



BUDGET BOOK

2023/24

Budget Book 2023/24

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

Produced by Financial Control - Finance Directorate

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

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LONDON BOROUGH OF RICHMOND UPON THAMES

REPORT TO: FINANCE, POLICY AND RESOURCES COMMITTEE

DATE: 28TH FEBRUARY 2023

REPORT OF: DIRECTOR OF RESOURCES

TITLE OF DECISION: REVENUE BUDGET STRATEGY AND COUNCIL TAX 2023/24

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 £1,707.07 (an increase of 2.99% in Council Tax plus 2% for the Social Care Precept). Including the GLA precept, which has increased by 9.74%, the Band D Council Tax will be £2,141.21.

2. RECOMMENDATIONS

- 2.1 That Members consider the advice of the Director of Resources in respect of Section 25 of the Local Government Act 2003 in setting the budget (see paragraphs 3.36 to 3.46);
- 2.2 That the Council be recommended to agree the Revenue Budget for 2023/24;
- 2.3 **Recommend to Council to agree that the Band D level of Council Tax for 2023/24, including the Council's increase in Council Tax of 2.99%, the Social Care Precept of 2% and the GLA increase of 9.74%, be set at £2,141.21, an overall increase of 5.92% on 2022/23. The levels of Council Tax for all property bands are shown at Appendix A;**
- 2.4 That the Service Committee note that the Medium Term Financial Strategy was approved by this Committee in September 2022 and a further update will be provided by September 2023.

3. DETAILS

Background

- 3.1 In developing its financial strategy the Council has reviewed the national budget and assessed the impact of the single year local government finance settlement, spending review announcements and high inflation, the cost of living crisis, rising demand in some

areas and the ongoing behavioural change as a result of the Covid-19 pandemic, particularly considering where the longer term impacts on the budget may be.

- 3.2 The Administration set out in its manifesto a “fairer finance” agenda to ensure there is a fairer deal for all residents and support for the most vulnerable in our community. The Administration has also committed to responsible stewardship of Council finances and all areas of Council expenditure have been reviewed to seek further efficiencies and rebalance priorities.
- 3.3 The Council has been active in fighting for a fairer funding deal for Richmond residents, coordinating lobbying of ministers especially in relation to the shortfall in Special Educational Needs funding – which has yielded a five-year £20 million funding agreement in order to help address the historic pressures faced in this area.

The Local Government Finance Settlement (LGFS)

- 3.4 On 17th November 2022, the Government announced that the implementation of the planned national adult social care reforms would be delayed by two years to October 2025, however the funding for these reforms would still be provided to local government to alleviate pressures within social care. This comes as welcome news to the sector as there are serious concerns about the level of funding set aside by Government to fund these reforms.
- 3.5 The Provisional Local Government Finance Settlement 2023/24 was then announced in December (and finalised in early February) with an increase in average Core Spending Power (defined as Government grant plus ability to increase council tax) of 9.4% across England, with Richmond’s Core Spending Power increasing by 7.2%. Overall the Government has injected a further £2 billion of additional grant into the sector in 2023/24 at a national level. Once again this is a single year settlement which continues to make the medium term outlook uncertain and the distribution of funding between boroughs could be impacted in future years by formula changes. However the Council’s overall financial position in 2023/24 is now better than previously assumed when the Medium Term Financial Strategy was agreed in September 2022. The headline announcements for Richmond are as follows:
 - Local authorities will be able to raise council tax by up to 2% for the “Social Care Precept” and by a further general 2.99% increase before triggering the requirement for a local referendum.
 - The Government’s review of its national funding distribution (the ‘fair funding review’) has been delayed again until the next Parliament, including the business rates reset.
 - A continuation of the assurance that no authority would suffer “negative Revenue Support Grant (RSG)” (removing, for the short term, a £7.7m risk to the finances of Richmond) for 2023/24. Richmond will also not be penalised as being liable for negative RSG in relation to the grants being ‘rolled into’ RSG and would receive those at the level previously identified as separate grants.
 - An increase in the social care grant funding for adults and children’s social care of around £2bn nationally, an additional £3.6m for Richmond.
 - Continuation of homelessness prevention funding at a slightly increased £1.5m in 2023/24.
 - The one-off “Services Grant” introduced by the Government in 2022/23 with Richmond receiving an allocation of £1.6m is to continue at £0.9m in 2023/24. This grant was higher in 2022/23 to cover the Government’s planned National Insurance

uplift which has since been reversed and now is for “vital services, including social care”. Whilst this is unringfenced, it is unclear if this will continue and is therefore assumed to drop out in full in future years.

- The non-specific Lower Tier Services Grant of £0.6m received in 2022/23 has been ceased.

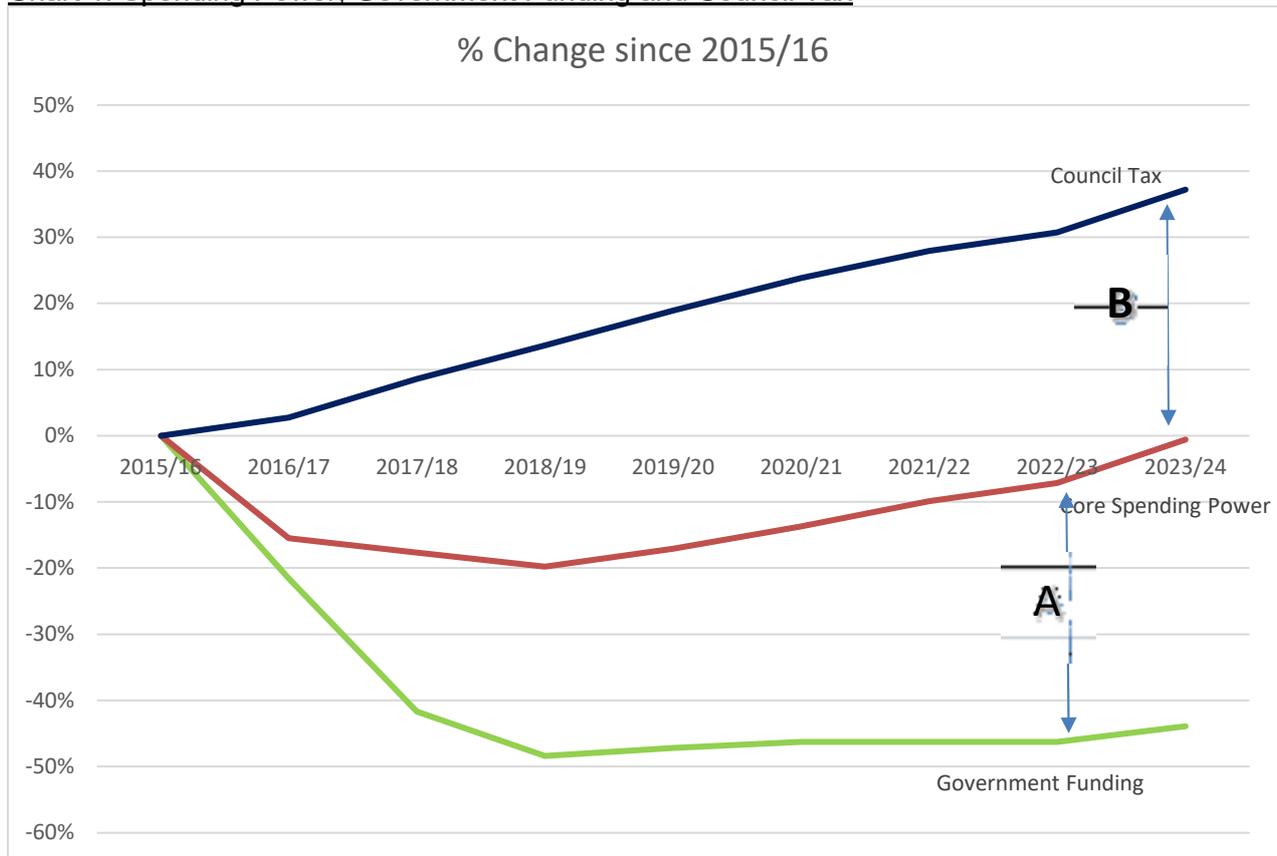
3.6 Whilst the LGFS gives welcome recognition of the challenges facing local government, it is important to note that again the settlement is for one year only and offers no certainty beyond that. It is also important to consider this settlement against the background of the changes in local government finance which have seen the Council:

- Lose all of its general Revenue Support Grant (RSG)
- Receive the lowest allocation from the various “Improved Better Care Fund” allocations, including the new Adult Social Care Discharge Fund at only £0.1m
- Suffer an overall loss of general Government support (retained business rates and RSG) of around £40m in cash terms since 2010 (in real terms this would be higher).

3.7 The continued removal of the proposed negative RSG removes a key risk to Richmond’s finances for 2023/24, however, it is still unclear if this risk will re-materialise in later years. Richmond remains one of the lowest funded councils and will continue to argue that the current core funding position should be the minimum baseline for any future funding settlement.

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

Chart 1: Spending Power, Government Funding and Council Tax



3.9 The Council has, since the introduction of Spending Power as a measure of the impact of the LGFS, argued that it dilutes the true effect of reductions in central Government funding by using locally raised council tax to offset the reductions. Spending power calculations by central Government assume that council tax is raised by the maximum amount possible locally.

3.10 It has now been confirmed that any changes to general funding formulae will be deferred until the next Parliament.

The Medium Term Financial Strategy (MTFS)

3.11 The MTFS is intended to identify a financially sustainable way of achieving the Council’s aims, recognising the need to balance service demands with available resources and the impact on council tax payers. The MTFS was updated in September 2022 to reflect the latest assumptions around inflation and the Administration’s plans.

3.12 The latest budget monitoring data shows that the Council is forecasting a £2.4m underspend on its revenue budget in 2022/23. This is made up of a number of over and underspends across the wide range of services provided by the Council. However, this needs to be seen in the context of an uncertain future around the ongoing impact of COVID-19, the cost of living crisis and the current high levels of inflation on Council budgets which will not be matched by Government funding. The Q3 monitoring report is shown elsewhere on this agenda.

Impact of Inflation, the Cost of Living Crisis and COVID-19

- 3.13 Whilst the UK has experienced very low inflation rates over the last few decades, inflation has now increased substantially which has had a significant impact on the Council's budgetary outlook. Inflation peaked at 11.1% in October 2022 and has since fallen to 10.1%. The Council's budget is sensitive to inflation figures, particularly when potential council tax increases are capped at a lower rate than current levels of inflation.
- 3.14 During the past year there is evidence of some behavioural changes first introduced during the COVID-19 pandemic continuing, with leisure and events related income continuing to be slow to recover and parking and traffic related income affected as people's travel habits change and sustained home working continuing to impact on domestic waste levels. This, coupled with the impact of increased inflation pressures on household income during the cost of living crisis, adds to the uncertainty and risk in particular to Council income budgets. The Council has set aside £3m in an Emergency Funding Reserve transferred from the Financial Resilience Reserve to assist residents and businesses during the crisis with a further update elsewhere on this agenda detailing how £1.2m of this allocation has so far been deployed.
- 3.15 As the impact of COVID-19 diminishes compared to the original impact on Council budgets, there is no new funding from the Government. All remaining Community Outbreak Management Fund (COMF) monies (£0.7m) will be utilised in full in 2022/23 within the remit of this grant although permission has been granted to carry any forward to 2023/24. The balance of the COVID-19 Reserve will also be depleted in year, leaving nothing available to fund any further pressures on income generating services.
- 3.16 The Council continues its strong commitment and good track record of working in partnership. This has been particularly important as we emerge from the COVID-19 pandemic and, in light of the current cost of living crisis, working with the voluntary sector and other parts of the public and private sector is key to successfully delivering support to residents. In particular, co-working has been strengthened to ensure that work across the borough's partners is well-informed and support is directly targeted to those in greatest need. The Council has successful partnership working arrangements with the NHS and is working closely with local health and care organisations, as part of the emerging South West London Integrated Care System (ICS). Through partnership working with the ICS, the Council aims to join up health and care services to provide better outcomes for residents and to address health inequalities. A major focus during the last year has been continued working with the local NHS including joint use of funding to ensure swift discharges from hospital.

Balances and Reserves

- 3.17 Appendix B to this report contains a full listing of the revenue balances and reserves held by the Council and gives details on their intended application. The key issues are:
- The General Reserve held a balance of £12.16m at the beginning of 2022/23 with £1.41m committed, leaving an estimated balance of £10.75m. This is within the range (5-10% of Budget Requirement) agreed by the Council.
 - Approximately 38% (£37.4m) e.g. Business Rates Volatility Reserve, PFI Reserve, Schools Balances and Insurance Funds, whilst being under Council control, are essentially not available for use for other purposes.
 - Unused general COVID-19 grant received during 2019/20 of £0.2m is likely to be used in full to fund projected COVID-19 pressures in 2022/23.

- The Invest to Save Reserve will be used to fund the ongoing change and transformation programmes, with planned use of £0.4m in both 2023/24 and 2024/25. Further programmes are currently being worked up to produce future efficiencies.
- The Public Realm Improvement Fund (£2.8m) will continue to be used to fund investment in the borough's parks and town centres during this year.
- The Financial Resilience Reserve which was set up to provide flexibility in managing any short-term impact on services and investing in preventative measures to reduce longer term costs, stands at £32.4m with £7.2m of that balance set aside to assist with the DSG High Needs funding gap and the remaining £25.1m to provide against future pressures. This reserve has to provide against a medium term funding outlook which is very unclear; particularly the revisions to the local government funding mechanisms continue to be delayed and the uncertain longer term implications of the reform of adult social care funding recently been delayed by Government.
- The Dedicated School Grant (DSG) has proved insufficient to meet the requirement to provide a "minimum funding guarantee" to schools and meet the rising costs of those with high needs. Whilst school funding has been removed from local authority general grant, any shortfall needs to be met by the local authority or recovered in some way from schools' funds. The DSG has successfully recovered some of the previous deficit and now has a brought forward deficit of £7.2m which has allowed £4m of the equal provision previously set aside within the Financial Resilience Reserve (FRR) to be released. After extensive lobbying of the Government, a 'Safety Valve' funding agreement was made with the Department for Education in which the Council will receive £20m over a five-year period to remove the cumulative DSG deficit. The Council is expected to contribute £1.2m each year to plug this gap which is incorporated within this budget. Assuming that spend and income levels are in line with the projections contained in the funding agreement, it will be possible to continue to gradually release the provision held within the FRR to match the expected revised cumulative deficit.
- The largest proposed change to the reserve balances during 2022/23 is in relation to the Business Rates Volatility Reserve. In order to mitigate the impacts of COVID-19 on businesses, the Government granted 75% business rate relief in 2021/22 for the retail, hospitality, leisure and nursery sectors. In a similar mechanism to that experienced in 2021/22, the resulting level of business rates billed during the year dropped, causing a £34.4m deficit (the Council's element was £10.3m) on the Collection Fund at the end of the year. Accounting rules relating to the Collection Fund mean this deficit has to be collected in 2022/23. In order to finance this deficit, the Government provided additional grants in 2021/22 (£9.4m) which was transferred to the Business Rates Volatility Reserve at year end. This reserve will be used in 2022/23 to cover the Collection Fund deficit. This will be the final year of the deficit operating in this way because it is the final year of COVID-19 related grants for Business Rates.
- Due to the increase in electricity prices, the Energy from Waste plant which incinerates the borough's waste, run by the West London Waste Authority (WLWA), has achieved additional income in 2022/23 and expects to do so again in 2023/24. As a result the Council has received a rebate of £1.6m from WLWA which will be transferred to the Waste Reserve during 2022/23 with a further £1m expected in 2023/24 which will also be added to this reserve. This money is being set aside to provide for any future financial implications of the Environment Act 2021, the implementation of which could lead to the Council incurring significant additional costs.
- Reserve balances were boosted at 2021/22 year end by £8.6m with £3.0m set aside in a Pensions Resilience Reserve to fund future actuarial pension fund implications.

- In September 2022, the Finance, Policy and Resources Committee approved the creation of a £3m Emergency Funding Reserve funded from the FRR, to underpin further work to support residents and businesses through the cost of living crisis. Regular updates are provided to this Committee around the use of this reserve, with a paper elsewhere on this agenda outlining the planned use of £1.2m of that sum, with the remaining balance being available for further support.
- Balances are available for use only once. Their use to reduce council tax or meet existing cost pressures can allow the Council to smooth the impact of underlying funding and service changes but must be carefully considered as part of longer-term planning.

Overall Budget Proposals

- 3.18 In line with the Council's Constitution individual service budgets have been submitted to the relevant Council Committees.
- 3.19 Despite the relatively positive LGFS for 2023/24, the Council has had to continue to base its planning for council tax in the light of the serious, long term reductions in local government funding. It has attempted to do this in a way that strives to maintain service standards.
- 3.20 The Administration's priorities in setting the budget are to ensure that the borough bounces back from the health and economic impacts of the pandemic and offers support through the cost of living crisis; to promote a strong recovery, to continue to deliver on key priorities and to manage the Council's finances responsibly in the light of continued uncertainty, including a continuing efficiency programme. Key priorities include "fairer finances", the delivery of more affordable housing, the climate emergency strategy, investment in youth services and tackling violent crime and anti-social behaviour. Detailed budget proposals have been presented to each service committee and in particular have included the following:
- £2.8m to reflect rising levels of need in children's social care and education services. The funding will support the increasing levels of need and cost of placements for children who are looked after by the Council as well as additional staffing for the child protection teams. There is also funding for new incentives to attract qualified social care practitioners to come and work in Richmond. The funding will also provide for additional capacity to support Special Educational Needs assessments, timely school admission decisions and investment in modernising key systems that are used to support families and young people. Plus a further £1.2m allowed for contractual inflation within these services.
 - An additional £1.5m added to adult social care services for market sustainability and the fair cost of care, continuing the work to deliver reform of the adult social care system to ensure a sustainable care market. This is fully funded by Government grant. In addition, a further £1m has been added to fund demand pressures, in particular the increased demand for mental health support and additional costs for increases to the London Living Wage across direct Council contracts. A further contingency of £0.5m is being held centrally for additional work with health partners around the improved hospital discharge processes. Only £0.1m of Government grant has been awarded to Richmond for this work.
 - Continuing investment of £0.5m (plus an additional £1m per annum in the capital programme) to help deliver the Richmond Climate Emergency Strategy agreed by

the Environment, Sustainability, Culture and Sports Committee in January 2020. Specific allocation of these funds within year include air quality monitoring, a focussed energy and sustainability team and ecology work.

- Allowed for the continuing increased pressures associated with looking after the homeless within the borough (£1.3m).
- Additional support to those households on the lowest incomes in the form of the Council Tax Support Fund, providing a reduction on council tax bills of up to £100 per household.
- The capital programme will invest a further £1m per year into the improvement of our roads and pavements.
- Investment in a transformation programme (£0.8m) to deliver future service improvements and efficiencies to put the Council on a more sustainable long term financial footing, to be funded from the Invest to Save Reserve.
- Allowed for £135k to mitigate against the impact of the ULEZ expansion on residents through a number of alternative travel initiatives.
- Investment in the Community Safety Team to work with the police to tackle violent crime and anti-social behaviour (£0.1m).
- Continued support to our high streets and local businesses through “shop local” campaigns (£0.1m) and continuing capital investing through use of the Public Realm Improvement Fund.
- Support for residents during the cost of living crisis, including providing warm spaces and resources to provide advice and support (£0.5m) and further draw down of the £3m Emergency Resilience Fund.
- Funding to celebrate the King’s Coronation across the borough (£0.2m).
- Provided for the continued loss of income to the Council as some of the behavioural changes seen during the past two years may continue e.g. parking and leisure services (£2m).
- Continued investment in the Facilities Management budget to help ensure that Council owned buildings are properly looked after (£1.5m).
- An additional £1.2m continues to be provided as a contribution to the recovery of the DSG deficit to meet the conditions agreed within the safety valve funding agreement for the High Needs schools block.
- A new efficiency plan is proposed and included within the budget which in phase one totalled just over £5m, which along with existing planned savings, generates efficiencies of £7.7m as follows:
 - Reductions generated from procurement and contract savings £0.1m
 - Income/efficiencies and holding down inflation on supplies budgets £5.1m
 - Transformation and service remodel £2.5m
- Provided continuing support for capital investment.

- Provided for inflation.

