



BUDGET BOOK

2018-2019

Mark Maidment CPFA

**Director of Resources &
Deputy Chief Executive**

Budget Book 2018/19

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

Produced by Financial Control

Resources Directorate

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

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SECTION B

COUNCIL'S REVENUE BUDGET 2018/19
SUBJECTIVE SUMMARY OF EXPENDITURE AND INCOME

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	44,910,800	46,870,100
Premises	12,237,200	12,338,200
Transport	3,450,700	3,452,000
Supplies & Services	24,918,700	20,544,700
Third Party Payments	131,427,500	132,362,200
Transfer Payments	174,051,900	174,160,100
Support Services	632,200	733,300
TOTAL EXPENDITURE	391,629,000	390,460,600
<u>Income</u>		
Adjusted Dedicated Schools Grant	(95,487,200)	(95,487,200)
Government Grants	(95,140,300)	(95,623,500)
Other Grants & Contributions	(5,296,500)	(5,444,300)
Customer & Client Receipts	(56,319,700)	(56,910,400)
TOTAL INCOME	(252,243,700)	(253,465,400)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	139,385,300	136,995,200
Central Items	(19,614,400)	(11,587,800)
NET EXPENDITURE (CONTROLLABLE)	119,770,900	125,407,400

<u>Variation Analysis (Excluding Schools)</u>	
Original Budget 2017/18	119,770,900
Inflation	4,346,300
Changes in Government Grants	(23,323,100)
Other Government or Outside Body Changes	31,975,000
Demand Led Growth	500,000
Budget Review Savings	(5,128,400)
Investment Priorities	272,000
Other Growth & Savings	(3,005,300)
Budget Transfers	0
Original Budget 2018/19	125,407,400

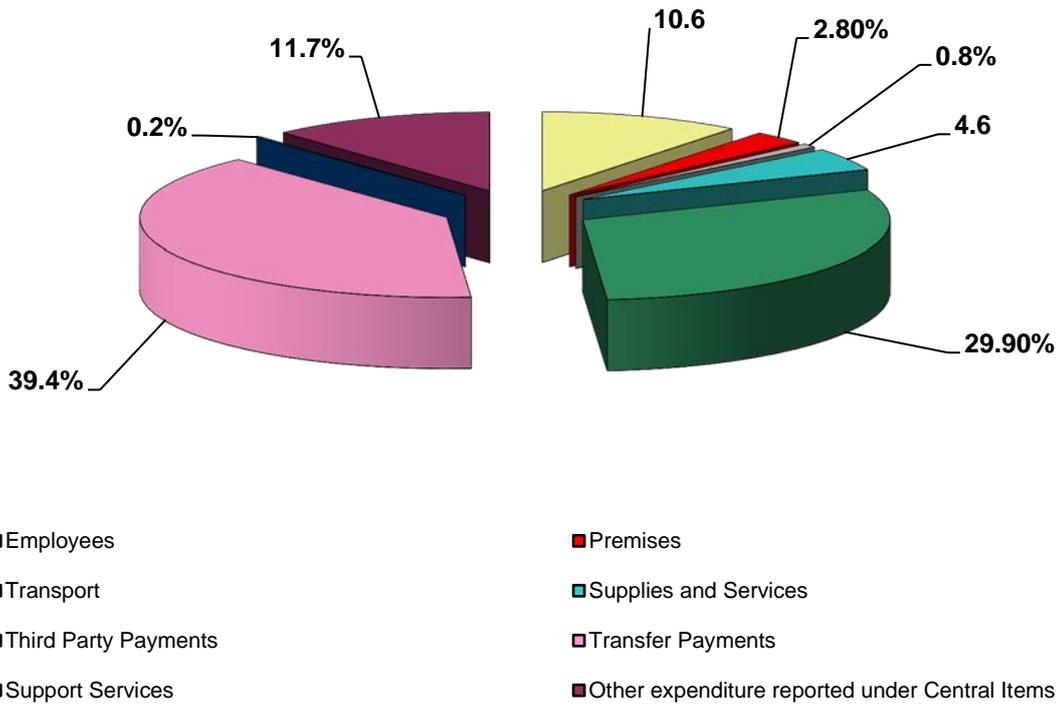
SECTION B

SUBJECTIVE ANALYSIS OF SERVICE BUDGETS
2018/19

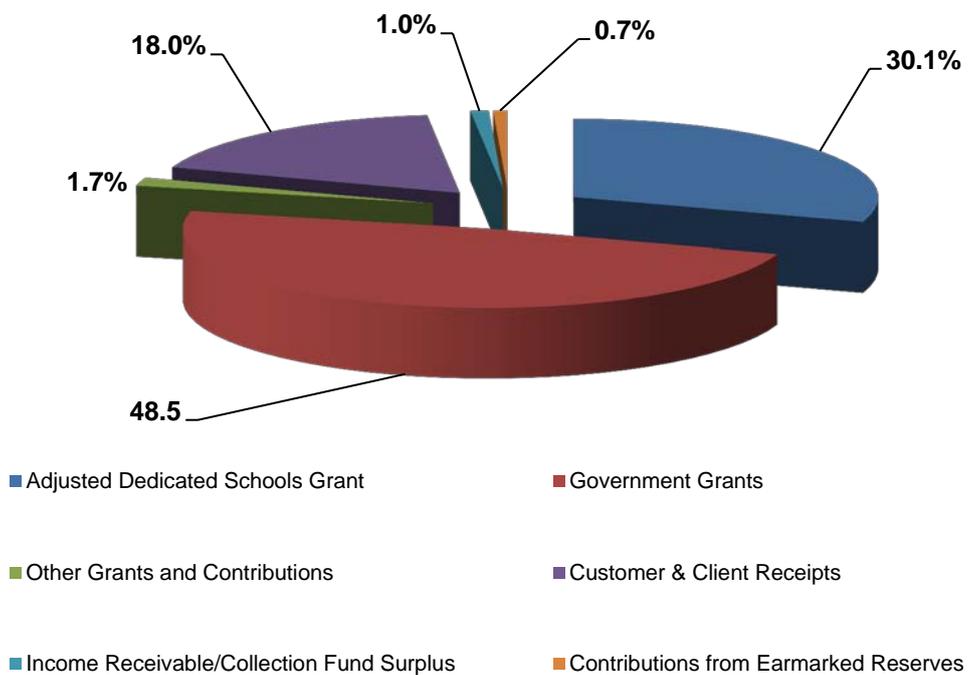
	Achieving for Children, Client Side & Residual Functions	Environment & Community Services	Adult Social Services	Housing & Regeneration	Chief Executive's Group	Resources & Central Items	TOTAL
<u>Expenditure</u>							
Employees	240,100	14,143,100	12,921,800	3,802,200	5,516,000	10,246,900	46,870,100
Premises	0	7,110,000	1,090,600	3,679,600	433,000	25,000	12,338,200
Transport	0	1,801,900	1,402,300	135,300	45,100	67,400	3,452,000
Supplies & Services	4,442,200	4,590,100	1,456,400	3,360,900	2,086,800	4,608,300	20,544,700
Third Party Payments	50,703,400	21,619,500	55,175,600	56,000	3,569,800	1,237,900	132,362,200
Transfer Payments	85,110,300	0	7,749,400	3,556,200	0	77,744,200	174,160,100
Support Services	0	0	0	0	0	733,300	733,300
Total	140,496,000	49,264,600	79,796,100	14,590,200	11,650,700	94,663,000	390,460,600
<u>Income</u>							
- Adjusted Dedicated Schools Grant	(95,487,200)						(95,487,200)
Government Grants	(8,300,500)	(9,500)	(10,758,500)	(804,900)	(5,980,000)	(69,770,100)	(95,623,500)
Other Grants & Contributions	(1,772,000)	(131,300)	(3,047,400)	(10,300)	(149,500)	(333,800)	(5,444,300)
Customer & Client Receipts	(118,900)	(30,632,300)	(13,405,000)	(8,220,700)	(1,608,800)	(2,924,700)	(56,910,400)
Total	(105,678,600)	(30,773,100)	(27,210,900)	(9,035,900)	(7,738,300)	(73,028,600)	(253,465,400)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	34,817,400	18,491,500	52,585,200	5,554,300	3,912,400	21,634,400	136,995,200
Central Items						(11,587,800)	(11,587,800)
Net Committee Budgets	34,817,400	18,491,500	52,585,200	5,554,300	3,912,400	10,046,600	125,407,400

SECTION B

Analysis of 2018/19 Expenditure Budget



Analysis of 2018/19 Income Budgets



ACHIEVING FOR CHILDREN CLIENT SIDE AND RESIDUAL FUNCTIONS

Should you have any queries concerning the Achieving for Children (Client Side and residual Functions) pages please contact:

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SECTION C

ACHIEVING FOR CHILDREN (AFC) CLIENT SIDE AND RESIDUAL FUNCTIONS

These budgets relate to children’s social care and education services, commissioned from Achieving for Children (AfC), a community interest company . This company is jointly owned by the Richmond, Kingston and Windsor & Maidenhead councils. The commissioned services comprise; Social Care (including social work, looked after children and leaving care), Protection and Early Help Services (including youth support, special educational needs (SEN), SEN transport, early years and family support) and Education Services (including school place commissioning and school improvement). The Council retains budgets for most Government Grants, payment of fixed education grants to schools and nurseries, and employment of AfC's Directors with statutory responsibilities.

	<u>2017/18</u>	<u>2018/19</u>
	<u>Estimate</u>	<u>Estimate</u>
	<u>£</u>	<u>£</u>
<u>Expenditure</u>		
Employees	237,800	240,100
Premises	0	0
Transport	0	0
Supplies & Services	4,352,900	4,442,200
Third Party Payments	48,615,200	50,703,400
Transfer Payments	85,110,300	85,110,300
Support Services	0	0
TOTAL EXPENDITURE	138,316,200	140,496,000
<u>Income</u>		
Government Grants	(103,787,700)	(103,787,700)
Other Grants & Contributions	(1,727,100)	(1,772,000)
Customer & Client Receipts	(118,900)	(118,900)
TOTAL INCOME	(105,633,700)	(105,678,600)
NET EXPENDITURE (CONTROLLABLE)	32,682,500	34,817,400

<u>Variation Analysis</u>	
Original Budget 2017/18	32,682,500
Inflation	449,100
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(1,022,800)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	2,708,600
Original Budget 2018/19	34,817,400

ENVIRONMENT AND COMMUNITY SERVICES

Should you have any queries concerning the Environment and Community Services Directorate pages
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SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

SUMMARY BY SERVICE AREA

<u>PURPOSE</u>	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
Management and Support	1,183,300	1,087,000
Contracts and Leisure	20,486,900	20,319,500
Highways Operations and Street Scene	1,449,500	1,411,700
Traffic and Engineering	(4,833,700)	(5,109,800)
Planning and Transport	1,023,600	783,100
Total Environment Directorate	<u>19,309,600</u>	<u>18,491,500</u>

<u>Variation Analysis</u>	
Original Budget 2017/18	19,309,600
Inflation	35,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(617,500)
Investment Priorities	0
Other Growth & Savings	104,700
Budget Transfers	(340,800)
Original Budget 2018/19	<u>18,491,500</u>

SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

SUBJECTIVE ANALYSIS

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	14,659,000	14,143,100
Premises	7,009,500	7,110,000
Transport	1,801,900	1,801,900
Supplies & Services	4,722,900	4,590,100
Third Party Payments	21,662,000	21,619,500
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 49,855,300	<hr/> 49,264,600
<u>Income</u>		
Government Grants	(9,500)	(9,500)
Other Grants & Contributions	(136,300)	(131,300)
Customer & Client Receipts	(30,399,900)	(30,632,300)
TOTAL INCOME	<hr/> (30,545,700)	<hr/> (30,773,100)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 19,309,600	<hr/> 18,491,500

SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

MANAGEMENT AND SUPPORT

These budgets incorporate management, finance and general administration support for the Director and four Assistant Directors.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	1,116,200	1,019,900
Premises	0	0
Transport	1,400	1,400
Supplies & Services	65,700	65,700
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	1,183,300	1,087,000
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	0	0
TOTAL INCOME	0	0
NET EXPENDITURE (CONTROLLABLE)	<u>1,183,300</u>	<u>1,087,000</u>

Variation Analysis

Original Budget 2017/18	1,183,300
Inflation	10,700
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(1,100)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(105,900)
Original Budget 2018/19	<u>1,087,000</u>

SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

CONTRACTS & LEISURE

The contract and leisure division is made up of four services. The waste and street cleansing, libraries, registrars and cemeteries and culture. The waste service provides a weekly refuse and recycling service. Waste disposal is managed by West London Waste Authority. The culture service comprises of sports, arts and parks.

	<u>2017/18</u>	<u>2018/19</u>
	<u>Estimate</u>	<u>Estimate</u>
	<u>£</u>	<u>£</u>
<u>Expenditure</u>		
Employees	7,512,700	7,367,600
Premises	4,607,600	4,658,200
Transport	730,500	730,500
Supplies & Services	2,643,900	2,599,600
Third Party Payments	15,992,700	16,096,600
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	31,487,400	31,452,500
<u>Income</u>		
Government Grants	(9,500)	(9,500)
Other Grants & Contributions	(32,200)	(27,200)
Customer & Client Receipts	(10,958,800)	(11,096,300)
TOTAL INCOME	(11,000,500)	(11,133,000)
NET EXPENDITURE (CONTROLLABLE)	20,486,900	20,319,500

Variation Analysis

Original Budget 2017/18	20,486,900
Inflation	(40,000)
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(182,200)
Investment Priorities	0
Other Growth & Savings	54,800
Budget Transfers	0
Original Budget 2018/19	20,319,500

SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

HIGHWAYS OPERATIONS & STREET SCENE

The Highways Operations and Street Scene division is responsible for street scene inspections, street scene enforcement, events licensing, street works permitting, DLO services including highways works, building maintenance, mechanical workshop, winter maintenance, emergency planning and business continuity and also takes the lead on civil emergency response.

	<u>2017/18</u>	<u>2018/19</u>
	<u>Estimate</u>	<u>Estimate</u>
	<u>£</u>	<u>£</u>
<u>Expenditure</u>		
Employees	1,966,200	1,925,400
Premises	214,900	268,600
Transport	1,001,300	1,001,300
Supplies & Services	627,100	627,100
Third Party Payments	263,600	350,500
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	4,073,100	4,172,900
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(2,623,600)	(2,761,200)
TOTAL INCOME	(2,623,600)	(2,761,200)
NET EXPENDITURE (CONTROLLABLE)	1,449,500	1,411,700

Variation Analysis

Original Budget 2017/18	1,449,500
Inflation	23,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(71,400)
Investment Priorities	0
Other Growth & Savings	53,700
Budget Transfers	(43,600)
Original Budget 2018/19	1,411,700

SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

TRAFFIC AND ENGINEERING

The traffic and engineering division is responsible for engineering and traffic scheme design and the overseeing of their delivery, parking policy and contract monitoring, road and cycle safety and CCTV control room management.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	1,177,600	1,158,500
Premises	2,181,900	2,178,100
Transport	15,500	15,500
Supplies & Services	949,000	860,500
Third Party Payments	5,152,300	4,932,000
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	9,476,300	9,144,600
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(14,310,000)	(14,254,400)
TOTAL INCOME	(14,310,000)	(14,254,400)
NET EXPENDITURE (CONTROLLABLE)	(4,833,700)	(5,109,800)

Variation Analysis

Original Budget 2017/18	(4,833,700)
Inflation	19,600
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(94,400)
Investment Priorities	0
Other Growth & Savings	(3,800)
Budget Transfers	(197,500)
Original Budget 2018/19	(5,109,800)

SECTION D

ENVIRONMENT AND COMMUNITY SERVICES DIRECTORATE

PLANNING & TRANSPORT

These budgets incorporate development management, building control, strategic developments and planning and transport policy.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	2,886,300	2,671,700
Premises	5,100	5,100
Transport	53,200	53,200
Supplies & Services	437,200	437,200
Third Party Payments	253,400	240,400
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	3,635,200	3,407,600
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	(104,100)	(104,100)
Customer & Client Receipts	(2,507,500)	(2,520,400)
TOTAL INCOME	(2,611,600)	(2,624,500)
NET EXPENDITURE (CONTROLLABLE)	<u>1,023,600</u>	<u>783,100</u>

Variation Analysis

Original Budget 2017/18	1,023,600
Inflation	21,700
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(268,400)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	6,200
Original Budget 2018/19	<u>783,100</u>

ADULT SOCIAL SERVICES

Should you have any queries concerning the Adult Social Services Directorate pages please contact:

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SECTION E

ADULT SOCIAL SERVICES**SUMMARY BY SERVICE AREA**

<u>PURPOSE</u>	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
Older People, Sensory & Physical Disabilities	15,724,900	16,521,600
Early Help and Enablement Services and Care Provision	10,255,700	9,716,600
Adults with Learning Disabilities	18,982,700	18,626,100
Adults with Mental Health Needs	2,454,000	2,351,200
Careline and CCTV	378,500	301,800
Commissioning and Quality Standards	2,697,100	2,592,700
Adult Social Services & Business Resources	2,852,600	2,475,200
Adult Social Services	53,345,500	52,585,200

<u>Variation Analysis</u>	
Original Budget 2017/18	53,345,500
Inflation	73,800
Changes in Government Grants	94,900
Other Government or Outside Body Changes	500,000
Demand Led Growth	500,000
Efficiency Savings	(1,569,200)
Investment Priorities	0
Other Growth & Savings	(100,000)
Budget Transfers	(259,800)
Original Budget 2018/19	52,585,200

SECTION E

ADULT SOCIAL SERVICES**SUBJECTIVE ANALYSIS**

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	13,109,800	12,921,800
Premises	1,104,200	1,090,600
Transport	1,402,400	1,402,300
Supplies & Services	1,957,400	1,456,400
Third Party Payments	55,219,500	55,175,600
Transfer Payments	7,749,400	7,749,400
TOTAL EXPENDITURE	<hr/> 80,542,700	<hr/> 79,796,100
<u>Income</u>		
Government Grants	(10,911,000)	(10,758,500)
Other Grants & Contributions	(3,047,400)	(3,047,400)
Customer & Client Receipts	(13,238,800)	(13,405,000)
TOTAL INCOME	<hr/> (27,197,200)	<hr/> (27,210,900)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 53,345,500 <hr/>	<hr/> 52,585,200 <hr/>

