

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2024/25 - 2028/29

Cabinet Members	Councillor Martin Goddard
Cabinet Portfolios	Finance
Officer Contact(s)	Andy Evans, Corporate Director of Finance
Papers with report	Appendix A: General Fund Budget Proposals Appendix B: HRA Budget Proposals Appendix C: Proposed Amendments to Fees and Charges Appendix D: Capital & Investment Strategies Appendix E: Pay Policy Statement Appendix F: Budget Consultation Feedback

HEADLINES

Summary	<p>This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund and Housing Revenue Account budgets for 2024/25, presented in the context of the Council's five-year budget strategy to 2028/29.</p> <p>Budget proposals for 2024/25 include a 4.99% increase in the headline rate of Council Tax. This comprises a core Council Tax increase of 2.99% together with a 2% increase relating to the Adult Social Care Precept.</p> <p>Cabinet are requested to recommend their budget proposals to Council on 22 February 2024. This is in order to formally set the General Fund revenue budget, the Housing Revenue Account budget, the Capital Programme and Council Tax for the 2024/25 financial year.</p>
Putting our Residents First	<p>This report supports the delivery of the Council Strategy 2022-2026. Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.</p>
Financial Cost	<p>This report outlines a balanced budget for the 2024/25 financial year, on the basis of a below inflationary 2.99% increase in the headline rate of Council Tax and use of the 2.00% Social Care Precept in line with the Government's funding framework for local services.</p>
Select Committee	All
Relevant Ward	All

Cabinet report: 15 February 2024

(Part 1 – Public)

RECOMMENDATIONS

That Cabinet approves for recommendation to Council:

- 1) **The General Fund and Housing Revenue Account budgets and Capital Programme proposals for 2024/25 (as detailed in Appendices A, B and C) and beyond, and having taken the consultation responses conscientiously into account outlined in Appendix F Budget Consultation Feedback.**
- 2) **The Capital Strategy, Treasury Management Strategy Statement, Investment Strategy, and Minimum Revenue Provision Statement for 2023/24 to 2028/29 as detailed at Appendix D.**
- 3) **The proposed London Borough of Hillingdon Pay Policy Statement for 2024/25 set out at Appendix E.**
- 4) **That it resolves that Cabinet may utilise the general reserves or balances during 2024/25 in support of functions designated to the Cabinet in line with Part 4 of the Constitution (as set out in Schedule G of the Constitution - Budget and Policy Framework Procedure Rules).**
- 5) **Authorise the Corporate Director of Finance, in consultation with the Cabinet Member for Finance, to respond on behalf of the Council to the consultation on the provisional Local Government Finance Settlement and to the Mayor of London's budget consultation.**

That Cabinet:

- 6) **Notes the Corporate Director of Finance's comments regarding his responsibilities under the Local Government Act 2003.**

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2024/25. This includes the impact on Council Tax, alongside housing rents and service charges.

The Council has powers only to approve revenue budgets and set Council Tax and housing rents for the following financial year. Medium term revenue budgets are presented to aid future financial planning and support good decision-making, with this document outlining Cabinet's budget strategy for the next five years. The Capital Programme is approved over a five-year period as

the statutory framework provides greater freedoms under the Prudential Code to encourage a longer-term approach to capital financing and borrowing decisions.

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

Both Cabinet and Council should give full consideration to the Corporate Director of Finance's comments under the Local Government Act 2003 and the need to ensure sufficient resources are available in balances and contingencies in the event of any significant adverse changes in the Council's funding environment. These comments are set out from paragraph 154 of this report.

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

Alternative options considered / risk management

Increases proposed in the budget could be removed and either the Council Tax requirement reduced, or alternative items substituted for them. Similarly, further items could be added either to the budget requirement through additional increases, increased provision for risk via the general contingency, or by reducing the package of savings. Council Tax could then be increased accordingly within the constraints imposed by the Government's referendum regime, which would limit any increase to 2.99% of general Council Tax before triggering the need for a referendum and a further 2.00% in the form of a Social Care Precept. The current budget proposals reflect the full use of these limits, as it continues to be clear that this is the Government's intended way to raise funding for Social Care pressures. A change in the budget requirement of £1,388k either way (increase or decrease) will result in an increase or decrease of 1.0% in the level of the Council Tax, equivalent to £13.26 per annum at Band D level.

Members could decide to add or remove new capital schemes from the Capital Programme included in this report. The funding for any additional new schemes would necessarily come from Prudential Borrowing in the first instance. This would have a consequential upward impact on the revenue budget requirement and Council Tax or the level of balances if they are HRA capital projects.

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

The Council may choose to set rents lower than those proposed, however between 2016/17 and 2019/20 Government directed local authorities to decrease rents by at least 1%, thereby removing the option to increase rents, with 2024/25 being the fifth year of a return to rent increases. Lowering rents for a further year, or reducing the increase proposed, would result in less income and a detrimental impact upon HRA balances.

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

The Corporate Director of Finance can give surety on the robustness of estimates included within this consultation budget, which is based on established, rigorous business processes around robust financial modelling and closely aligned to service plans. Implementation of budget proposals will be closely tracked through the monthly budget monitoring processes during 2024/25.

Select Committee Comments

Full report on the budget process, financial strategy and detailed budget proposals for services within the remit of each Select Committees were presented for review at meetings during January and February 2024, with comments from each committee presented in Appendix F to this report.

SUPPORTING INFORMATION

INTRODUCTION

1. This report provides an overview of the Cabinet's budget proposals in respect of the Council's General Fund and Housing Revenue Account (HRA), alongside an update on the latest position on the Schools Budget which is being prepared in the context of the Council's Safety Valve agreement with the Department for Education. Both General Fund and Housing Revenue Account budgets are presented to support Cabinet in recommending the budget to Council for final approval on 22 February 2024.
2. The General Fund budget for 2024/25 has been prepared in the context of a five-year strategy, which incorporates the impact of a comprehensive review of capital investment plans and strategic savings programme in the context of challenging economic circumstance globally, nationally and locally. With 2024/25 being the final year in the current Spending Review period and with no indication from Government on local authority funding from 2025/26 and beyond, there remains a significant amount of risk within the Council's funding position whilst the sector awaits an update from Government. The Council continues to operate in a high inflationary environment whilst residents deal with cost-of-living pressures, with the Council also continuing to see legacy impacts from the pandemic impacting on demand for Council services.
3. The Council continues to manage the challenges arising from significant levels of underfunded demand and inflation within the Schools Budget (which is a ring-fenced fund, established by a statutory override) assuming that the statutory override will continue beyond 31 March 2025. If this were not to be renewed it would represent a material risk to the financial resilience of local authorities nationally, and is evidenced locally by the projected deficit of £26,487k reported on this fund for 2023/24.
4. The five-year strategy for the HRA, complemented by a 30 Year Business Plan demonstrates the long-term financial sustainability of the ringfenced account and viability of the significant capital investment plans, which are expanded upon in the relevant sections of this report. Increased expenditure associated with damp and mould costs alongside additional costs pressures associated with meeting the requirements of the Housing Regulator and increasing stock management pressures represent a challenge to the HRA operating model.
5. Following December Cabinet on 14 December 2023, a number of funding assumptions have been firmed up, including announcements following the publication of the Final Local Government Finance Settlement increasing funding for the Council. This increase has been used to fund new and emerging pressures associated with demand-led growth areas in the budget.

6. The table and narrative below outline the changes to the recommended budget proposals from the report considered by Cabinet on 14 December 2023, with improvements in funding projections in 2024/25 largely being used to fund additional demand across four areas of the Council's demand-led services areas, with these being Looked After Children, SEND Transport, Adult Social Care Placements and Homelessness Prevention. Each of these items is also considered in the relevant section of this report, with specific movements since December 2023 reported from paragraph 149.

Table 1: Changes Since December Cabinet

General Fund Budget Corporate Summary	2024/25 £'000	Five Year Outlook £'000
Year on Year Change in Budget (Gap) / Surplus Budget (Gap) / Surplus for the Year	0 0	17,579
<u>Funding Updates</u>		
Provisional Settlement	577	577
Final Settlement	(2,593)	(2,198)
Other Central Government Funding	1,042	0
Retained Business Rates	(750)	(750)
Collection Fund Surplus	(74)	0
<u>Expenditure Updates</u>		
Inflation	(34)	(79)
Looked After Children	736	736
SEND Transport	98	98
Adult Social Care Placements	795	795
Homelessness Prevention	203	645
Capital Financing Requirement	0	1,129
Total Updates	0	953
Year on Year Change in Budget (Gap) / Surplus Budget (Gap) / Surplus for the Year	0 0	953 18,532

7. Capital Programme Changes: Since publication of the consultation budget in December 2023, a number of updates have been added to the programme, including an increase in the contingency budget to offset the risk of inflation and latest intelligence on project delivery has enabled a further refresh of the programme – facilitating a £30,240k uplift in planned investment, with £10,000k being added to fund expected increased in delivering the increase in the SEND provision programme, which supports the Council's Safety Valve agreement. A further £5,000k has been added to the investment in care home capacity programme budget, £3,000k has been added to fund further investment in technology and innovation, a further £2,000k in Highways Structural Works and £240k being added to a new capital

programme item to support improvements to the Waste Service, with this being funded from Prudential Borrowing, to support the Capital Programme, a £10,000k contingency budget has also been added. This results in £248,012k planned investment over the MTF period from 2024/25 onwards, with financing structured around £63,082k borrowing and £75,216k planned Capital Receipts.

8. Housing Revenue Account (HRA) Changes: The HRA Capital Programme has been expanded to include a commissioning plan amounting to £88m to purchase 200 additional dwellings to increase the Council's housing stock, with these additions being available to support the Council's increased demand for homelessness support. This increased investment has been offset by the Council securing a further £10m of grant funding towards acquisitions and developments.

GENERAL FUND REVENUE BUDGET

BUDGET STRATEGY AND SUMMARY OF PROPOSALS

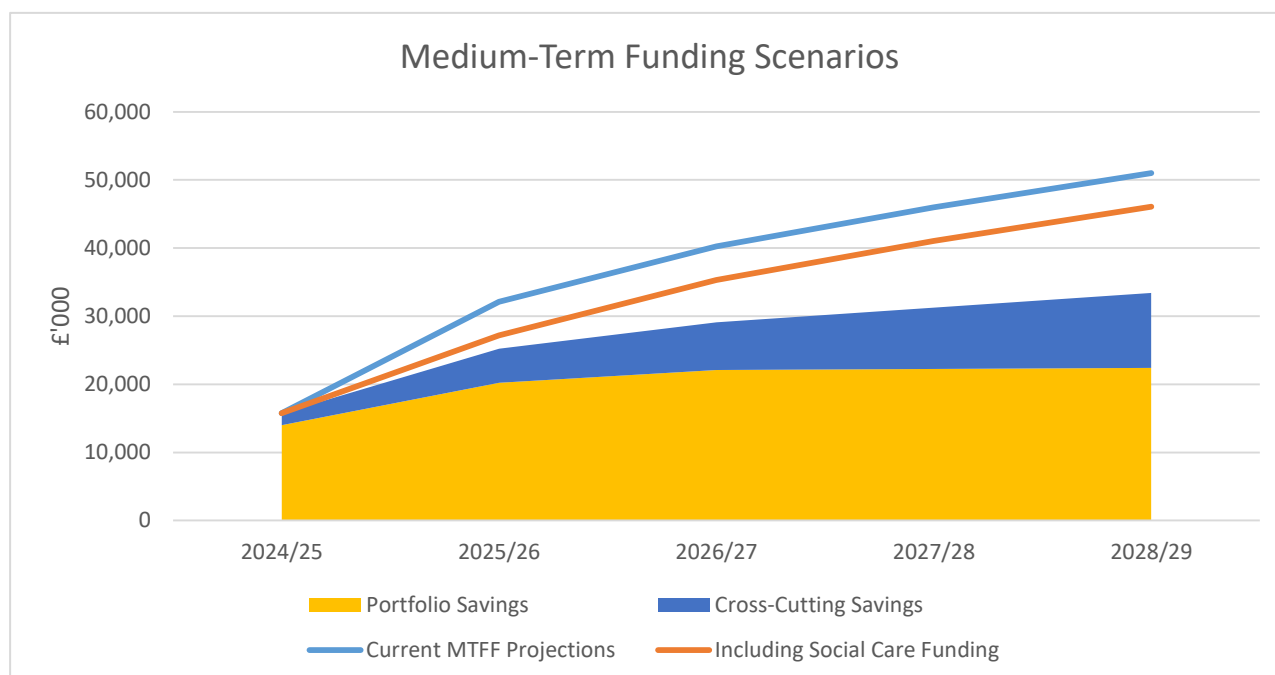
9. Budget proposals for 2024/25 have been prepared in the context of a wider strategy addressing the five-year MTFF period through which service expenditure is to be managed within available resources in the context of a challenging economic environment both in terms of exceptional cost inflation pressures, the impact of cost-of-living pressures and the continuing legacy of COVID-19. To balance the budget, the Council has a number of mechanisms at its disposal to deliver this including a combination of delivering efficiency savings and increases in the Council Tax, taking into consideration policy decisions, whilst setting a strategy that increases reserves above those forecast within the 2023/24 position.
10. This budget strategy is based upon the principle of sound financial management set against the backdrop of these challenging economic conditions, with the latest monitoring position for the 2023/24 financial year reporting a net underspend of £2k which will leave uncommitted General Balances at £26,848k entering the 2024/25 financial year.
11. However, the 2023/24 position reflects the use of Earmarked Reserves to fund £3,622k of exceptional inflationary pressures on service budgets including the 2023/24 pay award. Furthermore, the Council is drawing down £1,768k from reserves to fund local priorities, £1,535k to fund legacy impacts against taxation income driven by the pandemic and £3,450k to fund new and emerging demand pressures and a net £649k of other costs. With windfall income from the West London Waste Authority of £1,500k offsetting these drawdowns, the net impact is a £9,524k use of reserves, leaving a closing balance of £10,536k against the Council's Earmarked Reserves.
12. Of the £22,762k savings within the 2023/24 budget, 74% are banked or on track for delivery in full, with potential risks arising on 1% (£330k), relating to timing issues on practical implementation of two projects, which are ultimately expected to be resolved. Further information on this position is set out in the Month 9 budget monitoring report also presented to Cabinet on this agenda, but it is expected that all 2023/24 savings will ultimately be banked in full or replaced with alternative measures in the event of any ongoing shortfall.
13. Based on 2.99% per annum increases in the core Council Tax and 2% per annum increases in the Social Care Precept for 2024/25, reducing to 3.8% overall increase in 2025/26 and 2.8% thereafter, funding available to support service expenditure is projected to grow by £39,580k to £302,858k between 2024/25 and 2028/29. A combination of exceptional inflationary pressures particularly in the earlier years of the budget strategy and demand-led growth (including the legacy impacts of the COVID-19 pandemic), is projected to generate a £58,112k uplift in service expenditure across the five-year term. In order to address this differential, to date, a savings programme of £33,411k has been developed, leaving a residual budget gap of £18,532k across the five-year MTFF period, with £15,752k of savings being proposed for 2024/25 increasing throughout the later years of the MTFF period.