3.21 The Council continues its ongoing efficiency programme with those initiatives previously disrupted by the COVID-19 pandemic progressing well. Managing the Council's finances prudently in this way allows for targeted investment in specific priorities as set out in the Administration's manifesto including making the borough a "fairer" place. In order to help deliver a more financially sustainable position in the longer term a programme of works will be undertaken to systematically review Council spend to ensure it is aligned with corporate priorities and to deliver further efficiencies such as:

- The office estate is being reviewed recognising the change in working practices and this could lead to future revenue savings as a result of reduced office accommodation costs and better aligned service provision. The first phase of moves is currently under way.
- Investment has been made in moving IT services to "the Cloud" and reducing reliance on more expensive agency staff which has reduced ongoing IT costs.
- Investment in reducing the carbon footprint of the Council's estate will reduce energy costs and help contribute towards the Council's "net zero by 2030" target.
- Rigorous commissioning and procurement policies will be progressed to ensure value for money. An external review has identified where there could be further cost reduction opportunities in commissioning and procurement activities which are now being progressed.
- The digital strategy and continued investment in analytics capability will help to improve services, increase efficiency and help to tackle fraud.

3.22 The final service totals are:

	<u>2023/24</u>
	<u>£m</u>
Adult Social Services, Health and Housing	56.5
Education and Children's Services	44.6
Environment, Sustainability, Culture and Sports	29.3
Finance, Policy and Resources	33.4
Transport and Air Quality	-6.0
Total	<u>157.8</u>

3.23 Central Items and Contingency:

	<u>£m</u>
Capital Funding and Investment	7.3
Pensions Deficit Funding	2.7
Investment Items	0.1
General Contingency	0.5
Pay Award	5.9
Service Pressures Contingency	1.0
Contract Contingency / Other	6.9
Pensions Actuarial Valuation	0.3
Transfers to/from Reserves	-3.0
Non Ring Fenced Grants	-0.9
Revenue Support Grant	-0.2
Retained Business Rates	-25.7
Contribution from Collection Fund (CTAX)	-0.3

Total Central Items	-5.4
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3.24 Summary of Borough Expenditure:

	<u>£m</u>
Service Estimates	157.8
Central Items and Contingency	-5.4
Total	152.4

Levies

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

Levy	2022/23	2023/24	Variation
	£000	£000	%
West London Waste Authority	7,977	8,045	0.9%
Lee Valley Park	210	227	8.1%
Environment Agency	209	211	1.0%
London Pension Fund Authority	298	298	0%

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

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

Capping/Council Tax Referendums and the Adult Social Care Precept

3.26 The Localism Act abolished direct capping by the Government and replaced it with the ability of the Secretary of State to set a maximum level of council tax increase. Any council wishing to set a higher level of increase will be required to hold a local referendum. The Secretary of State has announced the level that will trigger a referendum will be 3% (or higher) for 2023/24 (2% in 2022/23).

3.27 The LGFS for 2023/24 also announced that once again local authorities responsible for adult social care will be given an additional 2% flexibility to be used entirely for adult social care. This is being offered in recognition of demographic changes which are leading to growing demand for adult social care, and increased pressure on council budgets.

3.28 Taken together this would allow a maximum council tax increase without triggering a referendum of 4.99% for this Council.

3.29 As detailed above, the Council continues to experience increasing demand on social care services and therefore considers it appropriate to increase council tax by the 2% allowed for the Adult Social Care Precept. Taking into account the other pressures the Council is facing in relation to inflation, both in the current and next financial year, and the fact that Government funding has not met that gap in full, the Council has little choice but to increase the non-social care element of council tax by the maximum allowed of 2.99%. Doing so will still require the use of £3.5m from the Financial Resilience Reserve to balance the budget in 2023/24.

The Greater London Authority (GLA) Precept

3.30 The Band D council tax in respect of the GLA precept is expected to increase by £38.55 (9.7%) to £434.14, of which £20 will fund transport, and the Metropolitan Police and the Fire Brigade will each receive a 2.99% increase.

3.31 **Summary of requirements and Council Tax**

	2023/24
	£'m
Net Expenditure after use of balances and reserves	178.421
Collection Fund Deficit/ (Surplus)	-0.290
	<u>178.131</u>
Less:	
Retained Business Rates	<u>-25.708</u>
Richmond Requirement for Council Tax	<u>152.423</u>
GLA Precept	38.764
Total Requirement including GLA Precept	<u>191.187</u>

3.32 The council tax base for 2023/24 was set as 89,289 Band D equivalents in the delegated authority report published on 22nd December 2022.

3.33 **Based on the above figures, allowing for roundings, the total council tax at Band D including the GLA element would be increased to £2,141.21, an increase of 5.92%.**

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

	2022/23	2023/24	£	%
	£	£	change	change
Richmond	1,625.94	1,707.07	81.13	4.99
GLA	395.59	434.14	38.55	9.74
TOTAL	<u>2,021.53</u>	<u>2,141.21</u>	<u>119.68</u>	<u>5.92</u>

Section 25(2) of the Local Government Act 2003

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

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

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

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

- The relatively low (compared to other London Councils) level of reserves.
- The current economic position and future outlook.

- Whether budget setting and monitoring processes are robust and effective.
- Demand pressures on the budget, particularly in light of the high proportion of the budget spent on social care services and the future impact of the continuing inflationary pressures both on social care in particular and wider council services.
- Identifying and achieving cost and income improvements.
- Changes to the system of funding for Local Government.
- Risks to Government funding levels.
- Risks to other income streams.

- 3.37 The Council has a good track record in financial management and in the delivery of value for money. The judgements by external inspectorates take into account both the service performance of the Council and the way that budgets are prepared and monitored as well as the wider use of resources including staffing and physical resources.
- 3.38 Local government finance issues have been dominated in the current year by the impact of inflation both on the Council's own direct costs and the impact on residents and the cost of living crisis. Although the latest settlement has provided welcome additional funding in 2023/24 which was not expected in the September 2022 MTFS, the longer term position remains very uncertain. The Government's commitment to a Fair Funding Review has been delayed until the next Parliament. At this stage it seems more likely that the review would present a risk for Richmond, as the Government continues to pursue its Levelling Up agenda. Longer term planning remains challenging and the Council has therefore taken a prudent stance to providing reserves and assuming the need for further efficiency measures. The longer term position remains extremely challenging and uncertain regarding future Government funding levels.
- 3.39 The Council has sufficient reserves to deal with the challenges it faces in the short term and continually reviews its savings and efficiency programme as part of medium and longer term planning. The continued building of the Financial Resilience Reserve over recent years plus the short term funding announcement made by Government have improved the Council's position.
- 3.40 Nevertheless, given the resource constraints and uncertainty over demand pressures faced by the Council, it is imperative that efficiency remains at the heart of all Council activities. To this end the Council is reviewing its office estate, continuing to invest in digital, data analytics and flexible working, as well as reviewing its approach to commissioning and procurement. This will contribute towards the achievement of the Council's objectives.
- 3.41 Despite the constrained funding position, the Council remains committed to investing in the essential infrastructure which both underpins high quality services and will help to rebuild the economic vibrancy of the Borough. The affordability of this programme has been helped by the identification of one-off capital and revenue resources but the programme still relies heavily on the Council being prepared to increase its borrowing in future years. The impact of the required increase in borrowing is built into the MTFS 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 use are linked to both the capital and revenue budget. A full list of the current reserves held by the Council is attached at Appendix B and will be reviewed again as part of the update of the MTFS later in 2023/24. The overall level of useable reserves remains adequate for the purposes identified.

- 3.43 With levels of reserves below the London average, reserves will continue to be monitored and reviewed regularly. Both the current and projected levels of General Reserve are expected to remain within the Council's agreed range of 5-10% of the Budget Requirement.
- 3.44 It should be noted that following the March 2022 valuation, the Pension Fund value has improved and is now over 100% funded. The last three years have seen significant gains in asset valuations coupled with low inflation which has contributed to the increase in funding level but it is not envisaged that this will continue. The Council faces continual challenges from reducing numbers contributing to the fund, longevity of members, inflation levels and volatile investment returns.
- 3.45 In summary, the Chief Financial Officer (being the Director of Resources) confirms that she is content that the estimates are robust for the purposes of the required budget/ council tax calculations and that the Council's reserves are adequate in the short to medium term.

4. FINANCIAL AND EFFICIENCY IMPLICATIONS

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

5. PROCUREMENT IMPLICATIONS

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

6. LEGAL IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. CONSULTATION AND ENGAGEMENT

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

8. POLICY IMPLICATIONS/CONSIDERATIONS

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

9. RISK CONSIDERATIONS

- 9.1 The risks faced by the Council in relation to financial planning and budget setting are set out in paragraphs 3.35 to 3.45 of this report as part of the Director of Resources' comments on Section 25 (2) of the Local Government Act 2003.
- 9.2 Many of the risks are similar to previous years but it is particularly worth noting the risks in relation to uncertainty around inflationary pressures, income generation due to behaviour change since COVID-19, the cost of living crisis, Government funding, schools and children's/adult social care.

10. EQUALITY IMPACT CONSIDERATIONS

- 10.1 Appendix C considers the equality impact of major changes to the 2023/24 budget.

11. ENVIRONMENTAL CONSIDERATIONS

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

12. APPENDICES

Appendix A – Council Tax Bands 2023/24
Appendix B – Revenue Reserves
Appendix C – Equality Impact Assessment
Appendix D – Council Tax Resolution

13. BACKGROUND PAPERS

None

14. CONTACTS

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Richmond Council Tax Bands 2023/24

Band	Richmond Council Tax (2023/24) £	Greater London Authority (2023/24) £	Total Council Tax (2023/24) £
A	1,138.05	289.43	1,427.48
B	1,327.72	337.66	1,665.38
C	1,517.40	385.90	1,903.30
D	1,707.07	434.14	2,141.21
E	2,086.43	530.62	2,617.05
F	2,465.77	627.09	3,092.86
G	2,845.12	723.57	3,568.69
H	3,414.15	868.28	4,282.43

Description/ Purpose	Balance at 01-Apr-22 £000	Estimated Revenue Usage 2022/23 £000	Estimated Capital Usage 2022/23 £000	Estimated Additions 2022/23 £000	Estimated Balance at 31-Mar-23 £000	Estimated Movement 2023/24 £000	Estimated Balance at 31-Mar-24 £000	PURPOSE OF RESERVE
'GENERAL RESERVES'								
Covid 19 Reserve	-168	168		0	0		0	Part of the government grant received in 2019/20 to assist with pressures around COVID-19
Financial Resilience Reserve:								In recognition of the volatility of the arrangements of future local government funding
– DSG (High Needs) Contingency (FRR)	-7,217	3,062			-4,155	2,655	-1,500	
– Other (FRR)	-25,139	4,600		-5,044	-25,583	3,400	-22,183	
Emergency Funding Reserve	0	479		-3,000	-2,521	682	-1,839	
Pensions Resilience Reserve	-3,000			0	-3,000		-3,000	
Public Realm Improvement Fund	-2,825		1,938	0	-887	587	-300	
All in One Uplift Projects Reserve	-186			0	-186		-186	Includes the Public Realm Improvement Fund
Council Tax Freeze Reserve	0			0	0		0	
Invest to Save Reserve	-6,561			0	-6,561	400	-6,161	Funding for efficiency work across the Council, including an allowance for redundancy costs
Repairs and Renewals Fund Reserve	-3,416	191		-331	-3,556	256	-3,300	Purchase or creation of assets providing benefits of at least 3 years
General Reserve	-12,160	1,407			-10,753		-10,753	To be used to contribute to minimising Council Tax in future years
	-60,672	9,907	1,938	-8,375	-57,202	7,980	-49,222	
STATUTORY RESERVES OVER WHICH THE COUNCIL HAS LIMITED OR NO CONTROL								
Dedicated Schools Grant Reserve	7,217	2,138		-5,200	4,155	-2,655	1,500	Created from under/overspend of Dedicated Schools Budget. Currently showing a deficit balance. Earmarked for schools expenditure.
Schools maternity and supply cover scheme	-298			*	-298		-298	Internal insurance arrangement for supply and maternity cover in schools
Schools' Reserves	-7,784			*	-7,784		-7,784	Ring fenced to schools
South London Partnership Reserve	-908			*	-908		-908	5 Borough collaboration to promote sustainable growth
Other	21			0	21		21	
	-1,752	2,138	0	-5,200	-4,814	-2,655	-7,469	
EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:								
General Insurance Reserve	-3,139			0	-3,139		-3,139	Internal insurance fund (non vehicle). Revaluation is completed as part of the insurance tendering process.
PFI Reserve (Education)	-6,971			0	-6,971		-6,971	To allow for future smoothing of annual payments under PFI contracts
PFI Reserve (Social Services)	-3,314			0	-3,314		-3,314	To cover potential tax liabilities
VAT Liabilities Reserve	0			0	0		0	Internal insurance for Council vehicles
Vehicles Insurance Reserve	-194			0	-194		-194	
	-13,618	0	0	0	-13,618	0	-13,618	
Business Rates Volatility Reserve	-13,878	9,373		-911	-5,416		-5,416	Used to smooth the impact of NNDR year on year variations and S31 grants
Council Tax Volatility Reserve	-957			0	-957		-957	
	-14,835	9,373	0	-911	-6,373	0	-6,373	
OTHER EARMARKED RESERVES								
Climate Change Reserve	-1,510		915	0	-595	400	-195	To support the Council's Sustainability Team in reducing the threat of climate change, to cut carbon emissions and promote energy efficiency
RCES Climate Change Reserve	-1,620	68		0	-1,552	156	-1,396	As above, specifically for RCES implementation
Commitments Reserve	-452	80		0	-372		-372	Unspent revenue budgets carried forward for specific Committee approved projects, including Brexit grant
Direct Payment Reserve	-170			0	-170		-170	
Economic Support Fund Reserve	-92			0	-92		-92	Support for economic development initiatives
Lincoln Fields Reserve	-394		328		-66		-66	Net income for Lincoln Field site to be put towards pitch re-surface
Waste and Recycling Reserve	-1,574			-1,562	-3,136	-950	-4,086	Used to fund Waste and Recycling Strategy
Youth Centres Reserve	-60	60			0		0	Income generated by youth centres (e.g. lettings) which is earmarked for re-investment within youth services; £53k for Emotional Health Service proposal & £7k to be used when the centre needs redecorating (2022/23)
Youth Development Fund Reserve	-248	170		0	-78		-78	To fund capital schemes to improve youth facilities
Other Minor Reserves under £100K	-366			0	-366		-366	Various small reserves
	-6,486	378	1,243	-1,562	-6,427	-394	-6,821	
TOTAL RESERVES	-97,363	21,796	3,181	-16,048	-88,434	4,931	-83,503	

SUMMARY BY COMMITTEE**B1**

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Education and Children's Services	43,608,100	44,579,200
Adult Social Services, Health and Housing	58,133,600	56,549,000
Environment, Sustainability, Culture and Sports Services	29,266,700	29,282,300
Finance, Policy & Resources	34,005,800	33,428,100
Transport and Air Quality	(4,796,500)	(6,048,500)
NET EXPENDITURE (excluding Central Items)	160,217,700	157,790,100
Central Items	(15,992,100)	(5,367,200)
NET EXPENDITURE (including Central Items)	144,225,600	152,422,900

SUBJECTIVE SUMMARY**B2**

	<u>2022/23</u> <u>BUDGET</u> <u>(INC. DSG)</u>	<u>2023/24</u> <u>BUDGET</u> <u>(INC. DSG)</u>
<u>Expenditure</u>		
Employees	59,714,200	58,125,700
Premises	15,823,900	16,761,300
Transport	1,623,500	1,623,500
Supplies & Services	23,296,200	20,993,100
Third Party Payments	175,968,000	179,651,800
Transfer Payments	171,270,600	164,344,000
Support Services	1,236,600	1,175,100
TOTAL EXPENDITURE	<u>448,933,000</u>	<u>442,674,500</u>
<u>Income</u>		
Government Grants	(222,224,000)	(214,922,800)
Other Grants & Contributions	(5,747,100)	(5,372,500)
Customer & Client Receipts	(57,004,100)	(60,949,000)
Interest	(165,700)	(65,700)
Internal charges	(3,574,400)	(3,574,400)
TOTAL INCOME	<u>(288,715,300)</u>	<u>(284,884,400)</u>
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	<u>160,217,700</u>	<u>157,790,100</u>
Central Items	(15,992,100)	(5,367,200)
NET EXPENDITURE (CONTROLLABLE)	<u>144,225,600</u>	<u>152,422,900</u>

SUBJECTIVE SUMMARY BY SERVICE - BUDGETS 2023/24

	<u>Education and Children's Services (Non DSG)</u>	<u>Adult Social Services, Health and Housing</u>	<u>Environment, Sustainability, Culture and Sports Services</u>	<u>Finance, Policy & Resources</u>	<u>Transport and Air Quality</u>	<u>TOTAL (EXCL. DSG)</u>	<u>Education and Children's Services (DSG)</u>	<u>TOTAL (INC. DSG)</u>
Expenditure								
Employees	374,400	18,712,900	14,696,200	20,352,100	3,990,100	58,125,700	-	58,125,700
Premises	-	749,200	4,199,200	8,716,700	3,096,200	16,761,300	-	16,761,300
Transport	-	788,300	81,000	178,100	576,100	1,623,500	-	1,623,500
Supplies & Services	5,520,800	2,570,900	3,588,700	7,723,700	1,589,000	20,993,100	-	20,993,100
Third Party Payments	48,993,700	74,174,500	20,242,300	3,244,400	6,341,900	152,996,800	26,655,000	179,651,800
Transfer Payments	8,473,600	7,981,400	-	50,067,000	-	66,522,000	97,822,000	164,344,000
Support Services	-	218,800	277,500	650,100	28,700	1,175,100	-	1,175,100
Total	63,362,500	105,196,000	43,084,900	90,932,100	15,622,000	318,197,500	124,477,000	442,674,500
Income								
Government Grants	(16,800,200)	(27,974,800)	-	(45,670,800)	-	(90,445,800)	(124,477,000)	(214,922,800)
Other Grants & Contributions	(1,798,600)	(3,235,000)	(104,100)	(234,800)	-	(5,372,500)	-	(5,372,500)
Customer & Client Receipts	(184,500)	(17,341,000)	(13,186,900)	(10,590,800)	(19,645,800)	(60,949,000)	-	(60,949,000)
Interest	-	-	-	(65,700)	-	(65,700)	-	(65,700)
Internal charges	-	(96,200)	(511,600)	(941,900)	(2,024,700)	(3,574,400)	-	(3,574,400)
Total	(18,783,300)	(48,647,000)	(13,802,600)	(57,504,000)	(21,670,500)	(160,407,400)	(124,477,000)	(284,884,400)
NET EXPENDITURE (EXCL. CENTRAL ITEMS)	44,579,200	56,549,000	29,282,300	33,428,100	(6,048,500)	157,790,100	-	157,790,100
Central Items	-	-	-	(5,367,200)	-	(5,367,200)	-	(5,367,200)
NET EXPENDITURE (INC. CENTRAL ITEMS)	44,579,200	56,549,000	29,282,300	28,060,900	(6,048,500)	152,422,900	-	152,422,900

EDUCATION AND CHILDRENS SERVICES

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

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EDUCATION AND CHILDREN'S SERVICES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Education and Children's Services	43,608,100	44,579,200
Total Education and Childrens Services	<u>43,608,100</u>	<u>44,579,200</u>

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
2022/23 ORIGINAL BUDGET	40,333,600	40,333,600
Inflation to Current Prices	1,828,400	3,146,900
Changes in Government Grants	0	(1,631,400)
Other Government or Outside Body Changes	(68,500)	10,700
Demand Led Growth	139,500	2,848,500
Efficiency Savings	(19,500)	(1,373,200)
Investment Priorities	50,200	0
Other Growth & Savings	144,400	44,100
Budget Transfers	1,200,000	1,200,000
NET EXPENDITURE	<u>43,608,100</u>	<u>44,579,200</u>

