and cashable savings resource reductions. This will need a laser focus on planning and delivery and where needed additional capacity and expert capability added to our existing teams.

13.5 Risk awareness, management and mitigations will have a heightened importance over the course of the remainder of this financial year and onwards to ensure delivery of a very large savings target.

13.6 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 £32.2m by the end of 2028/29. The target level of reserves is set out in Appendix A1.

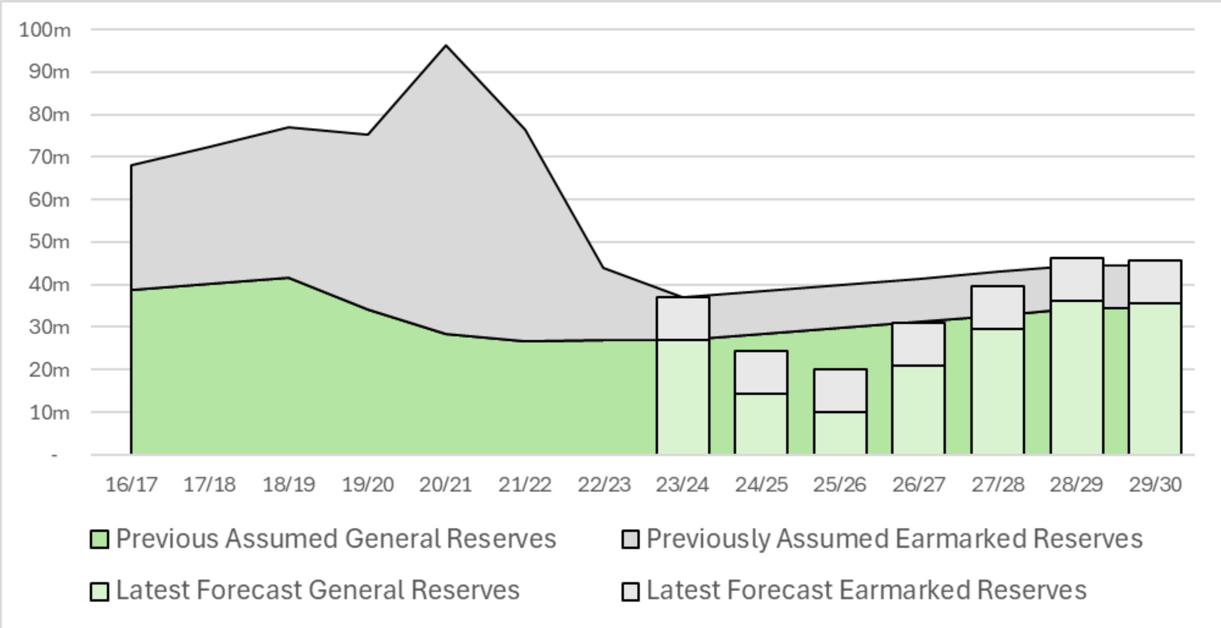
13.7 Some of the risks identified in (or unforeseen at the time of) the current year budget being set in February 2024 have materialised and as such our latest revenue monitoring position reflects closing general and available earmarked reserves falling to £24.5m against a previously anticipated £38.8m. This change from previous assumptions helps illustrate the need to hold adequate levels of reserves against such events.

13.8 The Council has not needed to request Exceptional Financial Support [*EFS*] from Government and the Cabinet have decided 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 budgetary controls are not effective and the savings are not substantially delivered, EFS cannot be ruled out as is the case with many boroughs. Seven London boroughs have applied for and received EFS for 2025/26.

13.9 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 taxpayer, through additional borrowing costs, unless funded through additional capital receipts.

13.10 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 1: Budgeted and Assumed Levels of Reserves



13.11 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.