Table 1: Budget Strategy

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Total Resources	263,278	284,510	284,833	291,616	296,624	302,858
Total Service Expenditure	263,278	284,510	291,947	303,428	312,160	321,390
Cumulative Budget Gap	0	0	(7,114)	(11,812)	(15,536)	(18,532)

14. As is the case for the vast majority of local authorities, the Council has experienced exceptional economic factors that are driving a material inflationary requirement, which is having a significant impact on the cost of providing services to residents, with Government funding no longer keeping pace with the increased expenditure the Council is facing. The generally accepted measure of inflation, the Consumer Price Index (CPI) continues to track above the Bank of England target rate of 2% and peaked at 11.1% in October 2022 before falling to 4.0% in the latest published data for December 2023. This high inflation environment has yielded a forecast inflationary requirement of £16,625k in 2024/25, rising to £48,097k by 2028/29.
15. This compares to a forecast of £10,906k for 2024/25 when the Council set out the previous iteration of the budget strategy in February 2023, with this latest refresh presenting a 52% increase from these projections. Inflation, together with further increase in demand-led growth and corporate items has generated the need for the continuing development of savings programmes. It is expected that this will continue to be a key requirement within our budget strategy in the years ahead.
16. The Council is therefore now following a policy of adjusting Fees & Charges each year by the prevailing rate of inflation. This should avoid the need to repeat the adjustment made in 2023/24. It should be noted that Hillingdon's Fees and Charges are materially lower than the majority of neighbouring Outer London Boroughs.
17. The Autumn Statement announced in parliament on 22 November 2023 implied spending targets for unprotected Government departments from 2025/26 onwards will result in real terms spending reductions, with the OBR estimating spending on unprotected departments would fall by 2.3% in real terms from 2025/26, with this number forecast to increase to 4.1% per year, should the government follow through on its ambition to increase defence spending to 2.5% of GDP and return overseas development assistance to its 0.7% of gross national income target. This therefore might imply that the best-case scenario would see cash flat settlements from 2025/26 onwards.

Chart 1: Medium Term Funding Scenarios



18. As can be seen from the analysis above, the savings programme outlined in this budget strategy would only be sufficient to contain service expenditure within the resource envelope in a scenario where the £5.1m funding allocated by the Government in core Adult Social Care spending is retained in 2025/26 and beyond. While the core MTFF projections allow for this previous tranche of funding being stepped down from 2025/26, these projections assume the recently announced £2.2m share of funding will be recurrent in nature. However, the current savings programme reflects specifically identified actions at this time and the Council expects to develop and increase the programme further over the life of the MTFF. It should be recognised that in the absence of the retention of the aforementioned Adult Social Care Funding and increased savings, a requirement for a 30% uplift in core government grant support would be necessary in order to balance later years budgets.
19. The continuation of a second year of adverse economic conditions and the stubbornly high inflationary pressures represents the main cause of the current cost-of-living pressures, with the impact from increasing costs and declining revenues having negative impacts on local residents and businesses, with the Council in turn exposed to these forces and facing similar challenges in service delivery, albeit on a larger scale and in the context of a range of statutory responsibilities. The impact of this is particularly evident in the Council's homelessness prevention service, which is experiencing a sustained period of high demand, with the Council needing to materially increase the level of budgetary provision in this area. Furthermore, COVID-19 legacy issues continue to impact on Council services and finances, with pandemic related pressures believed to be a strong driver for the ongoing financial pressures within Adult Social Care.

20. Notwithstanding the additional challenges presented by adverse economic conditions and the legacy impacts from the pandemic, this budget strategy does not rely upon use of General Balances to support service expenditure and aims to increase net reserves over the five-year MTF period to build the Council's financial resilience going forward, with this strategy proposing an increase in reserves of £7,500k by 2028/29 if no unforeseen economic shocks are sustained. A review of the range of general risks affecting the Council and the anticipated release of significant sums from provisions and EMRs in 2023/24 indicates that the recommended level of uncommitted reserves (General Balances) should be between £32,000k and £55,000k, with planned set asides of £1,500k per annum providing a mechanism of securing balances within this range over the medium term.
21. In addition to General Balances, the Council holds Earmarked Reserves to manage specific risks, projects and cyclical expenditure commitments. At 31 March 2024, these are projected to total £10,536k, with £1,302k being the remaining balance of identified funding to meet exceptional inflationary pressures. This strategy includes no further release from earmarked reserves to fund ongoing service expenditure.
22. Savings proposals totalling £33,411k have been developed towards mitigating the emerging expenditure pressures as funding levels are projected to grow at a slower rate than demand for Council Services, with a residual £18,532k budget gap to be mitigated over the period from 2024/25 to 2028/29. As in previous years, savings proposals for the forthcoming financial year are specific in nature, with medium-term plans structured around wider strategic approaches to transformation of local services. Proposals have been developed within the themes of Service Transformation, Effective Procurement, Digital Strategy, Workforce, Managing Demand and Income Generation & Commercialisation and Zero Based Reviews, with an overview of specific measures set out within this report.
23. Following on from the Final Settlement published in February 2024, it appears that Government Grants and Business Rates income are failing to match prevailing levels of inflation currently being experienced in the medium term and that demand levels for Adult and Children's Social Care provision have shown and will continue to show unrelenting growth, with the additional £500m of funding the Government announced between the provisional and final settlements not being sufficient to meet the additional costs of running these services.
24. This draft budget outlines £377,109k of proposed capital expenditure – including substantial investment in local infrastructure, a new leisure centre and delivery of significant additional SEND capacity in the borough's schools – of which £104,316k is to be financed through borrowing. Taken together with historic capital spending, this investment will result in the Capital Financing Requirement peaking at £324,326k in 2025/26 and declining thereafter. Of this peak borrowing requirement, £279,200k is expected to necessitate external borrowing, with £45,126k being financed through General Fund reserves and working capital.

25. The following sections of this report and Appendix A provide further commentary and analysis to support the General Fund budget strategy, before returning to a summary of the Schools Budget position and Housing Revenue Account in turn.

RISK MANAGEMENT

26. In developing a strategy to deliver services within a constrained resource envelope, it is necessary to reflect upon both risk and opportunity arising from the Council's current financial standing, with this assessment in essence representing an informed view of the organisation's financial resilience. The following paragraphs provide an update on the constituent elements of this assessment:

- i. **General Fund Reserve-levels:** a key indicator of financial resilience, the Council was projected to retain £45.2m at 31 March 2023 between general and earmarked reserves at the time of budget setting in February 2023, with the final outturn for the year seeing this sum increase to £46.9m. Latest projections for the 2023/24 year would see this sum fall to £37.4m by 31 March 2024, which remains broadly in line with budget strategy assumptions as one-off or windfall gains are being deployed to meet additional cost pressures arising from the ongoing high inflation environment while also reflecting that the Council has historic commitments against specific earmarked reserves. Of this sum £26.9m is projected to be held in unallocated General Balance, with £10.5m earmarked for specific purposes.

The Corporate Director of Finance is required to set out a recommended range for unallocated reserves, which is now between £32m and £55m. Current reserve levels are therefore towards the lower end of the acceptable range for an authority such as Hillingdon, and as outlined in the Section 25 Statement in the Budget Strategy report presented to Cabinet in February 2023, this budget now proposes increasing reserves by £7.5m by 2028/29. The recommended range for General Balances is predicated on the Council being able to deliver balanced budgets and makes no provision for substantial deployment of reserves over the MTF period.

While reserve-levels remain within the recommended range, it is notable that the Council's absolute levels of reserve are an outlier in London – being ranked 31 from 33 authorities at 31 March 2022 (the last date for which comparable data is publicly available). This will impact how the Council develops its budget strategy over the coming years with a focus on building resilience through £7.5m budgeted contributions to reserves over the five-year period of the MTF.

- ii. **Dedicated Schools Grant Deficit:** the cumulative deficit arising from sustained underfunding of SEND provision by the Department for Education stood at £21.9m at 31 March 2023, equivalent to 47% of the Council's total General Fund Reserves. There is currently a time-limited statutory override in place until 31 March 2025 which ensures that this deficit does not impact upon general reserves, and the Council's General Fund

budget strategy is predicated on the further continuation of this override. As the Council continues to invest significant funds and capacity to bring this ringfenced account into balance over the medium term, the DSG deficit will continue to represent a call on financial capacity.

- iii. **Capital Financing Requirement:** this reflects the Council's underlying need to borrow and the element of historic investment that has not yet but will ultimately be funded from Council Tax receipts. At the time of the last budget setting in February 2023 this was projected to total £259.7m at 31 March 2023, with the final outturn position falling marginally to £257.6m as a result of slippage in planned capital spending. At 21.5% of the Council's £1,196m asset base, this does not represent an excessive level of borrowing for an authority such as Hillingdon and plans are in place to fully meet this obligation over the useful economic lives of the associated assets.

The Council retains no material interest in investment property or other commercial interests on its balance sheet, with assets held primarily for delivery of services to local residents. As a result, a material write-down of asset values is not considered a material risk for Hillingdon and economic conditions would not be in a position to require accelerated funding of the Capital Financing Requirement.

Shareholding in the Council's housing development company currently totals £4.9m, with facility for further lending to finance specific schemes on a case-by-case basis. Given the scale of projects delivered by the company and the Council's status as sole shareholder and lender, the risk of this operation adversely affecting the Council's broader financial resilience is limited.

27. On the basis of these core balance sheet measures, Hillingdon maintains significant capacity for capital investment with limited exposure to commercial risk, albeit with a lower level of reserves cover than other authorities which emphasises the requirements for a greater focus on reliable delivery of balanced budgets. While it is likely that almost all local authorities are facing a budgetary challenge of a similar nature to Hillingdon, it is notable some of those authorities may have higher debt and associated risk with the recent increases in interest rates. In this context the current MTF strategy depends on the achievement of asset sales with circa £75 million assumed over the next five years and these providing the financing towards the Council's transformation programme and DSG Safety Valve agreement requirements.
28. Based on the Council's assessment of its financial resilience, the budget strategy presented in this report has taken a prudent approach to the review of inflation, with the Council's core inflation assumption being that CPI continues to track at circa 7% per annum for 2023/24 and 2024/25, before falling to 4% for 2025/26, then returning to the Bank of England target rate of 2% for the remainder of the five-year strategy. The approach assumes that much of the Council's core contracted expenditure ultimately presents for an increase of this magnitude, albeit with an expectation that the timing of uplifts will present on a staggered

basis. On a similar approach, Social Care continues to generate a significant inflation requirement against an expenditure budget exceeding £122m.