EDUCATION AND CHILDREN'S SERVICES

SUBJECTIVE ANALYSIS

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Expenditure</u>		
Employees	376,200	374,400
Premises	0	0
Transport	0	0
Supplies & Services	5,520,800	5,520,800
Third Party Payments	75,524,000	75,648,700
Transfer Payments	111,452,100	106,295,600
TOTAL EXPENDITURE	192,873,100	187,839,500
<u>Income</u>		
Government Grants	(147,281,600)	(141,277,200)
Other Grants & Contributions	(1,798,600)	(1,798,600)
Customer & Client Receipts	(184,800)	(184,500)
TOTAL INCOME	(149,265,000)	(143,260,300)
NET EXPENDITURE	43,608,100	44,579,200

EDUCATION AND CHILDREN'S SERVICES

Education and Children's Services

	<u>2022/23</u>	<u>2023/24</u>
	<u>Revised</u>	<u>Budget</u>
	£	£
Achieving for Children Contract	72,409,000	72,545,700
Grant Funding	(34,434,000)	(33,585,800)
Children's Retained costs	350,700	348,900
General Fund Contribution to DSG	1,200,000	1,200,000
Schools PFI	1,107,400	1,107,400
	40,633,100	41,616,200

	<u>2022/23</u>	<u>2023/24</u>
	<u>Revised</u>	<u>Budget</u>
	£	£
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	37,358,600	37,358,600
Inflation to Current Prices	1,826,300	3,144,800
Changes in Government Grants		
- Social Care Grant income	0	(1,631,400)
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(68,500)	(164,300)
- Triennial Pension Valuation	0	175,000
Demand Led Growth		
- Social Care Transformation	0	290,500
- Placement Sufficiency Strategy	0	1,564,400
- Workforce Transformation -Improve Recruitment and Retention	0	636,000
- Investment in Youth Services	117,000	117,000
- Investment in Emotional Health Services - Clinical Psychologist	8,000	8,000
- Education Transformation - Investment in additional capacity for increased levels of need	0	137,600
- Support Service Transformation - Investment in Digitisation	14,500	95,000
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(17,400)	(17,400)
- Early Help Transformation	0	(500,300)
- Social Care Transformation	0	(281,400)
- Placement Sufficiency	0	(364,100)
- Workforce Transformation	0	(207,900)
- Support Service Transformation	0	0
Investment Priorities		
- Cost of Living Response - Warm Spaces	50,200	0
Other Growth & Savings		
- Investment in Consultancy Support & Audit SLA	23,800	23,800
- Removal of Temporary Budgets	0	(5,000)
- SEND Futures Programme	60,000	60,000
- Emotional Health Service - Additional Resource	53,400	0
- Youth Centre Investment funded from Development Reserve	7,200	0
Budget Transfers		
- General Fund Contribution to DSG	1,200,000	1,200,000
NET EXPENDITURE	40,633,100	41,638,900

EDUCATION AND CHILDREN'S SERVICES

Education and Children's Services

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Public Health	2,975,000	2,963,000
	<hr/>	<hr/>
	2,975,000	2,963,000

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
2022/23 ORIGINAL BUDGET	2,975,000	2,975,000
Inflation to Current Prices	2,100	2,100
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(2,100)	(2,100)
Other Growth & Savings		
- Removal of Temporary Budgets	0	(12,000)
NET EXPENDITURE	<hr/> 2,975,000	<hr/> 2,963,000

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

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

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ADULT SOCIAL SERVICES, HEALTH AND HOUSING

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
Housing & Regeneration		
Housing Management	173,600	139,600
Housing Services	3,607,300	4,484,400
Other Housing	445,700	454,200
Adult Social Care & Public Health		
Adult Social Care	50,564,500	48,810,300
Commissioning and Quality Standards	8,296,200	8,282,900
Public Health	(8,060,300)	(8,115,500)
Business Resources	2,880,800	2,251,900
Environment & Community Services		
Private Sector Housing	225,800	241,200
Total Adult Social Services, Health & Housing	58,133,600	56,549,000

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
2022/23 ORIGINAL BUDGET	54,669,100	54,669,100
Inflation to Current Prices	2,816,900	3,206,800
Changes in Government Grants	(2,134,500)	(4,123,800)
Other Government or Outside Body Changes	(47,300)	(115,200)
Demand Led Growth	228,300	1,368,500
Efficiency Savings	(315,600)	(1,890,200)
Investment Priorities	719,300	126,100
Income Generation	0	0
Other Growth & Savings	2,082,400	3,134,700
Budget Transfers	115,000	173,000
NET EXPENDITURE	58,133,600	56,549,000

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Management

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Joint Control Room	530,300	496,300
Careline	(369,900)	(369,900)
Animal Welfare	13,200	13,200
	173,600	139,600

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	115,200	115,200
Inflation to Current Prices	48,600	48,600
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(1,200)	(2,900)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(4,000)	(4,000)
- Short Term Staffing Efficiencies	0	(32,300)
Budget Transfers	15,000	15,000
NET EXPENDITURE	173,600	139,600

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Housing Services

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
Housing Services Teams	2,247,600	2,110,300
Discretionary Social Fund (Housing)	140,000	140,000
Direct Homelessness costs	654,700	1,669,100
Homelessness Prevention Schemes	569,900	569,900
Refugees/Asylum Seekers	0	0
Home Improvement Agency	0	0
Ex HRA Properties	(4,900)	(4,900)
	3,607,300	4,484,400

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	3,259,100	3,259,100
Inflation to Current Prices	296,100	675,800
Changes in Government Grants		
- Additional Homelessness Prevention Grant (2022/23 only)	(228,300)	0
- Increase in Homelessness Prevention Grant	0	(33,800)
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(6,400)	(15,000)
Demand Led Growth		
- Homelessness Pressures	228,300	868,500
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(141,500)	(141,500)
- Short Term Staffing Efficiencies	0	(128,700)
Investment Priorities		
- Rental Loss at Queens Road Hostel Pending Refurbishment	200,000	0
Budget Transfers	0	0
NET EXPENDITURE	3,607,300	4,484,400

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Other Housing

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Management and Support	320,200	318,600
Delivery and Development	125,500	135,600
	445,700	454,200

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	449,700	449,700
Inflation to Current Prices	21,800	23,100
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(1,500)	(3,700)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(1,300)	(1,300)
- Short Term Staffing Efficiencies	0	(13,600)
Budget Transfers	(23,000)	0
NET EXPENDITURE	445,700	454,200

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Adult Social Care

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Adult Service Operations Teams	8,060,300	7,829,000
Early Help & Enablement Services	2,134,000	1,921,800
Services for Older People, Sensory & Physical Disabilities	13,209,700	12,083,700
Services for Adults with Learning Disabilities	21,230,600	21,196,000
Services for Adults with Mental Health Needs	4,056,000	3,941,100
Care Provision	1,873,900	1,838,700
	50,564,500	48,810,300

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	47,768,800	47,768,800
Inflation to Current Prices	1,861,100	1,860,500
Changes in Government Grants		
- ASC Market Sustainability and Improvement Fund Grant Income	0	(1,101,000)
- Improved Better Care Fund Grant Income	(22,400)	(22,400)
- Additional Social Care Grant Income	0	(1,631,500)
- Adult Social Care Discharge Fund Grant Income	(550,700)	(109,000)
- Winter Pressures Grant Income	(450,000)	(450,000)
- Community Discharge Grant Income	(41,100)	(41,100)
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(22,300)	(53,700)
- National Non Domestic Rates Revaluations	0	(1,500)
Demand Led Growth		
- Demographic Pressures in All Client Groups Care Budget	0	500,000
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(59,800)	(267,900)
- Digital Programme Efficiencies	0	(150,000)
- Learning Disability Respite	0	(124,000)
- Community Equipment Service	0	(200,000)
- Improved Debt Recovery	0	(147,800)
Investment Priorities		
- Transforming Social Care Investment	500,000	0
Other Growth & Savings		
- National Living Wage Increases	0	500,000
- ASC Market Sustainability and Improvement Fund Grant Spend	446,000	1,547,000
- Improved Better Care Fund Grant Spend	22,400	22,400
- Winter Pressures Grant Spend	450,000	450,000
- Community Discharge Grant Spend	41,100	41,100
- Adult Social Care Discharge Fund Grant Spend	550,700	109,000
Budget Transfers	70,700	311,400
NET EXPENDITURE	50,564,500	48,810,300

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Commissioning and Quality Standards

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Commissioning Teams	1,556,000	1,471,300
Advocacy, Supported Employment and Other minor services	471,500	471,500
Professional Standards and Safeguarding	1,083,500	1,084,100
Prevention and Wellbeing	2,292,100	2,362,900
Adult Public Health Services	2,893,100	2,893,100
	8,296,200	8,282,900

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	8,086,500	8,086,500
Inflation to Current Prices	324,500	325,100
Changes in Government Grants		
- Substance Misuse Grant Income	(216,100)	(216,100)
- Rough Sleepers Drug and Alcohol Treatment Grant Income	(249,100)	(249,100)
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(8,200)	(19,700)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(38,300)	(122,500)
- Housing & Preventative Support Contracts	0	(135,000)
- Improved Debt Recovery	0	(2,300)
Investment Priorities		
- Cost of Living Response - Benefits Advice for Older People, Physical Disability & Learning Disability Clients	19,300	126,100
Other Growth & Savings		
- Substance Misuse Grant Spend	216,100	216,100
- Rough Sleepers Drug and Alcohol Treatment Grant Spend	249,100	249,100
Budget Transfers	(87,600)	24,700
NET EXPENDITURE	8,296,200	8,282,900

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Public Health

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Core Public Health (Team and other)	1,813,400	1,758,200
Public Health Grant	(9,873,700)	(9,873,700)
	(8,060,300)	(8,115,500)

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	(7,826,600)	(7,826,600)
Inflation to Current Prices	53,700	53,700
Changes in Government Grants		
- Increase in Public Health Grant Income	(269,800)	(269,800)
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(800)	(2,000)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(16,800)	(82,800)
Budget Transfers	0	12,000
NET EXPENDITURE	(8,060,300)	(8,115,500)

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Adults Business Resources

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Business Resources	2,880,800	2,251,900
	2,880,800	2,251,900

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	2,599,700	2,599,700
Inflation to Current Prices	201,600	194,800
Changes in Government Grants		
- ASC Implementation Support Grant Income (2022/23 only)	(107,000)	0
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(6,700)	(16,200)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(53,700)	(336,300)
Other Growth & Savings		
- ASC Implementation Support Grant Spend (2022/23 only)	107,000	0
Budget Transfers	139,900	(190,100)
NET EXPENDITURE	2,880,800	2,251,900

ADULT SOCIAL SERVICES, HEALTH AND HOUSING

Regulatory Services Partnership

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Private Sector Housing	225,800	241,200
	225,800	241,200

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	216,700	216,700
Inflation to Current Prices	9,500	25,200
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(200)	(500)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(200)	(200)
Budget Transfers	0	0
NET EXPENDITURE	225,800	241,200

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

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

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ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Environment and Community Services Directorate		
ECS Management and Support	1,373,800	1,427,400
Leisure and Waste	24,848,300	24,654,100
Highways Operations and Streetscene	813,700	861,300
Planning and Transportation	1,998,500	1,788,000
Chief Executives Directorate		
Policy and Performance	232,400	551,500
Total Environment, Sustainability, Culture & Sports Services	29,266,700	29,282,300

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
2022/23 ORIGINAL BUDGET	28,979,400	28,979,400
Inflation to Current Prices	2,003,700	2,336,700
Other Government or Outside Body Changes	(188,500)	(91,000)
Demand Led Growth	5,400	5,400
Efficiency Savings	(209,900)	(209,900)
Investment Priorities	779,800	84,200
Income Generation	0	(297,400)
Other Growth & Savings	(1,423,900)	(876,900)
Budget Transfers	(679,300)	(648,200)
NET EXPENDITURE	29,266,700	29,282,300

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

SUBJECTIVE ANALYSIS

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Expenditure</u>		
Employees	14,722,100	14,696,200
Premises	4,094,200	4,199,200
Transport	81,000	81,000
Supplies & Services	3,428,900	3,588,700
Third Party Payments	20,443,600	20,242,300
Support Services	277,500	277,500
TOTAL EXPENDITURE	43,047,300	43,084,900
<u>Income</u>		
Other Grants & Contributions	(104,100)	(104,100)
Customer & Client Receipts	(13,164,900)	(13,186,900)
Internal charges	(511,600)	(511,600)
TOTAL INCOME	(13,780,600)	(13,802,600)
NET EXPENDITURE	29,266,700	29,282,300

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

ECS Management and Support

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
ECS Management Team	684,400	737,100
Finance and Performance	375,900	374,900
Business Support	104,500	104,200
Precepts and Levies	209,000	211,200
	1,373,800	1,427,400

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	1,362,200	1,362,200
Inflation	81,600	113,600
Other Government or Outside Body Changes		
- Coroner's Court Levy	(45,800)	(45,800)
- Environment Agency Levy	(2,900)	(700)
- National Insurance Uplift Reversal	(2,400)	(6,000)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(6,300)	(6,300)
Budget Transfers	(12,600)	10,400
NET EXPENDITURE	1,373,800	1,427,400

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Leisure and Waste

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
Parks Management	4,605,100	4,411,500
Sports Services	1,217,200	1,224,900
Arts and Culture	1,148,400	1,126,500
Libraries	3,949,600	3,932,600
Registrars and Cemeteries	(939,400)	(972,200)
Waste and Street Cleansing Contract Management	369,600	343,400
Street Cleansing	2,779,000	2,779,000
Waste Disposal including WLWA Levy	6,630,700	7,449,300
Waste Collection and Recycling	4,989,400	4,260,900
Public Conveniences	98,700	98,200
	24,848,300	24,654,100

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	24,738,400	24,738,400
Inflation	1,595,000	1,834,800
Other Government or Outside Body Changes		
- Climate Change Levy Increase	0	1,800
- Lee Valley Regional Park Authority Levy	(3,100)	(3,100)
- National Insurance Uplift Reversal	(19,300)	(46,100)
- National Non Domestic Rates Revaluations	0	60,200
- West London Waste Authority Levy	(106,500)	(31,000)
Demand Led Growth		
- Waste Contract Growth of Properties	5,400	5,400
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(156,400)	(156,400)
Investment Priorities		
- Air Quality Projects - Tackling Climate Change	57,000	0

- Cost of Living Libraries Warm Spaces	12,000	0
- Ecology Officer	45,000	45,000
- West London Waste Authority Kitchen Waste Project	456,600	0
Income Generation		
- Review of Fees & Charges	0	(269,800)
Other Growth & Savings		
- National Non Domestic Rate Payments	(11,900)	(11,900)
- Parks Management	0	(20,000)
- Public Recycling Points	150,000	0
- ULEZ Mitigation Measures	0	135,000
- Waste Disposal Improvements	0	(30,000)
- West London Waste Authority Renewable Energy	(1,070,000)	(950,000)
- West London Waste Authority Reserves		
Disbursement	(492,000)	0
Budget Transfers	(351,900)	(648,200)
NET EXPENDITURE	<u>24,848,300</u>	<u>24,654,100</u>

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Highways Operations and Streetscene

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
Emergency Planning	89,300	88,900
Regulatory Services Partnership - Environmental Services	724,400	772,400
	813,700	861,300

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	787,800	787,800
Inflation	31,900	93,800
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(200)	(600)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(5,800)	(5,800)
Income Generation		
- Review of Fees & Charges	0	(13,900)
NET EXPENDITURE	813,700	861,300

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Policy and Performance

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Climate Change	232,400	551,500
	<hr/> 232,400	<hr/> 551,500

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
2022/23 ORIGINAL BUDGET	507,000	507,000
Inflation	10,500	10,500
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(300)	(600)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(4,600)	(4,600)
Investment Priorities		
- Cost of Living Warm Homes	39,200	39,200
Budget Transfers	(319,400)	0
NET EXPENDITURE	<hr/> 232,400	<hr/> 551,500

ENVIRONMENT, SUSTAINABILITY, CULTURE AND SPORTS SERVICES

Planning and Transportation

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
Building Control	122,900	120,000
Development Management	858,300	840,500
Strategic Developments	4,500	3,900
Thames Landscape Strategy	29,500	29,100
Transport Strategy	234,000	217,400
Policy and Design	928,600	757,000
Information and Business Support	35,900	35,700
Land Charges	(245,200)	(245,600)
Flood Defence	30,000	30,000
	1,998,500	1,788,000

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	1,584,000	1,584,000
Inflation	284,700	284,000
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(8,000)	(19,100)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(36,800)	(36,800)
Investment Priorities		
- Local Plan Priorities	170,000	0
Income Generation		
- Review of Fees & Charges	0	(13,700)
Budget Transfers	4,600	(10,400)
NET EXPENDITURE	1,998,500	1,788,000

FINANCE, POLICY AND RESOURCES

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FINANCE, POLICY AND RESOURCES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Resources Directorate		
Directorate	403,600	371,700
Financial Management	2,713,900	2,962,000
Corporate Services	9,191,800	8,436,100
Revenue Services	6,909,000	7,721,200
Financial Services	1,983,800	1,488,800
Chief Executives Directorate		
Chief Executive Group	7,641,600	7,328,800
Housing and Regeneration Directorate		
Property Services	5,162,100	5,119,500
	<u>34,005,800</u>	<u>33,428,100</u>
Central Items	(15,992,100)	(5,367,200)
Total Finance, Policy and Resources	<u><u>18,013,700</u></u>	<u><u>28,060,900</u></u>

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
2022/23 ORIGINAL BUDGET	29,709,100	29,709,100
Inflation	2,317,000	2,965,000
Changes in Government Grants	0	181,900
Other Government or Outside Body Changes	(54,800)	818,500
Demand Led Growth	0	12,600
Efficiency Savings	(383,800)	(1,567,200)
Investment Priorities	769,500	378,600
Income Generation	0	(80,000)
Other Growth & Savings	154,500	(3,600)
Budget Transfers	1,494,300	1,013,200
NET EXPENDITURE	<u><u>34,005,800</u></u>	<u><u>33,428,100</u></u>

FINANCE, POLICY AND RESOURCES

SUBJECTIVE ANALYSIS

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Expenditure</u>		
Employees	21,415,900	20,352,100
Premises	8,019,500	8,716,700
Transport	178,100	178,100
Supplies & Services	9,056,500	7,723,700
Third Party Payments	3,926,200	3,244,400
Transfer Payments	51,842,100	50,067,000
Support Services	650,100	650,100
TOTAL EXPENDITURE	95,088,400	90,932,100
<u>Income</u>		
Government Grants	(48,813,700)	(45,670,800)
Other Grants & Contributions	(609,200)	(234,800)
Customer & Client Receipts	(10,552,100)	(10,590,800)
Interest	(65,700)	(65,700)
Internal charges	(1,041,900)	(941,900)
TOTAL INCOME	(61,082,600)	(57,504,000)
NET EXPENDITURE (excluding Central Items)	34,005,800	33,428,100
Central Items	(15,992,100)	(5,367,200)
NET EXPENDITURE (including Central Items)	18,013,700	28,060,900

FINANCE, POLICY AND RESOURCES

Directorate

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Directorate	403,600	371,700
	<hr/> 403,600	<hr/> 371,700

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	392,900	392,900
Inflation	14,600	14,600
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(1,300)	(3,200)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(2,600)	(32,600)
NET EXPENDITURE	<hr/> 403,600	<hr/> 371,700

FINANCE, POLICY AND RESOURCES

Financial Management

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
Financial Control and Accountancy	1,965,000	2,144,100
Corporate Management	655,100	785,100
Non Distributed Costs	(319,200)	(296,200)
Levies	409,400	325,400
Home Loans	3,600	3,600
	2,713,900	2,962,000

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	2,249,600	2,249,600
Inflation	145,100	145,100
Changes in Government Grants		
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(4,200)	(10,100)
- External Audit fees increase	0	130,000
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	0	(84,000)
- Levies contingency not required	(53,600)	(53,600)
Other Growth & Savings		
- Capita Contract uplift and system upgrade	0	185,000
Budget Transfers	377,000	400,000
NET EXPENDITURE	2,713,900	2,962,000

FINANCE, POLICY AND RESOURCES

Corporate Services

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
IT and Telecoms	4,548,400	4,240,400
Human Resources and Payroll	1,874,200	1,779,000
Apprenticeship Levy	249,500	249,500
Electoral Services	828,300	469,300
Customer Services	1,691,400	1,697,900
	9,191,800	8,436,100