13.12 The budget as it currently stands contains a significant degree of risk in its assumptions, and in particular the following:

a. Significantly the largest savings programme put forward for Hillingdon to be delivered and will require stringent monitoring to ensure delivery and any optimism bias removed;

b. The slow rebuild of general and earmarked reserve levels;

c. Further potential demand pressures that may arise – particularly around social care costs and temporary accommodation pressures;

d. Macro-economic headwinds including inflation, interest rates and pressures that could further arise as the result of any downturn in the general economy;

e. Future Government funding levels not being maintained in real terms – especially if the government's growth agenda to re-balance public finances fails to deliver as planned;

f. 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;

g. Included within the proposals for 2026/27 are savings of £5.9m relating to an anticipated reduction in employer pension contributions, following significant work undertaken by our actuaries (Hymans Robertson) as part of an early triennial review exercise. The confirmation of this reduction will be confirmed as part of next year’s budget process, and is subject to Pension Committee approval;

h. 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

i. The Council has a significant Dedicated Schools Grant deficit forecast to be £68.8m by the end of 2024/25 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.

13.13 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.

13.14 To deliver on a balanced budget for 2025/26 and effectively manage the above risks will require a step change in commercial and financial abilities within the whole Council in culture, capabilities, capacity and focus. As part of this necessary transformation, an independent assessment of current capacity, capability, and operating practices is proposed to be commissioned from CIPFA to advice on current position and required changes and includes:

- Financial Leadership – the role of CMT and members; finance department and wider service department financial skills and resources; business and commercial awareness;
- Financial Governance – framework for financial accountability; risk management, financial literacy of the organisation; and role of audit and select committees;
- Medium to Long-Term Financial Management – MTFS processes and resilience; capital strategy; levels of reserves; recharging of costs; and wider group structures and financing;

- Budget Setting Processes – alignment of MTFS with Council and resident priorities; robustness of budget assumptions and related adequacy of reserves; and income generating opportunities;
- Stakeholder Engagement – option appraisal and development of business cases; optimising external funding through government and other funding source relations;
- Budget & Performance Monitoring – effectiveness of financial systems and reliability of underlying data / models; effectiveness of monthly budget monitoring forecasting; capital project management; key control and recommendations; and
- External Financial Reporting – completion of statutory accounts and other financial returns.

13.15 This review is expected to deliver a range of actual improvements as its primary outcome after making recommendations as to what these improvements will be.

14. CAPITAL PROGRAMME (2025/26 to 2029/30)

Capital Expenditure

14.1 Capital investment of £367.7m over the period 2025/26 to 2029/30 has been incorporated into the wider General Fund budget strategy set out within this report, with £174.4m investment in major projects, primarily delivering new or expanded infrastructure, and £161.6m investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved. Further details are set out in the sections below and included in Appendix A8.

Capital Programme by Cabinet Portfolio

14.2 The revised draft capital programme of £342.0m from 2025/26 to 2029/30 by Cabinet Member portfolio is set out in the table below.

Table 15: Capital Programme by Portfolio

	Major Projects £m	Programme of Works £m	General Contingency £m	Total £m
Property, Highways & Transport	106.2	99.9	0.0	206.1
Finance & Transformation	35.0	21.3	6.0	62.3
Corporate Services	0.0	15.7	0.0	15.7
Residents' Services	4.9	8.1	0.0	13.0
Children, Families & Education	3.8	2.3	0.0	6.1
Health & Social Care	24.5	14.3	0.0	38.8
Total	**174.4**	**161.6**	**6.0**	**342.0**

14.3 **Property, Highways & Transport** – Total investment for this portfolio stands at £206.1m, with £106.2m relating to Major Projects, with the budget including £19.0m to complete the Platinum Jubilee Leisure Centre in West Drayton, alongside £23.1m to develop the new Hillingdon Water Sports facility, replacing facilities dispersed by the HS2 project. Other projects include £15.8m to modernise the Civic Centre that will also reduce the revenue running costs of the building, with a further £29.0m for other Carbon Zero Initiatives to reduce the Council's carbon footprint which includes £15m to replace the cremators at the crematorium. With this portfolio overseeing the Council's property assets, other investments in this area include expenditure enhancing existing assets or building new ones, particularly linked to the Council's saving programme, including the Charville Lane Children's home programme.

