



BUDGET BOOK

2022-2023

Fenella Merry CPFA
Director of Resources

Budget Book 2022/23

Each year the Council sets detailed revenue and capital budgets. The revenue budgets relate to the income and expenditure incurred through the day to day running of the Council. The capital budgets include income and 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 and presentation of all our financial publications and would welcome any suggestions from readers.

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COUNCIL'S REVENUE BUDGET 2022/23
SUBJECTIVE SUMMARY OF
EXPENDITURE AND INCOME

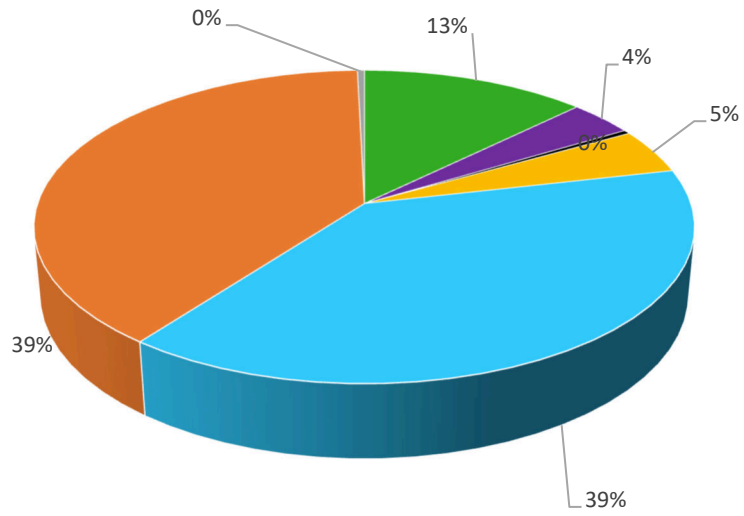
	<u>2021/22</u> <u>Estimate</u>	<u>2022/23</u> <u>Estimate</u>
<u>Expenditure</u>		
Employees	52,415,800	53,244,800
Premises	13,885,400	15,360,500
Transport	1,808,400	1,595,100
Supplies & Services	20,062,000	19,343,600
Third Party Payments	152,686,300	162,490,400
Transfer Payments	177,131,900	163,998,800
Support Services	1,731,200	1,660,300
TOTAL EXPENDITURE	419,721,000	417,693,500
<u>Income</u>		
Government Grants	(208,115,600)	(205,560,200)
Other Grants & Contributions	(6,259,300)	(5,807,700)
Customer & Client Receipts	(55,571,400)	(54,820,300)
Interest	(65,700)	(65,700)
Internal Charges	(3,575,800)	(3,574,400)
TOTAL INCOME	(273,587,800)	(269,828,300)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	146,133,200	147,865,200
Central Items	(4,997,200)	(3,639,600)
NET EXPENDITURE (CONTROLLABLE)	141,136,000	144,225,600

	2022/23 Budget
<u>Variation Analysis (Excluding Schools)</u>	£
2021/22 ORIGINAL BUDGET	141,136,000
Inflation	7,575,000
Changes in Government Grants	6,072,400
Other Government or Outside Body Changes	(2,775,800)
Demand Led Growth	0
Efficiency Savings	(1,500,000)
Investment Priorities	125,000
Other Growth & Savings	(6,407,000)
2022/23 ORIGINAL BUDGET	144,225,600

SUBJECTIVE ANALYSIS BY SERVICE - BUDGETS 2022/23

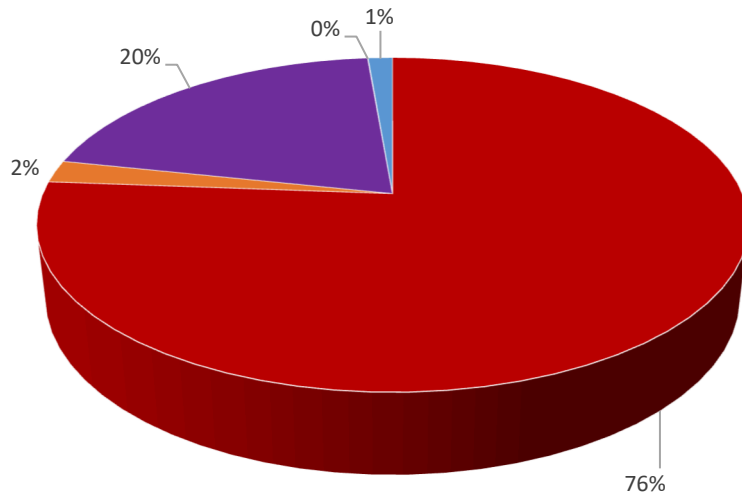
	Education and Children's Services	Adult Social Services, Health & Housing	Environment, Sustainability, Culture and Sports Services	Finance, Policy & Resources	Transport and Air Quality	TOTAL
<u>Expenditure</u>						
Employees	364,600	16,511,900	13,311,300	19,368,200	3,688,800	53,244,800
Premises		647,100	4,379,900	7,680,100	2,653,400	15,360,500
Transport		759,600	81,800	177,600	576,100	1,595,100
Supplies & Services	4,011,100	3,050,500	3,537,200	7,124,400	1,620,400	19,343,600
Third Party Payments	67,762,700	65,583,600	19,971,400	3,107,900	6,064,800	162,490,400
Transfer Payments	105,505,100	7,913,200		50,580,500		163,998,800
Support Services		280,300	277,500	1,073,800	28,700	1,660,300
Total	177,643,500	94,746,200	41,559,100	89,112,500	14,632,200	417,693,500
<u>Income</u>						
Government Grants	(135,326,800)	(22,770,500)		(47,462,900)		(205,560,200)
Other Grants & Contributions	(1,798,600)	(3,802,400)	(104,100)	(102,600)		(5,807,700)
Customer & Client Receipts	(184,500)	(13,408,000)	(11,964,000)	(10,830,300)	(18,433,500)	(54,820,300)
Interest				(65,700)		(65,700)
Internal charges		(96,200)	(511,600)	(941,900)	(2,024,700)	(3,574,400)
Total	(137,309,900)	(40,077,100)	(12,579,700)	(59,403,400)	(20,458,200)	(269,828,300)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	40,333,600	54,669,100	28,979,400	29,709,100	(5,826,000)	147,865,000
Central Items				(3,639,600)		(3,639,600)
NET EXPENDITURE	40,333,600	54,669,100	28,979,400	26,069,500	(5,826,000)	144,225,400

Analysis of 2022/23 Expenditure Budget



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

Analysis of 2022/23 Income Budgets



- Government Grants
- Other Grants & Contributions
- Customer & Client Receipts
- Interest
- Internal charges

EDUCATION AND CHILDRENS SERVICES

Should you have any queries concerning the Education and Childrens Services pages please contact:

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EDUCATION AND CHILDREN'S SERVICES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Education and Children's Services	38,308,300	38,560,500	40,333,600
Total Education and Childrens Services	<u>38,308,300</u>	<u>38,560,500</u>	<u>40,333,600</u>

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	38,308,300
Inflation	480,200
Changes in Government Grants	(953,300)
Other Government or Outside Body Changes	164,300
Demand Led Growth	2,801,600
Efficiency Savings	(1,024,000)
Investment Priorities	153,000
Income Generation	0
Other Growth & Savings	281,800
Budget Transfers	121,700
2022/23 ORIGINAL BUDGET	<u>40,333,600</u>

EDUCATION AND CHILDREN'S SERVICES

SUBJECTIVE ANALYSIS

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	261,600	361,500	364,600
Premises	0	0	0
Transport	0	0	0
Supplies & Services	4,223,300	3,884,000	4,011,100
Third Party Payments	61,706,900	67,529,300	67,762,700
Transfer Payments	107,424,500	107,473,600	105,505,100
Support Services	0	0	0
TOTAL EXPENDITURE	173,616,300	179,248,400	177,643,500
<u>Income</u>			
Government Grants	(133,390,500)	(138,704,800)	(135,326,800)
Other Grants & Contributions	(1,798,600)	(1,798,600)	(1,798,600)
Customer & Client Receipts	(118,900)	(184,500)	(184,500)
Interest	0	0	0
TOTAL INCOME	(135,308,000)	(140,687,900)	(137,309,900)
NET EXPENDITURE (CONTROLLABLE)	38,308,300	38,560,500	40,333,600

EDUCATION AND CHILDREN'S SERVICES

Education and Children's Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Achieving for Children Contract	58,698,400	64,414,300	64,647,700
Grant Funding	(24,701,200)	(30,261,400)	(28,743,600)
Children's Retained costs	335,200	325,200	347,100
Schools PFI	1,107,400	1,107,400	1,107,400
	35,439,800	35,585,500	37,358,600

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	35,439,800
Inflation	479,100
Changes in Government Grants	
- Social Care Grant	(766,000)
- Specific Grants	(187,300)
Other Government or Outside Body Changes	
- National Insurance Uplift	164,300
Demand Led Growth	
- Demographic Pressures within Social Care Placements	2,502,300
- Special Educational Needs	188,000
- Increased capacity for procurement and commissioning	111,300
Efficiency Savings	
- Early Help resilience hubs and threshold review	(50,000)
- SHIFT Programme	(50,000)
- Review of commissioned bought in support services	(100,000)
- Review all contracts, including voluntary sector	(80,000)
- Review Leaving Care Services	(75,000)
- Promotion of digital strategy, remote working and revised staff travel policy	(65,000)
- Improved transitions between Children's Service and Adults Services	(50,000)
- Supporting young people to travel independently	(200,000)
- Improved commissioning of placements across Social Care and Early Help	(50,000)
- Increasing the number of In-House Foster Carers	(100,000)
- Other Agreed Savings Initiatives	(65,000)
- Income, Contract and Departmental Efficiencies	(137,900)
Investment Priorities	
- Improved Mental Health Initiatives	57,000
- Schools based education - Violence Against Women and Girls	5,000
- Youth Services - Enhanced Service Provision	91,000
Other Growth & Savings	
- Specific Grants - Expenditure	187,300
Budget Transfers	109,700
2022/23 ORIGINAL BUDGET	37,358,600

EDUCATION AND CHILDREN'S SERVICES

Education and Children's Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Public Health	2,868,500	2,975,000	2,975,000
	2,868,500	2,975,000	2,975,000

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	2,868,500
Inflation	1,100
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(1,100)
Other Growth & Savings	
- Children's Public Health - Agenda for Change	94,500
Budget Transfers	12,000
2022/23 ORIGINAL BUDGET	2,975,000

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Should you have any queries concerning the Adult Social Services, Health and Housing pages please contact:

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ADULT SOCIAL SERVICES, HEALTH AND HOUSING

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Housing & Regeneration			
Housing Management	45,900	112,300	115,200
Housing Services	2,896,900	3,094,100	3,259,100
Other Housing	446,100	446,000	449,700
Adult Social Care & Public Health			
Adult Social Care	47,295,100	48,210,700	48,008,500
Commissioning and Quality Standards	7,800,800	7,854,000	7,846,800
Public Health	(7,590,600)	(7,858,100)	(7,826,600)
Business Resources	2,585,600	2,637,500	2,599,700
Environment & Community Services			
Private Sector Housing	224,700	216,200	216,700
Total Adult Social Services, Health & Housing	53,704,500	54,712,700	54,669,100

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	53,704,500
Inflation	637,400
Changes in Government Grants	(2,098,200)
Other Government or Outside Body Changes	113,700
Demand Led Growth	1,800,000
Efficiency Savings	(999,800)
Investment Priorities	50,000
Income Generation	(4,100)
Other Growth & Savings	1,160,200
Budget Transfers	305,400
2022/23 ORIGINAL BUDGET	54,669,100

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

SUBJECTIVE ANALYSIS

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	16,610,000	16,793,100	16,511,900
Premises	584,100	647,100	647,100
Transport	580,200	759,600	759,600
Supplies & Services	3,817,800	3,050,500	3,050,500
Third Party Payments	62,906,900	64,277,800	65,583,600
Transfer Payments	9,303,200	7,863,200	7,913,200
Support Services	280,100	280,300	280,300
TOTAL EXPENDITURE	94,082,300	93,671,600	94,746,200
<u>Income</u>			
Government Grants	(20,672,300)	(21,558,500)	(22,770,500)
Other Grants & Contributions	(4,254,000)	(3,802,000)	(3,802,400)
Customer & Client Receipts	(15,380,700)	(13,502,200)	(13,408,000)
Internal charges	(70,800)	(96,200)	(96,200)
TOTAL INCOME	(40,377,800)	(38,958,900)	(40,077,100)
NET EXPENDITURE	53,704,500	54,712,700	54,669,100

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Adult Social Care

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Adult Service Operations Teams	7,001,800	7,247,500	7,042,300
Early Help & Enablement Services	805,200	1,203,200	955,300
Services for Older People, Sensory & Physical Disabilities	14,207,200	13,486,200	14,345,200
Services for Adults with Learning Disabilities	20,459,000	20,775,700	20,259,000
Services for Adults with Mental Health Needs	3,270,500	3,770,500	3,670,500
Care Provision	1,551,400	1,727,600	1,736,200
	47,295,100	48,210,700	48,008,500

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	47,295,100
Inflation	568,800
Changes in Government Grants	
- Market Sustainability and Fair Cost of Care Grant 2022/23	(446,000)
- Additional Social Care Grant 2022/23	(766,000)
Other Government or Outside Body Changes	
- National Insurance Uplift	55,000
Demand Led Growth	
- Demographic pressures in All Client Groups Care Budget And Hospital Discharge costs 2022/23	1,500,000
Efficiency Savings	
- Learning Disability and Young Adults (Providing Accomodation in the Borough)	(500,000)
- Planned efficiencies from the commissioning programmes	(250,000)
- Reviewing placement costs for residential and nursing care and homecare	(100,000)
- Income, Contract and Departmental Efficiencies	(73,700)
Income Generation	
- Income from Fees and Charges	(4,100)
Other Growth & Savings	
- 2022/23 National Living Wage	500,000
Budget Transfers	229,400
2022/23 ORIGINAL BUDGET	48,008,500

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Commissioning and Quality Standards

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Commissioning Teams	1,205,300	1,264,600	1,222,200
Advocacy, Supported Employment and Other minor services	446,400	446,400	446,400
Professional Standards and Safeguarding	990,200	1,054,100	1,019,300
Prevention and Wellbeing	2,265,800	2,195,800	2,265,800
Adult Public Health Services	2,893,100	2,893,100	2,893,100
	7,800,800	7,854,000	7,846,800

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	7,800,800
Inflation	13,800
Other Government or Outside Body Changes	
- National Insurance Uplift	18,400
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(14,200)
Budget Transfers	28,000
2022/23 ORIGINAL BUDGET	7,846,800

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Public Health

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
Core Public Health (Team and other)	1,787,300	1,745,800	1,777,300
Public Health Grant	(9,377,900)	(9,603,900)	(9,603,900)
	(7,590,600)	(7,858,100)	(7,826,600)

	<u>2022/23</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	(7,590,600)
Inflation	11,700
Changes in Government Grants	
- 2021/22 increase in Public Health grant	(226,000)
Other Government or Outside Body Changes	
- National Insurance Uplift	2,000
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(11,700)
Budget Transfers	(12,000)
2022/23 ORIGINAL BUDGET	(7,826,600)

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Adults Business Resources

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Business Resources	2,585,600	2,637,500	2,599,700
	2,585,600	2,637,500	2,599,700

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	2,585,600
Inflation	23,500
Changes in Government Grants	
- Better Care Fund Grant Income Increase	(660,200)
Other Government or Outside Body Changes	
- National Insurance Uplift	16,200
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(25,600)
Other Growth & Savings	
- Better Care Fund Expenditure Increase	660,200
2022/23 ORIGINAL BUDGET	2,599,700

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Management

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Joint Control Room	0	645,200	648,100
Careline	32,700	(546,100)	(546,100)
Animal Welfare	13,200	13,200	13,200
	45,900	112,300	115,200

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	45,900
Inflation	5,100
Other Government or Outside Body Changes	
- National Insurance Uplift	2,900
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(7,200)
Budget Transfers	68,500
2022/23 ORIGINAL BUDGET	115,200

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Housing Services Teams	2,087,200	2,084,400	2,099,400
Discretionary Social Fund (Housing)	140,000	140,000	140,000
Direct Homelessness costs	154,700	354,700	454,700
Homelessness Prevention Schemes	519,900	519,900	569,900
Refugees/Asylum Seekers	0	0	0
Home Improvement Agency	0	0	0
Ex HRA Properties	(4,900)	(4,900)	(4,900)
	2,896,900	3,094,100	3,259,100

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	2,896,900
Inflation	13,700
Other Government or Outside Body Changes	
- National Insurance Uplift	15,000
Demand Led Growth	
- Underutilisation of Hostels	200,000
- 2021/22 Housing Growth - Temporary Accommodation Costs	100,000
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(16,500)
Investment Priorities	
- Rent Deposit Scheme	50,000
2022/23 ORIGINAL BUDGET	3,259,100