	<u>2022/23</u> <u>Revised</u> <u>£</u>	<u>2023/24</u> <u>Budget</u> <u>£</u>
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	8,049,200	8,049,200
Inflation	849,000	806,000
Changes in Government Grants		
- National Insurance Uplift Reversal	(18,000)	(42,700)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(131,700)	(131,700)
- IT Strategy Efficiencies (FPR Nov 20)	0	(271,000)
Investment Priorities		
- Cost of Living Hub	28,700	40,100
Other Growth & Savings		
- Removal of Budget for Local Election 2022	55,000	(300,000)
- Transformation Team Resource	0	24,000
Budget Transfers	359,600	262,200
NET EXPENDITURE	9,191,800	8,436,100

FINANCE, POLICY AND RESOURCES

Revenue Services

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Council Tax and Business Rates	71,600	60,700
Parking Administration	730,100	728,100
Accessible Transport and Concessionary Fares	4,706,600	5,402,700
Housing Benefit Administration	1,220,900	1,349,900
Housing Benefit Subsidy	179,800	179,800
	6,909,000	7,721,200

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	6,529,700	6,529,700
Inflation	339,800	345,600
Changes in Government Grants		
- Localising Council Tax Support Admin Grant Rolled into General Grant	0	181,900
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(6,400)	(15,300)
- Concessionary fares	0	696,700
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(81,000)	(94,000)
Investment Priorities		
- Cost of Living Programme Resource and Software Investment	126,900	76,600
NET EXPENDITURE	6,909,000	7,721,200

FINANCE, POLICY AND RESOURCES

Financial Services

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Internal Audit	42,600	42,600
Shared Audit and Fraud	481,900	539,500
Pensions Administration	51,500	51,500
Pension Fund Administration	16,300	15,700
Insurance	490,400	141,100
Health and Safety Team	106,300	105,900
Procurement	794,800	592,500
	1,983,800	1,488,800

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	1,372,600	1,372,600
Inflation	128,400	330,200
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(7,800)	(18,700)
Demand Led Growth		
- Insurance Team	0	12,600
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(7,900)	(7,900)
- Procurement Staffing Efficiencies	0	(200,000)
Budget Transfers	498,500	0
NET EXPENDITURE	1,983,800	1,488,800

FINANCE, POLICY AND RESOURCES

Chief Executive Group

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Community and Partnerships	1,990,600	1,747,700
Economic Development	642,900	594,300
Resident Engagement	972,100	908,300
Communications	386,500	386,500
Community Safety	511,800	505,600
Corporate Initiatives	112,300	78,400
Legal Services	25,000	25,000
Member Services	1,579,800	1,556,800
Policy, Performance and Analysis	674,400	869,600
Chief Executive's support and trainees	746,200	656,600
	<hr/> <hr/> 7,641,600	<hr/> <hr/> 7,328,800

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	7,179,300	7,179,300
Inflation	334,000	328,700
Other Government or Outside Body Changes		
- National Insurance Uplift Reversal	(11,400)	(27,100)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(75,500)	(255,500)
Investment Priorities		
- Community Ambassadors and Outreach Programmes	100,400	68,600
- Cost of living: Warm spaces	150,000	0
- Cost of living: Wellbeing & Inclusion	19,700	48,600
- Cost of living: Financial Resilience	28,800	32,700
- Cost of living: Community Resilience	4,000	7,000
- Community Safety Programmes	0	105,000
Other Growth & Savings		
- Transformation Team Resource	100,000	376,100
- Removal of One-off Budgets	0	(399,000)
Budget Transfers	(187,700)	(135,600)
NET EXPENDITURE	<hr/> <hr/> 7,641,600	<hr/> <hr/> 7,328,800

FINANCE, POLICY AND RESOURCES

Housing Management

	<u>2022/23</u>	<u>2023/24</u>
	<u>Revised</u>	<u>Budget</u>
	£	£
Facilities Management	3,931,100	3,587,200
Utilities	2,786,500	3,481,900
Sustainability	57,000	110,800
Public Halls and Community Centres	(289,100)	(288,400)
Office Accommodation	894,700	678,800
AFC Properties	(1,557,800)	(1,539,700)
Sundry Properties	(841,000)	(1,091,000)
Valuation and Asset Management	180,700	179,900
	5,162,100	5,119,500

	<u>2022/23</u>	<u>2023/24</u>
	<u>Revised</u>	<u>Budget</u>
	£	£
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	3,935,800	3,935,800
Inflation	506,100	994,800
Other Government or Outside Body Changes		
- National Non Domestic Rates(NNDR) Revaluations	0	113,900
- National Insurance Uplift Reversal	(5,700)	(13,600)
- Climate Change Levy increase	0	8,600
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(31,500)	(31,500)
- Short Term Staffing Efficiencies	0	(205,400)
- Removal of Temporary Budget	0	(200,000)
Investment priorities		
- Workspace Strategy	141,000	0
- Property Feasibilities	170,000	0
Income Generation		
- Commercial Rent Income	0	(80,000)
Other Growth & Savings		
- National Non Domestic Rate Payments	10,200	10,200
- Climate Change - Sustainability Team	(10,700)	100,100
Budget Transfers	446,900	486,600
NET EXPENDITURE	5,162,100	5,119,500

FINANCE, POLICY AND RESOURCES

Central Items

	<u>2022/23</u>	<u>2023/24</u>
	<u>Revised</u>	<u>Budget</u>
	<u>£</u>	<u>£</u>
<u>ASSET MANAGEMENT & TREASURY</u>		
Interest Payable	4,098,000	5,242,000
Interest Receivable	(1,382,200)	(4,561,700)
MRP (Principal Loan Repay)	5,752,400	5,753,000
Revenue Funding of Capital Expenditure	917,000	917,000
<u>CONTINGENCY & INVESTMENT ITEMS</u>		
General Contingency	0	500,000
Pay and Other Contingency	(100,600)	13,143,100
Service Pressures Contingency	0	1,000,000
Investment Initiatives	0	150,000
<u>NON-RINGFENCED GOVERNMENT GRANTS</u>		
Lower Tier Services Grant	(658,600)	0
Revenue Support Grant	0	(190,000)
General Service Grant	(1,556,000)	(876,900)
<u>OTHER</u>		
Centrally Funded Pensions	3,233,400	2,733,400
Distribution of surplus/deficit on Collection Fund	(800,000)	(290,000)
Retained NNDR and Section 31 Grants	(23,542,000)	(25,708,000)
Contributions to Earmarked Reserves	1,053,300	320,900
Transfers to/(from) Earmarked Reserves to Balance the Budget	(1,600,000)	(3,500,000)
Transfers to/from General Fund Reserve	(1,406,800)	0
NET EXPENDITURE	(15,992,100)	(5,367,200)

	<u>2023/24</u>
	<u>Budget</u>
	<u>£</u>
<u>Variation Analysis</u>	
2022/23 ORIGINAL BUDGET	(3,639,600)
Inflation	3,414,400
Changes in Government Grants	
- Revenue Services Grant	(190,000)
- General Service Grant Reduction	679,100
- Lower Tier Services Grant Reduction	658,600
Demand Led Growth	
- Service Pressures Contingency	1,000,000
Investment Priorities - Drawing from Reserves	
- Transformation Programme - Invest to Save Reserve	(400,100)
- Cost of Living Programme - Emergency Funding Reserve	(365,300)
- Climate Emergency Strategy (RCES) Reserve Use	(208,700)
- Desktop Strategy - Renewals Fund Reserve Use	(256,400)
Other Growth & Savings	
- Coronation Celebrations 2023	150,000
- Income, Contract and Departmental Efficiencies	(243,300)
- Retained NNDR and Section 31 Grants	(2,166,000)
- Collection Fund Surplus	510,000
- Asset Management and Treasury	(2,034,900)
- Energy Income - top up of Waste Reserve	950,000
- Use of Reserves to Balance the Budget	(1,900,000)
- Removal of One-off Budgets	(125,000)
Budget Transfers	(1,200,000)
NET EXPENDITURE	(5,367,200)

TRANSPORT AND AIR QUALITY SERVICES

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

Transport and Air Quality Services
Paul Chadwick
Director of Environment & Community Services

Paul.Chadwick@richmondandwandsworth.gov.uk

TRANSPORT AND AIR QUALITY SERVICES

SUMMARY BY SERVICE AREA

<u>SERVICE</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Environment and Community Services Directorate		
Highways Operations and Streetscene	1,142,300	963,700
Regulatory Services	315,500	182,500
Traffic and Engineering	(6,320,300)	(7,260,700)
Housing and Regeneration Directorate		
Housing Management	66,000	66,000
Total Transport and Air Quality	<u>(4,796,500)</u>	<u>(6,048,500)</u>

<u>Variation Analysis</u>	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
2022/23 ORIGINAL BUDGET	(5,826,000)	(5,826,000)
Inflation	1,070,600	1,101,800
Other Government or Outside Body Changes	39,900	32,400
Efficiency Savings	(217,300)	(217,300)
Investment Priorities	46,200	0
Income Generation	0	(778,700)
Other Growth & Savings	(26,900)	(336,600)
Budget Transfers	117,000	(24,100)
NET EXPENDITURE	<u>(4,796,500)</u>	<u>(6,048,500)</u>

TRANSPORT AND AIR QUALITY SERVICES

SUBJECTIVE ANALYSIS

	<u>2022/23</u>	<u>2023/24</u>
	<u>Revised</u>	<u>Budget</u>
	<u>£</u>	<u>£</u>
<u>Expenditure</u>		
Employees	3,992,200	3,990,100
Premises	3,062,600	3,096,200
Transport	576,100	576,100
Supplies & Services	1,639,000	1,589,000
Third Party Payments	6,581,800	6,341,900
Support Services	28,700	28,700
TOTAL EXPENDITURE	15,880,400	15,622,000
<u>Income</u>		
Customer & Client Receipts	(18,652,200)	(19,645,800)
Internal charges	(2,024,700)	(2,024,700)
TOTAL INCOME	(20,676,900)	(21,670,500)
NET EXPENDITURE	<u>(4,796,500)</u>	<u>(6,048,500)</u>

TRANSPORT AND AIR QUALITY SERVICES

Highways, Operations and Street Scene

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
Inspection and Enforcement	785,400	774,400
Network Management	(513,400)	(652,900)
Highways	(206,400)	(209,100)
Transport and Workshops	1,007,000	955,900
Depots	69,700	95,400
	1,142,300	963,700

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	925,600	925,600
Inflation	247,300	247,300
Other Government or Outside Body Changes		
- National Non Domestic Rates Revaluations	0	50,900
- National Insurance Uplift Reversal	(5,100)	(12,400)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(54,600)	(54,600)
Income Generation		
- Feb 2023 Review of Fees & Charges	0	(18,100)
Other Growth & Savings		
- Network Management Licenses	0	(100,000)
- Depot Rental Income Charges	0	(25,000)
- Reduction in Vehicle Maintenance & Leasing	0	(50,000)
Budget Transfers	29,100	0
NET EXPENDITURE	1,142,300	963,700

TRANSPORT AND AIR QUALITY SERVICES

Regulatory Services

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Revised</u> £
RSP - Air Quality	315,500	182,500
	315,500	182,500

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	168,900	168,900
Inflation	12,000	22,200
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(8,600)	(8,600)
Investment Priorities		
- Air Quality Monitoring Measures	31,200	0
Budget Transfers	112,000	0
NET EXPENDITURE	315,500	182,500

TRANSPORT AND AIR QUALITY SERVICES

Traffic and Engineering

	<u>2022/23</u> <u>Revised</u>	<u>2023/24</u> <u>Revised</u>
	£	£
Engineering - Parking & Traffic	952,100	942,400
Engineering - Highways	4,302,400	4,221,000
Engineering - Road Safety	303,900	300,500
On & Off Street Parking	(11,878,700)	(12,724,600)
	(6,320,300)	(7,260,700)

	<u>2022/23</u> <u>Revised</u>	<u>2023/24</u> <u>Budget</u>
	£	£
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	(7,001,500)	(7,001,500)
Inflation	811,300	832,300
Other Government or Outside Body Changes		
- Traffic Signals Contribution	49,700	57,800
- National Non Domestic Rates Revaluations	0	(52,900)
- National Insurance Uplift Reversal	(4,700)	(11,000)
Efficiency Savings		
- Income, Contract and Departmental Efficiencies	(154,100)	(154,100)
Investment Priorities		
- River Safety Throw Line Boards	15,000	0
Income Generation		
- Feb 2023 Review of Parking Charges	0	(760,600)
Other Growth & Savings		
- National Non Domestic Rate Payments	(26,900)	(11,600)
- Parking Income - Gradual Recovery from Covid-19	0	(50,000)
- Lighting Audits for Key Transport Locations		(100,000)
Budget Transfers	(9,100)	(9,100)
NET EXPENDITURE	(6,320,300)	(7,260,700)

TRANSPORT AND AIR QUALITY SERVICES

Housing Management

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Revised</u> £
CCTV	66,000	66,000
	<hr/>	<hr/>
	66,000	66,000

	<u>2022/23</u> <u>Revised</u> £	<u>2023/24</u> <u>Budget</u> £
<u>Variation Analysis</u>		
2022/23 ORIGINAL BUDGET	81,000	81,000
Budget Transfers	(15,000)	(15,000)
NET EXPENDITURE	<hr/> 66,000 <hr/>	<hr/> 66,000 <hr/>

LONDON BOROUGH OF RICHMOND UPON THAMES

COMMITTEE Finance, Policy and Resources Committee

DATE: 28 February 2023

REPORT OF: Director of Resources

TITLE OF DECISION: Capital Programme and Funding Review

WARDS: All

KEY DECISION?: YES

IF YES, IN FORWARD PLAN?: YES

1. MATTER FOR CONSIDERATION

- 1.1. The Committee is asked to consider and approve the review of the current six year capital programme. The report looks at the programme approved in September 2022, outlines changes to budgets since then, provides details of new schemes, and looks at how the capital programme is funded.

2. RECOMMENDATIONS

- 1.1. The committee are recommended to view the capital programme and the changes being proposed
- 1.2. That the revised capital programme and its funding in Appendix A be recommended to Council for approval.
- 1.3. That the 2023/24 Capital Strategy in Appendix C be recommended to Council for approval.

3. BACKGROUND

- 3.1. Since 2018, the Council has spent £132m on the capital programme to support investment in the borough. The investments reflect the administration's priorities to invest in our schools including expanding SEN places, to support affordable housing projects and enable independent living, to invest in our public realm, to promote active travel and to reduce our carbon footprint. The current six-year programme was approved by Committee in September 2022. That programme included a potential need to borrow a further £52.5m which brought the Council's total underlying need for borrowing by the end of the programme to around £183m. The total expenditure for the six years approved by this report was £179.03m.
- 3.2. Since September 2022 the programme has been adjusted for:
- budget slippage and rephasing

- new schemes since approved by Members/under delegated authority
- the addition of new schemes and increases to budget
- removal of non-committed schemes
- changes to financing

4. THE REVISED PROGRAMME

4.1. The main schemes in the revised six year capital programme relate to Twickenham Riverside, school expansion projects including the REEC sports hall provision, residential property acquisitions, Disabled Facilities Grant (DFG) housing grants and loans, street lighting and highways and pavement works. There is also provision for affordable housing schemes funded from Section 106 receipts from developers (assuming ongoing receipt of Section 106 contributions), expenditure on the Richmond Climate Emergency Strategy and redevelopment at Ham Close.

4.2. During the course of this year, various new approved schemes have been added to the programme under the appropriate approval process. A breakdown of these new schemes is shown below:

	£000	£000
Capital Programme 2022/23 to 2027/28 (before in-year additions below)		179,029
Additions to the budget during 2022/23:		Funded by:
Twickenham Riverside	45,000	Receipts & Borrowing
Richmond upon Thames School (REEC)	5,916	DfE grant
Inflation placeholder	2,791	Borrowing
AfC Critical IT investment	514	Receipts & Borrowing
Barn Elms Playing Fields Athletics Track	450	Contribution & Borrowing
		54,671
6 Year Programme 2022/23 to 2027/28 (before changes proposed in this report)		233,700

5. REVIEW OF NEED TO SPEND

5.1. The Council has a significant borrowing requirement in future years and a need to continue the prudent management of finances in order to keep Council Tax increases to a minimum. It is therefore necessary to continue to keep all expenditure under review, including capital projects. Any significant increase in capital spend is likely to require new borrowing. To ensure that capital budgets remain appropriate to the priorities of the Council and the levels of funding available, cash flows have been amended to reflect the latest forecast of spending profiles and budgets have been rephased as a result. This provides a more realistic projection of the borrowing required to support the programme, and therefore the interest and repayment budgets needed which feed in to current and future forecasting and budgets.

5.2. The following table summarises the revised programme after a review of the existing programme:

£000	
Current Programme 2022/23 to 2027/28 (before budget changes)	233,700
Removal of budgets from programme financed by:	All budgets removed since September 2022 were under £40k and were in general to align budgets with forecast activity
Grant funding	(42)
Waste and Recycling Reserve	(9)
Contributions	(1)
Revised Programme after budget changes	233,648

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

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

Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Committee	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services, Health & Housing		1,363	1,363	1,363	1,363	3,433	8,885
Education & Children's Services	-	351	-	-	-	-	351
Environment, Sustainability, Culture & Sport	-			524		1,450	1,974
Finance, Policy & Resources	-	3,880	150	150		1,330	5,510
Transport & Air Quality	788	3,102	1,050	1,050	1,000	-	6,990
Total new schemes and increases to budget	788	8,696	2,563	3,087	2,363	6,213	23,710

6.2. The additions include extra investment in our property across the borough to maintain the level of funding at 2022/23 levels, including an additional pot totalling £450,000 to invest in our parks pavilions plus additional funding to support a project to replace pitches at Teddington Sport Centre. Also we are funding the continuation of our decarbonisation projects alongside an extra £1m for the Climate Change Strategy. Highways and pavements are receiving an additional £1m per year from 2023/24 plus additional resources to refurbish the footbridges across the river at Teddington. The bids include an additional year of the schemes funded directly by grant such as affordable housing projects and Disabled Facilities Grant schemes.

6.3. In light of the real inflationary pressures being experienced, a capital inflation contingency pot of £2.791m was created to be drawn down on by currently approved projects, where needed. The additions include a further £600,000 funding for the inflation contingency pot. £350,000 of the inflation pot has been allocated to the Busen Martial Arts and Fitness Centre Reprovision, leaving £3.041m available for future needs.

6.4. £1.19m of bids recommended for approval are to be financed by the unallocated Richmond Climate Emergency Strategy fund and are listed at the bottom of Appendix

B. These schemes will draw down on the “Climate Change Strategy (RCES) – unallocated” budget within the existing programme, as no new funding will be added to the programme these bids have been excluded from the table in Paragraph 6.1. An additional £1m bid has been added to the RCES fund for 2027/28, and in total, including this new budget, there is £3.4m available for future climate projects.

6.5. In addition to the approved programme there is a known “pipeline” of potential schemes which includes Kingston Lane supported living facility, the investment required as part of the Leisure Strategy, and decarbonisation schemes. Funding for these will be added into the programme as schemes are agreed. Members should bear this pipeline in mind when considering adding other schemes to the capital programme as, ultimately, available resources are limited.

