

2026/27 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY

Cabinet Member & Portfolio	Cllr Eddie Lavery, Cabinet Member for Finance and Transformation
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Papers with report	Appendices A to J

HEADLINES

Summary	<p>This report presents a balanced General Fund revenue budget for 2026/27, achieved through the planned use of Exceptional Financial Support (EFS), subject to in-principle approval from MHCLG. It also sets out the outline Medium-Term Financial Strategy (MTFS) through to 2028/29, aligned to the Government's current settlement period.</p> <p>Cabinet is asked to agree and recommend the budget, and its constituent elements, to Full Council on 26 February 2026, including the setting of the Council Tax requirement for 2026/27.</p> <p>The proposals build on the consultation budget approved by Cabinet on 23 December 2025. This report reflects the further refinements made since that date and should be read alongside the results of the public consultation and the feedback from Select Committees, both of which are summarised for Cabinet's consideration within the context of the Council's overall financial position.</p> <p>The Fair Funding Review acknowledges that the Council has been underfunded for a number of years and results in a significant increase in Government funding for the Council. However, the transition to full formula funding is phased over three years. As a result, the Council must continue to manage a funding gap during 2026/27 and 2027/28 while allocations move towards their full assessed level.</p> <p>This staged implementation means that £65m of Government-assessed needs attributable to those two years will not be received through the course of the settlement period. In effect, the Council is required to bridge this timing gap, and the implicit transitional pressure forms part of the EFS requirement over 2026/27 and</p>
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	<p>2027/28. It is not uncommon practice to have not fully balanced future years within the MTFS, but difficult decisions will need to be made in the coming years to ensure that the Council can exit the EFS arrangements and get back to a sustainable financial position.</p>
<p>Putting our Residents First</p> <p>Delivering on the Council Strategy 2022-2026</p>	<p>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</p> <p>This report supports our commitments to residents of: A Digital-Enabled, Modern, Well-Run Council</p>
<p>Financial Cost</p>	<p>This budget sets out savings and efficiency initiatives totalling £21.2m in 2026/27 and £29.2m for the 3 years to 2028/29. Further savings will need to be identified in order to close the budget gap of £44.5m by 2028/29.</p> <p>The General Fund capital programme is set out for the 5 years through to 2030/31 at a gross cost of £268.5m. The HRA revenue budget and 5-year capital programme of £519.4m are also set out through to 2030/31.</p> <p>The council tax increase inclusive of adult social care precept is proposed at 4.99% for 2026/27.</p> <p>The budget gap for 2026/27, which will need to be met through EFS in order to balance the budget, amounts to £61.4m. EFS of £62m has been requested from MHCLG in order to cover this. Together with a potential £88m of EFS in 2025/26 and a notional proposed residual gap/EFS requirement in 2027/28, the annual cost of servicing the MRP and interest on the cumulative EFS by 2028/29 would amount to £12.5m per annum.</p>
<p>Select Committee</p>	<p>All</p>
<p>Ward(s)</p>	<p>All</p>

RECOMMENDATIONS

That the Cabinet approves for recommendation to Council:

- 1) The General Fund and Housing Revenue Account revenue budgets and Capital Programme budgets for 2026/27 and the Medium-Term Financial Strategy, including savings proposals, fees and charges as detailed in Appendices A, B and H1, having taken the Select Committees' comments, public consultation responses and Equality Impact Assessments conscientiously into account as set out in Appendices C, D and E.
- 2) The use of up to £62.0m in Exceptional Financial Support to balance the 2026/27 budget.
- 3) An increase in the Hillingdon element of the 2026/27 Council Tax of 4.99% (including the Adult Social Care precept of 2.00%), with a charge of £1,534.95 per Band D property.
- 4) The Flexible use of Capital Receipts Strategy to deliver efficiency savings, including utilisation for redundancy costs, as detailed at paragraphs 39 to 45 and Appendix F, and the use of £2.733m of capital receipts for this purpose.
- 5) The Capital Strategy, Treasury Management Strategy Statement, Investment Strategy, and Minimum Revenue Provision Statement for 2025/26 to 2030/31 as detailed at Appendix G.
- 6) The Reserves Policy set out in paragraphs 50 to 60.
- 7) The proposed London Borough of Hillingdon Pay Policy Statement for 2026/27 set out at Appendix I.
- 8) A rent increase of 4.8% (CPI +1%) from 1 April 2026 in line with the maximum increase for social rent set by the national rent policy, whilst noting that the Council continues to set rents for re-lets (both new tenants and transfers) up to formula target rent.
- 9) That tenant service charges be varied in line with estimated actual costs for 2026/27, from 1 April 2026 (noting the estimated charges set out in Appendix H2).
- 10) A budgeted drawdown from DSG Reserves in 2026/27 of £8.2m.
- 11) That use of general reserves or balances, including any virement between the General Fund budget, Housing Revenue Account budgets or Capital budgets during the MTFs financial years 2026/27 to 2028/29 be delegated to the Cabinet, in respect of those functions which have been reserved to the Cabinet.
- 12) Note the Council Tax Resolution resulting from the proposed budget as set out in Appendix J to this report and recommend Full Council to approve it.
- 13) That the Council's relevant basic amount of Council Tax for 2026/27 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992 and therefore a referendum will not be triggered.

That Cabinet:

- 14) Notes that the budget is balanced on the assumption of sufficient Exceptional Financial Support being agreed by the Ministry for Housing, Communities and Local Government (MHCLG) through an in-principle capitalisation support decision, and that this will need to be formally confirmed before full Council can approve the budget.**
- 15) Notes the Council's request for Exceptional Financial Support (EFS) from the MHCLG of up to £88m for 2025/26 and £62m for 2026-27, decreasing thereafter in 2027/28 with the aim to not need any further EFS in 2028/29.**
- 16) Notes and acknowledges that in recommending the budget to full Council, due consideration has been given of the Equality Impact Assessments on individual savings proposals and the cumulative impact of the budget on groups with protected characteristics as set out in Appendix E and paragraphs 123 to 132.**
- 17) Agrees that all drawdowns from general and other central contingencies will require Cabinet approval under the advice of the Corporate Director of Finance.**
- 18) Authorises the Corporate Director of Finance to make any technical adjustments to the budget such as virements to align the budget with the proposals and recommendations within this report, to allocate inflation or correct budget allocations of growth and savings to service areas as may be required.**

Reasons for recommendations

The Council is obliged to set a balanced budget and Council Tax charge annually in accordance with the Local Government Finance Act 1992. As part of good financial management and transparency, this report also sets out the current funding and expenditure assumptions for the three years through to 2028/29 in the form of an updated Medium-Term Financial Strategy (MTFS). The final budget for 2026/27, MTFS, Council Tax level, Capital Programme, Capital Strategy, Treasury Management Strategy Statement, Investment Strategy, Minimum Revenue Provision Statement, Housing Revenue Account (HRA) budget and Business Plan are to be recommended to Full Council on 26 February 2026 following consideration at Cabinet on 19 February 2026. Each of the recommendations above cover the key elements within the overall budget that need to be approved or acknowledged.

The Localism Act 2011 ([Chapter 8, Section 38](#)) requires relevant authorities to prepare and publish an annual pay policy statement while the Local Government Transparency Code 2015 ([Paragraphs 44 and 48-49](#)) outlines the mandatory requirement for local authorities to publish an organisational chart of the top three management tiers together with details of senior employee salaries above £50,000. The updated policy is set out in Appendix I to this report.

It should be noted that the setting of a balanced budget in 2026/27 is dependent on MHCLG confirming its intention to support the Council through Exceptional Financial Support, which at the time of publishing this report is yet to be confirmed for any of the growing number of councils which are dependent on this support. It is anticipated that confirmation will be announced before the Council meets to approve the budget, but a date has not been confirmed by MHCLG and so it is possible that this confirmation will not have been received by the time of the Cabinet meeting on 19 February 2026.

Alternative options considered / risk management

At this time, the Council requires the use of EFS to set a legally balanced budget. The proposals set out in this report have been developed by officers in consultation with Cabinet members and are in line with the political priorities set out by the administration in setting the 2026/27 budget.

The medium-term financial strategy (MTFS) for the remainder of the three-year period remains a work in progress. Further proposals require development and approval to close the future budget gap and achieve balance without additional use of EFS. These will be developed over the coming months.

Risks have been set out in the consultation budget with further commentary in a later section within this report, while the remaking of a reserves balance and corporate contingency are key pillars in managing the potential financial risks.

Democratic compliance / previous authority

This is the second budget report in the 2026/27 to 2028/29 cycle having previously reported to Cabinet in December 2025, with consultation responses and latest updates to that previous report now included for February 2026 Cabinet.

Select Committee comments

Full reports on the budget process, financial strategy and budget proposals for services within the remit of each Select Committees were presented for review at meetings during January 2026, with comments from each committee presented in Appendix C to this report.

SUPPORTING INFORMATION

Financial Implications are addressed through this report.

SUMMARY OF DRAFT BUDGET (DEC 2025)

Background

1. On top of the well-documented underfunding, like many councils across the country, Hillingdon is faced with ongoing financial pressures caused by growing demand and costs in delivering statutory services, having seen funding not keep pace with these pressures over the past decade or more. A report by London Councils suggested that over the next three years up to half of all London Boroughs will be facing the need for Exceptional Financial Support (EFS) in order to balance their budgets.
2. Hillingdon Council is faced with a challenging financial position and has seen the levels of its reserves fall substantially over recent years. Full details and extensive narrative of the economic context and pressures faced by Hillingdon, its current overall financial and budget position and the outlook over the next three years were extensively set out in the 23rd December 2025 consultation budget report issued to Cabinet. For the sake of brevity in this report, readers are recommended to refer to that report for full details whilst only a summary is set out below.
3. The Council is assessed as providing high quality services and has been verified in a number of external assessments of services. Providing good quality services to residents has been achieved without excessive cost to residents – Hillingdon currently has the second lowest Council Tax Band D charge across all Outer London Boroughs, and the lowest against the Chartered Institute of Public Finance and Accountancy's (CIPFA) cohort of Hillingdon's fifteen other nearest neighbour comparator boroughs. Against this latter cohort, Hillingdon's Band D charge would need to rise by 4% to reach the next lowest, and by 17% to equate to the average of the other nearest neighbour boroughs.
4. Whilst the Council is a "low tax" authority it is also considered to be a "low cost" authority despite still being able to deliver high quality services to residents. Grant Thornton's benchmarking of Hillingdon services found unit costs across the General Fund to be "very low" or "low" across all categories except for culture and related services which was "average" cost. Grant Thornton's benchmarking is backed by our own analysis of budget and outturn data published by the Ministry of Housing, Communities and Local Government (MHCLG) which is summarised below:

Table 1: Benchmarking of Hillingdon Services

Service line	£000s	Unit cost	Benchmark comparison	
			London Boroughs context	NN Context
Housing Services (GFRA Only)	£30,926	£93.95	Low	Average
Children Social Care	£72,701	£962.62	Very Low	Low
Highways & Transport Services	£7,108	£21.59	Average	Low
Environmental & Regulatory Services	£19,502	£59.24	Very Low	Low
Cultural & Related Services	£13,962	£42.41	Average	High
Central Services	£8,832	£26.83	Very Low	Very Low
Adult Social Care	£106,714	£420.70	Very Low	Very Low
Planning & Development Services	£96	£0.29	Very Low	Very Low
Education Services	£255,379	£3,205.66	Very Low	Low
Public Health Services	£17,888	£54.34	Low	Average
Total Services	£533,108	£1,619.48	Very Low	Low

Source: Grant Thornton Data & Insights report, November 2025

5. Whilst most councils have faced ever increasing difficulty in balancing their budgets over the last fifteen years, the failure of Government to update the data and methodology of how their funding is distributed to councils since 2013/14 has exacerbated the problems faced for some councils. Hillingdon is one such council to be adversely affected by this failure.
6. To protect councils seeing falls to their funding levels in 2013/14 government providing protection via a “damping grant” – this was at nil cost to the government as it was funded by negative damping grants on those seeing the biggest calculated need for increased Government funding. Hillingdon was one such council and saw its funding top-sliced by £4.8m to support residents in other boroughs. As the Funding Formula remained fundamentally unchanged until the current year, our residents have effectively been penalised as a result.
7. Government consulted over the summer on refreshing the data and methodology used to distribute resources to councils through their Fair Funding Review 2.0. The outcome of that consultation has resulted in new allocations for the three-year period commencing 2026/27 announced in the Provisional Local Government Finance Settlement (LGFS) just prior to the Cabinet meeting in December 2025. The Council was pleased to see that the funding needs for Hillingdon have at last been recognised and will see funding, as defined by the government’s Core Spending Power, rise from £290.3m in 2025/26 to £395.6m in 2028/29, noting that this is inclusive of an assumed 4.99% annual rise in council tax (£28.7m of the £105.3m increase). This was marginally refined in the Final LGFS in

February 2026 with an additional £124k in funding by 2028/29 to £395.7m – a 36.3% increase compared to the England average of 15.5%.

