THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Royal Borough of Kingston upon Thames

Destination Kingston

Medium Term Financial Plan 2017/18 to 2020/21 and Detailed Budget and Council Tax 2017/18

Adults & Children's Committee	**31 January 2017**
Residents Committee	**2 February 2017**
Growth Committee	**7 February 2017**
Treasury Committee	**9 February 2017**
Budget Council	**28 February 2017**

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Budget Book – a separate pack entitled ‘Detailed Budget for each Service 2017/18’ has been circulated alongside this pack and provides a detailed breakdown of service budgets for the coming year as additional background information.

DESTINATION KINGSTON - MEDIUM TERM FINANCIAL PLAN 2017/18 TO 2020/21 AND DETAILED BUDGET AND COUNCIL TAX FOR 2017/18

REPORT BY THE DIRECTOR OF FINANCE

SECTION 1 – COMMITTEE REPORT

INTRODUCTION

1. This document presents the Council's medium term financial plan for 2017/18 to 2020/21.
2. Section 2 of this report is the annual budget report for 2017/18 which includes the statutory decisions required by the Council to set a budget and Council Tax level for 2017/18. It includes the detailed outcome and service budget proposals for 2017/18.
3. This section also includes financial projections over the medium term through to 2020/21 concerning projected expenditure, budget reductions, likely resources and service transformation.
4. This report will be considered by each of the Council's four Strategic Committees and then by Council on 28 February 2017.

BACKGROUND

5. As part of the Local Government Settlement announced on the 17 December 2015, The Government announced its planned deal for Local Government through to 2019/20, by offering Local Authorities a four year settlement. Whilst the settlement offered, continued to include cuts to funding over this four year period, it did offer Local Authorities some financial certainty in terms of forward financial planning but it did not include all sources of government funding such as New Homes Bonus. The Royal Borough of Kingston accepted this settlement in October 2016, in line with 97% of Authorities.
6. As part of the four year year settlement, the Government are reducing the amount of Revenue Support Grant (RSG) paid, with 2018/19 being the last year that Kingston will receive RSG. This is in preparation for the introduction of '100% Business Rates Retention' which is expected to be introduced in time for the 2020/21 financial year and is assumed to be fiscally neutral.
7. Another significant change introduced as part of the four year settlement was a change to the way the the Core Spending Power analysis is calculated. It now includes, the resources available to a Local Authority through Council Tax. These calculations included an assumed increase in Council Tax by 3.99% representing a 2% social care levy increase to fund pressures in Adult Social Care services and a 1.99% general increase. As part of the Local Government Settlement announced on 15 December 2016, the Government announced a further change to the Adult Social

Care precept. It gave Local Authorities the freedom to increase the Social Care precept by up to 3% in 2017-18 and 2018-19, as long as the total increase is no more than 6% over the next three years

8. During the last year the Government have been consulting on the future of the New Homes Bonus Grant. The 2017/18 New Homes Bonus Allocations and details of the consultation response have now been announced. The number of years the scheme will be based upon (currently 6 years in 2016-17). will be reduced to five years in 2017-18 and four years from 2018-19 onwards. The scheme will now also only reward growth in homes above the national average of 0.4% per annum.

9. The changes to the New Homes Bonus Scheme have allowed the Government to remove £241m from the scheme's previously announced funding for 2017-18. This funding has been diverted to the new Adult Social Care Support Grant, which is to be distributed based on the adult social care relative needs formula and is for 2017-18 only.

10. Within the Business Rates Retention scheme the NNDR baseline and top up/tariff amounts have been amended to reflect the 2017 Revaluation. The adjusted amounts are intended to make changes in Rateable Value revenue neutral for individual authorities; with changes to authorities' NNDR baseline (and therefore tariff/top up) being equal and opposite to the forecast change in the ability to raise business rates locally.

11. As a result of the ongoing changes to Local Government Funding, the Council continues to operate in an extremely challenging financial environment, with 2017/18 being the seventh successive year of spending reductions. At the beginning of the financial planning period, we estimated that we would need to find £4m savings in 2017/18 rising to just over £20m by 2020/21. Increased demand in both Adult and Children's Social care, Special Educational Needs and Housing Services alongside delays in delivering major transformation savings and reductions in specific Government Grants have increased the amount required to close the budget Gap to £13m in 2017/18.

12. Despite the reduction in resources and ever increasing demand the final 2015-16 net expenditure was in line with the 2015-16 budget, leaving the General Fund balance unchanged at £8.018m at the start of the current financial year.

13. Kingston recognised some time ago that the combination of a reduction in funding and increased demand for services was a significant challenge and last year changed its budget planning process to one based on identifying the key outcomes for our residents – an approach we termed 'Outcome Based Budgeting' (OBB). This change in approach recognised the issue that our previous approaches would not achieve the budget reductions that we needed.

14. The OBB approach focuses less on the structure of services and more on how what we do delivers the outcomes that are key to our residents. It works across services

and is more suited to identifying and delivering the radical solutions that are required in times of significant change as well as focusing on future activity rather than marginal changes to current activity. It is also more suited to Kingston's commissioning approach. Outcomes can also be used to build greater consensus and focus across different organisations, reflecting the ambition to adopt a whole-system approach to delivery.

TIMESCALES

15. To make a recommendation to Council which meets on 28 February 2017, the Treasury Committee needs to consider this matter at its meeting on 9 February 2017. The Adults & Children's Committee, Residents Committee and Growth Committee will consider the elements of the budget relevant to them at their meetings on 31 January, 2 February and 7 February respectively and submit comments to Treasury Committee as appropriate

FINANCIAL IMPLICATIONS

16. The report has financial implications throughout. Section 25 of the Local Government Act 2003 requires the Director of Finance to report on the robustness of the Council's financial estimates which are used in calculating the Council Tax for 2017/18. The Council is required to have regard to the Director of Finance's comments when making the final decision on its budget and Council Tax for the year.

17. The purpose of the Director of Finance's comments is to give assurance that risk is appropriately managed and that there is legitimate expectation that likely eventualities are provided for within the budget – essentially that the financial plan is sound. They are not intended to give a guarantee that the budget is sufficient to cover all possible scenarios, nor that income and expenditure will occur exactly as budgeted.

18. Section 25 of the Act also requires the Council, in setting its budget, to maintain 'adequate level of controlled reserves'. The Director of Finance is required to provide appropriate advice to the Council on the adequacy of its reserves, both those which are earmarked for specific purposes and for the General Fund balance. To inform this judgement, the Director of Finance has carried out a financial risk analysis of the Council's proposed budget which is detailed in Annex 1. This shows a level of risk at £8.055m should all risks identified, materialise. The same analysis on the 2016/17 budget showed a level of risk at £8.041m

19. In assessing the level of risk in the 2017/18 budget, the Director of Finance has scrutinised the following areas:

    - the treatment of inflation and interest rates
    - the treatment of demand led and other growth pressures including demographic growth

- the treatment of the delivery of planned savings in terms of implementation or delay
- the correct reflection of the revenue effects of the capital programme including estimates of the level and timing of capital receipts
- the treatment of income budgets in relation to fees and demand
- financial risks inherent in any significant subsidiaries; new partnership arrangements; major outsourcing arrangements or major capital developments
- any uncertainties about the level of government funding to be received in year
- the general financial and economic climate within which the Council is operating

In addition, assurance has been sought on the following matters:

- the effectiveness of the Council's budgetary control framework in providing adequate financial management enabling the successful resolution of in year financial issues
- that the budget proposals have been developed following guidance from the Director of Finance and have been subject to a rigorous process of development and challenge

20. Based on this level of scrutiny, the Director of Finance is able to offer assurance on the robustness of the estimates in accordance with Section 25 of the Act. Any amendments to the proposals included within this report may require a further assurance assessment to be given before a decision on those amendments is made.

