



# **BUDGET BOOK**

**2021-2022**

**Mark Maidment CPFA**

**Director of Resources &  
Deputy Chief Executive**

# **Budget Book 2021/22**

Each year the Council sets detailed revenue & capital budgets. The revenue budgets relate to the income & expenditure incurred on the day to day running of the Council. The capital budgets include income & expenditure that will yield benefit to the Council over a period of more than a year (e.g. roads, buildings).

Produced by Financial Control

Resources Directorate

We are continuously trying to improve the content & presentation of all our financial publications & would welcome any suggestions from readers.

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## SECTION B

**COUNCIL'S REVENUE BUDGET 2020/21**  
**SUBJECTIVE SUMMARY OF**  
**EXPENDITURE AND INCOME**

	<u>2020/21</u> <u>Estimate</u>	<u>2021/22</u> <u>Estimate</u>
<b><u>Expenditure</u></b>		
Employees	49,495,100	52,310,300
Premises	13,501,100	13,424,000
Transport	3,229,700	1,808,400
Supplies & Services	19,583,800	18,999,300
Third Party Payments	146,033,800	152,686,300
Transfer Payments	234,861,800	234,936,900
Support Services	1,692,400	1,731,200
<b>TOTAL EXPENDITURE</b>	<b>468,397,700</b>	<b>475,896,400</b>
<b><u>Income</u></b>		
Adjusted Dedicated Schools Grant	(165,508,000)	(178,192,000)
Government Grants	(98,140,100)	(87,728,600)
Other Grants & Contributions	(6,247,700)	(6,259,300)
Customer & Client Receipts	(56,668,400)	(53,924,500)
Interest	(65,700)	(65,700)
Internal Charges	(4,458,700)	(3,575,800)
<b>TOTAL INCOME</b>	<b>(331,088,600)</b>	<b>(329,745,900)</b>
<b>NET EXPENDITURE (EXCL. CENTRAL ITEMS)</b>	<b><u>137,309,100</u></b>	<b><u>146,150,500</u></b>
Central Items	(684,100)	(5,014,500)
<b>NET EXPENDITURE (CONTROLLABLE)</b>	<b><u>136,625,000</u></b>	<b><u>141,136,000</u></b>

	2021/22 Budget £
<b><u>Variation Analysis (Excluding Schools)</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	<b>136,625,000</b>
Inflation	3,168,030
Changes in Government Grants	(7,986,800)
Other Government or Outside Body Changes	1,270,300
Demand Led Growth	3,443,800
Efficiency Savings	(2,865,730)
Investment Priorities	1,258,400
Investment Transferred from Rev to Capital	(1,000,000)
Other Growth & Savings	7,223,000
<b>2021/22 ORIGINAL BUDGET</b>	<b>141,136,000</b>

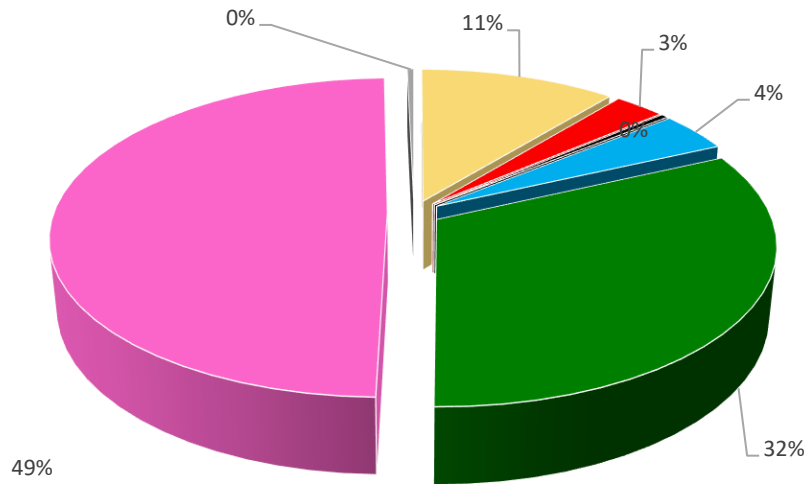
SECTION B

SUBJECTIVE ANALYSIS BY SERVICE - BUDGETS 2021/22

	Education and Children's Services	Adult Social Services, Health & Housing	Environment, Sustainability, Culture and Sports Services	Finance, Policy & Resources	Transport and Air Quality	TOTAL
<b><u>Expenditure</u></b>						
Employees	261,600	16,610,000	13,353,000	18,368,200	3,717,500	<b>52,310,300</b>
Premises		644,100	4,331,100	6,042,900	2,405,900	<b>13,424,000</b>
Transport		580,200	81,900	165,800	980,500	<b>1,808,400</b>
Supplies & Services	4,223,300	3,757,800	3,101,100	6,284,100	1,633,000	<b>18,999,300</b>
Third Party Payments	61,706,900	62,906,900	19,353,600	3,130,400	5,588,500	<b>152,686,300</b>
Transfer Payments	165,229,500	9,303,200		60,404,200		<b>234,936,900</b>
Support Services		280,100	277,500	1,144,700	28,900	<b>1,731,200</b>
<b>Total</b>	<b>231,421,300</b>	<b>94,082,300</b>	<b>40,498,200</b>	<b>95,540,300</b>	<b>14,354,300</b>	<b>475,896,400</b>
<b><u>Income</u></b>						
Adjusted Dedicated Schools Grant	(178,192,000)					<b>(178,192,000)</b>
Government Grants	(13,003,500)	(20,672,300)		(54,052,800)		<b>(87,728,600)</b>
Other Grants & Contributions	(1,798,600)	(4,254,000)	(104,100)	(102,600)		<b>(6,259,300)</b>
Customer & Client Receipts	(118,900)	(15,380,700)	(11,539,700)	(9,220,800)	(17,664,400)	<b>(53,924,500)</b>
Interest				(65,700)		<b>(65,700)</b>
Internal charges		(70,800)	(538,400)	(941,900)	(2,024,700)	<b>(3,575,800)</b>
<b>Total</b>	<b>(193,113,000)</b>	<b>(40,377,800)</b>	<b>(12,182,200)</b>	<b>(64,383,800)</b>	<b>(19,689,100)</b>	<b>(329,745,900)</b>
<b>NET EXPENDITURE (EXCL. CENTRAL ITEMS)</b>	<b>38,308,300</b>	<b>53,704,500</b>	<b>28,316,000</b>	<b>31,156,500</b>	<b>(5,334,800)</b>	<b>146,150,500</b>
<b>Central Items</b>				(5,014,500)		(5,014,500)
<b>NET EXPENDITURE</b>	<b>38,308,300</b>	<b>53,704,500</b>	<b>28,316,000</b>	<b>26,142,000</b>	<b>(5,334,800)</b>	<b>141,136,000</b>

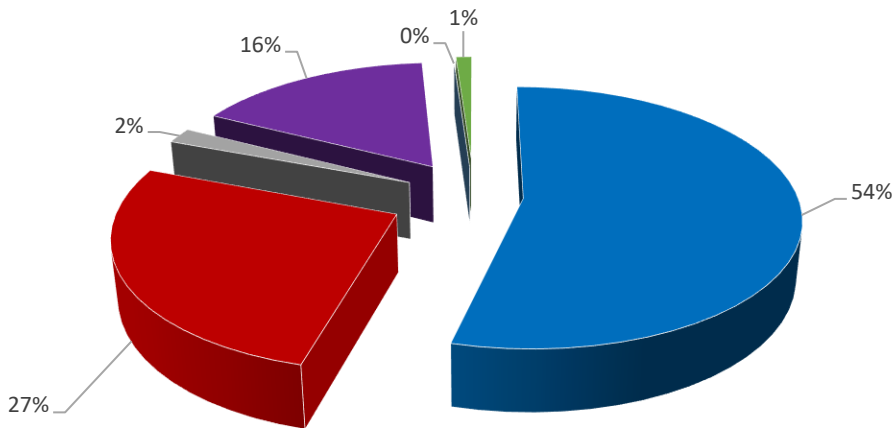
SECTION B

**Analysis of 2021/22 Expenditure Budget**



- Employees
- Premises
- Transport
- Supplies & Services
- Third Party Payments
- Transfer Payments
- Support Services

**Analysis of 2021/22 Income Budgets**



- Adjusted Dedicated Schools Grant
- Government Grants
- Other Grants & Contributions
- Customer & Client Receipts
- Interest
- Internal charges



# **EDUCATION AND CHILDREN'S SERVICES**

Should you have any queries concerning the Education and Children's Services pages please contact:

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# SECTION C

Official

## EDUCATION AND CHILDREN'S SERVICES

### SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Education and Children's Services	35,866,800	36,646,400	38,308,300
<b>Total Education and Children's Services</b>	<b><u>35,866,800</u></b>	<b><u>36,646,400</u></b>	<b><u>38,308,300</u></b>

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	35,866,800
Inflation	356,580
Changes in Government Grants	(166,000)
Other Government or Outside Body Changes	0
Demand Led Growth	2,443,800
Efficiency Savings	(685,580)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	492,700
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>38,308,300</u></b>

SECTION C  
EDUCATION AND CHILDREN'S SERVICES

Official

**SUBJECTIVE ANALYSIS**

	<u>2020/21</u> <u>Original</u> <u>£</u>	<u>2020/21</u> <u>Revised</u> <u>£</u>	<u>2021/22</u> <u>Original</u> <u>£</u>
<b><u>Expenditure</u></b>			
Employees	254,700	261,600	261,600
Premises	0	0	0
Transport	0	0	0
Supplies & Services	4,177,700	4,177,700	4,223,300
Third Party Payments	59,593,200	61,195,400	61,706,900
Transfer Payments	99,471,800	105,408,500	107,424,500
Support Services	0	0	0
<b>TOTAL EXPENDITURE</b>	<b>163,497,400</b>	<b>171,043,200</b>	<b>173,616,300</b>
<b><u>Income</u></b>			
Government Grants	(125,739,700)	(132,505,900)	(133,390,500)
Other Grants & Contributions	(1,772,000)	(1,772,000)	(1,798,600)
Customer & Client Receipts	(118,900)	(118,900)	(118,900)
Interest	0	0	0
<b>TOTAL INCOME</b>	<b>(127,630,600)</b>	<b>(134,396,800)</b>	<b>(135,308,000)</b>
<b>NET EXPENDITURE (CONTROLLABLE)</b>	<b>35,866,800</b>	<b>36,646,400</b>	<b>38,308,300</b>

## SECTION C

Official

## EDUCATION AND CHILDREN'S SERVICES

## Education and Children's Services

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Achieving for Children Contract	56,629,500	58,176,900	58,698,400
Grant Funding	(25,003,100)	(25,832,600)	(24,701,200)
Children's Retained costs	328,300	345,200	335,200
Schools PFI	1,088,400	1,088,400	1,107,400
Public Health	2,823,700	2,868,500	2,868,500
Peripatetic Staff	0	0	0
	<hr/> 35,866,800	<hr/> 36,646,400	<hr/> 38,308,300

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	35,866,800
Inflation	356,580
Changes in Government Grants	(166,000)
Other Government or Outside Body Changes	0
Demand Led Growth	2,443,800
Efficiency Savings	(685,580)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	492,700
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>38,308,300</b> <hr/>

# **ADULT SOCIAL SERVICES, HEALTH AND HOUSING**

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## SECTION D

Official

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING****SUMMARY BY SERVICE AREA**

<b><u>SERVICE</u></b>	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
<b>Housing &amp; Regeneration</b>			
Housing Management	31,200	45,900	45,900
Housing Services	2,615,200	2,775,000	2,879,400
Other Housing	490,200	453,600	463,600
<b>Adult Social Care &amp; Public Health</b>			
Adult Social Care	45,687,500	45,887,600	47,295,100
Commissioning and Quality Standards	7,656,500	7,800,800	7,800,800
Public Health	(7,520,300)	(7,590,600)	(7,590,600)
Business Resources	2,541,500	2,588,700	2,585,600
<b>Environment &amp; Community Services</b>			
Private Sector Housing	255,300	224,700	224,700
<b>Total Adult Social Services, Health &amp; Housing</b>	<b>51,757,100</b>	<b>52,185,700</b>	<b>53,704,500</b>

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	51,757,100
Inflation	868,750
Changes in Government Grants	(345,400)
Other Government or Outside Body Changes	0
Demand Led Growth	1,000,000
Efficiency Savings	(89,450)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	574,900
Budget Transfers	(61,400)
<b>2021/22 ORIGINAL BUDGET</b>	<b>53,704,500</b>

## SECTION D

Official

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING****SUBJECTIVE ANALYSIS**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
<b><u>Expenditure</u></b>			
Employees	16,375,800	16,926,800	16,610,000
Premises	767,600	644,100	644,100
Transport	1,239,000	576,600	580,200
Supplies & Services	4,162,000	4,190,400	3,757,800
Third Party Payments	61,245,200	63,899,500	62,906,900
Transfer Payments	9,762,100	11,745,500	9,303,200
Support Services	254,700	280,100	280,100
<b>TOTAL EXPENDITURE</b>	<hr/> 93,806,400	<hr/> 98,263,000	<hr/> 94,082,300
<b><u>Income</u></b>			
Government Grants	(20,896,000)	(26,371,800)	(20,672,300)
Other Grants & Contributions	(4,269,000)	(4,254,000)	(4,254,000)
Customer & Client Receipts	(15,848,200)	(15,380,700)	(15,380,700)
Interest	0	0	0
Internal charges	(1,036,100)	(70,800)	(70,800)
<b>TOTAL INCOME</b>	<hr/> (42,049,300)	<hr/> (46,077,300)	<hr/> (40,377,800)
<b>NET EXPENDITURE</b>	<hr/> <b>51,757,100</b>	<hr/> <b>52,185,700</b>	<hr/> <b>53,704,500</b> <hr/>

## SECTION D

Official

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING****Adult Social Care**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Adult Service Operations Teams	6,812,200	7,206,400	7,001,800
Early Help & Enablement Services	604,600	805,200	805,200
Services for Older People, Sensory & Physical Disabilities	13,612,400	12,809,300	14,207,200
Services for Adults with Learning Disabilities	20,288,000	20,299,000	20,459,000
Services for Adults with Mental Health Needs	2,855,800	3,217,400	3,270,500
Care Provision	1,514,500	1,550,300	1,551,400
	<u>45,687,500</u>	<u>45,887,600</u>	<u>47,295,100</u>

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	<b>45,687,500</b>
Inflation	646,810
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	500,000
Efficiency Savings	(13,210)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	501,500
Budget Transfers	(27,500)
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>47,295,100</u></b>



## SECTION D

Official

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING****Commissioning and Quality Standards**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Commissioning Teams	1,173,200	1,205,300	1,205,300
Advocacy, Supported Employment and Other minor services	452,500	446,400	446,400
Professional Standards and Safeguarding	969,200	990,200	990,200
Prevention and Wellbeing	2,207,200	2,265,800	2,265,800
Adult Public Health Services	2,854,400	2,893,100	2,893,100
	<u>7,656,500</u>	<u>7,800,800</u>	<u>7,800,800</u>

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	7,656,500
Inflation	55,360
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(2,260)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	74,500
Budget Transfers	16,700
<b>2021/22 ORIGINAL BUDGET</b>	<u><u>7,800,800</u></u>

## SECTION D

Official

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING****Public Health**

	<u>2020/21</u> <u>Original</u> <u>£</u>	<u>2020/21</u> <u>Revised</u> <u>£</u>	<u>2021/22</u> <u>Original</u> <u>£</u>
Core Public Health (Team and other)	1,781,300	1,787,300	1,787,300
Public Health Grant	(9,301,600)	(9,377,900)	(9,377,900)
	<u>(7,520,300)</u>	<u>(7,590,600)</u>	<u>(7,590,600)</u>

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> <u>£</u>
<b>2020/21 ORIGINAL BUDGET</b>	<b>(7,520,300)</b>
Inflation	18,460
Changes in Government Grants	(76,000)
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(3,760)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	(9,000)
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>(7,590,600)</u></b>

## SECTION D

Official

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING****Adults Business Resources**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Business Resources	2,541,500	2,588,700	2,585,600
	<hr/> 2,541,500	<hr/> 2,588,700	<hr/> 2,585,600

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	2,541,500
Inflation	57,220
Changes in Government Grants	1,100
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(8,420)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	(1,100)
Budget Transfers	(4,700)
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <hr/> 2,585,600

## SECTION D

Official

## ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Management

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Careline	18,000	32,700	32,700
Animal Welfare	13,200	13,200	13,200
	<u>31,200</u>	<u>45,900</u>	<u>45,900</u>

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	31,200
Inflation	16,160
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(1,460)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	0
<b>2021/22 ORIGINAL BUDGET</b>	<u><u>45,900</u></u>

## ADULT SOCIAL SERVICES, HEALTH AND HOUSING

### Housing Services

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Housing Services Teams	2,035,600	2,082,800	2,069,700
Discretionary Social Fund (Housing)	140,000	140,000	140,000
Direct Homelessness costs	92,700	292,700	154,700
Homelessness Prevention Schemes	351,800	264,400	519,900
Refugees/Asylum Seekers	0	0	0
Home Improvement Agency	0	0	0
Ex HRA Properties	(4,900)	(4,900)	(4,900)
	2,615,200	2,775,000	2,879,400

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	2,615,200
Inflation	59,120
Changes in Government Grants	(270,500)
Other Government or Outside Body Changes	0
Demand Led Growth	500,000
Efficiency Savings	(6,920)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	(17,500)
<b>2021/22 ORIGINAL BUDGET</b>	2,879,400

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING**

**Other Housing**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Management and Support	298,600	311,000	324,100
Delivery and Development	191,600	142,600	139,500
	490,200	453,600	463,600

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	490,200
Inflation	13,890
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(53,290)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	12,800
<b>2021/22 ORIGINAL BUDGET</b>	463,600

**ADULT SOCIAL SERVICES, HEALTH AND HOUSING**

**REGULATORY SERVICES PARTNERSHIP**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Private Sector Housing	255,300	224,700	224,700
	255,300	224,700	224,700

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	255,300
Inflation	1,730
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(130)
Investment Priorities	0
Income Generation	0
Other Growth & Savings	0
Budget Transfers	(32,200)
<b>2021/22 ORIGINAL BUDGET</b>	224,700

SECTION E

# **ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES**

Should you have any queries concerning the Environment, Sustainability, Culture & Sports Services pages please contact:

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## ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

### SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
<b>Environment and Community Services Directorate</b>			
ECS Management and Support	1,198,600	1,216,100	1,218,000
Contracts and Leisure	20,962,900	22,154,400	23,963,900
Highways Operations and Streetscene	616,500	651,200	651,200
Planning and Transportation	950,800	1,093,500	2,476,500
<b>Chief Executives Directorate</b>			
Policy and Performance	0	68,700	6,400
<b>Total Environment, Sustainability, Culture &amp; Sports Services</b>	<b><u>23,728,800</u></b>	<b><u>25,183,900</u></b>	<b><u>28,316,000</u></b>

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	23,728,800
Inflation	524,480
Efficiency Savings	(27,680)
Other Growth & Savings	3,845,700
Budget Transfers	244,700
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>28,316,000</u></b>

**ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES**

**SUBJECTIVE ANALYSIS**

	<u>2020/21</u> <u>Original</u> <u>£</u>	<u>2020/21</u> <u>Revised</u> <u>£</u>	<u>2021/22</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	12,208,700	13,028,400	13,353,000
Premises	4,285,000	4,380,100	4,331,100
Transport	842,300	81,900	81,900
Supplies & Services	2,830,100	2,858,100	3,101,100
Third Party Payments	17,528,000	18,695,100	19,353,600
Support Services	309,700	277,500	277,500
 TOTAL EXPENDITURE	<hr/> 38,003,800	<hr/> 39,321,100	<hr/> 40,498,200
 <u>Income</u>			
Other Grants & Contributions	(104,100)	(104,100)	(104,100)
Customer & Client Receipts	(13,746,600)	(13,494,700)	(11,539,700)
Internal charges	(424,300)	(538,400)	(538,400)
 TOTAL INCOME	<hr/> (14,275,000)	<hr/> (14,137,200)	<hr/> (12,182,200)
 <b>NET EXPENDITURE (CONTROLLABLE)</b>	<hr/> <b>23,728,800</b>	<hr/> <b>25,183,900</b>	<hr/> <b>28,316,000</b>

## ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

### ECS Management and Support

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
ECS Management Team	573,300	586,200	586,200
Finance and Performance	345,400	353,100	353,100
Business Support	78,400	78,900	75,800
Precepts and Levies	201,500	202,900	202,900
	1,198,600	1,221,100	1,218,000

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	1,198,600
Inflation	19,390
Efficiency Savings	(290)
Other Growth & Savings	5,000
Budget Transfers	(4,700)
<b>2021/22 ORIGINAL BUDGET</b>	1,218,000

## ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

### Contracts and Leisure

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Parks Management	4,139,000	4,191,500	4,139,000
Sports Services	(63,300)	285,200	1,286,200
Arts and Culture	737,800	876,400	876,400
Libraries	3,558,300	3,631,200	3,631,200
Registrars and Cemeteries	(954,100)	(942,400)	(942,400)
Waste and Street Cleansing Contract Management	312,900	320,100	320,100
Street Cleansing	2,742,300	2,742,300	2,742,300
Waste Disposal including WLWA Levy	7,532,100	7,694,200	8,630,200
Waste Collection and Recycling	2,891,800	3,289,800	3,214,800
Public Conveniences	66,100	66,100	66,100
	20,962,900	22,154,400	23,963,900

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	20,962,900
Inflation	412,580
Efficiency Savings	(24,880)
Other Growth & Savings	2,400,700
Budget Transfers	212,600
<b>2021/22 ORIGINAL BUDGET</b>	<b>23,963,900</b>

**ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES**

**Highways Operations and Streetscene**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Emergency Planning	81,300	83,200	83,200
Regulatory Services Partnership - Environmental Services	535,200	568,000	568,000
	616,500	651,200	651,200

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	616,500
Inflation	2,800
Efficiency Savings	(300)
Budget Transfers	32,200
<b>2021/22 ORIGINAL BUDGET</b>	651,200

**ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES**

**Planning and Transportation**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Building Control	49,700	70,000	70,000
Development Management	324,300	360,000	1,500,000
Strategic Developments	4,400	7,400	7,400
Thames Landscape Strategy	13,400	16,200	16,200
Transport Strategy	198,600	204,100	204,100
Policy and Design	522,300	592,300	835,300
Information and Business Support	95,800	98,300	98,300
Land Charges	(257,700)	(254,800)	(254,800)
	<hr/> 950,800	1,093,500	2,476,500

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	950,800
Inflation	87,910
Efficiency Savings	(2,210)
Other Growth & Savings	1,440,000
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>2,476,500</b> <hr/>

**ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES**

**Policy and Performance**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Climate Change	0	68,700	6,400
	<hr/> 0	<hr/> 68,700	<hr/> 6,400