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Other Housing

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Management and Support	306,600	306,600	309,300
Delivery and Development	139,500	139,400	140,400
	446,100	446,000	449,700

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	446,100
Inflation	700
Other Government or Outside Body Changes	
- National Insurance Uplift	3,700
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(800)
2022/23 ORIGINAL BUDGET	449,700

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

REGULATORY SERVICES PARTNERSHIP

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Private Sector Housing	224,700	216,200	216,700
	224,700	216,200	216,700

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	224,700
Inflation	100
Other Government or Outside Body Changes	
- National Insurance Uplift	500
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(100)
Budget Transfers	(8,500)
2022/23 ORIGINAL BUDGET	216,700

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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>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Environment and Community Services Directorate			
ECS Management and Support	1,218,000	1,291,900	1,362,200
Contracts and Leisure	23,963,900	25,810,100	24,738,400
Highways Operations and Streetscene	651,200	657,200	787,800
Planning and Transportation	2,476,500	2,176,900	1,584,000
Chief Executives Directorate			
Policy and Performance	6,400	140,100	507,000
Total Environment, Sustainability, Culture & Sports Services	28,316,000	30,076,200	28,979,400

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	28,316,000
Inflation	561,300
Other Government or Outside Body Changes	72,400
Efficiency Savings	(113,300)
Investment Priorities	404,000
Income Generation	(61,500)
Other Growth & Savings	(1,102,000)
Budget Transfers	902,500
2022/23 ORIGINAL BUDGET	28,979,400

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

SUBJECTIVE ANALYSIS

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	13,353,000	13,385,200	13,311,300
Premises	4,331,100	4,389,400	4,379,900
Transport	81,900	81,800	81,800
Supplies & Services	3,101,100	3,518,900	3,537,200
Third Party Payments	19,353,600	20,234,100	19,971,400
Support Services	277,500	277,500	277,500
TOTAL EXPENDITURE	<hr/> 40,498,200	<hr/> 41,886,900	<hr/> 41,559,100
<u>Income</u>			
Other Grants & Contributions	(104,100)	(104,100)	(104,100)
Customer & Client Receipts	(11,539,700)	(11,195,000)	(11,964,000)
Internal charges	(538,400)	(511,600)	(511,600)
TOTAL INCOME	<hr/> (12,182,200)	<hr/> (11,810,700)	<hr/> (12,579,700)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 28,316,000 <hr/>	<hr/> 30,076,200 <hr/>	<hr/> 28,979,400 <hr/>

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

ECS Management and Support

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
ECS Management Team	586,200	655,200	699,300
Finance and Performance	353,100	353,100	354,700
Business Support	75,800	75,800	96,300
Precepts and Levies	202,900	207,800	211,900
	<hr/> 1,218,000	<hr/> 1,291,900	<hr/> 1,362,200

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	1,218,000
Inflation	11,000
Other Government or Outside Body Changes	
- National Insurance Increase April 2022	6,000
Efficiency Savings	
- Saving against Inflation Contingency	(2,000)
Investment Priorities	
- KPI Monitoring	20,000
Budget Transfers	109,200
2022/23 ORIGINAL BUDGET	<hr/> <hr/> 1,362,200

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Contracts and Leisure

	<u>2021/22</u> Original £	<u>2021/22</u> Revised £	<u>2022/23</u> Original £
Parks Management	4,139,000	4,297,100	4,278,500
Sports Services	1,286,200	1,113,900	1,161,000
Arts and Culture	876,400	1,076,400	1,080,000
Libraries	3,631,200	3,631,200	3,660,400
Registrars and Cemeteries	(942,400)	(942,400)	(988,300)
Waste and Street Cleansing Contract Management	320,100	345,100	322,200
Street Cleansing	2,742,300	2,780,500	2,779,000
Waste Disposal including WLWA Levy	8,630,200	8,630,200	8,250,400
Waste Collection and Recycling	3,214,800	4,812,000	4,079,100
Public Conveniences	66,100	66,100	116,100
	23,963,900	25,810,100	24,738,400

	<u>2022/23</u> Budget £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	23,963,900
Inflation	520,400
Other Government or Outside Body Changes	
- National Insurance Increase April 2022	46,100
Efficiency Savings	
- Saving against Inflation Contingency	(81,400)
Investment Priorities	
- Tow Path Strategy	120,000
- Additional Tree Officer	40,000
- Additional Waste Round	130,000
- Public Toilet provision	50,000
Income Generation	
- Feb 2022 Fees & Charges	(58,500)
Other Growth & Savings	
- Park Events Income Reduction	30,000
- Commercial waste income	150,000
- Room Hire Income Reduction	20,000
- Feb 2021 Parks framework	(100,000)
- West London Waste Authority	(382,000)
Budget Transfers	289,900
2022/23 ORIGINAL BUDGET	24,738,400

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Highways Operations and Streetscene

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Emergency Planning	83,200	83,200	83,800
Regulatory Services Partnership - Environmental Services	568,000	574,000	704,000
	651,200	657,200	787,800

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	651,200
Inflation	2,700
Other Government or Outside Body Changes	
- National Insurance Increase April 2022	600
Efficiency Savings	
- Saving against Inflation Contingency	(2,700)
Income Generation	
- Pavement licence charges Sept 21	(2,500)
Other Growth & Savings	
- RSP Income Pressures	40,000
- RSP Pressures incl Noise	90,000
Budget Transfers	8,500
2022/23 ORIGINAL BUDGET	787,800

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Planning and Transportation

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Building Control	70,000	70,000	74,500
Development Management	1,500,000	796,000	843,000
Strategic Developments	7,400	7,400	8,400
Thames Landscape Strategy	16,200	16,200	16,900
Transport Strategy	204,100	222,100	205,700
Policy and Design	835,300	1,131,700	591,000
Information and Business Support	98,300	98,300	98,700
Land Charges	(254,800)	(254,800)	(254,200)
	<hr/> 2,476,500	<hr/> 2,176,900	<hr/> 1,584,000

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	2,476,500
Inflation	24,800
Other Government or Outside Body Changes	
- National Insurance Increase April 2022	19,100
Efficiency Savings	
- Saving against Inflation Contingency	(24,800)
Investment Priorities	
- June 21 Conservation Area Team Resource	44,000
Income Generation	
- Feb 2022 Fees & Charges	(500)
Other Growth & Savings	
- Ctax Feb21 Covid Planning	(100,000)
- Ctax Feb21 S106 Affordable housing resource	(44,000)
- Ctax Feb21 S106 Town centre needs	(80,000)
- Ctax Feb21 S106 Senior planner Town Centre	(30,000)
- Ctax Feb21 S106 Surface water mangement plan	(60,000)
- July 2019 Richmond Local Plan	(286,000)
- Covid Planning/income recovery	(350,000)
Budget Transfers	(5,100)
2022/23 ORIGINAL BUDGET	<hr/> <hr/> 1,584,000

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Policy and Performance

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Climate Change	6,400	140,100	507,000
	<hr/> 6,400	<hr/> 140,100	<hr/> 507,000

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	6,400
Inflation	2,400
Other Government or Outside Body Changes	
- National Insurance Uplift	600
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(2,400)
Budget Transfers	
- Climate Change Communications	50,000
- Youth Council Richmond Climate Emergency Strategy	10,000
- Richmond Climate Emergency Strategy other	440,000
2022/23 ORIGINAL BUDGET	<hr/> <hr/> 507,000

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

<u>SERVICE</u>	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Resources Directorate			
Directorate	389,700	389,700	392,900
Financial Management	2,484,800	3,599,500	2,249,600
Corporate Services	8,050,700	7,827,500	8,049,200
Revenue Services	9,284,700	9,348,100	6,529,700
Financial Services	1,354,000	1,378,000	1,372,600
Chief Executives Directorate			
Chief Executive Group	6,672,300	6,901,700	7,179,300
Housing and Regeneration Directorate			
Property Services	2,903,000	4,180,200	3,935,800
	31,139,200	33,624,700	29,709,100
Total Finance, Policy and Resources	31,139,200	33,624,700	29,709,100

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	31,139,200
Inflation	959,200
Changes in Government Grants	(25,000)
Other Government or Outside Body Changes	(2,589,800)
Demand Led Growth	588,000
Efficiency Savings	(520,100)
Investment Priorities	200,000
Income Generation	(10,000)
Other Growth & Savings	(50,000)
Budget Transfers	17,600
2022/23 ORIGINAL BUDGET	29,709,100

FINANCE, POLICY AND RESOURCES

SUBJECTIVE ANALYSIS

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	18,473,700	19,021,600	19,368,200
Premises	6,564,300	7,347,800	7,680,100
Transport	165,800	177,600	177,600
Supplies & Services	7,286,800	8,718,200	7,124,400
Third Party Payments	3,130,400	3,104,200	3,107,900
Transfer Payments	60,404,200	57,760,900	50,580,500
Support Services	1,144,700	1,038,100	1,073,800
TOTAL EXPENDITURE	97,169,900	97,168,400	89,112,500
<u>Income</u>			
Government Grants	(54,052,800)	(51,119,100)	(47,462,900)
Other Grants & Contributions	(102,600)	(592,200)	(102,600)
Customer & Client Receipts	(10,867,700)	(10,824,800)	(10,830,300)
Interest	(65,700)	(65,700)	(65,700)
Internal charges	(941,900)	(941,900)	(941,900)
TOTAL INCOME	(66,030,700)	(63,543,700)	(59,403,400)
NET EXPENDITURE (excluding Central Items)	31,139,200	33,624,700	29,709,100
Central Items	(4,997,200)	(10,578,500)	(3,639,600)
NET EXPENDITURE (including Central Items)	26,142,000	23,046,200	26,069,500

FINANCE, POLICY AND RESOURCES

Directorate

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Directorate	389,700	389,700	392,900
	389,700	389,700	392,900

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	389,700
Inflation	1,300
Other Government or Outside Body Changes	
- National Insurance Uplift	3,200
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(1,300)
2022/23 ORIGINAL BUDGET	392,900

FINANCE, POLICY AND RESOURCES

Financial Management

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Financial Control and Accountancy	1,820,300	1,855,000	1,865,100
Corporate Management	525,100	655,100	655,100
Non Distributed Costs	(280,000)	410,000	(680,000)
Levies	419,400	419,400	409,400
SSA Implementation Costs	0	260,000	0
	2,484,800	3,599,500	2,249,600

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	2,484,800
Inflation	191,200
Other Government or Outside Body Changes	
- National Insurance Uplift	10,100
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(56,500)
- Levies contingency not required	(110,000)
Other Growth & Savings	
- Removal of Temporary Covid related Local Council Tax Reduction Scheme	(450,000)
- Local Council Tax Reduction Scheme Improvements	50,000
Budget Transfers	130,000
2022/23 ORIGINAL BUDGET	2,249,600

FINANCE, POLICY AND RESOURCES

Corporate Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
IT and Telecoms	4,259,000	4,036,400	3,937,700
Human Resources and Payroll	1,601,700	1,600,500	1,611,300
Apprenticeship Levy	235,800	235,800	235,800
Electoral Services	429,100	429,000	730,200
Customer Services	1,525,100	1,525,800	1,534,200
	8,050,700	7,827,500	8,049,200

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	8,050,700
Inflation	63,700
Other Government or Outside Body Changes	
- National Insurance Uplift	42,700
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(61,900)
- IT Strategy Efficiencies (FPR Nov 20)	(100,000)
Other Growth & Savings	
- Local Election 2022	300,000
Budget Transfers	(246,000)
2022/23 ORIGINAL BUDGET	8,049,200

FINANCE, POLICY AND RESOURCES

Revenue Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Council Tax and Business Rates	15,500	14,800	17,700
Parking Administration	677,900	677,400	680,800
Accessible Transport and Concessionary Fares	7,404,900	7,404,700	4,658,000
Housing Benefit Administration	1,006,600	1,071,400	993,400
Housing Benefit Subsidy	179,800	179,800	179,800
	9,284,700	9,348,100	6,529,700

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	9,284,700
Inflation	34,900
Changes in Government Grants	
- Localising Council Tax Support Admin Grant	(25,000)
Other Government or Outside Body Changes	
- National Insurance Uplift	15,300
- Concessionary Fares	(2,747,700)
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(32,500)
2022/23 ORIGINAL BUDGET	6,529,700

FINANCE, POLICY AND RESOURCES

Financial Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Shared Audit and Fraud	465,300	481,500	477,700
Pensions Administration	51,500	51,500	51,500
Pension Fund Administration	7,400	7,400	8,400
Insurance	(17,300)	(17,300)	(16,600)
Health and Safety Team	99,200	107,100	99,900
Procurement	747,900	747,800	751,700
	1,354,000	1,378,000	1,372,600

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	1,354,000
Inflation	59,600
Other Government or Outside Body Changes	
- National Insurance Uplift	18,700
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(59,700)
2022/23 ORIGINAL BUDGET	1,372,600

FINANCE, POLICY AND RESOURCES

Chief Executive Group

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Community and Partnerships	1,629,000	1,706,800	1,681,300
Economic Development	562,900	600,500	603,600
Resident Engagement	810,500	873,800	915,900
Communications	389,100	388,700	386,500
Community Safety	447,200	432,000	566,500
Corporate Initiatives	54,000	77,600	227,600
Legal Services	48,600	25,000	25,000
Member Services	1,530,600	1,530,400	1,535,600
Policy, Performance and Analysis	503,000	569,800	535,800
Chief Executive's support and trainees	697,400	697,100	701,500
	6,672,300	6,901,700	7,179,300

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	6,672,300
Inflation	77,700
Other Government or Outside Body Changes	
- National Insurance Uplift	28,100
- Community Safety Grant	26,200
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(71,500)
Investment Priorities	
- Platinum Jubilee	150,000
- Visit Richmond (Tourism)	50,000
Income Generation	(10,000)
Other Growth & Savings	
- Information Governance	50,000
Budget Transfers	206,500
2022/23 ORIGINAL BUDGET	7,179,300

FINANCE, POLICY AND RESOURCES

Property Services

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Facilities Management	3,165,100	3,853,400	3,790,600
Utilities	1,542,900	1,769,300	2,036,600
Sustainability	10,700	133,200	10,700
Public Halls and Community Centres	(279,500)	(279,600)	(289,100)
Office Accommodation	575,400	575,200	575,200
AFC Properties	(1,449,800)	(1,449,800)	(1,449,800)
Sundry Properties	(832,600)	(592,300)	(910,600)
Valuation and Asset Management	170,800	170,800	172,200
	2,903,000	4,180,200	3,935,800

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	2,903,000
Inflation	530,800
Other Government or Outside Body Changes	
- National Insurance Uplift	13,600
Demand Led Growth	
- Facilities Management budget pressures	588,000
Efficiency Savings	
- Income, Contract and Departmental Efficiencies	(26,700)
Budget Transfers	(72,900)
2022/23 ORIGINAL BUDGET	3,935,800

FINANCE, POLICY AND RESOURCES

Central Items

	<u>2021/22</u> <u>Original</u>	<u>2021/22</u> <u>Revised</u>	<u>2022/23</u> <u>Original</u>
<u>ASSET MANAGEMENT & TREASURY</u>			
Interest Payable	3,960,500	4,168,300	4,098,000
Interest Receivable	(1,006,800)	(1,230,000)	(1,382,200)
MRP (Principal Loan Repay)	5,707,000	5,722,400	5,752,400
Revenue Funding of Capital Expenditure	917,000	917,000	917,000
<u>CONTINGENCY & INVESTMENT ITEMS</u>			
Pay, Contract and Other Contingency	5,045,900	2,027,900	10,228,700
COVID-19 Recovery Contingency	1,000,000	1,000,000	0
Investment Initiatives	500,000	0	125,000
<u>NON-RINGFENCED GOVERNMENT GRANTS</u>			
New Homes Bonus Grant	(262,200)	(262,200)	0
Covid-19	(5,243,500)	(5,243,500)	0
Lower Tier Services Grant	(613,100)	(613,100)	(658,600)
Localised Council Tax Support Grant	(1,882,000)	(1,882,000)	0
General Service Grant	0	0	(1,556,000)
<u>OTHER</u>			
Centrally Funded Pensions	4,256,700	4,256,700	3,056,700
Contribution to DSG Safety Valve Agreement	0	0	1,200,000
Distribution of surplus/deficit on Collection Fund	277,000	277,000	(800,000)
Retained NNDR and Section 31 Grants	(21,817,000)	(21,817,000)	(23,542,000)
Contributions to Earmarked Reserves	4,449,500	4,177,100	521,400
Transfers to/from Earmarked Reserves to reduce Council	(286,200)	(286,200)	(1,600,000)
Transfers to/from General Fund Reserve	0	(1,790,900)	0
NET EXPENDITURE	(4,997,200)	(10,578,500)	(3,639,600)