21. The analysis of potential scenarios shows that for 2017/18 the Council continues to face a significant and material level of budget risk. The significant savings that have been made in response to resource reductions and increasing cost pressures have contributed to an increased inherent level of financial risk.

22. Based on the inclusion of growth within the budget, the flexible use of the Strategic Investment Reserve and leadership and organisational experience demonstrated in previous years in containing significant budget pressures, managing significant budget reductions and delivering transformational change, the General Fund balance is considered to be sufficient. The Director of Finance therefore advises that the level of reserves is adequate in line with Section 25 of the 2003 Act.

LEGAL IMPLICATIONS

23. The Council is legally required to set a balanced budget and its council tax for 2017/18 by 10 March 2017. This report, together with the detailed medium term financial plan and budget proposals provide the necessary information for that decision to be taken.

24. The requirements placed upon the Director of Finance by the Local Government Act 2003 are addressed above.

25. Specific legal implications of any proposed changes to services have been considered fully as part of the evaluation of those proposals before their inclusion in the proposed medium term financial plan.

RISK ASSESSMENT

26. The financial risk associated with the budget proposals is captured in the Financial Implications section of this report. The continuing need to find budget savings and effect service transformation against the backdrop of reducing resources and the reform of the system of local government funding mean that there is an inherent level of risk within the budget. These issues are covered within the financial implications section above with details of the budget outlined in Annex 1.

EQUALITY IMPACT ASSESSMENT

27. Equality considerations have been made in respect of the individual proposals contained within the proposed budget. Many of the significant proposals will already have been considered at an individual Strategic Committee and an EQIA undertaken, others will depend on future Committee decisions being taken where a full EQIA will be provided. As assessment of the overall impact of the proposed budget has been carried out and is explained in more detail in Section 2.

ROAD NETWORK IMPLICATIONS

28. Any road network implications arising from specific budget proposals have been considered as part of their evaluation prior to inclusion in the proposed medium term financial plan.

ENVIRONMENTAL IMPLICATIONS

29. The environmental implications of the budget proposals have been considered as part of their evaluation before their inclusion in the proposed medium term financial plan.

Background Papers:

None other than those referred to in this report.

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SECTION 2 – BUDGET REPORT & COUNCIL TAX FOR 2017-18

DESTINATION KINGSTON

1. In 2016/17 we entered into the first of the four years covered by the Comprehensive Spending Review 2015. Despite our disappointment with the change in direction initiated by the Government, which saw authorities such as Kingston have their grant cut quicker and further than expected, we signed up to the Four Year Settlement Offer made by the Government. This at least gives us some protection from future changes and provides us with some certainty over our resources in the period up to the localisation of business rates in 2020/21.

2. This has been a year when we have had to deal with significant spending pressures across those services which support the most vulnerable in our borough. Adult Social Care, Children's Services (predominantly Safeguarding and SEN Transport) and Homelessness costs will all exceed budget. This has meant that we have had to work hard to create the financial breathing space that will allow us to continue on our transformation journey on a secure footing.

3. Our key strategic financial challenges - increasing demand alongside reducing resources - remain the same, and our responses are also consistent. We are working hard to reduce demand on our services through targeted and intelligence led interventions that seek to promote independence and community resilience; alongside this we are seeking to bolster our resources by diversifying the income streams we rely upon.

4. The work we have been doing to re-imagine and reshape the future role of the Council and other agencies in Kingston has progressed during this past year. The concept of the Enabling Council, and changing relationships with residents, communities and other stakeholders have all further embedded. The State of the Borough debate in October took the future Council as its theme, and Professor Catherine Staite from INLOGOV at Birmingham University provided valuable insight into the wider demands on local government and how the sector is responding and how it could shape its further responses.

5. Under the leadership of incoming Chief Executive Charlie Adan, who joined us in August, we have prioritised clarifying our core messaging, ensuring that the future strategic direction is well understood, and that everyone understands the part they have to play on this journey.

6. Our plan is set out under the following headings:

    - People and communities
    - Place, growth and the economy
    - The enabling, efficient and effective organisation
    - Financially sustainable targeted local public services

People and communities

7. Over 70% of our annual budget is deployed to meet the needs of the most vulnerable in our communities. As demand increases, it is clear that without fundamental change, our current service model is rapidly becoming unaffordable and unsustainable. Last year in Destination Kingston we set out in some detail our work on the Kingston Co-ordinated Care Programme, which represents a long term initiative to integrate health and social care in order to deliver better outcomes and to achieve necessary savings across the entire care system. This work continues.

8. In 2015 the Government introduced the Social Care Precept as a means of raising, via local councils, some of the resource required to fund ongoing and growing pressures in Adult Social Care. Kingston was one of the vast majority of Council's who exercised this power in 2016/17.

9. The Local Government Finance Settlement in December 2016 provided for the flexibility to reorder the levying of the precept over the four year period initially agreed, with up to 3% to be levied in 2017/18. Once more Kingston has applied this levy in order to maximise the resources available to fund adult social care to our most vulnerable residents. We are proposing to do this having balanced the need to ensure sufficient resources are available, with what we see as the unfairness of this burden falling on Kingston taxpayers rather than being properly funded by central government.

10. We are also exploring opportunities to intervene in care markets which we feel are not providing a good deal for residents or us on their behalf. The first steps have been taken towards investing up to £25m in developing new residential provision in Children's Services and for specialised dementia care. Improved asset management is helping to create the financial headroom required to make these investments in future provision in a way that is financially sustainable.

<u>Kingston Co-ordinated Care</u>

11. The Council has been working closely with the NHS for many years. Until 2014 the Director of Adult Social Services and the CCG Accountable Officer was a joint post and since then the Council has been working closely with the CCG, Your Health Care (a community interest company), and NHS Providers to develop Kingston Co-ordinated Care.

12. After extensive community engagement KCC developed two key objectives

    - To support the development of active and supportive communities in which people are enabled to stay healthy, living independently, as active citizens

    - To develop customer centred care that supports people with complex needs to achieve the best possible quality of life and the goals that matter to them with a focus on prevention, proactive care and self reliance.

13. To achieve this, all providers have agreed to sign up to a new model of care based on simple principles – good customer knowledge and early response, sharing good quality information, minimising handoffs, a co-ordinated service response, and a multi disciplinary team around the customer, which makes best use of our collective resources.

14. In the current resource climate for both the NHS and the Council, KCC has got to reduce the demand for high cost services, improve self management of conditions and make savings in organisational costs.

15. Many of the initiatives in KCC are beginning to come to fruition, with some savings achieved in 2016/17 due to this, and most of the savings proposed for 2017/18 depending on its success either directly or indirectly.

   - Stimulating Active and Supportive Communities has been facilitated by the investment of over £1m in third sector organisations, to offer solutions before people need to access social care. These are being delivered in an integrated and planned way, increasing resilience in the voluntary sector as well as in communities themselves.

   - Local Multi Disciplinary Teams (MDT's) with a Single Point of Access (SPA) are being established which will form the basis of an Accountable Care Organisation. The MDT's will enable the development of single case co-ordinators with the ability to commit time and resources from all relevant organisations.

   - The current Home Care and Your Healthcare Reablement service is being reviewed to improve the quality of service and the effectiveness of Reablement in preventing long term need.

   - The Kingston Care Passport is being rolled out, which is the vehicle for information sharing across a range of health and social care agencies and is seen as leading the way nationally. This development is key in facilitating the multidisciplinary response and genuinely working in an integrated way.

   - Services for people with Learning Disabilities are being reviewed and an integrated All Age Service that will allow more joined up service planning for people across all organisations is being developed.