SECTION E

ADULT SOCIAL SERVICES

OLDER PEOPLE, SENSORY & PHYSICAL DISABILITIES

This budget covers independent sector provision of care services for older people & physical disabilities including help to live at home services, residential & nursing care, direct payments, equipment/minor adaptations, meals & short breaks for carers.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	0	0
Premises	0	0
Transport	6,000	6,000
Supplies & Services	600	600
Third Party Payments	23,539,300	24,389,300
Transfer Payments	4,465,300	4,465,300
TOTAL EXPENDITURE	28,011,200	28,861,200
<u>Income</u>		
Government Grants	(3,505,800)	(3,501,700)
Other Grants & Contributions	(677,800)	(677,800)
Customer & Client Receipts	(8,102,700)	(8,160,100)
TOTAL INCOME	(12,286,300)	(12,339,600)
NET EXPENDITURE (CONTROLLABLE)	<u>15,724,900</u>	<u>16,521,600</u>

<u>Variation Analysis</u>	
Original Budget 2017/18	15,724,900
Inflation	(57,400)
Changes in Government Grants	4,100
Other Government or Outside Body Changes	500,000
Demand Led Growth	500,000
Efficiency Savings	(150,000)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	<u>16,521,600</u>

ADULT SOCIAL SERVICES

EARLY HELP AND ENABLEMENT SERVICES AND CARE PROVISION

The Operations Division is responsible for: on-going specialist social work and professional input to eligible adults over 18, leadership of mental health responsibilities, specialist support to people with a learning disability, transition links with Achieving for Children and management of Richmond's in-house care provision. The Early Intervention & Care Provision Service is responsible for initial contact, prevention & early intervention including signposting and information, initial assessment, preventing hospital admissions and supporting discharge, reablement, reviews of care arrangements.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	9,124,900	8,592,800
Premises	436,600	436,600
Transport	1,167,100	1,167,100
Supplies & Services	459,400	459,400
Third Party Payments	3,726,900	3,726,900
Transfer Payments	0	0
TOTAL EXPENDITURE	14,914,900	14,382,800
<u>Income</u>		
Government Grants	(2,116,400)	(2,116,400)
Other Grants & Contributions	(538,300)	(538,300)
Customer & Client Receipts	(2,004,500)	(2,011,500)
TOTAL INCOME	(4,659,200)	(4,666,200)
NET EXPENDITURE (CONTROLLABLE)	10,255,700	9,716,600

<u>Variation Analysis</u>	
Original Budget 2017/18	10,255,700
Inflation	85,700
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(398,200)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(226,600)
Original Budget 2018/19	9,716,600

ADULT SOCIAL SERVICES**ADULTS WITH LEARNING DISABILITIES**

This budget covers independent sector provision of care services for adults with learning disabilities, including supported living accommodation, residential and nursing care, direct payments, day support services and short breaks for carers.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	0	0
Premises	455,000	455,000
Transport	175,000	175,000
Supplies & Services	0	0
Third Party Payments	17,727,500	17,377,500
Transfer Payments	3,094,500	3,094,500
TOTAL EXPENDITURE	21,452,000	21,102,000
<u>Income</u>		
Government Grants	(137,700)	(137,700)
Other Grants & Contributions	(479,500)	(479,500)
Customer & Client Receipts	(1,852,100)	(1,858,700)
TOTAL INCOME	(2,469,300)	(2,475,900)
NET EXPENDITURE (CONTROLLABLE)	<u>18,982,700</u>	<u>18,626,100</u>

<u>Variation Analysis</u>	
Original Budget 2017/18	18,982,700
Inflation	(6,600)
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(350,000)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	<u>18,626,100</u>

ADULT SOCIAL SERVICES**ADULTS WITH MENTAL HEALTH NEEDS**

This budget covers independent sector provision of care services for adults under 65 with mental health needs, as well as the Community Mental Health Team.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	283,400	186,300
Premises	18,900	18,900
Transport	500	500
Supplies & Services	30,500	30,500
Third Party Payments	3,440,700	3,440,700
Transfer Payments	189,600	189,600
TOTAL EXPENDITURE	3,963,600	3,866,500
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	(1,070,600)	(1,070,600)
Customer & Client Receipts	(439,000)	(444,700)
TOTAL INCOME	(1,509,600)	(1,515,300)
NET EXPENDITURE (CONTROLLABLE)	2,454,000	2,351,200

<u>Variation Analysis</u>	
Original Budget 2017/18	2,454,000
Inflation	(2,000)
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(100,800)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	2,351,200

ADULT SOCIAL SERVICES**CARELINE AND CCTV**

Careline provides monitoring of community alarms and telecare sensors for the elderly and vulnerable. It also provides messaging services out of hours for the Council and other partnership agencies. The service also monitors the Council's closed circuit television cameras (CCTV) across the borough.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	664,800	660,200
Premises	178,600	165,000
Transport	18,600	18,500
Supplies & Services	130,300	161,000
Third Party Payments	0	0
Transfer Payments	0	0
TOTAL EXPENDITURE	992,300	1,004,700
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(613,800)	(702,900)
TOTAL INCOME	(613,800)	(702,900)
NET EXPENDITURE (CONTROLLABLE)	378,500	301,800

Variation Analysis

Original Budget 2017/18	378,500
Inflation	1,400
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(78,100)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	301,800

ADULT SOCIAL SERVICES**COMMISSIONING AND QUALITY STANDARDS**

The Commissioning and Quality Standards is responsible for commissioning and contract management for a broad range of services for vulnerable adults, developing a commissioning team joint working with both Richmond's Clinical Commissioning Group. It is also responsible for safeguarding, deprivation of liberty safeguards and oversight of professional practice & audits.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	1,041,700	1,844,700
Premises	0	0
Transport	2,500	2,500
Supplies & Services	568,800	44,100
Third Party Payments	6,489,400	5,945,500
Transfer Payments	0	0
TOTAL EXPENDITURE	8,102,400	7,836,800
<u>Income</u>		
Government Grants	(5,139,800)	(4,978,500)
Other Grants & Contributions	(96,500)	(96,500)
Customer & Client Receipts	(169,000)	(169,100)
TOTAL INCOME	(5,405,300)	(5,244,100)
NET EXPENDITURE (CONTROLLABLE)	2,697,100	2,592,700

<u>Variation Analysis</u>	
Original Budget 2017/18	2,697,100
Inflation	18,200
Changes in Government Grants	90,800
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(473,400)
Investment Priorities	0
Other Growth & Savings	(100,000)
Budget Transfers	360,000
Original Budget 2018/19	2,592,700

ADULT SOCIAL SERVICES**ADULT SOCIAL SERVICES AND BUSINESS RESOURCES**

This area is responsible for directorate finance, including commissioning finance support for the Council's arrangements with Achieving for Children, financial assessments/client financial affairs, performance monitoring, information systems, information governance, business support and training and development. This area also provides a range of support services to Wandsworth's Children's Services.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	1,995,000	1,637,800
Premises	15,100	15,100
Transport	32,700	32,700
Supplies & Services	767,800	760,800
Third Party Payments	295,700	295,700
Transfer Payments	0	0
TOTAL EXPENDITURE	3,106,300	2,742,100
<u>Income</u>		
Government Grants	(11,300)	(24,200)
Other Grants & Contributions	(184,700)	(184,700)
Customer & Client Receipts	(57,700)	(58,000)
TOTAL INCOME	(253,700)	(266,900)
NET EXPENDITURE (CONTROLLABLE)	2,852,600	2,475,200

<u>Variation Analysis</u>	
Original Budget 2017/18	2,852,600
Inflation	34,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(18,700)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(393,200)
Original Budget 2018/19	2,475,200

HOUSING AND REGENERATION

Should you have any queries concerning the Housing and Regeneration Directorate pages please contact:

Sandra Burree
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Tel: 020 8871 7796

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SECTION F

HOUSING AND REGENERATION DIRECTORATE

SUMMARY BY SERVICE AREA

<u>PURPOSE</u>	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
Housing Services	3,044,900	2,774,600
Directorate and Support	285,100	301,100
Strategy and Development	223,500	225,200
Property Services	2,375,300	2,253,400
Total Housing and Regeneration Directorate	<u>5,928,800</u>	<u>5,554,300</u>

<u>Variation Analysis</u>	
Original Budget 2017/18	5,928,800
Inflation	74,800
Changes in Government Grants	(797,100)
Other Government or Outside Body Changes	824,000
Demand Led Growth	0
Efficiency Savings	(428,400)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(47,800)
Original Budget 2018/19	<u>5,554,300</u>

SECTION F

HOUSING AND REGENERATION DIRECTORATE

SUBJECTIVE ANALYSIS

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	2,924,500	3,802,200
Premises	3,679,600	3,679,600
Transport	135,300	135,300
Supplies & Services	4,006,700	3,360,900
Third Party Payments	42,800	56,000
Transfer Payments	3,556,200	3,556,200
Support Services	0	0
TOTAL EXPENDITURE	14,345,100	14,590,200
<u>Income</u>		
Government Grants	(7,800)	(804,900)
Other Grants & Contributions	(10,300)	(10,300)
Customer & Client Receipts	(8,398,200)	(8,220,700)
TOTAL INCOME	(8,416,300)	(9,035,900)
NET EXPENDITURE (CONTROLLABLE)	5,928,800	5,554,300

SECTION F

HOUSING AND REGENERATION DIRECTORATE

HOUSING SERVICES

The Housing Services Division delivers mainly statutory functions including assessing and fulfilling duties toward homeless households, including the provision of short and longer temporary accommodation, whether managed directly or through third parties. The division is also responsible for activity under the Housing Allocation Scheme including making offers of social (and other) housing in partnership with Registered Providers to residents assessed as being in high housing need as well as arranging disability related adaptations to homes via the Home Improvement Agency and providing resettlement support to vulnerable households in temporary or settled housing.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	1,736,200	1,822,000
Premises	98,200	98,200
Transport	51,600	51,600
Supplies & Services	768,400	768,400
Third Party Payments	8,400	8,400
Transfer Payments	3,556,200	3,556,200
Support Services	0	0
TOTAL EXPENDITURE	6,219,000	6,304,800
<u>Income</u>		
Government Grants	0	(797,100)
Other Grants & Contributions	0	0
Customer & Client Receipts	(3,174,100)	(2,733,100)
TOTAL INCOME	(3,174,100)	(3,530,200)
NET EXPENDITURE (CONTROLLABLE)	3,044,900	2,774,600

<u>Variation Analysis</u>	
Original Budget 2017/18	3,044,900
Inflation	22,800
Changes in Government Grants	(797,100)
Other Government or Outside Body Changes	824,000
Demand Led Growth	0
Efficiency Savings	(320,000)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	2,774,600

SECTION F

HOUSING AND REGENERATION DIRECTORATE

DIRECTORATE AND SUPPORT

This area covers the costs of the Housing Directorate, along with Finance and Business support functions.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	283,700	286,500
Premises	0	0
Transport	0	0
Supplies & Services	1,400	1,400
Third Party Payments	0	13,200
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	285,100	301,100
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	0	0
TOTAL INCOME	0	0
NET EXPENDITURE (CONTROLLABLE)	285,100	301,100

Variation Analysis

Original Budget 2017/18	285,100
Inflation	2,800
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	0
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	13,200
Original Budget 2018/19	301,100

SECTION F

HOUSING AND REGENERATION DIRECTORATE

STRATEGY AND DEVELOPMENT

The Strategy and Development Division is responsible for enabling and providing expert advice on the delivery of affordable housing including supported housing and housing to meet local demands. Council led housing development, identifying new opportunities and also providing grants to support housing development. The team provides lead role in liaison with Richmond Housing Partnership and in improving housing association management standards. In addition it develops housing strategies, plans and policies and provides performance and business analysis services.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	195,100	196,800
Premises	400	400
Transport	2,500	2,500
Supplies & Services	35,800	35,800
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	233,800	235,500
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	(10,300)	(10,300)
Customer & Client Receipts	0	0
TOTAL INCOME	(10,300)	(10,300)
NET EXPENDITURE (CONTROLLABLE)	223,500	225,200

<u>Variation Analysis</u>	
Original Budget 2017/18	223,500
Inflation	2,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(800)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	225,200

SECTION F

HOUSING AND REGENERATION DIRECTORATE

PROPERTY SERVICES

The Property Services Division covers all aspects of property management including construction, building maintenance, facilities management, valuation, commercial estate management and the sale of land. Responsibilities also include all utilities & service budgets for the Civic Campus, other offices, operational buildings & the Council's sundry properties portfolio

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	709,500	1,496,900
Premises	3,581,000	3,581,000
Transport	81,200	81,200
Supplies & Services	3,201,100	2,555,300
Third Party Payments	34,400	34,400
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	7,607,200	7,748,800
<u>Income</u>		
Government Grants	(7,800)	(7,800)
Other Grants & Contributions	0	0
Customer & Client Receipts	(5,224,100)	(5,487,600)
TOTAL INCOME	(5,231,900)	(5,495,400)
NET EXPENDITURE (CONTROLLABLE)	<u>2,375,300</u>	<u>2,253,400</u>

<u>Variation Analysis</u>	
Original Budget 2017/18	2,375,300
Inflation	46,700
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(107,600)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(61,000)
Original Budget 2018/19	<u>2,253,400</u>

HOUSING AND REGENERATION

Should you have any queries concerning the Housing and Regeneration Directorate pages please contact:

Sandra Burree
Head of Finance and Business Support

Tel: 020 8871 7796

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SECTION F

HOUSING AND REGENERATION DIRECTORATE

SUMMARY BY SERVICE AREA

<u>PURPOSE</u>	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
Housing Services	3,044,900	2,774,600
Directorate and Support	285,100	301,100
Strategy and Development	223,500	225,200
Property Services	2,375,300	2,253,400
Total Housing and Regeneration Directorate	<u>5,928,800</u>	<u>5,554,300</u>

Variation Analysis

Original Budget 2017/18	5,928,800
Inflation	74,800
Changes in Government Grants	(797,100)
Other Government or Outside Body Changes	824,000
Demand Led Growth	0
Efficiency Savings	(428,400)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(47,800)
Original Budget 2018/19	<u>5,554,300</u>

SECTION F

HOUSING AND REGENERATION DIRECTORATE

SUBJECTIVE ANALYSIS

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	2,924,500	3,802,200
Premises	3,679,600	3,679,600
Transport	135,300	135,300
Supplies & Services	4,006,700	3,360,900
Third Party Payments	42,800	56,000
Transfer Payments	3,556,200	3,556,200
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 14,345,100	<hr/> 14,590,200
<u>Income</u>		
Government Grants	(7,800)	(804,900)
Other Grants & Contributions	(10,300)	(10,300)
Customer & Client Receipts	(8,398,200)	(8,220,700)
TOTAL INCOME	<hr/> (8,416,300)	<hr/> (9,035,900)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 5,928,800 <hr/>	<hr/> 5,554,300 <hr/>

SECTION F

HOUSING AND REGENERATION DIRECTORATE

HOUSING SERVICES

The Housing Services Division delivers mainly statutory functions including assessing and fulfilling duties toward homeless households, including the provision of short and longer temporary accommodation, whether managed directly or through third parties. The division is also responsible for activity under the Housing Allocation Scheme including making offers of social (and other) housing in partnership with Registered Providers to residents assessed as being in high housing need as well as arranging disability related adaptations to homes via the Home Improvement Agency and providing resettlement support to vulnerable households in temporary or settled housing.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	1,736,200	1,822,000
Premises	98,200	98,200
Transport	51,600	51,600
Supplies & Services	768,400	768,400
Third Party Payments	8,400	8,400
Transfer Payments	3,556,200	3,556,200
Support Services	0	0
TOTAL EXPENDITURE	6,219,000	6,304,800
<u>Income</u>		
Government Grants	0	(797,100)
Other Grants & Contributions	0	0
Customer & Client Receipts	(3,174,100)	(2,733,100)
TOTAL INCOME	(3,174,100)	(3,530,200)
NET EXPENDITURE (CONTROLLABLE)	3,044,900	2,774,600

<u>Variation Analysis</u>	
Original Budget 2017/18	3,044,900
Inflation	22,800
Changes in Government Grants	(797,100)
Other Government or Outside Body Changes	824,000
Demand Led Growth	0
Efficiency Savings	(320,000)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	2,774,600

SECTION F

HOUSING AND REGENERATION DIRECTORATE

DIRECTORATE AND SUPPORT

This area covers the costs of the Housing Directorate, along with Finance and Business support functions.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	283,700	286,500
Premises	0	0
Transport	0	0
Supplies & Services	1,400	1,400
Third Party Payments	0	13,200
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	285,100	301,100
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	0	0
TOTAL INCOME	0	0
NET EXPENDITURE (CONTROLLABLE)	285,100	301,100

Variation Analysis

Original Budget 2017/18	285,100
Inflation	2,800
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	0
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	13,200
Original Budget 2018/19	301,100

SECTION F

HOUSING AND REGENERATION DIRECTORATE

STRATEGY AND DEVELOPMENT

The Strategy and Development Division is responsible for enabling and providing expert advice on the delivery of affordable housing including supported housing and housing to meet local demands. Council led housing development, identifying new opportunities and also providing grants to support housing development. The team provides lead role in liaison with Richmond Housing Partnership and in improving housing association management standards. In addition it develops housing strategies, plans and policies and provides performance and business analysis services.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	195,100	196,800
Premises	400	400
Transport	2,500	2,500
Supplies & Services	35,800	35,800
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	233,800	235,500
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	(10,300)	(10,300)
Customer & Client Receipts	0	0
TOTAL INCOME	(10,300)	(10,300)
NET EXPENDITURE (CONTROLLABLE)	223,500	225,200

<u>Variation Analysis</u>	
Original Budget 2017/18	223,500
Inflation	2,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(800)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	225,200

SECTION F

HOUSING AND REGENERATION DIRECTORATE

PROPERTY SERVICES

The Property Services Division covers all aspects of property management including construction, building maintenance, facilities management, valuation, commercial estate management and the sale of land. Responsibilities also include all utilities & service budgets for the Civic Campus, other offices, operational buildings & the Council's sundry properties portfolio

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	709,500	1,496,900
Premises	3,581,000	3,581,000
Transport	81,200	81,200
Supplies & Services	3,201,100	2,555,300
Third Party Payments	34,400	34,400
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	7,607,200	7,748,800
<u>Income</u>		
Government Grants	(7,800)	(7,800)
Other Grants & Contributions	0	0
Customer & Client Receipts	(5,224,100)	(5,487,600)
TOTAL INCOME	(5,231,900)	(5,495,400)
NET EXPENDITURE (CONTROLLABLE)	<u>2,375,300</u>	<u>2,253,400</u>

<u>Variation Analysis</u>	
Original Budget 2017/18	2,375,300
Inflation	46,700
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Efficiency Savings	(107,600)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(61,000)
Original Budget 2018/19	<u>2,253,400</u>

SECTION F

CHIEF EXECUTIVE'S GROUP

Should you have any queries concerning the Chief Executive's Group pages please contact:

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Business Support Manager

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pmcdermott@wandsworth.gov.uk