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

							£000
	Current Programme 2022/23 to 2027/28 (Approved September 2022)						179,029
	Grants & Contributions	CIL & S106	Revenue Funding	Earmarked Reserves	Receipts	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Budgets removed (para 5.2)	(43)	-	-	(9)	-	-	(52)
Added in year (para 4.2)	6,266	-	-	-	25,006	23,399	54,671
New bids (para 6.1)	5,159	1,742	1,432	400	1,000	5,096	14,829
Recurring bids (para 6.1)	2,101	-	-	-	-	6,780	8,881
Total in this report	13,483	1,742	1,432	391	26,006	35,275	78,329
Proposed Capital Programme 2022/23 to 2027/28 (Appendix B)							257,358

7. FINANCING

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

	£000	£000
Current Financing Requirement 2022/23 to 2027/28 (before changes proposed in this report)		52,536
In-year additions to the capital programme financed from borrowing (Paragraph 4.2)	23,399	
Add in-year refinancing	954	
Add new bid schemes funded by borrowing (para 6.6)	5,096	
Add recurring spend	6,780	
Proposed Capital Programme 2022/23 to 2027/28 Financing Requirement		88,765

- 7.2. **Borrowing**: The Council's potential underlying need to borrow to fund the proposed approved programme (current programme plus new bids) would therefore increase to £88.8m from the currently assumed position of £52.5m (Paragraph 7.1 above). This borrowing requirement represents 34% of the budget in the proposed six year programme. Whilst the Council does not hold a significant balance of available capital resources, these will be used to replace borrowing in the programme as they become identified. Council officers will continue to proactively pursue additional external funding to reduce the Council's need to borrow.
- 7.3. Where possible the Council will use internal borrowing, utilising cash-backed earmarked reserves. The debt charge on internal borrowing is the loss of interest earned from reducing balances invested, which is (almost always) lower than external borrowing rates. In addition to paying interest charges on any debt it must also create a "minimum revenue provision" (MRP) budget to contribute to paying down this debt. This is similar in concept to paying off the capital on a mortgage. Internal borrowing has been an attractive alternative to external borrowing in recent years as investment rates have been considerably lower than the borrowing rates. This position will be kept under review and appropriate financing undertaken. If external borrowing is financially advantageous, this will normally be advanced via the Public Works Loan Board (PWLb).
- 7.4. **Capital Receipts**: At the start of 2022/23, the Council held a balance of £4.573m of capital receipts which have been committed to the approved capital programme. In addition, the Council held a balance of £0.973m capital receipts relating to Riverside House held as ring-fenced to fund capital spend on Orleans House Gallery and York House – these have therefore been drawn upon to finance the £1m York House refurbishment new bid to be approved in this paper.
- 7.5. **Community Infrastructure Levy**: As detailed in the table below, at 31st December 2022, a balance of £5.74m of Strategic Borough CIL had been received and not spent. In agreeing the new capital programme (and/or in financing the final outturn for the current year) the Council may decide to either:
- (i) Refinance existing schemes via the use of CIL and thereby reduce the cost of the existing capital programme to the taxpayer;
 - (ii) Introduce new schemes to be funded from CIL (including those linked to the environmental priorities of the Council);
 - (iii) Retain the unallocated CIL receipts for future years; or
 - (iv) A combination of the above.

Richmond Strategic CIL Statement as at 31st December 2022

	£		
Total Cash Received as at 31st December 2022	-16,059,839		
	SCIL Budget Committed £	Expenditure Incurred to date £	Net Remaining Budget £
Projects to be funded by SCIL			
Completed SCIL projects as at 31/12/22	9,639,190	9,639,190	0
Elleray Hall redevelopment	528,000	404,447	123,553
Lock Cut Footbridge	130,000	0	130,000
Richmond Community Fund (round 4)	40,000	31,180	8,820
Teddington Suspension footbridge	410,000	30,240	379,760
Traffic Improvements	250,000	209,597	40,403
Total Approved SCIL Funded projects	10,997,190	10,314,653	682,537
Value of SCIL Receipts under Committed to date	-5,062,649		
Forecast of further CIL receipts by 31.3.2025	-3,350,864		
Forecast Value of SCIL Receipts Uncommitted b	-8,413,513		
Balance remaining unspent as at 31st December 2022		-5,745,186	

7.6. **Affordable Housing Section 106 Receipts:** The affordable housing capital programme supports affordable housing delivery in the borough and is funded in the first instance from Section 106 affordable housing receipts. As shown in the table below a total of £28.476m is currently unallocated within the capital programme, however £18.658m of this is attributable to planning permission related income not yet received so the balance currently available is £9.818m. Further work is continuing to estimate the timing and profile of these potential future Section 106 affordable housing receipts, particularly for larger sites, however the timing or receipt of future payments cannot be guaranteed as they are dependent on whether individual developments progress and whether they hit key trigger points and milestones. This is subject to regular monitoring from the S106 Team within the Environment and Community Services Directorate and the Affordable Housing Team within the Housing and Regeneration Directorate, in conjunction with the Director of Resources.

	£000	£000
Affordable Housing S106 opening balance 2022/23		17,146
Received in the year to date	698	
Committed to existing capital schemes	(6,873)	
Committed to revenue	(1,153)	
Affordable Housing S106 currently available		9,818
Secured in planning permissions (not yet received)	18,658	
Unallocated within the capital programme		28,476

7.7. The approved capital programme includes a Residential Acquisitions Programme of £12.5m approved at Adult Social Services, Health and Housing Committee in

February 2022, with the objective of purchasing up to 30 homes in the borough. This project utilises £3m of Greater London Authority (GLA) grant, £3.6m of affordable housing section 106 receipts and £5.9m of borrowing. All agreements with the GLA and Richmond Housing Partnership have now been signed and acquisitions are proceeding at pace.

- 7.8. There are some significant affordable housing schemes already in the pipeline that may draw down on these unallocated Section 106 affordable housing receipts estimated in the region of £6.2 to £8.2m, including Council led developments such as Twickenham Riverside and Ellera Hall, and to support the provision of additional affordable housing as part of the Ham Close regeneration being led by Richmond Housing Partnership.
- 7.9. Further schemes are being worked up by officers and further funding will be committed as and when contributions are received and proposals are approved by Members. However, S106 affordable housing receipts are only one source of funding for any such schemes and the Council could utilise grants from other organisations such as the GLA if available. Additionally, Council borrowing can be used to top up available funding if necessary and where a business case is made and objectives align with the housing aims and objectives of the Council, as was the case with the property acquisition programme.
- 7.10. The Development Delivery Agreement is an agreement between the Council and Richmond Housing Partnership to combine available funding resources to improve and increase the delivery of affordable housing in the borough. The Council utilises funds held both under the Trust Account Deed (which is built up as a result of Richmond Housing Partnership receipts from disposals of transferred assets) and from section 106 affordable housing receipts. The scheme was originally approved in September 2019. The first call on supporting funding in the Development Delivery Agreement will generally come from the Trust Account, with Council funding utilised in later years although this will be adjusted where necessary. The intention of the Delivery Development Agreement is to enable Richmond Housing Partnership to deliver additional homes beyond those already in its pipeline. One scheme at Bucklands has been approved, with the first tranche of funding due to be paid to Richmond Housing Partnership in 2022/23.
- 7.11. Final decisions on financing will be brought to this Committee for approval as part of future reports.

8. PROPOSED CAPITAL PROGRAMME

- 8.1. Following all the proposals in this programme, the revised six year capital programme will have total expenditure of £257.358m. The most significant sources of financing are borrowing (£88.8m), grants (£75.4m), capital receipts (£38.7m) and Affordable Housing Section 106 receipts (£35.3m), however opportunities are taken to make use of ringfenced sources of funding to minimise borrowing, where possible.
- 8.2. A summary of the full capital programme is shown in the table below, along with how the programme is financed. Full details of the capital programme are available in Appendix A.

Year	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Committee	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Services, Health & Housing	16,143	5,440	3,901	3,801	2,635	27,144	59,064
Education & Children's Services	8,541	27,285	3,009	1,478	1,451	0	41,764
Environment, Sustainability, Culture & Sport	2,818	3,235	871	1,400	1,450	0	9,774
Finance, Policy & Resources	18,120	18,009	27,346	21,916	7,916	500	93,807
Transport & Air Quality	11,880	12,014	1,895	1,750	1,700	0	29,239
New Bids	788	8,696	2,563	3,087	2,363	6,213	23,710
Total Capital Programme	58,290	74,679	39,585	33,432	17,515	33,857	257,358

Financed By							
Grants	20,361	36,948	8,054	7,247	7,825	2,101	82,536
S106 & CIL	1,386	3,078	50	50	0	0	4,564
Affordable Housing S106	3,650	445	1,700	978	100	28,476	35,349
Contributions	898	2,270	0	0	0	0	3,168
Revenue Funding	110	0	0	0	0	0	
Earmarked Reserves	3,181	987	0	0	0	0	4,168
Capital Receipts	1,814	8,277	9,440	18,000	1,167	0	38,698
Borrowing	26,890	22,674	20,341	7,157	8,423	3,280	88,765
Total Financing	58,290	74,679	39,585	33,432	17,515	33,857	257,358

9. FINANCE AND EFFICIENCY IMPLICATIONS

- 9.1. The timing and funding of capital expenditure has a direct impact on the level of Council cash balances and the level of borrowing. Therefore, any changes to the Programme will have an impact on the Treasury Management position.
- 9.2. The current approved programme relies on an estimated £88.8m of borrowing, which if externally borrowed (over 25 years using the forecast PWLB rate) would require around £6.1m of annual revenue spend to support it. The annual revenue cost for the additional £36.2m borrowing recommended for approval in this paper (paragraph 7.1) would be £2.5m (assuming external borrowing over 25 years using the forecast PWLB rate). For future years' additions, Members will need to be mindful of the ongoing uncertainty around central Government funding and ongoing demand pressures on revenue budgets, particularly as there are already some further large capital schemes that are under development, as detailed in paragraph 6.3.

10. CAPITAL STRATEGY

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

11. PROCUREMENT IMPLICATIONS

11.1. None in specific relation to this report

12. LEGAL IMPLICATIONS

12.1. None specifically in relation to this report

13. RISK ASSESSMENT

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

14. CONSULTATION AND ENGAGEMENT

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

15. BACKGROUND INFORMATION:

Previous capital programme report(s)

16. APPENDICES

Appendix A – Revised six year capital programme 2022/23 to 2027/28

Appendix B – New schemes and increases to budget 2023/24 to 2027/28

Appendix C – Capital Strategy

17. CONTACTS

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RICHMOND UPON THAMES
6 Year Capital Programme 2022/23 to 2027/28

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education & Children's Services							
Basic Needs							
Basic Needs - unallocated funding	-	1,890	1,779	350	350	-	4,369
Christ's School Bulge Class	841	19	-	-	-	-	860
Collis KS1 Rebuild	165	2	-	-	-	-	167
Devolved Formula Capital	211	225	225	225	225	-	1,111
East Sheen Double Demountable Classrooms	2,000	873	-	-	-	-	2,873
Richmond upon Thames School (REEC)	650	8,217	-	-	-	-	8,867
SEN Provision							
Acoustic Works at Hampton Hill Junior School	22	-	-	-	-	-	22
Additional Places / Future Schemes	287	-	-	-	-	-	287
Clarendon School Demolish Works	300	-	-	-	-	-	300
Future Feasibilities	30	-	-	-	-	-	30
High Needs Provision Capital Allocation	37	5,842	-	-	-	-	5,879
Special Resource Provision at Hampton High	10	-	-	-	-	-	10
Strathmore at Darell School	120	50	-	-	-	-	170
Strathmore at Hampton High	175	6,674	-	-	-	-	6,849
Strathmore at the Russell SEN	158	10	-	-	-	-	168
Strathmore site at Petersham	200	100	-	-	-	-	300
Teddington School Special Resource Provision	300	-	-	-	-	-	300
The Gateway Health & Safety Works	30	-	-	-	-	-	30
Vineyard Primary Special Resource Provision	277	2,198	-	-	-	-	2,475
Waldegrave School - Wellbeing and information Centre	100	120	-	-	-	-	220
Schools General Planned Maintenance							
Buckingham Primary - Upgrade Toilets	98	2	-	-	-	-	100
Carlisle Infants - Staff Toilets	2	-	-	-	-	-	2
Condition Surveys	30	-	-	-	-	-	30
Contingency	183	-	-	-	-	-	183
Darell Primary School - Condition of the Internal Fire Doors	62	1	-	-	-	-	63
Darell Primary School - Roof Replacement	50	-	-	-	-	-	50
Design Development	30	-	-	-	-	-	30
East Sheen Primary - Condition of KS2 Toilets	80	2	-	-	-	-	82
Final Retention Payments - Various Schemes	3	-	-	-	-	-	3
General Planned Maintenance - Preliminary	10	-	-	-	-	-	10
Hampton Hill Junior - Electrical Upgrade/Rewiring	159	-	-	-	-	-	159
Hampton Hill Junior - Roof Repair	5	-	-	-	-	-	5
Hampton Infants - Nursery Block & Boiler Replacement	958	-	-	-	-	-	958
Hampton Wick Infant and Nursery School - Condition of Playground and Outdoor Play Spaces	70	-	-	-	-	-	70

6 Year Capital Programme 2022/23 to 2027/28

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Hampton Wick Infants - Toilet Refurbishment	2	-	-	-	-	-	2
Heathfield School Partnership - Windows and Doors	40	-	-	-	-	-	40
Heathfield Schools Partnership - Replace Boilers, Calorifiers & Associated	4	-	-	-	-	-	4
Meadlands Nursery Block	271	-	-	-	-	-	271
Orleans Primary - Playground and Soft Play Areas	107	3	-	-	-	-	110
Orleans Primary - Windows & Floor Repairs	2	-	-	-	-	-	2
Sheen Mount Primary - Boiler Replacements	1	-	-	-	-	-	1
Urgent Health & Safety Works	50	-	-	-	-	-	50
Vineyard Primary - Boundary Wall & Toilet Repairs	135	-	-	-	-	-	135
Windham Nursery - Security Safeguarding Works	36	3	-	-	-	-	39
Schools General Planned Maintenance - unallocated funding	-	1,217	866	866	866	-	3,815
AfC Critical IT investment	240	88	139	37	10	-	514
Children's Centres	-	89	-	-	-	-	89
Short Break Care	-	11	-	-	-	-	11
Total Education & Children's Services	8,541	27,636	3,009	1,478	1,451	-	42,115
Adult Social Services, Health & Housing							
Integrated Community Equipment	1,463	1,463	1,463	1,463	1,463	100	7,415
Kingston Lane Adaptations	49	-	-	-	-	-	49
Occupational Therapy	100	100	100	100	100	100	600
Housing Grants							
Coldbusters Home Repair Assistance Grant	175	175	175	175	175	175	1,050
Disabled Facilities Grant (Except Richmond Housing Partnership)	1,000	2,410	1,126	1,126	1,126	1,126	7,914
Disabled Facilities Grant (Richmond Housing Partnership)	600	600	600	600	600	600	3,600
Empty Property Grants	50	245	-	-	-	-	295
Sponsored Moves	40	110	100	100	100	-	450
Affordable Housing Development							
Development Delivery Agreement (DDA)	166	1,500	1,500	1,500	334	-	5,000
Residential Acquisitions Programme	12,500	-	-	-	-	-	12,500
RHP Extension Programme	-	200	200	100	100	-	600
Affordable Housing Schemes - Unallocated	-	-	-	-	-	28,476	28,476
Total Adult Social Services, Health & Housing	16,143	6,803	5,264	5,164	3,998	30,577	67,949

6 Year Capital Programme 2022/23 to 2027/28

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Finance, Policy & Resources							
Busen - Reprovision	1,535	50	-	-	-	-	1,585
Elleray Hall Redevelopment	400	3,258	75	-	-	-	3,733
Ham Close	20	8,382	4,941	2,586	2,586	-	18,515
Twickenham Riverside	350	1,500	21,000	18,000	4,000	500	45,350
York House Refurbishment	-	1,000	-	-	-	-	1,000
Empty Property Purchase	72	-	-	-	-	-	72
Council Funded Decarbonisation Projects	993	1,000	-	-	-	-	1,993
Public Sector Decarbonisation (PSDS 1)	82	-	-	-	-	-	82
Public Sector Decarbonisation (PSDS 3a) (part RCES)	4,227	-	-	-	-	-	4,227
Civic Centre LED Lighting Upgrade	300	-	-	-	-	-	300
Minimum Energy Efficiency Standards - Compliance Work (RCES)	24	-	-	-	-	-	24
General Planned Maintenance	3,270	3,650	1,330	1,330	1,330	1,330	12,240
Emergency Plant and Equipment Renewal	530	-	-	-	-	-	530
Civic Centre - Consolidation Project (Part RCES)	1,501	-	-	-	-	-	1,501
SSA wide - Access Control System Replacement	250	-	-	-	-	-	250
York House - Audio Visual System Replacement	149	-	-	-	-	-	149
Carlisle Park Pavilion - Heating Plant replacement	95	-	-	-	-	-	95
Ferguson Hall and Adjoining WCs - Asbestos removal and demolition	16	170	-	-	-	-	186
Pavilion works	-	150	150	150	-	-	450
Queens Road Refurbishment	330	-	-	-	-	-	330
Broad Street improvements (PRIF)	530	187	-	-	-	-	717
Castelnau shopping parade improvements (PRIF)	100	-	-	-	-	-	100
East Sheen Library brighter spaces (PRIF)	80	-	-	-	-	-	80
Hampton Wick improvements (PRIF)	85	-	-	-	-	-	85
Heathfield Shop Front improvements (PRIF)	218	-	-	-	-	-	218
Redevelopment of Milestone Green (PRIF)	80	-	-	-	-	-	80
ICT Investment	150	1,979	-	-	-	-	2,129
IT Infrastructure - PCI & PSN Compliance	10	13	-	-	-	-	23
Inflation placeholder	2,491	550	-	-	-	-	3,041
Loan for SWMC for Crematorium Services	100	-	-	-	-	-	100
Richmond Community Fund (round 3)	109	-	-	-	-	-	109
Richmond Community Fund (round 4)	23	-	-	-	-	-	23
Total Finance, Policy & Resources	18,120	21,889	27,496	22,066	7,916	1,830	99,317

6 Year Capital Programme 2022/23 to 2027/28

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Environment, Sustainability, Culture & Sport							
Artificial pitches at Shene Sports Centre	193	-	-	-	-	-	193
Artificial pitches at Whitton Sports Centre	212	-	-	-	-	-	212
Barn Elms Playing Fields Athletics Track	-	450	-	-	-	-	450
Ham Close MUGA at St Richard's	8	-	-	-	-	-	8
Improve/redesign of Garfield Road pocket park (PRIF)	55	-	-	-	-	-	55
Pools on the Park - Boundary Wall Replacement	-	78	-	-	-	-	78
Pools on the Park - Health Suite Refurbishment	47	140	-	-	-	-	187
Pools on the Park - Refurbishment of the gym members changing room, associated toilets/shower blocks and café toilet block	39	118	-	-	-	-	157
Pools on the Park - Refurbishment of swimming changing room & associated toilets/shower blocks	-	157	-	-	-	-	157
Pools on the Park - Replace pool lights	10	191	-	-	-	-	201
Pools on the Park - Replacement of the pool hall ceiling/AHU/Lighting System	8	804	-	-	-	-	812
Pools on the Park - Upgrade ventilation	35	36	-	-	-	-	71
Pools on the Park - UV Installation POTP & TPFC	75	74	-	-	-	-	149
Teddington Pools, AHU replacement	10	232	-	-	-	-	242
Teddington Pools, Boilers	20	427	-	-	-	-	447
Teddington Sports Centre Sand Dressed Pitch Replacements	-	-	-	524	-	-	524
Boroughwide Park improvements (PRIF)	359	-	-	-	-	-	359
Parks Cyclical Maintenance	202	150	150	150	150	150	952
Parks Strategy	475	300	300	300	300	300	1,975
Hampton Library lighting	-	10	-	-	-	-	10
Local Studies Library, AHU replacement	85	-	-	-	-	-	85
Old Town Hall Library (Richmond Museum) - New Lift	142	-	-	-	-	-	142
Teddington Library - First Floor refurbishment	147	28	-	-	-	-	175
Library of things (RCES)	-	40	-	-	-	-	40
Public Recycling Points Vehicle	200	-	-	-	-	-	200
Orleans House Gallery - Delivery phase	172	-	-	-	-	-	172
Climate Change Strategy (RCES) - unallocated	-	-	421	950	1,000	1,000	3,371
Green Homes Grant	324	-	-	-	-	-	324
Total Environment, Sustainability, Culture & Sport	2,818	3,235	871	1,924	1,450	1,450	11,748