   - A joint Commissioning service which will commission community services for adults' services, public health, the CCG and some children's services is being implemented. These services are now co-located, with a joint Service Director, and plans in place to implement greater integration.

Our Service Model - Adult Social Care

16. We will seek to offer advice, information and guidance to people who make contact using the infrastructure created under "Active & Supportive Communities". We will

expect to do fewer assessments as a result. When we assess for someone's long term needs we will do this when they are home, in familiar surroundings, and have had effective help from both the NHS and social care if they have had a hospital admission. We will not do assessments for long term care when a patient is in a bed based facility unless there is no alternative. Where people go into residential care straight from a hospital admission, who weren't previously in a placement, we will treat it as a potential safeguarding issue.

17. If people have long term needs we will not assume that their lives are on a downward path. We will expect older people to be able to develop skills needed for independence and to be able to engage (with our help) with new technology. We will expect people with learning disabilities to learn new skills and be able to live in less dependent settings over time and we will support them to gain meaningful employment and increase their health outcomes. We will expect most people with mental health problems to recover and work with partners and stakeholder to increase the focus on prevention.

18. For this reason we expect reviews to reduce the current levels of service for some customers, not simply to maintain or increase them. This process has already started.

Sustainable Transformation Plan (STP) Priorities

19. Alongside work on KCC, we have also been working with a wider group of NHS and local authority partners on the South West London Sustainability Transformation Plan (STP).

20. The STP has 5 priorities this year which fit well with our objectives, they include developing multi disciplinary locality teams (MDTs), improving access to Primary Care in care homes, reducing A&E attendances, and improving Intermediate Care & 'crisis response'. The development of MDTs is an existing KCC objective, and Kingston and Richmond are leading on this workstream on behalf of South West London.

21. The sub regional focus has positive features - it is a platform for partnership working across the whole system, and Kingston Borough is leading local authority input into the acute reconfiguration, for example.

22. There will be some constraints - there will be more regional prescription over the MDTs, and in the way joint work bears down on hospital activity. Even though Local Government has not accepted changes in planning arrangements away from Borough footprints, inevitably more work will be done in hospital catchment areas and sub regionally.

23. The acute reconfiguration may prove a distraction and includes proposals for a significant drop in non elective activity in hospital settings, and some transfers to

community NHS care. These changes could have the impact of increasing social care spend, since the plans are largely bed based.

Achieving for Children

24. Significant budget pressure will continue in demand led children's services into 2017/18, with children's social care and SEN transport being the two key areas creating cost pressure (excluding DSG funded services) on the Council's General Fund. Achieving for Children (AfC) will be undertaking an ambitious plan of cost reductions totalling over £3m. These cost reduction plans should assist in mitigating the budget growth required for 2017/18 and will inevitably realign budgets to concentrate on demand led services and focus money on early help services that have a significant impact on outcomes for children. In response to grant reductions for centrally provided education services, this directorate within AfC will be moving towards a model whereby all services are fully funded by income generation or Central Government grant.

25. AfC will be presenting detailed SEN transport proposals to members in March 2017 which should offset the £750k growth requirement. This pressure is arising due to an increased average cost being caused by additional out of borough transport requirements because of higher demand for SEN placements that cannot be provided within the borough boundary. The proposal will include the development of more in-borough provision to avoid high transport costs, the cessation of non-statutory provision (other than in exceptional circumstances), review of the current routes to evaluate the practicality of pick up points, review of route durations, promotion of independent travel through increased training and introduction of incentives for parents to transport their own children.

26. Demand for Children's social care placements has remained consistent over the past three years but the average cost and need for more expensive placement options (e.g. residential and independent foster placements) has been increasing as a proportion of the total number of 'Children Looked After' or supported by the Council through AfC (e.g. adoption, special guardianship orders). AfC has proposed a series of actions (subject to member approval) to reduce the cost of this service including:

    - the introduction of a placement commissioning team to prevent the creep up of average costs,
    - adoption of an outcomes based decision making approach when considering whether adolescents should be supported in the community or accommodated by AfC,
    - introduction of a Parental Contribution Policy to enable means tested contributions from parents of children who are looked after by the Local Authority
    - periodic review of high cost placements to identify a longer term more affordable option
    - introduction of an enhanced resilience service via the Partners in Practice bid.

Place, growth and the economy

27. Despite the political and economic turbulence of the past year, growth and making sure that for Kingston and local residents that we see "good growth", remains an absolute priority. Our population has grown from 164,000 in 2012 to 175,000 in 2017. It is projected to grow further to 189,000 by 2029. The plans for Crossrail 2, which include 10 stations in the borough, will be a major driver for medium and longer term growth in Tolworth and Chessington in particular.

28. "Good growth" means economic as well as population growth, it means getting the right infrastructure to support increases in population, and it means ensuring that growth benefits the residents of the borough both now and in the future.

29. In the past three years, we have seen Council Tax income increase by £3.6m as a result of additions to the Council Tax base. Over the next four years we expect this to rise further to around £9m.

30. Our headline programme delivering on place, growth and economy is Kingston Futures. Kingston Futures is about the whole spirit with which we approach the future –inward investment, growth and business opportunities and physical planning and regeneration, are important parts of it but it is not limited to that. It is about everything that we do.

31. It forms part of the Council's corporate Policy Programme and is supported by the statutory planning process. The common agenda ensures that growth is the means by which we deliver benefits for the borough that all can see. Economic growth, in particular, will benefit the Council's financial position when the Government's plans to devolve fiscal power come about in 2020.

32. Kingston Futures began its delivery phase with the refurbishment of the Ancient Market and will continue delivering projects supporting good growth, prosperity and wellbeing.

33. The Council's role is to embrace the opportunities that growth provides, nurture those opportunities and shape them. The Council will encourage business growth by promoting Kingston as an international business destination. This will require the development of the kind of transport, communications connectivity and infrastructure expected of a key business hub. Facilitating economic growth will provide new jobs in the borough. The London Plan estimates that Kingston will have needed to create 11,000 more jobs by 2031 along with 14,000 new homes in the same time frame. Kingston is currently at the forefront of work at a sub-regional (South London) and regional (London) level on devolution and growth. The South London Partnership recently published a Growth Proposition. This outlines the South London

Partnership's position as a Joint Committee and the opportunities for driving growth in Kingston and neighbouring boroughs.

34. Business and economic growth and development are fundamental to ensure that this proposition delivers most benefit to Kingston's medium term financial position.

35. In order to deliver 'Good Growth', we need to balance our development requirements, delivering new housing whilst maintaining economic growth, creating new jobs and crucially, improving social and physical infrastructure.

36. The key policy enabler for this strategy is the commissioning and delivery, with partners, of an integrated local economic growth and development strategy.

37. In the last 12 months there has been a significant leap forward in delivery, including:

    - Major progress on construction of the new homes on the Gasholder site in North Kingston
    - The new Hilton Double Tree 4* hotel has been opened in Kingston Town Centre and a new hotel in Tolworth is under construction
    - Construction of additional student accommodation is underway at Old London Road, Cambridge Road and Kingston Road
    - The New Kingston University Town House is under construction at Penrhyn Road
    - Planning permission has been granted for new employment floor space for over 250 new jobs
    - Planning permission for over 2,000 new homes has been granted together with new shops, cafes, and restaurant
    - A new school at Norbiton has been granted permission and new secondary school on Richmond road is under construction, together with a number of school extensions, and
    - The new Go Cycle scheme on Portsmouth Road has been completed and construction has commenced on the Kingston to Surbiton Cycle scheme.

38. These are all evidence of the fully rounded programme of Good Growth that Kingston Futures is bringing to the Borough.

The enabling, efficient and effective organisation

39. In 2016 we set out to shape our strategic planning around a series of Community Outcomes. By using an outcome driven approach, we sought to ensure that what we did within RBK could connect fully and effectively with the world outside. We wanted to unlock the creativity to make connections between services within the council and those outside, including the capacity that exists in the commercial, voluntary and community sectors.