SECTION G

CHIEF EXECUTIVE DIRECTORATE

SUMMARY BY SERVICE AREA

<u>PURPOSE</u>	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
Customers and Partnerships	4,206,700	4,144,100
Policy & Performance	2,264,300	2,795,900
Public Health	261,800	(3,027,600)
Total Chief Executive Directorate	<u>6,732,800</u>	<u>3,912,400</u>

Variation Analysis

Original Budget 2017/18	6,732,800
Inflation	66,500
Changes in Government Grants	(41,100)
Other Government or Outside Body Changes	(44,000)
Demand Led Growth	0
Budget Review Savings	(110,800)
Investment Priorities	0
Other Growth & Savings	(25,000)
Budget Transfers	(2,666,000)
Original Budget 2018/19	<u>3,912,400</u>

SECTION G

CHIEF EXECUTIVE DIRECTORATE

SUBJECTIVE ANALYSIS

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	5,367,400	5,516,000
Premises	418,900	433,000
Transport	45,100	45,100
Supplies & Services	4,130,800	2,086,800
Third Party Payments	4,698,600	3,569,800
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 14,660,800	<hr/> 11,650,700
<u>Income</u>		
Government Grants	(6,130,500)	(5,980,000)
Other Grants & Contributions	(41,600)	(149,500)
Customer & Client Receipts	(1,755,900)	(1,608,800)
TOTAL INCOME	<hr/> (7,928,000)	<hr/> (7,738,300)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 6,732,800 <hr/>	<hr/> 3,912,400 <hr/>

SECTION G

CHIEF EXECUTIVE DIRECTORATE

Customers and Partnerships

The Customers and Partnership area covers a range of teams including; Tourism, Economic Development, Corporate and Statutory Complaints, Freedom of Information, Consultation and Special Programmes (Twickenham Riverside, Ham Close, REEC), Civic Pride, Customer Services, management of strategic partnerships arrangements housing South London Partnership, Community Engagement, Partnership arrangements, Village Planning and Community Links Programmes, Communications, managing relationships with Voluntary and Community Sector, commissioning and contract management including Achieving for Children, Healthwatch, Advice Services and RCVS.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	2,743,600	2,863,200
Premises	387,600	401,700
Transport	5,300	5,300
Supplies & Services	929,000	1,027,000
Third Party Payments	1,304,500	1,214,500
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	5,370,000	5,511,700
<u>Income</u>		
Government Grants	(156,000)	(156,000)
Other Grants & Contributions	(10,600)	(87,600)
Customer & Client Receipts	(996,700)	(1,124,000)
TOTAL INCOME	(1,163,300)	(1,367,600)
NET EXPENDITURE (CONTROLLABLE)	4,206,700	4,144,100

Variation Analysis

Original Budget 2017/18	4,206,700
Inflation	41,500
Changes in Government Grants	0
Other Government or Outside Body Changes	(44,000)
Demand Led Growth	0
Budget Review Savings	(19,600)
Investment Priorities	0
Other Growth & Savings	(25,000)
Budget Transfers	(15,500)
Original Budget 2018/19	4,144,100

SECTION G

CHIEF EXECUTIVE DIRECTORATE

POLICY & PERFORMANCE

The Policy and Performance area covers a range of teams including: Legal Management, Business Support and Planning, Commissioning, Corporate Policy and Strategy, the Graduate Trainee Scheme, Democratic Services and Representation, Corporate Programmes, the Equalities Team, and Business Information and Accountability.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	1,250,300	1,854,000
Premises	0	0
Transport	25,100	25,100
Supplies & Services	1,071,700	893,100
Third Party Payments	25,000	25,000
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	2,372,100	2,797,200
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(107,800)	(1,300)
TOTAL INCOME	(107,800)	(1,300)
NET EXPENDITURE (CONTROLLABLE)	2,264,300	2,795,900

Variation Analysis

Original Budget 2017/18	2,264,300
Inflation	36,000
Changes in Government Grants	53,800
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(20,700)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	462,500
Original Budget 2018/19	2,795,900

SECTION G

CHIEF EXECUTIVE DIRECTORATE

PUBLIC HEALTH

The Council is responsible for Public Health services under the Health and Social Care Act 2012. Public Health is responsible for commissioning services to improve health in the borough, co-ordinating local efforts to protect the public's health and wellbeing and ensuring health services effectively promote the population's health. The total Public Health provision is split between the Chief Executive's Group and the Adult Social Services Directorate.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	1,373,500	798,800
Premises	31,300	31,300
Transport	14,700	14,700
Supplies & Services	2,130,100	166,700
Third Party Payments	3,369,100	2,330,300
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	6,918,700	3,341,800
<u>Income</u>		
Government Grants	(5,974,500)	(5,824,000)
Other Grants & Contributions	(31,000)	(61,900)
Customer & Client Receipts	(651,400)	(483,500)
TOTAL INCOME	(6,656,900)	(6,369,400)
NET EXPENDITURE (CONTROLLABLE)	<u>261,800</u>	<u>(3,027,600)</u>

Variation Analysis

Original Budget 2017/18	261,800
Inflation	(11,000)
Changes in Government Grants	(94,900)
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(70,500)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(3,113,000)
Original Budget 2018/19	<u>(3,027,600)</u>

RESOURCES AND CENTRAL ITEMS

Should you have any queries concerning the Resources Directorate
and Central Items pages please contact:

Katherine Burston
Financial Controller

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Email: KBurston@wandsworth.gov.uk

RESOURCES AND CENTRAL ITEMS

REVENUE BUDGET - SUMMARY OF EXPENDITURE

<u>PURPOSE</u>	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
Corporate Management	1,150,300	1,477,500
Corporate Services	1,604,300	1,779,800
Financial Management	1,957,800	1,758,600
Financial Services	1,391,900	1,249,200
ICT	4,751,900	4,573,500
Resources - General Services	395,100	398,200
Revenue Services	10,134,800	10,397,600
Total for Corporate Services	21,386,100	21,634,400
Central Items	(19,614,400)	(11,587,800)
Total for Corporate Services & Central Items	1,771,700	10,046,600

Variation Analysis

Original Budget 2017/18	1,771,700
Inflation	3,646,600
Changes in Government Grants	(22,579,800)
Other Government or Outside Body Changes	30,695,000
Demand Led Growth	0
Budget Review Savings	(1,379,700)
Investment Priorities	272,000
Other Growth & Savings	(2,985,000)
Budget Transfers	605,800
Original Budget 2018/19	10,046,600

SECTION H

RESOURCES AND CENTRAL ITEMS

SUBJECTIVE ANALYSIS

	<u>2017/18</u>	<u>2018/19</u>
	<u>Estimate</u>	<u>Estimate</u>
	<u>£</u>	<u>£</u>
<u>Expenditure</u>		
Employees	8,612,300	10,246,900
Premises	25,000	25,000
Transport	66,000	67,400
Supplies & Services	5,748,000	4,608,300
Third Party Payments	1,189,400	1,237,900
Transfer Payments	77,636,000	77,744,200
Support Services	632,200	733,300
TOTAL EXPENDITURE	<hr/> 93,908,900	<hr/> 94,663,000
<u>Income</u>		
Government Grants	(69,781,000)	(69,770,100)
Other Grants & Contributions	(333,800)	(333,800)
Customer & Client Receipts	(2,408,000)	(2,924,700)
TOTAL INCOME	<hr/> (72,522,800)	<hr/> (73,028,600)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	<hr/> 21,386,100 <hr/>	<hr/> 21,634,400 <hr/>
Central Items	(19,614,400)	(11,587,800)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 1,771,700 <hr/>	<hr/> 10,046,600 <hr/>

SECTION H

RESOURCES AND CENTRAL ITEMS

CORPORATE MANAGEMENT

The Code of Practise issued by CIPFA carefully defines what should be charged to Corporate Management. Costs include: external audit fees; corporate legal fees, bank charges & treasury management administration costs.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	0	0
Premises	0	0
Transport	0	0
Supplies & Services	354,400	532,000
Third Party Payments	845,500	945,500
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	1,199,900	1,477,500
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(49,600)	0
TOTAL INCOME	(49,600)	0
NET EXPENDITURE (CONTROLLABLE)	1,150,300	1,477,500

<u>Variation Analysis</u>	
Original Budget 2017/18	1,150,300
Inflation	27,400
Changes in Government Grants	0
Other Government or Outside Body Changes	126,600
Demand Led Growth	0
Budget Review Savings	(12,400)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	185,600
Original Budget 2018/19	1,477,500

RESOURCES AND CENTRAL ITEMS**CORPORATE SERVICES**

The Electoral Services Team is responsible for the Electoral Register & administering all elections & referenda within the borough. They also assist with the review & implementation of local & parliamentary boundary changes. The Human Resources Team supports & enables the Council to recruit, develop, lead & manage its people effectively. The payroll service ensures staff are paid promptly and correctly, with the correct tax and pension deductions.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	1,504,600	1,380,200
Premises	2,300	2,300
Transport	3,900	3,900
Supplies & Services	188,800	488,800
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 1,699,600	<hr/> 1,875,200
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(95,300)	(95,400)
TOTAL INCOME	<hr/> (95,300)	<hr/> (95,400)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 1,604,300	<hr/> 1,779,800 <hr/>

<u>Variation Analysis</u>	
Original Budget 2017/18	1,604,300
Inflation	15,100
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(139,600)
Investment Priorities	0
Other Growth & Savings	300,000
Budget Transfers	0
Original Budget 2018/19	<hr/> 1,779,800 <hr/>

RESOURCES AND CENTRAL ITEMS**FINANCIAL MANAGEMENT**

Financial Management includes Financial Control and Accountancy. The service controls budget setting and monitoring, production of the Statement of Accounts, the Medium Term Financial Strategy and provides financial advice to senior officers and Members to inform the Council's decision making process.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	1,571,400	1,357,200
Premises	10,400	10,400
Transport	9,400	9,400
Supplies & Services	683,800	478,200
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 2,275,000	<hr/> 1,855,200
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(317,200)	(96,600)
TOTAL INCOME	<hr/> (317,200)	<hr/> (96,600)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 1,957,800	<hr/> 1,758,600

Variation Analysis

Original Budget 2017/18	1,957,800
Inflation	19,500
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(471,800)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	253,100
Original Budget 2018/19	<hr/> 1,758,600

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RESOURCES AND CENTRAL ITEMS

FINANCIAL SERVICES

This area is responsible for the Audit, Pensions administration, Procurement, Fraud and Insurance services. There is a Shared Internal Audit & Investigations Service between Richmond, Kingston, Merton, Sutton and Wandsworth Councils, with Richmond and Wandsworth as lead authorities. Costs are shared on the basis of the agreed Annual Audit Plans. The Richmond Pensions Service is part of a wider Shared service responsible for the administration of Wandsworth, Richmond, Merton, Camden and Waltham Forrester Councils' Pension Funds. Corporate Procurement lead on developing the Council's procurement strategy as well as advising on procurement & contract management across the Council.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	1,683,700	2,270,100
Premises	0	0
Transport	6,500	7,900
Supplies & Services	217,100	223,500
Third Party Payments	209,900	158,400
Transfer Payments	0	0
Support Services	632,200	733,300
TOTAL EXPENDITURE	2,749,400	3,393,200
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(1,357,500)	(2,144,000)
TOTAL INCOME	(1,357,500)	(2,144,000)
NET EXPENDITURE (CONTROLLABLE)	<u>1,391,900</u>	<u>1,249,200</u>

Variation Analysis

Original Budget 2017/18	1,391,900
Inflation	26,700
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(101,400)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	(68,000)
Original Budget 2018/19	<u>1,249,200</u>

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RESOURCES AND CENTRAL ITEMS

ICT

This budget comprises corporate ICT provision, providing IT infrastructure, support & desktop support & management of some core applications. This section creates & maintains the navigation & content for the Council's public website & intranet, develops a range of databases & web applications using e-forms, integrates web applications using web services & provides technical advice on web technology. It provides a document management service to the Council & maintains the Council's information security standards.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
Expenditure		
Employees	1,174,600	2,596,500
Premises	0	0
Transport	14,300	14,300
Supplies & Services	3,624,000	2,024,000
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	4,812,900	4,634,800
Income		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	(61,000)	(61,300)
TOTAL INCOME	(61,000)	(61,300)
NET EXPENDITURE (CONTROLLABLE)	4,751,900	4,573,500

Variation Analysis	
Original Budget 2017/18	4,751,900
Inflation	77,300
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(255,700)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	4,573,500

SECTION H

RESOURCES AND CENTRAL ITEMS

DIRECTORATE MANAGEMENT AND SUPPORT

This budget covers the costs of the Director of Resources along with the Assistant Directors of Resources and their shared executive support.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>Expenditure</u>		
Employees	323,100	326,200
Premises	0	0
Transport	9,100	9,100
Supplies & Services	62,900	62,900
Third Party Payments	0	0
Transfer Payments	0	0
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 395,100	<hr/> 398,200
<u>Income</u>		
Government Grants	0	0
Other Grants & Contributions	0	0
Customer & Client Receipts	0	0
TOTAL INCOME	<hr/> 0	<hr/> 0
NET EXPENDITURE (CONTROLLABLE)	<hr/> 395,100	<hr/> 398,200

<u>Variation Analysis</u>	
Original Budget 2017/18	395,100
Inflation	4,200
Changes in Government Grants	0
Other Government or Outside Body Changes	0
Demand Led Growth	0
Budget Review Savings	(1,100)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	0
Original Budget 2018/19	<hr/> 398,200

RESOURCES AND CENTRAL ITEMS

REVENUE SERVICES

This service includes the administration and collection of NNDR, Council Tax and Council Tax Reductions, Housing Benefit and Rent Allowances as well as the costs of these allowances, and the costs of collecting parking income from the issue of Penalty Charge Notices, the sale of parking permits as well as blue Badge issuance Fees.

	<u>2017/18</u> <u>Estimate</u> £	<u>2018/19</u> <u>Estimate</u> £
<u>Expenditure</u>		
Employees	2,354,900	2,316,700
Premises	12,300	12,300
Transport	22,800	22,800
Supplies & Services	617,000	798,900
Third Party Payments	134,000	134,000
Transfer Payments	77,636,000	77,744,200
Support Services	0	0
TOTAL EXPENDITURE	<hr/> 80,777,000	<hr/> 81,028,900
<u>Income</u>		
Government Grants	(69,781,000)	(69,770,100)
Other Grants & Contributions	(333,800)	(333,800)
Customer & Client Receipts	(527,400)	(527,400)
TOTAL INCOME	<hr/> (70,642,200)	<hr/> (70,631,300)
NET EXPENDITURE (CONTROLLABLE)	<hr/> 10,134,800 <hr/>	<hr/> 10,397,600 <hr/>

<u>Variation Analysis</u>	
Original Budget 2017/18	10,134,800
Inflation	35,700
Changes in Government Grants	49,500
Other Government or Outside Body Changes	69,600
Demand Led Growth	0
Budget Review Savings	(97,700)
Investment Priorities	0
Other Growth & Savings	0
Budget Transfers	205,700
Original Budget 2018/19	<hr/> 10,397,600 <hr/>

SECTION H

RESOURCES AND CENTRAL ITEMS

CENTRAL ITEMS

Central items includes income & expenditure that relates to the Council's treasury (or cash) management function as well as items that are budgeted for centrally that relate to all Directorates. This includes amounts set aside for items of expenditure that are not foreseen at the time budgets are set (contingency), amounts set aside for investment in specific areas during the year, non-ringfenced Government Grants & the use of the Council's general & earmarked reserves.

	<u>2017/18</u> <u>Estimate</u> <u>£</u>	<u>2018/19</u> <u>Estimate</u> <u>£</u>
<u>ASSET MANAGEMENT & TREASURY</u>		
Interest Payable	4,226,000	4,755,000
Interest Receivable	(1,497,000)	(1,326,000)
MRP (Principal Loan Repay)	4,466,000	4,067,000
Revenue Funding of Capital Expenditure	917,000	917,000
<u>CONTINGENCY & INVESTMENT ITEMS</u>		
General Contingency	500,000	576,200
Pay Contingency	1,251,900	1,652,500
Contract Inflation Contingency	0	2,525,800
Investment Initiatives	500,000	150,000
<u>NON-RINGFENCED GOVERNMENT GRANTS</u>		
New Homes Bonus Grant	(3,284,900)	(2,214,200)
Section 31 Grants	(1,038,000)	(1,038,000)
Transition Grant	(2,920,000)	0
Revenue Support Grant/Retained Business Rates	(27,566,000)	(54,786,000)
<u>OTHER</u>		
Centrally Funded Pensions	4,379,700	4,173,400
Distribution of surplus/deficit on Collecton Fund	(1,750,000)	(1,750,000)
NNDR Levy & Tariff	4,964,000	33,086,600
Contributions to Earmarked Reserves	(963,100)	(663,100)
Transfers to/from Earmarked Reserves to reduce Council Tax	(1,800,000)	(1,714,000)
NET EXPENDITURE	<u>(19,614,400)</u>	<u>(11,587,800)</u>

Variation Analysis

Original Budget 2017/18	(19,614,400)
Inflation	3,440,700
Changes in Government Grants	(22,629,300)
Other Government or Outside Body Changes	30,498,800
Demand Led Growth	0
Budget Review Savings	(300,000)
Investment Priorities	272,000
Other Growth & Savings	(3,285,000)
Budget Transfers	29,400
Original Budget 2018/19	<u>(11,587,800)</u>

SECTION I

LONDON BOROUGH OF RICHMOND UPON THAMES

CABINET

DATE: 22nd FEBRUARY 2018

REPORT OF: STRATEGIC CABINET MEMBER FOR FINANCE AND PERFORMANCE

TITLE OF DECISION: REVENUE BUDGET STRATEGY AND COUNCIL TAX 2018/19

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 £1,412.71 (an increase of 1.99% in Council Tax plus 2% for the Social Care Precept). Including the GLA precept, which has increased by 5.1%, the Council Tax will be £1,706.94.

2. RECOMMENDATIONS

- 2.1 That Members consider the advice of the Director of Resources and Deputy Chief Executive in respect of Section 25 of the Local Government Act 2003 in setting the budget (see paragraphs 3.34 to 3.45)
- 2.2 That the Council be recommended to agree the Revenue Budget for 2018/19
- 2.3 That the Cabinet notes the intention to increase the Council Tax by 2.0% in relation to the Adult Social Care precept (see paragraph 3.33)
- 2.4 **That the Council be RECOMMENDED to agree that the Band D level of Council Tax for 2018/19, including the Council's increase in Council Tax of 1.99%, the Social Care Precept of 2% and the GLA increase of 5.1%, be set at £1,706.94, an overall increase of 4.17% on 2017/18. The levels of Council Tax for all property bands are shown at Appendix A; and**
- 2.5 That the Cabinet approve the revised Medium Term Financial Strategy (Appendix C) including the efficiency/savings strategy and the capital programme.