8. Excluding the element of Core Spending Power that is derived from the Government's assumed increases in Council Tax which is paid by residents, the increase is £76.7m, rising from £136.2m to £212.9m (56%). This increase is anticipated to incorporate inflation increases over the coming 3 years, even though inflation rates are not currently known. Further to this, the inflation rates modelled in the MTFs for certain service areas, such as social care, are expected to continue to run at a higher rate than CPI and so erode the benefit from this increase in funding. This increase is funding the Council has been anticipating for many years, but the mechanism by which the Fair Funding Review is rolling out means that the increase will not be felt in full in 2026/27 and, due to the phasing in of the funding over 3 years, will not benefit the Council in full until 2028/29.
9. We were however disappointed to note that the implementation of the new funding formula is being phased over a three-year period and will not be fully received until 2028/29. Our analysis of the data set out in the LGFS indicates that Hillingdon will lose £65m in funding that Government calculates Hillingdon needs, in order to support and slow down the reductions faced by other Councils.
10. Contributions to Damping Grants for other councils inbuilt into our core funding from Government since 2013/14 and now planned to continue anew until the end of 2027/28 have placed a particular additional pressure on the Council's finances.
11. Faced with the general funding challenges facing all councils and the historic and continuing delays in moving to the new Fair Funding levels of government support, the Council set out its Draft Budget and Proposals in the report considered by Cabinet on 23rd December 2025. A summary of the net budget position set out in Table 7 of that report (NB: as projected at that time – the final budget shows a different position at set out later in the report) is replicated in the table below:

Table 2: Movements per December budget

	2026/27 Annual Change (£,000's)	2027/28 Annual Change (£,000's)	2028/29 Annual Change (£,000's)	2026/27 Cumulative Change (£,000's)	2027/28 Cumulative Change (£,000's)	2028/29 Cumulative Change (£,000's)
Growth	69,495	12,049	16,726	69,495	81,544	98,270
Savings	(22,278)	(4,877)	(3,231)	(22,278)	(27,156)	(30,387)
Service Area	47,216	7,172	13,495	47,216	54,388	67,883
Corporate	11,823	(21,598)	(14,613)	11,823	(9,775)	(24,388)
Total Gap	59,039	(14,425)	(1,118)	59,039	44,613	43,495

12. The table above sets out how the budget gap by year was built up through increases in growth, offset by savings, and added to or mitigated by corporate items including additional Government funding. The cumulative columns then set out what this means in terms of the cumulative budget gap, i.e. that by 2028/29 the gap was projected to be to £43.5m which would need to be addressed through additional savings, income and efficiencies yet to be identified.
13. The December MTFS and 2026/27 Budget report to Cabinet on 23 December 2025 then formed the basis of a six-week public consultation and Select Committee scrutiny process through January 2026. Meanwhile work continued to ensure that the savings were fully robust, pressures fully identified, temporary accommodation modelling further developed and the capital programme for the HRA and general fund further reviewed to ensure that an optimal and affordable position could be arrived at, and investment to support the savings programme was fully reflected. That work has now been built into the report and appendices presented throughout this document.

PERIOD 9 MONITORING FORECAST POSITION

14. The Council is forecasting a general fund budget overspend of £35.9m in the month 9 (December) budget monitoring report. This position has remained stable, with a number of underlying favourable and unfavourable movements, since the month 6 (September) report. Much of the variance relates to adverse variances on savings delivery, unbudgeted growth and inflation, assumed use of reserves and reduced application of flexible capital receipts against transformation expenditure, offset by the release of £10.5m of contingency. These have had to be built back into the base budget in 2026/27, before then considering growth, inflation and savings in 2026/27, to ensure that the starting budget in the coming financial year is properly aligned. The full Month 9 Budget Monitoring Report is on the agenda for the 19 February 2026 Cabinet meeting and a link provided in the Background Papers section towards the end of this report.

Table 3
Period 9 (December) Revenue Forecast

	Budget	Forecast	Forecast
<u>Directorate:</u>	(£000s)	(£000s)	Variance
			(£000s)
Children & Young Peoples Services	57,231	63,676	6,445
Adult Services & Health	100,893	106,816	5,923
Residents Services	52,147	60,614	8,467
Chief Operating Officer	21,238	21,347	109
Finance	34,100	39,427	5,327
Chief Executive's Office	6,455	6,348	(107)
	272,064	298,228	26,164
Corporate Budgets	(272,064)	(261,337)	10,727
	0	36,891	36,891
Expected Interventions	0	(1,000)	(1,000)
	0	35,891	35,891

15. In arriving at the 2026/27 budget position, undeliverable savings from the 2025/26 saving programme have had to be written off and growth put back into base budgets, amounting to a total growth of £10.5m. There are further savings reported in the M9 position which will not be delivered in full and hence will need to be carried forward into 2026/27 for completion and delivery, amounting to slippage of circa £5m. The 2025/26 savings have been reviewed and challenged to ensure the service areas continue to believe these are deliverable where carried forward. This will however add pressure to the delivery of the 2026/27 budget.
16. Further to the above overspend, the Council will need to rebuild its level of earmarked reserves to mitigate the short term need to draw down on these as part of the 2024/25 final accounts, as well as to recognise risks such as unrealised losses on pooled treasury investments of circa £0.8m. It is conceivable therefore that the final outturn variance could reach £40m. A more detailed review of earmarked reserves requirements will be undertaken in finalising the outturn at the end of the year and so have not been reflected in the outturn forecast position shown above.
17. The Council has requested EFS to cover the above deficit, with an updated request of £88m providing contingency for any further adverse movements in the outturn or from the 2025/26 audit process, and inclusive of £40m to increase reserves to an acceptable level.

FINAL LOCAL GOVERNMENT SETTLEMENT

18. The Government announced the draft Local Government finance settlement figures on 17 December 2025, the data from which was built into the Council's consultation budget issued to the December Cabinet and published on 23 December 2025. On 9 February 2026, the Government released the final Local Government settlement.
19. In the final settlement, the funding for the Council was uplifted by a further £377k in 2026/27 reducing to £124k by 2028/29. This additional funding comes through an increase to the Homelessness, Rough Sleeping and Domestic Abuse Grant.
20. The 2026/27 to 2028/29 Local Government finance settlement consolidates multiple funding streams into the Revenue Support Grant (RSG) and four key, ringfenced grants (homelessness, public health, crisis/resilience, and children/families) to simplify funding. 18 separate funding streams, including the Social Care Grant and the New Homes Bonus, have been rolled into the un-ringfenced RSG. This streamlining is intended to reduce the administrative burden of managing multiple small 'micro-grants' and provide the Council with greater local flexibility to direct resources toward core service priorities. The four key ringfenced grants bring together 16 previously fragmented funding pots. While these major grants remain ringfenced for their specific service areas, the consolidation of reporting requirements is designed to offer the Council better medium-term certainty.
21. Funding changes will be phased in over three years in one-third increments to ensure stability across the local government landscape. However, the implication is that the substantial increase announced for Hillingdon will be delayed until fully in place. The increase also confirms the view held by the council that it has been underfunded for many years. The delay in receiving the full amount calculated means that the council's EFS requirement is more than had it received the full calculation from 2026/27.
22. To clarify the funding position of the Council received through the settlement, the table below is an extract from the published Core Spending Power table:

Table 4: Hillingdon Core Spending Power

Hillingdon				
Illustrative Core Spending Power of Local Government:				
	2025-26	2026-27	2027-28	2028-29
	£ millions	£ millions	£ millions	£ millions
Fair Funding Allocation¹	0.0	153.8	177.7	202.1
<i>of which: Baseline Funding Level</i>	0.0	91.2	93.3	95.2
<i>of which: Revenue Support Grant²</i>	0.0	53.3	84.4	106.9
<i>of which: Local Authority Better Care Grant³</i>	0.0	9.2	-	-
Legacy Funding Assessment	124.3	0.0	0.0	0.0
<i>of which: Legacy Business Rates⁴</i>	75.3	0.0	0.0	0.0
<i>of which: Legacy Grant Funding⁵</i>	39.8	0.0	0.0	0.0
<i>of which: Local Authority Better Care Grant</i>	9.2	0.0	0.0	0.0
Council tax requirement^{6,7}	154.1	163.1	172.7	182.8
Homelessness, Rough Sleeping and Domestic Abuse^{8,9}	5.2	6.3	6.3	6.3
Families First Partnership¹⁰	2.6	5.2	5.2	4.4
Total Transitional Protections¹¹	0.0	0.0	0.0	0.0
<i>of which: 95% income protection</i>	0.0	0.0	0.0	0.0
<i>of which: 100% income protection</i>	0.0	0.0	0.0	0.0
<i>of which: Fire and Rescue real-terms floor</i>	0.0	0.0	0.0	0.0
Grants rolled in to Revenue Support Grant¹²	4.1	0.0	0.0	0.0
Total Recovery Grant Allocation	0.0	0.0	0.0	0.0
<i>of which: Recovery Grant</i>	0.0	0.0	0.0	0.0
<i>of which: Recovery Grant Guarantee¹³</i>	0.0	0.0	0.0	0.0
<i>of which: Recovery Grant Uplift¹³</i>	0.0	0.0	0.0	0.0
Adjustment Support Grant	0.0	0.0	0.0	0.0
Mayoral Capacity Fund	0.0	0.0	0.0	0.0
Core Spending Power	290.310	328.4	361.9	395.681

23. A few key points of note are worth highlighting. The starting assumption for the 3-year increase from 2025/26 to 2028/29 is £105.371m (2028/29 figure of £395.681m less the 2025/26 figure of £290.310m). Within this, the “Council tax requirement” line is the Government’s assessment of what the Council would bring in from increasing council tax by 4.99% per annum. This is a local council decision and is paid for by residents, rather than additional money coming directly from Government. It also does not align with the Council’s own calculations on what the benefit generated from council tax increases would be, as Government does not use the same collection rates or council tax base figures that the Council actually experiences. Adjusting to remove the above movement on Council Tax, the increase in funding announced by Government is £76.7m over the 3 years, of which £29.1m is in 2026/27. £2.6m of the uplift in 2026/27 relates to the Families First Partnership which is ringfenced and expected to require additional spending to apply, hence while welcome and of benefit to residents, is not available to close the funding gap.
24. It is estimated that the loss in funding through the delay in receipt of full funding amounts to £45m in 2026/27 and £20m in 2027/28 – a combined £65m.