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	0
Inflation	1,800
Budget Transfers	4,600
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>6,400</b> <hr/>

# FINANCE, POLICY AND RESOURCES

Should you have any queries concerning the Finance, Policy and Resources pages please contact:

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## FINANCE, POLICY AND RESOURCES

### SUMMARY BY SERVICE AREA

<b><u>SERVICE</u></b>	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
<b>Resources Directorate</b>			
Directorate	385,200	392,800	389,700
Financial Management	2,615,700	2,671,400	2,484,800
Corporate Services	7,614,500	8,383,100	8,050,700
Revenue Services	10,834,200	10,545,200	9,284,700
Financial Services	1,291,800	1,364,600	1,371,300
<b>Chief Executives Directorate</b>			
Chief Executive Group	6,381,700	6,638,900	6,672,300
<b>Housing and Regeneration Directorate</b>			
Property Services	2,773,800	3,036,900	2,903,000
	<u>31,896,900</u>	<u>33,032,900</u>	<u>31,156,500</u>
Central Items	(684,100)	(4,486,700)	(5,014,500)
<b>Total Finance, Policy and Resources</b>	<u><u>31,212,800</u></u>	<u><u>28,546,200</u></u>	<u><u>26,142,000</u></u>

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	31,212,800
Inflation	1,027,270
Changes in Government Grants	(7,475,400)
Other Government or Outside Body Changes	1,270,300
Efficiency Savings	(1,585,070)
Investment Priorities	1,258,400
Other Growth & Savings	1,746,600
Investment Transferred from Revenue to Capital	(1,000,000)
Budget Transfers	(312,900)
<b>2021/22 ORIGINAL BUDGET</b>	<u><u>26,142,000</u></u>

## FINANCE, POLICY AND RESOURCES

**SUBJECTIVE ANALYSIS**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
<b><u>Expenditure</u></b>			
Employees	17,198,200	18,063,500	18,368,200
Premises	5,942,600	6,047,200	6,042,900
Transport	167,900	167,500	165,800
Supplies & Services	6,631,000	7,219,500	6,284,100
Third Party Payments	2,968,100	3,246,400	3,130,400
Transfer Payments	73,317,900	61,664,700	60,404,200
Support Services	1,099,500	1,134,700	1,144,700
<b>TOTAL EXPENDITURE</b>	<b>107,325,200</b>	<b>97,543,500</b>	<b>95,540,300</b>
<b><u>Income</u></b>			
Government Grants	(65,224,700)	(54,177,600)	(54,052,800)
Other Grants & Contributions	(102,600)	(232,600)	(102,600)
Customer & Client Receipts	(9,061,700)	(9,092,800)	(9,220,800)
Interest	(65,700)	(65,700)	(65,700)
Internal charges	(973,600)	(941,900)	(941,900)
<b>TOTAL INCOME</b>	<b>(75,428,300)</b>	<b>(64,510,600)</b>	<b>(64,383,800)</b>
<b>NET EXPENDITURE (excluding Central Items)</b>	<b>31,896,900</b>	<b>33,032,900</b>	<b>31,156,500</b>
Central Items	(684,100)	(4,486,700)	(5,014,500)
<b>NET EXPENDITURE (excluding Central Items)</b>	<b>31,212,800</b>	<b>28,546,200</b>	<b>26,142,000</b>

**FINANCE, POLICY AND RESOURCES**

**Directorate**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Directorate	385,200	392,800	389,700
	385,200	392,800	389,700

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	385,200
Inflation	9,690
Efficiency Savings	(490)
Budget Transfers	(4,700)
<b>2021/22 ORIGINAL BUDGET</b>	<b>389,700</b>

## FINANCE, POLICY AND RESOURCES

**Financial Management**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Financial Control and Accountancy	1,812,500	1,850,300	1,820,300
Corporate Management	524,900	525,100	525,100
Levies	576,000	576,000	419,400
Home Loans	(17,700)	0	0
	<hr/> 2,615,700	<hr/> 2,671,400	<hr/> 2,484,800

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	2,615,700
Inflation	52,610
Other Government or Outside Body Changes	100,000
Efficiency Savings	(356,010)
Other Growth & Savings	70,000
Budget Transfers	2,500
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>2,484,800</b> <hr/>

## FINANCE, POLICY AND RESOURCES

**Corporate Services**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
IT and Telecoms	4,476,700	4,651,000	4,259,000
Human Resources and Payroll	1,192,200	1,586,200	1,601,700
Apprenticeship Levy	229,500	235,800	235,800
Electoral Services	437,400	444,100	429,100
Customer Services	1,278,700	1,466,000	1,525,100
	<hr/> 7,614,500	<hr/> 8,383,100	<hr/> 8,050,700

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	7,614,500
Inflation	187,490
Efficiency Savings	(166,790)
Investment Priorities	182,400
Other Growth & Savings	59,100
Budget Transfers	174,000
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>8,050,700</b> <hr/>

## FINANCE, POLICY AND RESOURCES

**Revenue Services**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Council Tax and Business Rates	(121,800)	15,500	15,500
Parking Administration	664,100	677,900	677,900
Accessible Transport and Concessionary Fares	8,870,100	8,665,400	7,404,900
Housing Benefit Administration	1,242,000	1,006,600	1,006,600
Housing Benefit Subsidy	179,800	179,800	179,800
	<u>10,834,200</u>	<u>10,545,200</u>	<u>9,284,700</u>

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	10,834,200
Inflation	65,700
Changes in Government Grants	(261,900)
Other Government or Outside Body Changes	(1,469,900)
Efficiency Savings	(9,400)
Budget Transfers	126,000
<b>2021/22 ORIGINAL BUDGET</b>	<u><u>9,284,700</u></u>

## FINANCE, POLICY AND RESOURCES

**Financial Services**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Shared Audit and Fraud	413,100	465,300	465,300
Pensions Administration	51,500	51,500	51,500
Pension Fund Administration	600	700	7,400
Health and Safety Team	96,800	99,200	99,200
Procurement	729,800	747,900	747,900
	<hr/> 1,291,800	<hr/> 1,364,600	<hr/> 1,371,300

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	1,291,800
Inflation	76,470
Efficiency Savings	(1,170)
Budget Transfers	4,200
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>1,371,300</b> <hr/>

## FINANCE, POLICY AND RESOURCES

### Chief Executive Group

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Community and Partnerships	1,708,700	1,662,000	1,629,000
Economic Development	359,700	510,700	562,900
Resident Engagement	739,100	759,000	810,500
Communications	383,100	389,100	389,100
Community Safety	424,100	451,400	447,200
Corporate Initiatives	58,400	57,100	54,000
Legal Services	47,600	48,600	48,600
Member Services	1,544,400	1,560,600	1,530,600
Policy, Performance and Analysis	435,700	503,000	503,000
Chief Executive's support and trainees	680,900	697,400	697,400
	6,381,700	6,638,900	6,672,300

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	6,381,700
Inflation	107,870
Other Government or Outside Body Changes	63,800
Efficiency Savings	(46,370)
Other Growth & Savings	195,000
Budget Transfers	(29,700)
<b>2021/22 ORIGINAL BUDGET</b>	6,672,300



**FINANCE, POLICY AND RESOURCES**

**Property Services**

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Facilities Management	3,072,400	3,171,800	3,165,100
Utilities	1,424,000	1,535,100	1,542,900
Sustainability	10,700	10,700	10,700
Public Halls and Community Centres	(279,500)	(279,500)	(279,500)
Office Accommodation	695,100	575,400	575,400
AFC Properties	(1,482,100)	(1,449,800)	(1,449,800)
Sundry Properties	(833,100)	(697,600)	(832,600)
Valuation and Asset Management	166,300	170,800	170,800
	2,773,800	3,036,900	2,903,000

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	2,773,800
Inflation	140,740
Efficiency Savings	(4,840)
Budget Transfers	(6,700)
<b>2021/22 ORIGINAL BUDGET</b>	2,903,000

## FINANCE, POLICY AND RESOURCES

### Central Items

	<u>2020/21</u> <u>Original</u>	<u>2020/21</u> <u>Revised</u>	<u>2021/22</u> <u>Original</u>
<b><u>ASSET MANAGEMENT &amp; TREASURY</u></b>			
Interest Payable	4,560,500	4,626,500	4,026,500
Interest Receivable	(1,206,800)	(1,272,800)	(1,072,800)
MRP (Principal Loan Repay)	5,107,000	5,107,000	5,707,000
Revenue Funding of Capital Expenditure	917,000	917,000	917,000
<b><u>CONTINGENCY &amp; INVESTMENT ITEMS</u></b>			
Pay, Contract and Other Contingency	6,027,700	2,942,800	5,045,900
COVID-19 Recovery Contingency	0	0	1,000,000
Investment Initiatives	1,710,000	1,500,000	500,000
<b><u>NON-RINGFENCED GOVERNMENT GRANTS</u></b>			
New Homes Bonus Grant	(787,300)	(787,300)	(262,200)
Covid-19	0	0	(5,243,500)
Lower Tier Services Grant	0	0	(613,100)
Localised Council Tax Support Grant	0	0	(1,882,000)
<b><u>OTHER</u></b>			
Centrally Funded Pensions	4,256,700	4,256,700	4,256,700
Distribution of surplus/deficit on Collection Fund	(1,250,000)	(1,250,000)	277,000
Retained NNDR and Section 31 Grants	(24,393,400)	(24,393,400)	(21,817,000)
Contributions to Earmarked Reserves	4,774,500	4,266,800	4,432,200
Transfers to/from Earmarked Reserves to reduce Council	(400,000)	(400,000)	(286,200)
<b>NET EXPENDITURE</b>	<b>(684,100)</b>	<b>(4,486,700)</b>	<b>(5,014,500)</b>

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> <u>£</u>
<b>2020/21 ORIGINAL BUDGET</b>	(684,100)
Inflation	386,700
Changes in Government Grants	(7,213,500)
Other Government or Outside Body Changes	2,576,400
Efficiency Savings	(1,000,000)
Investment Priorities	1,076,000
Other Growth & Savings	1,422,500
Investment Transferred from Revenue to Capital	(1,000,000)
Budget Transfers	(578,500)
<b>2021/22 ORIGINAL BUDGET</b>	<b>(5,014,500)</b>

# **TRANSPORT AND AIR QUALITY SERVICES**

Should you have any queries concerning the Transport and Air Quality pages please contact:

Transport and Air Quality Services  
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## TRANSPORT AND AIR QUALITY

**SUMMARY BY SERVICE AREA**

<b><u>SERVICE</u></b>	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
<b>Environment and Community Services Directorate</b>			
Highways Ops and Streetscene	1,228,200	1,285,600	1,285,600
Regulatory Services	168,900	168,900	168,900
Traffic and Engineering	(7,637,600)	(7,541,200)	(6,938,800)
<b>Housing and Regeneration Directorate</b>			
Housing Management	149,500	149,500	149,500
<b>Total Finance, Policy and Resources</b>	<b><u>(6,091,000)</u></b>	<b><u>(5,937,200)</u></b>	<b><u>(5,334,800)</u></b>

<b><u>Variation Analysis</u></b>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	<b>(6,091,000)</b>
Inflation	240,950
Efficiency Savings	(477,950)
Other Growth & Savings	1,055,800
Budget Transfers	(62,600)
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>(5,334,800)</u></b>

## TRANSPORT AND AIR QUALITY

**SUBJECTIVE ANALYSIS**

	<u>2020/21</u> <u>Original</u> <u>£</u>	<u>2020/21</u> <u>Revised</u> <u>£</u>	<u>2021/22</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	3,457,200	3,658,100	3,717,500
Premises	2,505,900	2,505,900	2,405,900
Transport	980,500	980,500	980,500
Supplies & Services	1,633,000	1,633,000	1,633,000
Third Party Payments	5,221,600	5,765,500	5,588,500
Support Services	28,500	28,900	28,900
TOTAL EXPENDITURE	13,826,700	14,571,900	14,354,300
<u>Income</u>			
Customer & Client Receipts	(17,893,000)	(18,484,400)	(17,664,400)
Internal charges	(2,024,700)	(2,024,700)	(2,024,700)
TOTAL INCOME	(19,917,700)	(20,509,100)	(19,689,100)
<b>NET EXPENDITURE (CONTROLLABLE)</b>	<b>(6,091,000)</b>	<b>(5,937,200)</b>	<b>(5,334,800)</b>

## TRANSPORT AND AIR QUALITY

Highways, Operations and Street Scene

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Inspection and Enforcement	537,000	552,300	552,300
Network Management	(560,300)	(553,800)	(553,800)
Highways	(302,600)	(281,800)	(281,800)
Transport and Workshops	1,369,500	1,378,700	1,378,700
Depots	58,700	60,800	60,800
Business Support	125,900	129,400	129,400
	<hr/> 1,228,200	<hr/> 1,285,600	<hr/> 1,285,600

	<u>2021/22</u> <u>Budget</u> £
<b><u>Variation Analysis</u></b>	
<b>2020/21 ORIGINAL BUDGET</b>	<b>1,228,200</b>
Inflation	63,910
Efficiency Savings	(6,510)
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>1,285,600</u></b>

## TRANSPORT AND AIR QUALITY

Traffic and Engineering

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
Engineering - Parking & Traffic	701,500	850,000	892,400
Engineering - Highways	3,647,600	3,677,700	3,577,700
Engineering - Road Safety	250,800	258,500	278,500
On & Off Street Parking	(12,237,500)	(12,327,400)	(11,687,400)
	<u>(7,637,600)</u>	<u>(7,541,200)</u>	<u>(6,938,800)</u>

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	<b>(7,637,600)</b>
Inflation	176,950
Efficiency Savings	(471,350)
Other Growth & Savings	1,055,800
Budget Transfers	(62,600)
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>(6,938,800)</u></b>

TRANSPORT AND AIR QUALITY

Regulatory Services

	<u>2020/21</u> <u>Original</u> <u>£</u>	<u>2020/21</u> <u>Revised</u> <u>£</u>	<u>2021/22</u> <u>Original</u> <u>£</u>
RSP - Air Quality	168,900	168,900	168,900
	<hr/> 168,900	<hr/> 168,900	<hr/> 168,900

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> <u>£</u>
<b>2020/21 ORIGINAL BUDGET</b>	<b>168,900</b>
<b>2021/22 ORIGINAL BUDGET</b>	<b><u>168,900</u></b>



TRANSPORT AND AIR QUALITY

Housing Management

	<u>2020/21</u> <u>Original</u> £	<u>2020/21</u> <u>Revised</u> £	<u>2021/22</u> <u>Original</u> £
CCTV	149,500	149,500	149,500
	<hr/> 149,500	<hr/> 149,500	<hr/> 149,500

<u>Variation Analysis</u>	<u>2021/22</u> <u>Budget</u> £
<b>2020/21 ORIGINAL BUDGET</b>	<b>149,500</b>
Inflation	90
Efficiency Savings	(90)
<b>2021/22 ORIGINAL BUDGET</b>	<hr/> <b>149,500</b> <hr/>

**LONDON BOROUGH OF RICHMOND UPON THAMES****REPORT TO: FINANCE, POLICY AND RESOURCES COMMITTEE****DATE: 18TH FEBRUARY 2021****REPORT OF: DIRECTOR OF RESOURCES AND DEPUTY CE****TITLE OF DECISION: REVENUE BUDGET STRATEGY AND COUNCIL TAX 2021/22****WARDS: ALL****KEY DECISION?: YES****IF YES, IN FORWARD PLAN?: YES**

For general release

**1. MATTER FOR CONSIDERATION**

- 1.1 This report gives details of the budget strategy and recommends to Council that the Band D level of Council Tax, excluding the GLA element, be set at £1,595.00 (an increase of 0.60% in Council Tax plus 3% for the Social Care Precept). Including the GLA precept, which has increased by 9.51%, the Band D Council Tax will be £1,958.66.

**2. RECOMMENDATIONS**

- 2.1 That Members consider the advice of the Director of Resources and Deputy Chief Executive in respect of Section 25 of the Local Government Act 2003 in setting the budget (see paragraphs 3.34 to 3.44)
- 2.2 That the Council be recommended to agree the Revenue Budget for 2021/22
- 2.3 That the Service Committee notes the intention to increase the Council Tax by 3.0% in relation to the Adult Social Care precept (see paragraph 3.26)
- 2.4 **That the Council be RECOMMENDED to agree that the Band D level of Council Tax for 2021/22, including the Council's increase in Council Tax of 0.60%, the Social Care Precept of 3% and the GLA increase of 9.51%, be set at £1,958.66, an overall increase of 4.65% on 2020/21. The levels of Council Tax for all property bands are shown at Appendix A; and**
- 2.5 That the Service Committee note that the Medium Term Financial Strategy was approved by this Committee in September 2020 and a further update will be provided by September 2021.

### 3. DETAILS

#### Background

- 3.1 The development of the Council's financial strategy continues to be set against a background of medium-term uncertainty as the Council considers the potential longer term consequences of COVID-19 on the services against a single year Comprehensive Spending Review and Local Government Finance Settlement.
- 3.2 In developing its strategy the Council has reviewed the national budget, assessed the impact of the local government finance settlement, spending review announcements and produced a number of reports both tracking COVID-19 related spend/income losses and considering where the long term impacts on the budget may be. The Council has also produced reports reviewing reserves and balances and setting out the Administration's key aims and priorities for capital investment.
- 3.3 The Administration set out in its manifesto a Fairer Finance agenda to ensure that there is a fairer deal for all residents and support for the most vulnerable in our community. The Administration has also committed to responsible stewardship of council finances and all areas of council expenditure have been reviewed to seek further efficiencies and rebalance priorities. The council has been active in fighting for a fairer funding deal for Richmond residents, coordinating lobbying of ministers especially in relation to the shortfall in Special Educational Needs funding – which has yielded some limited short-term funding boost, but has yet to yield a permanent solution.

#### The Local Government Finance Settlement (LGFS)

- 3.4 In November 2020 the Government concluded consultation on a one year spending review proposal (SR20) in response to the COVID-19 pandemic. The proposals included:
- Announcement that local authorities will be able to raise Council Tax by up to 3% for the "Social Care Precept" and by a further general 1.99% increase before triggering capping and the requirement for a local referendum
  - Local government core spending power will rise by 4.5% in 2021/22 but the majority of this is made up by the assumption that Local Authorities will set the maximum Council tax increase allowed
  - A continuation of the Social Care Support funding for Adults and Children's Social care expected to be worth around £3.6m for LBR in 2021/22 with future years subject to a distributional review
  - Fair Funding review of local government funding postponed again for at least a further year
  - The review of Business Rates Retention and funding of local government again postponed for at least a year
  - A continuation of the assurance that no authority would suffer "negative RSG" (removing for the short term, a £7.5m risk to the finances of LBR) for 2021/22
  - An additional £1.55bn nationally for ongoing COVID-19 related costs
  - Overall schools funding to increase nationally by £2.2bn in 2021/22 in line with the proposals announced in SR19. Whilst funding for High Needs continues to rise within this, it remains significantly below the increase in demand and costs being faced by LBR.

All of these proposals have now been included in the provisional Local Government Finance Settlement which was only finally announced in late December 2020. This one year settlement added the following major elements to the headline CSR announcements for LBR:

- One off COVID-19 support grant of £4.2m
- Continuation of, and increase in, homelessness prevention funding of £1.4m
- One-off £1.9m for Local Council Tax Support
- One-off support for Business Rates and Council Tax losses incurred due to COVID-19 (amounts yet to be confirmed)
- Further support for COVID-19 related income losses incurred in the first three months of the year
- New non-specific Lower Tier Services Grant of £0.6m.

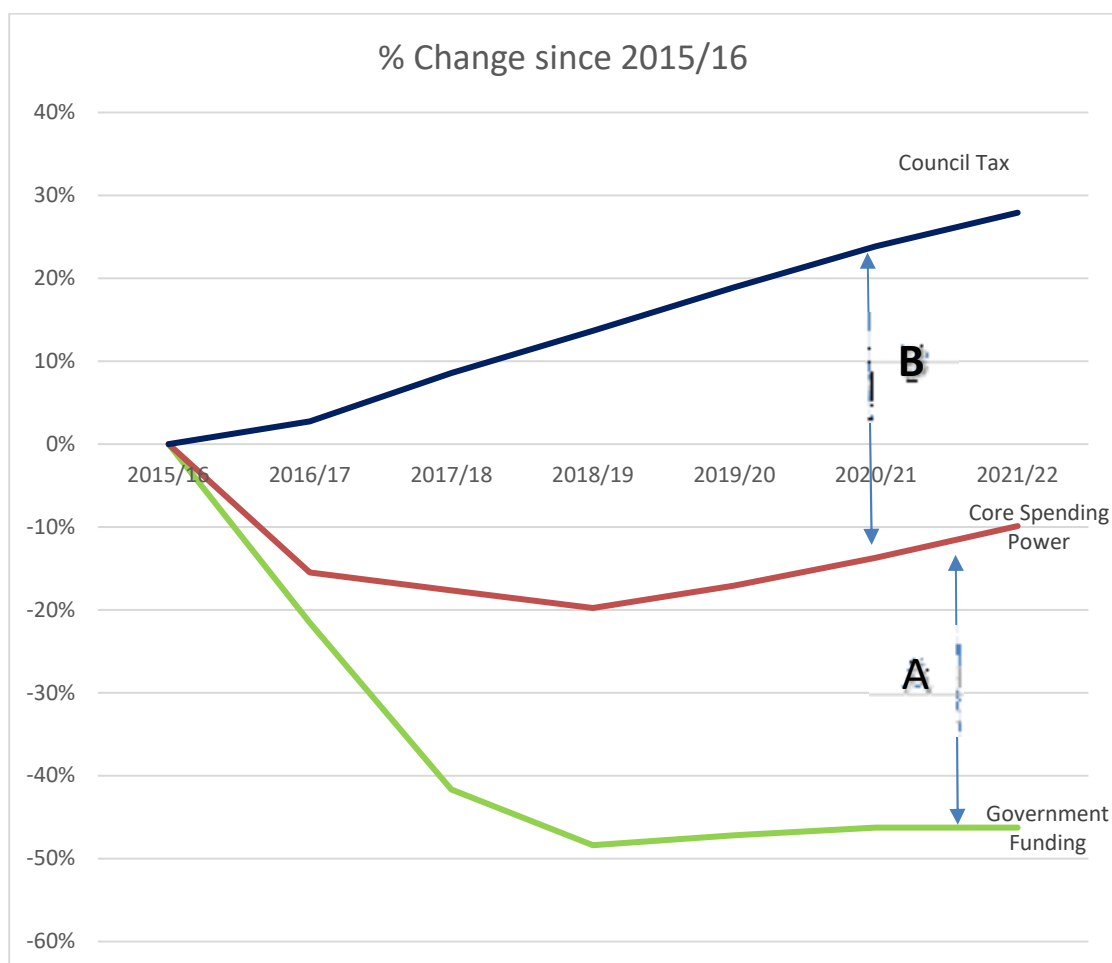
3.5 Whilst the SR20 proposals were a welcome recognition of the challenges facing local government, it is important to note that the settlement is for one year only and offers no certainty beyond that. It is also important to see this settlement against the background of the changes in local government finance which have seen the Council:

- Lose all of its general Revenue Support Grant (RSG)
- Receive the lowest allocation from the various “Improved Better Care Fund” allocations
- Suffer an overall loss of general Government support (retained business rates and RSG) of around £40m in cash terms since 2010 (in real terms this would be higher).