3. DETAILS

Background

3.1 The development of the Council's financial strategy continues to be set against a background of austerity measures designed to reduce the UK budget deficit and public borrowing alongside continuing increases in demand for public services.

3.2 In developing its strategy the Council has produced a number of reports reviewing the national budget, assessing the impact of the local government finance settlement, reviewing reserves and balances and setting out the Administration's key aims and priorities for capital investment.

The Local Government Finance Settlement (LGFS)

3.4 In December 2015 the Government proposed a four year funding settlement. In announcing the provisional settlement, the Secretary of State set out a number of aims for the settlement including:

- Help with Adult Social Care; and
- The right for Councils to spend locally what they raise locally

3.5 The key headlines for the Borough arising from the four year settlement offer were:

- A 66% reduction in Government support to the Borough by 2019/20. (The national average reduction was 33.4% and the London average was 32.2%)
- No additional funding to be available to the Borough from the "Improved Better Care Fund"
- An additional tariff (loss of funding to the Council) on locally raised Business Rates of £7.5m by 2019/20.
- A transitional grant for 2 years to those authorities which suffered the sharpest losses in 2016/17 and 2017/18. Richmond therefore received £2.9m in 2016/17 and 2017/18 which has now ceased for 2018/19.

This last element was only introduced at the end of the settlement consultation following representations by a number of authorities, including Richmond, who were worst hit by the unexpected changes in methodology introduced in the 4 year settlement.

3.6 The December 2017 LGFS announcement built on the 4 year offer set out in 2015 but made the following changes:

- Introduced a proposed pilot pool for London Business Rates which will see London retain a greater share of the growth in business rates (see report to Cabinet 14/12/17).
- Included an undertaking to consult with those Councils (like Richmond) who will see "negative" Revenue Support Grant (RSG) in future years.
- Allowing Council Tax increases to be increased by a further 1% up to 2.99% in 2018/19 and 2019/20. This is in addition to the Social Care "precept" element which can be up to 3% in either of the next 2 years provided it does not exceed 6% across the 3 year period to 2019/20.

The overall Settlement Funding Assessment for London Boroughs will fall by 5.8% compared to 2017/18.

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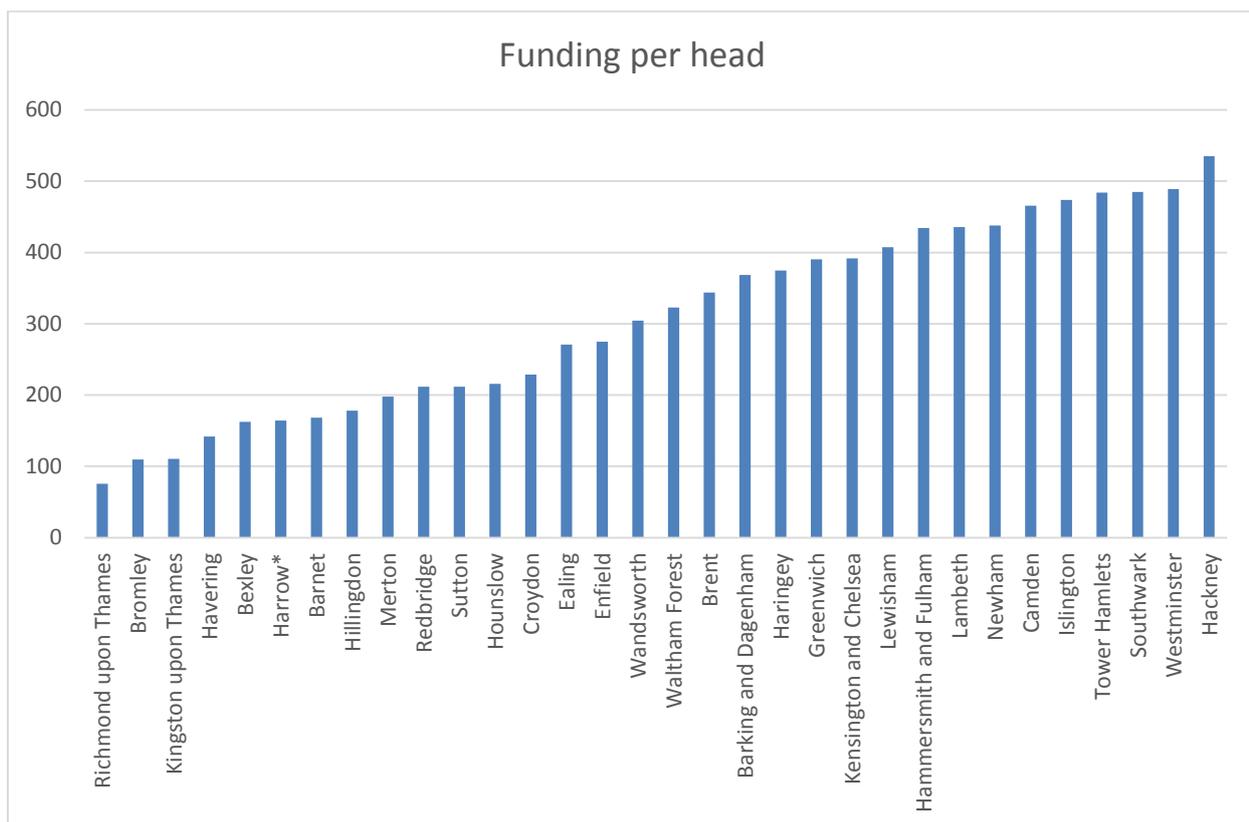
This is in addition to the following already announced changes in December 2016:

- From 2018/19 the time period over which New Homes Bonus would be generated would be reduced to 4 years and a new minimum threshold growth (below which no NHB would be payable) of 0.4% of homes would be introduced. This sees the Council lose £1,070k in 2018/19 and around a further £770k in the next 2 years.
- The Education Support Grant (ESG) was cut by £1.3m at a time where support to schools and education is already under enormous strain.

Unfortunately this means that despite having signed up to the 4 year deal, the Council is likely to receive less funding in the latest settlement *and* taxpayers could face higher bills in the next 2 years.

- 3.7 The principal reason behind this poor settlement remains that authorities such as Richmond which are characterised by historic low levels of Government funding and the consequently higher than average Council Tax, are now deemed to be “capable” of raising more resources locally. The settlement leaves Richmond, by some distance, as the lowest funded authority in London as shown in the Chart 1 below.

Chart 1: Funding per head in London



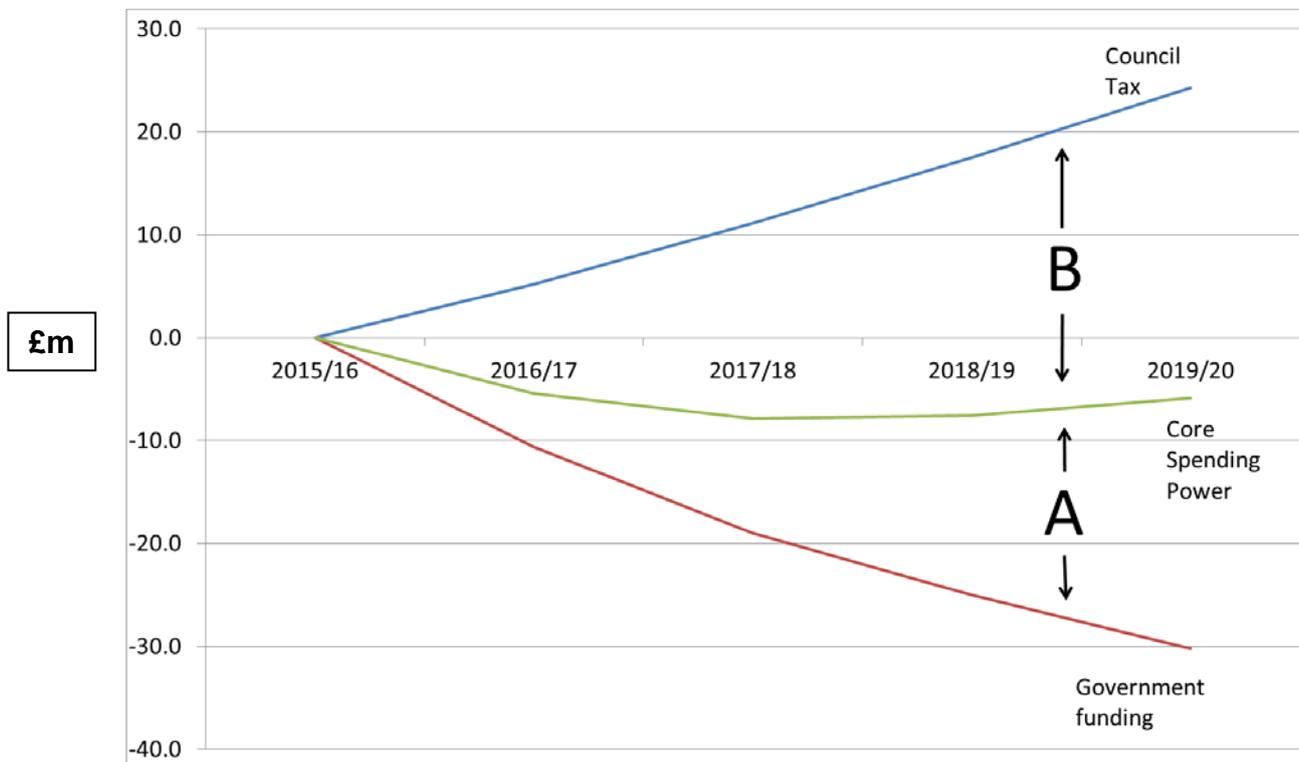
- 3.8 The Government determined Richmond’s four year settlement in terms of a 3.7% reduction in Richmond’s Core Spending Power between 2015/16 and 2019/20. Core Spending Power is made up of Government funding for the Council plus locally raised Council Tax and Business Rates and relevant grants.

- 3.9 The chart (chart 2) below illustrates how a 66% reduction in funding from Government translates to a 3.7% reduction in Core Spending Power. The loss in Government funding

SECTION I

(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 2: 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.

3.11 The Council has engaged with Government throughout this year on consultations on changes to the underlying formula and proposals for further retention of business rates. Most recently this has included responding to the Local Government Finance Settlement consultation in January and meeting with Department for Education officials to discuss schools funding in December.

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. Given the impending local election the Council intends to do a full update of the MTFS in June/July 2018 to reflect the new Administration's plans. The current MTFS has been reviewed only to update for latest assumptions and settlement information.

3.14 The latest budget monitoring data shows that the Council is forecasting £1.696m underspend on its revenue budget in 2017/18. This is made up of a number of over and underspends across the wide range of services provided by the Council but of particular note is the significant overspend on Children's Social Care and Special Educational Needs. Individual monitoring reports have been agreed by Cabinet Members and reviewed by Scrutiny.

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- 3.15 The Council continues its strong commitment and good track record of working in partnership. The Council works with the local Clinical Commissioning Group (CCG) and wider GP membership on joint commissioning across a number of services as well as with the voluntary sector and community groups to address the impact of the current economic situation. The Shared Staffing Arrangement with Wandsworth continues to identify joint procurement opportunities in addition to the efficiency and savings delivered from the shared staffing.

Balances and Reserves

- 3.19 Appendix B to this report contains a full listing of the revenue balances and reserves held by the Council and gives details on their intended application. The key issues are:
- The General Reserve currently shows as £9.96m. This is within the range (5-10% of Budget Requirement) agreed by the Council. Approximately 8% (£3m) of the quoted balances at 1.4.17 are funds that are outside of the Council's direct control e.g. school balances. In addition to this, approximately 25% (£9.8m) e.g. PFI Reserve and Insurance Funds, whilst being under Council control, are essentially not available for use for other purposes.
 - Once any schools become academies, reserves associated with these schools will be transferred out of Council funds.
 - 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 2018/19 is proposed to reduce to £1.2m. The full £4.5m currently showing in this reserve is assumed to be fully utilised across the period of the Council's MTFS.
 - The Invest to Save Reserve is anticipated to fall in 2017/18 but will be subject to decisions taken at year end in respect of funding of redundancies and set up costs associated with transformation programmes.
 - The Dedicated School Grant (DSG) has proved insufficient to meet the requirement to provide a "minimum funding guarantee" to schools and meet the rising costs of those with high needs. Whilst school funding has been removed from local authority general grant, any shortfall needs to be met by the local authority or recovered in some way from schools funds. At present the DSG has a projected overspend of £2.6m giving a projected cumulative deficit of around £8.5m at the end of the 2017/18 year. Ultimately if the DSG cannot be brought back into balance and no other source of funding is identified this could result in a call on the Council's general reserves. The Council has agreed a number of measures with AfC to seek to contain this position, however, these are unlikely to recover the existing deficit or significantly reduce the overspend in the short term. The Council has written to Government and met with Government officials requesting both additional funding and additional flexibility in existing funding streams to seek to recover this position but no changes have been forthcoming.
 - It is anticipated that, overall, reserves will fall by around £7.4m (£4.7m excluding schools) by the end of 2017/18 before any in-year under or overspend is taken into account (see Appendix B).
 - 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.

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Overall Budget Proposals

- 3.20 In line with the Constitution and in accordance with proposals agreed by Leading Members, individual service budgets have been agreed by the relevant Cabinet Member and reports have been submitted for Scrutiny.
- 3.21 The Council has had to continue to base its planning for Council Tax in the light of the serious, long term reductions in Local Government funding. It has attempted to do this in a way that strives to maintain service standards whilst addressing the need for significant budget reductions.
- 3.22 To this end the Council's efficiency programme is likely to need to increase in future years. Despite this, the Council always aims to provide for some limited investment in specific priorities.
- 3.23 In particular the 2018/19 budget has:
- Built in specific funds for new demands / costs of statutory services:
 - £0.5m to reflect increased demand for care services for adults with learning disabilities.
 - £0.5m additional costs relating to the social care provider market and the changes as a result of increases in the National Living Wage.
 - £0.3m to meet the cost of Deprivation of Liberty Requirements in Social Care (a reduction of £100,000 from 2017/18)
 - £0.15m for the following specific initiatives:
 - £50k to provide additional mental health support in schools
 - £50k to provide support to those young people leaving care to meet the cost of council tax
 - £50k to fund measures to boost in-house foster care provision
 - Included efficiency/savings/income generation of £5.2m as follows:
 - Savings from reorganisations and shared services etc. £3.9m
 - Reductions generated from procurement and contract savings £0.9m
 - Income generation and holding down inflation on supplies budgets £0.3m
 - Provided continuing support for capital investment, particularly in education.
 - Provided for a 2.0% LG pay award effective from 1 April 2018 and zero on non-contracted services.
- 3.24 The final service totals are:

	<u>£m</u>
Education and Children's Services*	34.8
Environment	18.5
Chief Executive	3.9
Housing	5.6
Adult and Community Services	52.6
Resources	21.7
Total	<u>137.1</u>

* includes £47.9m Achieving for Children Contract

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3.25 Central Items and contingency

	<u>£m</u>
Capital Funding and Investment	8.4
Business Rates Tariff / Levy*	34.8
Pensions deficit funding	4.2
General Contingency	0.5
Pay Award / Contract Contingency / Other	4.3
Transfers to/from Reserves	-1.9
Non Ring Fenced Grants	-3.3
Contribution from Reserves	-0.5
Central Items – budget requirement	46.5
Retained Business Rates	-54.8
Contribution from Collection Fund (CTAX)	-1.7
NNDR Pooling	-1.7
Central Items - funding	-58.2
Total Central Items	-11.7

* When the Government implemented partial retention of Business Rates in 2013/14 it included a “tariff” mechanism by which those authorities which raised more in business rates than they needed, according to the Government’s formula, paid a tariff to subsidise the authorities who were unable to raise sufficient funds through their local business rates.

3.26 Summary of Borough Expenditure

	<u>£m</u>
Service Estimates	137.1
Central Items and Contingency	46.5
Total	183.6

Levies

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

Levy	2017/18 £000	2018/19 £000	Variation %
West Waste	7,838	7,916	1.00
Lee Valley Park	267	215	-19.48
Flood Defence	196	196*	TBC
London Pension Fund Authority	325	325*	TBC
Coroner’s Service	124	124*	TBC

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

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

Capping/Council Tax Referendums and the Social Care “Precept”

3.28 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

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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 be increased by 1% to 3% (or higher) for 2018/19.

3.29 The Spending Review 2015 also announced that for the rest of the current Parliament, local authorities responsible for adult social care “will be given an additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care”. This flexibility was increased in the December 2016 settlement to allow the maximum “additional flexibility” to increase to 3% in both 2017/18 and 2018/19 provided it does not exceed 6% across the 3 year period to 2019/20. 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.

3.30 Taken together this would raise the maximum Council Tax increase before a referendum is required to 5.99%.

The Greater London Authority (GLA) Precept

3.31 The Band D Council Tax in respect of the GLA Precept is expected to increase by £14.20 to £294.22.

3.32 Summary of requirements and Council Tax

	£m
Total LBRuT Budget Requirement	184.157
School expenditure funded from DSG *	109.672
	<hr/>
	293.829
Less	
Revenue Support Grant / NNDR retention	-54.786
NNDR Pooling	-1.700
DSG *	-109.672
Contribution from Collection Fund (CTAX)	-1.750
Contribution from Reserves	-0.514
	<hr/>
Richmond Requirement for Council Tax	125.407
GLA Precept	26.119
	<hr/>
Total Requirement including GLA Precept	151.526

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

The Council Tax Base for 2018/19 was set as 88,769.66 Band D equivalents in the delegated authority report published on 29th January 2018.

Based on the above figures, allowing for roundings, the total tax at Band D including the GLA element would be increased to £1,706.94, an increase of 4.17%.

3.33 The table overleaf shows the impact of the increases in Council Tax provisionally proposed by the Council and the GLA:

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	2017/18	2018/19	%
	£	£	change
LBRUT	1,358.52	1,412.71	+3.99
GLA	280.02	294.23	+5.07
TOTAL	1,638.54	1,706.94	+4.17

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

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

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

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

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

- The current economic position and future outlook
- Whether budget setting and monitoring processes are robust and effective
- Demand pressures on the budget
- Identifying and achieving cost and income improvements
- Changes to the system of funding for Local Government
- Risks to Government funding levels
- Risks to other income streams

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

3.37 Local government finance issues have been dominated in recent times by cuts in government funding and pressure to keep council tax increases down set against growing demand for services. Alongside this the longer term position has also been made more uncertain by the changes in the way Government funding is calculated. The Council now has revised provisional funding figures to 2019/20 which continue to project very significant reductions in Government support. National figures suggest that austerity for local authorities may continue for some years beyond that point. Although the MTFS shows that the action taken to date has been successful in maintaining a stable financial position, and providing some limited one off investment, the longer term position remains extremely challenging and uncertain.