25. The second point to note is that business rates form part of the calculation and Government reform in this area means that there are significant increases being applied to business rates which may be subject to challenge and appeal. The Council is protected in 2026/27 from any loss from appeals (i.e. a 100% safety net), but this protection reduces in 2027/28 to 97% and in 2028/29 to 92.5%. There is therefore a risk that in later years the Council may be unable to achieve the full level of business rates collection that is implied in the above table. Those businesses that face significant increases in their business rates may appeal and retrospectively have their charges reduced. The increases are to be phased in with those businesses facing the largest increases seeing a cap limiting the annual increase to 30%/25%/25% over each of the next 3 years. At this stage we have not made any adjustment to the MTFS as in 2026/27 there will be no impact, but this may need revision in due course for later years.

CHANGES SINCE DRAFT BUDGET ISSUED

26. Following the release of the consultation budget in December, work continued on the refinement of the budget to further verify the assumptions behind the deliverability and phasing of the savings proposals, demand and inflation growth, completeness of pressures and costs facing the Council, and to identify any further initiatives and requirements which would require additional expenditure. It was also highlighted in the budget and presentations to the Select Committees in January that work would continue on the refinement of the budget, including work to better understand the savings, pressures and forward trend of growth on temporary accommodation and housing. To assist with this, the capital programme of the HRA was revisited to see what further schemes could be afforded which would in turn benefit the housing and temporary accommodation pressures facing the Council.
27. A summary of the changes to the General Fund future budget position since the December report is summarised below. While the December budget projected a gap in 2025/26 of £59.0m and £43.5m by 2028/29, the final position set out below illustrates the further refinements made which lead to a gap in 2025/26 of £61.4m and £44.5m by 2028/29:

Table 5: Changes since December Consultation Budget

	2026/27 Annual Change (£,000's)	2027/28 Annual Change (£,000's)	2028/29 Annual Change (£,000's)	2026/27 Cumulative Change (£,000's)	2027/28 Cumulative Change (£,000's)	2028/29 Cumulative Change (£,000's)
Budget Gap - December 2025	59,039	(14,425)	(1,118)	59,039	44,613	43,495
Changes to Savings	945	862	(880)	945	1,807	927
Changes to Growth	4,237	2,342	3,469	4,237	6,579	10,048
Changes to Corporate Budgets	(2,832)	(1,852)	(5,323)	(2,832)	(4,684)	(10,007)
	2,350	1,352	(2,734)	2,350	3,701	968
Budget Gap - February 2026	61,389	(13,074)	(3,852)	61,389	48,316	44,464

28. Appendix A7 sets out in more detail the changes in the budget that have been applied since December, and which are now reflected in the final proposed budget position. In summary, the key areas of change are as follows:

- Savings that have been rephased, reduced or removed, both relating to original proposals and to align the latest view on the deliverability of 2025/26 savings
- Changes to the proposed savings and pressures relating to temporary accommodation, leading to a net pressure of £1.652m in 2026/27 and a further £6.576m over the following two years. A revision of £1.1m to grant assumptions relating to this service area has also been applied
- Technical adjustments in respect of inflation, EFS, MRP, council tax and business rates calculations
- Pressures identified on parking, recharges and further budget rebasing requirements
- Growth to enable the Council to progress work on asset rationalisation and better management of commercial leases
- Refinements to fees and charges
- Increased general fund capital project expenditure to recognise highways grant increases, subsidiary company investment, splitting of joint HRA/GF projects, landlord commitments and other rephasing.
- Changes to the HRA capital programme and business plan
- The final settlement position announced on 9 February 2026 re the Homelessness grant

29. Overall, the impact on the budget overspend position has been to increase the pressure on the budget by a net £2.350m, moving the budget deficit before use of EFS from £59.039m to £61.389m. As a consequence, the EFS request has been rephased to defer £2m of the EFS requirement from 2025/26 into 2026/27, creating a total EFS ask in 2026/27 of £62m.

FINAL BUDGET POSITION

30. Appendices A1 to A7 set out full details of the budget movements proposed for the next three years and include the changes made to proposals and assumptions that have arisen since the December 2025 Cabinet report. A summary of the total proposed budget movements is set out in the table below:

Table 6: Final budget movements before Exceptional Financial Support

	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
	Annual	Annual	Annual	Cumulative	Cumulative	Cumulative
	Change	Change	Change	Change	Change	Change
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Children and Young People's Services	9,550	(82)	1,786	9,550	9,468	11,254
Adult Services and Health	15,489	10,121	14,249	15,489	25,610	39,859
Residents Services	19,886	2,519	1,047	19,886	22,405	23,452
Chief Operating Officer	4,703	(1,184)	(421)	4,703	3,519	3,097
Finance	2,582	(837)	(647)	2,582	1,745	1,098
Chief Executive	188	(160)	70	188	27	97
Service Budgets	52,398	10,376	16,084	52,398	62,774	78,858
Corporate Budgets	8,991	(23,450)	(19,936)	8,991	(14,459)	(34,395)
Total General Fund	61,389	(13,074)	(3,852)	61,389	48,316	44,464
<i>Change from December 2025</i>	<i>2,350</i>	<i>1,352</i>	<i>(2,734)</i>	<i>2,350</i>	<i>3,702</i>	<i>968</i>

31. The situation faced therefore is a budget shortfall of £61.4m in 2026/27, decreasing thereafter due to further receipts of funding as set out in the funding settlement. In this circumstance the Council is dependent on the agreement of EFS from MHCLG in order to capitalise the deficit and balance the budget. In turn, this agreement will allow the Council to borrow to finance the revenue expenditure. EFS is further explained below.
32. Appendix A8 sets out the updated budgets at a directorate level, summarised below:

Table 7: Summary Budget by Directorate

	2025/26 Budget (£,000's)	2026/27 Budget (£,000's)	2027/28 Budget (£,000's)	2028/29 Budget (£,000's)
Children and Young People's Services	57,231	66,782	66,700	68,486
Adult Services and Health	100,893	116,382	126,503	140,752
Residents Services	52,149	72,034	74,553	75,600
Chief Operating Officer	22,695	27,398	26,214	25,793
Finance	11,090	13,672	12,835	12,188
Chief Executive	6,455	6,642	6,482	6,552
Total Service Areas	250,513	302,910	313,286	329,370
Corporate Budgets	(250,513)	(241,521)	(264,971)	(284,907)
Net Budget Gap before EFS	-	61,389	48,316	44,464
Use of 2026/27 EFS		(61,389)		
Remaining 2026/27 Gap after EFS		-		

EXCEPTIONAL FINANCIAL SUPPORT

33. As has been set out in many of the budget monitoring reports through 2025/26, the deterioration of the Council's financial position, both in the 2024/25 outturn and then the 2025/26 forecast, compounded by ongoing levels of underfunding over past years as referenced in paragraphs 5 and 6 above, has led to a lack of reserves available to the council to offset the deficit forecast in 2025/26, ensure the council can balance the budget from its own resources in 2026/27 and going forward, or to provide financial resilience against unforeseen financial risks and impacts.
34. As a consequence of this, the Council has had to make an application to MHCLG to request Exceptional Financial Support to manage through the current challenging position. It is not possible for the Council to set a legally balanced budget in 2026/27 without the use of EFS, hence this budget is constructed on the explicit assumption that it is subject to an in-principle agreement from MHCLG and that this will be received before the budget is debated by full Council. At the time of writing this report, all councils seeking EFS have yet to receive confirmation from MHCLG regarding their 2026/27 budgets but this is expected to be announced in February.
35. The request made by the Council is for support to cover the forecast overspend in 2025/26 (£36m), contingency to cover further risks to this outturn and need to replenish

some earmarked reserves (up to £12m – see Table 10), and the replenishment of general fund reserves (£40m) – a combined request of up to £88m which would be applied in 2025/26. Then for 2026/27, an ask of £62m which would cover the budget gap as set out in this report of £61.4m, taking the cumulative position to £150m. To update on what was previously requested, the ask to increase reserves has been rephased into 2025/26 (having now finalised the accounts for that year), and £2m of the 2025/26 ask has been rephased into 2026/27, but the cumulative ask remains unchanged.

36. The requirement for drawing down EFS to derive a legally balanced budget for 2026/27, as set out elsewhere in this report, is £61.389m, thus within the £62m requested from MHCLG. Future year requirements at this stage are indicative only and would be subject to change, but a request in respect of 2027/28 is anticipated, and potentially also for 2028/29 to address the impact of when the statutory override comes off the Dedicated Schools Grant deficit (see paragraphs 108 to 115 in this report). It is however the intention of the Council to reduce the reliance on EFS as quickly as possible. A working assumption based on the current MTFs projection would be that the Council needs to identify a further £44.5m in savings over the next two years assuming all other assumptions do not change.
37. The table below sets out how the use of EFS will impact on the revenue budget in future years of the MTFs. This lands in two respects: firstly the use of EFS in a given year is to capitalise existing revenue costs (the revenue impact for which has therefore already been incurred) and put these on the balance sheet to then be amortised and released back to the revenue position over the next 20 years, or to be mitigated/“repaid” through capital receipts from asset disposals – so in effect the revenue impact from today is delayed into a future year. The second impact is through the council potentially needing to borrow in order to provide cashflow against the cumulative deficit that has accrued (or will accrue), leading to an increase in bank interest incurred by the Council. Borrowing needs would be phased in through the year and not result in a full year effect immediately. MRP is first charged in the year following capitalisation, and has been calculated on an annuity basis rather than straight line. On the assumption that the Council does not overspend and further reduce the replenished general fund reserve, this would not need to be borrowed and incur interest. The impact has been modelled as follows, and makes an assumption that further savings (yet to be identified) will be found to reduce the budget gap and hence EFS requirement in 2027/28 and 2028/29:

Table 8: EFS profile and revenue impact

	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000
EFS required	88,000	62,000	23,000	-
EFS "borrowing"	48,000	62,000	23,000	-
MRP calculated	-	2,626	4,628	5,552
Interest cost	204	3,751	6,067	6,915
Total revenue cost	204	6,387	10,695	12,467

38. The revenue cost in any given year has been built in the MTFS model, and has to form part of the balanced budget in that year, thereby reducing the Council resources available for other services. Over time, the position on borrowing improves. While MRP is a charge to revenue, it is not a cash payment (the cash having already been expended in the years when the deficits arose). Consequently, the revenue provision created through MRP improves the Council's underlying cash position and can be used to reduce outstanding borrowing thereby lowering future interest costs.