3.6 The continued removal of the proposed negative RSG removes a key risk to Richmond’s finances for 2021/22, however, it is still unclear if this risk will re-materialise in later years. Richmond remains one of the lowest funded Councils and will continue to argue that the current core funding position should be the minimum baseline for any future funding settlement. In addition, the structural underfunding of special needs education needs to be addressed.

3.7 The latest December 2020 settlement is presented by Government as a 4.9% increase in Richmond’s Core Spending Power since last year. Core Spending Power is made up of Government funding for the Council plus locally raised Council Tax and Business Rates and relevant grants. This means that the majority of the increase in spending power is made up of the revenue generated by local council tax payers.

3.8 The chart below illustrates how changes in funding from Government translates to changes in Core Spending Power. The loss in Government funding (area A on the chart), is compensated for the Government’s assumption of increased Council Tax from Richmond residents (area B on the chart).

**Chart 1: Spending Power, Government Funding and Council Tax**

- 3.9 The Council has, since the introduction of Spending Power as a measure of the impact of the LGFS, argued that it dilutes the true effect of reductions in central Government funding by using locally raised Council Tax to offset the reductions. Spending power calculations by central Government assume that Council Tax is raised by the maximum amount possible locally.
- 3.10 With the exception of ongoing discussions with the Department for Education on High Needs funding, all other consultation has been halted since the onset of the pandemic and it has now been confirmed that any changes to general funding formulae will be deferred until 2022/23 at the earliest.

### **The Medium Term Financial Strategy (MTFS)**

- 3.11 The MTFS is intended to identify a financially sustainable way of achieving the Council's aims, recognising the need to balance service demands with available resources and the impact on Council Tax payers. The MTFS was updated in September 2020 to reflect the Administration's plans.
- 3.12 The latest budget monitoring data shows that the Council is forecasting a £5.7m underspend on its revenue budget in 2020/21 excluding COVID-19 related costs. This is made up of a number of over and underspends across the wide range of services provided by the Council. However, this needs to be seen in the context of a combined Dedicated Schools Grant issue where there is a predicted in-year deficit of around £3m

(and an accumulated deficit of estimated at £18m by the end of 2020/21), and the impact of COVID-19. The monitoring report is shown elsewhere on this agenda.

### **Impact of COVID-19**

- 3.13 Due to the exceptional nature of the COVID-19 pandemic, the detailed revised budgets for 2020/21 exclude any impact COVID-19 is expected to have in-year as estimates could change at short notice depending on the Government's approach to both local and national restrictions and their inclusion would distort longer term trend analysis. All additional spend and lost income continues to be monitored closely. As reported in the budget monitoring elsewhere on this agenda, there is currently anticipated to be a shortfall in overall general Government funding estimated at between £4m and £5m in 2020/21, although this may be reduced via additional specific grants and underspends in non-COVID related elements of the budget. Any shortfall will need to be met from the Council's reserves.
- 3.14 Going forward, and reflecting the likely relative stability that the roll out of a national vaccination programme will bring, budgets for 2021/22 include estimates of the residual impact the pandemic may have on service demands including, where appropriate, the clearing of any backlogs or slow recovery to pre-pandemic levels of demand for services. General referrals to some services (such as homelessness and social care) have been lower during the pandemic and it remains to be seen whether this will result simply in the clearing of backlogs or, longer term, increased demand. In addition it is anticipated that some behavioural changes seen in the past year may continue, with leisure and events related income slow to recover (possibly not recovering to pre-pandemic levels), parking and traffic related income affected as people's travel habits change and sustained home working continuing to impact on domestic waste levels.
- 3.15 The Council's 2021/22 initial allocation of non-ringfenced COVID-related grant is £4.2m and a further £1.0m is estimated to be received in year to compensate for lost income. It is assumed at this stage that increased spend/reduced income during the year will match this overall level of funding and provision has been made in service budgets for this estimated pressure as well as setting aside a £1.0m COVID-19 Recovery Contingency Fund.
- 3.16 The Council continues its strong commitment and good track record of working in partnership. This has been particularly important in the last year as we have worked with the voluntary sector and other parts of the public and private sector to respond to the COVID-19 pandemic. The Council has worked with the local NHS on ensuring swift discharge from hospital, supported care homes and managed wider community test and trace programmes. We continue to actively engage on the COVID-19 testing programmes and will support the NHS-led vaccination programme as required. The voluntary sector has supported food supply and support to the most vulnerable in our communities. The Council is developing a COVID-19 recovery programme and has allocated specific funding, much of which we expect to continue to support the work with our local partners and the wider community.

### **Balances and Reserves**

- 3.17 Appendix B to this report contains a full listing of the revenue balances and reserves held by the Council and gives details on their intended application. The key issues are
- The General Reserve currently shows as £10.75m. This is within the range (5-10% of Budget Requirement) agreed by the Council.

- Approximately 37% (£19.6m) e.g. PFI Reserve, Schools Balances and Insurance Funds, whilst being under Council control, are essentially not available for use for other purposes.
- The Council agreed to place the “one off” freeze grants from central government into a reserve to be used from 2014/15 to hold down any future Council Tax increases. The total use of freeze grants to support the Council Tax in 2020/21 is £0.4m and this is proposed to reduce to £0.3m in 2021/22 which will use up the remainder of the reserve.
- Unused general COVID-19 grant received during 2019/20 of £2.4m is likely to be used in full to fund projected COVID-19 pressures in 2020/21.
- The use of the Invest to Save Reserve will be subject to decisions taken at year end 2020/21 including funding set up costs associated with transformation programmes.
- The Dedicated School Grant (DSG) has proved insufficient to meet the requirement to provide a “minimum funding guarantee” to schools and meet the rising costs of those with high needs. Whilst school funding has been removed from local authority general grant, any shortfall needs to be met by the local authority or recovered in some way from schools’ funds. At present the DSG has a projected in-year overspend of £3m giving a projected cumulative deficit of around £18m by the end of this financial year. Ultimately if the DSG cannot be brought back into balance and no other source of funding is identified this could result in a call on the Council’s general reserves. The Council has agreed a number of measures with Achieving for Children to seek to contain this position, however, these are unlikely to recover the existing deficit or significantly reduce the overspend in the short term. The Council is currently in detailed discussions with the DfE, seeking to agree a package which will see additional funding being made available to meet (or partially meet) the existing deficit.
- The Financial Resilience Reserve which was set up to provide flexibility in managing any short-term impact on services and investing in preventative measures to reduce longer term costs, stands at £14.4m with £10.8m of that balance set aside to assist with the DSG High Needs funding gap. The accumulated deficit on the DSG and the widening annual gap in special needs funding continues to be one of the key risks. The Council is therefore proposing to increase this reserve by some £4.4m in 2020/21 to help meet the growing net deficit in DSG High Needs funding and a further £3.0m in 2021/22. This reserve, however, also has to provide against a medium term funding outlook which is very unclear; with revisions to the local government funding mechanisms which continue to be delayed year on year and possible changes to the approach for the delivery of adult social care yet to be announced by Government.
- The largest proposed change to the reserve balances during 2020/21 is in relation to the Business Rates Volatility Reserve. In order to mitigate the impacts of COVID-19 on businesses, the Government granted 100% business rate relief in 2020/21 for the retail, hospitality, leisure and nursery sectors. As a result, the level of business rates billed during the year has more than halved leading to an estimated £52.6m deficit (the Council’s element is £16.2m) on the Collection Fund at the end of the year. Accounting rules relating to the Collection Fund mean this deficit has to be collected in 2021/22. In order to finance this deficit, the Government has provided additional section 31 grant in the current year (estimated at £17m). This will be transferred into the Business Rates Volatility Reserve at year end and in turn the reserve will be used in 2021/22 to cover the Collection Fund deficit.
- Balances are available for use only once. Their use to reduce Council Tax or meet existing cost pressures can allow the Council to smooth the impact of underlying

funding and service changes but must be carefully considered as part of longer-term planning.

### Overall Budget Proposals

- 3.18 In line with the Council's Constitution individual service budgets have been submitted to the relevant Council Committees.
- 3.19 Despite the relatively positive LGFS proposals for 2021/22 (compared with reductions in recent years) in order to help the recovery from the pandemic, the Council has had to continue to base its planning for Council Tax in the light of the serious, long term reductions in local government funding. It has attempted to do this in a way that strives to maintain service standards whilst addressing the need for significant budget reductions.
- 3.20 The administration's priorities in setting the budget are to ensure that the health and economic impacts of the pandemic are mitigated as far as possible; to promote a strong recovery, to continue to deliver on key priorities including Fairer Finances, the Climate Emergency Strategy and provision of Affordable Housing, and to manage the Council's finances responsibly in the light of continued uncertainty, including a continuing efficiency programme. In particular as follows:
- Recognising the financial pressure on Richmond residents, all fees and charges – including parking charges – will, where possible, be frozen at 2020/21 levels
  - £2.4m to reflect increased demand for children's social care services. This growth allows for a number of areas of growth/investment including demographic growth, the Whatever It Takes programme, increased costs associated with transporting young people with Special Educational Needs and Disabilities to school and additional staffing capacity for the safeguarding team.
  - £1.1m to reflect increased cost pressures faced by the social care provider market as a result of COVID-19 demand as well as additional costs for increases to London Living Wage across direct Council contracts (the Council already pays London Living Wage to all of its directly employed staff)
  - Providing additional relief to residents in receipt of Council Tax support by offering a further reduction of £150 – continuing the scheme of 2020/21
  - £0.7m additional resourcing within the Planning service to develop the new Local Plan and ensure a strong post COVID-19 recovery across the borough, including supporting the Council's priority to maximise the delivery of affordable homes through the planning process.
  - A further £0.2m within the Economic Development Service to support local economic recovery after the pandemic.
  - Investment across the organisation in resident support, including additional resource to tackle domestic violence, and programme governance £0.3m.
  - Provided for the continued loss of income to the Council as some of the behavioural changes seen during the past year may continue e.g. parking and leisure services £2.6m
  - Allowed for the continued increase in levels of waste and recycling the Council collects as residents continue to work locally £0.6m
  - Additional pressures looking after the homeless within the borough £0.5m
  - An additional £3.0m is provided to meet the continued underfunding of the High Needs schools block. In the medium term there is uncertainty around Council funding arrangements as we await the Fair Funding review, a longer term local



government funding settlement and a review of the funding for adult social services.

- Set aside a further £0.5m (plus an additional £1m per annum in the capital programme) to help deliver the Council's Climate Emergency Strategy agreed by the Environment, Sustainability, Culture and Sports Committee in January 2020. Funds to be released as approval is given by the service committee to support the agreed action plan.
- Allowed £1.0m within a COVID-19 Recovery Contingency Fund to respond to any changing needs in the uncertain year ahead. We will be doing what we can to support our business sector to come through the pandemic, bouncing back as strong as possible, as well as supporting individual residents especially the hardest off, vulnerable and those who have lost work.
- Included efficiency/savings/income generation of £2.6m as follows:
  - Reductions generated from procurement and contract savings £0.9m
  - Income/efficiencies and holding down inflation on supplies budgets £0.7m
  - Release of unallocated contingency £1.0m
- Provided continuing support for capital investment
- Provided for a (potential) 2% local government pay award effective from 1 April 2021

3.21 The Council continues its ongoing efficiency programme with those initiatives disrupted by the COVID-19 pandemic rolling forward to future years. The office estate will be reviewed recognising the change in working practices and this could lead to both future revenue savings as a result of reduced office accommodation costs and potentially a capital receipt in due course. We are investing in moving IT services to "the Cloud" and reducing reliance on more expensive agency staff which will reduce ongoing IT costs. Investment in improved street lighting technology and reducing the carbon footprint of the Council's estate will reduce energy costs. Rigorous procurement policies will continue to be followed to ensure value for money and we are also commissioning an external review of where there could be further cost reduction opportunities. The digital strategy and continued investment in analytics capability will help to improve services, increase efficiency and help to tackle fraud. Managing the Council's finances prudently in this way allows for targeted investment in specific priorities as set out in the administration's manifesto including the Fairer Finances agenda.

3.22 The final service totals are:

	<u>2021/22</u>
	<u>£m</u>
Adult Social Services, Health and Housing	53.7
Education and Children's Services*	38.3
Environment, Sustainability, Culture and Sports	28.3
Finance, Policy and Resources	31.2
Transport and Air Quality	<u>-5.3</u>
Total	<u>146.1</u>

\* includes £58.7m Achieving for Children Contract

## 3.23 Central Items and contingency

	<u>£m</u>
Capital Funding and Investment	9.6
Pensions Deficit Funding	4.3
General Contingency	0.5
Pay Award / Contract Contingency / Other	4.5
COVID-19 Recovery Contingency	1.0
Investment Initiatives	0.5
Transfers to/from Reserves	4.1
Non Ring Fenced Grants	-8.0
Central Items – budget requirement	<u>16.5</u>
Retained Business Rates	-21.8
Contribution from Collection Fund (CTAX)	0.3
Central Items - funding	<u>-21.5</u>
Total Central Items	<u>-5.0</u>

## 3.24 Summary of Borough Expenditure

	<u>£m</u>
Service Estimates	146.1
Central Items and Contingency	-5.0
Total	<u>141.1</u>

**Levies**

- 3.25 There are a number of levies and other charges, which the Council has to pay each year. These levies count as part of the borough's expenditure and they are, therefore, included in the relevant service budgets. The amounts and services are set out below:

Levy	2020/21	2021/22	Variation
	£000	£000	%
West London Waste Authority	7,659	8,465	10.5
Lee Valley Park	208	214*	2.9
Environment Agency	202	208*	3.0
London Pension Fund Authority	300	309*	3.0
Coroner's Service	218	221*	1.4

*\*Yet to be received. All figures are based on the latest information at the time of writing the report and are subject to change once final levies have been agreed.*

There are no levies this year from the Mortlake or South West Middlesex Crematorium Boards.

**Capping/Council Tax Referendums and the Social Care "Precept"**

- 3.26 The Localism Act abolished direct capping by the Government and replaced it with the ability of the Secretary of State to set a maximum level of Council Tax increase. Any Council wishing to set a higher level of increase will be required to hold a local referendum. The Secretary of State has announced the level that will trigger a referendum will continue to be 2% (or higher) for 2021/22.

- 3.27 The LGFS for 2021/22 also announced that local authorities responsible for adult social care “will be given an additional 3% flexibility on their current council tax referendum threshold to be used entirely for adult social care”. This is being offered in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets.
- 3.28 Taken together this would raise the maximum Council Tax increase before a referendum is required to 4.99% for this Council. Given the current inflation (CPI) level in November 2020 is 0.6%, the Council intends to limit the non-social care element to this inflationary level in order to reduce the impact on residents who may have been impacted by the pandemic.

### The Greater London Authority (GLA) Precept

- 3.29 The Band D Council Tax in respect of the GLA Precept is expected to increase by £31.59 (9.51%) to £363.66 with £15 applied to Transport for London (concessionary fares) and £15 for the Metropolitan Police and the remainder for the Fire Brigade.

### 3.30 Summary of requirements and Council Tax

	£m
Total LBRuT Budget Requirement	162.676
School expenditure funded from DSG *	178.192
	340.868
Less	
NNDR retention	-21.817
DSG *	-178.192
Contribution from Collection Fund (CTAX)	0.277
	141.136
Richmond Requirement for Council Tax	141.136
GLA Precept	32.179
	173.315

*\*Final figures, including all academy adjustments, are still awaited.*

- 3.31 The Council Tax Base for 2021/22 was set as 88,487 Band D equivalents in the delegated authority report published on 31st December 2020.
- 3.32 **Based on the above figures, allowing for roundings, the total tax at Band D including the GLA element would be increased to £1,958.66, an increase of 4.65%.**
- 3.33 The table below shows the impact of the increases in Council Tax provisionally proposed by the Council and the GLA:

	2020/21	2021/22	£	%
	£	£	change	change
LBRUT	1,539.57	1,595.00	55.43	3.60
GLA	332.07	363.66	31.59	9.51
TOTAL	1,871.64	1,958.66	87.02	4.65

### 3.34 **Section 25(2) of the Local Government Act 2003**

Section 25(2) of the Local Government Act 2003 requires the Chief Financial Officer of an authority to report on:

- (a) the robustness of the estimates made for the purposes of the calculations, and
- (b) the adequacy of the proposed financial reserves.

In doing so, the Director of Resources and Deputy Chief Executive has had particular regard to the guidance offered by the Chartered Institute of Public Finance and Accountancy and the views of the Council's external auditor.

3.35 The Council's stated aim is to achieve long term stability in its finances whilst restricting Council Tax increases. To achieve this, the Council must have regard to the major risks to its financial position and in particular:

- The relatively low (compared to other London Councils) level of reserves.
- The current economic position and future outlook.
- Whether budget setting and monitoring processes are robust and effective.
- Demand pressures on the budget, particularly in light of the high proportion of the budget spent on social care services, the current pandemic and the current pressures on the high needs element of the schools budget
- Identifying and achieving cost and income improvements
- Changes to the system of funding for Local Government
- Risks to Government funding levels
- Risks to other income streams

3.36 The Council has a good track record in financial management and in the delivery of Value For Money (VFM). The judgements by external inspectorates take into account both the service performance of the Council and the way we prepare and monitor our budgets as well as the wider use of resources including staffing and physical resources.

3.37 Local government finance issues have been dominated in the current year by the need to respond to the COVID-19 pandemic. Although SR20 provided welcome extra funds to help address this issue, the longer term position remains very uncertain. Fair Funding and Business Rate Retention consultations have once again been delayed by at least a year. Longer term planning remains challenging and the Council has therefore taken a prudent stance to providing reserves and assuming the need for further efficiency measures. Whilst the Council's position is stable, reserves are low for a London Borough and borrowing has increased in recent years. The longer term position remains extremely challenging and uncertain especially considering the position with the deficit in the high needs part of the schools budget.

3.38 The Council has sufficient reserves to deal with the challenges it faces in the short term and continually reviews its savings and efficiency programme as part of medium and longer term planning. The continued building of the Financial Resilience Reserve over recent years plus the short term funding announcement made by Government have improved the Council's position.

3.39 Nevertheless, given the resource constraints and uncertainty over demand pressures faced by the Council, it is imperative that efficiency remains at the heart of all Council activities. To this end the Council is reviewing its office estate, continuing to invest in

digital, data analytics and flexible working, as well as reviewing its approach to procurement. This will contribute towards the achievement of the Council's objectives.

- 3.40 Despite the constrained funding position, the Council remains committed to investing in the essential infrastructure which both underpins high quality services and will help to rebuild the economic vibrancy of the Borough. The affordability of this programme has been helped by the identification of one-off capital and revenue resources but the programme still relies heavily on the Council being prepared to increase its borrowing in future years. The impact of the required increase in borrowing is built into the Medium Term Financial Strategy and will be kept under regular review with the aim of reducing the borrowing need if possible.
- 3.41 The Council's reserves and their usage are linked to both the capital and revenue budget. A full list of the current reserves held by the Council is attached at Appendix B and will be reviewed again as part of the update of the MTFS later in 2021/22. The overall level of useable reserves remains adequate for the purposes identified.
- 3.42 With levels of reserves below the London average, reserves will continue to be monitored and reviewed regularly. Both the current and projected levels of General Reserve are expected to remain within the Council's agreed range of 5-10% of the Budget Requirement. However, there is a particular concern in relation to the deficit being built up on the Dedicated Schools Budget which is now placing a significant additional strain on the Council's reserves. Discussions are currently ongoing with both schools and Government on this issue but without resolution this could significantly undermine the Council's future plans.
- 3.43 It should be noted that the Pension Fund Reserve is, in common with many other Pension Funds, showing a large deficit. The Council has a long-term recovery plan for the fund but this faces continual challenges from reducing numbers contributing to the fund, longevity of members and volatile investment returns.
- 3.44 In summary, the Chief Financial Officer (being the Director of Resources and Deputy Chief Executive) confirms that he is content that the estimates are robust for the purposes of the required budget/council tax calculations and that the Council's reserves are adequate in the short to medium term, although the position in relation to the DSG deficit will continue to present a particular risk until the Government provides complete clarity on the meeting of the deficit from DSG funds.

#### **4. FINANCIAL AND EFFICIENCY IMPLICATIONS**

- 4.1 These are set out in the body of the report.

#### **5. PROCUREMENT IMPLICATIONS**

- 5.1 Improvements in procurement processes and outcomes forms a key part of the Council's efficiency programme. Included in the budget proposals are a number of new procurements which are anticipated to contribute to the overall savings targets for the Council.

#### **6. LEGAL IMPLICATIONS**

- 6.1 There are none arising directly from this report.

## **7. CONSULTATION AND ENGAGEMENT**

- 7.1 The Council has undertaken a number of Residents Surveys in recent years which have included key questions on their priorities for spending and opinion of the Council's approach to financial management. The results have been used to inform the budget strategy.
- 7.2 The Council maintains contact with the local business community via the Chamber of Commerce and other business and community forums. Officers have been invited to attend business breakfast meetings at which they provide an update on the Council's financial position and its future plans as well as keeping businesses informed about changes to the business rating system.
- 7.3 Service Committees have also considered relevant detailed service budget reports and have the opportunity to comment before this committee recommends final decisions to Council.

## **8. POLICY IMPLICATIONS/CONSIDERATIONS**

- 8.1 There are none arising directly from the report although the level of budget resources available is a major influence on the delivery of Council policy in all areas. The Council's budget is part of the Policy Framework and, therefore, requires the approval of Council.

## **9. RISK CONSIDERATIONS**

- 9.1 The risks faced by the Council in relation to financial planning and budget setting are set out in paragraphs 3.34 to 3.44 of this report as part of the Director of Resources and Deputy Chief Executive's comments on Section 25 (2) of the Local Government Act 2003.
- 9.2 Many of the risks are similar to previous years but it is particularly worth noting the risks in relation to uncertainty around income generation due to COVID-19, Government funding, schools and children's/adult social care.

## **10. EQUALITY IMPACT CONSIDERATIONS**

- 10.1 Appendix C considers the equality impact of major changes to the 2021/22 budget.

## **11. ENVIRONMENTAL CONSIDERATIONS**

- 11.1 The Council has made significant allowance in its revenue and capital budgets to address the actions outlined in the Climate Emergency Strategy. These will be reviewed as the action plan is developed and implemented.