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> £
2021/22 ORIGINAL BUDGET	(4,997,200)
Inflation	6,008,100
Changes in Government Grants	5,786,200
Other Government or Outside Body Changes	(1,725,000)
Efficiency Savings	(2,700,000)
Investment Priorities	125,000
Other Growth & Savings	(5,311,400)
Budget Transfers	(825,300)
2022/23 ORIGINAL BUDGET	(3,639,600)

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TRANSPORT AND AIR QUALITY SERVICES

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

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TRANSPORT AND AIR QUALITY

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
Environment and Community Services Directorate			
Highways Ops and Streetscene	1,285,600	875,800	925,600
Regulatory Services	168,900	327,900	168,900
Traffic and Engineering	(6,938,800)	(6,757,200)	(7,001,500)
Housing and Regeneration Directorate			
Housing Management	149,500	81,000	81,000
Total Transport and Air Quality	<u>(5,334,800)</u>	<u>(5,472,500)</u>	<u>(5,826,000)</u>

<u>Variation Analysis</u>	<u>2022/23</u> <u>Budget</u> <u>£</u>
2021/22 ORIGINAL BUDGET	(5,334,800)
Inflation	326,600
Other Government or Outside Body Changes	23,400
Efficiency Savings	(213,600)
Investment Priorities	150,000
Income Generation	(255,700)
Budget Transfers	(521,900)
2022/23 ORIGINAL BUDGET	<u>(5,826,000)</u>

TRANSPORT AND AIR QUALITY

SUBJECTIVE ANALYSIS

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
<u>Expenditure</u>			
Employees	3,717,500	3,665,400	3,688,800
Premises	2,405,900	2,753,400	2,653,400
Transport	980,500	576,100	576,100
Supplies & Services	1,633,000	1,595,400	1,620,400
Third Party Payments	5,588,500	6,111,000	6,064,800
Support Services	28,900	28,700	28,700
TOTAL EXPENDITURE	14,354,300	14,730,000	14,632,200
<u>Income</u>			
Customer & Client Receipts	(17,664,400)	(18,177,800)	(18,433,500)
Internal charges	(2,024,700)	(2,024,700)	(2,024,700)
TOTAL INCOME	(19,689,100)	(20,202,500)	(20,458,200)
NET EXPENDITURE (CONTROLLABLE)	<u>(5,334,800)</u>	<u>(5,472,500)</u>	<u>(5,826,000)</u>

TRANSPORT AND AIR QUALITY

Highways, Operations and Street Scene

	<u>2021/22</u> <u>Original</u> £	<u>2021/22</u> <u>Revised</u> £	<u>2022/23</u> <u>Original</u> £
Inspection and Enforcement	552,300	552,300	599,800
Network Management	(553,800)	(553,800)	(559,100)
Highways	(281,800)	(281,800)	(277,300)
Transport and Workshops	1,378,700	968,900	970,800
Depots	60,800	60,800	61,100
Business Support	129,400	129,400	130,300
	1,285,600	875,800	925,600

	<u>2022/23</u> <u>Budget</u> £
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	1,285,600
Inflation	26,700
Other Government or Outside Body Changes	
- National Insurance Increase April 2022	12,400
Efficiency Savings	
- Saving on Telecoms Contract	(5,400)
- Saving against Inflation Contingency	(26,700)
Investment Priorities	
- Fly Tipping - recycling centre & comm	50,000
Income Generation	
- Feb 2022 Fees & Charges	(12,600)
Budget Transfers	(404,400)
2022/23 ORIGINAL BUDGET	925,600

TRANSPORT AND AIR QUALITY

Traffic and Engineering

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
Engineering - Parking & Traffic	892,400	878,400	848,000
Engineering - Highways	3,577,700	3,750,500	3,775,700
Engineering - Road Safety	278,500	278,500	278,800
On & Off Street Parking	(11,687,400)	(11,664,600)	(11,904,000)
	<u>(6,938,800)</u>	<u>(6,757,200)</u>	<u>(7,001,500)</u>

	<u>2022/23</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	(6,938,800)
Inflation	295,000
Other Government or Outside Body Changes	
- National Insurance Increase April 2022	11,000
Efficiency Savings	
- Saving on St Lighting Energy	(100,000)
- Saving against Inflation Contingency	(76,600)
Investment Priorities	
- Lighting Audits for Key transport - VAWG	100,000
Income Generation	
- Feb 2022 Review of Parking Charges	(240,000)
- Feb 2022 Fees & Charges	(3,100)
Budget Transfers	(49,000)
2022/23 ORIGINAL BUDGET	<u>(7,001,500)</u>

TRANSPORT AND AIR QUALITY

Regulatory Services

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
RSP - Air Quality	168,900	327,900	168,900
	168,900	327,900	168,900

	<u>2022/23</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	168,900
Inflation	4,900
Efficiency Savings	
- Saving against Inflation Contingency	(4,900)
2022/23 ORIGINAL BUDGET	168,900

TRANSPORT AND AIR QUALITY

Housing Management

	<u>2021/22</u> <u>Original</u> <u>£</u>	<u>2021/22</u> <u>Revised</u> <u>£</u>	<u>2022/23</u> <u>Original</u> <u>£</u>
CCTV	149,500	81,000	81,000
	149,500	81,000	81,000

	<u>2022/23</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>	
2021/22 ORIGINAL BUDGET	149,500
Budget Transfers	(68,500)
2022/23 ORIGINAL BUDGET	81,000

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LONDON BOROUGH OF RICHMOND UPON THAMES

REPORT TO: FINANCE, POLICY AND RESOURCES COMMITTEE

DATE: 24TH FEBRUARY 2022

REPORT OF: DIRECTOR OF RESOURCES

TITLE OF DECISION: REVENUE BUDGET STRATEGY AND COUNCIL TAX 2022/23

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 £1,625.94 (an increase of 0.94% in Council Tax plus 1% for the Social Care Precept). Including the GLA precept, which has increased by 8.78%, the Band D Council Tax will be £2,021.53.

2. RECOMMENDATIONS

- 2.1 That Members consider the advice of the Director of Resources in respect of Section 25 of the Local Government Act 2003 in setting the budget (see paragraphs 3.36 to 3.46)
- 2.2 That the Council be recommended to agree the Revenue Budget for 2022/23
- 2.3 **Recommend to Council to agree that the Band D level of Council Tax for 2022/23, including the Council's increase in Council Tax of 0.94%, the Social Care Precept of 1% and the GLA increase of 8.78%, be set at £2,021.53, an overall increase of 3.21% on 2021/22. The levels of Council Tax for all property bands are shown at Appendix A; and**
- 2.4 That the Service Committee note that the Medium Term Financial Strategy was approved by this Committee in September 2021 and a further update will be provided by September 2022.

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 and rising demand in some areas, against another single year 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 tracking both COVID-19 related spend/income losses and considering where the longer 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 a five-year £20 million funding agreement in order to help address the historic pressures faced in this area.

The Local Government Finance Settlement (LGFS)

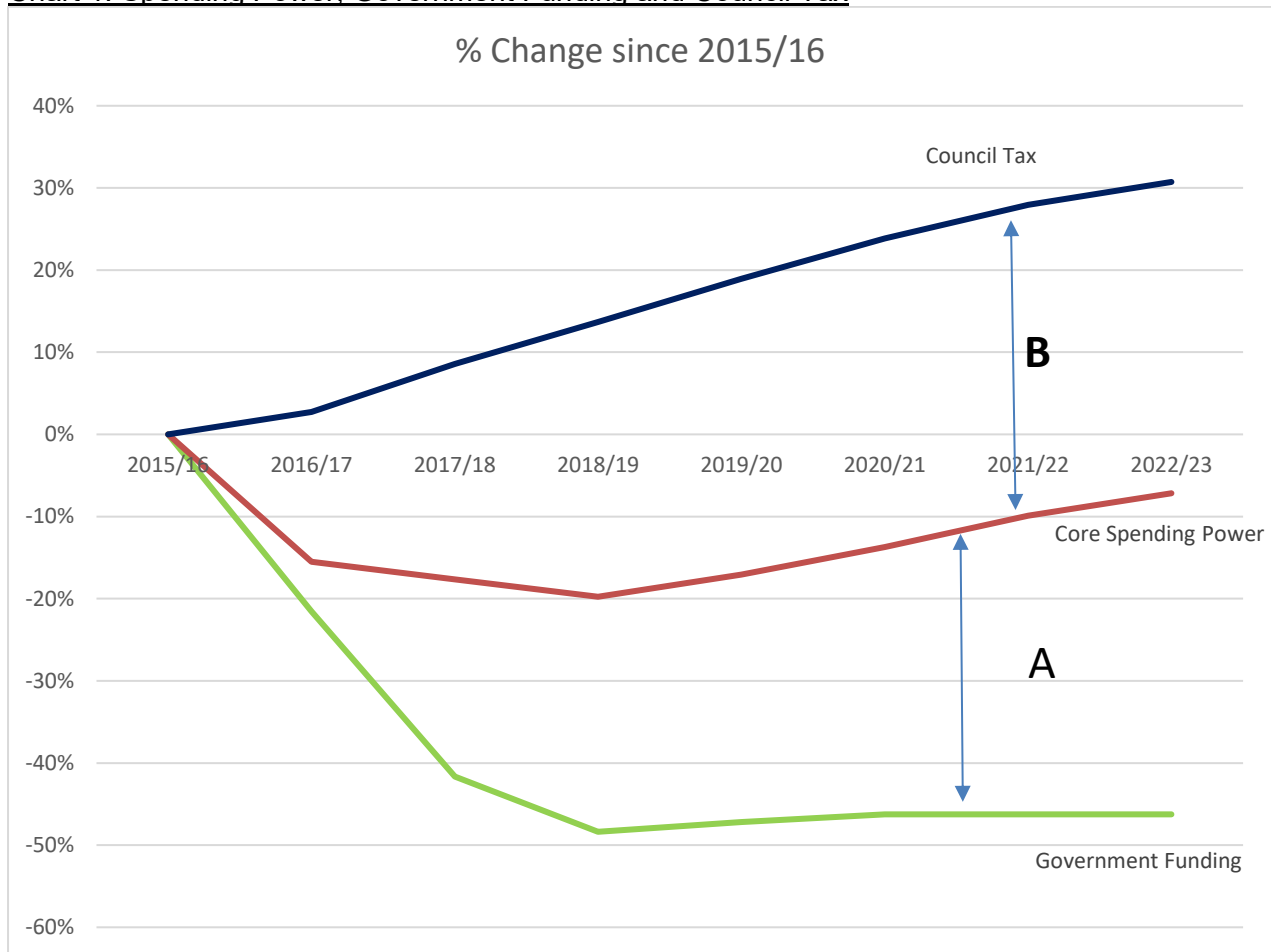
- 3.4 In November 2021 the Government concluded consultation on a three year spending review proposal (Comprehensive Spending Review - CSR). The proposals included:
- Announcement that local authorities will be able to raise council tax by up to 1% for the "Social Care Precept" and by a further general 1.99% increase before triggering capping and the requirement for a local referendum
 - Local government core spending power will rise by an average of 3% in real terms each year 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
 - A cumulative additional £3.6bn to deliver adult social care funding reforms over the next three years with £0.4m for Richmond in 2022/23
 - No further Government support announced regarding the impact of COVID-19
 - Neither the timetable nor the scope of the planned Business Rates Retention system or Fair Funding review of local government funding were confirmed
- 3.5 All of these proposals have now been included in the Local Government Finance Settlement which was announced provisionally in late December 2021 and confirmed recently. This one year settlement added the following major elements to the headline CSR announcements for Richmond:
- A continuation of the assurance that no authority would suffer "negative Revenue Support Grant (RSG)" (removing, for the short term, a £7.7m risk to the finances of Richmond) for 2022/23
 - An increase in the social care support funding for adults and children's social care of £1.5m
 - Continuation of homelessness prevention funding of £1.4m
 - One-off "Services Grant" of £1.6m to cover the National Insurance uplift
 - Continued non-specific Lower Tier Services Grant of £0.6m.
- 3.6 Whilst the Local Government Finance Settlement (LGFS) proposals were a welcome recognition of the challenges facing local government, it is important to note that again 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).

- 3.7 The continued removal of the proposed negative RSG removes a key risk to Richmond’s finances for 2022/23, 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.
- 3.8 The latest February 2022 settlement is presented by Government as a 5.2% 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.
- 3.9 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



3.10 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.

3.11 It has now been confirmed that any changes to general funding formulae will be deferred until 2023/24 at the earliest.

The Medium Term Financial Strategy (MTFS)

3.12 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 2021 to reflect the Administration’s plans.

3.13 The latest budget monitoring data shows that the Council is forecasting a £5.6m underspend on its revenue budget in 2021/22 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 an uncertain future around the ongoing impact of COVID-19 on Council budgets with little or no future Government funding. The Q3 monitoring report is shown elsewhere on this agenda.

Impact of COVID-19

- 3.14 Due to the exceptional nature of the COVID-19 pandemic, the detailed revised budgets for 2021/22 have separated out the impact of COVID-19. All additional spend and lost income continues to be monitored closely. The Council has received an additional £9.5m in specific grant funding during the year which has particular spend conditions around its use. As reported in the budget monitoring elsewhere on this agenda, even with the application of unused prior year general COVID-19 grant, it is likely that COVID related costs in the current year will not be funded in full by Government funding. The current estimated shortfall of up to £1m at the end of the year will need to be met from the underspend on budgets excluding COVID-19 related costs outlined above.
- 3.15 As the country emerges from the pandemic and experiences the relative stability that the national vaccination programme brings, budgets for 2022/23 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 adult social care) have continued to be lower during the second year of the pandemic and it remains to be seen whether this will result simply in the clearing of backlogs or, longer term, increased demand. However, demand for children's social care services is already increasing with both the number and complexity of needs adding to the funding pressures. In addition so far during the past year there is evidence of some behavioural changes continuing, with leisure and events related income slow to recover, parking and traffic related income affected as people's travel habits change and sustained home working continuing to impact on domestic waste levels. At this stage there is therefore continuing uncertainty about the impact of any future COVID-19 variants on the Council's finances. This, coupled with increased inflation pressures, adds to the uncertainty and risk to Council budgets.
- 3.16 The Government has not announced any new COVID-related grant for 2022/23 although it will be possible to carry forward for use into the new year any unspent Community Outbreak Management Fund (COMF) monies (and potentially other smaller COVID grants) to help fund any continuing pressures within the remit of this grant.
- 3.17 The Council continues its strong commitment and good track record of working in partnership. This has been particularly important in the last two years when working with the voluntary sector and other parts of the public and private sector to respond to the impact of the COVID-19 pandemic. In particular, co-working has been strengthened to ensure that work across the borough's partners is well-informed and support is directly targeted to those in greatest need. The Council has successful partnership working arrangements with the NHS and is working closely with local health and care organisations, as part of the emerging South West London Integrated Care System (ICS). Through partnership working with the ICS, the Council aims to join up health and care services to provide better outcomes for residents and to address health inequalities. A major focus during the last year has been working with the local NHS on ensuring swift discharge from hospital, COVID-19 testing programmes and support to the NHS-led vaccination programme.

Balances and Reserves

- 3.18 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 held a balance of £12.54m at the beginning of 2021/22 with £1.79m committed, leaving an estimated balance of £10.75m. This is within the range (5-10% of Budget Requirement) agreed by the Council.