3.38 In considering their longer term plans Members should note that the Government has both agreed to a one year pilot in London to retain all growth in business rates (see separate report to Cabinet in December 2017) and committed to finalising its review of the underlying needs assessment which determines government resource distribution. Whilst the former offers the potential to provide additional resources to the Council in the

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short term, the broader needs review is unlikely to conclude before 2020 and it is unclear at present whether the outcome is likely to be positive or negative for the Council.

- 3.39 With a relatively low allowance for demand growth, uncertainty over the outcome of the resetting of the Government Grant formula and the need to achieve challenging savings targets, the risks inherent in the revenue budget remain significant. The Council has sufficient reserves to deal with such a position in the short term and continually reviews its savings and efficiency programme as part of medium and longer term planning. Whilst savings and efficiencies have been agreed for 2018/19 and some progress made on medium term plans, a full review of Medium Term Financial Strategy will be required immediately following the May 2018 local elections.
- 3.40 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. This will contribute towards the achievement of the Council's objectives.
- 3.41 Despite the constrained funding position, the Council remains committed to investing in the essential infrastructure, which underpins high quality services. 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 Council also believes that, faced with the level of growth projected, it is essential that the Government steps up its contribution to this essential infrastructure and will be making its case robustly to Government. 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.
- 3.42 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 full update of the MTFs. The overall level has reduced over recent years but remains adequate for the purposes identified.
- 3.43 The financial strategy relies on the use of just over £500k of one-off resources which will be met either from 2017/18 in-year underspend or from the General Fund Reserve. It also assumes that one off monies received from the Government for freezing Council Tax will be utilised to smooth increases in coming years. With levels of reserves below the London average, reserves will continue to be monitored and reviewed regularly. Both the current and projected levels of General Reserve are expected to remain within the Council's agreed range of 5-10% of the Budget Requirement. However, there is a particular concern in relation to the deficit being built up on the Dedicated Schools Budget which is now placing a significant additional strain on the Council's reserves. Discussions are currently ongoing with both schools and Government on this issue but without swift resolution this could significantly undermine the Council's future plans.
- 3.44 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, increasing longevity of members and volatile investment returns. The latest triennial fund valuation has just been completed and the Council's required contribution has been set within existing budgets by the new Joint Pension Committee (Wandsworth and Richmond Pension schemes merged with effect from October 2016).
- 3.45 In summary, the Chief Financial Officer (being the Director of Resources and Deputy Chief Executive) confirms that he is content that the estimates are robust for the purposes of the required budget/council tax calculations and that the Council's reserves are

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adequate in the short to medium term, although the position in relation to the DSG deficit presents a particular risk at this time.

4. FINANCIAL AND EFFICIENCY IMPLICATIONS

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

5. PROCUREMENT IMPLICATIONS

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

6. LEGAL IMPLICATIONS

6.1 There are none arising directly from this report.

7. DIGITAL IMPACT ASSESSMENT

7.1 There are no specific digital implications arising from this report although it is the Council's expectation that digital initiatives will contribute significantly to the Council's ongoing efficiency programme. To the extent that the purpose of this report is ultimately to ensure appropriate budgetary provision for all Council services, there is now a requirement, in line with the Council's Digital Strategy, for these services to carry out a Digital Impact Assessment for any Cabinet reports relating to any proposed changes or initiatives.

8. CONSULTATION AND ENGAGEMENT

8.1 The Council has undertaken a number of Residents Surveys in recent years which have included key questions on their priorities for spending and opinion of the Council's approach to financial management. The results have been used to inform the budget strategy.

8.2 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.

8.3 Scrutiny have also considered relevant detailed service budget reports and have the opportunity to comment before Cabinet recommends final decisions to Council.

9. POLICY IMPLICATIONS/CONSIDERATIONS

9.1 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.

10. RISK ASSESSMENT

- 10.1 The risks faced by the Council in relation to financial planning and budget setting are set out in the MTFS and in paragraphs 3.34-3.45 of this report as part of the Director of Resources and Deputy Chief Executives' comments on Section 25 (2) of the Local Government Act 2003.
- 10.2 Many of the risks are similar to previous years but it is particularly worth noting the risks in relation to Government Funding, Schools and Children's/Adult social care.

11. EQUALITY IMPACT/CONSIDERATIONS

- 11.1 Appendix D considers the equality impact of major changes to the 2018/19 budget.

12. APPENDICES

Appendix A – Council Tax Bands 2018/19
Appendix B – Revenue Reserves
Appendix C – Medium Term Financial Strategy
Appendix D – Equality Impact Assessment

13. BACKGROUND PAPERS

None

14. CONTACTS

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Council Tax Bands 2018/19

Band	Richmond Council Tax (2018/19) £	Greater London Authority (2018/19) £	Total Council Tax (2018/19) £
A	941.81	196.15	1,137.96
B	1,098.77	228.85	1,327.62
C	1,255.74	261.54	1,517.28
D	1,412.71	294.23	1,706.94
E	1,726.65	359.61	2,086.26
F	2,040.58	425.00	2,465.58
G	2,354.52	490.38	2,844.90
H	2,825.42	588.46	3,413.88

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DESCRIPTION	Actual Balance at 1.4.16 £000	Estimated Revenue Usage 16/17 £000	Estimated Capital Usage 16/17 £000	Estimated Additions 16/17 £000	Estimated Balance at 31.3.17 £000	PURPOSE OF RESERVE
STATUTORY RESERVES OVER WHICH THE COUNCIL HAS LIMITED OR NO CONTROL						
Schools	-9,730	*	*	*	-9,730	Ring fenced to schools.
Schools' Maternity & Supply Cover Scheme	-313	*	*	*	-313	Internal insurance arrangement for supply and maternity cover in schools.
Dedicated Schools Grant Reserve	1,954	3,900	*	*	5,854	Created from underspend of Dedicated Schools Grant. Earmarked for schools expenditure.
Orleans House	-403	35	0	0	-368	Balance of rent income received on trust assets managed by the Council. To be used in relation to the Orleans House site.
Home Loans Unit	-145	0	0	0	-145	Funds associated with former GLC mortgages (distributed across all London Boroughs).
Thames Landscape Strategy	-26	26	0	0	0	Ringfenced reserve managed on behalf of London Boroughs.
South London Partnership Reserve	-204				-204	5 borough collaboration to promote sustainable growth.
Sub total	-8,867	3,961	0	0	-4,906	
NON STATUTORY BUT ESSENTIAL RESERVES						
PFI Reserve (Future Liabilities)	-7,310	0	0	-638	-7,948	To allow for future smoothing of annual payments under PFI contracts.
General Insurance Reserve	-1,241	83	0	0	-1,158	Internal insurance fund (non vehicle). Revaluation is completed as part of the insurance tendering process.

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Vehicles Insurance Reserve	-148	12	0	0	0	-136	Internal insurance for Council vehicles.
Sub total	-8,699	95	0	-638	-9,242		
DISCRETIONARY RESERVES CURRENTLY EARMARKED							
Council Tax Freeze Grant	-6,286	1,800	0	0	-4,486	To be used to contribute to minimising Council Tax in future years.	
Repairs and Renewals Fund	-2,737	0	784	-407	-2,360	Purchase or creation of assets providing benefits of at least 3 years.	
Waste & Recycling Reserve	-2,134	104	0	-120	-2,150	Used to fund Waste and Recycling Strategy.	
Invest to Save Fund	-2,135	1,332	0	0	-803	Funding for efficiency work across the Council, including an allowance for redundancy costs.	
All in One Uplift Projects	-1,160	0	0	0	-1,160	To support the development of Uplift projects and also projects resulting from the All in One Consultation/Twickenham Riverside.	
Youth Development Fund	-249	0	0	0	-249	To fund capital schemes to improve youth facilities.	
Commitments Reserve	-248	0	0	0	-248	Unspent revenue budgets carried forward for specific Cabinet approved projects (voluntary sector funding).	
Climate Change Reserve	-505	22	0	-42	-525	To support the Council's Sustainability Team in reducing the threat of climate change, to cut carbon emissions and promote energy efficiency.	
Youth Centres Reserve	-142	0	0	0	-142	Income generated by youth centres (e.g. lettings) which is earmarked for re-investment within youth services.	
Lincoln Fields	-222	0	0	-40	-262	Net income for Lincoln Field site to be put towards pitch re-surface as per Football Foundation agreement.	

Economic Support Fund		37	0	0	-220	Support for economic development initiatives.
VAT Reserve	-257	0	0	0	-105	To cover potential tax liabilities.
Village Plans Reserve	-409	175	0	0	-234	Fund to support residents' community programs.
Other Reserves	-428	62	0	0	-366	Various small reserves (under £100k).
Sub total	-17,017	3,532	784	-609	-13,310	
GENERAL FUND						
General Reserve (available for any purpose)	-9,956	0	0	0	-9,956	To be used to contribute to minimising Council Tax in future years.
TOTAL RESERVES	-44,539	7,588	784	-1,247	-37,414	

* 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

*February 2018 **Interim**
Update*

(full update to be carried out June 2018)

SECTION I

1 **EXECUTIVE SUMMARY**

This document provides an initial update to the Council's Medium Term Financial Strategy (MTFS) in the context of the ongoing funding reductions which are being implemented by central Government as part of the deficit reduction policy. A full review will be carried out following the local elections in May 2018.

2 **Key Objective of the MTFS**

The key objective of the MTFS is to set the lowest possible Council Tax consistent with achieving the aims of the Corporate Plan.

In pursuing this aim, the Council will:

- be open and accountable,
- support the most vulnerable 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.

There are 4 key factors driving the review of the MTFS:

- Central Government policy in relation to local government funding as reflected in the LGFS,
- The requirement for the Council to achieve further expenditure reductions whilst maintaining the quality of services,
- The continuing need for capital and infrastructure investment,
- The desire to restrict increases in Council tax where possible.

2.1 **Local Government Finance Settlement (LGFS)**

2.1.1 The Final 2018/19 LGFS is reported in more detail in the 2018/19 Council Tax report which identifies the following key changes to the 4 year (2016/17-2019/20) settlement:

- Introduction of a proposed pilot pool for London Business Rates which will see London retain a greater share of the growth in business rates (see report to Cabinet 14/12/17).
- Included an undertaking to consult with those Councils (like Richmond) who will see "negative" Revenue Support Grant (RSG) in future years.
- Allowing Council Tax increases to be increased by a further 1% up to 2.99% in 2018/19 and 2019/20. This is in addition to the Social Care "precept" element which can be up to 3% in either of the next 2 years provided it does not exceed 6% across the 3 year period to 2019/20.

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2.2 Progress of Efficiency Plans

Between 2011/12 and 2017/18, the Council achieved efficiencies of approximately £56m. These savings can broadly be categorised as £27m from internal restructuring and the sharing of services with other organisations, £17m from procurement and contract savings and £12m from income generation, inflation restrictions and other savings.

The funding issues raised elsewhere in this report will require additional savings to be identified and implemented in order to achieve the lowest possible Council Tax increases in future years. The figures in this report identify £5.2m of savings for 2018/19 and further savings of £4.2m over the following 2 years. These figures include £4.6m of further savings related to the Shared Staffing Arrangement (SSA) with Wandsworth Council. Significant further savings will be required beyond 2018/19. The exact level of savings will depend on the Council Tax levels agreed and the outcome of various consultations and the review of the local government finance system proposed by the Government. A full update of savings and efficiency plans will be carried out in May / June 2018.

2.3 Capital Programme

A review of the capital element of the MTFs and the Capital Programme for 2017/18 to 2022/23 is set out in a report to Cabinet on 22 February 2018. The Capital Programme totals around £146m over the 6 year period. Education projects (43% of the total programme over the next 5 years) continue to be the largest element of the programme.

The table below shows some of the key capital financing expectations for forthcoming years. Importantly external debt is likely to rise unless new sources of alternative funding can be identified. The potential increase in borrowing costs will be spread over a number of years as the Council will run down its internal cash holdings in the short term (see commentary in capital programme and treasury reports) which will help to limit its impact on Council Tax. In the long term the potential increase in borrowing nevertheless remains significant. Given the overall revenue projections it is clear that the Council will need to review its commitments for the future carefully to ensure they are affordable.

	2018/19	2019/20	2020/21	2021/22	2021/22
	£000s	£000s	£000s	£000s	£000s
Total capital expenditure	35,163	21,471	11,816	11,566	13,286
Capital expenditure to be funded from revenue budgets, reserves and capital receipts	9,743	0	0	0	0
Capital expenditure to be funded from grants and contributions	14,247	9,410	5,525	5,775	5,119
Capital expenditure to be funded from borrowing (internal/ external)	11,173	12,061	6,291	5,791	8,167
Implied underlying need to borrow at 31 March	185,916	193,185	194,360	194,812	197,581

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The underlying need to borrow at 1 April 2018 is estimated to be £179.3m, rising to £185.9m by year end. The current actual level of outstanding external borrowing is £115m.

The above table shows that the Council still has a significant Capital Programme and although some is funded through Government Grant, the current plans include assumed increased borrowing. The Council believes that it is essential that this impact is limited by Central Government providing more direct capital funding (particularly for schools) and has included this in its case to Government.

3 The Outlook for Council Tax

- 3.1 This strategy models the position if the Council increases its Council Tax by 3.99% per annum for the next 3 years. The Council is allowed, under newly announced guidelines, to increase its Council Tax by up to 5.99% in the next year provided at least the equivalent of 3% of this extra income is spent on protecting social care. It has always been the Council's aim to minimise the increase in Council Tax (which the majority of householders must pay) but to also balance this with the need to provide the level of universal services that residents expect, whilst focussing on the services to the most vulnerable residents.

The final decision on Council Tax each year will be dependent on a variety of factors including final Government funding decisions, achievement of savings and efficiencies, income from fees and charges, and inflationary pressures. Whilst this strategy provides a framework, it will therefore be kept regularly under review.

4 Key Risks/Opportunities

- 4.1 The Council faces a range of risks which can potentially have a serious impact on its financial position. Set against these are a number of opportunities which may benefit the Council. The major identified risks and opportunities are considered in more detail in Annex 3.
- 4.2 In overall terms, the Council's plans for efficiency, longer term commissioning programmes, Achieving for Children, cost control and governance frameworks, seek to ensure that the risks are mitigated and opportunities exploited where possible. The sensitivity analysis set out in section 6 below identifies how changes in different elements of income or expenditure can affect the Council's budget and Council Tax.

The Council maintains a number of reserves and balances aimed at both protecting against financial risks and providing opportunities for targeted investment. The overall position is reviewed in the 2018/19 budget setting report and will be reviewed again at the end of the financial year.

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5 Conclusion/ Forward Financial Strategy

5.1 The table below sets out our current estimates of expenditure (see detailed lists in Annex 1 and underlying assumptions in Annex 2), at this stage, for the next 3 years:

	2018/19	2019/20	2020/21
	£000	£000	£000
Base Budget	149,086	183,643	158,656
Inflation	4,324	4,634	4,850
Government led	3,544	1,093	725
Increases resulting from outside bodies	31,662	-28,224	1,490
Demand led growth	883	1,000	1,000
Investment priorities	272	212	503
Efficiency proposals/ income generation	-5,226	-3,799	-392
Other growth and savings	-902	97	-45
LBRUT Service Expenditure	183,643	158,656	166,787
Formula Grant	0	0	0
Tariff Adjustment	0	7,470	9,470
NNDR Retention	-54,786	-26,431	-26,431
Collection Fund Ctax	-1,750	-1,500	-1,250
Business Rate Pooling	-1,700	0	0
LBRUT Council Tax Requirement	125,407	138,195	148,576
CTAX Base	88,770	89,370	89,970
CTAX Richmond Element	1,412.71	1,546.32	1,651.39
Percentage Increase	3.99%	9.46%	6.79%
Council Tax at 3.99% = Funding Gap of:		6,902	4,226

5.2 The figures in the model imply savings still to be identified of up to £11.1m in the medium term assuming Council Tax rises of 3.99%. However, given the introduction of the new London Business Rates pooling pilot and the announcement of a consultation specifically in relation to “negative RSG” the projection of this gap is even more uncertain than in recent years. By way of example, if “negative RSG” were to be removed the savings “gap” would drop by almost £9.5m over the two years and, alternatively, if the Government do not address the funding shortfall in

SECTION I

DSG High Needs this could add some £4m to the savings gap.

- 5.3 Despite the forward financial planning and action taken by the Council to date, the overall financial position has become significantly tighter over the last 2 years, leaving the Council with relatively little room to deal with unexpected demands i.e. any further growth in costs above those estimated above are likely to need to be matched £ for £ with further savings proposals.

6 Sensitivity analysis of projections

- 6.1 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 (excluding Dedicated Support Grant (DSG) and schools related expenditure).

<u>Description</u>	<u>18/19</u> <u>£000</u>	<u>18/19</u> <u>%</u>
Employee Costs	46,870	10.3%
Premises Costs	12,338	2.7%
Transport Costs	3,452	0.8%
Supplies and Services Costs	10,168	2.2%
Third Party Payments	132,438	29.0%
DSG Expenditure	109,672	24.0%
Transfer Payments	89,050	19.5%
Support Services	733	0.2%
Treasury	8,413	1.8%
Central Items	43,788	9.6%
	456,923	100.0%
Funded by:		
Income from Fees and Charges etc.	-62,223	13.6%
Housing Benefit Subsidy	-68,928	15.1%
Government Grants:		
Revenue Support Grant/ NNDR	-54,786	12.0%
Specific Government Grants	-26,827	5.9%
Non Ring Fenced Grants	-3,252	0.7%
DSG	-109,672	24.0%
Collection Fund Surplus	-1,750	0.4%
NNDR Pooling	-1,700	0.4%
Transfers from Reserves	-2,377	0.5%
Council Tax	-125,407	27.4%
	-456,923	100.0%

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

The largest variable elements of the budget are staffing costs, third party payments and the income, predominantly from fees and charges for services. Relatively small changes in these have a significant impact on the overall financial position.

- 6.2 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 £2.0m (excluding housing benefit payments and DSG). The model assumes that the budgetary effect of general inflation is restricted wherever possible and held low over the next 4 years.
- 6.3 There has been consistent pressure on "demand led" budgets over the years

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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. Although the exact impact of this cannot be known, there is a significant underlying risk related to the level of care that may be required as well as numbers of clients. The Council currently spends approximately £75m 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.