40. In order to fulfil our ambitions for the borough in an era of reducing public expenditure, we need to transform ourselves into an organisation focused on enabling outcomes rather than seeking to deliver them unilaterally through our own

efforts and activity. This requires a very different organisation, behaving in new and different ways. We need to have a workforce that is confident, empowered and flexible in its approach, which means that we need to embody these characteristics as an organisation. This thinking is captured in our new values: Smart, Open, Innovative.

41. In order to maximise the level of resource that we can direct towards service delivery, we also need to reduce further and significantly the overall cost of the council itself. We have added to our shared service arrangements during 2016/17, with more to follow in 2017/18, subject to sign off of final decisions. We will be undertaking a major programme of change in 2017/18 that will begin the process of transforming the whole organisation into an "enabling council". The emphasis will be on developing an organisational culture that prioritises empowerment, initiative and creativity, with a leadership culture that drives and supports this.

Financially sustainable targeted local public services

42. As existing sources of government funding reduce, and in some cases disappear, the need to diversify our revenue streams and to generate additional resources from new or existing sources will be an important part of our future financial sustainability.

43. We have identified a number of opportunities where we could invest capital resource to improve outcomes for residents and to generate an additional revenue return which will help keep costs down and services financially sustainable. These include investing in the development of new dementia residential care facilities, and in residential options for children looked after.

44. Proposals for a Council owned Development Company are being brought to Committee, with the aim of creating an effective vehicle for progressing residential and commercial development projects within the borough. This is expected to contribute future revenue returns and development profits in order to support service delivery.

45. We will also continue to explore the potential for investments in commercial opportunities that could generate an ongoing revenue return for the Council and benefit development and regeneration opportunities. This will be done with due regard to capital risk and taking into account the potential for appreciation of value and of social benefit.

46. Building on longstanding and strong partnership arrangements, the Council is working with JobCentre Plus (JCP) to on an exciting proposal to relocate JCP services to Guildhall 2 from early 2018. Significant strategic and operational benefits are expected to flow from co-locating JCP with the Council's Information and Advice Centre. These include an improved central point of access to a wider range of public services for local residents; the creation of a platform to facilitate innovation and integration between the services offered by the Department for Work and Pensions (DWP) and those offered by the Council; and the opportunity to modernise the main

customer facing services operated by the Council. These improved outcomes also come with financial benefits to the Council with additional rental income being generated.

DETAILED BUDGET PROPOSALS

47. This section of the report builds upon the high level strategic direction described in previous sections and outlines the approach that has been followed in producing the detailed budget proposals for 2017/18 and the medium term financial plans through to 2020/21.

THE NATIONAL ECONOMY AND PUBLIC FINANCES

48. The result of the EU Referendum in June 2016 prompted a new Prime Minister and Chancellor to be in post the following month. The Autumn Statement published in November 2016 outlined the new Chancellor's priorities and highlighted that a number of key economic targets that had been set by the previous administration had been adjusted, including the achievement of a budget surplus by 2019/20.

49. The government now aims to return the public finances to balance as soon as possible in the next Parliament, with an interim objective of reducing the structural deficit to less than 2% of GDP, and for debt as a percentage of GDP to be falling by the end of this Parliament.

50. The autumn statement confirmed that spending plans for government departments set during the 2015 Spending Review will continue to be delivered and the Efficiency Review announced at Budget 2016 will be updated in autumn 2017. No further welfare savings over and above those already identified were announced, and in order to ensure that expenditure on welfare remains sustainable, a target has been set to ensure that expenditure on welfare in 2021/22 is contained within a predetermined cap and margin set by the Treasury.

51. The decision to leave the EU has created uncertainty in the UK economy and in economic forecasts produced by the Office for Budget Responsibility (OBR). This uncertainty is reflected in the OBR forecasts of GDP growth, which is now forecast to slow to 1.4% in 2017 before recovering to 1.7% in 2018 and 2.1% in 2019 and 2020. Lower business investment and consumer spending are also forecast by the OBR which contributes to the decrease in GDP growth expected.

52. There will continue to be considerable uncertainty in the UK economy as the details of how the UK will leave the EU are considered. Two key issues that are yet to be resolved are how British companies will continue to be able to do business in Europe once the UK exits the EU and what rights will be given to European nationals living and working in the UK. Both of these issues will have significant impacts on UK economic performance.

53. The Prime Minister has indicated that the UK will begin the process of exiting the EU by the end of March 2017 with the process expected to take two years and would see the UK leave the EU by summer 2019.

LOCAL GOVERNMENT FINANCE SETTLEMENT

54. The confirmation of 2016/17 to 2019/20 individual Local Authority funding by Government was detailed in the Local Government Finance Settlement on 17 December 2015. This set out a four year settlement 'offer' for Local Government enabling some certainty in terms medium term financial planning over the life of the current Parliament. Kingston accepted the four year settlement and this funding position was confirmed in the announcement of the 2017-18 settlement on 15 December 2016.

55. There were however, changes announced to the New Homes Bonus (NHB) as part of the settlement which had an adverse affect on RBK. Consultation had taken place on reducing the number of years that the grant was paid for from six to four with effect from 2018/19. The settlement confirmed this would be implemented with a transitional year in 2017/18 where five years' allocations would be paid. In addition to this, NHB would only be awarded where growth in housing was above the national average of 0.4%.

56. Nationally, £240million of the money released from the changes to NHB is being directed towards a new one off Social Care Support Grant. Kingston's share of this is £0.575million.

57. The other change announced in the settlement was to increase the flexibility of the social care precept, allowing authorities with social care responsibilities to levy an additional precept of up to 3% per year from 2017/18 to 2019/20, subject to a maximum increase of 6% in total. The system announced last year enabled a 2% per annum increase up to 2019/20, so in effect this enables authorities to bring forward some of that income.

Retained Business Rates

58. The 2015 Settlement confirmed the Government's intention of 100% business rates retention by the end of the Parliament. The Government consulted on its proposals during 2016 and a technical paper is expected to be published early in 2017. The Government wants this policy to be fiscally neutral and has consulted on funding certain specific grants from retained business rates and also transferring additional responsibilities to Local Government.

59. Just as the current headline 30% of business rates being retained locally actually equates to just 24.9% being retained in 2017-18 after the tariff and other adjustments are made; the move to the new system will not enable Kingston to retain 100% of business rates collected. However, it should mean that, in theory, the borough would receive greater rewards for generating economic growth beyond its current

base position and therefore greater Business Rates yield as part of its funding and be less exposed to changes to future Government funding settlements.

MEDIUM TERM FINANCIAL PLAN 2017-18 to 2020-21 & DETAILED BUDGET 2017-18

Introduction & the Challenge

60. The Medium Term Financial Plan (MTFP) analyses and charts the financial pressures related to Kingston's budget position through to 2020/21. In simple terms, the plan projects the resources that Kingston will have available in future years to fund the services it delivers. It then forecasts the changes to the current cost base that are likely to occur over that period. In the current context of Local Government funding, this analysis reveals a gap in the future between funding available and likely cost. In financial terms, this gap needs to be closed by budget reductions and/or resources increases through local taxation and this represents the overall financial challenge faced by Kingston.

61. Budget reductions are sometimes viewed as simply the discontinuation or cutting of services. However, as is apparent throughout this report, budget reductions can also be made through transformation in the way we operate both internally and with partners as well as a change in focus from services provided to outcomes for residents. Importantly, reductions in net budget can also be achieved by increasing income. The drive to diversify income streams and to help generate resources to contribute to future financial sustainability is an important theme within the MTFP.