29. Following ten years of Hillingdon freezing Council Tax before applying more modest increases in recent times, Hillingdon has positioned itself as a low tax authority, however, as the Government assume that Councils will raise Council Tax in line with the referendum threshold, the Council's core spending power is tracking behind where Government models would assess it to be. Indeed, it should be noted that as a result of the ten-year freeze, even after an increase in 2023/24, Council Tax levels in Hillingdon are amongst the lowest in London. This means that the robustness of estimates is critical as the Council needs to ensure that Service Operating Budgets are sufficient to fund services going forward without the reliance on reserves.
30. The Council continues to take a robust approach to the recommended Savings Programme, which is focussed on making improvements and efficiencies in service delivery rather than service reductions, with assessed proposals being included in the Council's budget strategy, and the majority of savings targets are assigned to specific service departments, This allows the Council to have greater certainty in the delivery of the saving programme, albeit with an inherent level of risk due to continuing adverse economic conditions and the increasingly complex nature of the savings initiatives being undertaken.
31. The combination of this substantial savings programme and proposed uplifts in Fees & Charges are projected to secure £15.7m benefit in the 2024/25 financial year, indicating the scale of measures required to manage the increased savings requirement for the forthcoming financial year.
32. Based on the approach adopted to generating the Council's budget strategy, the procedures it follows, and the assumptions included in this report, the budget strategy is deemed to be based on sound forecasting and realistic assumptions that enable the Cabinet to present this position to Council for consideration.
33. Further commentary on the robustness of estimates and adequacy of reserves is included within the Corporate Director of Finance's Section 25 statement from paragraph 154 of this report, which forms part of the broader governance framework around budget setting in local authorities.

FUNDING SOURCES

34. General funding available to support the Council's service expenditure are projected to grow from £263,278k in 2023/24 to £302,858k by 2028/29, an uplift of £42,561k across Council Tax, Business Rates and Government Grants offset by unwinding reliance on one-off funding sources to leave a net increase in resources of £39,580k by 2028/29. This position includes £2.2m of ongoing increased income from Business Rates from releasing part of the 5% increase in bills raised to local businesses from the national revaluation, with the in-year

benefit from this position being the key driver behind one-off funding of £3,651k from the collection fund surplus being realised in 2024/25 and actions to improve in-year collection of Council Tax. With the Final Settlement being published in February 2024, Central Government funding for the next year has now been confirmed for the majority of funding streams. The following table and commentary provide an overview on each of these funding streams, with Appendices A1 and A2 providing detailed projections.

Table 2: Funding Sources

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Council Tax Revenues	137,440	145,751	153,743	159,690	165,851	172,185
Business Rates Income	60,670	69,026	69,830	69,830	69,830	69,830
Corporate Grant Income	63,687	66,782	61,560	61,996	62,443	62,343
Total Recurrent Funding	261,797	281,559	285,133	291,516	298,124	304,358
Collection Fund Surplus	(54)	4,451	1,200	1,600	0	0
Release of COVID-19 Reserves	1,535	0	0	0	0	0
Rebuilding Reserves	0	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Total One-Off Funding	1,481	2,951	(300)	100	(1,500)	(1,500)
Total Resources	263,278	284,510	284,833	291,616	296,624	302,858

35. Income from Council Tax is projected to grow by £34,745k over the period to 2028/29 as a result of inflationary uplifts in the headline rate, further use of the Social Care Precept and growth in the taxbase. The first two years of the budget strategy include below inflationary increases but utilise the revised Council Tax referendum thresholds announced in the Autumn Statement, with an uplift of 2.99% per annum factored into this budget for 2024/25, reducing to 1.8% in 2025/26, together with 2.0% per annum increases in the Social Care Precept in line with the Government's approach to managing demand in this area. From 2026/27 onwards, in line with the Council's inflation assumptions, Council Tax is forecast to increase at the lower rate of 1.8% per annum for the core uplift alongside a further 1% Social Care Precept. Together, these increases secure £26,751k of the additional funding to meet growing demand and inflationary pressures.
36. The remaining £7,994k additional income from Council Tax is driven by growth in the taxbase as a result of 6,027 Band D equivalent properties from new residential development in the borough over the next five years and a 20% reduction in demand for the Council Tax Reduction Scheme as the economic impact of COVID-19 unwinds. Projections for new development represent a 4% increase in the number of homes in the borough, a growth rate which remains consistent with recent experience, while reflecting both planned new development in the borough and medium-term population projections. The Council is proposing to review the Council Tax Reduction Scheme shortly and improve the targeting of the service to provide the most effective support to local residents.

37. Business Rates revenues are projected to grow by £9,160k, primarily driven by the Council releasing some of the benefit from the national 2023/24 revaluation of commercial property that the Council offset in the 2023/24 budget with an increase in the provision whilst the new rating list was embedded, and appeal data was monitored. The Provisional Settlement confirmed a 6.7% increase for 2024/25 against the multiplier for the first year of the budget strategy, albeit with the lower multiplier remaining cash flat and the Government funding the lost income to local authorities via grant income. In the following years the multiplier is held flat in the absence of a Government announcement on local government funding beyond this point. Under the Business Rates Retention Scheme, the Council retains circa 15% of locally raised income, with the remainder being distributed between the Government, Greater London Authority and other local authorities.
38. The Final Local Government Finance Settlement published in February 2024 provides the basis for the funding assumptions in this report, with the Government's late announcement of a further £500m to support Social Care being included in this position, with this budget strategy assuming this additional funding continues into 2025/26 and beyond.
39. Last year's Autumn Statement confirmed the upcoming Social Care reforms set to introduce a cap on personal care costs alongside the Fair Cost of Care reform have both been delayed for two years with no further updates on these provided at this time, with this budget strategy assuming the £5,140k funding allocation for these reforms that was released early in 2023/24 will be clawed back to pay for the reforms when they emerge. The funding refresh from the Final Settlement, confirms the Council's business rates baseline income and revenue support grant will increase by 6%, offset by a reduction in the Services Grant, to see a net favourable impact on funding of 7.6% from the Final Settlement.
40. There remain a number of areas of uncertainty regarding future funding levels, the most salient of the funding risks include:
 - i. Following the publication of the Final Settlement, the Council's funding is now confirmed for 2024/25 across the majority of the Council's grant income, however, there is no data available from 2025/26 onwards, with the sector awaiting an update from Central Government on the future of local government funding.
 - ii. The delayed review of the formula for distribution of grant funding between local authorities by the Department for Levelling Up, Housing and Communities is expected to marginally benefit Hillingdon as a result of the borough's higher than average population growth since the distribution method was last reviewed for 2013/14. The progress of this review will continue to be closely monitored, in particular relation to the potential impact of the levelling up agenda.
 - iii. Alongside the formula review, a reset of the Business Rates Retention system is planned which would redistribute growth secured since 2013/14. As Hillingdon has

delivered strong growth over this period, this would be expected to adversely impact funding levels, which would probably eliminate any gains arising from distributional changes, with the revised budget strategy presented in this report increasing our exposure to this risk due to the increasing benefit from retained growth as revaluation gains are firmed up.

41. Prior to the COVID-19 pandemic, pooling of Business Rates income across London secured additional income on occasions and has thus been beneficial to Hillingdon. This may offer similar such opportunities in the future and hence will be held under continuing review and scrutiny; however, London will not be pooling Business Rates in 2024/25 as it is deemed to not generate a benefit at this time. The exposure to losses across London has increased due to the uncertainty on revaluation appeals following the publication of the 2023 list, with the potential for greater exposure to rating appeals in Central London being the driver of this decision.
42. The Council will continue to review and track progress against these risks, with some of these requiring a longer review period and will be reported through the Council's budget monitoring process. The Council will continue to review and assess new and emerging risks and call upon existing strategies to manage and mitigate these risks.

SERVICE EXPENDITURE

43. Service expenditure will grow due to inflationary pressures, demand-led growth and other corporate items including capital financing costs. The below table sets out the impact of these expenditure movements across the Council's Cabinet Portfolios.

Table 3: Cabinet Portfolio Service Expenditure

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Property, Highways & Transport	10,798	9,700	9,987	10,227	10,473	10,725
Finance	33,213	38,359	42,880	47,941	48,378	49,003
Corporate Services	24,893	24,165	23,759	22,914	23,473	24,044
Residents' Services	22,681	24,746	26,317	27,724	29,478	31,273
Children, Families & Education	58,231	60,757	60,966	63,145	65,387	67,692
Health & Social Care	114,084	128,553	132,967	138,309	143,704	149,285
Corporate Budgets	(622)	(1,770)	(4,929)	(6,832)	(8,733)	(10,632)
Total Service Expenditure	263,278	284,510	291,947	303,428	312,160	321,390

44. The drivers behind these expenditure changes, alongside the draft savings programme, are expanded upon in the following section.

Inflation

45. Due to the current economic climate impacting prices around the globe, nationally and locally, inflation is the key driver behind the Council's increases in Service Expenditure for a second year running, with inflationary cost pressures continuing to remain high and projected to total £48,097k against 2023/24 expenditure over the period to 2028/29, with material uplifts shown in relation to workforce budgets, care placements, contracted expenditure and energy costs in the table below. In order to ensure that budget plans are structured on the basis of robust projections, local inflation estimates have been reached following review of a broad range of economic forecasts – including EY Item Club, the Council's treasury advisors Arlingclose, the Bank of England and Office for Budget Responsibility.
46. These inflation projections are predicated on a mix of CPI and service weighted measures broadly averaging 7% during 2023/24 and 2024/25 before returning to 3% in 2025/26 before reducing to the Bank of England target rate of 2% for the following years. As the Council set the 2023/24 budget with a lower inflation assumption for the pay award than has been agreed, this position includes an element of 'catch up' inflation to fund the forecast shortfall against the Council's Workforce Expenditure budgets which has been funded from the Council's price risk reserve in 2023/24. The following table and commentary provide an overview of this requirement, with further detail set out in Appendix A3.

Table 4: Inflation Provision

	2023/24 Budget £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Workforce Expenditure (including Pension Contributions)	135,913	8,445	2,744	2,941	3,001	3,062
Social Care Placements	122,840	8,500	3,940	4,058	4,180	4,306
Contracted Expenditure	42,462	3,460	1,358	931	950	968
SEND Transport	7,913	237	245	252	259	267
Energy & Fuel	7,868	(2,167)	285	300	314	330
Other Expenditure	11,026	376	230	233	238	243
Less: Externally Funded Items	(25,563)	(2,226)	(983)	(1,021)	(1,059)	(1,100)
Budgets Out of Scope of Inflation	(39,181)	0	0	0	0	0
Total Inflation Requirement	263,278	16,625	7,819	7,694	7,883	8,076

47. The workforce expenditure inflationary requirement is calculated to be £20,193k or 14.1% over the five-year budget strategy, which incorporates three discrete elements. Firstly, the requirement to fund the outcome of the 2023/24 pay award negotiations, reflecting a 5.7% uplift, with the approved budget for the year including a 4% inflationary requirement, with the Council therefore required to fund the 1.7% balance. Secondly, nationally negotiated pay settlements over the five-year period are forecast to be 8.4%, including a level of front-loading to reflect the current spike in general inflation.