- 6.4 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 stabilize in the future, there will remain the underlying risk of shortfalls. The Council currently budgets to collect around £62m in fees, charges and non-government grants or contributions. If the Council underachieved these budgets by 1%, it would lose £0.6m in income.
- 6.5 A further key variable is the level of Government support for services. This comes to the Council in a variety of ways e.g. Settlement Funding Assessment (Revenue Support Grant and Retained Business Rates), specific grants and non-ring fenced grants. As discussed earlier, these will be under severe pressure for the foreseeable future as the Government takes steps to reduce the public sector deficit. The total funding received from Government (including Retained Business Rates and Pooling) is currently £53m so each 1% reduction costs the Council £0.5m.
- 6.6 The overall impact of a 1% adverse change in these factors would be a cost to the Council of approximately £4.4m, which is equivalent to around £50 on a Band D Council Tax. This clearly illustrates the potential impact of the volatile risk factors underlying the budget.

7 Key actions and reports in the next 6 months

- 7.1 The following summarises the key actions and reports that will impact on the Council's budgetary position in the next 6 months:

- Revenue and Capital outturn reports (May/June),
- Consultation on negative RSG (Spring?)
- MTFs Review and revised efficiency programme (June/July)
- Q1 monitoring report for 2018/19 (July),
- Performance monitoring reports (July onwards)
- Final Accounts 2017/18 and reserves and balances review (July),
- DCLG proposals on the future of Local Government Finance and 100% retention of Business Rates (throughout 2018)

The above will all be monitored via reports to the Cabinet and where appropriate/ requested with Scrutiny.

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ANNEX 1

Description	2018/19 £000	2019/20 £000	2020/21 £000
Council Tax Requirement	119,770	125,407	138,195
<u>Inflation</u>			
Employees (Pay Award, etc.)	1,353	1,032	1,268
Contract Inflation	2,817	2,815	2,767
Prices General	482	1,051	1,086
Fees and Charges	-328	-264	-271
	4,324	4,634	4,850
<u>Government Grant Changes</u>			
Loss of Revenue Support Grant	3,453	7,470	2,000
Retained NNDR, Levy, Tariff and S31 Grants	-30,373	28,355	0
London Business Rates Pool	-1,700	1,700	0
Transition Grant	2,920	0	0
Changes in Specific and Other Grants	-560	1,068	430
Matched by Changes in Expenditure Budgets	-237	-357	-343
New Homes Bonus Grant	1,071	257	513
Housing Benefit Admin Grant	50	125	125
	25,376	38,618	2,725
<u>Impact of Outside Body/ Grant Changes</u>			
Concessionary Fares	70	217	228
WLWA Levy / Loan Interest	66	16	222
Change in NNDR Tariff and Levy	29,817	-29,497	0
Change in Use of Freeze Grant Reserve	600	400	400
National Living Wage	500	500	500
Other	609	140	140
	31,662	-28,224	1,490
<u>Demand Led Growth</u>			
Care Services for Older People/ LD	883	500	500
Looked After Children	0	500	500
Rents	0	0	0
	883	1,000	1,000
<u>Investment Priorities</u>			
Treasury (Changes to the Capital Programme)	122	362	503
Other investment priorities	150	-150	0
	272	212	503
<u>Efficiencies/ Income Generation</u>			
Restructures/ Shared Services	-200	-300	0
Wandsworth Proposals	-2,782	-1,868	0
Contracts/ Procurement	-472	-262	-39
AFC Contract Efficiencies	-1,011	-525	0
Income Generation/ Inflation Reductions	-411	-344	-353
Other Efficiencies	-350	-500	0
	-5,226	-3,799	-392

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Other Growth and Savings

Local Election	300	-300	0
Treasury (Effect of Interest Rate Changes)	-87	-93	-145
Deprivation of Liberty Safeguards	-100	0	0
Other	-501	-24	100
Council Tax Collection Fund Surplus	0	250	250
Use of Reserves	-514	514	0
	-902	347	205

Final Council Tax Requirement

125,407	138,195	148,576
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Acronyms used

WLWA	West London Waste Authority
NNDR	National Non Domestic Rates
HB	Housing Benefit
LD	Learning Difficulties
SEN	Special Educational Needs
BID	Business Improvement District
AFC	Achieving for Children
S31	Specific NNDR Grants

Significant Known/ Committed Cost Pressures

Inflation

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

Inflation – Salaries and General Prices

This needs to allow for the projected pay award for 2018/19 along with salary progression and general price inflation. The MTFS assumes 2.0% increase for 2018/19 to 2019/20, which is in line with OBR projections for inflation and Government statements on public sector pay restraint. No allowance has been made for inflation on other items except where stated below.

Inflation – Energy

Energy costs continue to be very difficult to predict with events overseas and currency values having an impact as well as changes in demand. For 2018/19 and 2019/20 an increase of 5.0% per annum has been included.

Inflation - Pensions

The triennial valuation of the Council's pension fund was carried out in 2016/17. This was as proposals were being developed for the merger of the fund with London Borough of Wandsworth's pension fund. 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 2019/20.

Inflation – Contracts

The Council has a significant level of outsourced services 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 allowance of 2-3% has been made in the MTFS. The Council will, however, continue to seek to negotiate lower increases where possible.

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

Capital Financing Costs/ Investment Income

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

Adult Social Services growth and efficiency measures

The restructure and modernisation of these services has continued to yield both performance and efficiency gains. Nationally, the Government has recognised that rising demand on social care and health budgets represent one of the greatest pressures on public finances. This has led to a greater drive for integrating care and the partial introduction of the Care Act, the Better Care Fund and the ability to raise a higher level of Council Tax to help support adult social care. Councils remain concerned that insufficient funding has been provided by Central Government for social care and that the Government expects councils to raise additional funds through Council Tax.

Schools Funding/Special Educational Needs

Although school funding is provided direct from Government via a specific grant which has been protected from the higher levels of grant cuts seen in other parts of the public sector, the Council holds the funding risk where Dedicated Schools Grant (DSG) proves insufficient to meet statutory requirements. DSG is currently projected to have an accumulated deficit of around £8.5m by the end of 2017/18 and be growing by £2m+ p.a. The Council is engaging with the Government on this issue and considering what other action can be taken to recover this position but there is a risk that this funding shortfall will need to be met by the local taxpayer.

Social Care for Children

Plans to control the growth in expenditure have been agreed however, there remains a risk that growth in children looked after placements will outstrip these plans.

National Living Wage

The Government has announced the introduction of a National Living Wage rising to £9 per hour by 2020. The exact annual increase and the impact this will have on contract costs is difficult to predict with accuracy. An allowance has been made in the MTFS but this will be reviewed and adjusted in the light of experience.

Risks and Opportunities

The identification and Achievement of Savings Plans

The MTFS is modelled on the basis that the Council will achieve all the savings targets it sets within the agreed timescales. The focus of the plan is across all the next 4 years not just 2018/19. 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

The current economic climate remains challenging, leaving little scope for improvements in Government funding.

Inflation

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

Government Funding

The Government has set out figures for the 4 years to 2019/20 which show significant reductions in local government funding. It has announced one possible change to this in that it is consulting specifically in relation to those authorities who become "RSG negative" as a result of these changes (this includes LBR). The Government is also consulting on transferring further responsibilities to local government alongside the "localisation" of 100% of Business Rates income. This will include a review of the underlying needs formula. Each of these changes offers both risks and opportunities for the Council and officers will engage fully in consultations.

Business Rate collection

The new system of Local Government Finance passes a significant financial risk to local authorities in that the failure to collect the target level of Business Rates will result in direct financial loss. The system also retains nationally set elements for reliefs and discounts over which councils have no control. Whilst Richmond has a good record of collection, economic pressures on businesses could put this at risk. Conversely, a proportion of any additional income generated by the Council can be retained in future years.

The introduction of pooling for London offers potential for London to retain a greater share in the growth in Business Rates, however, modelling is in the early stages and the inclusion of expected growth must therefore represent a new risk to the Council.

The actual position continues to be very difficult to monitor and predict because of the high levels of appeals in the system and the impact of the revaluation.

Looked after Children Budgets

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

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Adult Social Care

A combination of demand pressure, reducing local government funding and squeezed local health sector funding means that adult social care is likely to continue to provide one of the key pressures on the Council's budget in future years. The Council was one of very few to receive none of the "enhanced Better Care Fund".

The Social Care precept (additional flexibility to increase Council Tax) will also increase market expectations in this area.

Investment Income/Capital Investment

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

Homelessness

Spending is demand led against statutory criteria and the Council's costs in this area have risen during 2017/18. 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.

Contracts

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

Savings from shared services partnership working including joint commissioning

The Council has a number of projects in this area including the Shared Staffing Arrangement with Wandsworth, Achieving for Children, legal services, shared audit services and various care services. The Council's strategy continues to review 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 at 2018/19 Budget Setting)

Extension of the Strategy

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

Criteria to Assess Relevant Projects

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

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

Proposed Projects to be funded from Capital Receipts

The London Borough of Richmond intends to make use of 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.

SSA Costs and Savings

The SSA was formally established on 1 October 2016. The final spend on the SSA project is unknown at

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this point, as it will include items such as redundancy costs which are dependent on individual staffing decisions and systems costs which will be dependent on detailed reviews which have yet to be carried out. The Council's MTFS includes a further £9m of achieved/planned efficiencies for 2018/19 to 2019/20.

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.

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. It is unlikely that the Council will need to fully utilise this level of receipts but an initial profile has been assumed as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
Use of Capital Receipts	£2.2m	£0.8m	£5.0m	tba	tba	tba

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

The SSA formally started on 1 October 2016, when staff moved to joint employment by both authorities, and the Richmond pension fund was formally closed. Start-up costs incurred during 2016/17 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.

Impact on Prudential Indicators

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

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

LONDON BOROUGH OF RICHMOND UPON THAMES

CABINET

DATE: Thursday 22nd February 2018

REPORT OF: STRATEGIC CABINET MEMBER FOR FINANCE AND PERFORMANCE

TITLE OF DECISION CAPITAL PROGRAMME 2017/18 to 22/23

WARDS: (All Wards);

KEY DECISION?: YES

IF YES, IN FORWARD PLAN?: YES

For general release

1. MATTER FOR CONSIDERATION

1.1 The report reviews the current 6 year capital programme, details new schemes, and looks at how the capital programme is funded.

2. RECOMMENDATIONS

- That Cabinet approve the overall Capital Budget for 2018/19 in Appendix A and that it be RECOMMENDED to Council for approval in March.
- That Cabinet note the proposals in Appendix A for financial year 2019/20 to 2022/23.
- That Cabinet approve the Prudential Indicators in Appendix B be RECOMMENDED to Council for approval in March.
- That Cabinet approve the Capital Strategy in Appendix C be RECOMMENDED to Council for approval in March.

3. BACKGROUND

3.1 Since 2010 the Council has spent £384m on the Capital Programme. The key achievements in this time include:

- Creation of 3,269 new primary places by expanding existing schools
- Creation of 210 new primary places in a new school (St Richard Reynolds Primary)
- Helping to enable the creation of 1,414 primary places in four new Free Schools (Deer Park, St Mary's Hampton, Thomson House and Twickenham Primary Academy)
- Helping to enable the creation of 3 new secondary schools
- Expansion of an existing secondary school (Christ's).

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- The Uplift Programme has completed infrastructure improvements in a number of areas including Hampton Hill High Street, Whitton High Street and Twickenham Town Centre.
- The Uplift Programme funded design work, community engagement and preparation and submission of planning permission for Twickenham Riverside
- 35,500 sq meters of borough roads resurfaced using Council funding
- 19,400 sq meters of principal roads resurfaced using Transport for London grant funding
- The Housing Capital Programme has part funded 259 affordable units.

3.2 The current 6 year Capital Programme was approved by Cabinet in February 2017. That programme included a potential need to borrow a further £87.8m, which brought the Council's total underlying need for borrowing by the end of the programme to around £197m

4. OUTTURN 2016/17

4.1 Final outturn for 2016/17 was £51.9m, of this £25.5m was funded from increased borrowing (£15m external and £10.5m internal). This £51.9m is net of £9.8m slippage between Q3 figures used in the February report and Outturn.

4.2 Between the February 2017 report and Outturn, the following new schemes totalling £4.6m and funded from specific resources were added to the programme:

Scheme	£000	Approved by
New Schemes		
SSA Set Up Costs	2,200	Flexible Use of Capital Receipts per MTFS
Schools – Contributions to capital to broaden projects	1,287	Schools regulations
Depot improvements	166	Existing revenue budget
S106 & Contribution funded schemes	97	S106
Various smaller schemes	23	Virement of revenue budget / ringfenced external funding
	3,773	
Increased Funding		
Highways & Pavements	500	Use of existing revenue funding
Sports facilities	301	Use of existing revenue / new external contributions
Increased TfL Grant Funded Schemes	30	Additional TfL Grant
	831	
Total Change in 16/17 Budget	4,604	

4.3 The programme was refinanced to reduce borrowing by £3.8m at outturn, primarily through the use of £3.2m of grant (including £2.8m of Site Purchase

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Grant which became available on completion of the Egerton Road purchase) and £1.4m unrestricted S106 funding.

5. THE CURRENT PROGRAMME

5.1 The overall 6 year capital budget as reported in February 2017 was £168.5m. The main schemes in the 6 year Capital Programme relate to schools expansion projects, the provision of affordable housing, uplift schemes, TfL and Highways & Pavements works.

5.2 During the course of the year various new schemes have been added to the programme which has been approved by Cabinet. A breakdown of these new schemes is given in paragraph 5.8 below.

5.3 Transport for London

Transport for London (TfL) allocated £4.2m grant funding (compared to £3m in 16/17) to the Council for 2017/18 and this has been added to the Programme. This grant is bid for and therefore must be used per the grant agreement. It gives additional external funding to improve the Borough's roads, pavements and transport option in line with Council priorities.

5.4 Schools Expansion

The current Capital Programme commits a further £54.4m towards schools expansion. This includes £1.1m of additional Schools Conditions Allocation new grant funding and £0.2m of S106 added during the year, as reported to Cabinet in July 2017 as well as the additional £1.8m required for Stanley Primary. Members have received updates on progress on the more significant schemes during the year, including Stanley, Russell/Strathmore and the use of the Clarendon site as temporary accommodation for Turing School.

5.5 Affordable Housing and S106 Schemes

It is forecast that 64 affordable homes will complete by March 2018. Maximising and enabling the development of affordable housing is a corporate priority both through utilisation of grant and land assets. Affordable housing assists in managing homelessness demand and use of temporary accommodation and meets wider housing demands including for low cost homeownership.

The Council requires Registered Providers to provide a business case to demonstrate no alternative funding is available. This process has secured maximum affordable housing provision without the need for Council contributions.

The Council is working closely with RHP on the Ham Close regeneration project, as well as extensions and conversions to provide large family home, and other projects, subject to review of a business case. Officers are developing the business case for a 'Do it yourself shared ownership' scheme for Member consideration later in the year.

5.6 Uplift Schemes / Twickenham Riverside Rediscovered

The Council committed £10m to area uplift schemes during the last administration and is committed to continuing these schemes. In addition £4.1m of Council funded expenditure was approved over the life of the phase 1 programme and included the purchase of King Street/Water Lane site. Consultation on the use of this site has led to the Twickenham Rediscovered proposals, with procurement of the construction project approved by January

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Cabinet. The Programme will be updated to reflect this scheme when contracts are let and final costs are known.

5.7 Richmond Adult Community College Share Workspace (bridge)

In November 2015 Cabinet committed £332k to match funds provided by the LEP and RACC to help sustain business growth in the borough through the provision of a co-working business space on the Richmond Adult Community College campus. The total budget of £665k has been added to the Programme. The College have since reviewed the scheme and no longer need the Council's funding, therefore the scheme is removed from the Programme.

5.8 The tables below summarise the revised programme and funding after allowing for the changes since the programme was first agreed in February 2017:

Scheme	£000	Approval
Transport for London (grant funded)	4,212	Grant funded - approved on TfL bid
Additional Funding for Stanley rectification works	1,810	Cabinet November 2017 – borrowing
Schools Planned Maintenance - Schools Condition Allocation grant	1,145	Cabinet July 2017 - use of new grant
Schools funded by CIL/S106	216	Cabinet July 2017 - use of S106/CIL
S106 funded schemes	503	S106 funded - approved as meeting S106 conditions
Community Pavement Repair Fund	500	Use of £500k Investment Priority budget for Capital
Total New Schemes	8,386	
RACC Shared Workspace	-663	RACC no longer require RuT joint funding
Existing Scheme Deleted	-663	
Total Change in the Programme	7,723	

5.9 The changes since the current Programme was approved a year ago are summarised below :

	£000	£000
6 Year Programme approved February 2017		168,510
Changes to budget between February and year end (para 4.2)		4,604
2016/17 budget expended during the year (para 4.1)		-51,890
Remaining 5 Year Programme at 1st April 2017		121,224
Changes to the budget during 2017/18 (para 5.8) :		
TfL Schemes	4,212	
Schools Schemes	3,674	
Community Pavement Repair Fund	500	
Loan to RACC	-663	
	<hr/>	7,723
Current Programme 2017/18 to 22/23 (before changes proposed in this report)		128,947

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- 5.10 The changes above have not all impacted the need to borrow. The increase has been offset by increased grant funding and identifying schemes where borrowing can be replaced with S106 or CIL funding. The impact of these changes on the financing of the Programme is summarised below :

	£000	£000
6 Year Programme at February 2017 - Unfinanced Spend (borrowing requirement)		87,848
New financing identified at Outturn (para 4.30)		-3,754
2016/17 budget financed during year		-25,492
Remaining Unfinanced 5 Year Programme at 1st April 2017		58,602
Changes to the unfinanced budget during 2017/18		
:		
Stanley Rectification Works (new spend)	1,810	
Various small schemes	-52	
Refinancing - Additional ESFA grant	-2,539	
Refinancing - Use of CIL/S106 collected during 16/17	-5,859	
Refinancing – Additional revenue contribution	-917	-7,557
		51,045
Current Financing Requirement 2017/18 to 22/23 (before changes proposed in this report)		51,045

- 5.11 Further details about the Council's funding sources are given in paragraph 7.

6. NEW SCHEMES AND INCREASES TO BUDGETS

6.1 Basic Needs - Additional Grant

The previous programme included an estimated grant allocation of £2m per year from 2019/20 onwards. The Council will not allocate grant funding to specific projects until grant settlements are confirmed by the ESFA for the years 2019/20 to 2021/22.

6.2 Transport for London (TfL) - Additional Grant

Grant funding for 2018/19 has now been announced as £1.9m. This is significantly lower than in previous years.

6.3 Village Planning Fund – Use of Neighbourhood Community Infrastructure Levy (NCIL)

The CIL Regulations require local authorities to allocate a proportion of CIL receipts as Neighbourhood CIL (NCIL). Neighbourhood CIL (NCIL) must be used in the locality directly affected by development, and is to be spent on priorities in accordance with the wishes of the neighbourhoods. Richmond has named NCIL the Village Planning Fund. Projects will be added to the Programme as they are approved via this Fund's processes, as they are all fully funded by accumulated NCIL balances.