## **12. APPENDICES**

Appendix A – Council Tax Bands 2021/22  
Appendix B – Revenue Reserves  
Appendix C – Equality Impact Assessment  
Appendix D – Council Tax Resolution

**13. BACKGROUND PAPERS**

None

**14. CONTACTS**

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Mark Maidment, Director of Resources and Deputy Chief Executive

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**Richmond Council Tax Bands 2021/22**

<b>Band</b>	<b>Richmond Council Tax (2021/22) £</b>	<b>Greater London Authority (2021/22) £</b>	<b>Total Council Tax (2021/22) £</b>
A	1,063.33	242.44	1,305.77
B	1,240.55	282.85	1,523.40
C	1,417.78	323.25	1,741.03
D	1,595.00	363.66	1,958.66
E	1,949.44	444.47	2,393.91
F	2,303.89	525.29	2,829.18
G	2,658.33	606.10	3,264.43
H	3,189.99	727.32	3,917.31



DESCRIPTION		Actual Balance at 1.4.20 £000	Estimated Revenue Usage 20/21 £000	Estimated Capital Usage 20/21 £000	Estimated Additions 20/21 £000	Estimated Balance at 31.3.21 £000	PURPOSE OF RESERVE
<b>STATUTORY RESERVES OVER WHICH THE COUNCIL HAS LIMITED OR NO CONTROL</b>							
	Schools	-8,052	*	*	*	-8,052	Ring fenced to schools
	Schools' Maternity & Supply Cover Scheme	-496	*	*	*	-496	Internal insurance arrangement for supply and maternity cover in schools
	Dedicated Schools Grant Reserve	14,835	3,000	*	*	17,835	Created from underspend of Dedicated Schools Grant. Currently showing a deficit balance. Earmarked for schools expenditure.
	South London Partnership Reserve	-475	0	0	0	-475	5 borough collaboration to promote sustainable growth
	Other	-63	0	0	0	-63	
<b>Sub total</b>		<b>5,749</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>8,749</b>	
<b>NON STATUTORY BUT ESSENTIAL RESERVES</b>							
	COVID-19 Reserve	-2,388	2,388	0	0	0	Part of the government grant received in 2019/20 to assist with pressures around COVID-19
	PFI Reserve (Future Liabilities)	-9,346	0	0	0	-9,346	To allow for future smoothing of annual payments under PFI contracts
	General Insurance Reserve	-1,856	0	0	0	-1,856	Internal insurance fund (non vehicle). Revaluation is completed as part of the insurance tendering process.

DESCRIPTION		Actual Balance at 1.4.20 £000	Estimated Revenue Usage 20/21 £000	Estimated Capital Usage 20/21 £000	Estimated Additions 20/21 £000	Estimated Balance at 31.3.21 £000	PURPOSE OF RESERVE
	Vehicles Insurance Reserve	-193	0	0	0	-193	Internal insurance for Council vehicles
<b>Sub total</b>		<b>-13,783</b>	<b>2,388</b>	<b>0</b>	<b>0</b>	<b>-11,395</b>	
<b>DISCRETIONARY RESERVES CURRENTLY EARMARKED</b>							
	Financial Resilience Reserve	-14,371	0	0	-4,400	-18,771	In recognition of the volatility of the arrangements of future local government funding
	Council Tax Freeze Grant	-686	400	0	0	-286	To be used to contribute to minimising Council Tax in future years
	Repairs and Renewals Fund	-3,065	450	0	-476	-3,091	Purchase or creation of assets providing benefits of at least 3 years
	Waste & Recycling Reserve	-1,616	0	0	0	-1,616	Used to fund Waste and Recycling Strategy
	Invest to Save Fund	-6,788	51	0	0	-6,737	Funding for efficiency work across the Council, including an allowance for redundancy costs
	Business Rates Volatility Reserve	-4,673	0	0	-17,193	-21,866	Used to smooth the impact of NNDR year on year variations and S31 grants
	Youth Development Fund	-248	0	0	0	-248	To fund capital schemes to improve youth facilities
	Commitments Reserve	-520	19	0	0	-501	Unspent revenue budgets carried forward for specific Committee approved projects, including Brexit grant
	Climate Change Reserve	-495	0	0	-53	-548	To support the Council's Sustainability Team in reducing the threat of climate change, to cut carbon emissions and promote energy efficiency

## SECTION H

Official

Official

APPENDIX B

DESCRIPTION		Actual Balance at 1.4.20 £000	Estimated Revenue Usage 20/21 £000	Estimated Capital Usage 20/21 £000	Estimated Additions 20/21 £000	Estimated Balance at 31.3.21 £000	PURPOSE OF RESERVE
	Youth Centres Reserve	-127	0	0	0	-127	Income generated by youth centres (e.g. lettings) which is earmarked for re-investment within youth services
	Lincoln Fields	-394	0	0	0	-394	Net income for Lincoln Field site to be put towards pitch re-surface as per Football Foundation agreement
	Economic Support Fund	-137	100	0	0	-37	Support for economic development initiatives
	VAT Reserve	-105	105	0	0	0	To cover potential tax liabilities
	Other Reserves	-551	0	0	0	-551	Various small reserves
<b>Sub total</b>		<b>-33,776</b>	<b>1,020</b>	<b>0</b>	<b>-22,122</b>	<b>-54,878</b>	
<b>GENERAL FUND</b>							
	General Reserve (available for any purpose)	-10,753	0	0	0	-10,753	To be used to contribute to minimising Council Tax in future years
<b>TOTAL RESERVES</b>		<b>-52,563</b>	<b>6,513</b>	<b>0</b>	<b>-22,122</b>	<b>-68,172</b>	
<b>TOTAL RESERVE MOVEMENT</b>		<b>-52,563</b>		<b>-15,609</b>		<b>-68,172</b>	

\* Decisions on these reserves are normally taken as part of the final accounts process and so no changes are shown at this time

# Medium Term Financial Strategy

*'Covid Recovery and a  
Fairer Sustainable Future'*

September 2020



## **1 EXECUTIVE SUMMARY and PURPOSE**

The Council sets a Medium Term Financial Strategy (MTFS) in order to ensure that it can plan for future commitments, establish a framework for setting council tax, ensure financial sustainability and recognise and address the risks inherent in achieving these aims. The Administration has translated its commitments into a Corporate Plan and this strategy seeks to ensure that the aims of the Corporate Plan can be achieved within the finance available to the council. This second update of the Strategy under the present Administration also considers the unprecedented impact of Covid-19 on the Council's finances and the need for the Council to ensure that it can support vulnerable and less well-off residents as well as our local business and voluntary sectors as the full economic impact of the pandemic is felt in the local area.

## **2 Covid Recovery and a Fairer Sustainable Future**

The key objective of the MTFS is to set the lowest possible Council Tax consistent with delivering Fairer Finances and the other objectives of the Corporate Plan, including increased provision of affordable housing and the climate change strategy. However, the Administration continues to recognise the context of a severe reduction in the central government support grant [and structural underfunding by the government of special needs education]. The Administration will continue to work on ensuring that the most vulnerable in our community are supported and cared for whilst achieving fairer outcomes for all residents.

In pursuing this aim, the Council will:

- be open and accountable,
- support the most vulnerable and least well-off in the community,
- act as trustees for the natural and built environment of the borough,
- focus expenditure on services of direct benefit to local residents,
- give local people a more direct say in Council services.
- Be open to best practice and innovative ideas

The Strategy will include taking specific actions in respect of:

- Recognising the challenges for the local area posed by the Covid-19 pandemic,
- Pursuing a fairer Government funding deal for residents,
- Maximising income and innovative ways to deliver services to minimise the scope of savings required,
- Reviewing every current budget to ensure it is being used in the most effective way and identify options for efficiency,
- Maximising access to sources of grant funding,
- Continuing to implement plans to deliver the Fairer Finances and Corporate Plan objectives including in respect of affordable housing and the climate change strategy,
- Engagement with Government on underfunding in Special Educational Needs.

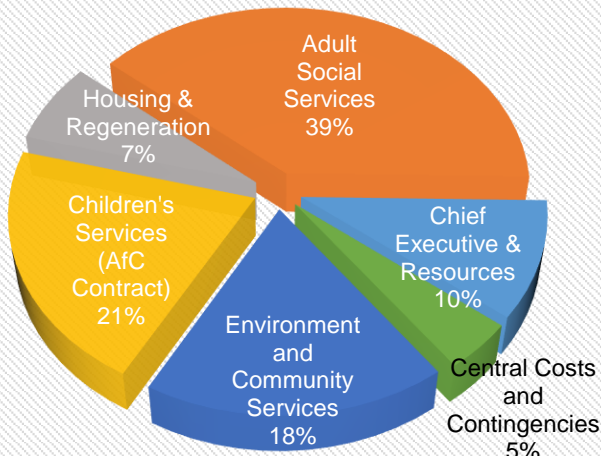
## SECTION H

Further details on the actions already in progress are provided in section 9 later in this document. A high level summary of Revenue and Capital expenditure and income and demand pressures within the borough is overleaf:

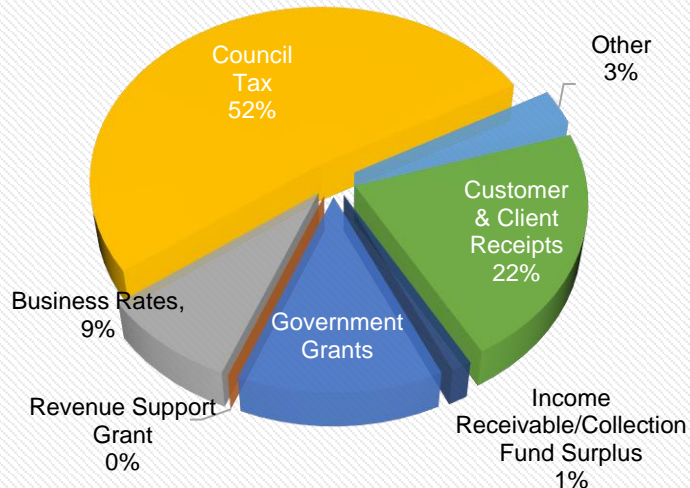


# ? Facts and Figures £

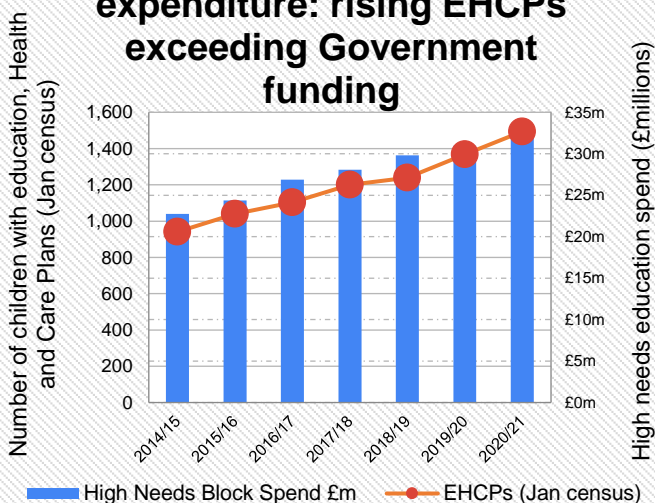
**2020/21 Expenditure budget by service**



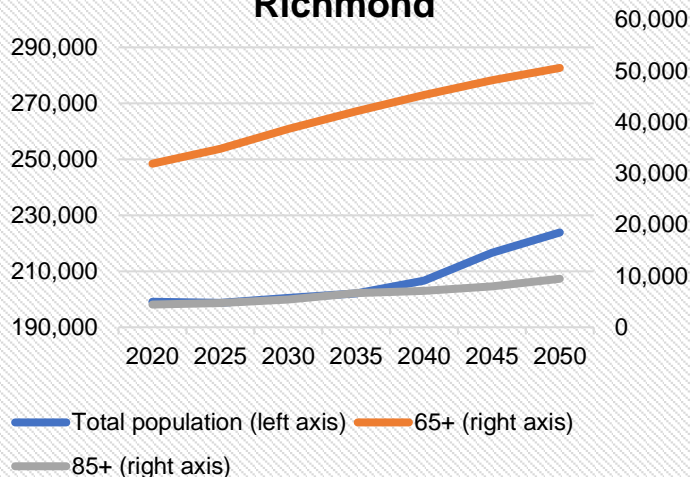
**2020/21 Budget Income Analysis**



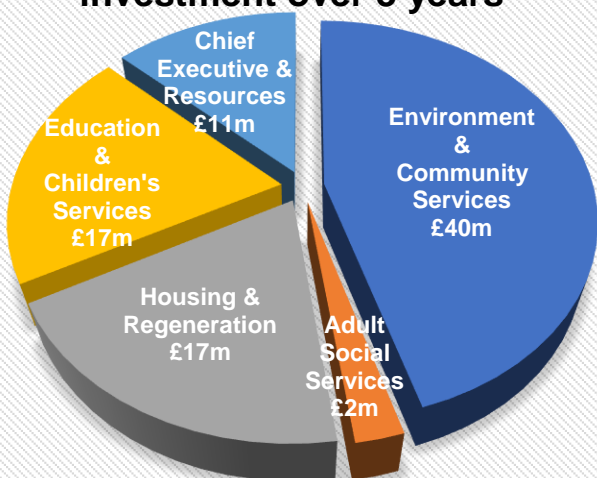
**Education high needs expenditure: rising EHCPs exceeding Government funding**



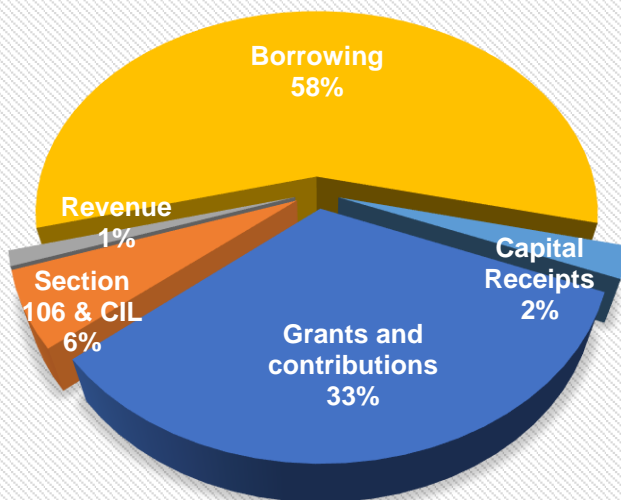
**Projected population growth in Richmond**



**General Fund capital investment over 3 years**



**Sources of capital funding**



### 3 The current MTFS

- 3.1 The MTFS agreed in June 2019 showed that, assuming the achievement of agreed savings plans, the budget gap before Council Tax increases would be:

Year	2020/21	2021/22	2022/23	2023/24
MTFS Gap £	£4.9m	£12.3m	£18.9m	£25.3m

- 3.2 **The changes made during budget setting for 2020/21 broadly confirmed this position and the final Council tax increase for 2020/21 was 3.77%.The budget included increased grants for social care and housing offset by increased investment in both adults and children’s services and in homelessness prevention.** The budget also included funding for the Council’s new climate change strategy and a wholesale review of the capital budget. T
- 3.3 In broad terms the Council continued to target a minimum of a further £10m of efficiencies over 2019/20 – 2022/23. Since that time the Covid-19 pandemic has clearly placed further short and longer term pressures on the Council’s budgets. A further programme to improve the efficiency of Council services in the light of these pressures is now being developed.

### 4. Local Government Finance Settlement and Council Tax 2020/21

- 4.1 The final Local Government Settlement for 2020/21 was once again a single year settlement that critically for London Borough of Richmond (LBR) meant the Borough did not suffer any further loss in Government Grant funding (although this again meant the previous proposals to introduce “negative RSG” which would cost local taxpayers a further £7.5m were only temporarily reversed for a further year). The overall settlement, including a number of specific grant proposals, provided some real growth in overall government funding for the first time since 2010.
- 4.2 These issues continued to provide the Council with some limited headroom against its previous plans and enabled it to make further provision against the continuing underfunding of Special Educational Needs and Disability (SEND) and continue to introduce key “fairer finances” policies including the London Living Wage commitments. The budget also secured extra investment in both adults and children’s social care including invest to save / transformation initiatives and allowed both capital and revenue investment to help deliver the Council’s Climate Emergency Strategy.
- 4.3 Combining these with the continued delivery of agreed efficiency programmes this meant that, since 2010;
- General Government Grant has reduced by over £40m (70%)
  - The Council has achieved savings/efficiencies/income generation of £71m.
  - Council tax (excluding the Social Care precept) has risen by 8.49% compared with inflation increases over the same period of some 30.81%.

### 5. Future Forecasting

The Covid-19 pandemic has presented significant new challenges for local government costs and their financing. Previously buoyant Council Tax, Business Rates and fees and charge income now face a long term threat and pressures on adult, public health, children’s, infrastructure and economic support services are likely to sustain beyond the immediate pandemic. Alongside this the future for local Government Finance continues to remain very unclear.



### 5.1 General Government Funding/Negative RSG/Consultation on 2021/22 Financial Settlement

When the Government introduced the new funding methodology for local government in 2013/14 (which included 50% of business rates collected being retained by local government – in Richmond’s case then further split 30/20 with the GLA) it rolled into this funding both the general grant and a number of specific grants. The end result was that Richmond received a much lower level of general government grant with the balance up to its previous level of funding being made up from retained business rates.

Government funding reductions since 2013/14 have focussed on cutting the general Government Grant element whilst the retained business rates element remained relatively protected and included a small element of growth if local business rates grew. After successive years of cuts Richmond reached the point in 2018/19 where it received no general government grant. Rather than stopping at that point the Government originally decided to continue applying cuts to Richmond meaning that (in effect) it would be paying an extra tax to the Government – this is what is generally now referred to as “negative RSG”. This was somewhat controversial and, following much lobbying and a short consultation, the Government removed negative RSG.

This meant Richmond avoided the loss of £7.5m for 2019/20 and this has also been repeated in 2020/21, however, no indication has still been provided as to whether this position was for one year only or would be permanent.

Changes to business rates and the fair funding review looking at how funds are distributed to local authorities have both been pushed back to 2022/23 at the earliest. Whilst a new three year spending review, which will set limits for overall public spending, is promised for the Autumn 2020 it is unclear whether that will lead to anything more than a single year settlement for local government.

### 5.2 Dedicated Schools Grant and SEND

Since the Children and Families Act 2014 - which changed the requirements associated with assessing pupils with special educational needs and disabilities, extended the age range covered by the legislation from 5-16 years to 0-25 years and replaced Statements of Special Educational Needs with the requirement to produce holistic Education Health and Care Plans (EHCPs) - councils across the country have experienced a significant 40%+ overall increase in the number of EHCPs. This increase has not been matched by additional funding. Richmond currently has a High Needs funding deficit of around £4m annually (even after allowing for new funding) and an accumulated deficit of £14.8m. The Council has lobbied Government extensively on this issue, engaging with schools, parents and local MPs to press home the Government’s responsibility to address this issue. Recently, off the back of both this and lobbying by regional and national groups, there have been clear indications from the Government that it will take responsibility for this deficit and limited extra funding has been provided in both the current year and 2021/22. Unfortunately, in Richmond’s case that funding is doing little more than stemming the year on year *increase* in the annual deficit and is doing little to actually reduce or eliminate the annual or accumulated deficit from previous years. The Government has said that it will work with those authorities most affected to provide a sustainable long term solution but at this stage there is still no definitive commitment from the Government in terms of that funding. Until such definitive commitments are forthcoming this issue will remain a concern in terms of financial sustainability.

### 5.3 What areas can we predict and what are the other risks/opportunities (Annex 2/3)

Annex 2 and 3 cover the major risks and opportunities in greater depth but summary detail is identified below:

Inflation – is currently built into the MTFs at an average of 2-3% and varied where more specific information is available. The most significant inflationary elements apply to staffing

and contracts. Overall the inflation contingency will add around £4.4m to each year's budget pressures.

Income/Efficiencies – the Council will continue to review its fees and charges each year so that those using services make a contribution to those services. The efficiency programme will also continue to be developed with all areas of council services being scrutinised carefully. Together these activities are targeted to deliver in excess of £10m of efficiencies during the course of the current administration. This programme will be reviewed and refined each year during the budget setting process.

Agile working/digital opportunities – the current pandemic and lockdown response has underlined the importance of the Council investing in technology and improving what can be done online as well as presenting an opportunity for the Council to review the way it provides many services and from where. Work on both digital/IT investment and the working estate will, we believe, offer longer term efficiency and service improvement opportunities.

Demographic Changes (Adult / Children) – both nationally and locally councils face increasing demands from an ageing population and a young population with different support requirements. The Council has allowed a nominal growth of £500k per annum in both areas which is reviewed as we set the annual budget. This is in addition to the challenges faced in funding the expanding number of pupils having an EHCP – see para 5.2 above.

New Procurements – the Council provides services via contractors to a value in excess of £150m per year. A contracts register is maintained to ensure allowance is made for full review of the commissioning requirement before the Council undertakes the letting/reletting of a contract. The Council will always seek to drive more efficient delivery when it lets contracts but also has to bear in mind the prevailing market conditions. This can therefore represent both an opportunity and a threat. Specific commissioning efficiencies are built into the overall efficiency programme referred to above and over the past 10 years over £22m has been delivered in efficiency savings from procurement.

Council Tax Base and the Collection Fund – the current MTFs assumes that the Council Tax base will continue to grow at 300 Band D equivalent properties per year and that the Collection Fund will have a surplus in excess of £1m. Reviewing the 2019/20 outturn and the likely impact of Covid-19 on the local economy, the assumptions on this surplus may need to be removed for future years and some further losses built in for potential extra demands on the Council Tax Reduction Scheme.

Business Rates – it is unclear at the moment if the Government will repeat the extended business rate exemptions that occurred in the current year or what the full extent of business failure may be as a result of the current pandemic. It is also unclear to what extent the Government may support any loss of business rates for local authorities. Modelling has been carried out around a range of scenarios and it is likely that we will need to allow for some level of loss in funding.

Capital Programme – the existing 5 year programme funding is built into the MTFs and this is subject to review both in relation to the delivery of the Council's priorities and the affordability of the ongoing programme. For 2020/21 the estimated annual revenue cost of borrowing is £9.7m.

Whilst we can normally make a reasonable range of estimates associated with the above areas, the impact of Covid-19 means that there is much more uncertainty in both our own cost forecasts and those associated with Government funding. Annex 2 looks at these in more detail.