48. Inflationary increases of 7.78% have been added to Adult Social Care Placements for 2024/25 in order to reflect inflationary pressures faced by the sector alongside upward pressure on wages with the uplift being an outcome of a review carried out by the Association of Directors of Adult Social Services (ADASS), with 51% of this funded through Government grants aimed at supporting Market Sustainability. The following year is forecast to increase by 3% reflecting the underlying CPI uplift, with 2026/27 onwards forecast to remain at 3%, (i.e., 1% above CPI for the sector to support recruitment and retention and promote sustainability). Children's Social Care is forecast to be not as severely exposed to these exceptional uplifts and continues to track below Adult Social Care pressures, which is believed to be linked to high historical market rates, meaning providers are able to absorb much of the exceptional inflationary demand on their cost base. Future years are forecast to return to 3% per annum increases and track above the Bank of England target rate of 2% to reflect current conditions and demand. Across both care placements and other contracted expenditure, budgeted uplifts will be held centrally and released to departmental budgets on confirmation of contractual requirements. This position adds £8,500k to the 2024/25 inflation requirement, rising to £24,984k over the five-year budget strategy.
49. Whilst the 2022 Autumn Statement included the delay of the Social Care reforms by two years, when the Fair Cost of Care review goes live in October 2025, the impact on the Social Care provider market and is expected to drive up the cost of care provision, however, under the Government's new burdens doctrine, this Government driven review should be fully funded by Grant funding and not impact on the Council's net Service Expenditure. For these reasons, the impact from this review has not been accounted for in this iteration of the budget strategy.
50. Contracted Expenditure is forecast to rise in line with CPI, albeit with a delayed impact on the Council's expenditure with CPI forecast to be 7% for 2024 (with this being the average CPI forecast across various organisations and in line with the Office of Budget Responsibility forecasts) and being the driver behind the 2024/25 uplift in expenditure with some contracts expected to require a higher uplift where the cost base is predominantly staffing due to the London Living Wage increasing by 10%, driving an average rate of 7.8%. The Council will continue to monitor forecasts closely and overlay this against local experience based on uplift negotiations that have taken place over the last few years. For this reason, the Council is forecasting CPI to reduce to 3% from 2025/26, before returning to the Bank of England target rate of 2% by 2026/27 onwards. These assumptions add £3,460k in 2024/25, rising to £7,667k by 2028/29.
51. Special Educational Needs or Disability (SEND) Transport is forecast to require a 3% uplift per annum over the life of the budget strategy, with forecasts tracking below the Council's core CPI forecast, due to the service costs being materially driven by fuel prices, with fuel inflation being negative throughout 2023/24, offsetting pressures against other expenditure items within this service area. This position adds £237k to service operating budgets in 2024/25, rising to £1,260k over the life of the budget strategy.

52. Exceptional inflation adjustments of -34% have been included for energy and 5% for fuel budgets in 2024/25, as the initial spike in prices caused by the war in Ukraine begins to unwind, with energy inflation requirements in the medium term projected at 5% per annum in line with fuel inflation over the life of the MTFF. This position is reducing the Council's inflationary requirement by £2,167k in 2024/25, with £1,229k being added for the period 2025/26 to 2028/29 giving an overall impact of a £938k reduction in expenditure. Given current market volatility, this area will remain under close review and where possible mechanisms to minimise cost increases and/or minimise volatility will continue to be investigated.
53. Other inflation requirements relate primarily to levies payable to other public sector bodies, Business Rates payable on the Council's property portfolio and added years pension costs, all of which are expected to track with the headline rate of inflation in the medium term.
54. In a number of areas, an element of inflationary cost pressures can be directly recouped from external funding sources, such as external grants, partner organisations and self-funding social care service users. Over the period to 2028/29, such mechanisms are expected to reduce the net cost of inflation by £6,389k, with £2,226k of this landing in 2024/25.
55. In overall terms the Council has the ability to manage inflation risk through the Council's Balances & Reserve Policy and the amount contained within for inflation risk, alongside further cover available to the Council in a specific Earmarked Reserve to fund inflation volatility. To date, £3,622k of is forecast to be drawn down from the reserve in 2023/24, with £1,302k remaining available for new and emerging price related pressures. The Council is in a position where it should take a prudent approach to assessing inflation in view of the experience in the current financial year, which has seen a need to draw on earmarked reserves and some continuing uncertainty of inflation rates over the MTFF period. In this context there is a need to ensure service operating budgets are sufficiently resilient to cover forecast inflationary impacts and avoid any assumed reliance or expectation of reserve drawdowns.

Demand-Led Growth

56. Demand-led service projections relate to Council services where the financial impacts are driven by demand levels, and in some services, the markets in which those services are procured. These items are projected to add £28,224k or approximately 21% to the £134,905k budget for these functions in 2023/24, with this movement expanded upon below and in Appendix A4.

Table 5: Demand-led Growth

	2023/24 Budget £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Waste Disposal Levy & Contracts	14,631	1,724	633	598	599	620
WLWA One-Off Income	(1,000)	1,000	0	0	0	0
Support for Looked After Children	16,560	733	373	392	412	433
Support for Children with Disabilities	2,756	36	38	40	42	44
SEND Transport	12,145	2,051	656	627	497	497
Adult Social Care Placements	63,697	6,011	1,463	1,554	1,650	1,749
ASC Market Sustainability and Improvement Fund	(2,438)	(2,117)	0	0	0	0
Investment in ASC Market Sustainability	2,438	2,117	0	0	0	0
ASC Discharge Fund	(1,047)	(698)	0	0	0	0
Investment in ASC Discharge Support	1,047	698	0	0	0	0
Homelessness Prevention	5,410	2,582	1,021	0	0	0
Asylum Funding Shortfall	1,774	(433)	0	0	0	0
Investment in Public Health	18,932	342	0	0	0	0
ULEZ Charges	0	240	0	0	0	0
Total Demand-Led Growth	134,905	14,286	4,184	3,211	3,200	3,343

57. An uplift of £4,174k is projected on waste disposal costs, with an average of 1.9% per annum growth in waste tonnages in 2024/25, tapering off to 1.5% over the five-year period and 4% per annum disposal costs in 2024/25, reducing to 2% per annum, thereafter, driving this sustained increase in costs, although there remains scope for volatility in both demand and price. The 2024/25 projection includes an element of rebasing for 2023/24 with both demand and price outstripping the 2023/24 budget setting. The Council continues to monitor demand and the effectiveness of the collection operation in an attempt to maximise efficiencies and reduce the environmental impact, with the Council required to use the West London Waste Authority (WLWA) for waste disposals and therefore having limited influence on unit costs but deriving benefits from the economies of scale of a six Borough partnership.
58. The demand for Looked After Children services continues to grow, with 2024/25 set to increase at a rate greater than population growth, with the budget adding £733k due to rising pressures in the final quarter of 2023/24, with a lack of General Needs housing causing delays in step-downs from care settings. From 2025/26 onwards, demand is forecast to grow by 2% per annum and accounts for the increase in the service requirement of £1,610k over the remaining four years.
59. Numbers of Children with Disabilities are expected to grow in line with historic trends, adding a further £200k to the cost of this service over the life of the budget strategy. As a result of

increasing numbers of children being supported by an Education, Health and Care Plan (EHCP), demand for SEND Transport is expected to grow by £4,328k by 2028/29 to finance transport to education settings within and outside the borough, with 2024/25 including funding to support above budgeted increase in demand in 2023/24.

60. Underlying demand for the Adult Social Care Placements is projected to continue to grow over the budget strategy period, which continues to have an ongoing COVID-19 legacy issue, with an element of the 2024/25 increase being required to fund a material increase in demand during 2023/24, before returning to pre-pandemic population increases. This position is therefore driving a demographic increase of £6,011k for 2024/25 before returning to a 2% per annum increase in client numbers, adding £6,416k from 2025/26 to 2028/29. Included in the proposed Savings Programme later in this report, are three savings initiatives aimed at reducing spend on Adult Social Care Placements by £2,304k by 2028/29, with the Demand-Led Growth bid representing the increase required before these initiatives are factored in to reduce the overall spend in this area.
61. Homelessness continues to see additional demand presenting to the service, however, up until recently this has been met by additional Government funding following the introduction of the Homelessness Reduction Act in 2017 and ongoing Central Government measures to specifically address the Rough Sleeping cohort. Based on the Council's current demand and levels of Government funding, it is forecast that this service area will require additional demand funding of £2,582k in 2024/25 with this position including £3,809k of management action from the HRA Commissioning Plan. The details are included later in this report, with the plan increasing the number of Council dwellings and maximising incentive payments, with resulting management action also factored into the £1,021k growth in 2025/26. These demography pressures are being driven by additional numbers being placed in high-cost nightly accommodation and the wider supply constraints across the housing market. This service area is particularly volatile and is being impacted by the cost-of-living crisis and pandemic legacy demand as well as an ongoing increase in private sector evictions. In the context of consultation on the Government funding allocations this area will continue to be kept under review, with any further changes to the Council's Service Expenditure to be presented in future refreshes of the Council's budget strategy.
62. Demand pressures associated with supporting Unaccompanied Asylum-Seeking Children (UASC), some of which is being driven by global crises, are intended to be met through specific grant. Within this area, a reduction in the service expenditure requirement of £433k is presented, driven by increased UASC funding increasing over 2023/24. However, it should be noted, that grant funding remains significantly below that required to meet the financial burden on the Local Authority and the net budget for this service area remains at £1,341k with government funding continuing to lag behind expenditure and the Council continuing its lobbying efforts in this area.

63. With Public Health continuing to be a ringfenced fund, the increase in service expenditure relates to the forecast increase in the Council's Public Health Grant allocations based on the 2021 Spending Review which set a multi-year settlement. With the Council required to spend any increase in Government funding on Public Health, this increase ensures the Council meets its statutory obligations and re-invests the increased funding into Public Health services, the remaining balance of the increased funding being utilised to fund inflationary uplifts reported under contracted expenditure.
64. Following the London Mayor's rollout of the Ultra Low Emission Zone (ULEZ) expansion into Outer London Boroughs, the Council is required to create a budget to fund the Council's own ULEZ charges, this budget therefore includes a proposal to create a £240k budget to fund these charges.

Corporate Items

65. Adjustments to centrally managed or cross-cutting elements of the Council's budgets are presented within Corporate Items. These are projected to add £15,202k to service expenditure by 2028/29, with the servicing and repayment of borrowing undertaken in support of capital investment representing the most significant element of this movement. These adjustments are summarised below and within Appendix A4 of this report.

Table 6: Corporate Items

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Capital Financing Costs	2,735	2,505	3,108	(202)	(42)
Flexible Use of Capital Receipts to finance Service Transformation	73	916	0	0	0
Hillingdon First Enabling Developments	(250)	0	0	0	0
Cost of Older People Discount	(85)	(80)	(75)	(70)	(65)
Earmarked Reserves use for Older People Discount	1,422	0	0	0	0
Concessionary Fares	2,103	1,492	1,342	0	0
Housing Benefit Subsidy (Recovery of Overpayments)	100	100	100	100	100
Movement in Added Years Pension Costs	(25)	(25)	(25)	(25)	(25)
Total Corporate Items	6,073	4,908	4,450	(197)	(32)

66. Capital investment plans set out within this budget will require £104,316k borrowing over the period to 2028/29, the servicing and repayment of which will add £8,104k to the capital financing budgets over this period. In addition, the planned switch of funding from capital to revenue for the Council's embedded transformation resources will contribute a further £989k to service expenditure between 2024/25 and 2025/26.

67. With the Council Tax Older People's Discount Scheme closed to new entrants, the cost of providing this discount is expected to decline over the medium-term, albeit that this will no longer be financed from £1,422k Earmarked Reserves from 2024/25 onwards, resulting in a net £1,047k addition to service expenditure as this sum is offset by anticipated reductions in spend over the MTFF period.
68. The consequential impacts of reduced tube and bus usage by those residents making use of the Freedom Pass both during, and after, the pandemic has led to reductions in the Council's Concessionary Fares levy from Transport for London with the position presented above reflecting the return to pre-pandemic levels of demand, with this position compounded by inflationary pressures on the sector, requiring total funding of £4,937k over the budget strategy. The combination of migration of claimants to Universal Credit and real time information sharing with the Department for Work and Pensions are expected to result in a £500k reduction in income recouped through the Housing Benefit Subsidy System by 2027/28. In addition, legacy added years pension payments are projected to decline by £125k over the same period.
69. Corporate risks are monitored via the Council's monthly monitoring process, with outputs from this feeding into the medium-term budget strategy. This includes reviewing the impact of capital financing assumptions, both in terms of the Council's Capital Programme and cashflow management as well as the financial markets and the impact on the cost of borrowing and investment income due to interest rate changes both in the short and medium terms. An element of cover is included in the Council's Balances & Reserve Policy, with the Council also well placed manage cashflow requirements on a proactive basis through the regular review of the financial markets.

SAVINGS PROGRAMME

70. A programme of savings proposals totalling £15,752k have been developed for the 2024/25 financial year, with a further £17,659k of measures from 2025/26 expected to secure £33,411k savings over the course of the five-year life of the budget strategy. This savings programme will continue to be delivered through a similar range of themes to proposals delivered in previous years, which include:
- i. Service Transformation – fundamentally reviewing service models with a view to ensuring the most cost effective and efficient ways of working are in place across Council services, delivering for residents within the available resource envelope.
 - ii. Digital Strategy – closely aligned to service transformation and focused on leveraging technology to further enhance and streamline the Council's business operations, alongside promoting self-service models internally and externally.