- Approximately 48% (£44.7m) e.g. Business Rates Volatility Reserve, 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 2021/22 is £0.3m which will use up the remainder of the reserve.
- Unused general COVID-19 grant received during 2019/20 of £1.1m is likely to be used in full to fund projected COVID-19 pressures in 2021/22.
- The use of the Invest to Save Reserve will be subject to decisions taken at year end 2021/22 including funding set up costs associated with transformation programmes.
- The Public Realm Improvement fund (£2m) is held within the All in One Uplift Projects reserve which will be used to fund investment in the borough’s parks and town centres during this year.
- 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 £28.1m with £11.2m of that balance set aside to assist with the DSG High Needs funding gap and the remaining £16.8m to provide against future pressures. This reserve has to provide against a medium term funding outlook which is very unclear; the revisions to the local government funding mechanisms continue to be delayed and the uncertain implications of the reform of adult social care funding recently announced by Government.
- 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 brought forward deficit of £11.2m against which equal provision has been set aside within the Financial Resilience Reserve (FRR) to match the current deficit. After extensive lobbying of the Government, a ‘Safety Valve’ funding agreement was made with the Department for Education in which the Council will receive £20m over a five-year period to remove the cumulative DSG deficit. The Council is expected to contribute £1.2m each year to plug this gap. Assuming that spend and income levels are in line with the projections contained in the funding agreement, it is therefore possible to gradually release the provision held within the FRR to match the expected revised cumulative deficit.
- The largest proposed change to the reserve balances during 2021/22 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 more than halved leading to a £58.7m deficit (the Council’s element was £17.6m) 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 provided additional grant in 2020/21 (£17.2m) which was transferred to the Business Rates Volatility Reserve at year end. This reserve will be used in 2021/22 to cover the Collection Fund deficit. In addition, further business rate relief was granted by the Government for part of 2021/22 for which similar additional grant is expected in 2021/22 (estimated to be £8.5m) which will be transferred to the same reserve to cover the Collection Fund deficit in 2022/23.
- Reserve balances were boosted at 2020/21 year end by £12.4m. The current year projected outturn position after COVID-19 costs will add a further £4.8m to reserves. 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

- 3.19 In line with the Council's Constitution individual service budgets have been submitted to the relevant Council Committees.
- 3.20 Despite the relatively positive LGFS proposals for 2022/23 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.
- 3.21 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 and to manage the Council's finances responsibly in the light of continued uncertainty, including a continuing efficiency programme. Key priorities include Fairer Finances and the delivery of more Affordable Housing, the Climate Emergency Strategy, Investment in Youth Services and Tackling Violent Crime and Anti-Social Behaviour. Detailed budget proposals have been presented to each service committee and in particular have included the following:
- £2.8m to reflect increased demand for children's social care services. This growth allows for a number of areas of growth/investment including demographic spend pressures and anticipated future demand for social care placements, increased costs associated with transporting young people with special educational needs including home to school transport, Education and Health Care Plan coordinators and the Preparing for Adulthood team.
 - £2.5m to reflect increased cost pressures faced by adult social care services and the cost of hospital discharge. This includes increased intensity of care needs within Richmond's ageing population and increased demand in mental health and learning disability services to ensure the best possible support. In addition, support within the social care provider market as a result of COVID-19 and additional costs for increases to the London Living Wage across direct Council contracts (the Council already pays London Living Wage to all of its directly employed staff). A further contingency of £1.0m is being held centrally for additional inflationary pressures in order to support the social care provider market (which is facing unprecedented increases in fuel costs and National Insurance contribution uplifts) and additional social care, learning disability and mental health demand pressures.
 - Continuing investment of £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. Specific allocation of those funds is to include a communications drive, ecology and tree officers.
 - Investment in youth services, improving the wellbeing and resilience of children and young people (£0.3m) and an additional £0.2m of capital spend to improve and enhance facilities in youth centres.
 - Allowed for the continuing increased pressures associated with looking after the homeless within the borough (£0.6m) plus a further £50k to enhance the rent deposit scheme to support those at risk of homelessness
 - An improvement in the council tax reduction scheme to ensure that eligibility thresholds are increased in line with inflation (£50k)

- The capital programme will make allowance for the £12m programme to acquire properties for rent with grant support from the GLA
- Investment in the community safety team, provision for lighting audits at key transport locations and increased resources to tackle fly-tipping and noise nuisance (£0.4m) and to work with the police to tackle violent crime and anti-social behaviour
- Continued support to High Streets and local businesses through existing schemes such as the phoenix enterprise program, capital funding from the Public Realm Improvement Fund and additional support to promote tourism (£50k)
- Funding to celebrate the Platinum Jubilee across the borough (£0.2m)
- Investment in producing a longer term sustainability strategy for tow paths (£0.1m)
- Provided for the continued loss of income to the Council as some of the behavioural changes seen during the past two years may continue e.g. parking and leisure services (£2.2m)
- Allowed for the continued increase in levels of waste and recycling the Council collects as residents continue to work locally (£0.3m)
- Increase in the Facilities Management budget to help ensure that Council owned buildings are properly looked after (£0.6m)
- An additional £1.2m is provided as a contribution to the recovery of the DSG deficit to meet the conditions agreed within the safety valve funding agreement for the High Needs schools block.
- Efficiency/savings/income generation of £5.1m are included as follows:
 - Reductions generated from procurement and contract savings £1.4m
 - Income/efficiencies and holding down inflation on supplies budgets £2.2m
 - Release of unallocated contingency £1.5m
- Provided continuing support for capital investment
- Provided for a (potential) 2.5% local government pay award effective from 1 April 2022.

3.22 The Council continues its ongoing efficiency programme with those initiatives disrupted by the COVID-19 pandemic rolling forward to future years. 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:

- The office estate is being reviewed recognising the change in working practices and this could lead to future revenue savings as a result of reduced office accommodation costs. A first phase of moves is currently under way.
- Investment is being made 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 an external review has been commissioned to identify where there could be further cost reduction opportunities in commissioning and procurement activities.
- The digital strategy and continued investment in analytics capability will help to improve services, increase efficiency and help to tackle fraud.

3.23 The final service totals are:

	<u>2022/23</u>
	<u>£m</u>
Adult Social Services, Health and Housing	54.7
Education and Children's Services	40.3
Environment, Sustainability, Culture and Sports	29.0
Finance, Policy and Resources	29.8
Transport and Air Quality	-5.8
Total	<u>147.9</u>

3.24 Central Items and Contingency:

	<u>£m</u>
Capital Funding and Investment	9.4
Pensions Deficit Funding	3.1
Contribution to DSG Deficit	1.2
Investment Items	0.1
General Contingency	0.5
Pay Award	4.3
Adults Pressures Contingency	1.0
Contract Contingency / Other	4.4
Transfers to/from Reserves	-1.1
Non Ring Fenced Grants	-2.2
Retained Business Rates	-23.5
Contribution from Collection Fund (CTAX)	-0.8
Total Central Items	<u>-3.6</u>

3.25 Summary of Borough Expenditure:

	<u>£m</u>
Service Estimates	147.9
Central Items and Contingency	-3.6
Total	<u>144.2</u>

Levies

3.26 There are a number of levies and other charges that 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	2021/22	2022/23	Variation
	£000	£000	%
West London Waste Authority	8,397	7,977	-5.0
Lee Valley Park	213	210	-1.4
Environment Agency	208	209	0.5
London Pension Fund Authority	302	298	-1.0

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 Adult Social Care Precept

- 3.27 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 2022/23.
- 3.28 The LGFS for 2022/23 also announced that local authorities responsible for adult social care “will be given an additional 1% 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.
- 3.29 Taken together this would raise the maximum council tax increase before a referendum is required to 2.99% for this Council.
- 3.30 As detailed above, the Council continues to experience increasing demand on social care services and therefore considers it appropriate to increase council tax by the 1% allowed for the Adult Social Care Precept. However, taking into account the current reserves position (which is stronger than previously budgeted for due to both the 2020/21 actual and 2021/22 predicted outturn) and given the current financial pressure that some residents may be facing, the Council intends to limit the non-social care element to just under half of the allowed increase at 0.94% in order to reduce the impact on residents. This will require the use of £1.6m from the Financial Resilience Reserve to balance the budget.

The Greater London Authority (GLA) Precept

- 3.31 The Band D council tax in respect of the GLA Precept is expected to increase by £31.93 (8.78%) to £395.59 with £20 applied to Transport for London, £10 for the Metropolitan Police and the remainder for the Fire Brigade.

3.32 Summary of requirements and Council Tax

	2022/23
Net Expenditure after use of balances and reserves	168.568
Collection Fund Deficit/ (Surplus)	-0.800
	<u>167.486</u>
Less:	
Retained Business Rates	-23.542
Richmond Requirement for Council Tax	<u>144.226</u>
GLA Precept	35.090
Total Requirement including GLA Precept	<u>179.316</u>

- 3.33 The council tax base for 2022/23 was set as 88,703 Band D equivalents in the delegated authority report published on 5th January 2022.

3.34 **Based on the above figures, allowing for roundings, the total council tax at Band D including the GLA element would be increased to £2,021.53, an increase of 3.21%.**

3.35 The table below shows the impact of the increases in council tax provisionally proposed by the Council and the GLA:

	2021/22	2022/23	£	%
	£	£	change	change
Richmond	1,595.00	1,625.94	30.94	1.94
GLA	363.66	395.59	31.93	8.78
TOTAL	1,958.66	2,021.53	62.87	3.21

3.36 **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 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.

3.37 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 and the future impact of the continuing pandemic both on social care in particular and wider council services.
- 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.

3.38 The Council has a good track record in financial management and in the delivery of value for money. The judgements by external inspectorates take into account both the service performance of the Council and the way that budgets are prepared and monitored as well as the wider use of resources including staffing and physical resources.

3.39 Local government finance issues have again been dominated in the current year by the need to respond to the COVID-19 pandemic. Although SR21 provided welcome additional funding in 2022/23 which, in the September 2021 MTFS, had been predicted to drop, the longer term position remains very uncertain. Fair Funding and Business Rate Retention consultations have once again been delayed but some form of Government funding review is still planned for 2023/24. The implications for Richmond as a result of the Levelling Up White Paper recently published are also unclear. 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 regarding future Government funding levels.

- 3.40 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.
- 3.41 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 commissioning and procurement. This will contribute towards the achievement of the Council's objectives.
- 3.42 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.
- 3.43 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 2022/23. The overall level of useable reserves remains adequate for the purposes identified.
- 3.44 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.
- 3.45 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.
- 3.46 In summary, the Chief Financial Officer (being the Director of Resources) confirms that she 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.

4. FINANCIAL AND EFFICIENCY IMPLICATIONS

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

5. PROCUREMENT IMPLICATIONS

- 5.1 Improvements in commissioning and 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 resident 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 3.36 to 3.46 of this report as part of the Director of Resources' 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 2022/23 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 Richmond Climate Emergency Strategy. These will be reviewed as the action plan is developed and implemented.

12. APPENDICES

Appendix A – Council Tax Bands 2022/23

Appendix B – Revenue Reserves

Appendix C – Equality Impact Assessment

13. BACKGROUND PAPERS

None

14. CONTACTS

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Richmond Council Tax Bands 2022/23

Band	Richmond Council Tax (2022/23) £	Greater London Authority (2022/23) £	Total Council Tax (2022/23) £
A	1,083.96	263.73	1,347.69
B	1,264.62	307.68	1,572.30
C	1,445.28	351.64	1,796.92
D	1,625.94	395.59	2,021.53
E	1,987.26	483.50	2,470.76
F	2,348.58	571.41	2,919.99
G	2,709.90	659.32	3,369.22
H	3,251.88	791.18	4,043.06

ESTIMATED RESERVE BALANCES AT YEAR END

Description/ Purpose	Balance at 01-Apr-21 £000	Estimated Revenue Usage 2021/22 £000	Estimated Capital Usage 2021/22 £000	Estimated Additions 2021/22 £000	Estimated Balance at 31-Mar-22 £000	Estimated Movement 2022/23 £000	Estimated Balance at 31-Mar-23 £000	PURPOSE OF RESERVE
STATUTORY RESERVES OVER WHICH THE COUNCIL HAS LIMITED OR NO CONTROL								
Dedicated Schools Grant Reserve	11,187	2,187	0	-5,200	8,174	-3,707	4,467	Created from under/overspend of Dedicated Schools Budget. Currently showing a deficit balance. Earmarked for schools expenditure.
Schools maternity and supply cover scheme	-382	*	*	*	-382	*	-382	Internal insurance arrangement for supply and maternity cover in schools
Schools' Reserves	-8,740	*	*	*	-8,740	*	-8,740	Ring fenced to schools
South London Partnership Reserve	-523	*	*	*	-523	*	-523	5 Borough collaboration to promote sustainable growth
Other	-57	0	0	0	-57	0	-57	
	1,485	2,187	0	-5,200	-1,528	-3,707	-5,235	
EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:								
General Insurance Reserve	-2,135	0	0	-1,000	-3,135	0	-3,135	Internal insurance fund (non vehicle). Revaluation is completed as part of the insurance tendering process.
PFI Reserve (Education)	-6,791	0	0	0	-6,791	0	-6,791	To allow for future smoothing of annual payments under
PFI Reserve (Social Services)	-2,697	0	0	0	-2,697	0	-2,697	PFI contracts
VAT Liabilities Reserve	-105	0	0	0	-105	0	-105	To cover potential tax liabilities
Vehicles Insurance Reserve	-193	0	0	0	-193	0	-193	Internal insurance for Council vehicles
Covid 19 Reserve	-1,140	1,140	0	0	0	0	0	Part of the government grant received in 2019/20 to assist with pressures around COVID-19
	-13,061	1,140	0	-1,000	-12,921	0	-12,921	
Business Rates Volatility Reserve	-22,091	16,197	0	-8,526	-14,420	8,438	-5,982	Used to smooth the impact of NNDR year on year variations and S31 grants
Council Tax Volatility Reserve	-957	0	0	0	-957	0	-957	
	-23,048	16,197	0	-8,526	-15,377	8,438	-6,939	

Description/ Purpose	Balance at 01-Apr-21 £000	Estimated Revenue Usage 2021/22 £000	Estimated Capital Usage 2021/22 £000	Estimated Additions 2021/22 £000	Estimated Balance at 31-Mar-22 £000	Estimated Movement 2022/23 £000	Estimated Balance at 31-Mar-23 £000	PURPOSE OF RESERVE
OTHER EARMARKED RESERVES								
Financial Resilience Reserve:								In recognition of the volatility of the arrangements of future local government funding
– DSG (High Needs) Contingency (FRR)	-11,187	0	0	3,013	-8,174	3,707	-4,467	
– Other (FRR)	-16,822	0	0	-3,013	-19,835	-2,107	-21,942	
All in One Uplift Projects Reserve	-2,186	301	1,659	0	-226	0	-226	Includes the Public Realm Improvement Fund
Climate Change Reserve	-3,052	98	1,015	0	-1,939	0	-1,939	To support the Council's Sustainability Team in reducing the threat of climate change, to cut carbon emissions and promote energy efficiency
Commitments Reserve	-493	121	0	0	-372	0	-372	Unspent revenue budgets carried forward for specific Committee approved projects, including Brexit grant
Council Tax Freeze Reserve	-286	286	0	0	0	0	0	
Economic Support Fund Reserve	-92	37	0	0	-55	0	-55	Support for economic development initiatives
Invest to Save Reserve	-6,581	260	0	0	-6,321	0	-6,321	Funding for efficiency work across the Council, including an allowance for redundancy costs
Lincoln Fields Reserve	-394	0	50	0	-344	344	0	Net income for Lincoln Field site to be put towards pitch re-surface
Repairs and Renewals Fund Reserve	-2,827	0	0	-589	-3,416	-331	-3,747	Purchase or creation of assets providing benefits of at least 3 years
Waste and Recycling Reserve	-1,616	0	0	0	-1,616	0	-1,616	Used to fund Waste and Recycling Strategy
Youth Centres Reserve	-127	0	74	-7	-60	60	0	Income generated by youth centres (e.g. lettings) which is earmarked for re-investment within youth services; £53k for Emotional Health Service proposal & £7k to be used when the centre needs redecorating (2022/23)
Youth Development Fund Reserve	-174	0	-74	0	-248	170	-78	To fund capital schemes to improve youth facilities
Other Minor Reserves under £100K	-366	0	0	0	-366	0	-366	Various small reserves
	-46,203	1,103	2,724	-596	-42,972	1,843	-41,129	
General Reserve	-12,544	1,791	0	0	-10,753	0	-10,753	To be used to contribute to minimising Council Tax in future years
TOTAL RESERVES	-93,371	22,418	2,724	-15,322	-83,551	6,574	-76,977	
TOTAL RESERVE MOVEMENT	-93,371		9,820		-83,551	6,574	-76,977	

* 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 2021



Executive summary

1. 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 third update of the Strategy under the present Administration also considers the continued 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 local economy begins to recover from the impact of the pandemic.

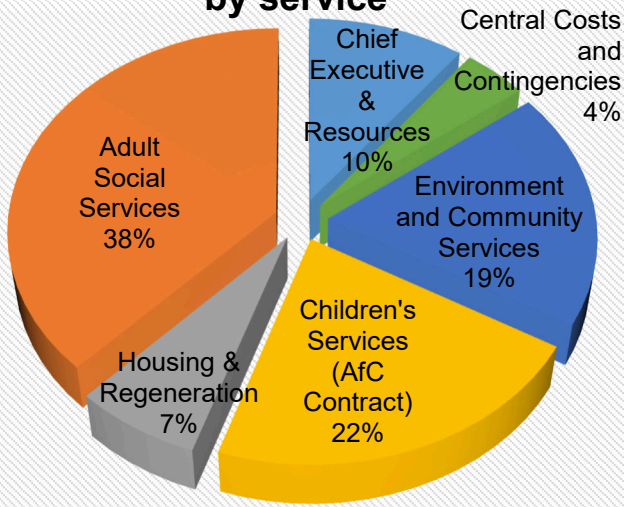
Covid recovery and a fairer, sustainable future

2. 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 Emergency Strategy. However, the Administration continues to recognise the context of a post-financial crisis severe reduction in the central government support grant and historical structural underfunding by the government of special needs education. We welcome the recent Department for Education funding agreement which addresses the Council's DSG deficit and recognise the Council action needed to ensure delivery of the deficit recovery plan. 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.
3. 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, and
 - be open to best practice and innovative ideas.
4. 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 and protecting front line services,
 - 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, and
 - continuing to implement plans to deliver the Fairer Finances and Corporate Plan objectives including in respect of affordable housing and the Climate Emergency Strategy.