#### 5.4 Fairer Finances and Delivering Council Priorities

- 5.4.1 The Council will focus on managing the impacts of Covid-19 in the local area, supporting residents, businesses and the voluntary sector and keeping the Council's finances on a secure footing.
- 5.4.2 The Council will not lose sight of its wider objectives to invest in good local services while protecting the most vulnerable in our community and investing for the future. The Council has set out in the Corporate Plan what it aims to do to promote a fairer deal for all those that live in the borough and how it will work with residents to ensure they have a fair say in decisions that affect them. To this end the previous two budgets of this Administration have already introduced a number of measures including;
- removing minimum Council Tax contributions for the poorest families and individuals in receipt of Council Tax Reduction Scheme funding
  - setting up a discretionary fund to work with Citizens Advice on extreme hardship cases
  - continued funding for extra mental health support in schools and funding of Council Tax for care leavers
  - introducing London Living Wage requirements for all Council contractors
  - introducing a Voluntary Council Tax Contribution Scheme for those in the Borough who may be able to afford and be willing to contribute a further additional voluntary amount. This was accompanied by the establishment of a new charity and the Council will continue to approach all of those in G and H Council Tax band properties to pay an additional voluntary contribution towards specific schemes (typically grants will be given to charities and organisations situated in the Borough or which directly help vulnerable residents of the Borough including: older people, people with learning disabilities, people with physical disabilities, children with mental health issues etc). The total collected so far will be over £110,000 once gift aid is processed.
- 5.4.3 The Council is continuing other corporate plan priorities including:
- (i) The Council wants to become a “**Greener Borough**” and be carbon neutral by 2030 and as such it has published the Richmond Climate Emergency Strategy and supporting annual action plan which sets out how the Council's carbon footprint will be reduced and air quality improved. The majority of such investment is likely to require capital funding but the Council will also be considering how it uses existing Climate Change Reserves and has budgeted additional revenue funds to help manage the necessary changes.
  - (ii) The Council is working to deliver more **Affordable Housing** within the borough and the capital plan allows for significant contributions to enable this in partnership with housing associations and other developers
  - (iii) **A Safer Borough** - Continuing to work with the police and community groups to help tackle crime including providing advice to local residents on crime prevention and enhancing the neighbourhood watch scheme. Work with TfL to improve safety on the Council's roads and monitor the extension of 20mph speed limits recently introduced.
  - (iv) Driving community investment through real **engagement with local people** – leveraging the investment made in the 2019/20 budget for the Community Conversations programmes including reaching a wider range of people in the borough and devolving some existing budgets to local areas.

#### 5.5 Balancing the risks and opportunities

In summary, the impact of Covid-19 and the future local government finance position are as uncertain as they have ever been. At this stage it is necessary to plan within a range of possible outcomes and hence the MTFS has again been adjusted to reflect this uncertain picture (see section 8 below).

## 6 Working with our key partners

- 6.1 At the same time as Local Government is facing very uncertain costs and levels of funding, in particular in the context of responding to the Covid-19 pandemic and subsequent recovery process, we must recognise that our other key partners also face significant pressure – the local NHS Clinical Commissioning Group (CCG), the voluntary sector who partly rely on public sector funding and support, and our local schools are particularly important for the quality of life in the London Borough of Richmond upon Thames.
- 6.2 The Council has a statutory role through the Health and Wellbeing Board to bring together strategic partners to plan how best to meet the health and care needs and improve the health and wellbeing of the local population, making most effective use of resources in the local health and care system. Richmond CCG now forms part of a single South West London CCG covering the six South West London Boroughs. The Council continues to work closely with the CCG at a place-based level, to integrate health and care services through the implementation of a Local Health and Care Plan 2019-21, with oversight through a Health and Care Leadership Board. Covid-19 has demonstrated the critical importance of Social Care working closely with the NHS to manage pressures across the health and care system. Effective partnership working throughout the pandemic has created a renewed momentum to accelerate health and care integration with a focus on whole system working. A number of local priority areas, including accelerated hospital discharge, care home support, wellbeing/community hub and health inequalities will be taken forward as part of the South West London Stronger Communities Recovery Programme, aligned to the NHS London Long Term Plan. There is an ambition for the further pooling of health and care budgets, with appropriate risk sharing, as part of the integrated care system. Both the Council and NHS have seen increases in funding to recognise short term pressures from Covid-19 and the Council continues to work with the Local Government Association to press for adequate long term funding for social care in order to provide stability and extra capacity in local care systems which will also assist in supporting NHS partners to help relieve pressure on health services.
- 6.3 The CCG, Council and Police partnership is significant within safeguarding. The Richmond and Wandsworth Safeguarding Adults Board maximises joint working over a wider geography and brings in greater learning opportunities across both boroughs. It also aligns with the Police Command Unit. The Kingston and Richmond Safeguarding Children Partnership has been refreshed in line with Government guidelines in the last 18 months, bringing the Police and CCG into equal ownership with the Council through Achieving for Children (Children's Social Care). This tri-partite lead ensures that children's safety and wellbeing is at the heart of everything we do. Priorities include contextual safeguarding, mental health and early help and parental vulnerability.
- 6.4 The CCG, Police and Council partner again within the Community Safety Partnership, alongside other statutory organisations such as the Probation Service and voluntary and community led organisations. The focus is on identifying and best resourcing statutory and other services to tackle the root causes and reactionary responses to crime and safety.
- 6.5 The Richmond upon Thames Partnership brings together the public sector leads to consider priority areas for the borough and agree how the partners can work together to meet local needs. The Partnership's annual conference allows for a wider delegation of local businesses, services and the voluntary and community sector to focus on a local need. The most recent conference in February 2020 had an environmental focus, planning how partners could work together to tackle climate change.
- 6.6 The Council continues to also work closely with the local voluntary sector recognising that, particularly during the Covid-19 pandemic, it is vital that we work to make the best use of all the resources available in the local area. The Council recognises the support provided to the local community from the many voluntary organisations including their volunteers which help to ensure the local community maintains its strength and cohesiveness. The local sector has been a key partner in providing urgent support to vulnerable communities through their

extensive involvement in the Covid-19 Community Hub and ancillary services. The Richmond upon Thames Compact is a written understanding between the voluntary and statutory sector (London Borough of Richmond upon Thames and the Clinical Commissioning Group) as to how they should work together and ensure a mutually beneficial relationship exists. The Richmond upon Thames Compact aims to build upon our existing commitment to partnership working by setting out our shared principles and how we will consult, involve and manage our resources together. The Council works with Richmond Council for Voluntary Services (RCVS) on embedding the principles of the Compact in how both partners work together and with the voluntary and community sector. The Council also commissions RCVS to deliver capacity building services that help organisations become more resilient and sustainable, and able to respond to new financial challenges and changes in demand for their services. The Council works with many voluntary organisations and local people in a range of partnerships such as the Welfare Reform Board and Homelessness Forum.

- 6.7 We are determined that despite the financial challenges we both face, we must maintain a strong relationship with Children’s Social Care and our local schools who are so vital in providing the best start in life for our children and young people. Whilst there are immediate concerns with the comprehensive reopening and maintaining of schools and learning following the Covid-19 lockdown, of particular concern in the longer term is the increasing financial pressure experienced by both schools and the Council from the growing number of young people with Special Educational Needs and Disabilities (SEND). These young people are amongst the most vulnerable in our community and as part of this strategy we will continue to fight for the funding we need to ensure that they are all appropriately supported.
- 6.8 The restrictions on trading in response to the pandemic has caused significant hardship and challenges for our business community. More than ever they are a key partner of the Council to rebuild the health of our local economy and thereby support local employment and the general health and wellbeing of the community. From the start of lockdown the Council worked quickly to distribute business rates support and grants. We have worked with our Business Improvement Districts (BIDs) and town centre partners to help them support local centres and high streets and have established Covid-19 business support webpages to gather all local and national support together. It is a priority that we do everything to enable the business sector to bounce back following this period of immense disruption and uncertainty. The Council will continue to advocate with a strong voice for the needs of businesses in Richmond and support “shop local” campaigns to ensure we get through this situation as a cohesive and enterprising community.

## **7 Capital Programme**

- 7.1 As in previous years this MTFFS focusses on the revenue budget. A review of the capital element of the MTFFS and the capital programme for 2019/20 to 2024/25 is set out in a report to Cabinet on 20 February 2020. The capital programme totals around £136m over the 6 year period. Environment/transport projects (around 40% of the total programme over the next 5 years) are now the largest element of the programme, although this may be subject to significant review in the light of future changes in TfL funding. Although for the purposes of this MTFFS update we have assumed that the broad underlying financial requirements are as set in the budget, the whole programme will once again be subject to review, including looking at the impact of Covid-19 on funding and spending pressures and any new / changing demands on other services.
- 7.2 The table below shows some of the key capital financing expectations for forthcoming years. Importantly external debt is likely to rise unless new sources of alternative funding can be identified. The potential increase in borrowing costs will be spread over a number of years as the Council will run down its internal cash holdings in the short term (see commentary in capital programme and treasury reports) which will help to limit its impact on Council Tax. In the long term the potential increase in borrowing nevertheless remains significant. Given the overall revenue projections it is clear that the Council will need to review its commitments for the future carefully to ensure they are affordable.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Total Capital Expenditure	40,942	19,926	14,889	25,651	7,600
To be funded from revenue, reserves and capital receipts	100	0	0	0	0
To be funded from grants and contributions	18,524	5,165	4,493	18,815	3,054
To be funded from borrowing (internal and external)	22,318	14,761	10,396	6,836	4,546
<b>Implied underlying need to borrow at end of year</b>	<b>191,201</b>	<b>198,770</b>	<b>201,607</b>	<b>200,611</b>	<b>197,139</b>

- 7.3 The underlying need to borrow at 1 April 2020 was £175.6m, estimated to rise to £191.2m by year end. The actual level of outstanding external borrowing at 1 April 2020 was £133.7m.
- 7.4 The above table shows that the Council still has a significant capital programme. Looking at the current programme, although some is funded through Government grant, the plans continue to include assumed increases in borrowing. The Council believes that it is essential that central Government provide more direct capital funding (particularly for schools and major infrastructure).
- 8 Forward Financial Strategy**
- 8.1 The table below updates the current MTFS for the areas discussed above (underlying assumptions in Annex 2), to provide an indicative potential budget that the Council will need to fund. It identifies how much of a gap there is between costs and our current best estimate of funding. In particular the main table assume that general Government funding (Revenue Support Grants and retained business rates) remains at the base levels for 2019/20:

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Year	2021/22	2022/23	2023/24	2024/25
<b>Current Council Tax Requirement</b>	<b>£136.6m</b>	<b>£136.6m</b>	<b>£136.6m</b>	<b>£136.6m</b>
Inflationary Pressures	+£4.4m	+£9.0m	+£13.9m	+£18.9m
Specific Government Grant reductions	+£1.2m	+£1.2m	+£1.2m	+£1.2m
Demographic Pressures	+£1.5m	+£2.5m	+£3.5m	+£4.5m
London / National Living Wage	+£1.1m	+£1.9m	+£2.4m	+£2.9m
Previously agreed efficiency/income plans/contingency reductions	-£4.6m	-£5.4m	-£5.4m	-£5.4m
Capital financing changes	+£0.4m	+£0.6m	+£0.8m	+£1.0m
Council Tax Freeze Grant	+£0.4m	+£0.4m	+£0.4m	+£0.4m
Levies/Charges from other bodies	+£0.5m	+£1.0m	+£1.5m	+£2.0m
SEND base funding increase (net of grant)	+£0.0m	+£0.0m	+£0.0m	+£0.0m
<b>Revised Base Budget before Covid-19 (CV19) impact</b>	<b>£141.5m</b>	<b>£147.8m</b>	<b>£154.9m</b>	<b>£162.1m</b>
CV19 - NNDR loss	+£2.0m	+£2.0m	+£2.0m	+£2.0m
CV19 - CTRS increase/C.Tax loss	+£2.5m	+£2.5m	+1.5m	+£0.5m
CV19 - Council Tax Collection Fund	+£1.3m	+£1.3m	+£1.3m	+£1.3m
CV19 service risks:				
- Homelessness	+£0.5m	+£0.5m	+£0.5m	+£0.5m
- Adults/Childrens Social Care	+£2.0m	+£2.0m	+£2.0m	+£2.0m
- Parking/Leisure/Planning income	+£3.5m	+£2.5m	+£1.5m	+£0.5m
- Proactive service investment	+£0.5m	+£0.5m	+£0.5m	+£0.5m
<b>Revised Base Budget post Covid-19 impact</b>	<b>£153.8m</b>	<b>£159.1m</b>	<b>£164.2m</b>	<b>£169.4m</b>
Possible CV19 mitigating actions:				
- Suspend SEND reserve contributions	-£4.4m	-£2.4m	-£0.0m	-£0.0m
- Capitalise part of Climate Change investment	-£1.0m	-£1.0m	-£1.0m	-£1.0m
- Use of Reserves	-£5.0m	-£3.0m	-£2.0m	-£0.0m
<b>Final MTFS mid-case budget</b>	<b>£143.4m</b>	<b>£152.7m</b>	<b>£161.2m</b>	<b>£168.4m</b>
<b>Budget Gap</b> <i>increase to be covered by further use of reserves/Council Tax /additional savings</i>	<b>+£6.8m</b>	<b>+£16.1m</b>	<b>+£24.6m</b>	<b>+£31.8m</b>

Every 1% increase in Council tax delivers approximately £1.3m-£1.4m additional income.

8.2 The above main table illustrates that in a base case scenario the Council would need to use reserves, and possibly change the approach on the way SEND is being

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funded, plus deliver a circa £2m increase in savings/efficiency each year to be able to remain broadly within the recent Council Tax capping levels (3.99% including a 2% precept specifically for social care) provided it also achieves its currently targeted efficiencies. Around this mid-case there are an even wider range of worse case possibilities than described in past years due to the uncertainty caused by the impact of Covid-19 and the uncertainty around future Government's approach to funding. The best estimate of this range at present for 2021/21 only is from around £8m better (due to lower losses from Covid-19 services risks and better Government funding) to around £15m worse (due to worse Covid-19 service impacts and worsening Government funding). Looking into future years, these ranges grow further.

- 8.3 The potential use of reserves shown in the above table (totalling £10m over 3 years) on top of whatever is required in the current year (to meet any shortfall in Government funding for Covid-19 impacts) would significantly reduce reserve levels but is considered manageable in the current circumstances. Likewise, the temporary reduction in contributions to the SEND Reserve would still allow the Council to maintain a reserve balance of over 50% of the estimated deficit (in line with our original target) at a time when Government continues to maintain that they will take action to ensure that such deficits do not fall directly on Council Tax.
- 8.4 Despite the impact of Covid-19, and in advance of Government confirming even short term funding arrangements, the Council will continue to plan to protect the services that are important to local residents whilst seeking to obtain further cost reductions through modernised service delivery, including transforming our workspace requirements, and identifying further efficiencies and additional income opportunities where we can. By the end of the four year term of this administration we will have delivered reductions in existing budgets in excess of the £10m set out in our original plans. Such reductions will add to the £71m achieved since 2010.
- 8.5 If Government funding were to be reduced in the December 2020 settlement this would inevitably require a more radical look at core service delivery. New proposals already in development include:
- Workspace and transformation of services – particularly drawing in learning from recent changes in service provision in response to Covid-19 restrictions.
  - IT and digital – moving services to “the Cloud”, changing the approach to telephony and continuing investment in technology to support agile working.
  - Procurement and contract management – we have begun a detailed review of our approach to contract management which we expect to lead to both areas where we can improve our approach and potentially identify further savings.
- 8.6 The overall funding position will continue to be closely monitored and as detailed proposals are developed they will be reported to Committee and the MTFs will be updated.

## **9 Key actions and reports in the next 6 months**

- 9.1 The following summarises the key actions and reports that will impact on the Council's budgetary position in the next six months:



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- Continued monitoring of response to Covid-19 and appropriate returns/claims to Government
- Government Spending Review – between September and December 2020.
- Consultation on 2021/22 Local Government Finance Settlement - October/November 2020?
- Q1 monitoring report – September 2020
- Q2 monitoring report – November 2020
- Performance monitoring reports (Quarterly)
- Local Government Finance Settlement 2021/22 - December 2020
- Committee budget proposals – January/February 2021
- Q3 monitoring report - February 2021
- Revenue and Capital budget reports and Council Tax proposals – February/March 2021

The above will all be monitored via reports to the Committees as appropriate.

### Sensitivity analysis of projections

A1.1 In any assessment of the future position of the Council, it is important to understand the main financial drivers which influence overall expenditure and the risks associated with them. The table below shows a high level breakdown of Council expenditure and income.

Description	2020/21 £'000	2020/21 %
Employee Costs	49,495	10.0%
Premises Costs	13,501	2.7%
Transport Costs	3,230	0.7%
Supplies and Services Costs	19,584	4.0%
Third Party Payments	146,556	29.6%
DSG Expenditure	165,508	33.5%
Transfer Payments	73,814	14.9%
Support Services	1,692	0.3%
Central Items	21,372	4.3%
	494,752	100.0%
Funded by:		
Income from Fees and Charges etc.	-67,441	13.6%
Housing Benefit Subsidy	-64,334	13.0%
Government Grants:		
Retained NNDR	-24,393	4.9%
Specific Government Grants	-787	0.2%
Non Ring Fenced Grants	-38,789	7.8%
DSG	-165,508	33.5%
Collection Fund Surplus	-1,250	0.3%
Transfers to Reserves	4,375	-0.9%
Council Tax	-136,625	27.6%
	-494,752	100.0%

\* Third party payments are mainly contract based expenditure and includes care budgets, waste collection and disposal, and ICT expenditure.

- A1.2 The largest variable elements of the budget are staffing costs, third party payments and the income, predominantly from fees and charges for services. Relatively small changes in these have a significant impact on the overall financial position.
- A1.3 The budgeted impact of inflation is similar to previous years' projections (see Annex 2). To put inflation in context, a 1% increase in staff costs equates to £0.5m and a 1% increase in other costs equates to £2m (excluding housing benefit payments and DSG). The model assumes that the budgetary effect of general inflation is restricted wherever possible and held low over the next 4 years.
- A1.4 There has been consistent pressure on "demand led" budgets over the years reflecting the impact of demographic changes including a growing population, increasing numbers of school children, increasing numbers of older people, adults with learning disabilities and children requiring care. The MTFs assumes that these pressures will continue into the future although they will be ameliorated to some extent by efficiency measures being

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undertaken. Although the exact impact of this cannot be known, there is a significant underlying risk related to the level of social care that may be required and this is exacerbated by the current uncertainties surrounding the long term impact of Coronavirus. The Council currently spends approximately £79m on the provision of children's and adult social care so a 1% increase in costs or client numbers would cost £0.8m. This expenditure is mostly included in the third party costs figure in the table. Additionally the Council may have to meet the growing cost of SEND funding that cannot be contained within the DSG, this is currently around £4m per annum (the equivalent of around 3% Council Tax).

- A1.5 The Council generates income from a number of key sources (e.g. planning fees, building control fees and parking charges) which are subject to fluctuation over time across economic cycles. These and other income streams support large expenditure budgets which do not reduce in the same way as the income budgets thus putting pressure on the overall budget. Although income might be expected to stabilise in the future, there will remain the underlying risk of shortfalls. Again, these areas are subject to additional focus given the known short-term impact of the current pandemic and the greater uncertainty this brings for future years. The Council currently budgets to collect around £67m in fees, charges and non-government grants or contributions. If the Council underachieved these budgets by 1%, it would lose £0.7m in income.
- A1.6 A further key variable is the level of Government support for services. This comes to the Council in a variety of ways e.g. Settlement Funding Assessment (Revenue Support Grant and Retained Business Rates), specific grants and non-ring fenced grants. As discussed earlier, these will be under severe pressure for the foreseeable future as the Government continues to take steps to manage the increase in the public sector deficit. The total funding received from Government (including Retained Business Rates and Pooling) is currently £64m so each 1% reduction costs the Council £0.6m.
- A1.7 The overall impact of a 1% adverse change in these factors would be a cost to the Council of approximately £4.0m, which is equivalent to around £43 on a Band D Council Tax. This clearly illustrates the potential impact of the volatile risk factors underlying the budget.

## **Significant Known/ Committed Cost Pressures**

### **Inflation**

Details of items included in the inflation figure are set out below.

#### **Inflation – Salaries and General Prices**

This needs to allow for the projected pay award for 2020/21 along with salary progression and general price inflation. The MTFs assumes a 2.0% general inflation increase each year from 2020/21 to 2023/24, which is slightly below the Office for Budgetary Responsibility's projections for inflation. No allowance has been made for inflation on other items except where stated below.

#### **Inflation – Energy**

Energy costs continue to be very difficult to predict with events overseas and currency values having an impact as well as changes in demand. For the current model an increase of 5.0% per annum has been included.

#### **Inflation - Pensions**

The triennial valuation of the Council's pension fund was carried out in 2019/20. The outcome provides for a small increase in the assumed future service funding rate but a reduction in the past service deficit contributions. The next full review will be due in 2022/23, and no increase is assumed at this stage.

#### **Inflation – Contracts**

The Council has a significant level of outsourced services which run under contract with the private and voluntary sectors. Most of these contracts have either specific inflation indices built into them (often RPI linked or industry specific) or require renegotiation on an annual basis such as social care spot purchases. An inflation allowance of approximately 2.6% has been made in the MTFs. The Council will, however, continue to seek to negotiate lower increases where possible.

Inflation and the economy also impact on the cost and value of capital contracts which is kept under regular review as contracts are let.

### **Capital Financing Costs/ Investment Income**

The Council still has a significant capital programme and, although some is funded through Government Grant, the current plans see a potential increase in the underlying need to borrow (either internal or external) over the next 5 years. This, combined with continuing low rates of interest from a declining level of investments, is built into the forward strategy but is subject to review for affordability on an annual basis.

### **Adult Social Services growth and efficiency measures**

The restructure and modernisation of these services has continued to yield both performance and efficiency gains. Nationally, the Government has recognised that rising demand on social care and health budgets represent one of the greatest pressures on public finances. This has led to a greater drive for integrating care and the partial introduction of the Care Act, the Better Care Fund and the ability to raise a higher level of Council Tax to help support adult social care. The recent pandemic has brought the importance of these services and the ability to work closely with NHS services into sharp focus. The Government has released additional short term funding in this regard but councils remain concerned that this needs recognition in longer term funding

settlements and a review of the expectations set for local government and the costs borne by local tax payers.

### **Schools Funding/Special Educational Needs**

Although school funding is provided direct from Government via a specific grant which has been protected from the higher levels of grant cuts seen in other parts of the public sector, there remains a degree of uncertainty over the funding risk where Dedicated Schools Grant (DSG) proves insufficient to meet statutory requirements. The Council's DSG currently has an accumulated deficit of just under £15m at the end of 2019/20 and this continues to grow. The growth in the DSG deficit is primarily due to the increasing number of ECHPs that have been issued following the introduction of the Children and Families Act 2014. The Council has written to and met with the Government many times to draw out these issues and has received one-off additional funding in 2020/21 of an extra £2m. The Government has now also increased the permanent High Needs element of the DSG in 2020/21, however this still falls well short of meeting the annual or accumulated deficit. Senior officers are continuing to engage with the Government on proposals that would see the DfE deal with any DSG underfunding with no impact on the local tax payer or local education provision. However, there remains a risk that this funding shortfall will still need to be met by the local taxpayer.

### **Social Care for Children**

Plans to control the growth in expenditure have been agreed, however, the impact of the pandemic has seen some of these plans delayed and introduced additional pressures in to the system. Whilst some amendment has been made to estimated costs there remains a risk that growth in demand for children looked after placements will outstrip these plans.