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

39. For the 2025/26 budget, the Council approved a prospective £17.0m of expenditure to be funded through the flexible use of capital receipts (FCR) in line with guidance issued by MHCLG. The latest forecast use of this mechanism by the Council is £5.768m, which is significantly below what was budgeted. Appendix F sets out the changes on a project by project basis to show where the variances are that generate the reduction of £11.232m.
40. The key drivers for the reduction in use of FCR are:
- £4m that was intended to be used to reduce the DSG deficit was determined to not be feasible under current legislation.
 - Proposed spend no longer planned to proceed
 - Expenditure identified as no longer qualifying under the guidance
 - Prudence considering the availability of FCR to use in 2025/26 this way, recognising that some planned receipts would not crystallise in year or qualify for use (HRA appropriations and inter-company disposals)
41. For the 2026/27 budget, where prior year spend related to allocations of officer time undertaken by permanent employees, this has been built back into base budgets through growth bids to ensure that the ongoing work to support previous savings and transformations is not dependent on a continuing supply of capital receipts. The approach from 2026/27 will be that only temporary, not permanent, staffing costs will be chargeable to the flexible use of capital receipts in order to avoid building a dependency on unreliable

or short-term income streams (i.e. capital receipts) to support permanent ongoing staffing costs.

42. What is nevertheless eligible and relevant is short-term implementation cost of savings, and as set out in the appendix there is a prospective £2.733m that relates to budgeted savings, cost avoidance and short-term resource needed to drive improvements which will have a direct impact on maximising income and reducing the potential non-collection of debt through transforming processes.
43. Included within the £2.7m is a £0.5m lump sum amount as a placeholder for potential costs relating to Housing service improvements and savings which have not yet been fully quantified, and a £0.5m provision for redundancy costs which may arise from the delivery of the wider savings programme. All initiatives will be kept under review to ensure they meet the necessary criteria.
44. The availability of qualifying capital receipts has been assured for 2026/27 – The forecast spend in 2025/26 now only exceeds the opening balance by £0.2m and the projected receipts across 2025/26 and 2026/27 should comfortably meet this and the required £2.733m, with the disposal of the former Uxbridge Library building exceeding this. It is feasible that any excess capital receipts or ineligible receipts (such as from the Lobster Pot disposal and development) may be used to repay EFS and so reduce the future years' revenue impact from using EFS.
45. The proposed FCR programme for 2026/27 is set out by project/initiative in Appendix F.

FEES AND CHARGES

46. To help close the budget gap over the medium term, the Council must consider measures to increase income alongside delivering service efficiencies and cost reductions. The December Cabinet report proposed that discretionary fees and charges be uplifted by 10% where appropriate. This increase was to be applied with regard to prevailing market rates and anticipated demand sensitivity to price changes. This core assumption underpins the majority of the Council's fees and charges increases. Any proposals that fall outside this approach have been presented separately and included as distinct savings initiatives, the most significant of which relates to parking charges.
47. Since the December consultation budget report, there have been a number of revisions to the Fees and Charges, including the addition of several new licensing fees including HMOs, the correction of Ruislip Lido car parking fees for residents and updates within the Food Health & Safety fees. While the golf courses are scheduled to transfer imminently to an external operator, the Council also anticipates that fees will increase by 10% and reflected this also. A number of charges do not show significant increases, if any, due to assessments of what is sustainable in the market, when fees were last increased

48. A Summary table highlighting all changes made to the Schedule of Fees and Charges published in the December Cabinet report is set out overleaf.

Table 9: Fees and charges changes since December report

Service	Service	Type of Fee / Charge	Type	Current Charge Residents £	Proposed Charge Residents £	December Proposed Charge £	Change £
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult 18 holes (Monday to Friday)	R	24.00	26.40	24.00	2.40
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult 18 holes (Monday to Friday) 3 ball special offer after 12pm	R	22.00	24.20	22.00	2.20
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult 18 holes (Monday to Friday) 4 ball special offer after 12pm	R	19.75	21.75	19.75	2.00
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult 18 holes (weekends and bank holidays)	R	29.75	32.75	29.75	3.00
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult 18 holes (weekends and bank holidays) 3 ball special offer after 12pm	R	27.75	30.55	27.75	2.80
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult 18 holes (weekends and bank holidays) 4 ball special offer after 12pm	R	24	26.40	24.00	2.40
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult dusk (Monday to Friday)	R	16.75	18.45	16.75	1.70
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult dusk (Monday to Friday) Offer 1		13	14.30	13.00	1.30
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult dusk (weekends and bank holidays)	R	16.75	18.45	16.75	1.70
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Adult dusk (weekends and bank holidays) Offer 1		13.00	14.30	13.00	1.30
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Senior / Junior / Student (Monday to Friday) concession	C	14.00	15.40	14.00	1.40
13. Golf Courses	Golf Courses - Green Fees (Haste Hill) APR-OCT	Junior / Student (weekends and bank holidays) concession	C	16.75	18.45	16.75	1.70
13. Golf Courses	Golf Courses - Green Fees (Uxbridge)	Adult 12 holes (weekends and bank holidays)	R	15.00	16.50	15.00	1.50
13. Golf Courses	Golf Courses - Green Fees (Uxbridge)	Adult 12 holes (Monday to Friday)	R	11.00	12.10	11.00	1.10
13. Golf Courses	Golf Courses - Green Fees (Uxbridge)	Adult dusk (Monday to Friday)	R	8.75	9.65	16.75	-7.10
13. Golf Courses	Golf Courses - Green Fees (Uxbridge)	Adult dusk (weekends and bank holidays)	R	9.75	10.75	16.75	-6.00
13. Golf Courses	Golf Courses - Green Fees (Uxbridge)	Senior / Junior / Student (Monday to Friday)	R	9.75	10.75	9.75	1.00
13. Golf Courses	Golf Courses - Green Fees (Uxbridge)	Junior / Student (weekends and bank holidays)	R	9.75	10.75	9.75	1.00
13. Golf Courses	Golf Courses - Winter Green Fees (Haste Hill NOV-MAR)	Adult 18 holes (Monday to Friday)	R	19.75	21.75	24.00	-2.25
13. Golf Courses	Golf Courses - Winter Green Fees (Haste Hill NOV-MAR)	Adult 18 holes (weekends and bank holidays)	R	23.00	25.30	29.75	-4.45
13. Golf Courses	Golf Courses - Winter Green Fees (Haste Hill NOV-MAR)	Adult dusk (Monday to Friday)	R	12.00	13.20	16.75	-3.55
13. Golf Courses	Golf Courses - Winter Green Fees (Haste Hill NOV-MAR)	Adult dusk (weekends and bank holidays)	R	13.00	14.30	16.75	-2.45
13. Golf Courses	Golf Courses - Winter Green Fees (Haste Hill NOV-MAR)	Senior / Junior / Student (Monday to Friday) concession	C	12.00	13.20	14.00	-0.80
13. Golf Courses	Golf Courses - Winter Green Fees (Haste Hill NOV-MAR)	Junior / Student (weekends and bank holidays) concession	C	13.00	14.30	16.75	-2.45
13. Golf Courses	Golf Courses - Golf Society Prices (Haste Hill)	18 holes (Monday to Friday) (Haste Hill)	R	21.00	23.10	21.00	2.10
13. Golf Courses	Golf Courses - Golf Society Prices (Haste Hill)	18 holes (weekends and bank holidays) (Haste Hill)	R	27.75	30.55	27.75	2.80
13. Golf Courses	Golf Courses - Golf Society Prices (Haste Hill)	27 holes (Monday to Friday)	R	30.75	33.85	30.75	3.10
13. Golf Courses	Golf Courses - Golf Society Prices (Haste Hill)	27 holes (weekends and bank holidays)	R	36.00	39.60	36.00	3.60
13. Golf Courses	Golf Courses - Golf Society Prices (Haste Hill)	36 holes (Monday to Friday) (Haste Hill only)	R	38.75	42.65	38.75	3.90
13. Golf Courses	Golf Courses - Golf Society Prices (Haste Hill)	36 holes (weekends and bank holidays) (Haste Hill only)	R	49.75	54.75	49.75	5.00
13. Golf Courses	Golf Courses - Hire	Single trolley - Haste Hill	R	4.75	5.25	4.75	0.50
13. Golf Courses	Golf Courses - Hire	Single trolley - Uxbridge	R	4.75	5.25	4.75	0.50
13. Golf Courses	Golf Courses - Hire	Standard buggy	R	27.75	30.55	27.75	2.80
13. Golf Courses	Golf Courses - Hire	Set of clubs	R	11.00	12.10	11.00	1.10
13. Golf Courses	Room hire (Haste Hill)	Per hour, per room	R	35.50	39.05	35.50	3.55
13. Golf Courses	Repairs (regripping)	Multi Compound	R	14.00	15.40	14.00	1.40
13. Golf Courses	Repairs (regripping)	Tour velvet (mid size)	R	11.00	12.10	11.00	1.10
13. Golf Courses	Repairs (regripping)	Tour velvet Std	R	9.25	10.20	9.25	0.95
13. Golf Courses	Repairs (regripping)	GC Tour std	R	8.25	9.10	8.25	0.85
13. Golf Courses	Repairs (regripping)	Putter Grips	R	11.00	12.10	11.00	1.10
13. Golf Courses	Repairs (regripping)	Super Stroke Putter Grips	R	33.00	36.30	33.00	3.30
13. Golf Courses	Repairs (regripping)	9 irons Offer (GC Tour)	R	66.00	72.60	66.00	6.60