62. As previously mentioned, Kingston introduced a new budget planning process, Outcome Based Budgeting, in 2015, which was used again for this budget cycle. This was designed to review all of our expenditure in relation to key priority outcomes for residents and ensure that expenditure is directed to where it is needed most and identify the necessary budget reductions to ensure a balanced budget can be delivered.

63. The Outcome Based budgeting exercise had identified substantial savings of £13.364m in 2017-18 rising to £21.203m in 2020-21. This has assisted us in producing a balanced position in 2017-18 with budget gaps remaining in 2018-19 to 2020-21, as shown in Annex 2. The proposed increase in Council Tax has allowed us to close the budget gap in 2017-18 by generating an additional £1.714m, whilst the Government's Social Care Precept has made a significant contribution to meeting immediate pressures in Adult Social Care, delivering £2.584m extra income.

	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Expenditure				
Base Budget	132,437	132,437	132,437	132,437
Adjustments to Base Budget	555	525	497	497
Inflation	2,707	5,534	8,500	11,471
Growth	9,083	13,914	18,254	21,905
Savings	-13,364	-17,590	-20,656	-21,103
Gross Budget requirement	**131,418**	**134,820**	**139,032**	**145,207**
Resources				
Parking and Traffic Reserves	-7,502	-6,843	-6,703	-6,663
Specific Grants	-7,209	-3,575	-3,405	-2,874
	-14,711	-10,418	-10,108	-9,537
Financing Resources for tax setting purposes				
Revenue Support Grant	-5,522	-1,545	0	0
Business Rates	-21,212	-21,856	-19,498	-18,814
Council Tax	-90,425	-91,781	-93,158	-94,556
Collection Fund (Surplus)/Deficit	452	0	0	0
	-116,707	-115,182	-112,656	-113,370
Total Resources	**-131,418**	**-125,601**	**-122,764**	**-122,906**
Budget Gap	**0**	**9,219**	**16,267**	**22,301**

64. No decisions on any Council Tax increases in 2018-19 and beyond have been made. The options that the Council has are expressed below in terms of the mix of solutions from the maximum additional savings required to be identified through to the maximum remedy provided by further potential Council Tax increases.

Budget Requirement	2018/19 £000s	2019/20 £000s	2020/21 £000s
Total Estimated Budget Gap	13,445	23,559	30,040
Existing Planned Savings	-4,226	-7,292	-7,739
Outstanding Estimated Budget Gap	**9,219**	**16,267**	**22,301**
Council Tax Solutions :			
Maximum contribution from General Increase	-1,854	-3,936	-6,118
Maximum contribution from Social Care Precept	-2,794	-2,794	-2,794
Total Maximum Contribution from Council Tax	**-4,648**	**-6,730**	**-8,912**

Maximum Additional Savings Required	9,219	16,267	22,301
Minimum Additional Savings Required	4,571	9,537	13,389
Maximum Total Savings	13,445	23,559	30,040
Minimum Total Savings	8,797	16,829	21,128

65. This table shows the financial challenge that the Council continues to face as demand continues to increase and Revenue Support Grant ceases. The Council will continue to put maximum pressure on its increasing cost base and look for further savings through service transformation, efficiencies and maximising income

66. Whereas the previous financial challenge was met through the One Council and One Kingston programmes which focused on efficiency savings; shared services and one off service transformation; the current challenge has required Kingston to embrace a radically different approach to the way services are delivered and reflect changes to the role of Local Government and Kingston and also how Local Government operates with its community.

Resources Analysis 2017-18 to 2020-21

67. The four year settlement starting in 2016-17 confirmed the Government grant support to be included in Kingston's medium term plan to 2019/20, with Revenue Support Grant ceasing after 2018-19. No details have been provided for 2020-21 when the Government's plans for 100% business rates retention should go live. The medium term plan assumes that this change will be neutral, although this will need to be closely monitored as more details are made known.

Resources Analysis	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**
Use of statutory Parking & Traffic Reserves to support transport related expenditure	-7,502	-6,843	-6,703	-6,663
Total	**-7,502**	**-6,843**	**-6,703**	**-6,663**
Revenue Support Grant	-5,522	-1,545	0	0
Specific Grants	-7,209	-3,575	-3,405	-2,874
Total Government determined resources	**-12,731**	**-5,120**	**-3,405**	**-2,874**
Business Rates	-21,212	-21,856	-19,498	-18,814
Council Tax	-90,425	-91,781	-93,158	-94,556
Collection Fund Surplus (Council Tax)	-1,175	0	0	0
Collection Fund Deficit (Business Rates)	1,628	0	0	0
Total Local Taxation	**-111,185**	**-113,637**	**-112,656**	**-113,370**
Grand Total	**-131,418**	**-125,601**	**-122,764**	**-122,906**

68. The table above is based on the assumption that Council Tax will be increased by 1.99% and that the 3% social care precept will be applied in 2017/18, but with no further increases as yet assumed in 2018-19 to 2020-21.

69. The Council's resources are typically divided into those it receives from Government and those it generates through local taxation. The table above shows how the total resource available to Kingston reduces markedly over the medium term period, due to the reduction in government determined resources. Full use of flexibility around Council Tax and Social Care precept would however enable total resources to be maintained at broadly the same level across the four years.

Government determined resources

70. **Revenue Support Grant** - The settlement announcements in 2016-17 indicated significant reductions for Kingston in the main support it receives from Government through its Revenue Support Grant (RSG). As can be seen from the table above this support reduces to zero in 2019/20. The reduction in RSG to zero does not take into account the full effect of the Government's planned reductions to Kingston. By 2019/20, Kingston will also be subject to an additional £2.5m tariff on business rates payable to Government. For those authorities that effectively 'run out' of RSG but who have not taken the full effect of intended Government funding reductions, an additional tariff will be applied to the business rates retention scheme. The effect of this can be seen in the significant reduction in Business Rates income between 2018/19 and 2019/20.

71. Kingston's reduction in Government support, in comparison to the current year, can be seen below.

RSG Reductions	**2016/17 £000s**	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**
Revenue Support Grant	11,959	5,522	1,545	0	0
Additional Business Rates Tariff	0	0	0	2,512	2,950
Reduction since 2016-17 - £000s	**0**	**-6,437**	**-10,414**	**-14,471**	**-14,909**
Reduction since 2016-17 - %	0.00%	-53.83%	-87.08%	-121.01%	-124.67%

72. When taking into account Business Rates whose retention by Local Government is determined centrally, the Government will have reduced its support to Kingston from approximately £67m in 2010/11 to £19m in 2019/20 which is all generated from business rates. This represents a 72% reduction to a significant part of our funding over 10 years.

73. **Specific Grants** - Grant funding is included in this section where the grant is nominally given in relation to a particular activity but is not ringfenced for any particular use.

Specific Grants Reductions	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**

	£000s	£000s	£000s	£000s	£000s
Specific Grants	8,714	7,209	3,575	3,405	2,874
Reduction since 2016-17 - £000s	**0**	**-1,505**	**-5,139**	**-5,309**	**-5,840**
Reduction since 2016-17 - %	0.00%	-17.27%	-58.97%	-60.92%	-67.02%

74. The major grants considered in this section relate to the New Homes Bonus and until 2017-18 Education Services Grant. New Homes Bonus Grant has decreased in 2017-18 as previously discussed and amounts beyond 2017-18 are currently estimates based on current levels and known future changes to the system of allocation.

75. Education Services Grant is ceasing in 2017-18 with part of the funding relating to statutory duties transferring into Dedicated Schools Grant and the remainder relating to other education support functions ceasing altogether. Transitional grant is paid in 2017-18 for the period from April to August 2017 before the new arrangements take effect in the new academic year in September. Some activities in Achieving for Children which are indirectly funded from this grant will need the Schools Forum agreement to fund from Dedicated Schools Grant going forward.