### **London Living Wage/Living Wage Foundation Accreditation**

The Council has allowed for the costs of introducing the London Living Wage across all direct Council contracts (the Council already pays London Living Wage to all of its directly employed staff). The latest estimated cost of doing so rises to £2.9m per annum over the next 3 years.

### **Homelessness Reduction Act 2017**

The provisions of this Act came into place in April 2018 and the Council received a time limited grant for 2018/19 and 2019/20 to provide staffing and introduce measures to meet the requirements of the Act. This grant was extended in 2020/21 but into 2021/22 there is a risk that the Council will need to continue to provide for the new duties without a corresponding reduction in homelessness costs.

## **Risks and Opportunities**

### **The Identification and Achievement of Savings Plans**

The MTFs is modelled on the basis that the Council will achieve all the savings targets it sets within the agreed timescales. The focus of the plan has been across all the 4 years from 2019/20. With a continuing savings programme and reducing staff numbers, the capacity to deliver such change represents a substantial challenge. This has been recognised in the risk work the Council has done and processes have been set up to ensure all the plans are closely monitored, that pump priming funding is available and that opportunities to work better/differently are fully explored.

### **Current Economic Climate, Covid-19 and “Brexit”**

The current economic climate remains challenging, leaving little scope for improvements in general Government funding, especially in the period of Covid-19. These risks may clearly be increased by the current uncertainty concerning the UK's departure for the European Union. Whilst no significant specific “Brexit” related issues have impacted directly on Council services, this position continues to be monitored.

### **Inflation**

The expected impact of changes in inflation is set out in Annex 2.

### **Government Funding**

The risks associated with further loss of Government funding are covered in Section 5 of the main report.

### **Business Rate Collection**

Business Rates retention and distribution issues are covered in greater detail in paragraph 5.3 in the main report.

### **Looked After Children Budgets**

The numbers and costs of Looked After Children have continued to grow over the last few years. Although some allowance for this has been made in the MTFs, the risk remains that further resources will be required.

### **High Needs Funding and SEND**

See Annex 2 and para 5.4.

### **Adult Social Care**

There are risks in relation to increased demand after the Covid-19 pandemic, which has created a long tail of demand. This includes increased demand for care services, safeguarding enquiries and mental health crisis presentations. New national hospital discharge funding arrangements came into force in September 2020 and will be implemented in partnership with the CCG and local NHS providers. There are risks in relation to the future sustainability and resilience of the care provider sector, particularly care homes, following the challenges experienced during Covid-19 and the Council continues to retain oversight of the local care market as required by the Government's Adult Social Care Action Plan.

The Government continues to promise legislation on changes to put Adult Social Care funding on a sustainable footing for the longer term but as yet final proposals have not been published. Additional funding recently drawn from local taxation via the “Social Care Precept” was extended for a further year in 2020/21 but it is unclear if this will continue.

### **Investment Income/Capital Investment**

The Council has a significant investment portfolio and a growing demand for borrowing. Therefore, the revenue budget is more vulnerable to interest rate movements. The Council has taken an explicit decision to reduce the level of its investments as part of managing this risk in the short to medium term. Current projections are for interest rates to remain low for some time; however this is ultimately influenced by both national and international issues.

### **Homelessness**

Spending demand led against statutory criteria and the Council's costs in this area are again under pressure. The new Homelessness Reduction Act extends the range of duties under the legislation to more people than currently and complying with its likely requirements will place an additional strain on the budget unless the prevention leads to a significant reduction in demand/need.

### **Concessionary Fares**

With the current lower use of concessionary fares on TfL services it is possible that the Council will see a reduction in future year's charges. However, given the overall uncertainties in TfL future finances it is not considered prudent to include anything at this stage.

### **Contracts**

Recent events have demonstrated the risks posed by contractor failure in major contracts. The Council keeps all such contracts under regular review

### **Savings from shared services partnership working including joint commissioning**

The Council has a number of projects in this area including the Shared Staffing Arrangement with Wandsworth Council, Achieving for Children, legal services, shared audit services and various care services. The Council's strategy continues to review existing and wider sharing of management and infrastructure opportunities to generate efficiencies and their successful implementation is key to the Council's budget strategy.

## **Flexible Use of Capital Receipts Strategy (as updated)**

### **Extension of the Strategy**

The Secretary of State for Communities and Local Government's statement on the Provisional Local Government Finance Settlement announced that this flexibility would continue for a further 3 years. Guidance is updated annually, but this Strategy is written on the basis that there will be no change to the current rules.

### **Criteria to Assess Relevant Projects**

Government Guidance on Flexible Use of Capital Receipts requires councils to prepare a Flexible use of Capital Receipts Strategy ("the Strategy"), to be approved by Full Council prior to the start of the year but to be updated during the year if required. Every approved Strategy must be reported to the DCLG. The guidance gives the following examples of projects which would be qualifying expenditure for this purpose. The list is not exhaustive, but to give a flavour of the type of projects that can be funded in this way:

- Sharing back-office and administrative services with one or more other council or public sector bodies,
- Investment in service reform feasibility work, e.g. setting up pilot schemes,
- Collaboration between local authorities and Central Government departments to free up land for economic use,
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation,
- Sharing Chief-Executives, management teams or staffing structures,
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible,
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations,
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training,
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others), and
- Integrating public facing services across 2 or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.

### **Proposed Projects to be funded from Capital Receipts**

The London Borough of Richmond has used this flexibility in relation to the Shared Staffing Arrangement (SSA) where Richmond and Wandsworth have moved to a joint employment model and fully share all council staff. The SSA encompasses several of these example projects and is therefore considered to meet the qualifying criteria. In addition the borough is likely to fund costs associated with other invest to save projects as part of its Medium Term Financial Strategy (MTFS), these will be added to the programme as costs and savings are appropriately identified.

### **Efficiency Programme and Savings**

The MTFS identifies that further such efficiencies are required across these and future years. The exact level of savings will depend on the Council Tax levels agreed and the outcome of the



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Local Government Finance system review proposed by the Government. It is the Council's intention to make use of this flexibility to fund this spend where appropriate. This Strategy will be updated as relevant costs become known.

The Capital Programme assumptions exclude the use of receipts associated with this strategy. It was originally estimated that up to £10m may be available for use against this strategy but this has now been revised in line with lower spending and receipt expectations:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>
Use of Capital Receipts	£2.2m	£0.8m	£0.0m	£0.0m	£4.7m	tba

Any unused element of the above anticipated capital receipts would be applied in the normal way to reduce the financing costs of the capital programme.

The SSA was formally established on 1 October 2016. Whilst a number of joint projects have completed, there continue to be areas to review across the partnership.

Costs to date regarding the establishment of the SSA included:

- Legal and taxation advice on the vehicle to be used for the SSA,
- System implementation costs for the share payroll and other systems, and
- Redundancy costs incurred by moving to a shared structure across both Councils.

There remain a number of programmes associated with the ongoing development of the SSA including a small number of restructures yet to be completed, changes to IT infrastructure and changes to shared office accommodation which will continue to form a call on this budget.

### **Impact on Prudential Indicators**

The Council is required to report the impact of this Strategy on its Prudential Indicators. The main purpose of the Prudential Indicators is to control planned borrowing. The "flexible" use of capital receipts has not been included in the main Capital Programme but will rather be accounted for separately and hence will have no impact on the Council's assumed borrowing reported elsewhere.

Capitalising the qualifying expenditure and financing this expenditure from the anticipated new receipts held back from financing the Programme has net nil impact on the Council's borrowing. Therefore, the only Prudential Indicator which will change is the Capital Expenditure Indicator, as the expenditure and income is added per the table above.

**LONDON BOROUGH OF RICHMOND UPON THAMES**

**COMMITTEE** Finance, Policy and Resources Committee  
**DATE:** 18 February 2021  
**REPORT OF:** Director of Resources and Deputy Chief Executive  
**TITLE OF DECISION:** Capital Programme and Funding Review  
**WARDS:** All  
**KEY DECISION?:** YES  
**IF YES, IN FORWARD PLAN?:** YES

**1. MATTER FOR CONSIDERATION**

- 1.1. The Committee is asked to consider and approve the review of the current six year capital programme. The report looks at the programme approved in November 2020, outlines changes to budgets since then, provides details of new schemes, and looks at how the capital programme is funded.

**2. RECOMMENDATIONS**

2.1. The Committee are recommended to:

- review the capital programme and the changes being proposed.
- RECOMMEND to Council to approve the revised capital programme and its funding in Appendix A
- RECOMMEND to Council the Prudential Indicators in Appendix B for approval in March
- RECOMMEND to Council the Capital Strategy in Appendix C for approval in March

**3. BACKGROUND**

- 3.1. Since 2010 the Council has spent £527m on the capital programme to support investment in the borough. The current six year programme was approved by Committee in November 2020. That programme included a potential need to borrow a further £51.5m which brought the Council's total underlying need for borrowing by the end of the programme to around £184m. The total expenditure for the six years approved by this report was £115.8m.
- 3.2. Since November 2020 the programme has been adjusted for:
- budget slippage and rephasing
  - new schemes since approved by Members/under delegated authority
  - the addition of new schemes and increases to budget
  - removal of non-committed schemes
  - changes to financing

#### 4. THE REVISED PROGRAMME

- 4.1. The main schemes in the revised six year capital programme relate to the maintenance of Council facilities and parks and strategic projects e.g. Twickenham Riverside and the Climate Emergency Strategy, school expansion projects, Disabled Facilities Grant (DFG) housing grants and loans, street lighting and highways and pavement works. The approved capital programme also includes the use of section 106 receipts from developers ringfenced for affordable housing purposes.
- 4.2. During the course of this year, various new approved schemes have been added to the programme under the appropriate approval process. A breakdown of the changes since the current programme was approved in November 2020 are summarised below:

	£000		£000
<b>Capital Programme 2020/21 to 2025/26 (before in-year additions below)</b>			<b>115,795</b>
Additions to the budget during 2020/21:		Funded by:	
TfL Funded Transport Schemes	1,139	Grant	
Schools General Planned Maintenance	866	Grant & Contribution	
Disabled Facilities Grant	229	Grant	
Hammersmith Bridge Mitigation – Air Quality	250	Borrowing	
Hammersmith Bridge Ferry Service	375	Borrowing	
Amyand Park - Winchester Road footbridge refurb	150	Grant	
Social Distancing – Low Traffic Neighbourhood	40	Grant	
Heritage Street Lighting	30	Contribution	
Heath Road CCTV	27	S106	
Elleray Hall redevelopment	840	CIL & Capital Receipts	
Richmond Community Fund (round 4)	344	CIL & NCIL	
Affordable Housing Unallocated funding	6,110	Affordable Housing S106	
	<hr/>		10,400
<b>6 Year Programme 2020/21 to 2025/26 (before changes proposed in this report)</b>			<b>126,195</b>

The additions to the budget for the re-provision of Elleray Hall and the Richmond Community Fund are as detailed elsewhere on this agenda.

#### 5. REVIEW OF NEED TO SPEND

- 5.1. The Council has a significant borrowing requirement in future years and a need to make ongoing revenue savings to keep Council Tax increases to a minimum. It is therefore necessary to continue to keep all expenditure under review, including capital projects. Any increase in capital spend is likely to require new borrowing. To ensure that capital budgets remain appropriate to the priorities of the Council and the levels of

funding available, cash flows have been amended to reflect the latest forecast of spending profiles and budgets have been rephased as a result. This provides a more realistic projection of the borrowing required to support the programme, and therefore the interest and repayment budgets needed which feed in to current and future forecasting and budgets.

5.2. An exercise has been undertaken to remove schemes not certain at this time to proceed, however that does not mean they will not be added once there is more certainty around costs, timing etc. as there is continued commitment to the principles of many of the schemes removed. The aim is to deliver a realistic basis on which to plan and finance the Council's programme in order to inform the Council's budget plans and these will be updated as priority schemes become certain to progress.

5.3. The following table summarises the revised programme after these changes:

	<b>£000</b>	
<b>Current Programme 2020/21 to 2025/26 (before budget changes)</b>	<b>126,195</b>	
<hr/>		
<b>Removal of budgets from programme:</b>		<b>Reason for budget removal</b>
Basic Needs – unallocated funding	-3,114	2021/22 budget reduced to match confirmed grant allocation. Future year allocations are yet to be confirmed but budgets have been aligned with 2021/22 allocation
Sponsored Moves	-380	Scheme budget adjusted to bring it into line with the expected level of demand
Loan for SWMC for Crematorium Services	-100	Scheme budget adjusted to reflect expected loan amount
Additional Places funding	-80	Scheme budget adjusted in line with revised forecast
Darell Primary School – expansion for children with Moderate Learning Difficulties	-32	The budget had been retained for one year for any post completion issues, which have now been resolved
<b>Total Budget Removed</b>	<b>-3,706</b>	
<b>Revised Programme after budget changes</b>	<b>122,489</b>	
<hr/>		
The above was to be financed by:		
Borrowing	480	
Grant funding	3,226	
	<b>3,706</b>	

- 5.4. The removal of unallocated spend has released £3.7m of financing from the programme, of which £0.5m is assumed borrowing which would reduce the revenue spend of the Council by approximately £23k per annum. Future revenue budgets will be adjusted accordingly, where appropriate.
- 5.5. Officers are aware of a number of major pipeline schemes that are under development and may require additional funding in future programmes. These include:
- Twickenham Riverside re-development
  - Ham Close re-development
  - Affordable housing schemes
  - Strathmore at Hampton High
- 5.6. Funding for these will be added into the programme as schemes are agreed.

## 6. NEW SCHEMES AND INCREASES TO BUDGET (NEW BIDS)

- 6.1. The table below details the new bids to be added to the capital programme. Sudden reductions in core funding such as the Local Implementation Plan (LIP) from TfL will undoubtedly impact on the ability to bring forward schemes (e.g. walking and cycling upgrade plans, withdrawal of Principal Road Network funding leaving some roads in a dangerous state etc) and future funding allocation levels remain uncertain. To address this, it is proposed that up to an additional £1m investment in highways is approved (for 2021/22 only at this stage) to mitigate against any potential reduction in LIP funding. This funding level assumes LIP funding of £0.5m may still be received, would be capped at £1m, and would be the balancing figure to £1.5m i.e. would be lower if more than £0.5m LIP funding is received. Officers would need to prioritise the use of this additional funding as appropriate.

Scheme	Funded by	Amount £000	Year
Climate Change Strategy	Borrowing	4,000	2022/23 – 2025/26
Top up of highways funding to replace lost LIP funding	Borrowing	1,000	2021/22
Richmond Road East Twickenham – public realm improvements	Borrowing	800	2021/22 - 2022/23
Teddington Pools, boilers replacement	Borrowing	468	2021/22
Teddington Pools, air handling unit replacement	Borrowing	251	2021/22
Replace access control system in Council operational buildings	Borrowing	250	2021/22
Upgrade recording and broadcasting equipment for formal meetings in Council buildings	Borrowing	150	2021/22
Amyand Park - Winchester Road footbridge refurbishment	Borrowing	100	2021/22
Local Studies Library, air handling unit replacement	Borrowing	93	2021/22
Teddington Suspension footbridge refurbishment	CIL	410	2021/22
Lock Cut footbridge refurbishment	CIL	130	2021/22
<b>TOTAL NEW SCHEMES</b>		<b>7,652</b>	
<b>RECURRING SPEND TO ADD TO 2025/26</b>			
Extensions Programme (Grants to Registered Providers)	S106	95	2025/26
Devolved Formula Capital & Healthy Pupils Fund	Grant	225	2025/26
Schools Basic Needs – unallocated funding	Grant	350	2025/26
Schools General Planned Maintenance	Borrowing	866	2025/26
Parks Cyclical Maintenance	Borrowing	150	2025/26

<b>Scheme</b>	<b>Funded by</b>	<b>Amount £000</b>	<b>Year</b>
Parks Strategy – works to improve and develop parks	Borrowing	300	2025/26
Highways and Pavements – Capitalised Repairs	Borrowing	1,700	2025/26
Statutory Compliance/ Remedial Works on Operational Properties	Borrowing	1,330	2025/26
<b>TOTAL RECURRING SPEND FOR 2025/26</b>		<b>5,016</b>	
<b>TOTAL OF ALL ADDED CAPITAL SCHEMES</b>		<b>12,668</b>	
<b>Funded by:</b>			
Borrowing		11,458	
Grant		575	
CIL		540	
Affordable Housing S106		95	
<b>Total</b>		<b>12,668</b>	

6.2. Below is a breakdown of the changes to the Council's Capital Programme as a result of the new schemes noted above:

	<b>£000</b>	<b>£000</b>
<b>Current Programme 2020/21 to 25/26 (before changes proposed in this report)</b>		<b>126,195</b>
Removal of unfinanced schemes	-3,706	
New schemes funded by borrowing & CIL	7,652	
Add recurring spend for 2025/26	5,016	
<b>Total Changes to Programme in this report</b>	<hr/>	<b>8,962</b>
<b>Proposed Capital Programme 2020/21 to 2025/26 (Appendix B)</b>		<b>135,157</b>

## 7. FINANCING

7.1. The below table summarises the updated borrowing position following the changes proposed in this report:

	<b>£000</b>	<b>£000</b>
<b>Current Financing Requirement 2020/21 to 2025/26 (before changes proposed in this report)</b>		<b>51,458</b>
In year refinancing	-1,612	
In-year additions to the capital programme financed from borrowing (para 4.2)	625	
Removal of unallocated programmes financed by borrowing (para 5.3)	-480	
New schemes funded by borrowing	7,112	
Add recurring spend for 2025/26	4,346	
<b>Proposed Capital Programme 2020/21 to 2025/26 Financing Requirement</b>		<hr/> <b>61,449</b>

- 7.2. **Borrowing**: The Council's potential underlying need to borrow to fund the approved programme would therefore increase to £61.5m from the currently assumed position of £51.5m. This borrowing requirement represents 45% of the budget in the proposed six year programme. Whilst the Council does not hold a significant balance of available capital resources, these will be used to replace borrowing in the programme as they become identified. Council officers will continue to proactively pursue additional external funding to reduce the Council's need to borrow.
- 7.3. **Capital Receipts**: The Council held a balance of £4.8m of capital receipts at the year end. This includes £0.2m from the sale of equity share properties relating to the Home Loans Unit (HLU) which is not available to finance capital expenditure.
- 7.4. **Community Infrastructure Levy**: At the 2019/20 year end, a balance of £3.1m of strategic Borough CIL had been received and not spent. In agreeing the new capital programme (and/or in financing the final outturn for the current year) the Council may decide to either:
- (i) Refinance existing schemes via the use of CIL and thereby reduce the cost of the existing capital programme to the taxpayer;
  - (ii) Introduce new schemes to be funded from CIL (including those linked to the environmental priorities of the Council);
  - (iii) Retain the unallocated CIL receipts for future years; or
  - (iv) A combination of the above.
- 7.5. **Affordable Housing Section 106 Receipts**: The Affordable Housing capital programme supports affordable housing delivery in the borough and is funded in the first instance from Section 106 affordable housing receipts. These receipts had an opening balance of £7.78m at the beginning of 2020/21 and an additional £1.36m has been received in the year to date, bringing total available resources to £9.14m. £3.34m is firmly committed to existing capital schemes and an element committed to revenue totalling £1.02m. This includes continuing support of the Affordable Housing Delivery team and the Empty Property Grants pilot programme.
- 7.6. In addition to the £4.78m currently available the Council has a further £26.11m secured in planning permissions (but not yet received). Further work is underway to estimate the timing profile of these potential future receipts, particularly for larger sites, however the timing or receipt of future S106 payments cannot be guaranteed as they are dependent on whether individual developments progress and whether they hit key trigger points and milestones.
- 7.7. There are some significant affordable housing schemes already in the pipeline that may draw down on these receipts estimated in the region of £5-£7m. Further schemes are being worked up by officers and further funding will be committed as and when contributions are received, and once proposals come forward for approval by Members. However, S106 affordable housing receipts are only one source of funding for any such schemes and grants from other organisations such as the GLA and Council borrowing can be used to top up available funding if necessary.
- 7.8. The Development Delivery Agreement is an agreement between the Council and Richmond Housing Partnership to combine available funding resources to improve and increase the delivery of affordable housing in the borough. The Council utilises funds held both under the Trust Account Deed (which is built up as a result of Richmond

Housing Partnership receipts from disposals of transferred assets) and from the Housing Capital Programme funded by Section 106 Affordable Housing receipts. The scheme was originally approved in September 2019. The first call on supporting funding in the Development Delivery Agreement will come from the Trust Account, with Council funding utilised in later years. The intention of the Delivery Development Agreement is to enable Richmond Housing Partnership to deliver additional homes beyond those already in its pipeline, either through pursuing schemes that would otherwise be unviable or by being able to deliver additional homes or a different tenure balance on proposed schemes.

- 7.9. Final decisions on financing will be brought to this Committee for approval as part of future reports.

## 8. PROPOSED CAPITAL PROGRAMME

- 8.1. Following all the proposals in this programme, the revised six year capital programme will have total expenditure of £135.2m. The most significant sources of financing are borrowing (£61.5m), grants (£30.2m), and Affordable Housing Section 106 receipts (£29.5m), however opportunities are taken to make use of ringfenced sources of funding to minimise borrowing, where possible.

- 8.2. A summary of the full capital programme is shown in the table below, along with how the programme is financed. Full details of the capital programme are available in Appendix A.

Year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Committee	£000	£000	£000	£000	£000	£000	£'000
Adult Social Services, Health & Housing	2,531	5,046	2,897	2,897	2,897	28,007	44,275
Education & Children's Services	2,778	9,749	1,508	1,508	1,508	1,441	18,492
Environment, Sustainability, Culture & Sport	4,122	3,454	450	450	450	450	9,376
Finance, Policy & Resources	5,861	6,142	5,349	1,195	1,330	1,330	21,207
Transport & Air Quality	10,735	9,398	6,428	4,194	1,700	1,700	34,155
New Bids	0	3,402	1,250	1,000	1,000	1,000	7,652
<b>Total Capital Programme</b>	<b>26,027</b>	<b>37,191</b>	<b>17,882</b>	<b>11,244</b>	<b>8,885</b>	<b>33,928</b>	<b>135,157</b>

Financed By							
Grants	7,716	13,186	2,339	2,339	2,339	2,272	<b>30,191</b>
S106 & CIL	696	884	459	69	0	0	<b>2,108</b>
Affordable Housing S106	340	220	483	1,100	1,100	26,210	<b>29,453</b>
Contributions	48	2,542	617	0	0	0	<b>3,207</b>
Revenue funding (DRF)	0	0	0	0	0	0	<b>0</b>
Earmarked Reserves	74	52	0	0	0	0	<b>126</b>
Application of Capital Receipts	6,347	588	1,688	0	0	0	<b>8,623</b>
Borrowing Requirement	10,806	19,719	12,296	7,736	5,446	5,446	<b>61,449</b>
<b>Total Financing</b>	<b>26,027</b>	<b>37,191</b>	<b>17,882</b>	<b>11,244</b>	<b>8,885</b>	<b>33,928</b>	<b>135,157</b>



**9. FINANCE AND EFFICIENCY IMPLICATIONS**

- 9.1. The timing and funding of capital expenditure has a direct impact on the level of Council cash balances and the level of borrowing. Therefore, any changes to the Programme will have an impact on the Treasury Management position.
- 9.2. The current approved programme relies on an estimated £61.5m of borrowing which would require around £3.0m of annual revenue spend to support it. For future years' additions, Members will need to be mindful of the ongoing uncertainty around central Government funding and ongoing demand pressures on revenue budgets, particularly as there are already some further large capital schemes that are under development (as detailed in paragraph 5.5).