6 Year Capital Programme 2022/23 to 2027/28

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Transport and Air Quality							
20mph schemes - Phase 2	45	355	-	-	-	-	400
A314 Hanworth Road	82	-	-	-	-	-	82
Automatic Number Plate Recognition Cameras for School Streets enforcement	145	-	-	-	-	-	145
Aragon Road car park replacement ANPR solution and Autobill automated payment option	-	54	-	-	-	-	54
Broad Street Bus stop	40	-	-	-	-	-	40
Flood Alleviation Works	100	400	-	-	-	-	500
Friar's Lane Car Park Improvement	227	-	-	-	-	-	227
Gritter machines (ULEZ compliant)	-	321	-	-	-	-	321
Hammersmith Bridge Mitigation measures	6	110	-	-	-	-	116
Hampton Court Road Cycle Scheme	80	435	-	-	-	-	515
Hampton Healthy Streets	35	-	-	-	-	-	35
Highways and Pavements	2,700	2,700	2,700	2,700	2,700	-	13,500
Hospital Bridge Road	22	-	-	-	-	-	22
Hospital Bridge Road - Walking & Cycling improvements	200	300	-	-	-	-	500
Hospital Bridge Road / Turing House School	162	-	-	-	-	-	162
Kew Gardens Pedestrian bridge - Repainting	50	-	-	-	-	-	50
Kew Road - further improvements to cycle lane	145	-	-	-	-	-	145
Meadlands School, Ham	145	-	-	-	-	-	145
Paradise road car park ANPR solution and Autobill automated payment option	-	69	-	-	-	-	69
Railshead Road – S106	234	-	-	-	-	-	234
Remote monitoring of gullies	-	60	-	-	-	-	60
Richmond Road East Twickenham	570	-	-	-	-	-	570
S106 Schemes	32	-	-	-	-	-	32
Safer Route to School Improvements/Engineering measures	-	375	185	50	-	-	610
Specialised Street Lighting Columns	20	20	10	-	-	-	50
Strawberry Vale Corridor	583	-	-	-	-	-	583
Strawberry Vale Cycle Scheme	450	-	-	-	-	-	450
Street Lighting	3,000	5,100	-	-	-	-	8,100
Street Trees	30	115	-	-	-	-	145
Teddington Suspension footbridge and Lock Cut Footbridge	200	3,509	-	-	-	-	3,709
The Vineyard School, Friars Stile Road, Richmond	149	-	-	-	-	-	149
Top up of highways funding to replace lost LIP funding	51	-	-	-	-	-	51
Traffic Calming measures	25	205	-	-	-	-	230
Traffic improvements	49	-	-	-	-	-	49
Twickenham Central Depot Gritting Salt Storage Cover	-	160	-	-	-	-	160
Uplift Schemes/Twickenham Area Action Plan	215	-	-	-	-	-	215
Wellington Rd pedestrian crossing improvements	25	-	-	-	-	-	25
Zebra Crossing Meadway, linking Kneller Gardens and Crane Park	211	-	-	-	-	-	211
Zebra Crossing, Broad Lane between Nightingale Road and Wensleydale Road	240	-	-	-	-	-	240

6 Year Capital Programme 2022/23 to 2027/28

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Air Quality Monitoring - Richmond Town Centre (RCES)	-	55	-	-	-	-	55
Bikehangars - residential scheme (part RCES)	150	119	-	-	-	-	269
Contraflow cycle schemes (RCES)	75	-	-	-	-	-	75
Cycle Parking - public on-street (RCES)	55	-	-	-	-	-	55
Electric Vehicle Charge Points (part RCES)	581	-	-	-	-	-	581
Electrification of trading pitches (RCES)	112	-	-	-	-	-	112
Legacy pavement repair and tree re-stocking programme (RCES)	429	204	-	-	-	-	633
Richmond Cycle Hub (RCES)	396	-	-	-	-	-	396
School cycle parking (RCES)	15	-	-	-	-	-	15
School Streets (part RCES)	83	50	50	50	-	-	233
Barnes High Street improvements (PRIF)	94	-	-	-	-	-	94
East Twickenham Public realm improvements (PRIF)	200	-	-	-	-	-	200
Ham Parade - Improved public realm/outdoor seating (PRIF)	100	400	-	-	-	-	500
Richmond Town Centre signage and wayfinding (part PRIF)	110	-	-	-	-	-	110
Total Transport and Air Quality	12,668	15,116	2,945	2,800	2,700	-	36,229
Total Capital Programme	58,290	74,679	39,585	33,432	17,515	33,857	257,358
Financed By :							
Grants	19,193	35,996	6,691	5,262	6,128	2,101	75,371
S106 & CIL	1,386	3,078	50	50	-	-	4,564
Affordable Housing S106	3,650	445	1,700	978	100	28,476	35,349
Contributions	2,066	3,222	1,363	1,985	1,697	-	10,333
Revenue Funding	110	-	-	-	-	-	110
Earmarked Reserves	3,181	987	-	-	-	-	4,168
Application of Capital Receipts	1,814	8,277	9,440	18,000	1,167	-	38,698
Borrowing Requirement	26,890	22,674	20,341	7,157	8,423	3,280	88,765
Total Financing	58,290	74,679	39,585	33,432	17,515	33,857	257,358

New schemes and increases to budget 2023/24 to 2027/28

Adult Social Services, Health & Housing	Financed by:	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Affordable Housing Schemes - Unallocated	Grant	-	-	-	-	-	1,332	1,332
Coldbusters Home Repair Assistance Grant	Grant	-	-	-	-	-	175	175
Disabled Facilities Grant (Except Richmond Housing Partnership)	Grant	-	-	-	-	-	1,426	1,426
Disabled Facilities Grant (Richmond Housing Partnership)	Grant	-	-	-	-	-	300	300
Integrated Community Equipment	Grant & Contributions	-	1,363	1,363	1,363	1,363	100	5,552
Occupational Therapy	Grant	-	-	-	-	-	100	100
Total Adult Social Services, Health & Housing		-	1,363	1,363	1,363	1,363	3,433	8,885
Education & Children's Services								
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Schools General Planned Maintenance - unallocated funding	Grant	-	351	-	-	-	-	351
Total Education & Children's Services		-	351	-	-	-	-	351
Finance, Policy & Resources								
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Pavillion works	Borrowing	-	150	150	150	-	-	450
York House Refurbishment	Receipts	-	1,000	-	-	-	-	1,000
Compliance and Health and Safety works - Corporate Buildings	Borrowing	-	500	-	-	-	-	500
Decarbonisation Projects	S106 & Earmarked reserve	-	600	-	-	-	-	600
General Planned Maintenance	Borrowing	-	-	-	-	-	1,330	1,330
Inflation placeholder	Borrowing	-	600	-	-	-	-	600
Property Maintenance and Improvement	Borrowing	-	1,030	-	-	-	-	1,030
Total Finance, Policy & Resources		-	3,880	150	150	-	1,330	5,510

Environment, Sustainability, Culture & Sport		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Climate Change Strategy (RCES) - unallocated	Borrowing	-	-	-	-	-	1,000	1,000
Parks Cyclical Maintenance	Borrowing	-	-	-	-	-	150	150
Parks Strategy	Borrowing	-	-	-	-	-	300	300
Teddington Sports Centre Sand Dressed Pitch Replacements	Borrowing	-	-	-	524	-	-	524
Total Environment, Sustainability, Culture & Sport		-	-	-	524	-	1,450	1,974

Transport and Air Quality		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Aragon Road car park replacement ANPR solution and Autobill automated payment option	Borrowing	-	54	-	-	-	-	54
Highways and Pavements	Borrowing	-	1,000	1,000	1,000	1,000	-	4,000
Paradise road car park ANPR solution and Autobill automated payment option	Borrowing	-	69	-	-	-	-	69
Remote monitoring of gullies	SCIL	-	60	-	-	-	-	60
School Streets (part RCES)	SCIL	-	50	50	50	-	-	150
Teddington Suspension footbridge and Lock Cut Footbridge	Borrowing	-	1,709	-	-	-	-	1,709
TfL funded schemes	Grant	788	-	-	-	-	-	788
Twickenham Central Depot Gritting Salt Storage Cover	Borrowing	-	160	-	-	-	-	160
Total Transport and Air Quality		788	3,102	1,050	1,050	1,000	-	6,990

Total new schemes and increases to budget	788	8,696	2,563	3,087	2,363	6,213	23,710
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Financed By :

Grants	788	1,714	1,363	1,363	1,363	2,101	8,692
S106 & CIL	-	310	50	50	-	-	410
Affordable Housing S106	-	-	-	-	-	1,332	1,332
Revenue Funding	-	-	-	-	-	-	-
Earmarked Reserves	-	400	-	-	-	-	400
Application of Capital Receipts	-	1,000	-	-	-	-	1,000
Borrowing Requirement	-	5,272	1,150	1,674	1,000	2,780	11,876
Total Financing	788	8,696	2,563	3,087	2,363	6,213	23,710

London Borough of Richmond upon Thames

Capital Strategy 2023/24

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

The Prudential Code issued by CIPFA in 2017 was revised and published on 20th December 2021. Full implementation of both these codes is required from 2023/24. The amendments to the Treasury Management Code and Prudential Code largely still relate to investments that are not part of treasury management activity and do not arise from cash flows and debt management. These are commercial investments such as purchase of investment properties, investments in subsidiaries or investments for service objectives including regeneration. The Council's investment arrangements take due notice also to Investment Guidance issued under Section 15 of the Local Government Act 2003 by the Department for Levelling Up, Housing and Communities (DLUHC). The wording changes within the 2021 Edition of the Prudential Code have been incorporated into the Capital Strategy and Prudential Indicators have been amended in line with the amended Code requirements. The revised Treasury Management Code also introduces strengthened requirements for skills and training for those responsible for management, delivery, governance, and decision making in treasury management. Prudential Indicators are included in the 2023/24 Treasury Management Policy and Strategy also presented to this Committee.

2. Capital Expenditure – Capital Programme

Overview of Governance Process

- 2.1 The capital programme is based upon the approved capital schemes, Treasury Management Strategy, Asset Management strategy, capital resources projections and an annual process for prioritising additions which recognises cost in use and sustainability issues.
- 2.2 It contains currently approved spending and sets the financial parameters within which the Committee may add to commitments in the context of reserves and resources anticipated in the medium-term outlook.
- 2.3 The overall programme is reviewed and approved by the Full Council in February after additions are made to the programme. Individual schemes may

be approved and added to the programme during the year using Committee approval or other delegated decision making frameworks as appropriate.

- 2.4 Monitoring of capital expenditure is embedded throughout the organisation with project managers working with finance teams to update their cost estimates and budgets. These reports are regularly reviewed by the Council's management team, and monitoring reported to Committees periodically.
- 2.5 Capital budgets are reviewed and reported annually to Full Council. Budgets are reviewed and updated throughout the year, with additional capital budgets approved where appropriate. These projects are prioritised based on their ability to meet strategic priorities, ensure continued service delivery, reduce annual revenue costs and protect Council income. All bids are reviewed by senior officer working groups and lead Council Members before being presented for consideration and approval at Full Council. General assumptions are as follows:

General assumptions are as follows:

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

Long-term View of Capital Spending Plans

- 2.7 The Capital Programme considers the programme and available resources for the current year and five subsequent years. The Council's ability to finance capital spending is restricted only by its own view on affordability, subject to

the Government's possible imposition of limits on local authority borrowing for macro-economic reasons.

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

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

3. Investment

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

Treasury Management Investments

- 3.2 These are investments that arise from the Council's cash flows and ultimately represent balances which need to be invested until the cash is required for use in the course of business.
- 3.3 The Council's policy on Treasury Management Investments is submitted to the Finance, Policy and Resources Committee and approved by the Full Council. The overall arrangements and strategy for the ensuing financial year are reviewed and approved in February or March, an Annual Report after the end of the financial year and a mid-year review report. From time to time the Director of Resources may submit additional reports recommending changes in Policy for approval if circumstances require.
- 3.4 The Council's Treasury Management Practices (TMPs) are in accordance with the Treasury Management Code issued by CIPFA in 2002, which was revised in 2011, 2017, and recently in late December 2021. Due to the late publication of the Code, CIPFA is advising a soft implementation until 2023/24. As prescribed in the new Code, the Director of Resources will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Resources will also ensure that those engaged in Treasury Management follow the policies and procedures set out. The present arrangements are documented and monitored by the responsible officer in effective day to day management of the Treasury Management function. Treasury Management activities and issues are reviewed monthly by a meeting within the Resources Directorate, attended by the Director of Resources and day to day Treasury Management activities are handled by the Financial Management Division of the Resources Directorate. Treasury Management staff attend training courses and seminars to ensure they maintain sufficient knowledge as prescribed by the Code in order to keep up to date with current developments.
- 3.5 Treasury Management advisers are appointed at least once within the lifetime of each Council to carry out an independent review of the Council's Treasury Management activities. Link Treasury Services commenced the last lifetime review in January 2021, the next review therefore being due in January 2025.
- 3.6 The Council's detailed investment policy is contained within the Treasury Policy Statement. Its overriding purpose is the control of risk. It specifies the types of investments that may be used and the limits of their use. These limits relate to the maximum time period for each investment type and to the maximum amount that may be held at any one time. The choice of limits is governed by the requirement to safeguard the security of the Council's portfolio and to spread risk through suitable diversification. The Council uses credit rating information from the three main credit rating agencies (Fitch, Moody's and Standard and Poor's) and this data is supplemented by other available information where appropriate. The limits also consider liquidity requirements and finally the yield that may be obtained.

- 3.7 The Council held investments of £179m at 31st December 2022, at an average rate of 1.66%. The Council is expected to begin 2023/24 with investments in excess of £110m and the estimated movements for the following two years based upon current cash flows show that investments are likely to decrease to around £100m.

Investments that are not part of Treasury Management Activity

- 3.8 The Council may invest in other financial assets and property primarily for service and commercial purposes that are not part of Treasury Management activity. These activities are subject to similar assessments of risk as for Treasury Management investments. They are approved as part of the capital programme as described in Sections 2 or 3 of this Capital Strategy.
- 3.9 The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment. The Council has complied with paragraph 51 of the Prudential Code, which states that an authority must not borrow to invest primarily for financial return, and states that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.
- 3.10 Investment Property: The Council owns Investment Property and may occasionally use capital receipts or other funds to purchase investment properties. The annual review of Council assets may lead to operational use ceasing and the asset being reclassified as an investment property either to retain them long term for income generation or pending a further decision to dispose of or redevelop the site. The level of borrowing required to finance the Capital Programme is a consideration when reviewing the use of these assets.
- 3.11 Suitable properties for purchase by the Council are selected after going through robust procedures to assess the security of the investment in the short, medium and longer term, that the risk of not achieving satisfactory rental returns is minimised and that there are the best prospects of future rental and capital growth.
- 3.12 The Council's valuers are supported through the acquisition process by specialist property investment surveyors and legal advisers. The Council may contact agents in the market to help identify potential investment properties for sale as these are not frequently widely marketed, or commission its specialist property advisers to undertake a search for specific suitable properties. The adviser undertakes negotiations with the vendor for the acquisition subject to approval by officers. A set of assessment criteria are used in evaluating the suitability of properties. These criteria are as follows:

- a) Location
- b) Tenancy strength/strength of covenant
- c) Length of tenure
- d) Occupier's lease length
- e) Repairing terms/obligations
- f) Lot size (value of the investment)

- 3.13 These criteria are assessed against weighting factors ranging from Excellent to Unacceptable
- 3.14 If a property is considered to meet the Council's investment criteria, the Council commissions a Property Investment Surveyor (not the same one used to identify the property) to provide a market report on the property. This report will include commentary on the credit worthiness of the tenant, an opinion of value and a recommendation in respect of the provisionally agreed acquisition price. This is undertaken in accordance with the Royal Institute of Chartered Surveyors Red Book
- 3.15 Prior to acquiring any properties, officers also undertake a further due diligence exercise including reviewing the leases, commissioning a building survey and report, a mechanical and electrical survey, a valuation report, and ensuring that there is an Energy Performance Certificate in place with a rating of at least D, but this has been revised to B due to changing regulations. Solicitors also undertake legal due diligence with a further review of the leases, the planning position and a report on title, highlighting any potential title defects.
- 3.16 All investment properties are revalued annually at fair value as part of the Council's preparation of final accounts and audit process. Consideration is given at the end of each financial year as to whether impairment of any properties is required.
- 3.17 Loans to facilitate Council Policy. The Council may make loans to organisations the Council has an interest in (e.g. WLWA, SWMCB, AfC), academy schools, other service providers, voluntary organisations or other bodies working to achieve Council priorities. The Council's Treasury Policy Statement also covers the terms under which such loans can be made.
- 3.18 The main loans made under this facility at present are:
- £15m loan to WLWA to facilitate the building of a new EfW facility. This is made by Richmond as a constituent authority of WLWA who will therefore benefit from the improved facilities. This loan is now being repaid so the balance is declining. Interest was fixed when the loan was agreed.

- Revolving Credit Agreement for AfC where the Council shares the cash flow “overdraft” funding for AfC pro rata to its ownership of the organisations with RB Kingston and RB Windsor & Maidenhead. This loan varies with the cash flow of Achieving for Children.
- A loan to the South West Middlesex Crematorium Board has been agreed in principle to finance the cremator replacement project. This loan is estimated at £1.1m for around 3 years and is made by Richmond as a constituent authority of the Board.

4 Borrowing

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

	<u>31st March</u> <u>2023</u>	<u>31st March</u> <u>2024</u>	<u>31st March</u> <u>2025</u>	<u>31st March</u> <u>2026</u>	<u>31st March</u> <u>2027</u>
	£000	£000	£000	£000	£000
External Borrowing					
- Loans	162,878	178,535	178,104	181,091	162,878
- Leases/PFI	11,245	9,468	7,553	6,765	11,245
Internal Borrowing	29,787	27,995	26,230	27,082	26,182
Underlying Need to Borrow	188,741	202,119	214,234	212,739	214,038

- 4.6 **Minimum Revenue Provision.** Regulations issued under the Local Government Act 2003 require local authorities to make prudent provision for the repayment of debt. This is referred to as the Minimum Revenue Provision (MRP) and is funded from revenue (e.g. is part of the Council Tax Requirement calculation). The annual statement on the Council's MRP Policy is contained within the Treasury Policy Statement and approved by full Council in February or March.
- 4.7 **Voluntary Revenue Provision.** The Council can make more than the minimum prudent set aside to cover debt repayment if it decides that is the best use of its resources in any year. However, this would again be funded from revenue budget and as there are other ways to produce future savings in a more flexible way which are more likely to be used.
- 4.8 **Authorised and Operational Borrowing Limits.** Section 3 of Part 1 of the Local Government Act 2003 requires local authorities to set an affordable borrowing limit and operational boundary each year. This is contained within the Prudential Indicators and approved by full Council in February or March each year. In February 2022, the authorised limit and operational boundary for 2022/23 were set at £176m and £171m respectively. It is proposed to set the authorised limit for 2023/24 at £194m and the operational boundary at £189m.



MEDIUM TERM FINANCIAL STRATEGY

SEPTEMBER 2022

Executive summary

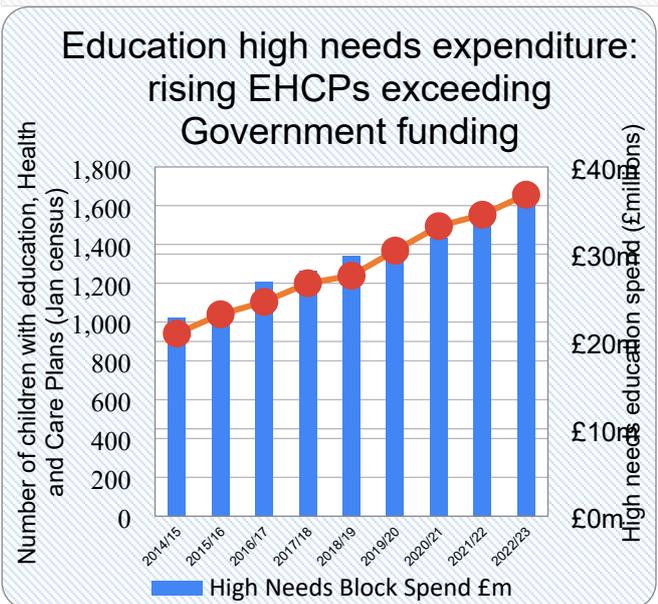
1. The Council sets a Medium Term Financial Strategy (MTFS) in order to ensure that it can plan for future commitments, establish a framework for setting council tax, ensure financial sustainability and recognise and address the risks inherent in achieving these aims. The Administration has translated its commitments into a Corporate Plan and this strategy seeks to ensure that the aims of the Corporate Plan can be achieved within the finance available to the Council. This update of the Strategy under the returning Administration also considers the impact of inflationary increases on the Council's finances, as well as the bounce back from the pandemic and the need for the Council to ensure that it can support vulnerable and less well-off residents during the current cost of living crisis, as well as our local business and voluntary sectors, as the local economy suffers under rising prices.