14.4 In addition to this Major Projects investment, £99.9m of Programme of Works expenditure is planned to 2029/30, with £61.0m investment in the Council's roads and footways infrastructure, with a further £17.2m included for Transport for London (TfL) projects, street lighting and Highways, Bridges & Structures. A further £22.4m is included for Schools Conditions work, improving the fabric of the Council's existing schools. A Disabled Facilities Grant budget of £15.0m is proposed to fund adaptations to residents' properties, with this investment funded through grant income included in the Better Care Fund. Other programmes include the cyclical renewal of the Council's existing asset base, ensuring that this remains fit for purpose.

14.5 **Finance & Transformation** – the £35.0m budget under Major Projects relates to capitalisation support to cover costs of transformation (£10.0m in 2025/26 and 2027/28 to support the size of the saving programme in those years) and the DSG recovery plan (£4.0m for 2025/26 included from the existing Safety Valve agreement). 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 £21.3m focuses upon the programmed renewal of the Council's vehicle fleet, with this investment supporting the revenue position and reducing maintenance costs and the hiring of vehicles.

14.6 **Corporate Services** – This portfolio includes an investment in Corporate Technology and Innovation of £15.7m, with this investment linked to the savings included for the Council's Digital Strategy approved by Cabinet in October of this year. The remaining investment funder the Older People's Initiative.

14.7 **Residents' Services** – An investment of £13.0m is included for this portfolio, with a proposed Major Projects budget of £4.9m, including £4.5m 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. The £8.1m Programme of Works budget mainly supports the Chrysalis Programme (£5m), a further Investment in Infrastructure (£2.0m) and Playground Replacement (£1.1m).

14.8 **Children, Families and Education** – Total capital investment in this area is forecast to be £6.1m, with £3.8m of Major Projects relating to Schools programmes including increasing special education needs placements. The Programme of Works budget of £2.3m funds £1.9m of Devolved Capital to Schools and £0.4m for Scout/Guide groups via the Youth Provision programme budget.

14.9 **Health & Social Care** – This portfolio has two capital programme budgets, with a £38.8m investment, including £24.5m 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.

Capital Financing

14.10 The capital programme is financed from a range of sources, including government grants, developer contributions, capital receipts secured from disposal of surplus assets and borrowing. Where borrowing is utilised to fund capital programme investment, interest costs and the repayment of the loan impacts on the Council's revenue budget, with Capital Financing being included in the Corporate Items section of the budget strategy set out earlier in this report. The following table and commentary provide an overview of capital financing changes and resulting levels of borrowing.

Table 16: General Fund Capital Financing

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Grants	15.3	22.9	11.8	10.8	10.3	71.1
CIL	3.8	4.5	4.5	4.5	4.5	21.8
Capital Receipts	17.0	10.0	7.5	7.0	7.0	48.5
Borrowing	78.4	58.4	32.6	20.6	10.7	200.7
Total	**114.5**	**95.8**	**56.4**	**42.9**	**32.5**	**342.1**

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

14.12 **The Community Infrastructure Levy (CIL)** – this source of funding is available to meet the additional infrastructure requirements of new development in the borough, with a requirement that spending plans are approved annually for this funding stream. For 2025/26 it is proposed that the majority of the levy is applied to fund the New West Drayton Leisure Centre, with the community-led element being used to fund the Chrysalis Programme.

14.13 **Capital Receipts** – Substantial receipts are expected to be generated through the planned reconfiguration of the Civic Centre site, alongside a broader review of the estate in 2026/27. The future years' targets ensure transformation activity can take place and be funded under the Government's Flexible Use of Capital Receipts guidance, this target for asset sales is deemed to be achievable, although there remains inherent risk from the necessary engagement with the market which will necessitate a level of investment, with the Council to keep this under review in context of the wider economic conditions and the impact on achieving value for money from asset sales.