76. In 2017-18, Kingston receives the second and final year of transitional grant of £1.288m. The removal of this funding contributes significantly to the reduction in specific grants in 2018-19.

77. In 2019-20, Kingston will also receive a specific grant related to its share of additional national funding identified in the Settlement for the Better Care Fund. This is currently estimated at £0.4m.

Local Taxation

78. This is made up of Council Tax and Business Rates generated within the borough. In the case of Council Tax, the amount payable by residents is determined by the Council. With Business rates the level of charge is set nationally and nominally 30% of the income collected in the borough is retained for Council funding with the remainder paid to the Greater London Authority (20%) and central Government (50%). After the business rates tariff and levy on growth are deducted, the actual share of business rates retained in 2017-18 will be 24.9%.

Council Tax and the Social Care Precept

79. The change in the Government's attitude to Council Tax increases; the removal of cash incentives for Local Authorities to freeze their Council Tax and the severity of the reduction on Government grant support have all contributed to the recommendation to increase Council Tax.

80. In calculating the level of funding given to Local Authorities, the Government has assumed that those with social care responsibilities will levy a precept of 2% each year to fund these services since 2016-17. Further changes were announced as part

of the recent Local Government Settlement, to allow flexibility to increase the level of the social care precept, allowing the relevant authorities to levy an additional precept of up to 3% per year in 2017-18 and 2018-19, subject to a maximum increase of 6% in total over the 3 year period to 2019-20.

81. In addition, the government has allowed a 1.99% annual general increase to Council Tax without recourse to a referendum. The assumption of increases in Council Tax is directly linked to the quantum and speed of reduction in RSG. In other words, in formulating what is anyway a very challenging financial settlement for local government, the government have assumed that locally generated resources will increase by 3.99%.

82. It is progressively clear that increases in Council Tax and the adoption of the Social Care Precept on Council Tax have become essential components of any viable solution to the financial challenge we are facing in 2017/18. RBK has expressed the view in its response to consultations that this continued shifting of the burden onto local taxpayers is unfair and unwelcome.

83. The table below shows how the Social Care Precept and Council Tax increase contributes to funding Adult Social Care, but that additional savings are still being required from across the rest of the Council in order to meet the pressure in this area.

Adult Social Care	**2016-17 £000s**	**2017-18 £000s**
Base Budget	53,395	52,301
Adjustments to Base Budget	-534	869
Adjusted Base Budget	52,861	53,170
Inflation	790	714
Growth	842	3,758
ASC Transformation Fund	0	575
Revised Budget Requirement	54,493	58,217
Less:		
Savings	-2,192	-1,221
CCG Income	0	-1,150
ASC Net Budget Requirement	**52,301**	**55,846**
ASC Share of mainstream resource	-50,571	-48,109
Social Care Support Grant	0	-575
ASC Budget Gap before Precept	**1,730**	**7,162**
Social Care Precept 2016-17	-1,665	-1,688
Social Care Precept 2017-18	0	-2,584
Council Tax Increase 2017-18	0	-1,714
Savings required from other services	**65**	**1,176**

84. The assumptions concerning Council Tax funding are shown below. This shows the effect of the forecast growth in the Council Tax base i.e. number of households paying Council Tax in the borough and the effect of annual Council Tax increases.

Council Tax Projections	**2017/18**	**2018/19**	**2019/20**	**2020/21**
Council Tax Funding brought forward £000s	84,921	90,425	91,781	93,158
Tax Base Increase Assumptions %	1.42%	1.50%	1.50%	1.50%
Tax Base Increase Assumptions £000s	1,206	1,356	1,377	1,398
Council Tax Increase %	1.99%	0.00%	0.00%	0.00%
Council Tax Increase £000s	1,714	0	0	0
Social Care Precept 2017-18 %	3.00%	0.00%	0.00%	0.00%
Social Care Precept 2017-18 £000s	2,584	0	0	0
Council Tax Funding £000s	**90,425**	**91,781**	**93,158**	**94,556**

85. A Council tax base of 61,203 has been approved by the Director of Finance in accordance with the authority delegated by the Council in 2010.

86. The budget proposals assume the 28 February 2017 Budget Council meeting will approve the 2017-18 Council Tax. The formal council tax calculation is set out in Annex 9. The table below provides details of the council tax requirement for 2017-18 The average Band D Council tax for RBK for 2017-18 will be £1,477.46 (4.99% increase), this represents an increase of £70 per household per year or £1.35 a week compared to the previous year. This is the average Band D bill when taking into account those households both inside and outside of the Wimbledon and Putney Common Conservators Levy area.

Council Tax Setting Calculations	**£000s**
Gross Budget Requirement	**131,418**
Less:	
Specific Grants	-7,209
Use of Parking and Traffic Reserves	-7,502
Net Budget Requirement	**116,707**
Less:	
Business Rates	-21,212
Collection Fund Surplus (Council Tax)	-1,175
Collection Fund Deficit (Business Rates)	1,628

Revenue Support Grant	-5,522
Total	**-26,282**
Council Tax Requirement	**90,425**

87. Further details on Council Tax bills can be seen in paragraphs 140 - 145.

Business Rates

88. The Council is required to make an estimate of Business Rates that it will collect in 2017-18. This estimate is made by the Director of Finance under authority delegated by the Council in December 2012. the current assumptions are that Business Rates income will increase by RPI in 2017-18 to 2019-20. In April 2020 the business rates multiplier (the annual indexation used for uprating business rates) will switch from RPI to CPI, this will result in a cut to business rates and business rate revenue every year from 2020/21. A CPI increase has therefore been applied for the 2020/21 financial year.

89. The locally estimated Business Rates income for 2017/18 is £85.181m, Under the Business Rates retention system this equates to retained income of £21.212m which is higher than the baseline amount by £0.606m. This does not equate to the headline 30% local share because the government operate a system of ‘top-ups’ and ‘tariffs’ across Local Government. In simple terms, the Government calculate a baseline amount for every local authority. If a Local Authority receives more from its retained business rates than this baseline amount, then it is subject to a tariff payable to Government. Local Authorities receiving less are entitled to a ‘top-up’ payment. It is these top-ups and tariffs which influence the retained resources rather than the percentage share and mean that the local share for Kingston is 24.9% in 2017-18.

90. RBK is subject to a tariff payment in 2017-18 as with previous years, although the rate has reduced slightly following the 2017 Business Rates revaluation. In addition, any growth in the business rate base is not all attributable to RBK. A levy of 16.8% operates on this growth which is tied to the baseline funding calculation, meaning that RBK retains 83.2p in every £1 of business rate growth.

91. The Government consulted on 100% retention of business rates during 2016 and this policy is expected to be implemented by the end of this parliament. Whilst it should mean greater local reward for achieving local economic growth, it is unlikely to result in additional resources. The technical consultation proposed that some specific grants should be funded through the scheme and that Local Authorities are likely to have other responsibilities transferred to them. As the details of the scheme are still being designed, Kingston’s current resource projections do not take into account this change and currently assume that any changes will have a neutral fiscal impact.

Collection Fund Surpluses and Deficits

92. In accordance with the Local Government Finance Acts 1988 and 1992, the Council maintains a Collection Fund. This is used to account for the difference between the

actual amounts of Council Tax and Business Rates collected and the budgeted amounts used in setting the tax for the year.

93. RBK is required to estimate the position relating to Council Tax at the end of the financial year, on the 15 January each year. Any adjustments arising from this are required to be included in the calculation for the following year's Council Tax. Estimates at 15 January 2017 show that there will be a surplus of £1.406m at 31 March 2017. This has to be shared with the GLA in proportion to the respective shares of the 2016/17 Council Tax. RBK's share of the surplus is £1.175m which is applied in 2017/18.