**10. CAPITAL STRATEGY**

- 10.1. The Council's Capital Strategy has been written using the guidance in the CIPFA Prudential Code and is attached as Appendix C for approval.

**11. PROCUREMENT IMPLICATION**

- 11.1. None in specific relation to this report

**12. LEGAL IMPLICATIONS**

- 12.1. None specifically in relation to this report

**13. RISK ASSESSMENT**

- 13.1. The key risks associated with this report are the cost of financing the potential demands on the Council's capital programme at a time when public sector funding is severely constrained, and that borrowing costs do not rise significantly above the current projections. These should be set against the risk that if expenditure is not committed, it is likely that the Council will fail to achieve a number of its key non-financial priorities.

**14. CONSULTATION AND ENGAGEMENT**

- 14.1. Consultation and engagement will be carried on individual schemes within the capital programme.

**15. BACKGROUND INFORMATION:**

Previous capital programme report(s)

**16. APPENDICES**

Appendix A – Revised six year capital programme 2020/21 to 2025/26

Appendix B – Prudential Indicators

Appendix C – Capital Strategy

**17. CONTACTS**

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**6 Year Capital Programme 2020/21 to 2025/26**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
<b>Education &amp; Children's Services</b>							
Devolved Formula Capital	215	235	225	225	225	225	1,350
Basic Needs - unallocated funding	116	908	257	417	417	350	2,465
Nelson construction	0	5	0	0	0	0	5
East Sheen double demountable classrooms	10	1,130	160	0	0	0	1,300
Barnes Junior Bulge	0	57	0	0	0	0	57
Hampton Junior 3FE	5	0	0	0	0	0	5
St John's Site for St Mary's Expansion	0	53	0	0	0	0	53
Collis 3FE to 4FE	900	749	0	0	0	0	1,649
Hampton Academy	0	114	0	0	0	0	114
Twickenham Academy	0	111	0	0	0	0	111
Deer Park Academy Temporary Accommodation	2	0	0	0	0	0	2
Richmond upon Thames School	90	1,291	0	0	0	0	1,381
Darell - ASP SEN	0	51	0	0	0	0	51
<b>Sixth Forms</b>							
Richmond Park Academy 6th Form	50	172	0	0	0	0	222
<b>SEN Provision</b>							
Strathmore at the Russell	70	430	0	0	0	0	500
Additional Places / Future Schemes	0	285	0	0	0	0	285
Barnes Special Resource Provision	30	1,120	0	0	0	0	1,150
Vineyard Primary School SEN feasibility	9	0	0	0	0	0	9
Special Resource Provision at Hampton High	20	373	0	0	0	0	393
Schools General Planned Maintenance	1,187	2,505	866	866	866	866	7,156
Children's Centres	0	97	0	0	0	0	97
AfC Digital Transformation	0	52	0	0	0	0	52
Youth Service Mobile Vehicle	74	0	0	0	0	0	74
Short Break Care	0	11	0	0	0	0	11
<b>Total Education &amp; Children's Services</b>	<b>2,778</b>	<b>9,749</b>	<b>1,508</b>	<b>1,508</b>	<b>1,508</b>	<b>1,441</b>	<b>18,492</b>
<b>Adult Social Services, Health &amp; Housing</b>							
<b>Adult Social Care</b>							
Extra Care Housing - Capital	0	333	0	0	0	0	333
Kingston Lane Adaptations	0	160	0	0	0	0	160
LD Care Home Reprovision (Normansfield)	54	46	0	0	0	0	100
Supported Living Homes fit out	35	114	0	0	0	0	149
Mosaic Database Merger	152	0	0	0	0	0	152
Flexible Use of Disabled Facilities Grant (Better Care Fund - Adults)	200	200	200	200	200	200	1,200
<b>Housing &amp; Regeneration</b>							
Sponsored Moves	90	130	100	100	100	100	620
<b>Housing Grants and Loans (Improvements)</b>							
Disabled Facilities Grant (Except Richmond Housing Partnership)	1,080	1,543	1,197	1,197	1,197	1,197	7,411
Disabled Facilities Grant (Richmond Housing Partnership)	300	300	300	300	300	300	1,800
Empty Property Grants	175	120	0	0	0	0	295
Coldbusters Home Repair Assistance Grant	180	0	0	0	0	0	180
<b>Affordable Housing Development</b>							
Land at Craig Road	125	0	0	0	0	0	125
Former Mereway Centre site	100	0	0	0	0	0	100
Extensions Programme	40	100	100	100	100	100	540
Development Delivery Agreement (DDA)	0	2,000	1,000	1,000	1,000	0	5,000
Affordable Housing Schemes - Unallocated	0	0	0	0	0	26,110	26,110
<b>Total Adult Social Services, Health &amp; Housing</b>	<b>2,531</b>	<b>5,046</b>	<b>2,897</b>	<b>2,897</b>	<b>2,897</b>	<b>28,007</b>	<b>44,275</b>

**6 Year Capital Programme 2020/21 to 2025/26**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
<b>Finance, Policy &amp; Resources</b>							
Elleray Hall Redevelopment	306	518	2,147	69	0	0	<b>3,040</b>
Property Maintenance and Improvement	700	700	700	0	0	0	<b>2,100</b>
Empty Property Purchase	30	70	0	0	0	0	<b>100</b>
Joint Control Room	310	0	0	0	0	0	<b>310</b>
Emergency Plant and Equipment Renewal	500	500	0	0	0	0	<b>1,000</b>
Roof and fabric repair and replacement	250	250	0	0	0	0	<b>500</b>
Statutory Compliance Remedial Works	1,330	1,330	1,330	1,330	1,330	1,330	<b>7,980</b>
Busen - Reprovision	1,009	948	50	0	0	0	<b>2,007</b>
Central Depot Welfare Improvements	0	57	0	0	0	0	<b>57</b>
Other Schemes	36	0	0	0	0	0	<b>36</b>
ICT Investment	285	1,215	1,000	0	0	0	<b>2,500</b>
IT Infrastructure - PCI & PSN Compliance	30	15	0	0	0	0	<b>45</b>
Loan for SWMC for Crematorium Services	600	100	0	0	0	0	<b>700</b>
Landlord works: Old Deer Park Kids Academy	42	0	0	0	0	0	<b>42</b>
Richmond Community Fund (round 3)	433	0	0	0	0	0	<b>433</b>
Richmond Community Fund (round 4)	0	344	0	0	0	0	<b>344</b>
SSA wide, Replace access control system hardware and software	0	250	0	0	0	0	<b>250</b>
Richmond Hybrid AV, upgrade all equipments	0	150	0	0	0	0	<b>150</b>
<b>Total Finance, Policy &amp; Resources</b>	<b>5,861</b>	<b>6,447</b>	<b>5,227</b>	<b>1,399</b>	<b>1,330</b>	<b>1,330</b>	<b>21,594</b>
<b>Environment, Sustainability, Culture &amp; Sport</b>							
Climate Change Strategy (RCES)	0	95	1,122	796	1,000	1,000	<b>4,013</b>
Green Homes Grant	315	220	0	0	0	0	<b>535</b>
Parks Cyclical Maintenance	328	150	150	150	150	150	<b>1,078</b>
Parks Strategy	413	300	300	300	300	300	<b>1,913</b>
Twickenham Riverside	1,858	2,560	0	0	0	0	<b>4,418</b>
Orleans House Gallery - Delivery phase	20	162	0	0	0	0	<b>182</b>
Twickenham Library Ground Floor refurbishment	100	0	0	0	0	0	<b>100</b>
Teddington Library First Floor refurbishment	228	0	0	0	0	0	<b>228</b>
Richmond Libraries RFID Replacement	209	62	0	0	0	0	<b>271</b>
Public Recycling Points Vehicle	200	0	0	0	0	0	<b>200</b>
Pools on the Park - Replace pool lights	223	0	0	0	0	0	<b>223</b>
Pools on the Park - Upgrade ventilation	228	0	0	0	0	0	<b>228</b>
Teddington Pools, AHU replacement	0	251	0	0	0	0	<b>251</b>
Teddington Pools, Boilers	0	468	0	0	0	0	<b>468</b>
Local Studies Library, AHU replacement	0	93	0	0	0	0	<b>93</b>
<b>Total Environment, Sustainability, Culture &amp; Sport</b>	<b>4,122</b>	<b>4,361</b>	<b>1,572</b>	<b>1,246</b>	<b>1,450</b>	<b>1,450</b>	<b>14,201</b>

**6 Year Capital Programme 2020/21 to 2025/26**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
<b>Transport and Air Quality</b>							
Highways and Pavements	2,435	2,700	2,700	1,700	1,700	1,700	12,935
Street Lighting	3,100	5,453	3,000	2,140	0	0	13,693
Uplift Schemes/Twickenham Area Action Plan	245	0	0	0	0	0	245
S106 Schemes	32	0	0	0	0	0	32
TfL Funded Schemes	1,341	0	0	0	0	0	1,341
Social Distancing – Active Travel	100	0	0	0	0	0	100
Social Distancing – Town Centres	107	0	0	0	0	0	107
Social Distancing – Strategic Cycling	481	0	0	0	0	0	481
Social Distancing – Low Traffic Neighbourhoods	311	0	0	0	0	0	311
Friar's Lane Car Park Improvement	250	0	0	0	0	0	250
Flood Alleviation Works	50	150	150	150	0	0	500
Electric Vehicle Charge Points (RCES)	150	235	127	0	0	0	512
Traffic Improvements	359	0	0	0	0	0	359
Thermal Multi Utility Vehicle	211	0	0	0	0	0	211
Hammersmith Bridge Ferry Service	375	0	0	0	0	0	375
Hammersmith Bridge Mitigation measures	250	0	0	0	0	0	250
Heath Rd CCTV	27	0	0	0	0	0	27
TfL Sunk costs	436	0	0	0	0	0	436
Lock Cut Footbridge	0	130	0	0	0	0	130
Teddington Suspension footbridge	0	410	0	0	0	0	410
Amyand Park - Winchester Road footbridge refurbishment	150	100	0	0	0	0	250
Cycle Parking - public on-street (RCES)	0	50	20	0	0	0	70
Bikehangars - residential scheme (RCES)	0	100	0	0	0	0	100
School Streets (RCES)	0	28	55	0	0	0	83
School cycle parking (RCES)	0	45	0	0	0	0	45
Richmond Road East Twickenham	0	550	250	0	0	0	800
Top up of highways funding to replace lost LIP funding	0	1,000	0	0	0	0	1,000
E-Cargo bike sustainable freight scheme (RCES)	0	60	0	0	0	0	60
Richmond Cycle Hub (RCES)	300	102	0	0	0	0	402
Legacy pavement repair and tree re-stocking programme (RCES)	25	386	376	204	0	0	990
Contraflow cycle schemes (RCES)	0	90	0	0	0	0	90
<b>Total Transport and Air Quality</b>	<b>10,735</b>	<b>11,588</b>	<b>6,678</b>	<b>4,194</b>	<b>1,700</b>	<b>1,700</b>	<b>36,595</b>
<b>Total Capital Programme</b>	<b>26,027</b>	<b>37,191</b>	<b>17,882</b>	<b>11,244</b>	<b>8,885</b>	<b>33,928</b>	<b>135,157</b>
<b>Financed By :</b>							
Grants	7,716	13,186	2,339	2,339	2,339	2,272	30,191
S106 & CIL	696	884	459	69	0	0	2,108
Affordable Housing S106	340	220	483	1,100	1,100	26,210	29,453
Contributions	48	2,542	617	0	0	0	3,207
Revenue funding (DRF)	0	0	0	0	0	0	0
Earmarked Reserves	74	52	0	0	0	0	126
Application of Capital Receipts	6,347	588	1,688	0	0	0	8,623
Borrowing Requirement	10,806	19,719	12,296	7,736	5,446	5,446	61,449
<b>Total Financing</b>	<b>26,027</b>	<b>37,191</b>	<b>17,882</b>	<b>11,244</b>	<b>8,885</b>	<b>33,928</b>	<b>135,157</b>

### **Prudential Indicators**

The Prudential Indicators (PIs) required by statutory guidance are classified as controls on the affordability, sustainability and prudence of the planned borrowing.

The Prudential Borrowing regime, where councils set their own limit on borrowing using Prudential Indicators as controls, is based on the rule that councils are only authorised to borrow long term to fund capital projects, although they can borrow short term for cash flow purposes.

However, government guidance on Treasury Management requires councils to treat liquidity almost as highly as security when investing surplus cash, and on this basis it should be unusual for a Council to have the need to borrow short term on a regular basis.

The key information in setting PI is therefore the amount of capital expenditure financed by borrowing and the existing need to borrow.

It should be noted that the calculation of PI is set by regulations, which defines Borrowing as being formal loans and Debt as being Borrowing plus leases and other similar debt instruments.

These prescribed definitions do not match those used by the Council for its own internal budget monitoring and therefore totals are split where possible to assist users in matching PI figures to those used in budget setting and monitoring throughout the year.

The Council now takes new loans on an annuity basis. These are very similar to a mortgage, with set annual payments split between interest and principal repayment. This means that the element of principal repayment is being taken as making prudent provision for repayment, and included in MRP. This is described fully in the Treasury Strategy and Policy report elsewhere on this agenda.

### **A. Capital Expenditure**

Councils are only authorised to borrow long term to fund capital spend (although they can borrow very short term to cover cash flow). The financing of the Capital Programme is therefore key to determining future borrowing need.

Capital expenditure forms the basis of determining the need to borrow. The capital expenditure shown in this indicator reflects the proposed Capital Programme for 2020/21 to 2025/26.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
Capital Expenditure	26,027	37,191	17,882	11,244	8,885	33,928
<i>Of Which:</i>						
Financed from Grants & Contributions	8,800	16,832	3,898	3,508	3,439	28,482
Financed by RuT	6,421	640	1,688	0	0	0
New Borrowing Required by Programme	10,806	19,719	12,296	7,736	5,446	5,446

The estimate of capital expenditure changes during the course of the year as schemes are added and completion dates change.

The Programme includes significant school expansion projects up to 2021/22 and a significant amount of spend on Street Lighting column replacement to address health and safety issues. The remaining Programme then includes significant ongoing spend on highways and pavements works, as well as Disabled Facilities Grant housing grants and loans.

The proposed Capital Programme reduces after 2021/22 per the above, as school expansion projects complete. External funding also decreases with the government grants held to finance schools schemes being spent. The Council also has less anticipated receipts from the sale of properties and reserves available to fund new schemes. The new Programme includes £12.7m of new and recurring schemes for approval in this report, increasing the Council's underlying need to borrow until 2023/24 unless other funding sources can be identified.

The amount financed by RuT includes the use of capital receipts generated from the disposal of Council assets in 2020/21 and 2022/23. Factoring in additional estimated receipts from the disposal programme could potentially improve the funding position.

**B. The Capital Financing Requirement**

The Capital Financing Requirement (CFR) determines the authority's underlying need to borrow for capital purposes. Schemes that have no specific funding source increase the authority's underlying need to borrow hence the CFR increases. The level of provision required to repay debt (MRP) also increases, which will decrease the CFR.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
<b>Capital Financing Requirement (CFR)</b>	<b>180,340</b>	<b>193,059</b>	<b>197,943</b>	<b>197,980</b>	<b>195,526</b>	<b>192,905</b>
Year on Year Increase in CFR	+4,793	+12,719	+4,884	+37	-2,454	-2,621
<b>Change represented by:</b>						
Schemes financed by Borrowing (incl. leases)	10,806	19,719	12,296	7,736	5,446	5,446
MRP contributions to fund the Requirement						
- represented by MRP	-4,567	-5,533	-5,922	-6,184	-6,385	-6,504
- Financing Leases and Similar (incl. PFI)	-1,180	-1,180	-1,180	-1,180	-1,180	-1,180
Loan repayment used to reduce CFR - WLWA & Waste Fleet	-266	-287	-310	-335	-335	-387
	<b>4,793</b>	<b>12,719</b>	<b>4,884</b>	<b>37</b>	<b>-2,454</b>	<b>-2,625</b>

The CFR increases when there is an increase in spending which is not funded from existing resources. The Council would therefore need to borrow to fund this scheme. The CFR does not distinguish between real borrowing (either by taking out a loan or financing lease from an external body) and "internal borrowing" from cash flow.

The Council's £15m Capital Loan to WLWA is included in the CFR, and therefore requires money is set aside for debt repayment. WLWA are now repaying the loan, and the Council is using these principal repayments as the prudent provision, transferring them to reduce the CFR on receipt. As WLWA is effectively a group of London Boroughs there are no concerns about its ability to repay the loan in full.

The CFR decreases where there is either no new debt taken or contributions to repay debt are higher than the new debt. Repayments rise as borrowing rises, and the decrease in spend from 2022/23 onwards means the increase in borrowing in year falls below the amount to be repaid.

**Indicators of Affordability**

Affordability indicators are designed to ensure authorities have considered the costs of borrowing in a number of ways before they approve the capital spend that requires them to borrow. To do this, they consider :

The interest and principal repayment costs as a percentage of the Council's revenue budget.

The impact of the change in financing costs on Council Tax.

**C. Ratio of Financing Costs to Net Revenue Stream**

This indicator compares the net financing costs budget (interest due, interest receivable, set aside and actual repayment of principal) to the Council's Budget Requirement (before Formula Grant, GLA Precept and Collection Fund surplus).

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
Net Financing Costs	9,333	10,533	10,669	10,720	10,658	10,515
Net Revenue Stream	162,268	162,770	172,285	178,923	185,756	188,336
As a Ratio	<b>5.75%</b>	<b>6.47%</b>	<b>6.19%</b>	<b>5.99%</b>	<b>5.74%</b>	<b>5.58%</b>

Financing costs represent the net interest costs to the Council (interest payable on debt less interest due on balances) and a prudent provision for debt repayment (the Minimum Revenue Provision).

These costs include those paid as part of a financing lease arrangement, such as in PFI contracts.

These costs are taken as a percentage of the Council's Net Revenue Stream, which is the amount the Council has budgeted to spend for the year net of specific grants but excluding Council Tax, NNDR and Formula Grant income.

This figure is a latest estimate and will not be final until the Council approve the budget and Council Tax in March. Future year figures are estimates per the Medium Term Financial Strategy.

The financing costs are linked to movements in interest rates, as well as principal borrowed. Most borrowing is at a fixed rate, meaning interest payments will not vary, whereas most investments are for under a year meaning there are often amounts maturing which can be reinvested during the year.

The interest payable costs are budgeted to increase every year until 2023/24 as new borrowing is taken to fund the Capital Programme. Interest rates on new borrowing are projected to increase slowly going forward. These costs are offset in later years by increases in interest receivable due to projected increases in these interest rates.

The loan to West London Waste Authority is now being repaid. Annual interest receivable on this loan is over £1m, although this will reduce over the 25 year term as principal is repaid.

#### **D. The impact of Capital Investment decisions on the Council Tax**

This indicator shows the change in the level of Council Tax each year that will result from the authority's total capital plans. This can be viewed in 2 ways, both by the impact of the full effect of changes in financing costs as a percentage of Council Tax, or as the increase in a Band D Council Tax.

<b><u>Impact of Change in Financing Costs</u></b>	<b><u>Revised</u></b> <b><u>2020/21</u></b> <b><u>£000</u></b>	<b><u>Estimate</u></b> <b><u>2021/22</u></b> <b><u>£000</u></b>	<b><u>Estimate</u></b> <b><u>2022/23</u></b> <b><u>£000</u></b>	<b><u>Estimate</u></b> <b><u>2023/24</u></b> <b><u>£000</u></b>	<b><u>Estimate</u></b> <b><u>2024/25</u></b> <b><u>£000</u></b>	<b><u>Estimate</u></b> <b><u>2025/26</u></b> <b><u>£000</u></b>
Interest Payable						
- Direct borrowing	4,277	4,352	4,333	4,314	4,251	4,200
- Leases and PFI	1,489	1,391	1,284	1,168	1,041	902
Interest Receivable	-2,180	-1,923	-2,050	-2,126	-2,199	-2,271
Principal Repayment						
- Represented by MRP	4,567	5,533	5,922	6,184	6,385	6,504
- Financing Leases and Similar (incl. PFI)	1,180	1,180	1,180	1,180	1,180	1,180
Financing Costs	9,333	10,533	10,669	10,720	10,658	10,515
Year on Year Change	+795	+1,200	+136	+51	-62	-143
Impact on the Council Tax Requirement (RuT element)	<b>0.58%</b>	<b>0.85%</b>	<b>0.09%</b>	<b>0.03%</b>	<b>-0.04%</b>	<b>-0.08%</b>
Impact on a Band D Property	<b>£8.96</b>	<b>£13.56</b>	<b>£1.53</b>	<b>£0.57</b>	<b>-£0.69</b>	<b>-£1.59</b>

This indicator is designed to allow Members to make informed decisions on project approval based on affordability to the Council and priority against other cost pressures.

The cost to the Council Tax Payer is either a cost of borrowing to finance the scheme or an opportunity cost of lost income where balances (such as S106, Infrastructure Fund, Capital Receipts) are spent instead of being held as investments.

To comply with IFRS these costs include leased assets which are or will be at the end of the lease owned by the Council, such as the PFI Schools and Care Homes. The costs of financing these assets via the lease are also now shown in the principal repayment (the lease includes elements of loan charges and can also include service charges not included here, as with the PFI arrangements). PFI principal costs are fixed over the long life of the lease.

The increase in Principal Repayments on Debt is due to the anticipated increased need to borrow which increases the provision for debt repayment (MRP). This consists of actual repayments for new annuity loans and set aside for repayment on maturity for historic debt.

Interest payable would be expected to increase over time as the anticipated level of debt increases. However, the move to the use of annuity repayment loans (similar to a mortgage) for new borrowing limits this increase. This is because the total cash payment is the same every year, but in early years it is predominantly interest with low principal value, with the balance switching over the term of the loan as principal repayment leads to interest being charged on a lower balance.

Interest Receivable is fairly stable. This is due to investment balances remaining fairly low. The main element of this income is the WLWA loan interest which is around £1m pa.