Service	Service	Type of Fee / Charge	Type	Current Charge Residents £	Proposed Charge Residents £	December Proposed Charge £	Change £
21. Land Charges	Search Fees	Full Standard Search(Residential and Commercial)	M	189.00	208.50	208.00	0.50
21. Land Charges	Search Fees	Official certificate of search (Form CON29) only	M	126.00	139.50	139.00	0.50
21. Land Charges	Search Fees	Additional Parcel of Land on LLC1	M	47.50	52.50	52.00	0.50
24. Food Health and Safety	Food Hygiene	Food Hygiene rating scheme, re-rating visit - 0-2 Star	B	355.00	373.00	391.00	-18.00
24. Food Health and Safety	Food Hygiene	Food Hygiene rating scheme, re-rating visit - 3-4 Star	B	220.00	231.00	242.00	-11.00
24. Food Health and Safety	Other Licenses	Condemnation Certificate	B		N/A	NEW	NEW
24. Food Health and Safety	Private Water Supplies - new fees prescribed by Private Water Regulations	Sampling Per visit	B	100.00	110.00	100.00	10.00
24. Food Health and Safety	Private Water Supplies - new fees prescribed by Private Water Regulations	Other Sampling and Risk Assessment Combined	B	600.00	660.00	600.00	60.00
24. Food Health and Safety	Private Water Supplies - new fees prescribed by Private Water Regulations	Risk Assessment	B	300.00	480.00	300.00	180.00
24. Food Health and Safety	Private Water Supplies - new fees prescribed by Private Water Regulations	Other investigations	B	37.00 + analyst costs (no more than 100.00)	44.00 + analyst costs (no more than 110.00)	44.00 + analyst costs (no more than 110.00)	4.00
24. Food Health and Safety	Private Water Supplies - new fees prescribed by Private Water Regulations	Granting an Authority	B	37.00 + analyst costs (no more than 100.00)	44.00 + analyst costs (no more than 110.00)	44.00 + analyst costs (no more than 110.00)	4.00
24. Food Health and Safety	Private Water Supplies - new fees prescribed by Private Water Regulations	Domestic Supplies	B	25.00	27.50	25.00	2.50
25. Licensing	Special Treatments Licensing Fees	Amendment Fee	B	NEW	68.30	NEW	NEW
25. Licensing	Special Treatments Licensing Fees	Exemption Certificate	B	NEW	50.00	NEW	NEW
25. Licensing	The Gambling Act 2005	Copy of Licence	B	NEW	25.00	NEW	NEW
25. Licensing	The Gambling Act 2005	Notification of Change	B	NEW	50.00	NEW	NEW
25. Licensing	Street Trading Licences	Pitch (Permanent)	B	1,201.00	1,201.00	1,321.00	-120.00
25. Licensing	Street Trading Licences	Pitch (Temporary - 6 months)	B	601.00	601.00	661.00	-60.00
25. Licensing	Street Trading Licences	Shop Front displays,Restaurant/Cafe Tables and Chairs Licence Fee - 1 Metre	B	766.70	767.00	843.00	-76.00
25. Licensing	Street Trading Licences	Shop Front displays,Restaurant/Cafe Tables and Chairs Licence Fee - 2 Metres	B	835.00	835.00	919.00	-84.00
25. Licensing	Street Trading Licences	Shop Front displays,Restaurant/Cafe Tables and Chairs Licence Fee - 3 Metres	B	903.20	903.00	994.00	-91.00
25. Licensing	Street Trading Licences	Change of Licenses (including trading area) - 6 months	B	98.30	98.00	108.00	-10.00
25. Licensing	Street Trading Licences	Short term event Temp Street Trading Licence - 1st day	M	61.50	62.00	68.00	-6.00
25. Licensing	Street Trading Licences	Short term event Temp Street Trading Licence - per day thereafter	M	20.50	21.00	23.00	-2.00
25. Licensing	Street Trading Licences	Consent for distribution of free printed matter (per application - covering a period of 8 hours)	B	37.60	38.00	41.00	-3.00
25. Licensing	Street Trading Licences	Busking permission	M	36.50	37.00	40.00	-3.00
25. Licensing	Street Trading Licences	Highway Event permits	M	39.00	39.00	43.00	-4.00
25. Licensing	Street Trading	Uxbridge Town Centre Market - Max 50 stalls 1st day	B	1,089.30	1,089.00	1,198.00	-109.00
25. Licensing	Street Trading	Uxbridge Town Centre Market - Max 50 stalls per day thereafter	B	365.50	366.00	402.00	-36.00
25. Licensing	Street Trading	Other areas Market - up to 50 stalls per day 1st day	B	730.90	731.00	804.00	-73.00
25. Licensing	Street Trading	Other areas Market - additional 50 stalls 1st day	B	365.50	366.00	402.00	-36.00
25. Licensing	Street Trading	Other areas Market-up to 50 stalls each day thereafter	B	730.90	731.00	804.00	-73.00
25. Licensing	Street Trading	Other areas Market-additional 50 stalls each day thereafter	B	365.50	366.00	402.00	-36.00
25. Licensing	Stray Dogs	Untagged, Incorrectly microchipped or stray Dogs - Administration, Call out Fee and Transportation	B	125.00	138.00	138.00	0.00
26. Trading Standards	Weights and Measures	Verification / Calibration of weights & measurement equipment - charge per hour of Officer Time	B	83.80	96.10	97.00	-0.90
26. Trading Standards	Weights and Measures	Additional staff cost per hour	B	52.80	60.60	61.00	-0.40
26. Trading Standards	Sale of goods	By competitive bidding	B	254.40	291.80	294.00	-2.20
32. Parking	Ruislip Lido Main Car Park, Willow Lawn Car Park & Breakspear Crem Overflow Car Park	Low Season - Sep-Apr (Up to 3 hours)	M	0.00	0.00	3.80	-3.80
39. Housing	HMOs Licensing	Additional Licensing	NEW	NEW	1,401.00	NEW	NEW
39. Housing	HMOs Licensing	Additional Licensing for accredited landlords or managing agents (10% reduction)	NEW	NEW	1,260.90	NEW	NEW
39. Housing	HMOs Licensing	Renewal	M	1,577.00	1,656.00	725.00	931.00
39. Housing	HMOs Licensing	PCN for Non-Compliance with Remedial Notice	M	5,000.00	5,250.00	5,000.00	250.00
39. Housing	HMOs Licensing	Improvement Notice	M	587.00	616.00	646.00	-30.00
39. Housing	HMOs Licensing	Prohibition / Demolition Notice	M	515.00	541.00	567.00	-26.00
39. Housing	HMOs Licensing	Emergency Notice	M	507.00	532.00	558.00	-26.00
40. CCTV Requests	Fee for production of evidence for insurance claim purposes	Fee for production of evidence for insurance claim purposes		180.60	198.70	198.70	0.00

Note: In the above tables, "M" denotes a mixed business/resident impact, and "B" denotes a business impact.

49. Appendix H1 sets out the full list of General Fund fees and charges for the 2026/27 financial year for review and approval by full Council, while H2 sets out HRA service charges which generally will rise by 3.8%, linked to the September CPI figure used in determining rents.

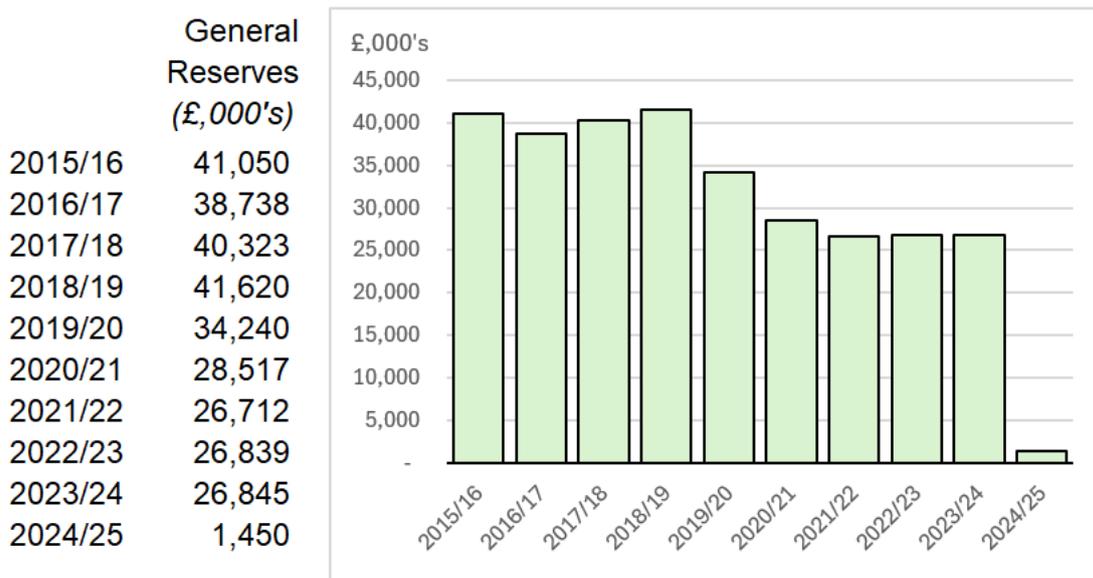
RESERVES POLICY

50. Local authorities are required under the Local Government Act 2003 and CIPFA's Financial Management Code to maintain adequate reserves to safeguard financial resilience and ensure the continued delivery of statutory services. Reserves provide a critical buffer against unforeseen events, demand fluctuations, and timing differences in funding.
51. Local authorities hold two categories of reserves, usable and unusable:
- Usable reserves are defined as those that the Council could utilise to fund capital or revenue expenditure. Some of these reserves could be applied generally but others will have stipulations attached on their use, and;
 - Unusable reserves hold unrealised gains or losses for assets not yet disposed of and accounting adjustments, which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.
52. The Council's usable reserves can be grouped into the following sub-categories:
- General Reserves – working balances held to ensure long term solvency and to mitigate risks e.g. the General Fund balance and the Housing Revenue Account balance;
 - Earmarked Reserves – to fund specific projects or investments, or as a means to build up funds for known risks or contingencies, e.g. the capital financing reserve or the insurance reserve;
 - Ring-fenced Reserves – carried forward balances or grant funding which have certain restrictions attached to them preventing their general use by the Council, e.g. schools' balances or homeless prevention grant;
 - Capital Reserves – amounts held to finance capital expenditure, e.g. receipts from asset disposals and capital grants
53. While short-term use of general and earmarked revenue reserves to manage volatility is permissible, reliance on them to fund recurring expenditure or balance the budget is unsustainable and contrary to best practice. This is because a usable reserve is a finite cash balance, which can only be used once whereas reductions in core funding and budget pressures are in the main permanent and ongoing annual impacts on the Council's

base budget. Persistent dependency on reserves erodes financial stability and limits flexibility in managing risks. Where there is a short-term dependency on reserves to smooth over short-term pressures, it is then important to rebuild reserves at a later point when the financial position allows, for which there would need to be savings and efficiencies made to generate the surplus necessary to replenish the reserves. The council's MTFS therefore prioritises rebuilding and maintaining reserves at a prudent level, alongside delivering structural savings and transformation to reduce reliance on one-off measures.

54. General fund reserves have had to be drawn down over recent years to bridge the gap in funding faced by the council. The chart below shows the movement in General Reserves since 2015/16. Note that an exercise to review balance sheet values in 2024/25 identified £14.1m of accounting adjustments, of which £7.5m would have impacted in earlier years, however the closing balance was also supported by the release of earmarked reserves in order to maintain a surplus position. The closing audited General Fund reserve as at 31 March 2025 ended at £1.45m

Chart 1: Movement in General Fund Reserves



55. Given the outturn deficits experienced over the past 2 years, and the pace at which a sudden financial deterioration through external pressures and demand growth can materialise but not be readily mitigated through management actions, a safe level of general reserves is assessed to be a minimum of £30m and for the long-term target range to lie between £30m and £50m. This should be supplemented with earmarked reserves for specific known expenditure timing differences or future impacts that have been identified so as not to undermine the purpose of the general fund reserve. The 2025/26 general fund deficit will therefore be addressed in the first instance through EFS, together with further EFS of £40m to rebuild the general fund reserve. Given the need to protect the General Fund residual balance at 31 March 2025 by drawing upon available

unringfenced earmarked reserves, some of these earmarked reserves will also need to be remade in order to provide the necessary cover for known requirements and timing differences with this also needing to come from EFS.

56. The profile of the reserves position over the past, current and coming year are therefore anticipated to be as follows:

Table 10: Reserves profile

Useable Reserve	At March 2025 £000	At March 2026 £000	At March 2027 £000
General Fund	1,450	41,450	41,450
Earmarked – un-ringfenced	3,176	11,645	7,201
Earmarked - ringfenced	10,815	8,815	8,815
Total	15,432	61,910	57,466

57. As indicated in the table above, the closing earmarked reserves balance will likely be revised upwards by circa £8.5m. This increase includes a £4.3m transfer into earmarked reserves in 2025/26 for an NNDR Smoothing Reserve, which is then drawn down in 2026/27 to reflect technical timing differences between accruals for the Levy and the impact on revenue being delayed by the Collection Fund Adjustment Account. It further adjusts to remake circa £3m of earmarked reserves depleted due to final audit adjustments required in closing the 2024/25 financial statements, and a further c£1m relating to a paper loss on treasury investments which have not yet reached their maturity date.
58. To compensate for cutting these back to an uncomfortably low level in 2024/25 and to cover the potential for future unrealised losses on some treasury investments held. The HRA general balance continues to be set at £15m, with any surplus left over each year used to pay down capital expenditure and reduce council borrowing requirements in the HRA.
59. To ensure efficacy of financial management over the course of the MTFs period, a recommendation has been incorporated to request delegation to permit use of reserves to Cabinet as the previous delegation on this expires after the end of 2025/26.
60. Section 25 of the Local Government Act 2023 requires the Chief Financial Officers to report on the robustness of estimates and the adequacy of reserves when setting the budget. The S151 Officer's statement on balances and reserves will be set out in the Section 25 Statement to full Council.