- iii. Workforce – seeking to release savings through an enhanced level of scrutiny on recruitment decisions across all service areas.
 - iv. Income Generation & Commercialisation – ensuring that those services empowered to secure income through user charging are offsetting growth in the cost of delivery where appropriate.
 - v. Zero Based Reviews – a structured programme of activity seeking to align service budgets to outcomes across the full range of Council services.
71. Over the next five years, these themes will be pursued to secure efficiencies and continue to deliver local services within the available financial envelope – a challenge made all the greater in the context of the high levels of inflation, increasing demand for services and ongoing constraints on funding. A thematic overview of this programme is set out below, with measures totalling £33,411k.

Table 7: Medium Term Outline Savings Programme

Theme	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Service Transformation	(8,998)	(3,622)	(46)	60	57
Digital Strategy	(920)	(2,450)	(1,900)	(200)	(200)
Workforce	(2,500)	0	0	0	0
Income Generation & Commercialisation	(2,723)	(2,597)	(2,270)	(2,050)	(2,050)
Zero Based Reviews	(1,250)	(1,250)	0	0	0
Impact on Other Funds	639	445	342	36	36
Total Savings by Theme	(15,752)	(9,474)	(3,874)	(2,154)	(2,157)

72. To support the delivery of the Council's Saving Programme, pump priming expenditure will be required, with the level to be determined as savings proposals are fully developed ahead of the February Budget Setting report. In line with the Government's direction, Local Authorities are permitted to fund such expenditure from Capital Receipts generated through the sale of assets by the Council. Furthermore, in line with the 2023/24 Month 9 Budget Monitoring position presented to Cabinet on the same agenda as this report, a further £7,088k is forecast to be funded in this way in support of the Council's General Fund savings delivery.
73. The following paragraphs provide an overview of specific savings proposed to balance the 2024/25 budget position, with appendix A6 providing a summary of savings proposals by Cabinet Member portfolio and theme, with appendix A6a setting out the Council's pump priming proposals to support delivery of the programme. Where savings relate to back-office functions shared between General Fund and Housing Revenue Account, an element

of the saving will benefit other funds, i.e., the Housing Revenue Account (HRA) and Schools Budgets (£1,498k) as set out in Table 8 below.

Table 8: 2024/25 to 2028/29 Savings Programme

Portfolio	Gross Saving £'000	Impact on Other Funds £'000	Net General Fund Saving £'000
Property, Highways & Transport	(2,143)		(2,143)
Finance	(1,614)	289	(1,325)
Corporate Services	(6,732)	1,209	(5,523)
Residents' Services	(6,629)		(6,629)
Children, Families & Education	(3,810)		(3,810)
Health & Social Care	(2,981)		(2,981)
Cross-Cutting Initiatives	(11,000)		(11,000)
Total Savings by Portfolio	(34,909)	1,498	(33,411)

74. As shown in table 7 above and expanded upon in the following paragraphs, £15,752k of General Fund savings proposals have been incorporated into the draft budget for 2024/25, with a net General Fund benefit of £33,411k across the MTFF. Proposals are itemised in the savings appendix alongside this report, which will continue to present risk in terms of both delivery and phasing.
75. Property, Highways & Transport: Maximising the use of assets is core to the wider transformation programme and projects are underway to review assets across the Borough including a wide-ranging programme for the use of the Civic Centre, which will reduce running costs by £975k in 2024/25 and an asset review of the Garage Sites delivering a further £250k. As part of the review of assets, leases to voluntary sector organisations will be considered with a view to consolidating assets, which is anticipated to deliver £50k.
76. A comprehensive review of contracts within Facilities Management along with the appropriate recharging of works to leaseholders and licensors will deliver £360k. Zero-based reviews across Operational Assets and Highways will target a reduction of £145k from budgets.
77. Implementation of electric vehicle charging point (EVCP) infrastructure across the borough over the next 7 years is expected to deliver £36k in 2024/25. Sites include staff car parks, Harlington Road Depot, High Street and on and off-street parking locations.
78. New maintenance technology has been implemented in the Highways Team resulting in cost savings for highways asset maintenance in 2024/25 of £30k.
79. A further £117k is to be delivered for this portfolio from a Zero Based Budgeting exercise the Council is carrying out.

80. Finance: Significant transformation continues within the Finance portfolio with the planned implementation of new ERP/EPM system in early 2024/25 enabling a streamlining of back office financial processes, improved reporting & analysis capabilities and self-service for internal managers & external suppliers / customers. This digital investment will facilitate a streamlining of business processes, enabling efficiency savings of £600k to be realised on the new model achieving maturity in 2025/26, with a part-year benefit of £300k in 2024/25. Looking beyond this initial implementation, savings of £100k per annum are anticipated from 2026/27 through leveraging wider efficiencies from this investment on an ongoing basis.
81. Revenues & Benefits Operating Model: Savings of £420k are expected to be delivered through the reconfiguration of back-office functions to coincide with the termination of the current outsourced contract in June 2024. Savings of £120k are badged against the 2024/25 financial year with a further £300k to be delivered across the three-year period 2026/27 through to 2028/29 from the increased use of self-service technology.
82. Energy Consumption & Review of Civic Centre Opening Times: Following unprecedented levels of inflationary price increases for energy during 2023/24 due to market pressures arising from geopolitical events, suppliers are forecasting price reductions for 2024/25 following a period of comparatively stable prices – albeit at a level which remains over and above the lower average price trends in previous years. Further savings for 2024/25 are expected to be driven by a continuation of the current year reduction in consumption levels facilitated by the implementation of carbon reduction measures across a range of assets including the Civic Centre and Council Car Parks (Cedars and Granges). Additional reductions in consumption are expected to arise through the continued rationalisation of Council assets including a review of opening hours for the Civic Centre.
83. The level of savings to be delivered will be contingent upon the final energy price for 2024/25 confirmed by Suppliers towards the end of March 2024 and the continued pace of both the Carbon Reduction and Asset Utilisation strategy implementation. Any short-term spikes in energy prices and / or slower than expected progress in the implementation of Carbon Reduction will impact on savings delivery.
84. A further £277k is to be delivered for this portfolio from a Zero Based Budgeting exercise the Council is carrying out.
85. Corporate Services: Service redesign, commercialisation of services and better use of technology will enable £5,523k of savings from Corporate Services across the MTF, with the breakdown of savings provided below.
86. Review of Human Resources: £150k is expected to be delivered in 2024/25 through the conclusion of wider HR transformation, with efficiencies relating to contract management, systems and resources.

87. Customer Engagement: £50k is expected to be delivered in 2024/25 from initiatives related to the redesign of Hillingdon Card for residents.
88. Review of Central Services: Review undertaken to ensure that Central services operating model remains fit for purpose to meet requirements across the Council while also continuing to provide best value for Residents. Savings of £700k are expected to be delivered for 2024/25 with £130k for 2025/26 - £830k in total across the MTFP through the modernisation and reshaping of the service offer, and delivery model including the reduction of external spend.
89. Commercialisation of Filming Income: Continued commercialisation of the Councils filming offer is expected to generate additional revenue income for future years based on expanding the provision of a range of services for film and television productions, including increased access to council land or buildings for film locations, space for support vehicles and buildings, road closures, parking dispensations and traffic management and general advice. Additional income of £20k is to be delivered for 2025/26 with further income streams to be identified as the business model evolves.
90. Commercialisation of Mortuary Training Offer: Maximisation of opportunities for income generation through training provision at the Mortuary is expected to deliver £30k initially - £10k for 2024/25 with a further £20k to be delivered for 25/26. Income streams are expected to increase beyond these levels for future years as provision of this initiative is embedded.
91. Digital Road Map: Savings of £500k are expected to be delivered in 2024/25 with a further £3.7m to be delivered from 2025/26 onwards. Focused on the three strategic programmes of Automation and Integration, Business Intelligence and Customer Experience, the digital road map seeks to deliver total savings of £4.2m through leveraging digital, data and technology to deliver transformational change in service delivery models as part of end-to-end service redesign to ensure cost effective and efficient ways of working. This will include implementation of a new data platform to enhance organisational analytic capability and strategic data driven decision making, and the utilisation of AI to drive efficiencies in council processes.
92. A further £404k is to be delivered for this portfolio from a Zero Based Budgeting exercise the Council is carrying out.
93. Residents Services: A restructure has been undertaken across the Library Service ensuring that a robust and efficient structure is in place, following adoption of the new Library Strategy for the service. This restructure will deliver £250k in 2024/25, with an additional £135k achieved through new ways of working.
94. Ongoing reviews across Green Spaces are expected to secure savings of £1,100k through improvements to operating models, contract management and maximising income where appropriate. Zero-based review savings are included within the Residents Services portfolio,

ensuring value for money and maximising alternative funding streams. These total £1,568k in 2024/25 and include an increase in application of S106 monies (£1,500k) and a reduction in Business rates expenditure following rate changes to Museums and Theatres (£68k).

95. A review of the Christmas lights programme will deliver £126k through the adoption of a corporate sponsorship model, allowing independent sponsorship for various Council schemes.
96. Across Waste Services, a series of projects are underway focusing on increasing levels of recycling and reducing contamination to ensure waste can be disposed of in the most cost-effective manner. These projects totalling £573k include; the review of resources and the introduction of an apprenticeship programme to improve customer service standards and support learning and development within the team (£136k), further work to improve capacity at the Household recycling centre (£100k), continued management of demographic growth through effective recycling and disposal (£100k), the promotion of food waste separation and a change in the style of caddy used (£107k), implementing fortnightly Garden Waste collections in winter months (£105k), improved waste and recycling facilities for privately owned flats (£7k) and increasing levels of cardboard separation at flatted properties (£18k). Further workstreams include the development of the trade waste operation to increase market share £260k, the introduction of advertising on Waste Vehicles £6k, and participation in a campaign against fly-tipping £7k.
97. Within Residents Services, there are a number of opportunities to generate further income across Parking Services; £1,832k relating to the full year effect of proposals agreed as part of 2023/24 budget setting including enforcement of Yellow Box Junctions, the potential PCN banding change from B to A, and full year effect of Residents Parking Permits. Environmental Enforcement fines income of £110k is anticipated to be generated through stronger use of CCTV.
98. In addition to the specific savings programme, there are further expected cross-cutting savings of £370k from a review of discretionary spend and a further £575k is to be delivered for this portfolio from a Zero Based Budgeting exercise the Council is carrying out.
99. Children, Families & Education: Demand management and innovation to reduce costs are the key focus within Children's Services. Hillingdon is facing a shortage of foster carers, so the Council is seeking to improve and modernise its fostering offer by addressing barriers to fostering and adopting a customer service approach to both recruit and retain foster carers. Lack of fostering households can result in children and young people being accommodated in inappropriate high-cost residential settings and prevent children returning from residential settings to stable home environments. Savings of £462k are anticipated in 2024/25 as a result of this work, with a further £1,300k targeted in 2025/26.
100. Alongside improving and modernising the Council's fostering offer, the Council is committed to reducing the costs of Childrens Placements through the increasing the number of in-

borough residential placements, ensuring children are close to their original Hillingdon community when safe to do so, and have uninterrupted access to local education and professional support networks delivering better outcomes for the child. Grant funding has been secured and work is underway to develop two sites creating additional capacity for 14 beds within the borough, reducing the reliance on high cost out of borough placements. Savings of £950k will be delivered across the MTFF through the creation of additional in-house registered care beds.

101. Health and Social Care: Within Health and Social Care, as in previous years, the Council continues to adopt a strong Early Intervention approach to deliver better outcomes for residents and contain placement costs despite continuing to experience the impact of demographic growth and inflationary pressures. The Service is continuously looking to innovate and develop current ways of working and service provision to help manage these pressures. This is evident in the savings within this area that are linked to investment in digital solutions; investment in new Care Diagnostic Equipment is expected to better identify appropriate levels of support and reduce care costs by £150k in 2024/25 and a further £150k in 2025/26. Furthermore, as part of a wider Digital Front Door project, the automating of initial contact with prospective service users will enable effective triage to third sector providers or Care Act assessments which is expected to yield staffing savings of £150k in 2025/26. Finally, a review of the Telecare operating model and charging policy is expected to produce savings of £54k in 24/25 and a further £100k in each of the following 5 years.
102. Cross-Cutting Initiatives: As detailed above, in addition to the specific portfolio savings programmes, there is a programme of strategic, multi-year activity, which cuts across all Council services, with £500k expected to be delivered in 2024/25 through a review of discretionary spend, and £1,250k released through a programme of Zero Based Reviews. Additional cross-cutting savings in the MTFF relate to ongoing fees and charges uplifts in line with inflation and a further £1,250k in 2025/26 from the Zero Based Review exercise. The incremental impact of inflationary fees and charges uplifts and new proposals to be developed is proposed to deliver £2,000k per year from 2025/26 onwards.
103. Where implementation of savings proposals requires upfront investment, it is recommended that these costs are funded through a combination of Earmarked Reserves and Capital Receipts as permitted by Government Direction. In order to make use of Capital Receipts, it is necessary for the Council to adopt and report on an efficiency strategy, with the London Borough of Hillingdon's Medium Term Financial Forecast serving this purpose. Regular reporting on use of these powers will be included in the monthly budget monitoring reports to Cabinet throughout 2024/25, with final outturn positions similarly reported to Cabinet.