Making Richmond Fair, Green and Safe

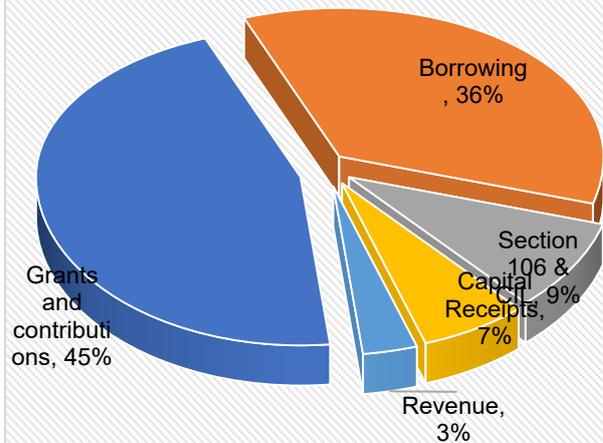
2. The key objective of the MTFS is to set the lowest possible Council Tax consistent with delivering Fairer Finances and the other objectives of the Corporate Plan, including increased provision of affordable housing and the Climate Emergency Strategy. However, the Administration continues to recognise the context of a post-financial crisis severe reduction in the central government support grant and historical structural underfunding by the government of special needs education. We welcome the Department for Education funding agreement which addresses the Council's DSG deficit and recognise the Council action needed to ensure delivery of the deficit recovery plan. In addition the seriousness of the current cost of living crisis and its potential impact on our residents and businesses is fully recognised and is a priority for the Administration which will continue to work on ensuring that the most vulnerable in our community are supported and cared for whilst achieving fairer outcomes for all residents.
3. In pursuing this aim, the Council will:
 - be open and accountable
 - support the most vulnerable and least well-off in the community
 - act as trustees for the natural and built environment of the borough
 - focus expenditure on services of direct benefit to local residents
 - give local people a more direct say in Council services and
 - be open to best practice and innovative ideas.
4. The Strategy will include taking specific actions in respect of:
 - Helping the borough to bounce back from the Covid-19 pandemic and providing support with the cost of living crisis
 - pursuing a fairer Government funding deal for residents
 - maximising income and innovative ways to deliver services to minimise the scope of savings required and protecting front line services
 - maximising access to sources of grant funding and
 - continuing to implement plans to deliver the Fairer Finances and Corporate Plan objectives including in respect of affordable housing and the Climate Emergency Strategy.

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

? Facts and figures £



Sources of capital funding



The current MTFS

6. The MTFS agreed in September 2021 showed that, assuming the achievement of agreed savings plans, the budget gap before Council Tax increases would be:

Year	2022/23	2023/24	2024/25	2025/26
MTFS Gap £	£4.6m	£8.9m	£16.1m	£23.2m

7. The changes made during budget setting for 2022/23 confirmed a slightly improved local government grant settlement and the final Council Tax increase for 2022/23 was 1.94%, which was lower than the maximum 2.99% allowed (recognising the financial pressure that some residents are facing). The budget recognised an increase in the level of Government grants for social care and the continuation of grants relating to homelessness as well as one off funding announced to fund National Insurance uplifts.
8. It also included increased investment in both adults and children's services and provisions for increased inflationary pressures whilst also recognising the continued loss of some Council income as a result of the pandemic. The budget also included continued funding for the Council's Climate Emergency Strategy and a review of the capital budget, enhanced to make allowance for the £12m programme to acquire properties for rent with grant support from the Greater London Assembly (GLA).
9. In broad terms the Council targeted the identification of a minimum £10m of efficiencies over 2020/21 – 2023/24 but actually managed to exceed this with £12m delivered up to 2022/23. The Covid-19 pandemic did, in some areas, delay the implementation of efficiencies and has clearly placed further short and longer term pressures on the Council's budgets, now exacerbated by inflationary pressures and the cost of living crisis.

Local Government Finance Settlement 2022/23

10. The final Local Government Settlement for 2022/23 was once again a single year settlement that critically for Richmond meant no further loss in Government grant funding (although this again meant the previous proposals to introduce "negative RSG" referred to in paragraph 15, which would cost local taxpayers a further £7.7m a year, were only temporarily suspended for a further year). The overall settlement, including a number of specific grant proposals, was presented by Government as a 5.2% increase in Richmond's Core Spending Power since the previous year. Core Spending Power is made up of Government funding for the Council plus locally raised Council Tax and Business Rates. This means that the majority of the increase in spending power is made up of the revenue generated by local Council Tax payers.
11. Despite the relatively positive settlement, the uncertainty around the economic recovery from the Covid-19 pandemic and global inflation meant that the Council continued to base its planning for Council Tax in the light of serious, long term reductions in local government funding. The Council was able though to set a budget to ensure that the health and economic impacts of the pandemic were mitigated, where possible, by promoting a strong recovery and continuing key Council priorities including "fairer finances" policies including the Living Wage commitments, the Climate Emergency Strategy and provision of affordable housing.
12. Combining these with the continued delivery of agreed efficiency programmes this means that, since 2010:
- General Government Grant has reduced by over £40m (70%)
 - The Council has achieved savings/efficiencies/income generation of £80m
 - Council Tax (excluding the adult social care precept) has risen by 10.17% compared with inflation increases over the same period of some 42%.

Future forecasting

13. The Covid-19 pandemic has presented significant new challenges for local government costs and their financing. Previously buoyant Council Tax, Business Rates and fees and charges income face a continued long term threat and pressures on adult, public health, children's and economic support services are likely to sustain beyond the current pandemic. Alongside this, the current high inflation will have a significant impact on the Council's finances. The impact of inflation on Council services cannot be funded in full by council tax increases and it is unlikely that government funding will meet the gap – therefore the budget is facing a significant financial challenge. Inflation and cost of living crisis means the future for local government finance continues to remain very unclear.

Government Funding

14. When the Government introduced the new funding methodology for local government in 2013/14 (which included 50% of business rates collected being retained by local government – in Richmond's case then further split 30/20 with the GLA) it rolled into this funding both the general grant and a number of specific grants. The end result was that Richmond received a much lower level of general Government grant with the balance up to its previous level of funding being made up from retained business rates.
15. Government funding reductions since 2013/14 have focussed on cutting the general Government grant element whilst the retained business rates element remained relatively protected and included a small element of growth if local business rates grew. After successive years of cuts Richmond reached the point in 2018/19 where it received no general Government grant. Rather than stopping at that point the Government originally decided to continue applying cuts to Richmond meaning that (in effect) it would be paying an extra tax to the Government – this is what is generally now referred to as “negative RSG”. This was somewhat controversial and, following much lobbying and a short consultation, the Government removed negative RSG.
16. This meant Richmond has avoided the loss of £7.5m since 2019/20, with the value in 2022/23 now at £7.7m. However, no indication has yet been provided as to whether this position will be permanent. At this stage, the MTFS assumes that the £7.7m will continue to be avoided in 2023/24 and beyond.
17. Proposed changes to business rates and the fair funding review (which will look at how funds are distributed to local authorities) have already been delayed. In June 2022, the then Secretary of State for Levelling Up, Housing and Communities promised it would be shared “within this calendar year” however, following subsequent changes in Government, it remains to be seen whether that will still take place. There are also consultations currently underway about the future funding of both adult social care and homelessness prevention, the outcomes of which will be taken into account in due course as part of future budget and strategy setting exercises. Latest information suggests a two year local government settlement will be announced this December covering both 2023/24 and 2024/25.

Dedicated Schools Grant (DSG)

18. Since the Children and Families Act 2014 - which changed the requirements associated with assessing pupils with special educational needs and disabilities, extended the age range covered by the legislation from 5-16 years to 0-25 years and replaced Statements of Special Educational Needs with the requirement to produce holistic Education Health and Care Plans (EHCPs) - councils across the country have experienced a significant 40%+ overall increase in the number of EHCPs. Richmond currently has a High Needs funding deficit of around £3m annually and had a cumulative deficit of £14.8m on the ringfenced DSG fund at 31st March 2020.
19. After extensive lobbying of the Government, in March 2021 a ‘Safety Valve’ funding agreement was made with the Department for Education in which the Council will receive

£20m over a five-year period to remove the cumulative DSG deficit. £6m of this was received in 2020/21 and £4m in 2021/22 and as a result the cumulative deficit has reduced to £7.2m at 31st March 2022. The Council is expected to contribute £1.2m each year to plug this gap. The receipt of the additional funding is subject to successful delivery of the *SEND Futures Plan* in terms of financial sustainability and service improvement plans. However it relies on assumptions about both demand management and efficiencies in service delivery and there remains a risk that any funding shortfall will still need to be met by the local taxpayer.

Areas we can predict and other risks/opportunities

20. **Inflation** – is normally built into the MTFs at an average of 2-3% each year and varied where more specific information is available. However latest estimates for inflation in 2022/23 and future years range as follows:
- (i) **Salaries:** a minimum of 4.8% for salary inflation based on ongoing negotiations with a further 4% in 2023/24 dropping to 2.5% in 2024/25 thereafter.
 - (ii) **General prices:** no allowance has been made for inflation on other items except where stated below.
 - (iii) **Energy:** costs continue to be very difficult to predict with events overseas and currency values having an impact as well as changes in demand. For the current model an increase of 80% during 2022/23 reducing to a further 50% in 2023/24 has been modelled before returning to lower levels of 5% per annum in 2024/25. However, the last estimates provided by the Council's contract provider in June suggested that prices could increase in October by anything between 76% and 176%.
 - (iv) **Pensions:** the triennial valuation of the Council's Pension Fund is due with the impact to come into effect in April 2023. The outcome at this stage is unknown but in current market conditions it may require additional employer contributions. An increase of 1%, equivalent to £0.4m per annum, has been assumed at this stage.
 - (v) **Contracts:** the Council has a significant level of outsourced services which run under contract with the private and voluntary sectors. Most of these contracts have either specific inflation indices built into them (often CPI linked or industry specific) or require renegotiation on an annual basis such as social care spot purchases. Latest estimates assume an inflation allowance of over 7% within the MTFs for 2023/24 to reflect the impact of this year's high inflation levels on contract negotiations in the next 12 months. However CPI inflation is currently running at over 10% which is a clear risk that the impact on the MTFs could be even higher than assumed. The Council will continue to seek to negotiate lower increases where possible however this is proving to be difficult in the current climate. In addition, the Council has allowed for the cost of introducing London Living Wage across all of its contracts which is set by the Living Wage Foundation and so outside of the Council's influence.
21. As a result, overall the inflation contingency will add around £11.5m to 2023/24 budget pressures, which is added to pressures from 2022/23 inflationary levels of around £3m more than estimated when setting the 2022/23 budget. This is causing a significant financial challenge for budgets.
22. **Service pressures** – there are a number of service areas which are experiencing pressures on demand as well as cost:
- (i) **Adult social care** – whilst there has been a greater national drive for integrating care and pooling resources with the NHS through the Better Care Fund, and the ability to raise a higher level of Council Tax to help support adult social care, the recent pandemic has brought additional risks in relation to the resilience of the care provider market. The Government has released additional short term funding in this regard, but councils remain

concerned that this needs recognition in longer term funding settlements and a review of the expectations set for local government and the costs borne by local tax payers.

- (ii) Social care for children - sustained pressure on social care budgets continues, in particular in relation to supporting looked after children and those leaving care as it continues to be difficult to step children down to lower cost placements and the service is reporting higher levels of complexity in cases. Plans to control the growth in expenditure have been agreed, however the impact of the pandemic has seen some of these plans delayed and introduced additional pressures into the system. Whilst some amendment has been made to estimated costs there remains a real risk that growth in demand for children looked after placements will outstrip these plans. Detailed work is ongoing in this area.
 - (iii) Homelessness – the Homelessness Reduction Act came into place in April 2018 and the Council received a time limited grant for 2018/19 and 2019/20 to provide staffing and introduce measures to meet the requirements of the Act. This grant was extended to 2022/23 but there is a risk that the Council will need to continue to provide for the new duties in future years without a corresponding reduction in homelessness costs. The current economic climate, plus refugees schemes and the pandemic approach to housing rough sleepers all put pressure on homelessness prevention and temporary accommodation provision.
23. **Income/efficiencies** – the Council will continue to review its fees and charges each year so that those using services make a contribution to those services. The efficiency programme will also continue to be developed with all areas of Council services being scrutinised carefully. Despite some delays caused by the pandemic, £12m of efficiencies were delivered during the course of the previous administration. Based on current budgetary pressures this programme will require review in order to close the predicted budget gap left by inflationary pressures.
24. **Agile working/digital opportunities** – the Covid-19 pandemic and lockdown response underlined the importance of the Council investing in technology and improving what can be done online as well as presenting an opportunity for the Council to review the way it provides many services and from where. Work on both digital/IT investment and the working estate will, we believe, offer longer term efficiency and service improvement opportunities. For instance, within Adult Social Care, the vision is for technology to be embedded as a core part of service delivery where possible. Through agile working, staff will be supported to work effectively wherever they are based. Care providers will be supported to use care technology, to innovate services and provide integrated care solutions. Work with the voluntary and community sector is also seeking to improve digital inclusion for vulnerable residents.
25. **Demographic changes** – both nationally and locally councils face increasing demands from an ageing population and a young population with different support requirements. The MTFS allows a nominal growth of £1m for children’s social care and £500k for adult social care in year one with a further £500k per annum in both areas in future years which is reviewed each year as budgets are set. It is worth noting that children’s social care services and also mental health services and budgets continue to experience sustained pressure and are of particular risk to the Council. In addition, the 2021 census showed what is likely to be a pandemic driven (and therefore temporary) drop in the borough’s population which may mean that future formulae based funding allocations are based on artificially low population figures.
26. **New procurements** – the Council provides services via contractors to a value in excess of £150m per year. A contracts register is maintained to ensure allowance is made for full review of the commissioning requirement before the Council undertakes the letting/reletting of a contract. The Council will always seek to drive more efficient delivery when it lets contracts but also has to bear in mind the prevailing market conditions. This can therefore represent both an opportunity and a threat. Specific commissioning efficiencies are built into the overall efficiency programme referred to above and over the past ten years over £24m has been delivered in efficiency savings from procurement. A specific review on this area is currently in progress.

27. **Council Tax base and the Collection Fund** – last year’s MTFs assumed no increase in the Council Tax base due to the impact of Covid-19 on the local economy. Actual growth in 2022/23 was approximately 200 and this has now been incorporated into the assumptions for 2023/24 growing to 300 per year going forward.
28. **Business rates** – it is unlikely that the Government will repeat the extended business rate exemptions that occurred to help those businesses impacted by the pandemic. It is also unclear what the full extent of business failure may be as a result of the pandemic and the current economic climate. This will be kept under review although it is likely that we will need to allow for some level of loss in income in future years.
29. **Capital programme** – funding of the existing agreed five year capital programme is built into the MTFs and this is subject to review both in relation to the delivery of the Council’s priorities and the affordability of the ongoing programme. For 2022/23 the estimated annual revenue cost of borrowing to support capital spend is £10.8m
30. **Cost of living crisis** – Given the seriousness of the crisis facing households through this winter and beyond it is a Council priority to ensure a full range of policy responses are considered to support residents and businesses at this difficult time. A wide range of initiatives have been put forward, in particular working cohesively across Council services and in partnership with voluntary sector organisations. An urgent package of support will therefore be delivered by allocating £3m from reserves to deliver a response to this crisis. The Council has a fiduciary duty to collect income in a timely manner in order to fund essential services but must be mindful not to make a situation worse for vulnerable households - the full impact on the Council’s finances, in particular on debt recovery are unknown at this stage.
31. Whilst we can normally make a reasonable range of estimates associated with the above areas, the impact of inflation means that there is continued uncertainty in both our own cost forecasts and those associated with Government funding.

“Fairer Finances” and delivering Council priorities

32. The Council will focus on managing the impacts of Covid-19 and the cost of living crisis in the local area, supporting residents, schools and children, businesses and the voluntary sector and keeping the Council’s finances on a secure footing.
33. The Council will not lose sight of its wider objectives to invest in good local services while protecting the most vulnerable in our community and investing for the future. The Council has set out in the Corporate Plan what it aims to do to promote a fairer deal for all those that live in the borough and how it will work with residents to ensure they have a fair say in decisions that affect them. To this end the previous four budgets of this Administration have already introduced a number of measures including:
- removing minimum Council Tax contributions for the poorest families and individuals in receipt of Council Tax Reduction Scheme funding;
 - providing additional relief to those residents in receipt of support with their Council Tax bills by offering a further reduction of £150 in 2020/21 and 2021/22;
 - setting up a discretionary fund to work with Citizens Advice on extreme hardship cases;
 - continued funding for extra mental health support in schools and funding of Council Tax for care leavers;
 - introducing London Living Wage requirements for all Council contractors; and
 - introducing a Voluntary Council Tax Contribution Scheme for those in the Borough who may be able to afford and be willing to contribute a further additional voluntary amount. The Council will continue to approach all of those in G and H Council Tax band properties to pay an additional voluntary contribution towards specific schemes (typically to directly help vulnerable residents including: older people, people with

learning disabilities, people with physical disabilities, children with mental health issues etc). The total collected so far (including Gift Aid) is over £210,000.

34. The Council is continuing other corporate plan priorities including:
- (i) The Council wants to become a “**Greener Borough**” and be carbon neutral by 2030 and as such has published the Richmond Climate Emergency Strategy and supporting annual action plan which sets out how the Council’s carbon footprint will be reduced and air quality improved. The majority of such investment is likely to require capital funding but the Council will also be considering how it uses existing Climate Change Reserves and has budgeted additional revenue funds to help manage the necessary changes.
 - (ii) The Council is working to deliver more **Affordable Housing** within the borough and the capital plan allows for significant contributions to enable this in partnership with housing associations and other developers. The Council is also looking to maximise the use of its own sites for affordable housing.
 - (iii) **A Safer Borough** - Work continues with the police and community groups to help tackle crime including providing advice to local residents on crime prevention and enhancing the neighbourhood watch scheme. Work is ongoing with TfL to improve safety on the Council's roads, to monitor the extension of 20mph speed limits and to review the measures introduced during the pandemic including additional cycling measures and safer school streets.
 - (iv) Driving community investment through real **engagement with local people** – investment made in the 2019/20 budget for the Community Conversations programmes is reaching a wider range of people in the borough and devolving some existing budgets to local areas has built on this.

Balancing the risks and opportunities

35. In summary, the ongoing impact of inflation and the future local government finance position continue to be as uncertain as they have ever been. At this stage it is necessary to plan within a range of possible outcomes and hence the MTFs has again been adjusted to reflect this uncertain picture.

Working with our key partners

36. At the same time as local government is facing very uncertain costs and levels of funding, in particular in the context of recovering from the Covid-19 pandemic and subsequent inflationary pressures, we must recognise that our other key partners also face significant pressure – the local NHS Clinical Commissioning Group (CCG), the voluntary sector who partly rely on public sector funding and support, and our local schools are particularly important for the quality of life in the borough.
37. The Council has a statutory role through the Health and Wellbeing Board to bring together strategic partners to plan how best to meet the health and care needs and improve the health and wellbeing of the local population, making most effective use of resources in the local health and care system. There are significant national changes being implemented within the health and care system following the Health and Care Act 2022, which received Royal Assent in April 2022, with the aim of enabling greater integration between partners across the health and social care sector. This includes collaboration between partners who can address the wider determinants of health by removing barriers to data-sharing and enabling joint decision-making and greater collaboration within the NHS, between trusts, and between the NHS and other systems partners, in particular local authorities. From 1 July 2022, the South West London Integrated Care Board is the new statutory organisation responsible for health services. Within South West London placed-based arrangements have been set up and are being implemented through the overarching Integrated Care Board (ICB) and place based partnership committees of which Richmond is one.