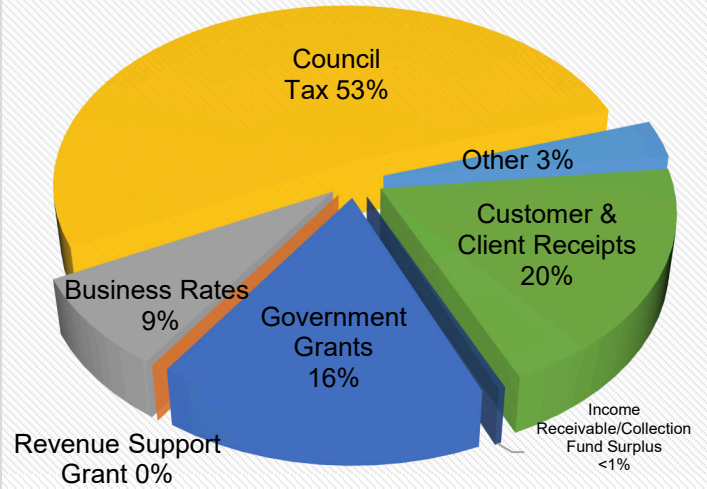
5. Further details on the actions already in progress are provided later in this document. A high level summary of revenue and capital expenditure and income and demand pressures within the borough is overleaf.

? Facts and figures £

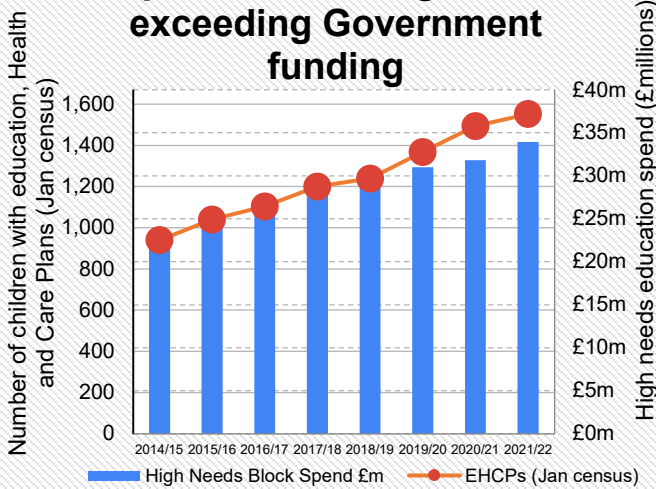
2021/22 Expenditure budget by service



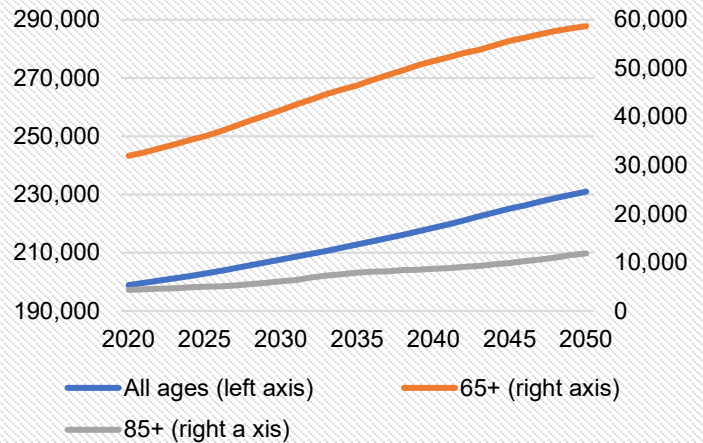
2021/22 Income budget analysis



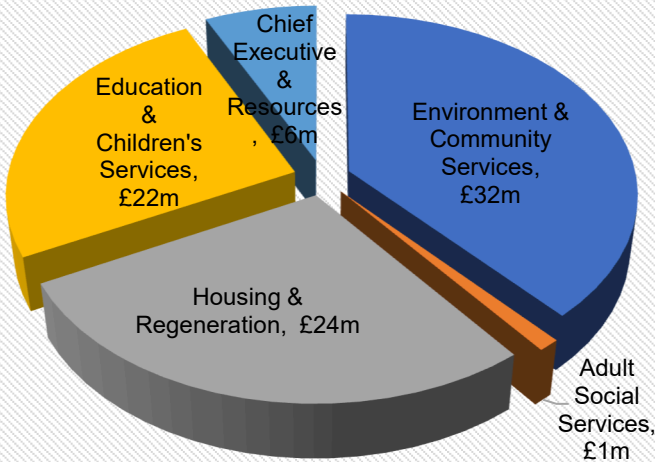
Education high needs expenditure: rising EHCPs exceeding Government funding



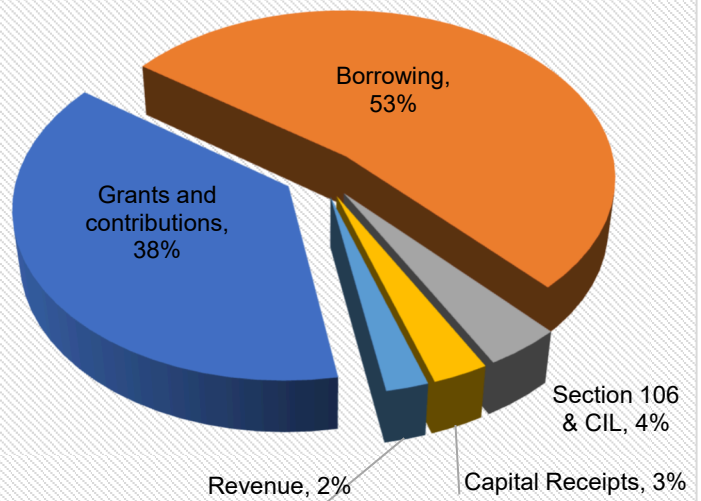
Projected population growth in Richmond



General Fund capital investment over three years



Sources of capital funding



The current MTFS

6. The MTFS agreed in September 2020 showed that, assuming the achievement of agreed savings plans, the budget gap before Council Tax increases would be:

Year	2021/22	2022/23	2023/24	2024/25
MTFS Gap £	£6.8m	£16.1m	£24.6m	£31.8m

7. The changes made during budget setting for 2021/22 broadly confirmed this position and the final Council Tax increase for 2021/22 was 3.6% (in line with inflation plus the adult social care precept). The budget included the recognition of Government grants to compensate for the impact of Covid-19 pressures and the continuation of grants for social care and housing. It also included increased investment in both adults and children's services and homelessness prevention whilst also recognising the continued loss of some Council income as a result of the pandemic. The budget also included continued funding for the Council's Climate Emergency Strategy and a review of the capital budget.
8. In broad terms the Council targeted the identification of a minimum £10m of efficiencies over 2020/21 – 2023/24. The Covid-19 pandemic has, in some areas, delayed the implementation of efficiencies and 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 underway.

Local Government Finance Settlement 2021/22

9. The final Local Government Settlement for 2021/22 was once again a single year settlement that critically for Richmond meant no further loss in Government grant funding (although this again meant the previous proposals to introduce "negative RSG" referred to in paragraph 14, which would cost local taxpayers a further £7.5m a year, were only temporarily suspended for a further year). The overall settlement, including a number of specific grant proposals, was presented by Government as a 4.9% increase in Richmond's Core Spending Power since the previous year. Core Spending Power is made up of Government funding for the Council plus locally raised Council Tax and Business Rates. This means that the majority of the increase in spending power is made up of the revenue generated by local Council Tax payers.
10. Despite the relatively positive settlement, the uncertainty around the Covid-19 pandemic meant that the Council continued to base its planning for Council Tax in the light of serious, long term reductions in local government funding. The Council was able though to set a budget to ensure that the health and economic impacts of the pandemic were mitigated, where possible, by promoting a strong recovery and continuing key Council priorities including "fairer finances" policies including the London Living Wage commitments, the Climate Emergency Strategy and provision of Affordable Housing.
11. Combining these with the continued delivery of agreed efficiency programmes this means that, since 2010:
- General Government Grant has reduced by over £40m (70%)
 - The Council has achieved savings/efficiencies/income generation of £74m
 - Council Tax (excluding the adult social care precept) has risen by 9.14% compared with inflation increases over the same period of some 32%.

Future forecasting

12. 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 charges income now face a long term threat and pressures on adult, public health, children's and economic support services are likely to sustain beyond the current pandemic. Alongside this the future for local government finance continues to remain very unclear.

Government Funding

13. 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.
14. 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.
15. This meant Richmond avoided the loss of £7.5m for 2019/20 and 2020/21 and again in 2021/22, however, no indication has yet been provided as to whether this position will be permanent. At this stage, the MTFs assumes that the £7.5m will continue to be avoided in 2022/23 and beyond.
16. Proposed changes to business rates and the fair funding review (which will look at how funds are distributed to local authorities) have already been delayed and are likely to be pushed back beyond 2022/23. The Government has also not yet allocated any funding to address longer-term impacts of the Covid-19 pandemic on the demand for and cost of council services. In addition, the impact of the Government's recent announcement on changes to the way adult social care will be funded is not yet known but will be taken into account in due course as part of future budget and strategy setting exercises.

Dedicated Schools Grant and SEND

17. 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. Richmond currently has a High Needs funding deficit of around £3m annually and had a cumulative deficit of £14.8m on the ringfenced DSG fund at 31st March 2020.
18. After extensive lobbying of the Government, in March 2021 a 'Safety Valve' funding agreement was made with the Department for Education in which the Council will receive £20m over a five-year period to remove the cumulative DSG deficit. £6m of this was received in 2020/21 and as a result the cumulative deficit has reduced to £11.2m at 31st March 2021. The receipt of the additional funding is subject to successful delivery of the SEND Futures Plan in terms of financial sustainability and service improvement plans. The Council is expected to contribute £1.2m each year to plug this gap.

Areas we can predict and other risks/opportunities

19. Annex 2 and 3 cover the major risks and opportunities in greater depth but summary detail is identified below:
20. **Inflation** – is currently built into the MTFS at an average of 2-3% each year 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 £4.7m to each year's budget pressures.
21. **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. Despite some delays caused by the pandemic, we are still on course 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.
22. **Agile working/digital opportunities** – the Covid-19 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. For instance, within Adult Social Care, the vision is for technology to be embedded as a core part of service delivery where possible. Through agile working, staff will be supported to work effectively wherever they are based. Care providers will be supported to use care technology, to innovate services and provide integrated care solutions. Work with the voluntary and community sector is also seeking to improve digital inclusion for vulnerable residents
23. **Demographic changes** – both nationally and locally councils face increasing demands from an ageing population and a young population with different support requirements. The MTFS allows a nominal growth of £500k per annum in both areas which is reviewed each year as budgets are set. However it is worth noting that children's social care services and budgets continue to experience sustained pressure and are of particular risk to the Council, as set out in Annex 2.
24. **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 ten years over £22m has been delivered in efficiency savings from procurement. A specific review on this area is currently being undertaken.
25. **Council Tax base and the Collection Fund** – previous assumptions included an increase in the Council Tax base of 300 Band D equivalent properties per year and that the Collection Fund will have a surplus in excess of £1m. However, the impact of Covid-19 on the local economy has required the removal of these assumptions and an assumed continuation of further income loss relating to an increase in the number of residents eligible for the Council Tax Reduction Scheme.
26. **Business rates** – it is unlikely that the Government will repeat the extended business rate exemptions that occurred in the current year to help those businesses impacted by the pandemic. It is also unclear what the full extent of business failure may be as a result of the pandemic. 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 income in future years.

27. **Capital programme** – funding of the existing agreed five year capital programme 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 2021/22 the estimated annual revenue cost of borrowing to support capital spend is £9.5m.
28. Whilst we can normally make a reasonable range of estimates associated with the above areas, the impact of Covid-19 means that there is continued uncertainty in both our own cost forecasts and those associated with Government funding. Annex 2 looks at these in more detail.

“Fairer Finances” and delivering Council priorities

29. The Council will focus on managing the impacts of Covid-19 in the local area, supporting residents, schools and children, businesses and the voluntary sector and keeping the Council’s finances on a secure footing.
30. 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 three 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;
 - providing additional relief to those residents in receipt of support with their Council Tax bills by offering a further reduction of £150 in 2020/21 and 2021/22;
 - 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; and
 - 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. 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 to directly help vulnerable residents including: older people, people with learning disabilities, people with physical disabilities, children with mental health issues etc). The total collected so far (including Gift Aid) is over £210,000.
31. 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 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. The Council is also looking to maximise the use of its own sites for affordable housing.
 - (iii) **A Safer Borough** - Work continues 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 is ongoing with TfL to improve safety on the Council’s roads, to monitor the extension of 20mph speed limits and to review the measures introduced during the pandemic including additional cycling measures and safer school streets.

- (iv) Driving community investment through real **engagement with local people** – investment made in the 2019/20 budget for the Community Conversations programmes is reaching a wider range of people in the borough and devolving some existing budgets to local areas has built on this.

Balancing the risks and opportunities

32. In summary, the impact of Covid-19 and the future local government finance position continue to be 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.

Working with our key partners

33. 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 borough.
34. 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. There are significant national changes being implemented within the health and care system following the proposals for a new Health and Care Bill, as set out in the White Paper “Integration and Innovation: working together to improve health and social care for all”. Locally, South West London CCG, which covers six boroughs, has set up place-based level arrangements for Richmond health services and is continuing to work with the Council to integrate health and care services through the implementation of a Local Health and Care Plan, with oversight through a Health and Care Leadership Board. Transitional arrangements, in shadow form, are being put in place to prepare for the new Integrated Care Service (ICS) and the ICS NHS body, which will be the new statutory organisation responsible for health services going forward. The Council continues to work closely with local health partners on planning the future arrangements to ensure joined up health and care services for residents. This includes the ambition for further pooling of health and care budgets with appropriate risk sharing as part of the ICS. 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 and a number of local priority areas are being taken forward as part of the South West London Stronger Communities Programme. 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.
35. 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 brings 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.

36. 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.
37. 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 was held online in May 2021, titled *Unlocking the Potential: a new vision for our town centres and high streets*, it attracted over 80 participants. This was the first event in a series and there is currently a programme of online Community Conversations in each ward inviting the public to share their views on the future of the high streets and town centres.
38. 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 has had regular meetings with voluntary sector leaders to ensure a partnership approach to supporting the community. 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 and are now supporting residents to regain confidence in accessing services and living an active life. 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.
39. We are determined to maintain a strong relationship between 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. We have strengthened our provision for mental health services within schools and, through the Richmond Upon Thames Voluntary Fund, supported local charities to provide further support in this area. Whilst there are some concerns regarding the impact of national lockdowns on pupils' learning, 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 lobby for adequate levels of funding to ensure they are all appropriately supported.
40. The Council has played its part in supporting the borough's business community through a period of some 15 months of trading restrictions, allocating grant support to affected businesses, providing advice and support and encouraging residents to shop local. The focus has since shifted to support economic re-opening and business adaptation and recovery. The lifting of Covid restrictions, combined with widespread vaccine take-up, has helped to provide much stronger trading conditions for many businesses. However, businesses also face 'headwinds' during the recovery period, including the withdrawal of the Government's support measures (such as furlough, business rates and other tax reliefs, protection from eviction) as well as supply side bottlenecks resulting from economic disruption. Difficulties in recruiting staff in some sectors is perhaps the most pressing example. The Council continues to support business recovery through advice and support (brought together through the new Richmond Business Hub), helping businesses to adapt to digital trading (for example through

our partnership with the MyTown e-trading platform) and promoting the borough's town centres through campaigns, events and longer-term place-making.

Capital programme

41. As in previous years this MTFS focusses on the revenue budget. A review of the capital element of the MTFS and the capital programme for 2020/21 to 2025/26 is set out in a report to the Finance, Policy and Resources Committee on 18 February 2021 with cashflows updated in a subsequent report to the same Committee on 20 September 2021. The capital programme totals around £131m over the six year period. For the purposes of this MTFS update we have assumed that the broad underlying financial requirements are as set in these updates.
42. 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. Given the overall revenue projections it is clear that the Council will need to continue to review its commitments for the future carefully to ensure they are affordable.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000s	£000s	£000s	£000s	£000s
Total Capital Expenditure	34,366	38,383	11,973	9,614	8,347
To be funded from revenue, reserves and capital receipts	2,677	1,688	0	0	0
To be funded from grants and contributions	12,333	18,883	4,237	4,168	2,901
To be funded from borrowing (internal and external)	19,356	17,812	7,736	5,446	5,446
Implied underlying need to borrow at end of year	181,994	192,255	192,032	189,159	185,997

43. The underlying need to borrow at 1st April 2021 was £169.4m, estimated to rise to £182.0m by year end. The actual level of outstanding external borrowing at 1st April 2021 was £130.4m.
44. 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). Of particular note is the current uncertainty around future Transport for London funding and the impact this may have on the borough's infrastructure needs. In relation to schools, the Council has successfully bid for £3.9m of capital "safety valve" funding to support an increase in special school places in the borough.