CAPITAL PROGRAMME (2024/25 to 2028/29)

Capital Expenditure

104. Capital investment of £248,012k over the period 2024/25 to 2028/29 has been incorporated into the wider General Fund budget strategy set out within this report, with £104,040k investment in major projects, primarily delivering new or expanded infrastructure, and £133,972k investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved and a £10,000k general contingency to fund unforeseen pressures such as above budgeted inflationary impacts. An overview of these investment plans including changes from the programme approved by Council in February 2023 is detailed below, with further detail available in Appendix A8.

Changes to the Approved Programme

105. Development of the Capital Programme flows from the consultation budget presented to Cabinet in December 2023, which presented a capital programme budget of £217,772k. Since this time, £30,240k has been added to the programme with £10,000k being added to fund expected increased in delivering the increase in the SEND provision programme, which supports the Council's Safety Valve agreement. A further £5,000k has been added to the investment in care home capacity programme budget, £3,000k has been added to fund further investment in technology and innovation, a further £2,000k in Highways Structural Works and £240k being added to a new capital programme item to support improvements to the Waste Service. Finally, a contingency budget of £10,000k has been added due to the ongoing impacts of inflation and to support economic uncertainty.

Capital Programme By Cabinet Portfolio

106. The revised draft capital programme of £248,012k from 2024/25 to 2028/29 by Cabinet Member portfolio is set out in the table below.

Table 9: Capital Programme by Portfolio 2024/45 to 2028/29

Cabinet Member Portfolio	Major Projects £'000	Programme of Works £'000	Total £'000
Property, Highways & Transport	70,034	90,736	160,770
Finance	11,000	1,945	12,945
Corporate Services	0	15,816	15,816
Residents' Services	772	8,500	9,272
Children, Families & Education	11,734	2,725	14,459
Health & Social Care	10,500	14,250	24,750
Subtotal	104,040	133,972	238,012
General Contingency			10,000
Grand Total			248,012

107. **Property, Highways and Transport** – total investment of £160,770k from 2024/25 to 2028/29 includes £16,738k to complete the construction of the new West Drayton Leisure Centre in 2025/26, and £23,296k to develop the new Hillingdon Water Sports facility, replacing facilities dispersed by the HS2 project. Other projects include £6,500k on the redevelopment of the Uxbridge Civic Centre to provide a modern base for Council services and release land for housing delivery, £4,736k investment in initiatives to reduce the borough's carbon footprint and £10,858k funding for Hillingdon First Limited to deliver high quality homes. In addition, major projects to deliver new libraries in Yiewsley and Northwood as part of wider developments, and a range of new investment in other Council assets have been included in this budget.
108. Complementing major projects investment is £90,736k programme of works spend, including £42,000k for the borough's roads and footways infrastructure, £18,497k works to improve the fabric of the borough's existing schools, and £10,730k investment in adaptations for residents through the Disabled Facilities Grant Programme. Other programmes include the cyclical renewal of the Council's existing asset base, ensuring that this remains fit for purpose.
109. **Finance** – the £11,000k budget under Major Projects relates to capitalisation support to cover costs of transformation (£3,000k in 2024/25) and the DSG recovery plan (£8,000k in total over two years). These costs are required to be financed by capital receipts which have been included in the capital financing budget. Under Programmes of Works, the budget of £1,945k focuses upon the programmed renewal of the Council's vehicle fleet.
110. **Corporate Services** – The portfolio includes an investment of £15,816k in Corporate Technology and Innovation, with this investment driving the Digital Savings included in the Council's saving programme commented on above, with £1,000k investment for the older people's initiatives.
111. **Residents' Services** – the draft budget of £9,272k includes £7,500k for the Chrysalis and playground replacement programmes, and a further £1,000k for environmental and recreational initiatives, including tennis court upgrades, providing various facilities to residents, and £532k for various shopping parades initiatives to improve local high streets. A new capital programme budget of £240k has been added to this portfolio to support improvements in waste services.
112. **Children, Families and Education** – within Major Projects a total of £11,734k based on current confirmed grant funding is included for increasing special educational needs places at several identified school sites, supporting the DSG recovery plan, with this being the remaining investment on a much larger project that is due to conclude in 2024/25. There is also £2,725k under Programmes of Works for providing new uniformed scout/guide groups facilities (£800k) and devolved capital to schools.

113. **Health and Social Care** – the budget of £24,750 includes investment in care home capacity, investing £10,500k which will support an ongoing revenue saving for the service of £550k per annum from 2025/26, with the remaining £14,250k is for continuing investment in Social Care equipment for service users.

Capital Financing

114. The capital programme is financed from a range of sources, including government grants, developer contributions, capital receipts secured from disposal of surplus assets and borrowing. Where borrowing is utilised to support investment, resulting interest costs and ultimately repayment of loans will be met from the revenue budget, with appropriate provision having been made in the Corporate Items section of these budget proposals. The following table and commentary provide an overview of capital financing changes and resulting levels of borrowing.

Table 10: General Fund Capital Financing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Grants	44,418	13,441	10,285	10,285	10,285	88,714
CIL	3,750	3,750	4,500	4,500	4,500	21,000
Capital Receipts	40,332	13,338	7,240	7,403	6,903	75,216
Borrowing	6,766	41,066	6,250	4,500	4,500	63,082
TOTAL	95,266	71,595	28,275	26,688	26,188	248,012

115. Prudential Borrowing has been increased by £30,240k from the level presented as part of the consultation budget, as set out in the above narrative changes to the approved programme. This additional investment will support increased investment in local services.

116. The capital receipts target remains unchanged from the level of £75,216k presented in the consultation budget. Substantial receipts are expected to be generated through the planned reconfiguration of the Civic Centre site which will finance the gross £6,500k capital budget, alongside a broader review of the estate. Overall, this target for asset sales is deemed to be achievable, although there remains inherent risk from the necessary engagement with the market which will necessitate a level of investment to secure value for money in potentially challenging economic conditions.

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

118. The Community Infrastructure Levy is available to meet the additional infrastructure requirements of new development in the borough, with a requirement that spending plans are approved annually for this funding stream. For 2024/25 it is proposed that the majority of the levy is applied to fund the New West Drayton Leisure Centre, with the community-led element being used to fund the Chrysalis Programme.
119. Planned borrowing of £63,082k, together with the Council's historic capital investment will result in the forecast Capital Financing Requirement peaking at £324,326k in 2025/26 and declining thereafter. Of this sum, £279,200k is expected to necessitate external borrowing, with £45,126k being financed through General Fund reserves and working capital as outlined in the table below.

Table 11: General Fund Borrowing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Capital Financing Requirement	282,831	324,326	318,981	310,888	302,472
Projected External Borrowing	(239,205)	(279,200)	(272,355)	(262,762)	(252,846)
Projected Internal Borrowing	(43,626)	(45,126)	(46,626)	(48,126)	(49,626)

120. The ongoing cost of servicing and repaying this projected Capital Financing Requirement has been factored into the Council's budget strategy, with new borrowing and associated repayments to be matched to the useful life of relevant assets – estimated at 25 years. This level of investment and associated costs have been considered by the Corporate Director of Finance in the context of CIPFA's Prudential Code for Capital Financing and judged to be prudent, affordable and sustainable.
121. In addition to assessing forward-looking capital investment plans against the Prudential Code framework, a retrospective assessment of the Council's existing borrowing requirement provides a rounded view of the Council's capital health. As of 31 March 2023, the Council held General Fund assets valued at £1,088m, against which the outstanding Capital Financing Requirement stood at £257m or 25%. Provision to write-down this balance in full through Minimum Revenue Provision is in place, with 80% of the liability cleared over the next 24 years, reflecting a prudent estimate of the period over which these assets will be available for local service provision.
122. Financing plans set out within this draft budget include the application of £75,216k of Capital Receipts to be secured from the disposal of assets, with £11,000k of this sum being applied in line with Government direction towards the write-down of the Dedicated Schools Grant Deficit and funding investment in service transformation to secure future revenue savings. The residual £64,216k proceeds from projected asset sales will be applied to finance new investment as an alternative to borrowing, in the event that receipts are not available and

subject to assessing prudence, affordability and sustainability, such new investment could be financed through additional borrowing.

SCHOOLS BUDGET

123. The 2024/25 Schools Budget, with the exception of the High Needs Block, was agreed by Schools Forum on 17 January 2024 and is presented elsewhere on this agenda for approval by Cabinet. This budget deploys £385,990k of Dedicated Schools Grant and associated funding to the borough's schools, early years setting and other providers, including a High Needs Block allocation of £65,760k of support for pupils with high needs. Schools Forum rejected a transfer of 0.75% from the Schools Block to support the previously noted demand for high needs places, with the Council submitting a disapplication request to the DfE on 20 December 2023, with the application being approved.
124. The Dedicated Schools Grant (DSG) monitoring position being reported for Month 9 is an in-year overspend of £12,820k when compared to the budgeted position, in line with the position at Month 7 which continues to be driven by High Needs placement demand and cost pressures. This position and reflects ongoing pressures in the cost of High Needs placements, which are largely being driven by inflationary factors which are not reflected in the funding which the Council is receiving from the DfE. The cumulative deficit carried forward to 2024/25 is forecast at £26,487k.
125. The below table shows the split of the funding allocation of £385,990k, split into the respective blocks within the Schools budgets:

Table 14: Schools Funding Allocation Breakdown

Funding Block	DSG Funding 2023/24	DSG Funding 2024/25	Change in Funding	% change
Schools	276,404	280,971	4,567	1.7%
High Needs	62,530	65,760	3,230	5.2%
Central Services	2,481	2,430	(51)	-2.1%
Early Years	26,014	36,829	10,815	41.6%
Total DSG Budget	367,429	385,990	18,561	5.1%

126. Both General Fund and Schools Budgets have been developed in parallel ensuring that consistent assumptions are applied across both funds where appropriate, similarly where proposals span both funds these have been treated consistently.

HOUSING REVENUE ACCOUNT

BUDGET STRATEGY AND SUMMARY OF PROPOSALS

127. The HRA is a ringfenced, self-financing account whereby rental income from the Council's 10,381 social housing units are reinvested in the management, maintenance and expansion of stock for the benefit for tenants. Underlying detailed budget proposals for the 2024/25 financial year and the period to 2028/29 is a 30 Year Business Plan, which demonstrates that over the longer term the HRA is financially sustainable and that proposed capital investment will maintain this position.
128. The HRA budget strategy over the Council's five-year budget strategy period is structured around three key work programmes:
- i. Housing Supply – delivering 300 new homes in 2024/25, returning to 100 per annum thereafter to support increasing demand for social housing in a growing borough.
 - ii. Estate Regeneration – delivery of 370 new homes across the Avondale and Hayes Town Centre estates, a net increase of 72 during the MTFF period on the current configuration.
 - iii. Works to Stock – an enhanced programme of works to ensure that properties are refreshed on a rolling programme.
129. Development of HRA budgets over the five-year has been undertaken in the context of significant inflationary pressures, with CPI remaining stubbornly high throughout 2024/25 which is being exacerbated by the relatively high proportion of construction and building-related expenditure which has been particularly affected during this period of high inflation. In order to manage this inflation in the context of Government capping rent increases below the prevailing rate of inflation at 7%, a programme of efficiency savings will be required over the MTFF period.
130. Further cost pressures have arisen during 2023/24 with HRA Operating Costs forecast to overspend by £2,207k, predominantly as a result of increased expenditure required to meet damp and mould remedial work. This position is being mitigated in-year by a reduction in capital financing costs linked mainly to the rephasing of the Hayes Regeneration Programme into future years, however, with this programme being rephased into 2024/25 and beyond, a permanent funding solution will be required to fund these emerging pressures.
131. Forward looking financial plans are based on solid foundations, with a forecast balanced budget for 2023/24 and unallocated reserves projected to total £15,101k at 31 March 2024. Given that £15,000k reserves are judged to provide sufficient capacity for risk management purposes and considering the economic context, the budget strategy maintains unallocated reserves at the target level.