14.14 **Borrowing** – With the Council having a low level of borrowing, the planned new borrowing of £200.7m included in the capital programme maintains the Council as a low borrowing authority, with this financing option generally being applied to investments that generate revenue savings for the Council and therefore, generate a net revenue saving for the Council. This planned new borrowing along with the servicing of historic debt from capital investment in the past will result in the forecast Capital Financing Requirement peaking at £468.5m in 2026/27 and declining thereafter. Within this forecast, £425.7m is forecast to come from external borrowing, with the remaining £42.8m being financed through General Fund reserves and working capital as outlined in the table below.

Table 17: **General Fund Borrowing**

	2025/26 £m	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**
Capital Financing Requirement	389.7	444.0	461.0	468.5	464.5
Projected External Borrowing	(369.8)	(414.4)	(424.0)	(425.7)	(423.3)
Projected Internal Borrowing	(19.8)	(29.6)	(37.1)	(42.8)	(41.2)

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

14.16 In addition to assessing forward-looking capital investment plans against the Prudential Code framework, a retrospective assessment of the Council's existing borrowing requirement provides a rounded view of the Council's capital health. As of 31 March 2024, the Council held assets valued at £2,207m on the balance sheet, against which the outstanding Capital Financing Requirement stood at £456m or 21%. Provision to write-down this balance in full through Minimum Revenue Provision [*MRP*] is in place, with 80% of the liability cleared over the next 24 years, reflecting a prudent estimate of the period over which these assets will be available for local service provision.

14.17 The Council has historically adopted different MRP methodologies whereby some years were calculated on a straight-line (equal) basis and some using the annuity method. From

2024/25 onwards we have adopted the annuity method for MRP on all the remaining General Fund Capital Financing Requirement. Taking into account the impact of future inflation, this better matches the MRP charge to the economic benefits derived from the capital borrowing. Thus, the annual MRP charge increases in cash terms each year to reflect the purchasing power change resulting from general inflation.

14.18 Financing plans set out within this budget include the application of £48.5m of Capital Receipts to be secured from the disposal of assets, with £35.0m of this sum being applied in line with Government direction towards the write-down of the Dedicated Schools Grant Deficit and funding investment in service transformation to secure future revenue savings. The residual £13.5m proceeds from projected asset sales will be applied to finance new investment as an alternative to borrowing, in the event that receipts are not available and subject to assessing prudence, affordability and sustainability, such new investment could be financed through additional borrowing.

14.19 The proposals set out in the capital programme have potential to raise the level of General Fund capital indebtedness [CFR] to £480m by the end of 2029/30 if all proposals were to fully go ahead in the years as profiled.

14.20 As low tax and low borrowing is at the heart of the organisation, the desire to keep borrowing (and associated financing costs) as low as possible is a priority. Experience by the Council in recent years has been to see capital spending aspirations exceed ability to deliver in year and consequently result in underspends. Furthermore, specific schemes targeted to deliver invest-to-save cost reductions will require full business cases to be developed and tested if the capital borrowing is to be guaranteed to generate a positive cost reduction to overall revenue costs (including the cost of interest and debt repayment). Putting in place a stringent gateway process to ensure every pound of capital investment is justified and excluding the invest-to-save schemes pending the outcome of full business cases would see the overall capital borrowing by 2029/30 rise from £318m to £372m by the end of the capital MTFS planning horizon.

14.21 Criteria for invest-to-save schemes will be developed over the coming weeks and as a minimum will require a positive rate of return (including financing costs) and appropriately short pay-back periods. There may be occasions where longer pay back periods are appropriate, such as in property related proposals.

14.22 To ensure that all capital schemes contribute to the overall service delivery objectives of the Council and any associated borrowing costs remain affordable within the overall revenue funding streams of the Council, progress to practical commencement of any scheme included in the capital programme set out in this report will additionally be subject to approval by the Leader, the Cabinet member for Finance and Transformation with advice and in consultation with the Chief Finance Officer.