6.4 ICT Investment £5m

Following the establishment of the SSA between Richmond and Wandsworth Councils, an IT programme of work has been ongoing to bring together the two IT services and infrastructures. A joint IT strategy was agreed by Cabinet in October which guided this work. A subsequent Technology Roadmap set out detailed plans to develop and consolidation the IT infrastructures. This requires a level of investment on top of the base requirement to replace

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current hardware at the end of its life and to provide investment for the Council to meet its digital efficiency ambitions.

£1m per year has been added to the next 5 years to provide an investment fund that will be drawn down against existing hardware replacement and specific approved projects.

6.5 Parking Machine PCI Compliance £482k

The Payment Card Industry Data Security Standard (PCI DSS) has announced a compulsory update to security requirements. Failure to upgrade machines would mean they would no longer accept credit/debit card payment and the Richmond Card would no longer function in the machines beyond December 2019.

This upgrade benefits customers in providing a cashless payment option and increased security of that payment method. Customers can opt to pay using RingGo.

6.6 General Planned Maintenance increase of £250k per year for 5 years

Following the ending of the TFM contract with Babcock, the Council has undertaken a review of facilities management in general and the provision of maintenance in particular. This review proposed that £250k per year of the future planned maintenance costs should be met from the capital programme.

6.7 Street Lighting

The previous Capital Programme added a budget of £500k a year ending in 2021/22 to meet the need for concrete column replacement for 2,400 life expired mild steel street lighting columns. The existing budget has been accelerated from 5 years to 2 years to schedule works within the current maintenance contract and agreed pricing. This is anticipated to generate annual savings of £65k in energy efficiency by using LED units and £73k in maintenance.

Further savings could be achieved by rolling out the use of LED units to all columns, and this option will be looked at alongside re-letting the current contract which expires in August 2018.

6.8 Addition of 2022/23

An additional year (2022/23) of recurring programmed works (planned maintenance, improvement grants etc.) has been added to maintain a 6 year cycle.

6.9 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 2017/18 to 22/23 (before changes proposed in this report)		128,947
Add recurring spend for 2022/23	7,366	
New TfL Funding 2018/19	1,856	
Village Planning Fund	827	
ICT Investment	5,000	
Parking Machine PCI Compliance	482	
General Planned Maintenance	1,250	
Various small schemes	84	
Total Proposed New Budget	16,865	16,865

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Proposed Capital Programme 2017/18 to 2022/23 (Appendix A)

145,812

- 6.10 In overall terms this means the Council is proposing to add £16.9m, in addition to the £7.7m (noted in paragraph 5.9). Therefore £29.2m (of which £13.2m requires additional funding to be identified) has been added to the Capital Programme since the February 2017 report. The cumulative effect of these changes is a proposed Capital Programme (2017/18 to 2022/23) of £145.8m with £63.3m potential new borrowing. Cabinet should also note that we will be seeking to rigorously pursue all funding avenues. The Council has taken a prudent approach as part of its financing assumptions and will refine these as funding decisions are made.

7. FINANCING

- 7.1 The projected outstanding funding requirement in the programme is £62.4m. This means that 44% of the current 6 year programme could need to be funded by borrowing if other sources of funding cannot be identified. The Council's potential underlying need to borrow therefore increases to £198m (although the aim is to reduce this through additional Government funding, in year efficiencies, additional Community Infrastructure Levy/S106 etc.). Below is a reconciliation of the changes to the Councils funding requirement.

	£000	£000
Current Financing Requirement 2017/18 to 22/23 (before changes proposed in this report)		51,045
Proposed Changes to the Financing Requirement		
Add recurring spend for 2022/23	4,541	
ICT Investment	5,000	
Parking Machine PCI Compliance	482	
General Planned Maintenance	1,250	
Various small schemes	84	
Total Proposed New Budget currently unfinanced	11,357	11,357
Proposed Capital Programme 2017/18 to 2022/23 (Appendix A) Financing Requirement		62,402

7.2 Grants & Contributions

The Council is forecasting to fund £71.3m of the programme via grants and contributions. This is approximately 49% of total funding and the majority of grants are used to fund Education schemes. The largest capital grants received by the Council are Basic Needs, School Condition Allocation, and TfL grant funding for infrastructure works.

7.3 Capital Receipts

Financing of the Capital Programme in prior years has reduced the opening level of unringfenced receipts held to £1.4m. This has assisted in keeping the borrowing requirement to a minimum. The last programme originally assumed £2.0m funding from capital receipts in 2017/18 and a total of £9.7m across the

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6 year programme. Financing was in line with expectations, and updating the anticipated level of receipts has not significantly impacted likely resources available of £9.2m – 6% of the current programme. The assumed available capital receipts has been reduced to allow the Council to make use of the proposed ability to fund any one off project generating ongoing savings or improvements from capital receipts in line with the “Draft Guidance on the Flexible Use of Capital Receipts” published by the DCLG in December.

7.4 Section 106 Receipts & Borough Community Infrastructure Levy (CIL)

The use of Section 106 receipts is agreed with the developer as part of the planning process and are used to finance the programme where schemes meet the agreed criteria for use. The use of Borough CIL is set in the Regulation 123 list, and CIL collected to date is used to finance schemes meeting the criteria on this list. No assumptions are made for future S106 or CIL receipts except where schemes will only go ahead if they are received.

The Capital Programme will be financed by £22.4m of S106 and CIL which is 15% of the Programme.

7.5 Other Resources

The Capital Programme also includes financing of £2.8m from earmarked reserves and revenue grants.

7.6 Officers will continue to look at all potential funding sources and will try and reduce the Council’s borrowing requirement whenever possible.

8. FINANCE AND EFFICIENCY IMPLICATIONS

8.1 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.

8.2 The Council prudently plans on the basis that it may need to meet the funding gap in the programme through borrowing over a number of years (internal borrowing is assumed to be used to smooth the impact of any actual external borrowing). This means that the significant potential impact of the increased programme is built into our budget assumptions for the future. This is separately identified in the Medium Term Financial Strategy, spread over a number of years and minimised through the use of internal borrowing, direct revenue financing and rigorous pursuit of additional government funding.

8.3 The Council is required by statute to set its own limits on the affordability, sustainability and prudence of its capital plans in the form of Prudential Indicators. These proposed indicators are attached with commentary at Appendix B. They are based on the proposed Capital Programme and the budgetary provision for the debt and investment costs of the Council as reported in the MTFs and Treasury Management budgets.

8.4 As well as the indicators and limits required by statute, there are 2 Local Indicators proposed to help Members assess the impact of capital decisions on the Council’s finances. These indicators are the ratio of external loans to fixed assets (set at a 15% trigger for review of the planned spend) and the ratio of gross loan interest to gross budget (set at 2% trigger for review).

9. CAPITAL STRATEGY

9.1 The CIPFA Prudential Code was updated in 2017. The main change was the requirement for all authorities to set a Capital Strategy. The purpose of this

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Strategy is to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and give due consideration to both risk and reward and impact on the achievement of priority outcomes.

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

10. PROCUREMENT IMPLICATIONS

- 10.1 None specifically in relation to this report.

11. LEGAL IMPLICATIONS

- 11.1 None specifically in relation to this report.

12. CONSULTATION AND ENGAGEMENT

- 12.1 Consultation and engagement will be carried on individual schemes within the Capital Programme.

13. WIDER CORPORATE IMPLICATIONS

13.1 POLICY IMPLICATIONS / CONSIDERATIONS
The new demands identified in this report are all driven from the Council's key priorities and feedback received as part of consultation exercises.
13.2 RISK CONSIDERTATIONS
Please refer to Appendix D
13.3 EQUALITY IMPACT CONSIDERATIONS
None specifically identified for this report
13.4 ENVIRONMENTAL CONSIDERATIONS
None specifically identified for this report
13.5 DIGITAL IMPACT ASSESSMENT/CONSIDERATIONS
There are no specific digital implications arising from this report. To the extent that the purpose of this report is ultimately to ensure appropriate budgetary provision for all Council services, there is now a requirement, in line with the Council's Digital Strategy, for these services to carry out a Digital Impact Assessment for any Cabinet reports relating to any proposed changes or initiatives.

14. BACKGROUND INFORMATION:

Previous Capital Programme Report(s).

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15. BACKGROUND PAPERS

NONE

16. APPENDICES

Appendix A – Capital Programme Report 2017/18-2022/23

Appendix B – Prudential Indicators

Appendix C – Capital Strategy

Appendix D – Risks

17. CONTACTS

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Capital Programme - Appendix A

6 Year Capital Programme 2017/18 to 2022/23

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Education & Children's Services							
Devolved Formula Capital	214	225	225	225	225	225	1,339
Primary Places Phase 1							
Stanley	850	1,951					2,801
Primary Places Phase 2							
Heathfield phase 2 expansion	4	1					5
St John's Site for St Mary's Expansion	61	55					116
Buckingham	9						9
The Vineyard Permanent Expansion	69						69
Clifden Primary Expansion		24					24
Primary Places Phase 3							
Amyand House	5						5
Nelson Construction	79						79
Darell - ASP SEN	89						89
East Sheen double demountable classrooms	5						5
Sheen Mount Expansion to 3FE	86						86
Barnes Junior Bulge	82						82
Primary Phase 3 Contingency	68						68
Primary Places Phase 4							
Hampton Infant 3FE	95						95
Hampton Junior 3FE	226	10					236
Collis 3FE to 4FE	19	2,000	1,230				3,249
East Sheen 3FE	1,523	82					1,605
Barnes Expansion & SEND provision	10						10
Schools Expansion Projects	146	1,965	4,500				6,611
Academies							
Hampton	36	300					336
Twickenham	273	150					423
Sixth Forms							
Christ's	5						5
Grey Court	5						5
Orleans Park	68						68
Teddington	45						45
Waldegrave	108	34					142
Twickenham Academy		40					40
Richmond Park Academy		300					300
SEN Provision							
Strathmore at Grey Court SEN	360						360
Strathmore at the Russell	1,713	2,034					3,747
Strathmore at St Richard Reynolds	1,935	26					1,961
Clarendon at Buckingham	12						12
Clarendon at Newhouse	615	893					1,508
Clarendon at The Gateway	13						13
Heathfield SEN ASD	458	25					483
Windham Nursery Jigsaw Expansion ASC	137	3					140
Additional places	62						62
Richmond upon Thames School	13,709	4,327					18,036
Clarendon Secondary at RuT School	3,537						3,537
Schools General Planned Maintenance	1,494	1,227	866	866	866	866	6,185
Universal Infant Free School Meals (UIFSM)		6					6
Children's Centres	9	105					114
Children's Social Care including Homes	88	308	400				796
Youth Facilities		206					206
Short Break Care		11					11
Early Years - Tic Toc & Kerswell Kids	119						119
Feasibility Funding - to be vired to revenue	5	14					19
Basic Needs - Additional Grant			2,000	2,000	2,000	2,000	8,000
Total Education & Children's Services	28,446	16,322	9,221	3,091	3,091	3,091	63,262
Adult Social Services							
Management Information System	25						25
Care Act and Implementation	129	176					305
Extra Care Housing - Capital in Grant Conditions	335						335

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Capital Programme - Appendix A

6 Year Capital Programme 2017/18 to 2022/23

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Kingston Lane Adaptations	164						164
Autism Grant	11						11
Langdon Park	12						12
Integrated Care Records	40	1					41
LD Care Home Reprovision		1620					1,620
Total Adult Social Services	716	1,797	0	0	0	0	2,513

Housing & Regeneration

Sponsored Moves	566	200	200	200	200	200	1,566
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Affordable Housing Development

Purchase and Repair Scheme	116						116
Land at Craig Road	125	125					250
RHP Extensions	75						75
105 Queens Road	0	85					85
Extension Programme RHP	150	250	100				500
Other Housing Schemes - Unallocated	0	2,191	4,125	2,700	2,950	4,670	16,636
	466	2,651	4,225	2,700	2,950	4,670	17,662

Housing Grants and Loans (Improvements)

DFG (Except RHP)	879	705	705	705	705	705	4,404
DFG (RHP)	167	300	300	300	300	300	1,667
DFG (Children's)	568	100	100	100	100	100	1,068
Empty Property Grant	71	12	12	12	12	12	131
Houses in Multiple Occupation	18	9	9	9	9	9	63
Renovation Grants - Landlords	60	30	30	30	30	30	210
Home Repair Assistance Grant	309	41	41	41	41	41	514
Coldbusters Home Repair Assistance Grant	132	142	142	142	142	142	842
Houseproud	12	6	6	6	6	6	42
SW London - Empty Property Grants	225						225
	2,441	1,345	1,345	1,345	1,345	1,345	9,166

Other Housing & Regeneration

General Planned Maintenance	2,287	1,330	1,330	1,330	1,330	1,330	8,937
	2,287	1,330	1,330	1,330	1,330	1,330	8,937

Total Housing & Regeneration

	5,760	5,526	7,100	5,575	5,825	7,545	37,331
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Environment & Community Services

Parks Cyclical Maintenance	137	150	150	150	150	150	887
Parks Strategy	433	300	300	300	300	300	1,933
Parks S106	54						54
Hampton Sport & Fitness Centre 3G/MUGA	77						77
Area Uplift (Incl. Twickenham Riverside)	5,050	2,000	2,000				9,050
Village Planning Fund (NCIL)		827					827
Dukes River Project	133						133
Busen relocation to new building		988					988
Orleans House Gallery - Delivery phase	2,105	365					2,470
Library Toilets	120						120
Townmead Road H & S Improvements	26						26
Contracts & Leisure	8,135	4,630	2,450	450	450	450	16,565

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6 Year Capital Programme 2017/18 to 2022/23

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Highways and Pavements	1,694	1,300	1,200	1,200	1,200	1,200	7,794
Street Lighting	1,208	1,250					2,458
Community Pavement Repair Fund	593	1,000	500	500			2,593
Uplift Schemes/Twickenham Area Action Plan	445						445
S106 Schemes	842						842
S278 Schemes	20						20
Transport for London (TfL)	4,247	1,856					6,103
Vehicles	179						179
Traffic & Engineering	9,228	5,406	1,700	1,700	1,200	1,200	20,434
Total Environment & Community Services	17,363	10,036	4,150	2,150	1,650	1,650	36,999

Resources

WLWA	225						225
Total Resources	225	0	0	0	0	0	225

New Schemes

ICT Investment (Resources)		1,000	1,000	1,000	1,000	1,000	5,000
Parking Machines PCI Compliance (Environment)		482					482
	0	1,482	1,000	1,000	1,000	1,000	5,482

Total Capital Programme

	52,510	35,163	21,471	11,816	11,566	13,286	145,812
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Financed By :

Grants	23,848	10,388	5,185	2,825	2,825	2,825	47,896
S106 & CIL	7,004	3,268	4,225	2,700	2,950	2,294	22,441
Contributions	396	591	0	0	0	0	987
Revenue Grants Used as DRF	917	917	0	0	0	0	1,834
Other DRF	500	0	0	0	0	0	500
Earmarked Reserves	504	6	0	0	0	0	510
Application of Cap Receipts	422	8,820	0	0	0	0	9,242
Borrowing Requirement	18,919	11,173	12,061	6,291	5,791	8,167	62,402
Total Financing	52,510	35,163	21,471	11,816	11,566	13,286	145,812

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 2017/18 to 2022/23.

	<u>Actual</u> <u>2016/17</u> <u>£000</u>	<u>Estimate</u> <u>2017/18</u> <u>£000</u>	<u>Estimate</u> <u>2018/19</u> <u>£000</u>	<u>Estimate</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>
Capital Expenditure	51,861	52,510	35,163	21,471	11,816	11,566	13,286
<i>Of Which:</i>							
Financed from Grants & Contributions	19,333	31,248	14,247	9,410	5,525	5,775	5,119
Financed by RuT	7,047	2,343	9,743	0	0	0	0
New Borrowing Required by Programme	25,481	18,919	11,173	12,061	6,291	5,791	8,167

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

The Programme is focused around schools works up to 2017/18, by which time most of the currently known major projects should be complete, with works on Richmond upon Thames School the significant exception. The remaining Programme then includes significant spend on Affordable Housing and Highways.

The proposed Capital Programme reduces after 2017/18. This is due to the currently planned schools expansion programme moving towards completion, and value of government grants being lower than in previous years along with the reduction in the level of reserves available to fund new schemes. The new Programme includes £5.5m of new schemes for approval in this report, increasing the Council's need to borrow unless other funding sources can be identified.

The amount financed by RuT includes the use of capital receipts anticipated in the proposed disposal programme, running from 2016/17 to 2018/19. No receipts are projected past 2018/19 and an updated 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>Actual</u> <u>2016/17</u> <u>£000</u>	<u>Estimate</u> <u>2017/18</u> <u>£000</u>	<u>Estimate</u> <u>2018/19</u> <u>£000</u>	<u>Estimate</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>
Capital Financing Requirement (CFR)	164,484	179,346	185,916	193,185	194,360	194,812	197,581
Year on Year Increase in CFR	+21,394	+14,862	+6,570	+7,269	+1,175	+452	+2,769
Change represented by:							
Schemes financed by Borrowing (incl. leases)	25,482	18,919	11,173	12,061	6,291	5,791	8,167
MRP contributions to fund the Requirement							
- represented by MRP	-3,165	-3,318	-3,848	-4,019	-4,324	-4,526	-4,585
- Financing Leases and Similar (incl. PFI)	-923	-526	-526	-526	-526	-526	-526
WLWA Loan repayment used to reduce CFR	0	-213	-229	-247	-266	-287	-287
	21,394	14,862	6,570	7,269	1,175	452	2,769

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

The Council's £15m Capital Loan to WLWA is included in the CFR, and therefore requires money is set aside for debt repayment. WLWA are repaying the loan, 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, coming close to fully offsetting new borrowing in 2021/22 as there is minimal new borrowing in that year. Anticipated borrowing increases again in 21/22 as anticipated S106 receipts decline.

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>Actual</u> <u>2016/17</u> <u>£000</u>	<u>Estimate</u> <u>2017/18</u> <u>£000</u>	<u>Estimate</u> <u>2018/19</u> <u>£000</u>	<u>Estimate</u> <u>2019/20</u> <u>£000</u>	<u>Estimate</u> <u>2020/21</u> <u>£000</u>	<u>Estimate</u> <u>2021/22</u> <u>£000</u>	<u>Estimate</u> <u>2022/23</u> <u>£000</u>
Net Financing Costs	7,529	7,749	8,045	8,245	8,505	8,614	8,555
Net Revenue Stream	152,814	149,086	183,643	166,126	176,257	183,428	185,119
As a Ratio	4.93%	5.20%	4.38%	4.96%	4.83%	4.70%	4.62%

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. The increase in Net Revenue Stream in 2018/19 is due to one year only impact of NNDR London Pooling Pilot expenditure. This is offset by NNDR income, which is excluded from the definition of this calculation.