94. A similar process is undertaken for Business Rates with estimates made in respect of surpluses or deficits expected to arise at 31 March 2017 and then shared proportionately between RBK (30%); GLA (20%) and government (50%). Estimates show that there will be a deficit of £5.426m with RBK's share being £1.628m to be applied in 2017-18. The deficit has arisen from a reduction in the rateable value - this is due to successful appeals against valuations, and also a number of properties being removed from the list as they have been (or are in the process of being) converted to dwellings.

95. No Collection Fund surpluses or deficits are currently assumed in 2018-19, 2019-20 and 2020-21 but any differences as described above will be applied to future years as appropriate.

EXPENDITURE ANALYSIS 2017-18 TO 2020-21

96. The section above gives the detail through to 2020-21 of the resources available to fund Kingston's activity and services. These set out the changes to Kingston's resources in cash terms and the decisions it has had to make regarding Council Tax increases in the light of severe reductions in financial support from Government.

97. The financial challenge is more severe when we analyse the resource reduction in real terms and take into account the rising costs of the services that Kingston provides whether that is driven by inflation or through the growth in demand for our services

98. In setting a financial strategy for the next 4 years, not only is it important to understand the resources available to us, it is also crucial to analyse how external factors will influence our costs.

Outcome Based Budgeting Approach

99. The Council's medium term financial and service plan for 2017-18 to 2020-21 has once again been prepared using the Outcomes Based Budgeting (OBB) approach.

100. The OBB approach has been used to develop proposals for the next four years. The outputs from the OBB process will be the main components of the Our Kingston

Programme, which will be the mechanism we use to deliver significant change over the next two to three years and beyond.

101. In adopting this process RBK developed eight Community Outcomes - four relating to People and four relating to Place. These outcomes have been reviewed with the Kingston Strategic Partnership during 2016-17 in order to form a jointly owned set of outcomes. This has resulted in some minor changes which are reflected in the latest iteration of the outcomes shown below.

- **Outcome 1 (Wellbeing);** People achieve wellbeing, independence and live healthy lives
- **Outcome 2 (Opportunity);** A place where people prosper and reach their full potential with high quality education, skills and employment
- **Outcome 3 (Resilience);** A safe and resilient community where everyone is welcome and supports the most vulnerable
- **Outcome 4 (Connected)**; A diverse network of engaged communities where everyone does their bit
- **Outcome 5 (Good growth)**; A borough that embraces growth and attracts investment for a stronger, more diverse economy
- **Outcome 6 (Choice)**; A borough of choice and opportunity that has broken the mould to increase the availability of housing and jobs
- **Outcome 7 (Sustainability);** A sustainable borough with a diverse transport network and quality environment for all to enjoy
- **Outcome 8 (Heritage);** A borough with an identity rich in history, heritage and creativity which drives its future

Gross Budget Requirement 2017-18 and expenditure projections 2018-19 to 2020-21

102. This section describes the detail behind the 2017-18 budget funded by resources highlighted in previous sections as well as the expenditure projections beyond 2017-18 through to 2020-21. This section will demonstrate what external factors influence our cost base and how we intend to make budget reductions to bring our costs into line with available resources and how we are focusing and re-prioritising our expenditure on the outcomes that are important to residents.

103. Based on this approach, this section analyses the effect of cost assumptions and changes across the Council by outcome and also states how outcome budgets are attributable to Council services.

104. Changes to cost and assumptions of cost can be classified as those relating to adjustments to the base budget for one off items; the effects of inflation; the effects of growth whether it be through changes in demand for Council services or unavoidable pressures and then, finally, budget reductions to ensure that a balanced budget is achieved i.e. expenditure matching resources available.

Budget Requirement	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**

Base Budget	**132,437**	**132,437**	**132,437**	**132,437**
Adjustments to base	555	525	497	497
Growth	9,083	13,914	18,254	21,905
Inflation	2,707	5,534	8,500	11,471
Total	**12,345**	**19,973**	**27,251**	**33,873**
Reductions to Budget	-13,364	-17,590	-20,656	-21,103
Remaining Budget Gap	0	9,219	16,267	22,301
Total	**-13,364**	**-8,371**	**-4,389**	**1,198**
Gross Budget Requirement	**131,418**	**144,039**	**155,299**	**167,508**

Adjustments to the Base Budget

105. Adjustments are made to the current year (2016-17) budget in order to arrive at the base position for 2017-18. These are necessary to remove one off items or where the impact of a decision differs between financial years. The main adjustments are outlined below:

Adjustments to Base	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**
Removal of one off growth	-343	-474	-502	-502
Amendment to Planned savings	782	782	782	782
Reductions to Public Health Grant	262	262	262	262
Other minor adjustments	-146	-45	-45	-45
Total	**555**	**525**	**497**	**497**

106. Removal of one-off growth of £0.343m which was applied in 2016-17. Due to the large amount of savings to be delivered in 2016-17, this one off transfer to reserves had been provided to offset any delays in delivery of those savings and reduce the level of risk attached to the savings identified.

107. Amendments to planned savings – reductions of £12.248m were incorporated into the 2016-17 budget and as work to deliver these savings has progressed, it has proved necessary to remove or adjust the phasing of some of these savings. The value of the adjustment to the savings is £0.822m

108. As part of the four year Local Government Finance Settlement, The Public Health grant for 2017-18 was reduced by £0.262m.

Inflation

109. The impact of inflation upon existing costs is allowed for in the budget and the medium term financial plan. The most appropriate index is used to measure inflation is applied to each individual item. Where the Retail Price Index (RPI) is used, the August 2016 indicator at 1.8% is applied. Other indices are used as appropriate or where specified in the contract.

110. A summary and narrative concerning inflation is given below showing the effects budgeted for in 2017/18 and their continuing projection through to 2020/21.

Inflation	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Pay Total	362	727	1,095	1,468
Non-Pay Total	2,321	4,599	6,993	9,382
Concessionary Fares	102	275	465	661
Utilities	-	57	120	185
NNDR	-	69	145	223
Fees & Charges Total	- 78	- 193	- 318	- 447
Total	**2,707**	**5,534**	**8,500**	**11,471**

111. Major Contracts and Social Care Placements – for 2017-18 inflation has only been applied where a contract is in place and specific rates or indices for inflationary increases have been used where appropriate. The same assumptions on inflation have been applied where appropriate for 2018-19 to 2020-21.

112. Salaries Inflation – pay inflation has been applied at 1% for 2017-18 reflecting the latest Local Government pay award. The same assumption has been made for 2018-19 to 2020-21, in line with the Government's announcements regarding public sector pay.

113. Utilities/Business Rates – A review of budgets found that there was sufficient budget available to accommodate inflationary increases for 2017-18. Inflation for gas, water, electricity and business rates has been applied in line with RPI projections within the MTFP for future years

Levies & Concessionary Fares

114. RBK is required to include the requirements of various levying bodies within its budget requirement. The various bodies concerned will fix their levies for 2017-18 by mid-February 2017, after publication of this report. The levies for 2017-18 have been estimated by applying inflation of 1.8% (August 2016 RPI) to the RBK share of the 2016-17 levy amounts and by projected RPI for the years 2018-19 to 2020-21.

115. These costs are summarised below.

Levies	£000s
Environment Agency (Thames Region)	140
Lee Valley Regional Park Authority	176
London Pension Fund Authority	225
Wimbledon and Putney Commons Conservators (Special Levy)	41
Total Levies	**582**

116. Additionally, the cost of concessionary fares is inflated by estimated RPI in 2017-18 and through to 2020-21.

117. Fees & Charges – income budgets have been increased by various inflationary amounts where appropriate.

Growth

118. Growth has been added to the existing cost base for a number of broad reasons, namely to fund the increasing demand for some of our services due to changes in demographics and client numbers; for unavoidable pressures where current budgets would be insufficient to maintain existing service levels or, under the OBB process, where decisions have been made to re-prioritise the resource available to the Council funded by budget reductions elsewhere.