Table 12: Housing Revenue Account Budget Strategy

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Total Resources	67,164	73,938	79,474	83,013	85,976	88,542
Total Service Expenditure	45,652	51,336	55,166	58,673	60,659	63,442
Contribution to Finance Capital Programme	21,597	22,703	24,308	24,340	25,317	25,100
Cumulative Budget Gap	(85)	(101)	0	0	0	0
Closing General Balances	15,101	15,000	15,000	15,000	15,000	15,000

132. Capital investment plans will result in the HRA Capital Financing Requirement reaching £472,385k in 2028/29, with both the budget strategy and 30 Year Business Plan demonstrating that the ongoing servicing and repayment of this level of borrowing is sustainable.
133. Further commentary on the HRA budget strategy is provided below, with detailed schedules included in Appendix B.

RENTAL INCOME

134. HRA Dwelling Rental Income is projected to grow from £67,164k in 2023/24 to £88,542k by 2028/29, with this £21,378k increase in funding driven by a combination of inflationary rent increases and net growth of 395 dwellings as investment in delivery of new stock outstrips projected losses through Right to Buy sales and the Hayes Estates Regeneration Scheme properties come into operation. Within these projections, levels of void losses are projected to marginally decline from 1.18% to 1.14% as a result of investment in service capacity to improve property turnaround times.
135. As part of the November 2022 Autumn Statement, the Government established a 7% cap on rent increases within the sector, which formed the basis of the 2023/24 budget, with 2024/25 expected to return to CPI+1% and yield a 7.7% increase based on September's CPI rate of 6.7%. Thereafter, the CPI rate for September has been forecast to be 3.4% in 2025/26 before reaching the Bank of England's target rate of 2% in the medium-term.
136. 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	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Change
Projected Opening Stock	10,253	10,295	10,518	10,603	10,714	10,694	N/A
Forecast Right-to-Buy Sales	(50)	(40)	(40)	(40)	(40)	(25)	(235)
New Units	114	300	100	100	20	20	654
Housing Regeneration voids	(22)	(37)	(66)	0	(79)	(94)	(298)
Housing Regeneration new build	0	0	91	51	79	53	274
Projected Closing Stock	10,295	10,518	10,603	10,714	10,694	10,648	395
Projected Average Stock	10,407	10,561	10,659	10,704	10,671	10,407	n/a

INFLATION

137. Inflationary cost pressures of £7,186k are projected within the HRA, with material uplifts relating to workforce costs, materials in relation to repairs and maintenance works and energy inflation, with an element of this cost pressure being required to provide permanent funding for 2023/24 inflationary pressures which are forecast to be greater than budgeted for in February 2023, with this pressure being primarily linked to the 2023/24 pay award being greater than the 4% budgeted uplift, the HRA having a larger percentage uplift than the General Fund due to the recent pay awards being for a fixed uplift in cash terms, leading to a higher percentage for the HRA due to the average salary being lower in the HRA than the General Fund. Further analysis of the inflation requirement is presented in Appendix B2.
138. Workforce costs reflect anticipated pay awards of 16.1% over the budget strategy period, with 2023/24 including an element of 'catch up' inflation following a higher than budgeted pay award in 2023/24. The Council's overarching inflation assumptions are for CPI to continue to average at 7% for 2023, with a time lag on contract uplifts meaning this value is realised in 2024/25, before declining to 3% in 2025/26, before reaching the Bank of England target rate of 2% thereafter, with elements of the Council's expenditure and income being driven by alternative indices. Material costs are projected to grow by the September RPI rate of 8.9% in light of ongoing supply chain issues with energy budget expected to remain flat in 2024/25, with contracted expenditure and energy forecast to increase by 3% in the medium term.

CAPITAL CHARGES

139. Capital investment plans expanded upon later in this report necessitate £299,324k of new borrowing over the period to 2028/29, the ongoing servicing and repayment of which will add £10,104k to HRA service expenditure over the MTF period. These financing charges reflect current borrowing costs, with underlying investment continuing to meet the thresholds for affordability, sustainability and prudence.

GROWTH

140. Specific uplifts of £1,500k in planned service expenditure have been incorporated into this draft budget to ensure that sufficient organisational capacity is in place to deliver on local and national priorities. The growth is funding two key emerging areas with £1,000k of growth being included to fund repairs work, with the majority of this growth linked to the damp and mould remedial work including the resourcing of a specialist dedicated team, with the remaining £500k being required to fund Housing Management resources to ensure Housing Regulator requirements are met alongside the stock increases and associated demand pressures.

SAVINGS

141. With the HRA operating as a ringfenced self-financing account, it is incumbent upon the Council to match expenditure to available resources. In the context increasing expenditure associated with damp and mould work alongside the additional demands on the Housing Management service, it is therefore necessary to identify cost reductions to ensure the HRA remains financially sustainable. In order to ensure that capacity exists to continue to invest in existing and new housing stock, these cost reductions will be secured through identification of efficiency savings using similar programmes to those deployed by the Council across General Fund services.

142. In line with the approach taken to managing service transformation on General Fund services, these HRA proposals will be developed alongside the existing workstreams and support work undertaken to maximise efficiencies within shared back office functions, with reductions in spend in these areas generating a benefit against the HRA's Contribution to Shared Services budget, with a particular focus on the Council's digital strategy that benefits both the General Fund and the HRA. As a result, the HRA is expected to contribute to this work and reduce expenditure by £500k per annum in 2024/25 and 2025/26.

CAPITAL PROGRAMME (2024/25 to 2028/29)

Capital Expenditure

143. Capital investment of £550,150k in expansion and enhancement of the housing stock over the period 2024/25 to 2028/29 has been fully reflected within this draft budget, including £373,331k funding to deliver 814 new dwellings gross and £176,819k investment in existing housing stock. Further detail on these investment plans can be found in Appendix B4, with a brief overview set out below.
144. Investment in new housing includes £131,248k budgets for the flagship regeneration projects on the Avondale and Hayes Town Centre estates which are expected to deliver 370 new homes, a net increase of 72 on the current configuration. A further £222,083k has been allocated to deliver 340 units through internal development and acquisitions, with project timelines set out to maximise use of retained Right to Buy receipts over the MTFP period.
145. £176,819k has been budgeted for an enhanced programme of works to stock, based around a five-year cycle and including renewal of key components such as kitchens, bathrooms, roofs, windows and boilers. Through these works and further investment in insulation measures, this programme of investment is intended to increase energy efficiency and thereby contribute towards tackling fuel poverty. Additionally, investment in major adaptations to properties will continue, ensuring that the wider needs of HRA tenants can be supported in their own homes where appropriate.

Capital Financing

146. 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 14: HRA Capital Financing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Revenue Contributions	22,337	22,579	22,311	22,507	21,522	111,257
Prudential Borrowing	106,265	56,354	56,507	45,412	34,787	299,324
Grants	36,718	15,426	15,081	18,391	13,242	98,857
Capital Receipts	19,597	7,003	7,253	3,379	3,480	40,711
Total	184,917	101,362	101,151	89,689	73,030	550,150

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

148. 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 £299,324k planned borrowing has been factored into the 30-year business plan, demonstrating that proposed investment is sustainable in the longer term. The outlook for debt levels of the MTF period are shown below.

Table 15: HRA Borrowing

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Capital Financing Requirement	321,508	367,529	413,604	448,488	472,385
Projected External Borrowing	(316,404)	(362,424)	(408,499)	(443,383)	(467,280)
Projected Internal Borrowing	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)

CHANGES SINCE REPORT TO CABINET ON 14 DECEMBER 2023

149. Funding Updates: Following the publication of the Provisional Settlement, a number of the Council's grant income streams were firmed up, with settlement confirming increased Social Care funding (£802k) and Revenue Support Grant (£222k), offset by reductions in the Service Grant (£648k) and New Homes Bonus (£953k). The Government have since released the Final Settlement, which confirmed Hillingdon's share of the £500m announcement (£2,169k), plus an increased Services Grant allocation (£29k) and an allocation from the centrally held business rates levy (£395k). Other funding updates include releasing a further £750k of Business Rates income, as realisation of the 5% increase in the rating list from the 2023 uplift is crystallised into the position. Further details have been made available on the UK Shared Prosperity Fund (UKSPF), with confirmation that an element will be top-sliced to support West London initiatives, leading to a reduction of £1,042k.
150. Inflation Updates: The Council purchased energy in advance each financial year, with a higher percentage of the requirement now purchased, the inflationary requirement becomes surer, with this update releasing £210k in 2024/25, rising to £255k by 2028/29. Furthermore, contracted services inflation has increased by £176k in 2024/25.
151. Demand-Led Growth Updates: During the winter, the Council has seen additional demand presenting across a number of demand-led service areas, with increased demand for Adult Social Care Placements being the most material, with the service often seeing winter pressures, with 2023/24 being exceptionally high. The reason for this increase in demand is believed to be linked to a number of reasons, including industrial action in the NHS leading to delays in surgery, that particularly impacts on older people's long-term health. Other reasons for increased demand include, but are not limited to, the cost-of-living crisis impacting on the level of informal care and heat poverty, as well as people returning to office-based work, reducing the amount of informal care friends and relatives can provide.
152. Other areas of Demand-Led Growth include delays in step down to General Needs properties for Looked After Children, meaning these clients continue to be supported in Children's Social Care, with the shortage of General Needs properties also being one of the factors leading to additional demand for homelessness prevention support and increased temporary accommodation demand. SEND Transport has also seen an increase in demand in 2023/24, this is due to increased demand above budgeted levels and delays in increasing the in-borough SEND capacity linked to structural issues at school sites with these ultimately expected to be delivered, these updates add £3,832k to the Council's saving requirement.
153. Following the refresh of the Capital Programme and increased use of prudential borrowing, the Council's capital financing projections have been updated, with no impact in 2024/25 but with increased expenditure of £1,129k from 2025/26 onwards.

OVERALL BUDGET FOR COUNCIL TAX SETTING 2024/25

CORPORATE DIRECTOR OF FINANCE'S COMMENTS REGARDING RESPONSIBILITIES UNDER THE LOCAL GOVERNMENT ACT 2003

154. Under Section 25 of the Local Government Act 2003 the Corporate Director of Finance as the Council's nominated section 151 officer, has a responsibility as a minimum to comment on:

- i. The robustness of the estimates for the coming year.
- ii. The adequacy of the Council's reserves.

155. This statement sets out these comments within a broader context of the current unprecedented state of local government finance, particularly those faced by Hillingdon across the following areas:

- i. Economic conditions.
- ii. Government Policy.
- iii. Robustness of Estimates and Budget setting processes.
- iv. Reserves and Financial Resilience.
- v. Conclusion.

Economic Conditions

156. The 2024/25 budget report and MTFS has been compiled against a backdrop of continued and significant macro-economic uncertainty. The national cost-of-living crisis continues to severely impact residents and the Council with persistently high levels of inflation exceeding initial government forecasts and exacerbating the inflationary lags that impacts on council pay settlements, major contract inflation costs and other costs of service provision. This situation particularly impacts demand-driven services such as Adult Social Care, Children and Young People, Housing, and those income streams that are sensitive to economic fluctuations, which is being evidenced through the in-year financial position, despite the 2023/24 budget including additional inflation and demand-led growth of over £33m.

157. Despite this significant growth in the budget and good progress on 2023/24 savings delivery the latest month 9 budget monitoring position is supported by a range of one-off mitigations including an earmarked reserve drawdown of £9.5m which is £5.0m greater than anticipated at the start of the financial year. Any further deterioration in this position will impact the council's budget in 2024/25 and will be a further drain on the council's earmarked reserves which have a projected closing balance of £10.5m as at 31 March 2024. A further indication of the scale of demand-led pressures is the requirement in 2024/25 to increase inflation and demand-led growth provisions by a similar sum to 2023/24 which is almost double the requirement anticipated when that budget was set and represents over 10% of the Council's net revenue expenditure.