15. HOUSING REVENUE ACCOUNT

15.1 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.

15.2 The HRA Capital Programme that forms part of the budget strategy is structured around four key elements:

- Housing Supply – delivering a net 209 new homes in 2025/26, with a further 812 by 2029/30 to support increasing demand for social housing in a growing borough.
- 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).
- 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.
- 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.

15.3 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% throughout the five-year budget strategy.

15.4 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 with further growth of £1.9m factored in for 2025/26.

15.5 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 18: Housing Revenue Account Budget Strategy

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Total Resources	74.3	78.6	83.8	88.8	91.5	93.4
Total Service Expenditure	49.2	59.7	61.4	65.2	73.0	73.9
Contribution to Finance Capital Programme	25.2	18.9	22.4	23.6	18.5	19.5
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

15.6 Capital investment plans will result in the HRA Capital Financing Requirement reaching £376.4m 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.

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

Rental Income

15.8 HRA Dwelling Rental Income is projected to grow from £74.2m in 2024/25 to £93.4m by 2029/30, with this £19.1m increase in funding driven by a combination of inflationary rent increases and net growth of 1,021 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, with the budget based on the Government's rental increase cap of CPI+1%.

15.9 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. The Council are targeting a minimum growth of 300 units per annum, recognising there are a number of large-scale developments included in 2027/28, with this scale of development representing an element of risk within the position.

Table 19: 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	10,821	11,434	11,461	N/A
Net Movement*	210	209	174	613	27	(2)	**1,021**
Projected Closing Stock	**10,438**	**10,647**	**10,821**	**11,434**	**11,461**	**11,459**	**1,021**
Projected Average Stock	10,333	10,543	10,734	11,128	11,448	11,460	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

15.10 Inflationary cost pressures of £4.0m are projected within the HRA for 2025/26, rising to £18.0m 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 2% in 2025/26 compounded by a 1.8% pressure from the Government's NI changes, reducing to 2% per annum thereafter, with the employers pension contributions set to reduce by 4% in 2026/27 before returning to 24.1% in 2029/30, 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.

Capital Charges

15.11 Capital investment plans expanded upon later in this report necessitate £235.1m of new borrowing over the period to 2029/30, the ongoing servicing and repayment of which will add £6.4m 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

15.12 Growth of £1.9m has been included in the budget proposals to fund additional costs within tenancy management and repairs and maintenance in line with the growing stock numbers, with £1.0m included in relation to the realignment of funding sources in corporate items in the general fund.

Savings

15.13 Included in the budget proposals is a £1.0m saving for the HRA to deliver, with the majority of this to be delivered through efficiencies within back-office functions in the general fund impacting on the recharge to the HRA for these services, including maximising digital opportunities.

HRA Capital Programme

15.14 Capital investment of £514.3m in expansion and enhancement of the housing stock over the period 2025/26 to 2029/30 has been fully reflected with this budget, including £220.9m funding to deliver 1,021 net increase in dwellings and £192.9m investment in existing housing stock. Further detail on these investment plans can be found in Appendix B4, with a brief overview set out below.

15.15 Should opportunities arise in-year, the Council will review these against the HRA investment criteria and where an opportunity has a positive NPV and repays within reasonable timeframes, the Council will review these on a case-by-case basis and look to increase the capital investment in bringing on new housing stock, particularly where this also benefits the General Fund revenue position through a reduction in temporary accommodation costs.

15.16 Investment in new housing includes £100.5m over the period 2025/26 to 2028/29 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 £220.9m has been allocated to deliver 732 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.

15.17 £192.9m 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. This investment includes 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.