Forward financial strategy

45. The table below updates the current MTFS for the areas discussed above (based on the 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 current best estimates of funding. In particular:

- (i) It assumes that general Government funding (Revenue Support Grants and retained business rates) remains at 2021/22 levels for 2022/23 onwards.
- (ii) The 'Safety Valve' funding agreement referred to above allows the release of the annual £3m included within the base to help fund the DSG deficit. The accumulated £11.2m DSG contingency held within the Financial Resilience Reserve will remain available to fund any future contributions to the deficit as part of that agreement.
- (iii) It removes the contribution to the Insurance Reserve included in the base budget which is unlikely to be needed in future years.
- (iv) The 2021/22 budget includes the continuation of some Covid related spend/ lost income and Government grant to fund it. The table adjusts to recognise no future Covid grant and an assumption of a reduced level of ongoing spend/lost income.
- (v) As detailed in the outturn report, the Financial Resilience Reserve balance at the end of 2020/21 was £12.4m higher than anticipated. The modelling below assumes a gradual release of this balance over the next four years to help mitigate against Covid and other demand pressures. This will still leave the Council with prudent levels of reserves for future uncertainty.

Year	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	2025/26 (£000)
Current Council Tax Requirement 2021/22	£141,136	£141,136	£141,136	£141,136
Inflationary pressures	£4,700	£9,420	£14,212	£19,261
Specific Government grant reductions	£1,689	£1,689	£1,689	£1,689
Demographic pressures	£1,000	£2,000	£3,000	£4,000
London / National Living Wage	£820	£1,773	£2,773	£3,373
Previously agreed efficiency/ income plans/contingency reductions	-£1,800	-£3,300	-£3,300	-£3,300
New efficiencies	-£1,700	-£1,700	-£1,700	-£1,700
Council Tax Freeze Grant	£286	£286	£286	£286
Levies/charges from other bodies	-£300	£1,000	£1,900	£2,300
Local election costs	£300	-	-	-
Remove SEND related reserve contribution from base	-£3,000	-£3,000	-£3,000	-£3,000
Remove Insurance Reserve contribution from base	-£1,000	-£1,000	-£1,000	-£1,000
Remove 2021/22 Covid Grant from base	£7,125	£7,125	£7,125	£7,125
CV19 impact - NNDR loss	£600	£600	£600	£600
CV19 impact - service risks	-£650	-£2,500	-£3,000	-£3,000
CV19 - removal of CTRS increase	-£450	-£450	-£450	-£450
Contribution from reserves	-£3,000	-£3,000	-£3,000	-£3,000
Final MTFS mid-case budget	£145,756	£150,079	£157,271	£164,320
Budget Gap <i>increase to be covered by further use of reserves/Council Tax /additional savings</i>	£4,620	£8,943	£16,135	£23,184

Every 1% increase in Council Tax delivers approximately £1.4m additional income.

46. Along with the delivery of targeted efficiencies, this would enable the Council to remain broadly within a 2.99% Council Tax increase in the coming two years but the budget gap widens beyond that. Around this mid-case there are a range of possibilities, with the range made even wider than in previous years due to the uncertainty of the impact of Covid-19 and the Government's future approach to funding. The best estimate of this range at present for 2022/23 only is from around

£6m better (due to lower losses from Covid-19 service risks and better Government funding) to around £11m worse (due to worse Covid-19 service impacts and worsening Government funding). Looking into future years, these ranges grow further.

47. Despite the impact and uncertainty of Covid-19, 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 £74m achieved since 2010.
48. Proposals are already underway to deliver future wider efficiencies:
 - Workspace and transformation of services – particularly drawing in learning from recent changes in service provision in response to Covid-19 restrictions. A programme of works is being developed to progress this wide ranging review.
 - 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 – a detailed review of our approach to commissioning, procurement and contract management has commenced which is expected to lead to improvements and identify further savings.
49. 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.

Key actions and reports in the next six months

50. The following summarises the key actions and reports that will impact on the Council's budgetary position in the next six months:
 - Continued monitoring of response to Covid-19 and appropriate returns/claims to Government
 - Government Spending Review – between September and December 2021
 - Consultation on 2022/23 Local Government Finance Settlement - October/November 2021?
 - Q2 monitoring report – November 2021
 - Performance monitoring reports (quarterly)
 - Local Government Finance Settlement 2022/23 - December 2021
 - Committee budget proposals – January/February 2022
 - Q3 monitoring report - February 2022
 - Revenue and capital budget reports and Council Tax proposals – February/March 2022
51. The above will all be monitored via reports to the Committees as appropriate.

Sensitivity analysis of projections

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	2021/22 £'000	%
Employee Costs	52,310	10.7%
Premises Costs	13,364	2.7%
Transport Costs	1,808	0.4%
Supplies and Services Costs	19,059	3.9%
Third Party Payments	152,686	31.3%
DSG Expenditure	178,192	36.5%
Transfer Payments	56,745	11.6%
Support Services	1,731	0.4%
Central Items	9,578	2.0%
	<hr/> 488,538	100.0%
Funded by:		
Income from Fees and Charges etc.	-63,825	13.1%
Housing Benefit Subsidy	-63,825	10.9%
Government Grants:		
Retained NNDR	-21,817	4.5%
Specific Government Grants	-262	0.1%
Non Ring Fenced Grants	-34,475	7.1%
DSG	-178,192	36.5%
Collection Fund Deficit	277	-0.1%
Transfers to Reserves	4,146	-0.8%
Council Tax	-141,136	28.9%
	<hr/> -488,538	100.0%

2. Third party payments are mainly contract based expenditure and include care budgets, waste collection and disposal, and ICT expenditure.
3. The largest variable elements of the budget are staffing costs, third party payments and income, predominantly from fees and charges for services. Relatively small changes in these have a significant impact on the overall financial position.
4. 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 four years.
5. 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 undertaken.

6. 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 the pandemic, both on these services but in particular mental health services. 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.
7. 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, particularly around parking and leisure income, and the greater uncertainty this brings for future years. The Council currently budgets to collect around £64m in fees, charges and non-government grants or contributions. If the Council underachieved these budgets by 1%, it would lose £0.6m in income.
8. 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 are expected to continue to 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) is currently £57m so each 1% reduction would cost the Council £0.6m.
9. The overall impact of a 1% adverse change in all these factors would be a cost to the Council of approximately £4.5m, which is equivalent to around £51 per annum on a Band D Council Tax bill. This clearly illustrates the potential impact of the volatile risk factors underlying the budget.

Significant Known/ Committed Cost Pressures

Inflation

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

Inflation – Salaries and General Prices

2. This needs to allow for the projected pay award for 2021/22 along with salary progression and general price inflation. The MTFS assumes a 3% general inflation increase in each year from 2022/23 to 2025/26, which is between HM Treasury's projections for RPI and CPI inflation. No allowance has been made for inflation on other items except where stated below.

Inflation – Energy

3. 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

4. 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

5. 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.
6. 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

7. 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 five 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 Care growth and efficiency measures

8. 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 pooling resources with the NHS through the Better Care Fund, as well as 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 and has brought additional risks in relation to the resilience of the care provider

market. 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

9. 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 DSG deficit has arisen primarily due to the increasing number of ECHPs that have been issued following the introduction of the Children and Families Act 2014. The DSG currently has an accumulated deficit of just over £11m (down from just under £15m) following receipt of the first tranche of “safety valve” deficit funding from the Government. The “SEND Futures” recovery plan aims to eliminate both the in year and accumulated deficit by 2024/25 and relies on assumptions about both demand management and efficiencies in service delivery. However, there remains a risk that any funding shortfall will still need to be met by the local taxpayer.

Social Care for Children

10. Sustained pressure on social care budgets continues, in particular in relation to supporting looked after children and those leaving care as it continues to be difficult to step children down to lower cost placements and the service is reporting higher levels of complexity in cases. 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 into the system. Whilst some amendment has been made to estimated costs there remains a real risk that growth in demand for children looked after placements will outstrip these plans. Detailed work is ongoing in this area.

London Living Wage/Living Wage Foundation Accreditation

11. 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 has been included within the projections.

Homelessness Reduction Act 2017

12. 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 and 2021/22 but there is a risk that the Council will need to continue to provide for the new duties in future years without a corresponding reduction in homelessness costs.

Risks and Opportunities

The Identification and Achievement of Savings Plans

1. 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 four 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”

2. 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

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

Government Funding

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

Business Rate Collection

5. Business Rates retention and distribution issues are covered in greater detail in paragraphs 13 and 14 of the main report.

Looked After Children Budgets

6. The numbers and costs of Looked After Children have continued to grow over the last few years and more complex cases are being dealt with. 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

7. See Annex 2 and paragraphs 17 and 18.

Adult Social Care

8. 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 in particular mental health crisis presentations. The impact of the temporary national hospital discharge funding arrangements (in response to the pandemic) has required additional reablement capacity and an increase in the average length of stay in the service. 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.

9. 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 2021/22 but it is unclear if this will continue.

Investment Income/Capital Investment

10. 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

11. Spend is 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. In addition, support given to rough sleepers during the pandemic, which so far has attracted Government funding, may lead to an increase in Council costs if activity does not continue to be funded by grant.

Concessionary Fares

12. With the current lower use of concessionary fares on TfL services, the levy in 2021/22 has substantially reduced, and future projections of this cost have been based on TfL modelling.

Contracts

13. 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

14. 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

1. The Secretary of State for Communities and Local Government's statement on the Provisional Local Government Finance Settlement announced that the flexible use of capital receipts would continue up to the end of 2021/22.

Criteria to Assess Relevant Projects

2. 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 MHCLG. The guidance gives the following examples of projects which would be qualifying expenditure for this purpose. The list is not exhaustive, but provides an idea of the type of projects that can be funded in this way:
 - (i) Sharing back-office and administrative services with one or more other council or public sector bodies,
 - (ii) Investment in service reform feasibility work, e.g. setting up pilot schemes,
 - (iii) Collaboration between local authorities and Central Government departments to free up land for economic use,
 - (iv) Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation,
 - (v) Sharing Chief-Executives, management teams or staffing structures,
 - (vi) Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible,
 - (vii) 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,
 - (viii) 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,
 - (ix) Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others), and
 - (x) 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

3. 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

4. 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 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.
5. 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:

	2016/17	2017/18	2018/19 – 2020/21	2021/22
	Actual	Actual	Actual	Estimate
Use of Capital Receipts	£2.2m	£0.8m	£0m	£0.35m

6. 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.
7. 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.
8. 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.
9. These proposals have contributed over £10m to the Council's efficiency savings.
10. There remain a number of programmes associated with the ongoing development of the SSA including changes to IT infrastructure and changes to shared office accommodation which will continue to form a call on this budget.

Impact on Prudential Indicators

11. 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.
12. 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: 24 February 2022

REPORT OF: Director of Resources

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 September 2021, 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 C for approval
- RECOMMEND to Council the Capital Strategy in Appendix D for approval

3. BACKGROUND

- 3.1. Since 2010 the Council has spent £547m on the capital programme to support investment in the borough. The current six year programme was approved by Committee in September 2021. That programme included a potential need to borrow a further £55.8m which brought the Council's total underlying need for borrowing by the end of the programme to around £185m. The total expenditure for the six years approved by this report was £130.6m.

3.2. Since September 2021 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 school expansion projects, Disabled Facilities Grant (DFG) housing grants and loans, street lighting and highways and pavement works. There is also provision for affordable housing schemes and expenditure on the Richmond Climate Emergency Strategy.
- 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 September 2021 are summarised below:

	£000		£000
Capital Programme 2021/22 to 2026/27 (before in-year additions below)			130,585
Additions to the budget during 2021/22:		Funded by:	
Residential Property Acquisitions Programme	12,500	Borrowing, S106 and Grant	
Affordable Housing Schemes - Unallocated	2,833	S106	
Public Realm Improvement Fund	1,699	Reserves	
Schools Condition Allocation Capital Maintenance Programme – various schemes	1,369	Grant and contributions	
TfL Funded Transport Schemes	886	Grant	
Replacement of pitch surfaces at Whitton Sports Centre and Sheen Sports Centre	405	Reserves	
Hospital Bridge Road/Turing House School - Highways Improvements	300	Reimbursements	
Electric Vehicle Charging Points	300	Grant	
	<hr/>		20,292
6 Year Programme 2021/22 to 2026/27 (before changes proposed in this report)			150,877

5. REVIEW OF NEED TO SPEND

- 5.1. The Council has a significant borrowing requirement in future years and a need to continue the prudent management of finances in order 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. The following table summarises the revised programme after a review of the existing programme:

	£000	
Current Programme 2021/22 to 2026/27 (before budget changes)	150,877	
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Removal of budgets from programme:		Reason for budget removal
Schools General Planned Maintenance	-866	Aligning 2022/23 budget with anticipated allocation.
TfL funded schemes	-628	To be captured within revenue budget.
Green Homes Grant	-425	Grant repaid to BEIS as expired and could no longer be spent.
Hammersmith Bridge Ferry Service	-375	No longer requirement for ferry service. Bridge reopened summer 2021.
Kingston Lane Adaptations	-64	Budget has been reduced in line with the planned spend.
E-cargo bike sustainable freight scheme	-30	Budget reduced in line with confirmed pricing schedule for scheme.
<hr/>		
Total Budget Removed	-2,388	
Revised Programme after budget changes	148,589	
<hr/>		
The above was to be financed by:		
Borrowing	1,440	
Grant funding	948	
	<hr/>	
	2,388	

5.3. The removal of unallocated spend has released £1.4m of assumed borrowing from the programme which would reduce the revenue spend of the Council by approximately £75,000 per annum. Future revenue budgets will be adjusted accordingly, where appropriate.

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

6.1. Appendix B details the new schemes and increases to existing budgets to be added to the capital programme. This is summarised below:

Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Committee	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services, Health & Housing	105	956	175	175	175	375	1,961
Environment, Sustainability, Culture & Sport	0	1,682	0	0	0	1,450	3,132
Finance, Policy & Resources	0	99	0	0	0	1,330	1,429
Transport & Air Quality	450	3,428	820	10	0	1,700	6,408
Total new schemes and increases to budget	555	6,165	995	185	175	4,855	12,930

6.2. In addition to the bids for new schemes being put forward for approval, officers are aware of a number of major pipeline schemes that are under development and may require addition funding in future programmes. These include:

- Twickenham Riverside re-development
- Ham Close re-development
- Queens Road Hostel
- Richmond Education and Enterprise Campus sports hall

Funding for these will be added into the programme as schemes are agreed.

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

	£000	£000
Current Programme 2021/22 to 2026/27 (before changes proposed in this report)		150,877
Removal of unfinanced schemes	-2,388	
New schemes funded by borrowing, Affordable Housing S106, capital receipts, Strategic CIL, grant & revenue contributions	8,250	
Add recurring spend for 2026/27	4,680	
Total Changes to Programme in this report	<hr/>	10,542
Proposed Capital Programme 2021/22 to 2026/27 (Appendix B)		161,419

7. FINANCING

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

	£000	£000
Current Financing Requirement 2021/22 to 2026/27 (before changes proposed in this report)		55,796
In-year additions to the capital programme financed from borrowing (para 4.2)	5,900	
Removal of unallocated programmes financed by borrowing (para 5.3)	-1,440	
Add recurring spend for 2026/27	3,413	
Proposed Capital Programme 2021/22 to 2026/27 Financing Requirement		<hr/> 63,669

- 7.2. **Borrowing**: The Council's potential underlying need to borrow to fund the approved programme would therefore increase to £63.7m from the currently assumed position of £55.8m. This borrowing requirement represents 39% 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**: At the start of 2021/22, the Council held a balance of £9.7m of capital receipts. This included £0.6m from the sale of equity share properties relating to the Home Loans Unit (HLU) which is not available to finance capital expenditure. These receipts have been drawn upon to finance a significant proportion of the new bids to be approved in this paper.
- 7.4. **Community Infrastructure Levy**: At the start of 2021/22, 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 £11.392m at the beginning of 2021/22 and an additional £5.602m has been received in the year to date, bringing total available resources to £16.994m. £6.875m is firmly committed to existing capital schemes and an element committed to revenue totalling £1.128m. This includes £3.6m for the Residential Property Acquisition Programme approved at Adult Social Services, Health and Housing Committee in February 2022, continuing support of the Affordable Housing Delivery team and the Empty Property Grants pilot programme.
- 7.6. In addition to the £8.991m currently available the Council has a further £18.377m secured in planning permissions (but not yet received). A total of £27.368m is therefore shown as unallocated within the capital programme. Further work is underway to estimate the timing profile of these potential future receipts, particularly for larger sites, however the timing of the 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. This is subject to regular scrutiny and monitoring from the S106 Team within the Environment and Community Services Directorate and the Affordable Housing Team within the Housing and Regeneration Directorate.
- 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, including Council led developments such as Twickenham Riverside and Elleray Hall and to support, if required, the provision of additional affordable housing as part of the Ham Close regeneration being led by Richmond Housing Partnership. Further schemes are being worked up by officers and further funding will be committed as and when contributions are received and proposals are approved by Members. However, S106 affordable housing receipts are only one source of funding for any such schemes, the Council could utilise grants from other organisations such as the GLA if available. Additionally, Council borrowing can be used to top up available funding if necessary and where a business case is made and objectives align with the housing aims and objectives of the Council.
- 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 resources to expedite the utilisation of the disposal proceeds, with Council funding utilised in later years although this will be adjusted where necessary. The intention of the Delivery Development Agreement is to enable Richmond Housing Partnership to

deliver additional homes beyond those already in its pipeline. One scheme at Bucklands has been approved, with the first tranche of funding due to be paid to Richmond Housing Partnership in 2021/22.