KEY BUDGET ASSUMPTIONS

61. The budget assumes inflation rates across income and expenditure budgets over the future three years. These assumptions remain unchanged from that set out in the December 2025 Cabinet report, except that Adult Social Care inflation assumptions are now included within the service growth assumptions and thus removed from the corporately-held provision. Full details of the inflation assumptions are set out in Appendix A3. Inflation for Adult Social Care placements has been assumed at an average of 6.79% over the three years and inflation on other budgets being 3.0% in 2026/27 and 2.1% thereafter.
62. Exceptional Financial Support is assumed of £88m for 2025/26; £62m for 2026/27; and £23m for 2027/28. The EFS projection for the purposes of this MTFS assumes that further efficiencies or savings for 2027/28 and 2028/29 will be found before the start of those latter years in order to limit the future requirement for Exceptional Financial Support to those levels.
63. The Draft Budget, published for consultation in December 2025, made no assumption about Temporary Accommodation net pressures or mitigations in 2027/28 or 2028/29. Further modelling has been undertaken and this Budget report now includes further net costs of £2.452m and £4.142m incrementally adding to the overall budget position. The Budget assumes that further demand pressures and cost reductions planned by managing demand and seeking alternate housing supply to meet that need are realised.

RISKS

64. Risks were set out in the December 2025 Consultation Budget issued to Cabinet (see Background Papers).
65. While work now has been undertaken to produce a projection of temporary accommodation costs through to 2028/29, this will need to be kept under review and closely re-examined when the detailed 2027/28 budget is produced. The projections in this service area are less predictable as there is no correlation with population growth or other clear demographic indicators that provide reliable trend analysis.
66. Further clarity has now been provided on the future treatment of DSG deficits and so there is less uncertainty on how this will be dealt with by the time the statutory override ends. However, we will await further information in due course on how the Government may support councils with sharing the burden of DSG deficits arising in-year across 2026/27 and 2027/28.

GENERAL FUND CAPITAL PROGRAMME 2026/27 to 2030/31

67. Since the consultation budget was published in December, ongoing work has identified a small number of instances whereby capital projects needed to be amended or added in to ensure a more coherent budget and capital plan. This has led to an increase in the capital budget in 2026/27 of £12.311m, of which £2.055m is grant-funded.

Table 11 - General Fund Capital Programme by Portfolio

(Detail contained in Appendices A9 to A11)

Corporate & Directorate	2026/27 £'m	2027/28 £'m	2028/29 £'m	2029/30 £'m	2030/31 £'m	5-Year Total £'m
Major Projects						
Residents Services	19.8	16.3	19.6	3.2	0.1	59.0
Adult Social Care and Health	10.0	10.0	0.0	0.0	0.0	20.0
Children's & Young Peoples Services	12.7	0.6	0.0	0.0	0.0	13.3
Major Projects Total	42.6	26.9	19.6	3.2	0.1	92.3
Programme of Works						
Residents Services	20.2	25.3	22.3	23.3	19.7	110.9
Children's & Young Peoples Services	9.2	3.0	3.0	3.4	3.4	22.0
Adult Services & Health	4.0	4.0	4.0	4.0	4.0	19.9
Corporate Services	4.2	4.0	0.1	0.2	0.0	8.4
Programme of Works Total	37.6	36.3	29.3	30.8	27.1	161.2
Contingency						
Development & Risk Contingency	7.0	2.0	2.0	2.0	2.0	15.0
Contingency Total	7.0	2.0	2.0	2.0	2.0	15.0
Grand Total	87.1	65.2	50.9	36.0	29.2	268.5
Funded By:						
Prudential Borrowing	(51.1)	(38.4)	(26.8)	(18.6)	(11.9)	(146.8)
Other Funding	(36.0)	(26.8)	(24.2)	(17.5)	(17.2)	(121.7)
Grand Total	(87.1)	(65.2)	(50.9)	(36.0)	(29.2)	(268.5)
MTFS December 2025	74.8	48.9	44.6	34.6	25.9	228.8
Change	12.3	16.3	6.3	1.4	3.3	39.7

68. Detail of existing schemes was set out in sections 12.3 to 12.10 of the 2026/26 Budget and Future Medium Term Strategy Report presented to Cabinet on the 23rd December 2025. Final schemes are set out in Appendices A9, A10 and A11.
69. Explanations of the specific changes to schemes from that Report are set out below:
70. The Hillingdon Care Company is planning to develop the Burroughs Care Home to enable the provision of additional nursing bed spaces in the borough. This is likely to need funding through borrowing from the Council and so has been added, with other potential future care schemes, to the capital programme for completeness at £20m over 2 years, of which £17.5m will be funded through council borrowing. A full business case will be requested before these are progressed.

71. The Highways grants provided by the Department for Transport have now been revised upwards to align with DfT announcements, meaning that an additional £2.055m has been added to the capital programme at no additional cost to the Council.
72. The redevelopment of Nelson Lane has been reanalysed to split the cost of the project between general fund and HRA, previously being recognised only in the HRA. The budget has been increased by £5.95m over the next 3 years, of which £1m in 2026/27. This is offset by a rephasing of the fleet replacement programme which has been reduced by £1.256m in 2026/27. Planned works for the Beck Theatre have been added (£462k) to reflect landlord responsibilities, and finally an additional £50k for parking services improvements.
73. Overall, the 5-year capital programme amounts to a total £268.5m, of which £146.8m would be funded from borrowing. This compares with £342.0m in the previous 5-year programme, of which £200.7m was to be funded by borrowing.
74. The changes to the capital programme have an impact on the revenue budget in the MTFS through the impact of MRP and consequently an amendment for the additional charges has been put through. The impact on 2026/27, based on the latest forecast, is calculated as an additional charge of £138k, while the 3-year impact is a cumulative £2.712m.
75. The capital outturn for 2025/26 will in due course highlight projects and expenditure which will slip and need to be carried into 2026/27. These will be reviewed and confirmed in Q1 of the new financial year and added to the 2026/27 capital programme. The carry-forward of project slippage will be presented to Cabinet for approval in the course of 2026/27 as part of the budget monitoring process.

HOUSING REVENUE ACCOUNT

HRA Overview and Strategic Context

76. The Housing Revenue Account (HRA) is a ring-fenced, self-financing account that manages the rental income from approximately 10,200 social housing units. This income is reinvested to benefit tenants through stock maintenance, management, and expansion. The 5-year strategy for this is underpinned by a 30-Year Business Plan that demonstrates long-term financial sustainability.

Regulatory Performance and Improvement

77. In 2025, the Regulator of Social Housing (RSH) awarded Hillingdon a 'C2' grade. While this is the second-highest grade and recognises strengths in responsive repairs, the RSH identified areas for improvement to achieve the top 'C1' grade. The priorities for the next five years, developed in review with tenants, include:
- Achieving decent homes targets.
 - Enhancing energy efficiency and carbon reduction.
 - Strengthening tenant engagement and empowerment.
 - Operational transformation and robust financial management.

Housing Supply and Estate Regeneration

78. The HRA Capital Programme is structured to address significant housing demand through two primary workstreams:
- New Supply: Delivering a combined increase of 429 acquisitions and new homes by 2030/31. This includes expenditure of £134.5 million for internal development and acquisitions over the five years to 2030/31.
 - Estate Regeneration: £190.5 million is allocated for flagship projects at Avondale and Hayes Town Centre, which will deliver 346 new homes for approved phases. Thirty units were delivered in 2025/26 that is excluded from the 346 previously stated. Future phases 2, 3 and 5 for the town centre that extends two years beyond the MTFP period is expected to deliver 236 new homes at a gross budget of £117m.

Investment in Existing Stock (Decent Homes)

79. A budget of £194.5 million is allocated over five years for an enhanced programme of works to existing stock. This follows a housing stock review indicating that 30% of properties require further work to maintain the required decency standard.

- Rolling Programme: Investment includes a five-year cycle for renewing kitchens, bathrooms, roofs, windows, and boilers.
- Green Investment: Funding is directed toward insulation and green measures to increase energy efficiency and tackle fuel poverty.

Revenue Budget Strategy and Modelling

80. Development of HRA budgets over the five-year period 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.
81. The Government announced rent convergence levels on 28th January 2026. Under convergence, scrapped in 2015, cheaper social housing rents are allowed to rise more quickly to ensure alignment between similar properties. Convergence will not be implemented for 2026/27 financial year. In 2027/28 weekly rents will be permitted to rise by £1 over and above CPI plus one per cent and then by £2 from 2028, until “formula rent” is reached. These rises have been factored into rent projections for the respective years until the end of the 10-year rent standard period March 2036.
82. The HRA budget strategy ensures a balanced position over the MTFs period, maintaining unallocated reserves at a target level of £15.0 million. Financial modelling based on a 30-Year Business Plan demonstrates long-term sustainability.

Table 12: Housing Revenue Account Budget Strategy

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m	£m
Total resources	(84.9)	(89.7)	(93.9)	(98.0)	(103.1)	(108.2)
Total service expenditure	57.8	64.4	65.9	68.9	71.2	72.5
Contribution to finance capital programme	15.8	16.4	17.1	17.5	17.9	18.6
Operating (Surplus)/Deficit	(11.3)	(8.9)	(10.9)	(11.6)	(14.1)	(17.1)
Use of balances, repayment of loans	11.4	8.8	10.9	11.6	14.1	17.1
(Increase)/Decrease in balances	0.1	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Closing HRA balances	(15.0)	(15.1)	(15.1)	(15.1)	(15.1)	(15.1)

83. Capital investment plans will result in the HRA Capital Financing Requirement increasing from £354.5m in 2025/26 to £524.7m in 2030/31. The debt-to-income ratio meets the recommended limit of 5:1 throughout the planning period from 2026/27 to 2030/31. Therefore, the programme is sustainable in the short to medium term. Further commentary on the HRA budget strategy is provided below, with detailed schedules included in Appendices B1 to B4.

Rental Income

84. HRA Dwelling rental income is projected to grow from £77.6m in 2025/26 to £99.9m by 2030/31, with this £22.3m increase in funding driven by a combination of inflation, convergence rises and net growth of 471 dwellings as investment in delivery of new stock outstrips projected losses through Right to Buy sales. From 2025/26 to 2030/31, acquisitions, development and regeneration schemes add 811 units to housing stock. RTB sales reduce stock by 340 units over the same period, resulting in a net gain of 471 units.
85. The table below provides an overview of projected changes in stock numbers, with new units being delivered through the capital investment plans expanded upon later in this report while units are sold under Right to Buy.