Capital Financing

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

Table 20: HRA Capital Financing

	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	Total £'m
Revenue Contributions	18.6	19.7	22.5	23.4	3.8	88.0
Prudential Borrowing	61.7	82.8	40.5	23	27.2	235.2
Grants	45.4	65.1	30.9	17	2.3	160.7
Capital Receipts	9.6	4.8	5	5.3	5.5	30.2
Total	**135.3**	**172.4**	**98.9**	**68.7**	**38.8**	**514.1**

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

15.20 A substantial element of the cyclical investment in works to stock is financed directly from rental income, with borrowing focused on delivery of new housing units, whereby servicing and repayment of this debt can be managed from additional rental income on the new units. Provision for the servicing and repayment of existing HRA borrowing and the £235.1m planned borrowing has been factored into the 30-year business plan. The Council will receive a stock condition survey in February this year and this will be used to further develop the Councils plans to be presented as part of the budget plans from 2026/27 onwards, the outlook for debt levels of the MTFS period are shown below.

Table 21: HRA Borrowing

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Capital Financing Requirement	318.2	379.6	402.2	391.1	376.4
Projected External Borrowing	(303.2)	(364.6)	(387.2)	(376.1)	(361.4)
Projected Internal Borrowing	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)

16. Schools Budget

16.1 The Dedicated Schools Grant (DSG) total Block for the Maintained Schools is forecasting an in-year deficit of £17.3m based on Month 9 (October 2024), representing a significant improvement from the projected £25.6m reported at outturn 2023/24 as a result of a broad range of positive measures being deployed by the Council. This position has been impacted by a one-off £4.0m adverse movement as a result of a review of the balance sheet and the need to recognise a prior year correction required to the accounts. The in-year deficit is largely driven by High Needs placement demand and cost pressures which continue to be significantly underfunded in the DSG settlement that the authority receives from the DfE. This position means that the cumulative deficit carried forward to 2025/26 is forecast at £68.8m.

16.2 There is currently a time-limited statutory override in place until 31 March 2026 effectively keeping the Schools Budget deficit behind a ringfence 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. The Council is one of many local authorities managing a large deficit within the Schools Budget and this stood at £47.5m at 31 March 2024 and therefore exceeded General Fund reserve levels. It is worth noting that between outturn 2023/24 and the position presented in this report, the Council has successfully reduced in-year spend against the Schools Budget by £8.3m and continues to make good progress in reducing spend in this area (albeit that an adverse adjustment of £4m has proved necessary in respect of prior years' income).

16.3 The Schools Budget report is presented on the same agenda to Cabinet.

17. Statement on Balances and Reserves

17.1 The CFO statement on balances and reserves will be set out in the Section 25 Statement to full Council. Findings from that work will be used to inform a further update on the assessed minimum and maximum levels of reserves that the Council aims to hold against potential risk as stated earlier.

18. THE COUNCIL TAX REQUIREMENT FOR 2025/26

18.1 Budget proposals for 2025/26 include a 4.99% increase in the headline rate of Council Tax. This comprises a core Council Tax increase of 2.99% alongside a further 2% increase relating to an Adult Social Care Precept to fund ongoing pressures within Adult Social Care.

18.2 The budget proposals also include the continuation of the cash discounts offered to those currently in receipt of the Older People's Discount in 2025/26, however, the scheme was closed to new entrants as of 1 April 2021.

19. Council Tax Referendum

19.1 The Localism Act 2011 introduced a power for the Secretary for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax including proposed limits. If the Council proposes to raise its Council Tax above the proposed limits set, a referendum will need to be held. The result of the referendum will be binding upon the Council.

19.2 The general Council Tax increase at which local authorities would be required to hold a referendum for 2025/26 as directed by the Secretary of State for Communities and Local Government is 3%. As the budget proposals outlined in this report maintain core Council Tax increases below this level, the referendum threshold will not be triggered for the financial year 2025/26.

19.3 For 2017/18 additional flexibility to levy a precept in support of Social Care expenditure was introduced by the Government, with the 2025/26 threshold being set at 2%, due to the high level of demand on Social Care being driven by the pandemic, the Council has opted to set the Adult Social Care Precept in 2025/26 at 2%.