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

7.10. **Timing of grants and contributions:** Whilst expenditure budgets are approved with particular funding sources, the timing of expenditure does not always align with the receipt of the funding. This is the case for the Busen re-provision scheme, which is to be financed by £1m borrowing, £0.4m contribution and £0.5m grants. Spend is currently ongoing but the external grants and contribution will be claimed during 2022/23 upon practical completion and therefore 2021/22 expenditure will be met by either capital receipts or borrowing. These resources will be replenished upon receipt of the external funding intended for the scheme.

8. PROPOSED CAPITAL PROGRAMME

8.1. Following all the proposals in this programme, the revised six year capital programme will have total expenditure of £161.4m. The most significant sources of financing are borrowing (£63.7m), grants (£42.9m), and Affordable Housing Section 106 receipts (£34.2m), 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	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Committee	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services, Health & Housing	2,324	17,489	3,626	3,626	2,426	29,294	58,785
Education & Children's Services	3,608	16,930	1,508	1,508	1,441	1,441	26,436
Environment, Sustainability, Culture & Sport	3,248	2,725	1,246	1,450	1,450	0	10,120
Finance, Policy & Resources	8,687	8,834	2,230	1,405	1,330	0	22,486
Transport & Air Quality	12,651	10,418	4,194	1,700	1,700	0	30,663
New Bids	555	6,165	995	185	175	4,855	12,930
Total Capital Programme	31,073	62,561	13,799	9,874	8,522	35,590	161,419

Financed By							
Grants	8,045	23,152	2,743	2,743	2,676	3,542	42,901
S106 & CIL	1,567	1,503	719	0	0	0	3,789
Affordable Housing S106	50	4,176	549	1,600	400	27,468	34,243
Contributions	602	1,797	1,051	0	0	0	3,450
Revenue Funding	917	110	0	0	0	0	1,027
Earmarked Reserves	1,750	1,243	0	0	0	0	2,993
Capital Receipts	879	6,215	1,001	85	0	1,167	9,347
Borrowing	17,263	24,365	7,736	5,446	5,446	3,413	63,669
Total Financing	31,073	62,561	13,799	9,874	8,522	35,590	161,419

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 £63.7m of borrowing which would require around £3.4m 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 6.2).

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 D 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 2021/22 to 2026/27
Appendix B – New schemes and increases to budget 2021/22 to 2026/27
Appendix C – Prudential Indicators
Appendix D – Capital Strategy

17. CONTACTS

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6 Year Capital Programme 2021/22 to 2026/27

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Education & Children's Services							
Devolved Formula Capital & Healthy Pupils Fund	235	225	225	225	225	225	1,360
Basic Needs - unallocated funding	0	4,000	417	417	350	350	5,534
East Sheen double demountable classrooms	96	1,500	0	0	0	0	1,596
Collis KS1 rebuild	106	0	0	0	0	0	106
Hampton Academy	0	114	0	0	0	0	114
Twickenham Academy	0	111	0	0	0	0	111
Christ School SEN	65	0	0	0	0	0	65
Richmond upon Thames School	360	1,197	0	0	0	0	1,557
Sixth Forms							
Richmond Park Academy 6th Form	300	0	0	0	0	0	300
SEN Provision							
Strathmore at the Russell SEN	25	405	0	0	0	0	430
Additional Places / Future Schemes	24	1,123	0	0	0	0	1,147
Special Resource Provision at Hampton High	405	0	0	0	0	0	405
Norman Jackson Flat - SEND Provision	10	0	0	0	0	0	10
Acoustic Works at Hampton Hill Junior School	3	0	0	0	0	0	3
The Gateway - Health & Safety	83	0	0	0	0	0	83
High Needs Provision Capital Allocation	0	1,076	0	0	0	0	1,076
Strathmore at Hampton High	300	4,700	0	0	0	0	5,000
Vineyard Primary Special Resource Provision - feasibility	60	0	0	0	0	0	60
Schools General Planned Maintenance							
Schools General Planned Maintenance - unallocated funding	0	0	866	866	866	866	3,464
Buckingham Primary - upgrade toilets	4	97	0	0	0	0	101
Carlisle Infants - staff toilets	73	0	0	0	0	0	73
Collis Primary - roof/gutter repair	3	37	0	0	0	0	40
Darell Primary School - Condition of the Internal Fire Doors	0	19	0	0	0	0	19
Darell Primary School - Roof replacement	0	203	0	0	0	0	203
East Sheen Primary - Condition of KS2 Toilets	0	57	0	0	0	0	57
Hampton Infants - nursery block & boiler replacement	181	660	0	0	0	0	841
Hampton Hill Junior - roof repair	100	0	0	0	0	0	100
Hampton Hill Junior - Electrical upgrade/rewiring	0	159	0	0	0	0	159
Hampton Wick Infants - toilet refurbishment	92	0	0	0	0	0	92
Hampton Wick Infants - condition of playground and outdoor play spaces	0	256	0	0	0	0	256
Heathfield Schools Partnership - replace boilers, calorifiers & associated	182	0	0	0	0	0	182
Heathfield School Partnership - Windows and Doors	0	158	0	0	0	0	158
Meadlands Nursery Block	568	242	0	0	0	0	810
Orleans Primary - windows & floor repairs	62	0	0	0	0	0	62
Orleans Primary - Playground and Soft Play areas	0	130	0	0	0	0	130
Sheen Mount Primary - boiler replacements	37	0	0	0	0	0	37
Vineyard Primary - boundary wall & toilet repairs	110	121	0	0	0	0	231
Windham Nursery - Security safeguarding works	0	19	0	0	0	0	19
Condition Surveys	45	30	0	0	0	0	75
Contingency	0	100	0	0	0	0	100
Design Development	0	30	0	0	0	0	30
Urgent Health & Safety works	20	50	0	0	0	0	70
Final Retention Payments - various schemes	50	3	0	0	0	0	53
General Planned Maintenance - Preliminary	9	0	0	0	0	0	9
Children's Centres	0	97	0	0	0	0	97
Short Break Care	0	11	0	0	0	0	11
Total Education & Children's Services	3,608	16,930	1,508	1,508	1,441	1,441	26,436

6 Year Capital Programme 2021/22 to 2026/27

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Adult Social Services, Health & Housing							
Adult Social Care							
Kingston Lane Adaptations	48	48	0	0	0	0	96
LD Care Home Re provision (Normansfield)	0	46	0	0	0	0	46
Supported Living Homes fit out	0	114	0	0	0	0	114
Flexible Use of Disabled Facilities Grant (Better Care Fund - Adults)	200	200	200	200	200	200	1,200
Housing & Regeneration							
Sponsored Moves	50	180	100	100	100	100	630
Residential Acquisitions Programme	0	12,500	0	0	0	0	12,500
Housing Grants							
Disabled Facilities Grant (Except Richmond Housing Partnership)	1,101	2,156	1,426	1,426	1,426	1,426	8,961
Disabled Facilities Grant (Richmond Housing Partnership)	500	300	300	300	300	300	2,000
Empty Property Grants	50	245	0	0	0	0	295
Coldbusters Home Repair Assistance Grant	175	175	175	175	175	175	1,050
Affordable Housing Development							
RHP Extension Programme	0	200	100	100	100	100	600
Development Delivery Agreement (DDA)	200	1,500	1,500	1,500	300	0	5,000
Affordable Housing Schemes - Unallocated	0	0	0	0	0	27,368	27,368
Compliance and Health and Safety works - Corporate Buildings							
Carlisle Park Pavilion - Heating Plant replacement	0	95	0	0	0	0	95
Ferguson Hall and Adjoining WCs - Asbestos removal and demolition	0	186	0	0	0	0	186
Joint control room - CCTV Upgrade	105	0	0	0	0	0	105
Total Adult Social Services, Health & Housing	2,429	18,445	3,801	3,801	2,601	29,669	60,746
Finance, Policy & Resources							
Elleray Hall Redevelopment	250	1,711	900	75	0	0	2,936
Busen - Re provision	1,633	290	0	0	0	0	1,923
Twickenham Riverside	2,386	434	0	0	0	0	2,820
Empty Property Purchase	74	0	0	0	0	0	74
Property Maintenance and Improvement	868	1,520	0	0	0	0	2,388
General Planned Maintenance	1,330	1,330	1,330	1,330	1,330	0	6,650
Statutory Compliance Remedial Works	272	240	0	0	0	1,330	1,842
Emergency Plant and Equipment Renewal	300	0	0	0	0	0	300
SSA wide, Replace access control system hardware and software	20	230	0	0	0	0	250
Roof and fabric repair and replacement	155	0	0	0	0	0	155
Richmond Hybrid AV, upgrade all equipments	150	0	0	0	0	0	150
Landlord works: Old Deer Park Kids Academy	42	0	0	0	0	0	42
York House - Audio Visual System Renewal and Upgrade	0	99	0	0	0	0	99
Decarbonisation Projects	20	1,010	0	0	0	0	1,030
Public Sector Decarbonisation	186	0	0	0	0	0	186
ICT Investment	236	2,069	0	0	0	0	2,305
IT Infrastructure - PCI & PSN Compliance	24	0	0	0	0	0	24
Loan for SWMC for Crematorium Services	100	0	0	0	0	0	100
Richmond Community Fund (round 3)	297	0	0	0	0	0	297
Richmond Community Fund (round 4)	344	0	0	0	0	0	344
Total Finance, Policy & Resources	8,687	8,933	2,230	1,405	1,330	1,330	23,915

6 Year Capital Programme 2021/22 to 2026/27

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Environment, Sustainability, Culture & Sport							
Climate Change Strategy (RCES) - unallocated	0	1,104	796	1,000	1,000	1,000	4,900
Green Homes Grant	75	0	0	0	0	0	75
Green Homes Grant - Phase B	565	0	0	0	0	0	565
Parks Cyclical Maintenance	308	150	150	150	150	450	1,358
Parks Strategy	520	300	300	300	300	0	1,720
Orleans House Gallery - Delivery phase	25	148	0	0	0	0	173
Teddington Library First Floor refurbishment	100	127	0	0	0	0	227
Richmond Libraries RFID Replacement	165	0	0	0	0	0	165
Local Studies Library, AHU replacement	12	81	0	0	0	0	93
Old Town Hall Library (Richmond Museum) - New Lift	0	142	0	0	0	0	142
Public Recycling Points Vehicle	200	0	0	0	0	0	200
Ham Close MUGA at St Richard's	14	0	0	0	0	0	14
Pools on the Park - Replace pool lights	80	141	0	0	0	0	221
Pools on the Park - Upgrade ventilation	180	43	0	0	0	0	223
Pools on the Park - Replacement of the pool hall ceiling/AHU/Lighting System	0	812	0	0	0	0	812
Pools on the Park - Health Suite Refurbishment	0	187	0	0	0	0	187
Pools on the Park - Refurbishment of swimming changing room & associated toilets/shower blocks	0	157	0	0	0	0	157
Pools on the Park - Refurbishment of the gym members changing room, associated toilets/shower blocks and café toilet block	0	157	0	0	0	0	157
Pools on the Park - Boundary Wall Replacement	0	78	0	0	0	0	78
Pools on the Park - UV Installation POTP & TPFC	0	149	0	0	0	0	149
Teddington Pools, Boilers	468	0	0	0	0	0	468
Teddington Pools, AHU replacement	25	226	0	0	0	0	251
Artificial pitches at Whitton Sports Centre	0	212	0	0	0	0	212
Artificial pitches at Shene Sports Centre	0	193	0	0	0	0	193
Central Depot - Weighbridge replacement	51	0	0	0	0	0	51
Resurfacing of Richmond Riverside Terraces	0	0	0	0	0	0	0
Boroughwide Park improvements (PRIF)	420	0	0	0	0	0	420
Public Realm Investment Fund - unallocated	40	0	0	0	0	0	40
Total Environment, Sustainability, Culture & Sport	3,248	4,407	1,246	1,450	1,450	1,450	13,252
Transport and Air Quality							
Highways and Pavements	2,768	2,700	1,700	1,700	1,700	1,700	12,268
Street Lighting	2,900	6,153	2,140	0	0	0	11,193
Specialised Street Lighting Columns	0	20	20	10	0	0	50
Uplift Schemes/Twickenham Area Action Plan	220	0	0	0	0	0	220
Railshead Road – S106	284	0	0	0	0	0	284
S106 Schemes	32	0	0	0	0	0	32
TfL Funded Schemes	117	0	0	0	0	0	117
Strawberry Vale Corridor	676	0	0	0	0	0	676
Hampton Healthy Streets	98	0	0	0	0	0	98
Heath Road TFL PRN	200	0	0	0	0	0	200
Cross Deep / Grotto Road	30	0	0	0	0	0	30
South Worple Way retaining wall	90	0	0	0	0	0	90
Street Trees	0	145	0	0	0	0	145
Top up of Highways funding to replace lost LIP funding	1	50	0	0	0	0	51
Legacy pavement repair and tree re-stocking programme (RCES)	411	376	204	0	0	0	990
Hospital Bridge Road	529	300	200	0	0	0	1,029
Zebra Crossing Meadway, linking Kneller Gardens and Crane Park	0	125	0	0	0	0	125
Zebra Crossing, Broad Lane between Nightingale Road and Wensleydale Road	0	135	0	0	0	0	135
Richmond Road East Twickenham	475	325	0	0	0	0	800
Friar's Lane Car Park Improvement	250	0	0	0	0	0	250
Flood Alleviation Works	70	280	150	0	0	0	500
Heathfield Shop Front improvements (PRIF)	100	0	0	0	0	0	100
Richmond Town Centre signage and wayfinding (PRIF)	150	0	0	0	0	0	150
Ham Parade - Improved public realm/outdoor seating (PRIF)	500	0	0	0	0	0	500
East Twickenham public realm improvements (PRIF)	200	0	0	0	0	0	200
Broad Street improvements (PRIF)	234	0	0	0	0	0	234
Improvement/redesign of Garfield Road pocket park	55	0	0	0	0	0	55
Electric Vehicle Charge Points (part RCES)	241	577	0	0	0	0	818
Cycle Parking - public on-street (RCES)	50	20	0	0	0	0	70
Richmond Cycle Hub (RCES)	402	0	0	0	0	0	402
Bikehangars - residential scheme (RCES)	151	0	0	0	0	0	151
Bike Hangar Installation	0	72	0	0	0	0	72
E-Cargo bike sustainable freight scheme (RCES)	30	0	0	0	0	0	30
School Streets (RCES)	88	55	0	0	0	0	143
School cycle parking (RCES)	45	0	0	0	0	0	45
Contraflow cycle schemes (RCES)	90	0	0	0	0	0	90
Hampton Court Rd Cycle Scheme	0	125	350	0	0	0	475
Strawberry Vale Cycle Scheme	450	0	0	0	0	0	450
Automatic Number Plate Recognition Cameras for School Streets enforcement	0	145	0	0	0	0	145
Traffic Improvements	68	32	0	0	0	0	100
Traffic Calming Measures	0	230	0	0	0	0	230
20 mph schemes - Phase 2	0	300	100	0	0	0	400
Hammersmith Bridge Mitigation measures	165	0	0	0	0	0	165
Lock Cut Footbridge	130	620	50	0	0	0	800
Teddington Suspension footbridge	440	690	100	0	0	0	1,230
Amyand Park - Winchester Road footbridge refurbishment	250	0	0	0	0	0	250

6 Year Capital Programme 2021/22 to 2026/27

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Kew Gardens Pedestrian bridge - Repainting	0	50	0	0	0	0	50
Electrification of trading pitches (RCES)	112	0	0	0	0	0	112
Gritter machines (ULEZ compliant)	0	321	0	0	0	0	321

Total Transport and Air Quality

	13,101	13,846	5,014	1,710	1,700	1,700	37,071
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Total Capital Programme

	31,073	62,561	13,799	9,874	8,522	35,590	161,419
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Financed By :

Grants	8,045	23,152	2,743	2,743	2,676	3,542	42,901
S106 & CIL	1,567	1,503	719	0	0	0	3,789
Affordable Housing S106	50	4,176	549	1,600	400	27,468	34,243
Contributions	602	1,797	1,051	0	0	0	3,450
Revenue Funding	917	110	0	0	0	0	1,027
Earmarked Reserves	1,750	1,243	0	0	0	0	2,993
Application of Capital Receipts	879	6,215	1,001	85	0	1,167	9,347
Borrowing Requirement	17,263	24,365	7,736	5,446	5,446	3,413	63,669
Total Financing	31,073	62,561	13,799	9,874	8,522	35,590	161,419