Table 13: HRA Stock Numbers

Tenanted Stock	2025/26	2026/27	2027/28	2028/29	2029/30	20230/31	Change
Projected Opening Stock	10,518	10,670	10,616	10,847	10,882	10,900	382
Net Movement	152	(54)	231	36	18	241	471
Projected Closing Stock	10,670	10,616	10,847	10,882	10,900	11,141	471
Projected Average Stock	10,594	10,643	10,731	10,865	10,891	11,020	426

Inflation

86. Inflationary cost pressures of £2.4m are projected within the HRA for 2026/27, rising to £6.5m by 2030/31, with contracted expenditure forecast to grow in line with the General Fund projections at 3.0% in 2026/27, then 2% thereafter in line with the Bank of England target rate. The pay award for the HRA is similarly in line with the General Fund at 3% in 2026/27, reducing to 2% per annum thereafter, with the employer's pension contributions set to increase by 3% in 2026/27 and 2% thereafter. Energy prices are forecast to dip in 2026/27, before returning to a 5% increase thereafter. Further analysis of the inflation requirement is presented in Appendix B2.

Capital Charges

87. Financing of capital schemes requires external borrowing of £231.4m and refinancing of historical Equal Instalment Plan (principal & interest) loans add £92.6m of new borrowing

over the period to 2030/31. The annual principal and interest repayments is projected to grow from £21.1m in 2025/26 to £37.9m by 2030/31. These financing charges reflect current borrowing costs, with underlying investment continuing to meet the thresholds for affordability, sustainability and prudence.

Growth

88. Growth of £2.2m from 2026/27 to 2030/31 has been included in the budget proposals to fund additional staffing and repairs and maintenance costs in line with the growing stock numbers and regulatory activities.
89. Compliance Officers (£103k) - Focused on securing access for statutory gas and electrical safety inspections (EICR). This will be removed in future years following recruitment to the new structure.
90. Service Improvement Resource (£350k): A front-loaded, fixed-term resource to drive transformation and achieve 'C1' status.
91. Annual Mandatory Subscriptions & Tenant Satisfaction Measures Data (£143k): Combined investment to ensure compliance with requirements of the Regulator of Social Housing. This includes mandatory professional subscriptions and the external collection of Tenant Satisfaction Measures (TSMs) to ensure transparent reporting.
92. Tenancy Sustainment & Training (£200k): Combined investment for supporting vulnerable tenants and upskilling the workforce in key areas including RSH professional qualification requirements.
93. Resident Engagement (£125k): Resident engagement costs moved into the HRA to ensure correct financial governance, ensuring the "voice of the tenant" is central to HRA operations. Customer service staffing allocation of £97k to meet growing customer base.
94. Programme and Property Management: Allocations of £130k and £575k to meet ambitious and complex development, acquisition and refurbishment schemes.
95. Income Collection: One-year fixed term posts with budget allocation of £220k to improve collection rates and drive down level of arrears.

Savings

96. The budget includes £1.8 of savings for the HRA to deliver, with £0.7m 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.
 - Review of Service Level Agreements: Saving £708k through internal recharge reviews.
 - Sheltered Housing Review: Achieving £37k efficiencies through service reviews and reduced overtime.
 - Rent Arrears Reduction: A strategic target to reduce debt provision by £693k in 2026/27.
 - Pension Contribution: A reduction of £303k is budgeted based on the latest actuarial review.

HOUSING REVENUE ACCOUNT CAPITAL

HRA Capital Programme Approach

97. HRA development schemes were reviewed extensively to meet social housing and temporary accommodation demand. General Fund and HRA housing plans were linked with provision of 224 homes to be provided between 2026/27 to 2028/29 to alleviate homelessness. Construction phasing and spending profiles were adjusted to keep within reserve limit of £15m and borrowing-income multiple of 5 times.
98. Since December 2025 Cabinet, a key change was made in swapping internal financing with external borrowing of c£200m over 17 years to 2041/42. Previously, it was assumed that legacy PWLB Equal Instalment Payment loans (principal and interest arrangements) could be met initially by council-wide cash balances and repaid promptly by the HRA. As cash was not available to the extent assumed refinancing was needed that consequently restricted the financial capacity of the HRA for large value investments in the medium term.
99. There are several options that are being explored to accelerate housing availability in the near term. These include:
- Evaluation of the merits of leasing arrangements,
 - Entering into partnerships with Housing Associations with council obtaining nomination rights,
 - Assessing mix-used developments with market units subsidising affordable housing,
 - Selling land to private developers with some level of affordable housing agreed.

HRA Capital Expenditure

100. Capital investment of £519.4m in expansion and enhancement of the housing stock over the period 2026/27 to 2030/31 has been fully reflected with this budget. Further detail on these investment plans can be found in Appendix B4, with a brief overview tabled below.

Table 14: HRA Capital Expenditure

	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	Five Year Outlook
	£m	£m	£m	£m	£m	£m	£m
Major Works & Improvements	32.1	35.1	35.6	32.1	29.6	27.2	159.6
Green Homes Initiative	4.8	10.3	10.3	6.2	5.1	3.1	34.9
Development Schemes	149.8	91.0	67.7	75.6	50.1	40.6	325.0
Total Expenditure	186.6	136.3	113.5	113.8	84.9	70.9	519.4

101. Investment in new housing of £324.9m includes £190.5m over the period 2026/27 to 2030/31 for the flagship regeneration projects on the Avondale and Hayes Town Centre estates which are expected to deliver 346 new homes. A further £134.5m has been

- allocated to deliver 406 units through internal development and acquisitions, with project timelines set out to maximise use of retained Right to Buy receipts over the MTFS period.
102. Works to stock has been budgeted at £159.6m based around a five-year cycle and includes renewal of key components such as kitchens, bathrooms, roofs, windows and boilers. This budget has increased significantly since February 2024 to comply with decent homes standard and Awaab's Law on damp and mould. Further investment of £34.9m in insulation measures and green investments is intended to increase energy efficiency and thereby contribute towards tackling fuel poverty.

HRA Capital Financing

103. 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 15: HRA Capital Financing

	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	Five Year Outlook
	£m	£m	£m	£m	£m	£m	£m
Revenue Contributions	23.4	16.5	17.5	17.7	18.2	18.9	88.8
Prudential Borrowing	77.9	62.2	40.3	60.4	40.6	27.9	231.4
Grants	72.4	30.0	27.5	28.2	18.4	16.2	120.4
Capital Receipts	12.9	27.6	28.2	7.5	7.7	7.9	78.8
Total Financing	186.6	136.3	113.5	113.8	84.9	70.9	519.4

104. External grant funding will be secured in support of the estate regeneration schemes and several 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.
105. 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 £231.4m planned borrowing has been factored into the 30-year business plan. The Council had received a stock condition survey in February 2025, and this has been used to further develop the Council's plans as part of the budget from 2026/27 onwards.
106. The outlook for debt levels of the MTFS period are summarised below. Capital financing requirement increases by £170.2m from 2025/26 to 2030/31 (or £116.6m from end of 2026/27).

Table 16: HRA Capital Financing Requirement

	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	Five Year Outlook
	£m						
Capital Financing Requirement	354.5	408.1	437.9	486.8	513.6	524.7	524.7
Projected External Borrowing	(354.5)	(408.1)	(437.9)	(486.8)	(513.6)	(524.7)	(524.7)
Projected Internal Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ratio CFR to HRA income	4.2	4.6	4.7	5.0	5.0	4.8	4.8

107. Given the key change in assumption about internal financing, a breakdown is presented in the table below. The need to refinance the EIP (Principal & Interest) loans has an overall impact of £61.1m on cashflows.

Table 17: Debt Servicing Costs

	2025.26	2026.27	2027.28	2028.29	2029.3	2030.31	Five Year Outlook
	£m	£m	£m	£m	£m	£m	£m
Opening HRA CFR	284.6	354.5	408.1	437.9	486.8	513.6	354.5
Capex financed by new loans	77.9	62.2	40.3	60.4	40.6	27.9	231.4
Principal repayments	(8.1)	(8.7)	(10.5)	(11.4)	(13.8)	(16.8)	(61.1)
Closing HRA CFR	354.5	408.1	437.9	486.8	513.6	524.7	524.7
Memo:							
<i>Interest expense</i>	13.0	17.2	17.9	19.9	20.9	21.2	97.0
<i>Principal repayments</i>	8.1	8.7	10.5	11.4	13.8	16.8	61.1
<i>Debt servicing costs (cashflow)</i>	21.1	25.8	28.4	31.3	34.7	38.0	158.2

DEDICATED SCHOOLS GRANT

108. The Schools Budget report is presented on the same agenda to the 19 February 2026 Cabinet meeting, so is not repeated here.
109. The Dedicated Schools Grant (DSG) total Block for the Maintained Schools is forecasting an in-year deficit of £9.6m based on the Month 9 forecast (December 2025), representing a significant improvement from the in-year deficit of £15.3m reported in the final accounts for 2024/25, as a result of a broad range of positive measures being deployed by the Council. 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 at 31 March 2026 is forecast at £75.5m.
110. There is currently a time-limited statutory override in place until 31 March 2028 effectively keeping the Schools Budget deficit behind a ringfence which ensures that this deficit does not impact upon general reserves. The Council is one of many local authorities managing a large deficit within the Schools Budget and this stood at £65.9m at 31 March 2025 and therefore exceeded General Fund reserve levels. While the deficit has continued to grow, this is now at a reducing rate as illustrated above. Between outturn 2024/25 and the position presented in this report, the Council has successfully reduced in-year spend against the Schools Budget by £5.7m (following a £13.4m reduction in the in-year deficit in the previous year) and projects that it will continue to make good progress in reducing spend in this area with deficits of £8.2m and £4.2m over the next two years. These will of course be subject to the level of demand which materialises (it should be noted that the service are seeing a significant increase in demand with the new SEND reforms due to be published). This would take the cumulative position to £87.9m before Government intervention and support.
111. It is recommended that Council approve a virement within the DSG to reflect the expected in-year deficit position of £8.2m for 2026/27. This adjustment is required to ensure the Council's financial reporting accurately represents the pressures within the High Needs Block and aligns with the predicted outturn for the financial year. The proposed virement will strengthen transparency in budget monitoring and support continued engagement with the Department for Education (DfE) as part of the DSG Management Plan. Approval of this adjustment will have no impact on the Council's General Fund but is essential to maintaining robust financial governance and effective oversight of the DSG deficit recovery strategy.

Table 18: DSG deficit

Dedicated Schools Grant (DSG) Blocks	Budget Allocation 2026/27 £m	Budget Requirement 2026/27 £m	Forecast £m	Variance £m
Schools Block	306.3		306.3	-
Early Years Block	78.7		78.7	-
Central Schools Block	2.5		2.5	-
High Needs Block	58.0	8.2	66.2	-
Budgeted Use of Reserves	(8.2)		(8.2)	-
Total	437.3	8.2	445.5	-
Projected Deficit B/Fwd at 1 April 2026				75.5
Budgeted Use of Reserves				8.2
High Needs Stability Grant				(69.3)
Total Deficit at 31 March 2027				14.4

112. On 9 February 2026, the final local government funding settlement announcement included new information on the Government's plans to support local authorities with their DSG deficits. This stated that:

"All local authorities with SEND deficits will be eligible in 2026/27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025-26. This grant will be paid in Autumn 2026, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan.

We know that SEND reform will take time to fully embed and local authorities will need further support. For deficits that arise in 2026–27 and 2027–28, local authorities can expect that we will continue to take an appropriate and proportionate approach, though it will not be unlimited. From 2028–29, SEND spending will be covered within the government's DEL budget so local authorities will not be expected to fund future SEND costs from general funds."