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 as new borrowing is taken to fund the Capital Programme. Interest rates on borrowing are projected to increase slowly going forward. These costs are offset in later years by increases in interest receivable due to projected increases in these interest rates. The current market projections are for bank base rate to start to increase slowly from the middle of 2018, although the further into the future the projection goes, the less certain it is.

The loan to West London Waste Authority is now being repaid as the site became operational in December 2016. Annual interest receivable on this loan is over £1m, although the operational date was slightly delayed leading to a small reduction in anticipated payments.

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

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

Impact of Change in Financing Costs	Actual 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000	Estimate 2021/22 £000	Estimate 2022/23 £000
Interest Payable							
- Direct borrowing	3,929	4,306	4,309	4,394	4,487	4,469	4,444
- Leases and PFI	1,838	1,768	1,693	1,611	1,521	1,423	1,316
Interest Receivable	-2,326	-2,169	-2,331	-2,305	-2,353	-2,330	-2,316
Principal Repayment							
- Represented by MRP	3,165	3,318	3,848	4,019	4,324	4,526	4,585
- Financing Leases and Similar (incl. PFI)	923	526	526	526	526	526	526
Financing Costs	7,529	7,749	8,045	8,245	8,505	8,614	8,555
Year on Year Change	+543	+220	+296	+200	+260	+109	-59
Impact on the Council Tax Requirement (RuT element)	0.48%	0.18%	0.24%	0.14%	0.17%	0.07%	-0.04%
Impact on a Band D Property	£6.25	£2.50	£3.33	£2.24	£2.89	£1.20	-£0.65

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

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

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

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

Interest payable would be expected to increase over time as the anticipated level of debt increases. However, the move to the use of annuity repayment loans (similar to a mortgage) for new borrowing means that interest payments could reduce. 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 several loans maturing over the next 5 years, all with interest rates higher than the new borrowing required to finance the Programme.

Interest Receivable is fairly stable. This is due to minimal forecast interest rate changes and maintaining low balances. The main element of this income is the WLWA loan interest which is around £1m pa.

The year on year increase in Financing Costs up to 2021/22 is due to the financing of the capital programme, particularly the need to borrow to fund the provision of school places. This will change if further resources are identified to reduce the borrowing requirement. The reduction in the size of the Programme and therefore reduced need to increase borrowing means that principal repayments will remain higher than new borrowing, leading to a small reduction in net financing costs.

Indicators of Prudence

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

E. Gross Debt and the Capital Financing Requirement

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

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

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

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

	<u>Actual</u> 2016/17 £000	<u>Estimate</u> 2017/18 £000	<u>Estimate</u> 2018/19 £000	<u>Estimate</u> 2019/20 £000	<u>Estimate</u> 2020/21 £000	<u>Estimate</u> 2021/22 £000	<u>Estimate</u> 2022/23 £000
Gross External Debt Limit Set	185,900	193,200	194,400	194,800	194,800	n/a	n/a
Projected Gross External Debt	129,811	146,304	152,697	159,223	160,385	n/a	n/a
Amount above/(below) limit	-56,089	-46,896	-41,703	-35,577	-34,415	n/a	n/a

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

This indicator cannot be set for 2021/22 and 22/23 as this would require an additional 2 years to be added to the Capital Programme (2023/24 and 2024/25) to allow for the potential to borrow up to 2 years in advance of need to be calculated for inclusion in the 2021/22 limit.

Indicators for Treasury Management

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

F. Authorised Limit for External Debt

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

	<u>Actual</u> 2016/17 £000	<u>Estimate</u> 2017/18 £000	<u>Estimate</u> 2018/19 £000	<u>Estimate</u> 2019/20 £000	<u>Estimate</u> 2020/21 £000	<u>Estimate</u> 2021/22 £000	<u>Estimate</u> 2022/23 £000
Authorised Limit Set	150,000	166,000	173,000	179,000	180,000	180,000	182,000

SECTION J

Capital Programme - Appendix B

Projected Gross External Debt	129,811	146,304	152,697	159,223	160,385	158,231	162,489
Amount above/(below) limit	-20,189	-19,696	-20,303	-19,777	-19,615	-21,769	-19,511

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 internally, accepting the associated risk of adverse interest rate movements. This figure therefore excludes any unfunded capital expenditure which the Council anticipates funding short term by running down balances.

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.

G. Operational Boundary

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

	<u>Actual</u> 2016/17 £000	<u>Estimate</u> 2017/18 £000	<u>Estimate</u> 2018/19 £000	<u>Estimate</u> 2019/20 £000	<u>Estimate</u> 2020/21 £000	<u>Estimate</u> 2021/22 £000	<u>Estimate</u> 2022/23 £000
Operational Boundary Set	145,000	161,000	168,000	174,000	175,000	175,000	177,000
Projected External Debt	129,811	146,304	152,697	159,223	160,385	158,231	162,489
Amount below Limit	-15,189	-14,696	-15,303	-14,777	-14,615	-16,769	-14,511

The Council is projected to stay well within this limit.

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

The CIPFA Code of Practice sets out best practice in treasury management and the Code has always been followed in Richmond. In 2011, a revised version of the Code was issued and the Treasury Management Policy was amended to reflect the new Code. The Policy is reviewed annually in February which allows changes to be included if necessary. The Prudential Indicator states that Authorities should adhere to the Code of Practice. All Treasury activities currently adhere to the Code of Practice and regular reviews ensure that this continues.

I. Limits on Fixed and Variable Interest Exposure

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

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

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

<u>Fixed Rate Exposure</u>	<u>Actual</u> 2016/17 £000	<u>Estimate</u> 2017/18 £000	<u>Estimate</u> 2018/19 £000	<u>Estimate</u> 2019/20 £000	<u>Estimate</u> 2020/21 £000	<u>Estimate</u> 2021/22 £000	<u>Estimate</u> 2022/23 £000
Upper Limit	145,000	161,000	168,000	174,000	175,000	175,000	177,000
Lower Limit	101,000	117,000	124,000	130,000	131,000	130,000	134,000
Projected Exposure	125,852	142,345	148,738	155,264	156,426	155,022	159,280

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>Actual</u> 2016/17 £000	<u>Estimate</u> 2017/18 £000	<u>Estimate</u> 2018/19 £000	<u>Estimate</u> 2019/20 £000	<u>Estimate</u> 2020/21 £000	<u>Estimate</u> 2021/22 £000	<u>Estimate</u> 2022/23 £000
Upper Limit	-86,000	-71,000	-70,000	-65,000	-67,000	-67,000	-68,000
Lower Limit	-11,000	4,000	5,000	10,000	8,000	8,000	7,000
Projected Exposure	-35,899	-21,164	-19,691	-15,100	-16,534	-16,853	-17,979

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

J. Maturity Structure of Borrowing

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

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

	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Estimate</u>
	<u>2018/19</u>	<u>2018/19</u>	<u>2018/19</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Under 1 year	0%	30%	6%
1 to 2 years	0%	40%	7%
2 to 5 years	0%	50%	10%
5 to 10 years	0%	60%	9%
10 to 15 years	0%	}	27%
15 to 25 years	0%	} 85%	31%
over 25 years	0%	}	9%

It can be seen from the above table that the Council anticipates more longer term borrowing to take advantage of the lower annual costs for this duration.

Decisions on the duration of new borrowing will take into account both interest rates at the time and the benefits of a mixed maturity structure.

K. Total Principal Sum Invested Beyond the Period End.

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

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

	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>
	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>
	<u>£000</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	10,000
Projected Investments at 31st March	750	750	750	750	750	0	0

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

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

Local Indicators

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

L1. Ratio of External Loans to Fixed Assets

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

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

	<u>Actual</u> 2016/17	<u>Estimate</u> 2017/18	<u>Estimate</u> 2018/19	<u>Estimate</u> 2019/20
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Value of Loans at 31st March	109,457	126,989	134,450	142,126
Estimated value of Fixed Assets at 31st March	903,712	930,042	954,966	984,810
Loans as % of Assets	12.1%	13.7%	14.1%	14.4%
Current Limit	15.0%	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.

This indicator is rising due to both the use of borrowing to finance capital spend and the reduction in asset values as academy school buildings are transferred to academy responsibility.

L2. Ratio of Gross Loan Interest to RuT Gross Budget

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

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

	<u>Actual</u> 2016/17	<u>Estimate</u> 2017/18	<u>Estimate</u> 2018/19	<u>Estimate</u> 2019/20
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Budgeted Loan Interest	3,929	4,306	4,309	4,394
RuT Gross Budget	409,146	409,222	456,923	426,782
Interest as % of Revenue	1.0%	1.1%	0.9%	1.0%
Current Limit	2.0%	2.0%	2.0%	2.0%

NB 2018/19 includes a one year only impact of NNDR London Pooling Pilot expenditure which is matched by

Capital Strategy

Determining a Capital Strategy

In order to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Capital Governance

Decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget for the local authority.

The Council achieves this by presenting the 6 Year Capital Programme and Prudential Indicators, with the Treasury Management Policy and Strategy, to Cabinet and then Full Council at the same meeting as the Council Tax Setting report, and the Medium Term Financial Strategy. This process allows Members to consider all information which supports the short and medium term financial planning for the Council, both revenue and capital, at the same meeting. In year monitoring of these budgets and decision making is delegated as per the Council's overall scheme of delegation and delegated authority approved in these documents (e.g. the Treasury Strategy gives the Director of Resources & Deputy Chief Executive delegated authority to make decisions on the timing of borrowing within the approved Prudential Indicator limits).

The Capital Programme is informed by:

- Regular conditions surveys of operational buildings and infrastructure to ensure that assets are maintained in a usable condition
- Internal strategies for the provision of support services such as ICT, where investment is required to avoid obsolescence and achieve savings and efficiencies throughout the organisation
- Projected changes in demand for statutory services, most notably for Richmond, the provision of primary places to meet need identified in the Pupil Level Annual School Census
- Bids for service driven projects to enhance or expand services in line with corporate targets
- Bids for invest to save projects that improve the long term efficiency of the Council and help minimise costs to the taxpayer

The various surveys and strategies are used to inform longer term planning by identifying trends and regular planned investment requirements. The Council capitalises expenditure which it assesses as material. Materiality limits for asset recognition are as follows, although planned maintenance works of lower value may be capitalised :

- Land and Buildings – £50,000
- Vehicles, Plant and Equipment – £10,000
- Intangible Assets – £10,000

Inclusion in the Programme is dependent on demonstrating the business case for investment, including an appraisal of the capital and revenue financial implications of the proposal, options for financing the scheme (what external funding had been sought and why it requires Council funding as appropriate), a justification of how the investment will

contribute to the achievement of Council priorities and Property Services review of any property related schemes to allow their expert recommendations.

The Council sets a 3 Year Disposal Programme which is updated annually for latest information on likely disposal timing and income. This generates Capital Receipts which can only be used to finance capital expenditure. The Council does not generally ringfence such receipts other than 2 exceptions:

- Orleans House Gallery adjacent properties which are linked to the bequest of the Gallery, and therefore receipts are earmarked for use on the Gallery if they are sold (one remaining property due for disposal)
- Repayment of £15m loan to WLWA earmarked to be used to fund the capital loan retrospectively, in lieu of making MRP on the value of the loan from revenue budgets.

All other capital receipts are free to use to finance any capital expenditure, and while the Council holds a small balance of such receipts to finance emergency spend, the majority will be used in the year of receipt to reduce the need for borrowing (with associated revenue costs) to finance the Programme. However, where spend and sales are linked (e.g. relocation of a service enabling a sale) the anticipated receipt is used in the financial assessment of the proposed expenditure scheme.

The Capital Planning Process

The Capital Programme is set to support the provision of Council Services. This includes recurring planned maintenance costs of operational assets (buildings, playgrounds, roads etc.) as well as one off projects required to provide increased provision (Primary School Expansion to meet rising rolls, Affordable Housing) or replace/renew assets that are need to change with service needs or are towards the end of their useful life (Kingston Lane adaptations, Street Lighting replacement). Schemes which do not contribute towards the aims of the Council will not be approved. The availability of external funding will impact on whether the scheme is required to address core needs or lower priority aims. The use of external funds reduces the opportunity cost of the scheme. Capital receipts and revenue reserves can only be used once, and therefore have an opportunity cost. Where there is no existing funding (internal or external) the Council will need to borrow to finance the scheme, and this incurs revenue costs of interest and principal repayment. This will either require the Council to set a higher Council Tax to fund these payments or reduce budgets in other areas.

When financing the Programme, officers will ensure that a minimum level of capital receipts and other balances is retained. This gives scope to add emergency schemes to the Programme without the need to borrow immediately to finance them, and is therefore a method of risk mitigation.

The Capital Programme is approved annually for the upcoming year, with the next 4 years reported for information. This gives a medium term view of the Council's planned capital spend and the financing of that spend. The Capital Programme report to Cabinet (and recommended to full budget setting Council for approval) explains the changes in the Programme since the prior year, and the impact of these changes on the borrowing requirement. The Treasury Management Strategy looks at the timing of the borrowing, whether it should be internal or external and the financing risks around these decisions.

All decisions to add new schemes to the Programme are reviewed against the Council's priorities and legal responsibilities (the provision of new school places to meet rising demand and the Council's duty to educate has been the focus of the Programme over the past few years), as well as the financing of the project and the impact of this on Council revenue budgets. The opportunity cost of any use of balances are also reviewed. Richmond's

financial position is that there are few balances held which are available for new schemes, so external funding is always sought for new projects. There are S106 and CIL balances available, but these are not guaranteed to be replenished as they result from private development in the area, so are outside the Council's control. The funding for new schemes which are not supported by specific grant is therefore usually from borrowing, and the likely costs to the taxpayer over the life of the loan and scheme are considered as part of the decision making process.

The Capital Programme report has the Council's Prudential Indicators as an appendix which gives information on the financing costs (interest and provision for repayment) if the proposed Programme is approved. The Prudential Indicators are set to ensure that capital spend is affordable, sustainable, prudent, value for money and complies with the Council's stewardship role. Detailed information on internal and external borrowing, risk appetite and the context and controls for Treasury Management are in the Treasury Management Policy & Strategy.

The Council complies with both the Treasury Management Code of Practice and Prudential Code by approving the Prudential Indicators, Treasury Strategy and this Capital Strategy. The Council accounts for all capital and treasury transactions as required by CIPFA Code of Practice on Local Authority Accounting, as demonstrated by the External Audit report to those charged with governance.

Treasury Management linked to the Capital Programme

When planning borrowing, there is the option to borrow internally (use cash attributable to reserves now but replenish it via "principal repayment" over a longer duration) or externally. Borrowing internally reduces investments, which can reduce risk of loss of investments. However, this limits the Council's liquidity and there is a risk that unanticipated costs could push the Council to need to borrow externally at a time when interest rates have increased. Borrowing externally while holding investment balances reduces the potential impact of future rate rises, but does increase the value under investment, and has a "cost of carry" where the interest paid on borrowing is higher than that received on investments. The decision on the best way to address these risks is delegated to the Director of Resources & Deputy Chief Executive.

Overall, the Council has a low appetite for risk and therefore has short list of counterparties who meet this investment criteria compared to councils with a higher risk tolerance. The Council invests fixed term with counterparties with perceived higher security (this list includes all government bodies) and holds pooled investments for liquidity. The Council does not currently accept the risk of pooled property funds due to the lack of liquidity, and does not accept the potential to change principal inherent in variable net asset value pooled funds. The Council has accrued internal borrowing which gives flexibility to borrow above the need identified in the current Programme without borrowing in advance of need. The Council therefore does not intend to borrow in advance of need as the cost of carry making it uneconomic to do so in light of current rate projections.

Commercial Activity

The Council does not undertake significant commercial trading outside of its provision of services on a commercial basis. The Council has significant ownership of Achieving for Children (AfC) Community Interest Company, which is a limited company. This is the company that provides the Council's Children's Services directorate, initially in conjunction with the Royal Borough of Kingston upon Thames and now joined by the Royal Borough of Windsor & Maidenhead. This provides services solely to its joint owners.

Finance Leases and Loan Guarantees

The Council has 2 major finance leases, being the two PFI schemes (Residential Care Homes and Primary Schools) which were approved by Cabinet due to the significance (financially and in terms of the service provision) of both schemes.

The Council has various smaller finance leases which were all approved under the contract letting process. The loan repayment inherent in the lease agreement is therefore funded within the contract budget, and this element can therefore be taken to fund prudent provision for debt repayment without impacting overall Council budgets.

The Council does not guarantee loans.

Knowledge and Skills

The Council employs professional staff, either directly or via contracts, to ensure that Members receive advice from people with the relevant skills, knowledge and experience backed up by professional qualifications, to enable them to make informed decisions on Capital and Treasury Management issues. This includes:

- All reports include comments of the Director of Resources which have input from the relevant specialist accountants within the Resources Directorate. This ensures all financial impacts are reported and that proposals comply with proper accounting practice and will not be subject to challenge by auditors
- Asset valuations for estimated receipts are given by RICS qualified professionals with full information of the asset and expert market knowledge
- Treasury practices are set by specialist accountants who ensure they comply with all regulatory requirements
- The Council currently has a contract for Treasury Advice which gives additional expertise in projecting interest rates and setting Treasury Strategy

Risk Assessment

Risks to the Capital Programme can arise from the following:

- Overspending against the agreed budgets.
- Interest rate movements making borrowing more costly than anticipated.
- Increased level of borrowing requiring greater use of revenue budgets for interest and repayments.
- The complete or partial loss (or delay in the receipt of) anticipated capital receipts.
- Insufficient internal staffing capacity to support projects.
- Unexpected calls on the Council's capital resources from unforeseen events.

These risks cannot be completely removed but the following actions have been taken to try and minimise the risks:

- A budget manager is clearly assigned responsibility for monitoring the budget and to ensure that the necessary approvals have been sought and funding identified.
- Regular capital expenditure monitoring meetings are held with budget managers to identify any problems at an early stage.
- The approval process for new capital schemes considers the revenue implications of increased borrowing requirements.
- Officers receive regular advice from the Council's Treasury Advisors in respect of the timing in external and internal borrowing.
- Receipts are only included in the programme when there is a definite disposal timetable for the relevant assets. The 6 year capital programme assumes a prudent level of disposals will actually be received.
- Staffing levels in construction and property development areas to support capital projects are kept under regular review.

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.

SECTION K

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

SECTION K

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.