The year on year change in Financing Costs is due to the financing of the capital programme. This will change if further resources are identified to reduce the borrowing requirement, or if there is additional borrowing in the programme. The reduction in the size of the Programme and therefore reduced need to increase borrowing in later years could result in principal repayments being higher than new borrowing.



**Indicators of Prudence**

Prudence indicators are designed to ensure authorities consider the impact of their spending decisions on borrowing. To do this, they compare Gross Borrowing (being loan debt and other financing lease arrangements) to the Capital Financing Requirement.

**E. Gross Debt and the Capital Financing Requirement**

The Prudential Code states that 'In order to ensure that over the medium term borrowing will only be for a capital purpose, the local authority should ensure that borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.'

Gross Debt is defined as all external borrowing in the form of loans as well as financing leases.

The limit for debt is based on the current CFR plus the increase in the CFR over the next 3 years (the amount of the capital programme which is financed from borrowing in these years) to comply with the Code.

This limit allows authorities to borrow to meet their current need and to borrow in advance of need where this is prudent. For example, if an authority has £50m borrowing planned for capital spend over the next 3 years and interest rates are anticipated to rise next year, it could be prudent to borrow some of that £50m now.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
Gross External Debt Limit Set	197,900	198,000	195,500	192,900	n/a	n/a
Projected Gross External Debt	144,865	155,426	162,213	164,056	n/a	n/a
Amount above/(below) limit	-53,035	-42,574	-33,287	-28,844	n/a	n/a

Debt is projected to stay within the limit set in the medium term.

The limit takes into account repayment of maturity loans.

This indicator cannot be set for 2024/25 and 25/26 as this would require an additional 2 years to be added to the Capital Programme (2026/27 and 2027/28) to allow for the potential to borrow up to 2 years in advance of need to be calculated for inclusion in the 2024/25 limit.

**Indicators for Treasury Management**

Treasury Management indicators use debt, being formal loan arrangements only, as opposed to the accounting definition of borrowing used for indicator E above, which includes finance leases.

**F. Authorised Limit for External Debt**

The authorised limit is the absolute limit of borrowing based upon the authority's plans and includes sufficient headroom for unpredictable cash movements. External Debt includes both direct borrowing and indirect borrowing implied in a financing lease or PFI arrangement. It excludes internal borrowing.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
Authorised Limit Set	172,000	175,000	182,000	184,000	184,000	183,000
Projected Gross External Debt	144,865	155,426	162,213	164,056	163,277	159,658
Amount above/(below) limit	-27,135	-19,574	-19,787	-19,944	-20,723	-23,342

The above indicator shows the maximum level of external borrowing including use of financing leases, and net of scheduled repayments on annuity loans. An in principle decision has been made to borrow externally due to the low level of balances not allowing for significant increased internal borrowing.

The Council is projected to stay well within the Authorised Limit set. This limit is at the Council's discretion and any change in the projected external debt should be reflected in this limit.

The limit takes into account repayment of maturity loans.

**G. Operational Boundary**

The operational boundary should be based upon the authority's plans and should show the maximum level of external debt. It is not significant if the operational boundary is breached on occasion although sustained or regular trend above the boundary should warrant further investigation.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
Operational Boundary Set	167,000	170,000	177,000	179,000	179,000	178,000
Projected External Debt	144,865	155,426	162,213	164,056	163,277	159,658
Amount below Limit	-22,135	-14,574	-14,787	-14,944	-15,723	-18,342

The Council is projected to stay well within this limit.  
The limit takes into account repayment of maturity loans.

**H. Adoption of the CIPFA Code of Practice for Treasury Management**

The CIPFA Code of Practice sets out best practice in treasury management and the Code has always been followed in Richmond. The Prudential Indicator states that Authorities should adhere to the Code of Practice. All Treasury activities currently adhere to the Code of Practice and regular reviews ensure that this continues.

**I. Limits on Fixed and Variable Interest Exposure**

This indicator is designed to show that the authority can manage fluctuations in interest rates and that both the borrowing and investment portfolios are balanced between fixed and variable rates.

The limits are set on net exposure, which is borrowing (loans and leases/PFIs) less investments.

Short term investments or debt which last less than a year are included as variable rate investments. Although the rate is fixed for the duration, the money may be re-invested or re-borrowed at a different rate when it matures during the year. Investments and debt lasting over a year are included as fixed rate exposure.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
<b>Fixed Rate Exposure</b>						
Upper Limit	152,000	163,000	170,000	172,000	171,000	167,000
Lower Limit	102,000	113,000	120,000	122,000	121,000	117,000
Projected Exposure	126,666	137,977	144,764	146,607	145,828	142,209

Changes in the exposure limit are linked to the timing of projected borrowing in future years (which will be at a fixed rate) and repayment of existing loans.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>	<u>Estimate</u> <u>2023/24</u> <u>£000</u>	<u>Estimate</u> <u>2024/25</u> <u>£000</u>	<u>Estimate</u> <u>2025/26</u> <u>£000</u>
<b>Variable Rate Exposure</b>						
Upper Limit	-92,000	-86,000	-86,000	-88,000	-90,000	-89,000
Lower Limit	-17,000	-11,000	-11,000	-13,000	-15,000	-14,000
Projected Exposure	-41,676	-35,626	-35,896	-37,778	-39,656	-38,951

The movements in the exposure limit reflects the projected change balances. Borrowing is mainly taken at fixed rates for certainty, and the variable rate exposure is therefore closely linked to short term investment levels.

**J. Maturity Structure of Borrowing**

This indicator sets limits for the amount of fixed rate borrowing that will mature within certain time bands in the future. This is designed to ensure that authorities spread the maturity dates of their loans to avoid the risks associated with having to repay or re-borrow large amounts within a short period.

The Council has decided to take all new borrowing on an annuity basis, making annual repayments of principal. This indicator is therefore less relevant for Richmond going forward as the risk of large values becoming due in any one year is mitigated by the regular repayments. Loans which have annual repayments are therefore excluded from this PI on this basis.

	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Estimate</u>
	<u>2021/22</u>	<u>2021/22</u>	<u>2021/22</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Under 1 year	0%	30%	7%
1 to 2 years	0%	40%	8%
2 to 5 years	0%	50%	5%
5 to 10 years	0%	60%	10%
10 to 15 years	0%	}	25%
15 to 25 years	0%	} 85%	35%
over 25 years	0%	}	10%

**K. Total Principal Sum Invested Beyond the Period End.**

Previously, authorities with debt could not invest for greater than 364 days. Under the prudential controls this restriction is lifted (i.e. Authorities can invest for more than one year).

This limit is to ensure that authorities do not invest too much of their portfolio beyond one year (which could lead to losses in interest during times of volatile interest rate fluctuations)

	<u>Revised</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Limit	10,000	10,000	10,000	10,000	10,000	10,000
Projected Investments at 31st March	750	0	0	0	0	0

Interest rates are usually higher for longer term investments than short term. However, given the current levels of internal borrowing and relatively low cash balances, it is unlikely that there will be significant long term investments in the near future.

Officers are reviewing the levels of "core cash" which could be invested for the medium term with minimal risk to liquidity. These levels will be considered with any potential medium term investments and where the likely increased return outweighs the additional risk of these investments and is significant, longer term investments will be made.

**Local Indicators**

The Council has opted to set some local indicators to give further information and controls.

**L1. Ratio of External Loans to Fixed Assets**

The Council has opted to set a further, local indicator to review the value of its external loans.

This looks at the ratio of anticipated external loans to anticipated value of fixed assets (land & buildings, furniture, equipment, long licences etc.).

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>
Value of Loans at 31st March	129,015	140,944	149,205
Estimated value of Fixed Assets at 31st March	1,258,380	1,369,398	1,463,455
Loans as % of Assets	10.3%	10.3%	10.2%
Current Limit	15.0%	15.0%	15.0%

The estimated value of assets includes allowance for depreciation and revaluation changes as well as sale of assets per the approved disposal programme.

**L2. Ratio of Gross Loan Interest to RuT Gross Budget**

The Council has opted to set a further, local indicator to review the affordability of its external loans.

This looks at the ratio of interest payable on anticipated external borrowing in the form of loans.

	<u>Revised</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>
Budgeted Loan Interest	4,277	4,352	4,333
RuT Gross Budget	417,876	418,091	418,091
Interest as % of Revenue	1.0%	1.0%	1.0%
Current Limit	2.0%	2.0%	2.0%

**London Borough of Richmond upon Thames****Capital Strategy 2021/22**

1. This capital strategy is in response to changes in CIPFA's Prudential Code and Treasury Management Code and sets out the long-term context within which capital expenditure, borrowing and investment decisions are made. It is to be approved by full Council. The overall aim of the framework is to demonstrate that such decisions properly take account of stewardship, prudence, value for money, sustainability and affordability.

2. **Capital Expenditure – Capital Programme**

**Overview of Governance Process**

- 2.1 The capital programme is based upon the approved capital schemes, Treasury Management Strategy, Asset Management strategy, capital resources projections and an annual process for prioritising additions which recognises cost in use and sustainability issues.
- 2.2 It contains currently approved spending and sets the financial parameters within which the Executive may add to commitments in the context of reserves and resources anticipated in the medium-term outlook.
- 2.3 The overall programme is reviewed and approved by the Full Council in February after additions are made to the programme. Individual schemes may be approved and added to the programme during the year using Cabinet approval or other delegated decision making frameworks as appropriate.
- 2.4 Capital spend and the availability of resources to finance that spend are monitored by the Director of Resources on a monthly basis.

**Long-term View of Capital Spending Plans**

- 2.5 The Capital Programme considers the programme and available resources for the current year and five subsequent years. The Council's ability to finance capital spending is restricted only by its own view on affordability, subject to the Government's possible imposition of limits on local authority borrowing for macro-economic reasons.
- 2.6 Due to the current pressures on the Council's finances and council tax, potential capital schemes are considered in the context of whether any specific capital resources will be available to contribute towards the funding of

the scheme and the revenue impact of the scheme. General assumptions are as follows:

- a) Expenditure on schools is driven by the Council's duty to educate and provide sufficient places for every age group in buildings which are fit for purpose. While much of the costs of repairs and new pupil places is funded from either Government grant, the Council will also use S106/CIL receipts and other resources and borrowing as required to meet this statutory duty.
- b) For non-housing and non-school related Council operational property, schemes are prioritised where they will either provide future revenue savings, are critical to keeping a property in use, or will facilitate the Council's regeneration schemes. Schemes that are critical to keeping a property in use are selected based upon the current condition information and maintenance forecast.
- c) Highways type schemes and other areas where there is a regular annual budget are prioritised where there are health and safety considerations to road and pavement users, as well as facilitating travel within the Borough for residents and visitors to promote economic activity in the area.

2.7 The potential sources of finance for the Capital Programme are:

- d) Grants – either earmarked for particular schemes or services, or available for any scheme. There is no revenue effect, provided that the receipt of grant is not significantly delayed.
- e) CIL and Section 106 – these are either earmarked for particular use or generally for a specific type of spend. Where conditions are more general, these will be used to replace financing from borrowing or Council resources wherever possible. There is no revenue effect.
- f) Borrowing – this is used where a need to spend is identified and no alternative funding is available. Borrowing is financially disadvantageous compared to other sources of finance. The Council must make annual provision for debt repayment and debt charges. Where possible the Council will use internal borrowing and the debt charge will be the loss of interest from reducing balances invested. Where there is no scope to borrow internally, external loans are taken out and the Council will make either “repayment” or “interest only” mortgage type payments. All borrowing costs are financed as a charge to the revenue budget (e.g. a charge to the Council Tax payer)
- g) Revenue Reserves – other than specific schemes from the Repairs and Renewals Fund this is rarely used as there are minimal earmarked reserves available. This reduces balances invested and therefore the interest income to the Council.

- h) Capital Receipts – these are used where available in preference to borrowing. There is a loss of investment interest associated with their use. The Council reviews its assets regularly and will dispose of under-utilised assets and has used the proceeds extensively over time to support the Capital Programme. This history of sale of assets has resulted in reduced future sales income and minimal balance of receipts carried forward.

### **3. Investment**

- 3.1 The underlying objectives of the Council's Investment Policy are security of the capital sums invested and liquidity to ensure the funds invested are available for expenditure when needed. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The Council's Investment activities are conducted in a manner that regards the successful identification, monitoring and control of risk as of prime importance and accordingly the analysis and reporting includes a substantial focus on the risk implications.

#### **Treasury Management Investments**

- 3.2 These are investments that arise from the Council's cash flows and ultimately represent balances which need to be invested until the cash is required for use in the course of business.
- 3.3 The Council's policy on Treasury Management Investments is submitted to the Audit Committee, the Cabinet and approved by the full Council. The overall arrangements and strategy for the ensuing financial year are reviewed and approved in February or March, an Annual Report after the end of the financial year and a mid-year review report. From time to time the Director of Resources may submit additional reports recommending changes in Policy for approval if circumstances require.
- 3.4 The Director of Resources' responsibilities for Treasury Management are prescribed in the Council's Financial Regulations. Treasury Management activities and issues are reviewed at least monthly by a Treasury meeting within the Resources Directorate and chaired by the Director of Resources. Day to day Treasury Management activities are handled by the Financial Management Division of the Resources Directorate in accordance with a Treasury Systems Document. Treasury Management staff attend training courses to ensure they maintain sufficient knowledge and keep up to date with current developments.

- 3.5 Treasury Management advisers are appointed at least once within the lifetime of each Council to carry out an independent review of the Council's Treasury Management activities.
- 3.6 The Council's detailed investment policy is contained within the Treasury Policy Statement. Its overriding purpose is the control of risk. It specifies the types of investments that may be used and the limits of their use. These limits relate to the maximum time period for each investment type and to the maximum amount that may be held at any one time. The choice of limits is governed by the requirement to safeguard the security of the Council's portfolio and to spread risk through suitable diversification. The Council uses credit rating information from the three main credit rating agencies (Fitch, Moody's and Standard and Poor's) and this data is supplemented by other available information where appropriate. The limits also consider liquidity requirements and finally the yield that may be obtained.
- 3.7 The Council held investments of £129.2m at 31<sup>st</sup> January 2021, at an average rate of 0.36%. The Council is expected to begin 2021/22 with investments of around £60m and the estimated movements for the following two years based upon current cash flows show that investments are likely to decrease slightly to around £53m.

#### **Investments that are not part of Treasury Management Activity**

- 3.8 The Council may invest in other financial assets and property primarily for financial return that are not part of Treasury Management activity. These activities are subject to similar assessments of risk as for Treasury Management investments. They are approved as part of the capital programme as described in Sections 2 or 3 of this Capital Strategy.
- 3.9 Investment Property. The Council owns Investment Property and may occasionally use capital receipts or other funds to purchase investment properties. The annual review of Council assets may lead to operational use ceasing and the asset being reclassified as an investment property either to retain them long term for income generation or pending a further decision to dispose of or redevelop the site. The level of borrowing required to finance the Capital Programme is a consideration when reviewing the use of these assets.
- 3.10 Loans to facilitate Council Policy. The Council may make loans to organisations the Council has an interest in (e.g. WLWA, SWMCB, AfC), academy schools, other service providers, voluntary organisations or other bodies working to achieve Council priorities. The Council's Treasury Policy Statement also covers the terms under which such loans can be made.



- 3.11 The main loans made under this facility at present are :
- £15m loan to WLWA to facilitate the building of a new EfW facility. This is made by Richmond as a constituent authority of WLWA who will therefore benefit from the improved facilities. This loan is now being repaid so the balance is declining. Interest was fixed when the loan was agreed
  - Revolving Credit Agreement for AfC where the Council shares the cash flow “overdraft” funding for AfC pro rata to its ownership of the organisations with RB Kingston and RB Windsor & Maidenhead. This loan varies with the cash flow of Achieving for Children.
  - A loan to the South West Middlesex Crematorium Board has been agreed in principle to finance the cremator replacement project. This loan is estimated at £1.1m for around 3 years and is made by Richmond as a constituent authority of the Board.

#### 4 **Borrowing**

- 4.1 **External Borrowing.** The Council’s external long-term borrowing is from the Public Works Loan Board (PWLB) except for £15m from Mayor of London’s Energy Efficiency Fund (MEEF) and £5m from Barclays Bank. Historically, loans were taken on a maturity basis. However, the decision was taken to switch to repayment loans as a result of changes to the regulatory framework and as a way to minimise cost of carry and the potential loss of investment following financial crisis in 2008.
- 4.2 The Council also offers deposit facilities to various other bodies and manages invests on behalf of various Trusts, including Richmond Housing Partnership (RHP). The Council passes on its average investment return to these depositors.
- 4.3 **Internal Borrowing.** This arises where capital expenditure is financed by borrowing but no external loan is taken out. This is effectively using positive cash flow in lieu of external debt. The money still has to be repaid (effectively the Council is not holding the cash required to support its reserves position, and the money will be needed when the reserves are used) but instead of incurring interest costs payable to PWLB or a bank, the Council receives less interest as it holds less investments.
- 4.4 In prior years the Council has had substantial cash balances which were used to support internal borrowing where required as it is cheaper than external borrowing. However, as the Council has a projected continuing need to increase its borrowing, it has to manage the risk of interest rate increases against the current saving. Decisions on capital expenditure being funded from any available cash flow (internal) or formal (external) borrowing will

therefore be taken to balance the risks and rewards of both options considering market expectations and the Council's appetite for risk.

- 4.5 The following table shows estimates of the Council's External and Internal Borrowing outstanding balances based upon the currently approved capital programme.

	<u>31st</u> <u>March</u> <u>2021</u> £000	<u>31st</u> <u>March</u> <u>2022</u> £000	<u>31st</u> <u>March</u> <u>2023</u> £000	<u>31st</u> <u>March</u> <u>2024</u> £000	<u>31st</u> <u>March</u> <u>2025</u> £000	<u>31st</u> <u>March</u> <u>2026</u> £000
External Borrowing						
- Loans	129,015	140,944	149,205	152,639	153,578	151,815
- Leases/PFI	15,850	14,482	13,008	11,417	9,699	7,843
Internal Borrowing	35,474	37,633	35,730	33,924	32,249	33,247
Underlying Need to Borrow	180,340	193,059	197,943	197,980	195,526	192,905

- 4.6 **Minimum Revenue Provision.** Regulations issued under the Local Government Act 2003 require local authorities to make prudent provision for the repayment of debt. This is referred to as the Minimum Revenue Provision (MRP) and is funded from revenue (e.g. is part of the Council Tax Requirement calculation). The annual statement on the Council's MRP Policy is contained within the Treasury Policy Statement and approved by full Council in February or March.
- 4.7 **Voluntary Revenue Provision.** The Council can make more than the minimum prudent set aside to cover debt repayment if it decides that is the best use of its resources in any year. However, this would again be funded from revenue budget and there are other ways to produce future savings in a more flexible way which are more likely to be used.
- 4.8 **Authorised and Operational Borrowing Limits.** Section 3 of Part 1 of the Local Government Act 2003 requires local authorities to set an affordable borrowing limit and operational boundary each year. This is contained within the Prudential Indicators and approved by full Council in February or March each year. The authorised limit was set at £185m in February 2020 for 2020/21 and a limit of £175m is proposed for 2021/22.

## **Definitions of Budget Headings**

### **SeRCOP**

The Service Reporting Code of Practice (SeRCOP) provides guidance on financial reporting to stakeholders to ensure that it meets the needs of modern local government; particularly the duty to secure and demonstrate best value in the provision of services to the community. The code of practice provides a standard subjective analysis to be used by Council's to ensure consistency in Local Government reporting.

## **EXPENDITURE**

### **Employees**

This includes the cost of employee expenses, both direct and indirect, to the authority. Direct employee expenses include salaries, employer's national insurance contribution, employer's retirement benefit cost, agency staff and employee expenses. Indirect employee expenses include relocation, interview, training, advertising, severance payments and employee-related schemes.

### **Premises**

This includes expenses directly related to the running of premises and land and covers repairs, alterations and maintenance of buildings, energy costs, rents, rates, water services, fixtures and fittings, apportionment of expenses of operational buildings, cleaning and domestic supplies, grounds maintenance costs and premises insurance.

### **Transport**

This includes all costs associated with the provision, hire or use of transport, including traveling allowances and home to school transport. It covers direct transport costs such as repairs & maintenance and running costs as well as recharges for vehicles hired from a central pool, hire and operating leases, staff traveling expenses, transport insurance and car allowances.

### **Supplies and Services**

This includes all direct supplies and service expenses to the authority. It covers equipment, furniture and materials, catering, clothes, printing, stationery and general office expenses, communications and computing, members' allowances, expenses including subsistence and conferences, grants and subscriptions, Private Finance Initiative, and miscellaneous expenses.

### **Third Party Payments**

A third party payment is a payment to an external provider or an internal service delivery unit defined as a trading operation (e.g. payment to a building firm would be shown under Premises costs).

### **Transfer Payments**

This includes the cost of payments to individuals for which no goods or services are received in return by the local authority. This covers mandatory and discretionary awards to students, payments to Social Services clients, and Housing Benefit payments.

**Support Services**

Charges for Legal and HR shared services that are hosted by other Local authorities and support the provision of services to the public. These are apportioned or allocated to the service divisions that they support using an agreed method.

**INCOME****Government Grants**

This covers all specific and special government grants.

**Other Grants & Contributions**

This includes income received to finance a function/project which is undertaken with other bodies and other contributions from other local authorities.

**Customer & Client Receipts**

This includes sales of products or materials, fees and charges for services, use of facilities, admissions and lettings.

**FINANCIAL ACCOUNTING ADJUSTMENTS****Central Support Charges**

This covers charges for services that support the provision of services to the public. These costs are apportioned or allocated to the services they support and include the costs of finance, IT, human resources, property management, office accommodation, legal services, procurement services, corporate services and transport functions.

**Central Support Income**

This covers income for the services that support the provision of services to the public.

**Capital Charges**

The costs associated with the revenue impact of capital items in the service revenue accounts are reported here, these items have a net effect of nil on Council Tax. The charges record the affect of depreciation, revaluation losses, loss of impairment of assets, amortization of intangible fixed assets and movement in fair value of investment property.

**OTHER DEFINITIONS****Business Rates Levy / Tariff**

As part of the new business rates retention scheme, a tariff and levy approach has been implemented to enable a one-off distribution of resources at the outset of the scheme. This is calculated for each individual authority, by comparing the business rates baseline against its baseline funding level. An authority with a higher individual authority business rates baseline than its baseline funding level pays a tariff, and the opposite applies for a levy payment.

**Collection Fund**

Local authorities who are required by law to collect Council Tax and Business Rates must establish a 'Collection Fund' that records the amounts collected from Council Tax and Business Rates separately from the Council's own accounts. The Collection Fund also shows payments made to the government and precepting authorities, and transfers to the Council's General Fund.

**Corporate and Democratic Core**

This comprises corporate management and democratic representation and management costs.

**Depreciation**

The writing down of the value of a fixed asset in the balance sheet in line with its expected useful life.

**Earmarked Reserves**

Amounts set aside for specific purposes falling outside the definition of provisions.