Government Policy

158. The delayed reforms in local government funding mechanisms and the increasing reliance on ad hoc, yet significant, grant funding underscore the challenges facing the sector, especially for outer-London Boroughs such as Hillingdon, with 2024/25 representing the sixth consecutive one-year settlement. The outlook for government funding over the medium-term continues to be negative. With a general election due to be held before January 2025 no significant policy developments are expected and local government funding is expected to remain an unprotected area of central government spending.
159. As government funding is unlikely to provide the route to restoring the Council's financial sustainability the ongoing and urgent development of further transformation and savings plans is critical. The full increases for Council Tax and Rents are also expected to be necessary over the medium-term given the need to both rebuild and sustain the Council's financial base. The Council should also continue to consider the scope for increasing its wider income base including fees and charges, where despite recent uplifts it remains at the lower end of benchmark comparisons across London.

Robustness of estimates and budget setting processes

160. The Corporate Director of Finance can provide surety on the robustness of the estimates in general for the coming year. The MTFF has continued to be updated throughout the year in wake of the volatile economic conditions which in turn reflect in the monthly budget monitoring forecasts. This view is supported by the following processes:
- i. The use of an established, rigorous process for developing the budget through the Medium-Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process and the Transformation Programme, with the overall approach to managing the Council's finances within the framework established in CIPFA's Financial Management Code (see Appendix A10 for Code principles).
 - ii. A comprehensive monthly budget monitoring process using a locally developed budget management system to capture up to date projections across all areas of the Council, which enables effective challenge and scrutiny of the Council's financial position from individual budget managers, through to Corporate Directors and Cabinet. This will be enhanced by implementation of a new integrated solution from the next financial year as part of the Council's Oracle Cloud solution implementation.
 - iii. The maintenance of a robust approach to tracking delivery of budgeted savings through a monthly savings tracker presented to the Corporate Management Team and Cabinet alongside proposals for mitigation of any adverse movements.

- iv. A series of robust, internally peer-reviewed financial models supporting forecasting in more volatile and/or material elements of the budget, providing projections for both in-year performance and the overall savings requirement over the medium term.
- v. Corporate Risk Management processes operate in parallel with the budgeting process, with linkages between financial exposure tracked in risk registers (which are updated throughout the financial year) and the MTFF. The Council will be implementing a new risk management system in 2024/25 following a review of its risk management framework. This process will continue to identify and highlight those risks that are specific to Hillingdon relating to its status as a port authority.
- vi. The integration of capital investment plans and associated financing costs into the Council's Medium Term Financial Forecast, ensuring that the sustainability of investment decisions can be considered in the context of the overall budget position.
- vii. The implementation of a comprehensive, Council-wide and accelerated Zero-Based Budgeting process to inform future transformation and savings plans.

Reserves and Financial resilience

161. CIPFA's Resilience Index and the Office of Local Government's Data Explorer, show Hillingdon as having one of the lowest level of reserves of its nearest neighbour group and when compared to other London Boroughs and are therefore ranked by CIPFA as a 'higher-risk' authority. A combination of factors including economic conditions and a policy stance based on preserving frontline services has seen the balances position continue to deteriorate in recent years and as a result, the Council has less flexibility to rely on these balances to manage risks. This budget includes provision to commence rebuilding reserve levels, with net reserves now forecast to be £37m at the end of 2023/24 increasing to £45m by 2028/29, with the minimum level now set at £32m as outlined elsewhere in this report.
162. As this report notes the Council retains no material interest in investment property or other commercial interests on its balance sheet, with assets held primarily for delivery of services to local residents. Furthermore, with the Council the sole shareholder of Hillingdon First, the Council's housing development company, currently totalling £4.9m, the risk of this operation adversely affecting the Council's broader financial resilience is very limited.
163. On capital health the Council's low level of gross debt and external interest payments continues to see it ranked as a 'lower-risk' authority within the various indices and when compared to London Boroughs and nearest neighbours. This has allowed to Council to manage the impact of the recent interest rates increases on revenue borrowing costs, and increasingly develop invest to save proposals which can generate future savings. The current MTFF strategy is dependent on the achievement of asset sales of £75 million with these providing the financing towards the Council's transformation programme, DSG Safety Valve agreement requirements and ensuring that headroom is maintained to allow financing of new projects.

164. The MTFF process for the Housing Revenue Account (HRA) applies similar principles to those applied to the General Fund with this five-year strategy complemented by an updated 30-year business plan to demonstrate the resilience of this ring-fenced account. The HRA has a specific set of challenges with the increasing regulatory requirements an important consideration amongst the competing priorities of stock enhancement, development of new housing units and energy efficiency. These are set against the backdrop of an inflationary environment and challenging period for the construction sector. The policy of retaining a minimum £15m of general balances across the MTFF period proves a robust contingency against the range of risks faced by the HRA. This sum represents 20% of the HRA turnover and 30% of service expenditure in 2024/25. As this report notes these various priorities and pressures alongside government policy restrictions will continue to require the Council to carefully review funding options over the long-term.
165. The Dedicated Schools Grant and wider Schools funding regime is also impacted by the adverse economic conditions, with pressures in the High Needs block and wider Schools sector not matched by government funding increases and representing an ongoing area of risk to the Council's Medium Term Financial Forecast. The cumulative deficit carried forward to 2024/25 is forecast at £26.5m. As this report notes there is currently a time-limited statutory override in place until 31 March 2025 which ensures that this deficit does not impact upon general reserves, and the Council's General Fund budget strategy is predicated on the further continuation of this override, with the Council being one of many local authorities exposed to this potential risk. Although the Safety Valve mechanism provides some funding and a mechanism to address the deficit position, over the medium-term this position continues to represent a significant call on the Council's financial and organisational capacity.

Conclusion

166. While the Section 151 officer considers estimates are sufficiently robust for the purposes of setting the 2024/25 budget the continuing financial challenges which have driven an ongoing reliance on earmarked reserve drawdowns in successive financial years now represent a clear risk to the financial resilience of the Council. The inclusion of £7.5m to restore balances over the MTFF period offers a starting point for this process but needs to be considered in view of the Council's increasingly lean budgets and high-risk environment and therefore may not be sufficient on its own. It therefore remains critical that services operate within their budget envelopes, deliver on savings proposals, and contain demand-led pressures as far as practically possible. While the MTFF makes provision for material growth in the demand-led service areas it also assumes that a range of mitigation measures are effective at containing elements of these pressures.
167. The implementation of Zero-Based Budgeting exercise across all Council services, which is already underway, is a critical strategy for identifying necessary transformations and savings to navigate the future budget gaps, budget pressures and the scale of demand-led challenges. This will support informed, value-driven financial management within a constrained funding environment. However, given the level of risk and scale of demand-led pressures, the Council must be prepared, if necessary, to take decisions outside of these processes to ensure its financial sustainability.

Statement on Balances and Reserves

168. The Corporate Director of Finance also has a duty to comment on the adequacy of the Council's reserves when the budget is being set. At the time of budget setting for 2024/25, the Corporate Director of Finance is setting a recommended range of balances of between £32,000k and £55,000k, with the ranges adjusted upwards to reflect the challenging environment and the Council's remaining reserves. The following paragraphs outline the approach taken in determining this recommended range.
169. The Corporate Director of Finance has undertaken a review of the risks currently facing the Council. This has enabled an update to the recommended range of balances that the Council should hold. This forms the basis of the guidance provided above in relation to his responsibilities under the Local Government Act 2003.
170. To assess the adequacy of general reserves, the Corporate Director of Finance has taken into account the strategic, operational and financial risks facing the Council. The Council should retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally, the Council wishes to utilise the maximum resources available to achieve its objectives, therefore it plans to maintain reserves within the prudent level range.

171. To determine the recommended level of reserves the Council has assessed risk against the criteria as specified in Local Authority Accounting Panel (LAAP) Bulletin 99 (July 2014). This assessment includes the following:

- The robustness of the financial planning process (including the treatment of inflation and interest rates and the timing of capital receipts).
- How the Council manages demand led service pressures.
- The treatment of planned efficiency savings / productivity gains.
- The financial risks inherent in any major capital projects, outsourcing arrangements, or significant new funding partnerships.
- The strength of the financial monitoring and reporting arrangements.
- Cashflow management and the need for short term borrowing.
- The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the Council is subject and its track record in budget and financial management.

172. A breakdown of the recommended range of balances is provided in Appendix A9 of this report.

THE COUNCIL TAX REQUIREMENT FOR 2024/25

173. Budget proposals for 2024/25 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.

174. The budget proposals also include the continuation of the cash discounts offered to those currently in receipt of the Older People's Discount in 2024/25, however, the scheme was closed to new entrants as of 1 April 2021.

Council Tax Referendum

175. 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.

176. The general Council Tax increase at which local authorities would be required to hold a referendum for 2024/25 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 2024/25.

177. For 2017/18 additional flexibility to levy a precept in support of Social Care expenditure was introduced by the Government, with the 2024/25 threshold being set at 2%, due to the high level of demand on Social Care being driven by the pandemic, the Council has opted to set the Adult Social Care Precept in 2024/25 at 2%.

Greater London Authority Precept

The Mayor of London's final budget proposals for 2024/25 are scheduled for consideration and approval by the London Assembly on 22 February 2024. The proposals result in a 8.6% increase in the element of Council Tax relating to GLA functions, equivalent to a £37.26 increase in annual bills for Band D Households.

RESIDENT BENEFIT & CONSULTATION

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

178. The Medium Term Financial Forecast sets out the resources available for delivering the Council's objectives. The effects on residents, service users and communities are therefore extremely wide ranging and managed through the performance targets and outcomes that will be delivered through the resources approved through the budget setting process. The budget proposals for 2024/25 have been developed to maintain service provision through a 4.99% increase in the headline rate of Council.

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

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

Consultation carried out or required

181. 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 14 December 2023 for consultation at the January to February 2024 round of meetings. Each Select Committee prepared an agreed set of comments on the budget proposals presented within their remit, with these comments presented to Cabinet in Appendix F.

182. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the Borough. A budget consultation survey was published on the Council's website in relation to the Cabinet's budget proposals after the meeting on 14 December 2023, with the full report to December Cabinet also being available to view. Analysis of responses to this consultation and also presented within Appendix F to this report for information.
183. The Council received 210 responses from residents, representing a 66% decrease on the volume of responses received to the consultation launched in December 2022.
184. Of those responses 48% of respondents were satisfied with the budget proposals, 46% agree that they represent Value for Money and 56% felt well informed about the proposals. Where respondents expressed dissatisfaction with budget proposals, with analysis of responses attached in Appendix F.

CORPORATE CONSIDERATIONS

Corporate Finance

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

Legal

186. The Budget and Policy Framework Procedure Rules as set out in the Council's Constitution require the Cabinet to make proposals on the Council's budget. This requires them to be in accordance with the timetable which it has published. The Cabinet proposals are set out in this report for the consideration of full Council.

187. In respect of income the Council provides a number of services in respect of which it can impose charges and fees to users. In certain instances, those fees or charges may be set by Government. In other cases, the Council has discretion as to the level of charges it sets. It should be noted that in respect of certain matters the Council can only impose a fee or charge which reflects the actual cost to the Council of providing such services. This has to be considered when setting the overall budget.

188. The Corporate Director of Finance's duties under the Local Government Act 2003, insofar as they relate to budget setting, are set out in the body of the report. Of importance to Members is the duty for him to comment on the robustness of estimates for the forthcoming year and on the adequacy of the Council's reserves.

189. As the Council's Section 151 Officer, it is the Corporate Director of Finance's professional duty to propose to Members a budget which is soundly based, balanced and adequate to fund the expected level of service provision in the forthcoming financial year. This duty is reinforced in the Council's Constitution. This requires the Corporate Director of Finance to ensure the lawfulness and financial prudence of decision-making.

190. The comments of the Corporate Director of Finance are contained in paragraphs 153-171 of the report. Of particular importance are the comments in paragraph 165 about the importance of services operating within their budgets, achieving savings targets and taking appropriate mitigation measures as necessary during the year.

191. Members must have regard to section 106 Local Government Finance Act 1992. This is in respect of a Member who has not paid an amount due in respect of Council Tax for at least two months after it becomes payable. They may not vote on matters concerning the level of Council Tax or the administration of it. Therefore, any Members who are more than two months in arrears with their Council Tax payments must make a declaration to this effect at the beginning of the meeting.

Comments from other relevant service areas

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

APPENDICES

Appendix A: General Fund Budget Schedules

Appendix B: Housing Revenue Account Budget Schedules

Appendix C: Fees and Charges Proposals

Appendix D: Capital & Investment Strategies

Appendix E: Pay Policy Statement

Appendix F: Budget Consultation Feedback

BACKGROUND PAPERS

Report to [Cabinet 14 December 2023](#) – Consultation budget

Report to [Cabinet \(16 February 2023\)](#) and [Council \(23 February 2023\)](#) - The Council's Budget: Medium Term Financial Forecast 2023/24 - 2027/28