113. The formula is set out as follows:

High Needs Stability Grant

$$= (0.9 * (25 - 26 \text{ Deficit} + \text{Safety Valve Payments} + \text{Local Contributions})) - \text{Safety Valve Payments}$$

114. The implication of this would suggest that previous safety valve payments from both DfE and the local authority get added back into the deficit to derive the gross deficit before contributions and the Government funds 90% of this. The safety valve payments from

DfE then get deducted as these have already been received. Having contributed £4m from Council resources and received a further £22.04m from the DfE, the Council may expect in the region of £69m in the autumn grant payment. This would leave the Council with £6m to address in 2028/29 from its own resources, together with any further deficit to be borne relating to 26/27 to 27/28. However, the cash grant would bring benefits on treasury management and interest costs that offset this over the MTFs period. We will seek therefore to set this aside in order to mitigate the prospective impact that would land in 2028/29.

115. The Government has also signalled that:

“The Statutory Override will remain in place until the end of 2027-28. While it remains in effect, all DSG deficits including any proportion of the historic deficit up to 2025-26 not covered by grant (“the residual deficit”) will remain in the associated statutory reserve (“the unusable reserve”) and will not affect local authorities’ wider financial positions. The Statutory Override will end on 31 March 2028. Therefore, local authorities will need to plan to be able to meet the cost of the residual deficit from their own resources in 2028-29, including setting aside appropriate reserves in the preceding years.”

In financial year 2028/29 therefore, the Council will need to bear the residual deficit either through reserves, savings, or potentially additional EFS, depending on the most appropriate approach considered at that time. Given the lateness with which this news was received and could be processed, this has not been built into the MTFs forecast in this report and will form part of a future update.

COUNCIL TAX REQUIREMENT

116. Budget proposals for 2026/27 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.

117. The budget also reflects a continuation into 2026/27 of the discount offered to those currently in receipt of the Older People’s Discount. However, the scheme was closed to new entrants as of 1 April 2021 and hence the total value of discounts applied will reduce over time as those households in receipt of the discount move house or otherwise become ineligible to receive the discount.

Council Tax Referendum

118. 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.

119. The general Council Tax increase at which local authorities would be required to hold a referendum for 2026/27 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 2026/27.
120. For 2017/18 additional flexibility to levy a precept in support of Social Care expenditure was introduced by the Government, with the 2026/27 threshold being set at 2%. Due to the ongoing and increasing demand pressures on social care, the Council has opted to set the Adult Social Care Precept in 2026/27 at 2%.

Greater London Authority Precept

121. The Mayor of London's final budget proposals for 2026/27 are scheduled for consideration and approval by the London Assembly on 26 February 2026. The proposals result in a 4.1% increase in the element of Council Tax relating to GLA functions, equivalent to a £20.13 increase in annual bills for Band D Households.

TREASURY MANAGEMENT / INVESTMENT / CAPITAL STRATEGIES AND MRP STATEMENT

122. In Appendix G, the Council's Capital and Investment Strategy Requirements for 2026/27 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. These strategies need to be approved yearly and then are reported on through the Monitoring reports on a quarterly basis through their Prudential Indicators. There are 4 elements of the strategy:
 - **The Capital Strategy** is an overarching document with a simple guide on the capital programme, borrowing, investments and sets out the prudential indicators that the Council defines as parameters to work within setting a prudent and sustainable approach to its investment to meet service needs and any commercial activities.
 - **The Treasury Management Strategy Statement** provides further details on the impact of the capital programme in relation to its cash flow forecast, need to borrow and strategy with parameters around methods by which it can invest Council money.

- **The Investment Strategy** provides further detail from the Capital Strategy on investment objectives and parameters, focused on service and commercial investment activities.
- **The MRP statement** outlines the approach to calculating the minimum revenue contribution within the legislative framework which is a revenue cost resulting from borrowing to fund the capital programme.

RESIDENT BENEFIT & CONSULTATION

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

123. Consideration has been given to the potential equality impacts on Hillingdon residents and council staff who share protected characteristics as defined by the Equality Act 2010, on the budget proposals as outlined in this report.
124. This is in line with the Council's vision of putting residents first, its ambition for Hillingdon to be a safe, inclusive and more digital borough with a strong economy, and its commitment to equality, diversity and inclusion (EDI).
125. Where a budget proposal impacting on 2026/27 is relevant to equality and may have an impact on residents, Equality Impact Assessments (EIAs) have been completed and are presented at Appendix E. For proposals affecting council staff, EIA's will be completed as part of the staff consultation process in line with HR policies and procedures.
126. The analysis in these EIAs will be refreshed and updated as new evidence becomes available, or as the proposals are progressed. This may be from consultation and engagement activity, or other data sources.
127. Members are requested to read each individual EIA presented in full and have due regard to the equality impacts when determining whether to approve the 2026/27 budget. The fact that there may be an equality impact does not imply that the budget or the specific proposal should not be approved.
128. It is important to note that 'due regard' also means that consideration given to equality matters should be appropriate to the nature and impact of the decision being taken. Members should weigh up equality implications alongside any other relevant factors in the decision-making process. In this case the most significant other matters are:
 - a. the statutory requirement to set a balanced budget.
 - b. the ambitions the Council has for Hillingdon, as set out in the Council Strategy 2022-26
 - c. the demographic pressures facing the Council's services including a rising population with projected increases in the number of older residents and children and young people, and subsequent impacts on demand for council services such as temporary accommodation and social care.

Cumulative impact

129. The EIAs for the budget proposals have been analysed to understand potential negative impacts on those who share protected characteristics, particularly where they may be impacted by multiple proposals. The second table set out in the appendix highlights the characteristic groups affected where specific proposals with an equality impact have been identified, hence is indicative of the potential cumulative impact on each of these groups.
130. The following groups who share protected characteristics have been identified as potentially being negatively impacted the most by the proposals, specifically with regards to increases in cost and a move to digital services:
- Older adults
 - Adults of all ages who are disabled
 - Women
131. The cumulative impact on these groups will be monitored with further EIA's being carried out where appropriate.

Mitigation

132. To mitigate against any potentially negative ongoing impacts, the council will take the following measures:
- Deliver ongoing engagement activities that put residents first and focus on supporting people that need them most.
 - Invest in and promote preventative activity and early-intervention measures including engaging with the third sector and community groups to support those who are not eligible for services.
 - Undertake ongoing evaluation of the impacts of changes to services to build further evidence on who is affected by them.
 - Provide information and support to service users that are potentially negatively impacted to enable them to draw on their own resources or seek further support either from the council or partner organisations, including in using digital technologies and services.
 - Ensure changes to staffing levels or structures are completed in accordance with the council's human resources policies and procedures.
 - Ensure staff are fully supported with training and adjustments including the use of AI and digital technologies, as well as being equipped to support residents to do the same.

Consultation & Engagement carried out (or required)

133. 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 23 December 2025 for consultation in the January 2026 round of Select Committee meetings. Each Select Committee prepared an agreed set of comments on the budget proposals presented within their remit, with these comments presented for Cabinet consideration in Appendix C.
134. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the Borough. A consultation survey on the budget proposals was published on 24 December for a 6-week period until 4 February 2026. This was published on the Council's website, on social media platforms, in the Hillingdon People magazine (January/February edition), in the Hillingdon People Extra e-magazine (December/January) and by press release and Council website news article.
135. The Council received 277 responses from residents, representing an increase of 144 on the volume of responses received to the previous year's consultation launched in December 2024. Consultation responses demonstrate strong support for prioritising statutory and frontline services, particularly those protecting vulnerable residents and maintaining core environmental services. Respondents consistently call for improved efficiency, reductions in non-essential expenditure, and greater transparency in budget decision-making. Overall sentiment reflects a pragmatic understanding of the financial constraints, coupled with clear expectations around fairness, accountability, and value for money.
136. The highest priority areas are viewed as being:
- Protecting vulnerable children and giving them a good start in life
 - Collecting waste and keeping streets clean and tidy
 - Protecting older people and adults with disabilities and other vulnerabilities
137. The lowest priority area is viewed as being:
- Providing theatres, museums, heritage and cultural services.
138. Further detail and analysis of the responses to the public consultation can be found at Appendix D.

CORPORATE CONSIDERATIONS

Corporate Finance

139. This is a Corporate Finance report and so implications are noted throughout the report. A separate Section 25 report will be produced by the S151 Officer which will be presented to full Council as a separate paper.

Legal

140. 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 26/27 financial year, before 11 March 2026. 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).
141. 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.
142. 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. Cabinet is scheduled to meet on 19 February 2026 to settle the draft budget that it wishes to present to Council on 26 February 2026 for adoption.

Property

143. The Capital Programme set out in Appendix A10a includes developments, decarbonisation and maintenance initiatives, refurbishments of garage sites and car parks, as well as school expansions funded by DfE grant, with Appendix B5b setting out the developments, programmes of work on council housing stock and acquisitions for the Housing Revenue Account. The HRA revenue budget also includes funding for reactive maintenance.
144. The Flexible use of Capital Receipts Strategy requires capital receipts to be available to cover the expenditure capitalised and offset, as set out earlier in this report. The Council will have sufficient receipts with which to cover the planned expenditure set out in Appendix F due to the sale of the former Uxbridge Library building. Plans to generate further capital receipts to cover future FCR Strategy requirements and/or to repay EFS are being worked up.

Comments from other relevant service areas

145. There are no specific decisions on which other departments need to provide comments.

BACKGROUND PAPERS

- Monthly Council Budget Monitoring Report: Month 9 – Report Item 5 to Cabinet on [19 February 2026](#)
- 2026/27 Consultation Budget - Report Item 5 (“2026/27 Budget and Future Medium-Term Financial Strategy”) to Cabinet on [23 December 2025](#)
- General Fund Revenue Budget, Housing Revenue Account and Capital Programme 2025 / 2026 – Report Item 52 to Council on [27 February 2025](#)
- Council Tax Base and Business Rates Forecast 2026/27 – Report Item 9 to Council on [22 January 2026](#)

APPENDICES

- Main General Fund Tables
 - A1 - Corporate Summary
 - A2 - Funding projections
 - A3 - Inflation provision
 - A4 - Savings proposals
 - A5 - Growth proposals
 - A6 - Corporate Items
 - A7 - Changes since consultation budget
 - A8 - Summary Budgets by Directorate
 - A9 - General Fund Capital Programme – Summary
 - A10a - General Fund Capital Programme – 5-year view by project
 - A10b - General Fund Capital Programme – 1-year view with funding breakdown
 - A11 – General Fund Capital Programme – Total Project Budgets
- Main HRA Tables
 - B1 - HRA Revenue Budget – Corporate Summary
 - B2 - HRA Revenue Budget – Inflation Provisions
 - B3 - HRA Revenue Budget – Service Budgets
 - B4 - HRA Capital Programme – Summary
 - B5a – HRA Capital Programme – Projects Summary
 - B5b – HRA Capital Programme – 5-year view by project
 - B5c – HRA Capital Programme – 1-year view with funding breakdown
- C - Select Committee comments
- D - Feedback from public consultation
- E - Equality Impact Assessments
- F - Flexible use of Capital Receipts Strategy
- G - Capital and Investment Strategy Requirements
- H1 - Fees and Charges – General Fund
- H2 - HRA Service Charges
- I - Pay Policy Statement
- J - Council Tax Resolution