38. The Council continues to work closely with local health partners on implementing place based arrangements to ensure joined up health and care services for residents. This includes the ambition for further pooling of health and care budgets with appropriate risk sharing as part of the ICS. Covid-19 has demonstrated the critical importance of Social Care working closely with the NHS to manage pressures across the health and care system. Effective partnership working throughout the pandemic has created a renewed momentum to accelerate health and care integration with a focus on whole system working which is being taken forward by the South West London Integrated Care Board. The Council continues to work with the Local Government Association to press for adequate long-term funding for social care in order to provide stability and extra capacity in local care systems, which will also assist in supporting NHS partners to help relieve pressure on health services..
39. The CCG, Council and Police partnership is significant within safeguarding. The Richmond and Wandsworth Safeguarding Adults Board maximises joint working over a wider geography and brings in greater learning opportunities across both boroughs. It also aligns with the Police Command Unit. The Kingston and Richmond Safeguarding Children Partnership brings the Police and CCG into equal ownership with the Council through Achieving for Children (Children's Social Care). This tri-partite lead ensures that children's safety and wellbeing is at the heart of everything we do. Priorities include contextual safeguarding, mental health and early help and parental vulnerability.
40. The CCG, Police and Council partner again within the Community Safety Partnership, alongside other statutory organisations such as the Probation Service and voluntary and community led organisations. The focus is on identifying and best resourcing statutory and other services to tackle the root causes and reactionary responses to crime and safety.
41. The Richmond upon Thames Partnership brings together the public sector leads to consider priority areas for the borough and agree how the partners can work together to meet local needs. The Partnership's annual conference allows for a wider delegation of local businesses, services and the voluntary and community sector to focus on a local need. The most recent conference was held online in May 2021, titled *Unlocking the Potential: a new vision for our town centres and high streets*, it attracted over 80 participants. This was followed by a programme of online Community Conversations in each ward inviting the public to share their views on the future of the high streets and town centres. Discussions are currently in place with the lead member on the focus of the next annual conference and how the Richmond upon Thames Partnership can be utilised to bring a coordinated approach to community needs around the cost of living crisis.
42. The Council continues to also work closely with the local voluntary sector, in particular recognising and championing the efforts the sector plays in supporting the community in this time of hardship for many residents. It is vital that we work to make the best use of all the resources available in the local area. The Council has had regular meetings with voluntary sector leaders to ensure a partnership approach to supporting the community. The Council recognises the support provided to the local community from the many voluntary organisations including their volunteers, which help to ensure the local community maintains its strength and cohesiveness, this includes how the sector is at the forefront helping residents to regain confidence in accessing services and living an active life following the uncertainties of Covid-19. The Richmond upon Thames Compact is a written understanding between the voluntary and statutory sector (London Borough of Richmond upon Thames and the Integrated Care System) as to how they should work together and ensure a mutually beneficial relationship exists. The Richmond upon Thames Compact aims to build upon our existing commitment to partnership working by setting out our shared principles and how we will consult, involve and manage our resources together. The Council works with Richmond Council for Voluntary Services (RCVS) on embedding the principles of the Compact in how both partners work together and with the voluntary and community sector. The Council also commissions RCVS to deliver capacity building services that help organisations become more resilient and sustainable, and able to respond to new financial challenges and changes in

demand for their services. The Council works with many voluntary organisations and local people in a range of partnerships such as the Homelessness Forum.

43. We are determined to maintain a strong relationship between Children’s Social Care and our local schools who are so vital in providing the best start in life for our children and young people. We have strengthened our provision for mental health services within schools and, through the Richmond Upon Thames Voluntary Fund, we continue to support local charities to provide further support in this area. Of particular concern in the longer term is the increasing financial pressure experienced by both schools and the Council from the growing number of young people with Special Educational Needs and Disabilities (SEND). These young people are amongst the most vulnerable in our community and as part of this strategy we will continue to lobby for adequate levels of funding to ensure they are all appropriately supported.
44. The Council is already supporting small businesses and early stage entrepreneurs with advice through the Phoenix Enterprise programme. This forms part of the Council’s post pandemic economic recovery programme and the advice reflects the key challenges such as managing cashflow, retaining/acquiring customers and addressing recruitment challenges. Input cost inflation is starting to become an overriding challenge, especially as business energy bills are not capped. Whilst the Council does provide access to resource efficiency advice through its partnership with the pan London Better Futures programme (via the Richmond Business Hub), it is likely that demand for such services will increase. The Economic Development Office will look to increase the advice and sources of information available to businesses to help them navigate increasing costs via the Richmond Business Hub as well as any additional government support that may become available.

Capital programme

45. As in previous years this MTFs focuses on the revenue budget. A review of the capital element of the MTFs and the capital programme for 2021/22 to 2026/27 is set out in a report to the Finance, Policy and Resources Committee on 27 February 2022 with cashflows updated in a subsequent report to the same Committee on 15 September 2022. The revised capital programme totals around £179m over the six year period. For the purposes of this MTFs update we have assumed that the broad underlying financial requirements are as set in these updates.
46. The table below shows some of the key capital financing expectations for forthcoming years. Importantly external debt is likely to rise unless new sources of alternative funding can be identified. The potential increase in borrowing costs will be spread over a number of years as the Council will run down its internal cash holdings in the short term (see commentary in capital programme and treasury reports) which will help to limit its impact on Council Tax. Given the overall revenue projections it is clear that the Council will need to continue to review its commitments for the future carefully to ensure they are affordable.

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000s	£000s	£000s	£000s	£000s
Total Capital Expenditure	66,279	47,438	16,252	11,108	37,952
To be funded from revenue, reserves and capital receipts	7,971	7,179	2,440	0	1,167
To be funded from grants and contributions	31,461	29,175	8,066	5,662	33,372
To be funded from borrowing (internal and external)	26,847	11,084	5,746	5,446	3,413
Implied underlying need to borrow at end of year	188,606	191,920	189,543	186,593	183,351

47. The underlying need to borrow at 1st April 2022 was £166.1m, which was reduced from £169.4m at 1st April 2021. Under the revised capital programme the estimated need to borrow at the end of 2022/23 is a maximum of £188.6m, although no new external borrowing has been taken at the mid point of the year. The actual level of outstanding external borrowing at 1st April 2022 was £123m.
48. The above table shows that the Council still has a significant capital programme. Looking at the current programme, although some is funded through Government grant, the plans continue to include assumed increases in borrowing. The Council believes that it is essential that central Government provide more direct capital funding (particularly for schools and major infrastructure). Of particular note is the current uncertainty around future Transport for London funding and the impact this may have on the borough's infrastructure needs.

Forward financial strategy

49. The table below updates the current MTFs for the areas discussed above to provide an indicative potential budget that the Council will need to fund. It identifies how much of a gap there is between costs and current best estimates of funding. In particular:
- (i) It assumes that general Government funding (Revenue Support Grants and retained business rates) remains at 2022/23 levels for 2023/24 onwards although recognising the gradual removal of any short term grants (such as Local Services Grant)
 - (ii) The accumulated £7.2m DSG contingency held within the Financial Resilience Reserve will remain available to fund any future contributions to the deficit as part of that agreement but will be gradually released into general reserves as the DSG deficit improves.
 - (iii) The slow recovery of some services from the Covid pandemic continues to be reflected in future years' budgets, with the assumption that full recovery to pre-pandemic levels doesn't occur until 2025/26.
 - (iv) The full impact of the Environment Act 2021 does not become a statutory requirement until 2026. This includes the collection of separate garden waste from households free of charge and the standardisation of recycling and waste collection across the country
 - (v) As detailed in the outturn report, the Financial Resilience Reserve balance at the end of 2021/22 increased by £8.3m. The modelling below assumes the necessary use of this balance and other earmarked reserves over the next four years to help mitigate against pressures. This will reduce levels of reserves significantly.

Year	2023/24 (£000)	2024/25 (£000)	2025/26 (£000)	2026/27 (£000)
Current Council Tax Requirement 2021/22	£144,226	£144,226	£144,226	£144,226
Inflationary pressures	£15,368	£21,902	£28,402	£34,702
Specific Government grant reductions	£853	£1,706	£2,306	£2,306
Demographic pressures	£1,500	£2,500	£3,500	£4,500
Children's social care pressures	£1,500	£1,500	£1,500	£1,500
Reform and fair cost of care	£446	£446	£446	£446
Previously agreed efficiency/ income plans	-£400	-£729	-£729	-£729
New efficiencies	-£3,820	-£4,080	-£4,350	-£4,630
Levies/charges from other bodies	£1,195	£3,432	£3,932	£4,232
Pensions – triennial review	£400	£400	£400	£400
Removal of temporary budgets	-£800	-£920	-£920	-£620
Removal of capital funding budget	-£917	-£917	-£917	-£917
Covid legacy (income recovery)	-£400	-£1,000	-£1,250	-£1,250
Removal of assumed use of reserve	£1,600	£1,600	£1,600	£1,600
Council tax base growth	-£325	-£813	-£1,301	-£1,789
Final MTFS mid-case budget	£160,426	£169,253	£176,845	£183,977
Budget Gap <i>increase to be covered by further use of reserves/Council Tax /additional savings</i>	£16,200	£25,027	£32,619	£39,751

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

50. Although the Government cap on Council Tax increases is not known at this time it is necessary to assume that 2.99% Council Tax increases are applied in order to protect Council services. Even with these increases, the budget gap widens over the coming years. Around this mid-case there are a range of possibilities, with the range made even wider than in previous years due to the uncertainty of the impact of inflation and the Government's future approach to funding. The best estimate of this range at present for 2023/24 only is from around £8m better (due to lower losses inflationary impacts and better Government funding) to around £22m worse (due to worse inflation and worsening Government funding). Looking into future years, these ranges grow further.
51. The overall position is that whilst the financial position is tight for 2022/23 due to the

impact of inflation, the budget is likely to be managed overall. However, future years are not so clear and there is currently a significant funding gap for 2023/24, only worsening in future years. This gap must be closed by a combination of improved government funding, increased income (including council tax), cost reductions or the use of reserves. The parameters for increasing council tax and government funding levels are currently unknown and it is not sustainable to draw from reserves indefinitely to meet the gap. It is therefore necessary for a significant efficiency programme to be drawn up. At the same time it will be necessary to protect our front line services and deliver the Administration's commitments to residents.

52. Proposals are already underway to deliver future wider efficiencies:

- Workspace and transformation of services – particularly drawing in learning from recent changes in service provision in response to Covid-19 restrictions. A programme of works is being developed to progress this wide ranging review.
- IT and digital – moving services to “the Cloud”, changing the approach to telephony and continuing investment in technology to support agile working.
- Procurement and contract management – a detailed review of our approach to commissioning, procurement and contract management has commenced which is expected to lead to improvements and identify further savings.

53. The overall funding position will continue to be closely monitored and as detailed proposals are developed they will be reported to Committee and the MTFS will be updated.

Key actions and reports in the next six months

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

- Continued monitoring of the impact and response to the cost of living crisis
- Government Spending Review – expected in the Autumn
- Consultation on 2023/24 Local Government Finance Settlement – October/November 2022
- Q2 monitoring report – November 2022
- Performance monitoring reports (quarterly)
- Local Government Finance Settlement 2023/24 – December 2022
- Committee budget proposals – January/February 2023
- Q3 monitoring report – February 2023
- Revenue and capital budget reports and Council Tax proposals – February/ March 2023

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

Sensitivity analysis of projections

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

Description	2022/23 £'000	%
Employee Costs	53,245	10.6%
Premises Costs	15,361	3.1%
Transport Costs	1,595	0.3%
Supplies and Services Costs	19,344	3.9%
Third Party Payments	162,490	32.4%
DSG Expenditure	183,823	36.6%
Transfer Payments	40,325	8.0%
Support Services	1,660	0.3%
Central Items	23,996	4.8%
	<hr/>	
	459,175	100.0%
Funded by:		
Income from Fees and Charges etc.	-64,268	12.8%
Housing Benefit Subsidy	-43,244	8.6%
Government Grants:		
Retained NDR	-23,542	4.7%
Specific Government Grants	-38,642	0.4%
Non Ring Fenced Grants	-2,215	7.7%
DSG	-183,823	36.6%
Collection Fund Deficit	-800	0.2%
Transfers to Reserves	-1,079	0.2%
Council Tax	-144,226	28.7%
	<hr/>	
	-459,175	100.0%

2. Third party payments are mainly contract based expenditure and include care budgets, waste collection and disposal, and ICT expenditure.
3. The largest variable elements of the budget are staffing costs, third party payments and income, predominantly from fees and charges for services. Relatively small changes in these have a significant impact on the overall financial position.
4. The anticipated impact of inflation is much higher than previous years' projections due to the current inflationary pressures expecting to continue for the next few years. The model assumes that the budgetary effect of general inflation is restricted wherever possible but, to put inflation in context, a 1% increase equates to £0.5m in staff costs and £2m in other costs (excluding housing benefit payments and DSG).
5. There has been consistent pressure on "demand led" budgets over the years reflecting the impact of demographic changes including a growing population, increasing numbers of school children, increasing numbers of older people, adults with learning disabilities and children requiring care. The MTFs assumes that these pressures will continue into the future although these pressures will be ameliorated to some extent by efficiency measures being

undertaken.

6. Although the exact impact of this cannot be known, there is a significant underlying risk related to the level of social care that may be required and this is exacerbated by the current uncertainties surrounding the long term impact of the pandemic, both on these services but in particular mental health services. The Council currently spends approximately £83m on the provision of children's and adult social care so a 1% increase in costs or client numbers would cost £0.8m. This expenditure is mostly included in the third party costs figure in the table.
7. The Council generates income from a number of key sources (e.g. planning fees, building control fees and parking charges) which are subject to fluctuation over time across economic cycles. These and other income streams support large expenditure budgets which do not reduce in the same way as the income budgets thus putting pressure on the overall budget. Although income might be expected to stabilise in the future, there will remain the underlying risk of shortfalls. Again, these areas are subject to additional focus given the known short-term impact of the pandemic, particularly around parking and leisure income, and the greater uncertainty this brings for the continuation of behaviour in future years. The current cost of living crisis is also likely to reduce income levels in these areas. The Council currently budgets to collect around £64m in fees, charges and non-government grants or contributions. If the Council underachieved these budgets by 1%, it would lose £0.6m in income.
8. A further key variable is the level of Government support for services. This comes to the Council in a variety of ways e.g. Settlement Funding Assessment (Revenue Support Grant and Retained Business Rates), specific grants and non-ring fenced grants. As discussed earlier, these are expected to continue to be under severe pressure for the foreseeable future as the Government continues to take steps to manage the increase in the public sector deficit. It is not yet clear whether more funding will be made available to the sector to cover current inflationary pressures. The total funding received from Government (including retained Business Rates) is currently £64m so each 1% reduction would cost the Council £0.6m.
9. The overall impact of a 1% adverse change in all these factors would be a cost to the Council of approximately £4.5m, which is equivalent to around £51 per annum on a Band D Council Tax bill. This clearly illustrates the potential impact of the volatile risk factors underlying the budget.

Risks and Opportunities

The Identification and Achievement of Savings Plans

1. The MTFS is modelled on the basis that the Council will achieve all the savings targets it sets within the agreed timescales. With any 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

2. The current economic climate remains challenging, leaving little scope for improvements in general Government funding, especially in the recovery period of Covid-19 and the current period of high inflation and the cost of living crisis.

Inflation

3. The expected impact of changes in inflation is set out in paragraphs 20 and 21 in the main report.

Government Funding

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

Business Rates Collection

5. Business Rates retention and distribution issues are covered in greater detail in paragraphs 14 and 15 of the main report.

Looked After Children

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

High Needs Funding and SEND

7. See paragraphs 18 and 19.

Adult Social Care

8. There are risks in relation to increased demand after the Covid-19 pandemic, which has created a long tail of demand. This includes increased demand for care services, safeguarding enquiries and in particular mental health crisis presentations. The impact of the temporary national hospital discharge funding arrangements (in response to the pandemic) has required additional reablement capacity and an increase in the average length of stay in the service. There are risks in relation to the future sustainability and resilience of the care provider sector, particularly care homes, following the challenges experienced during Covid-19 and the Council continues to retain oversight of the local care market as required by the Government's Adult Social Care Action Plan.

9. The Health and Care Act 2022 has introduced new architecture to integrate the health and social care system including flexibility around the use of resources to meet the health and care needs of the local population but there remains uncertainty about the impact of any changes. The Adult Social Care white paper 'People at the Heart of Care' proposes social care funding reform changes including a cap on the amount anyone spends on personal care and an extended means test which will impact the Council increasing the number of people entitled to state-funded care. The financial impact of the changes is not yet fully known and resources identified to fund commitments at individual council level remains uncertain which poses further financial risks

Investment Income/Capital Investment

10. The Council has a significant investment portfolio and a growing demand for borrowing. Therefore, the revenue budget is more vulnerable to interest rate movements. The Council has taken an explicit decision to reduce the level of its investments as part of managing this risk in the short to medium term. Current projections reflect the upward trajectory in the Bank of England base rate in the next year and for interest rates to follow; however this is ultimately influenced by both national and international issues.

Homelessness

11. Spend is demand led against statutory criteria and the Council's costs in this area are again under pressure. The Homelessness Reduction Act 2017, which came into effect in April 2018, extended the range of statutory duties to a wider cohort of households. In addition, the economic challenge of the increasing cost of living crisis is likely to have an extended impact as will the arrival of Ukrainian families requiring Council assistance for housing under the various sponsorship schemes.

Concessionary Fares

12. As a result of lower passenger journeys on public transport during the pandemic, the levy in 2021/22 and 2022/23 has substantially reduced, and future projections of this cost have been based on TfL modelling.

Contracts

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

Savings from shared services partnership working including joint commissioning

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

Flexible Use of Capital Receipts Strategy (as updated)

Extension of the Strategy

1. The Secretary of State for Communities and Local Government's statement on the Provisional Local Government Finance Settlement announced that the flexible use of capital receipts would continue up to the end of 2024/25.

Criteria to Assess Relevant Projects

2. Government Guidance on Flexible Use of Capital Receipts requires councils to prepare a Flexible use of Capital Receipts Strategy ("the Strategy"), to be approved by Full Council prior to the start of the year but to be updated during the year if required. Every approved Strategy must be reported to the Department for Levelling Up, Housing and Communities (DLUHC). The guidance gives the following examples of projects which would be qualifying expenditure for this purpose. The list is not exhaustive, but provides an idea of the type of projects that can be funded in this way:
 - (i) Sharing back-office and administrative services with one or more other council or public sector bodies,
 - (ii) Investment in service reform feasibility work, e.g. setting up pilot schemes,
 - (iii) Collaboration between local authorities and Central Government departments to free up land for economic use,
 - (iv) Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation,
 - (v) Sharing Chief-Executives, management teams or staffing structures,
 - (vi) Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible,
 - (vii) Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations,
 - (viii) Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training,
 - (ix) Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others), and
 - (x) Integrating public facing services across 2 or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery.
3. Amended direction for the programme states that use of receipts to finance redundancy payments is no longer allowed, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments. Furthermore, capital receipts used must only be from disposals where the authority does not still retain some direct or indirect control of the assets and

Proposed Projects to be funded from Capital Receipts

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

savings are appropriately identified.

Efficiency Programme and Savings

5. 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.
6. The Capital Programme assumptions exclude the use of receipts associated with this strategy. It was originally estimated that up to £10m may be available for use against this strategy but this has now been revised in line with lower spending and receipt expectations:

	2016/17	2017/18	2018/19 – 2021/22	2022/23
	Actual	Actual	Actual	Estimate
Use of Capital Receipts	£2.2m	£0.8m	£0m	£0.5m

7. 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.
8. The SSA was formally established on 1 October 2016. Whilst a number of joint projects have completed, there continue to be areas to review across the partnership.
9. Costs to date regarding the establishment of the SSA included:
 - Legal and taxation advice on the vehicle to be used for the SSA,
 - System implementation costs for the shared payroll and other systems, and
 - Redundancy costs incurred by moving to a shared structure across both Councils.
10. These proposals have contributed over £10m to the Council's efficiency savings.
11. There remain a number of programmes associated with the ongoing development of the SSA including changes to IT infrastructure and changes to shared office accommodation which will continue to form a call on this budget.

Impact on Prudential Indicators

12. 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.
 13. 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.
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Definitions of Budget Headings

SeRCOP

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

EXPENDITURE

Employees

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

Premises

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

Transport

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

Supplies and Services

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

Third Party Payments

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

Transfer Payments

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

Support Services

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

INCOME

Government Grants

This covers all specific and special government grants.

Other Grants & Contributions

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

Customer & Client Receipts

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

FINANCIAL ACCOUNTING ADJUSTMENTS

Central Support Charges

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

Central Support Income

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

Capital Charges

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

OTHER DEFINITIONS

Business Rates Levy / Tariff

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

Collection Fund

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

Corporate and Democratic Core

This comprises corporate management and democratic representation and management costs.

Depreciation

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

Earmarked Reserves

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