Greater London Authority Precept

The Mayor of London's final budget proposals for 2025/26 are scheduled for consideration and approval by the London Assembly on 25 February 2025. The proposals result in a 4.0% increase in the element of Council Tax relating to GLA functions, equivalent to a £18.98 increase in annual bills for Band D Households.

RESIDENT BENEFIT & CONSULTATION

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

The Medium-Term Financial Strategy sets out the resources available for delivering the Council's objectives. The effects on residents, service users and communities are therefore extremely wide ranging and managed through the performance targets and outcomes that will be delivered through the resources approved through the budget setting process. The budget proposals for 2025/26 have been developed to maintain service provision through a 4.99% increase in the headline rate of Council.

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

In line with the Council's public sector equality duty, consideration is or will be given to proposals in this budget where there are equality impacts or implications. A full equality impact assessment will be completed as part of these proposals where it is appropriate to do so.

Where an appropriate equalities impact assessment is required on a specific proposal at this time, they will be sent out under the Background Papers for consideration.

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

Consultation & Engagement carried out (or required)

Each of the Select Committees has received reports setting out the proposed revenue budget and Capital Programme proposals relevant to their remit. This was approved by Cabinet on 12 December 2024 for consultation at the January 2025 round of meetings. Each Select Committee prepared an agreed set of comments on the budget proposals presented within their remit, with these comments presented to Cabinet in Appendix F.

The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the Borough. A budget consultation survey was published on the Council's website in relation to the Cabinet's budget proposals after the meeting on 12 December

2024, with the full report to December Cabinet also being available to view. Analysis of responses to this consultation and also presented within Appendix F to this report for information.

The Council received 113 responses from residents, representing a 46% decrease on the volume of responses received to the consultation launched in December 2023.

Of those responses 38% of respondents were satisfied with the budget proposals, 40% agree that they represent Value for Money and 51% felt well informed about the proposals. Where respondents expressed dissatisfaction with budget proposals, with analysis of responses attached in Appendix F.

CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

The Local Government Finance Act 1992 mandates that councils must set a balanced budget. This involves ensuring that projected expenditures do not exceed projected revenues. The requirement is to do so, in respect of the 25/26 financial year, before 11 March 2025. The 1992 Act sets out what the Council has to base its budget calculations on and requires it to set its budget with regard to the advice of its Chief Financial Officer (the Section 151 Officer).

Sections 25 to 28 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year.

Section 25 also requires the Council's Section 151 Officer to make a report to full Council when it is considering its budget and Council tax. The report must deal with the robustness of the estimates in a binary statement, and the adequacy of the reserves allowed for in the budget proposals, so that members will have authoritative advice available to them when they make their decisions. Cabinet is scheduled to meet on 20 February 2025 to settle the draft budget that it wishes to present to Council on 27 February for adoption. It is a matter for Members to decide at Cabinet what they do as this retains democratic accountability.

Property

The Capital Programme set out in Appendix A8 includes developments, acquisitions and a target for disposals for the General Fund of £17.0m, with Appendix B4 setting out the same for the Housing Revenue Account.

HILLINGDON
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Comments from other relevant service areas

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

APPENDICES

Appendix A: General Fund Budget Schedules

Appendix B: Housing Revenue Account Budget Schedules

Appendix C: Fees and Charges Proposals

Appendix D: Capital & Investment Strategies

Appendix E: Pay Policy Statement

Appendix F: Budget Consultation Feedback & Select Committee comments

Appendix G: Capital Transformation Projects

BACKGROUND PAPERS

Report to Cabinet (12 December 2024) – Consultation Budget

Report to Cabinet (15 February 2024) and Council (22 February 2024) - The Council's Budget: Medium Term Financial Forecast 2023/24 - 2027/28

Equalities Impact Assessments