New schemes and increases to budget 2021/22 to 2026/27

Adult Social Services, Health & Housing	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
RHP Extension Programme	0	0	0	0	0	100	100
Sponsored Moves	0	0	0	0	0	100	100
Coldbusters Home Repair Assistance Grant	0	175	175	175	175	175	875
Joint control room - CCTV Upgrade	105	0	0	0	0	0	105
Compliance and Health and Safety works - Corporate Buildings	0	500	0	0	0	0	500
Carlisle Park Pavilion - Heating Plant replacement	0	95	0	0	0	0	95
Ferguson Hall and Adjoining WCs - Asbestos removal and demolition	0	186	0	0	0	0	186
Total Adult Social Services, Health & Housing	105	956	175	175	175	375	1,961

Finance, Policy & Resources	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Statutory Compliance Remedial Works	0	0	0	0	0	1,330	1,330
York House - Audio Visual System Renewal and Upgrade	0	99	0	0	0	0	99
Total Finance, Policy & Resources	0	99	0	0	0	1,330	1,429

Environment, Sustainability, Culture & Sport	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Parks Cyclical Maintenance	0	0	0	0	0	450	450
Climate Change Strategy	0	0	0	0	0	1,000	1,000
Old Town Hall Library (Richmond Museum) - New Lift	0	142	0	0	0	0	142
Pools on the Park - Replacement of the pool hall ceiling/AHU/Lighting System	0	812	0	0	0	0	812
Pools on the Park - Health Suite Refurbishment	0	187	0	0	0	0	187
Pools on the Park - Refurbishment of swimming changing room & associated toilets/shower blocks	0	157	0	0	0	0	157
Pools on the Park - Refurbishment of the gym members changing room, associated toilets/shower blocks and café toilet block	0	157	0	0	0	0	157
Pools on the Park - Boundary Wall Replacement	0	78	0	0	0	0	78
Pools on the Park - UV Installation POTP & TPFC	0	149	0	0	0	0	149
Total Environment, Sustainability, Culture & Sport	0	1,682	0	0	0	1,450	3,132

Transport and Air Quality	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Highways and Pavements	0	0	0	0	0	1,700	1,700
Specialised Street Lighting Columns	0	20	20	10	0	0	50
Electric Vehicle Charge Points	0	150	0	0	0	0	150
Automatic Number Plate Recognition Cameras for School Streets enforcement	0	145	0	0	0	0	145
Street Trees	0	145	0	0	0	0	145
20 mph schemes - Phase 2	0	300	100	0	0	0	400
Traffic Calming measures	0	230	0	0	0	0	230
Hospital Bridge Road	0	300	200	0	0	0	500
Kew Gardens Pedestrian bridge - Repainting	0	50	0	0	0	0	50
Lock Cut Footbridge	0	620	50	0	0	0	670
Teddington Suspension footbridge	0	690	100	0	0	0	790
Zebra Crossing Meadway, linking Kneller Gardens and Crane Park	0	125	0	0	0	0	125
Zebra Crossing, Broad Lane between Nightingale Road and Wensleydale Road	0	135	0	0	0	0	135
Hampton Court Rd Cycle Scheme	0	125	350	0	0	0	475
Strawberry Vale Cycle Scheme	450	0	0	0	0	0	450
Bike Hangar Installation	0	72	0	0	0	0	72
Gritter machines (ULEZ compliant)	0	321	0	0	0	0	321
Total Transport and Air Quality	450	3,428	820	10	0	1,700	6,408

Total new schemes and increases to budget	555	6,165	995	185	175	4,855	12,930
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Financed By :							
Grants	0	175	175	175	175	175	875
S106 & CIL	0	917	650	0	0	0	1,567
Affordable Housing S106	0	0	0	0	0	100	100
Revenue Funding	0	110	0	0	0	0	110
Application of Capital Receipts	555	4,963	170	10	0	1,167	6,865
Borrowing Requirement	0	0	0	0	0	3,413	3,413
Total Financing	555	6,165	995	185	175	4,855	12,930

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 2021/22 to 2026/27.

	<u>Revised</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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Capital Expenditure	31,073	62,561	13,799	9,874	8,522	35,590
<i>Of Which:</i>						
Financed from Grants & Contributions	10,264	30,628	5,062	4,343	3,076	31,010
Financed by RuT	3,546	7,568	1,001	85	0	1,167
New Borrowing Required by Programme	17,263	24,365	7,736	5,446	5,446	3,413

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 2022/23 and a significant amount of spend on Street Lighting column replacement to address health and safety issues. The remaining Programme then includes significant spend on Affordable Housing and Highways and Pavements works, as well as Disabled Facilities Grant housing grants and loans.

Significant elements of the proposed Capital Programme reduce after 2022/23, as school expansion projects complete and Street Lighting expenditure reduces. External funding also decreases with the government grants held to finance schools schemes being spent. The new Programme includes £13m of new and recurring schemes for approval in this report, increasing the Council's underlying need to borrow for 2022/23 unless other funding sources can be identified.

The amount financed by RuT includes the use of capital receipts that the Council has generated during the current and previous years, plus expected receipts from the disposal of Council assets in 2023/24, 2024/25 and 2026/27. 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>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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Capital Financing Requirement (CFR)	180,474	197,140	196,777	193,776	190,500	187,376
Year on Year Increase/Decrease in CFR	+11,068	+16,666	-362	-3,001	-3,276	-3,124
Change represented by:						
Schemes financed by Borrowing (incl. leases)	17,263	24,365	7,736	5,446	5,446	3,413
MRP contributions to fund the Requirement						
- represented by MRP	-4,623	-5,901	-6,159	-6,355	-6,468	-5,414
- Financing Leases and Similar (incl. PFI)	-1,285	-1,489	-1,606	-1,733	-1,871	-744
Loan repayment used to reduce CFR - WLWA & Waste Fleet	-287	-309	-333	-359	-387	-387
	11,068	16,666	-362	-3,001	-3,280	-3,132

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 expenditure. 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 later in the programme means the increase in borrowing in year falls below the amount to be repaid from 2023/24 onwards.

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>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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Net Financing Costs	9,107	10,849	11,138	11,292	11,372	8,963
Net Revenue Stream	162,676	168,568	177,464	185,252	192,870	199,299
As a Ratio	5.60%	6.44%	6.28%	6.10%	5.90%	4.50%

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 2025/26 as new borrowing is taken to fund the Capital Programme.

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. Ratio of Net Income from commercial and service investments to Net Revenue Stream

Net income from commercial and service investments comprises net income from financial investments (other than treasury management investments), together with net income from other assets held primarily for financial return, such as commercial property. The costs comprise investment management costs and any other direct revenue costs of investment. The costs of borrowing (interest and MRP) may not be deducted for the purposes of this indicator, which is intended to show the financial exposure of the authority to the loss of income.

	<u>Revised</u> <u>2021/22</u>	<u>Estimate</u> <u>2022/23</u>	<u>Estimate</u> <u>2023/24</u>	<u>Estimate</u> <u>2024/25</u>	<u>Estimate</u> <u>2025/26</u>	<u>Estimate</u> <u>2026/27</u>
Net Income from Commercial and Service Investments	3,337	3,314	3,290	3,263	3,235	3,235
Net Revenue Stream	162,676	168,568	177,464	185,252	192,870	199,299
As a Ratio	2.05%	1.97%	1.85%	1.76%	1.68%	1.62%

E. 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.

<u>Impact of Change in Financing Costs</u>	<u>Revised</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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Interest Payable						
- Direct borrowing	3,899	4,229	4,274	4,255	4,245	4,167
- Leases and PFI	1,379	1,272	1,156	1,029	890	790
Interest Receivable	-2,079	-2,042	-2,057	-2,080	-2,102	-2,152
Principal Repayment						
- Represented by MRP	4,623	5,901	6,159	6,355	6,468	5,414
- Financing Leases and Similar (incl. PFI)	1,285	1,489	1,606	1,733	1,871	744
Financing Costs	9,107	10,849	11,138	11,292	11,372	8,963
Year on Year Change	+69	+1,742	+289	+154	+80	-2,409
Impact on the Council Tax Requirement (RuT element)	0.05%	1.21%	0.19%	0.10%	0.05%	-1.36%
Impact on a Band D Property	£0.78	£19.64	£3.25	£1.72	£0.89	-£26.80

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 25-year PFI contract for the construction, maintenance and operation of 3 care homes comes to an end in 2025/26, which is therefore the final year in which a repayment of principal is made on this contract. This accounts for the reduction of principal repayments in 2026/27.

There is a steady increase in Principal Repayments represented by MRP until 2025/26 due to the anticipated increased need to borrow which increases the provision for debt repayment. 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.

There are 2 loans maturing over the next 2 years with interest rates around 5%. The anticipated interest rates for new borrowing are lower, giving a lower than anticipated increase in interest payable.

Interest Receivable is fairly stable. 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.

F. 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>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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Gross External Debt Limit Set	196,800	193,800	190,500	190,500	n/a	n/a
Projected Gross External Debt	137,512	156,484	158,398	157,646	n/a	n/a
Amount above/(below) limit	-59,288	-37,316	-32,102	-32,854	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 2025/26 and 26/27 as this would require an additional 2 years to be added to the Capital Programme (2027/28 and 2028/29) to allow for the potential to borrow up to 2 years in advance of need to be calculated for inclusion in the 2025/26 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.

G. 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>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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Authorised Limit Set	166,000	176,000	178,000	178,000	178,000	174,000
Projected Gross External Debt	137,512	156,484	158,398	157,646	154,003	151,754
Amount above/(below) limit	-28,488	-19,516	-19,602	-20,354	-23,997	-22,246

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.

H. 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>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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Operational Boundary Set	161,000	171,000	173,000	173,000	173,000	169,000
Projected External Debt	137,512	156,484	158,398	157,646	154,003	151,754
Amount below Limit	-23,488	-14,516	-14,602	-15,354	-18,997	-17,246

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

I. 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.

J. 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>Fixed Rate Exposure</u>	<u>Revised</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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Upper Limit	146,000	165,000	168,000	168,000	166,000	164,000
Lower Limit	96,000	115,000	118,000	118,000	116,000	114,000
Projected Exposure	120,595	140,445	143,237	143,364	140,599	139,228

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>Variable Rate Exposure</u>	<u>Revised</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>	<u>Estimate</u> <u>2026/27</u> <u>£000</u>
Upper Limit	-149,000	-110,000	-109,000	-113,000	-116,000	-117,000
Lower Limit	-74,000	-35,000	-34,000	-38,000	-41,000	-42,000
Projected Exposure	-99,286	-60,040	-59,106	-62,974	-65,840	-66,670

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.

K. 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%	14%
1 to 2 years	0%	40%	0%
2 to 5 years	0%	50%	5%
5 to 10 years	0%	60%	15%
10 to 15 years	0%	}	25%
15 to 25 years	0%	} 85%	30%
over 25 years	0%	}	10%

L. 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>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</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	0	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.

M1. 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>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>
Value of Loans at 31st March	123,024	143,525	147,084
Estimated value of Fixed Assets at 31st March	1,356,792	1,488,207	1,522,395
Loans as % of Assets	9.1%	9.6%	9.7%
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.

M2. 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>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>
Budgeted Loan Interest	3,899	4,229	4,274
RuT Gross Budget	418,091	418,494	418,494
Interest as % of Revenue	0.9%	1.0%	1.0%
Current Limit	2.0%	2.0%	2.0%

London Borough of Richmond upon Thames

Capital Strategy 2022/23

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, proportionality and affordability.

The Prudential Code issued by CIPFA in 2017 was revised and published on 20th December 2021. Due to late publication of both the Treasury Management Code and the Prudential Code, CIPFA has communicated a soft implementation of both these Codes, therefore full implementation is not mandatory until 2023/24. The amendments to both Codes largely still relate to commercial investments such as purchase of investment properties, investments in subsidiaries or investments for service objectives including regeneration. The wording changes within the 2021 Edition of the Prudential Code have been incorporated into this 2022/23 capital strategy and prudential indicators have been amended in line with the amended Code requirements.

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 Committee 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 Committee approval or other delegated decision making frameworks as appropriate.
- 2.4 Monitoring of capital expenditure is embedded throughout the organisation with project managers working with finance teams to update their cost estimates and budgets. These reports are regularly reviewed by the Council's management team, and monitoring reported to Committees periodically.

- 2.5 Capital budgets are reviewed and reported annually to Full Council. Budgets are reviewed and updated throughout the year, with additional capital budgets approved where appropriate. These projects are prioritised based on their ability to meet strategic priorities, ensure continued service delivery, reduce annual revenue costs and protect Council income. All bids are reviewed by senior officer working groups and lead Council Members before being presented for consideration and approval at Full Council. General assumptions are as follows:

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.

- 2.6 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

- 2.7 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.

2.8 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.

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 Finance, Policy and Resources Committee 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 Council's Treasury Management Practices (TMPs) are in accordance with the Treasury Management Code issued by CIPFA in 2002, which was revised in 2011, 2017, and recently in late December 2021. Due to the late publication of the Code, CIPFA is advising a soft implementation until 2023/24. As prescribed in the new Code, the Director of Resources will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Resources will also ensure that those engaged in Treasury Management follow the policies and procedures set out. The present arrangements are documented and monitored by the responsible officer in effective day to day management of the Treasury Management function. Treasury Management activities and issues are reviewed monthly by a meeting within the Resources Directorate, attended by the Director of Resources and day to day Treasury Management activities are handled by the Financial Management Division of the Resources Directorate. Treasury Management staff attend training courses and seminars to ensure they maintain sufficient knowledge as prescribed by the Code in order to 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. Link Treasury Services commenced the last lifetime review in January 2021, the next review therefore being due in January 2025.
- 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 £175m at 31st December 2021, at an average rate of 0.09%. The Council is expected to begin 2022/23 with investments of around £130m and the estimated movements for the following two years based upon current cash flows show that investments are likely to decrease to around £94m.

Investments that are not part of Treasury Management Activity

- 3.8 The Council may invest in other financial assets and property primarily for service and commercial purposes 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 The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment. The Council has complied with paragraph 51 of the Prudential Code, which states that an authority must not borrow to invest primarily for financial return, and states that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- 3.10 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.
- 3.11 Suitable properties for purchase by the Council are selected after going through robust procedures to assess the security of the investment in the short, medium and longer term, that the risk of not achieving satisfactory rental returns is minimised and that there are the best prospects of future rental and capital growth.

- 3.12 The Council's valuers are supported through the acquisition process by specialist property investment surveyors and legal advisers. The Council may contact agents in the market to help identify potential investment properties for sale as these are not frequently widely marketed, or commission its specialist property advisers to undertake a search for specific suitable properties. The adviser undertakes negotiations with the vendor for the acquisition subject to approval by officers. A set of assessment criteria are used in evaluating the suitability of properties. These criteria are as follows:
- a) Location
 - b) Tenancy strength/strength of covenant
 - c) Length of tenure
 - d) Occupier's lease length
 - e) Repairing terms/obligations
 - f) Lot size (value of the investment)
- 3.13 These criteria are assessed against weighting factors ranging from Excellent to Unacceptable
- 3.14 If a property is considered to meet the Council's investment criteria, the Council commissions a Property Investment Surveyor (not the same one used to identify the property) to provide a market report on the property. This report will include commentary on the credit worthiness of the tenant, an opinion of value and a recommendation in respect of the provisionally agreed acquisition price. This is undertaken in accordance with the Royal Institute of Chartered Surveyors Red Book
- 3.15 Prior to acquiring any properties, officers also undertake a further due diligence exercise including reviewing the leases, commissioning a building survey and report, a mechanical and electrical survey, a valuation report, and ensuring that there is an Energy Performance Certificate in place with a rating of at least D, but this has been revised to B due to changing regulations. Solicitors also undertake legal due diligence with a further review of the leases, the planning position and a report on title, highlighting any potential title defects.
- 3.16 All investment properties are revalued annually at fair value as part of the Council's preparation of final accounts and audit process. Consideration is given at the end of each financial year as to whether impairment of any properties is required.

3.17 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.

3.18 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>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	<u>31st</u> <u>March</u> <u>2027</u> £000
External Borrowing						
- Loans	123,024	143,525	147,084	148,105	146,372	144,906
- Leases/PFI	14,488	12,959	11,314	9,542	7,631	6,848
Internal Borrowing	42,962	40,656	38,379	36,130	36,497	35,622
Underlying Need to Borrow	180,474	197,140	196,777	193,776	190,500	187,376

- 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. In February 2021, the authorised limit and operational boundary for 2021/22 were set at £175m and £170m respectively. It is proposed to set the authorised limit for 2022/23 at £176m and the operational boundary at £171m.

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.