119. The detail behind these types of growth is summarised below, showing the effect on the 2017-18 budget and their continuing projection through to 2020-21.

Growth	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**	**2020/21 £000s**
Demand Led Growth:				
LD transitions	1,040	2,080	3,120	3,630
ASC Placements	2,300	4,600	6,900	9,200
ASC Transformation Fund	575	575	575	575
Deprivation of Liberty Safeguards	200	200	200	200
OT Equipment	200	200	200	200
AFC - Looked after children	1,205	2,205	2,705	3,205
AFC - Supported but not looked after	140	140	140	140
AFC - Leaving Care	292	292	292	292
AFC - Leaving Care - extended statutory duty	233	233	233	233
AFC - UASC Leaving Care	163	163	163	163
AFC - UASC < 16	110	110	110	110
AFC - Legal	100	100	100	100
AFC - Parental Contribution Policy	50	50	50	50
AFC - SEN transport	750	750	750	750
B&B/Nightly Paid Accommodation	500	750	1,000	1,250
Housing Options - Additional Post	50	50	50	50
Waste Disposal- cost per tonne increases	113	302	420	536
Change in re-charging of waste and recycling costs to HRA	215	215	215	215
Total Demand Led Growth	**8,236**	**13,015**	**17,223**	**20,899**
Unavoidable Pressures:				
Employer's Pension Contribution - Future Service Rate increase	150	150	150	150
Apprenticeship Levy	195	199	203	208
London/National Living Wage - Contracts	22	62	112	142

Health & Safety Tree Works	40	30	30	-
Private Sector Housing - Loss of Income	120	88	-	-
Total Unavoidable Pressure	**527**	**529**	**495**	**500**
OBB Re-prioritisation:				
OBB CO5 Economic Development Plan	250	230	226	226
SLWP Contract Mobilisation	-	-	100	-
Additional Incentives - Private Sector Leases	70	140	210	280
Total OBB Re-prioritisation	**320**	**370**	**536**	**506**
Total Growth	**9,083**	**13,914**	**18,254**	**21,905**

Growth	**Demand Led Growth £000s**	**Unavoidabl e £000s**	**OBB Identified £000s**	**Total 2017/18 £000s**
Outcome 1	6,608	20	-	6,628
Outcome 2	750	5	-	755
Outcome 3	-	126	-	126
Outcome 4	-	2	-	2
Outcome 5	-	5	250	255
Outcome 6	550	4	70	624
Outcome 7	328	72	-	400
Outcome 8	-	1	-	1
Org. Outcomes	-	58	-	58
Fixed Costs	-	235	-	235
Total	**8,236**	**527**	**320**	**9,083**

Further detail surrounding how this growth per outcome has been applied to services can be seen in Annex 7.

120. Growth due to increasing demand:

a. Learning Disabilities Transitions – the Transitions list identified 30 clients due to transition to Adult Social Care during 2017-18 - total growth required £1.040m (support ranging from £0.7k per annum to £143k per annum)

b. Adult Social Care Placements - a mix of existing commitments (£0.730m) and 20% new clients modelled to come through in 2017/18 (£1.500m), both net of client contributions. The new commitments also take in account the price differential between a bed vacated and market rate for a new admission, worth around £190 per week.

c. Adult Social Care Transformation Fund - the additional flexibility around the social care precept has facilitated the establishment of a transformation fund for Adult Social Care in order to deliver future improvements.

d. Deprivation of Liberty Safeguards (DoLS) – On 19 March 2014, the Supreme Court handed down its judgment in the case of “P v Cheshire West and Chester Council and another” and “P and Q v Surrey County Council”. The judgment is important for deciding whether arrangements made for the care and/or treatment of an individual who might lack capacity to consent to those arrangements amount to a deprivation of liberty - it has widened and clarified the definition of deprivation of liberty. The growth assumes a similar volume of 750 DoLS assessments as the last couple of years (most are annual reviews), growth is predicated on efficiencies from more in-house assessments being undertaken (subject to staff consultation and ASC restructuring); also, tighter processes should reduce the risk of litigation and compensation.

e. Occupational Therapy Equipment - Part of a prevention strategy to hold off/delay entry into residential care - as at October 2016, 185 people were on waiting list for OT assessment with a waiting time of around 10 weeks.

f. AfC (Looked After Children) – The average cost and need for more expensive placement options for Looked after children (e.g. residential and independent foster placements) has been increasing as a proportion of the total number of Children Looked After or supported by the Council (Increase in 497 weeks’ placements and average unit costs)

g. AfC (Supported but not Looked After) - The average cost and need for more expensive placement options for Supported children (e.g. residential and independent foster placements) has been increasing as a proportion of the total number of Children Looked After or supported by the Council (Increase in 1,195 weeks’ placements and the average unit costs)

h. AfC (Leaving Care) - The current budget of £135k allows for an average of 287 weeks accommodation. Assuming a similar cohort in 2017/18 AfC will need to provide 1,092 weeks payable accommodation.

i. AfC (Leaving Care - extended statutory duty) - Central Government are extending the statutory duty for care leavers from March 2017. Presently Councils have a duty to support care leavers up to the age of 18 and up to the age of 25 where they are in education. This duty is being extended to include all care leavers up to the age of 25 regardless of whether they are in education. This is likely to increase the cohort by 34 with an estimated associated cost of £174k. Additional caseloads would require additional staff, it is estimated that an additional 1.7 FTE would be needed at a cost of £60K.

j. AfC (Unaccompanied Asylum Seeking Children (UASC) Leaving Care) - The current budget provision for UASC and young people is £378k which provides for an average of 1,499 payable weeks. It is projected that 2,028 payable weeks will be needed in 2017/18 if demand remains similar to current levels. This will cost an estimated £541k. The estimated gap is therefore £163k.

k. AfC (UASC <16) - The majority of the cost associated with UASC under the age of 16 is funded on the actual cost through a claim based Central Government Grant. In 2016/17 the grant covered all direct placement costs and 55% of indirect costs leaving a gap of £77k. Assuming a similar number of children in 2017/18 (RBK currently supporting their required share of UASC) there is an estimated budget gap of £110k.

l. AfC (Legal) - Caseloads have increased from 49 in 2015/16 to an estimated 70 in 2016/17. This trend is likely to continue into 2017/18. The current budget provision is £470k and the projected 2016/17 cost is £570k. Growth of £100k is requested based on the assumption that caseloads remain consistently high but don't continue to increase.

m. AfC (SEN Transport) - Increase in the number of children requiring SEN transport and increase in the average unit costs of travel due to increased complexity of pupils needs (more use of taxis, personal assistants, etc). It is expected that the strict adherence to the SEN transport policy and other measures (see savings section) will offset these pressures.

n. Bed and Breakfast/Nightly Paid Accommodation - Increased demand on temporary accommodation this growth represents additional funding for an additional 53 families at an average £180 per week each

o. Housing Options - Additional post required due to increased numbers of homelessness applications

p. South London waste partnership (SLWP) Contract Mobilisation - Additional Contract management support will be required for the RBK share of the Waste Collection service to go live across the SLWP boroughs.

q. Waste Disposal – Additional growth is required as the cost per tonne goes up until RBK joins the SLWP Waste Collection contract

r. Change in re-charging of waste and recycling costs to HRA - Following a review of the apportionment of charges for waste and recycling collection services between Waste and Housing, prompted by changes to the contract and service arrangements earlier in the year, it has been agreed that the cost of all standard household waste and recycling collections should be met by the Waste budget. There is an equivalent saving to the HRA.

121. Growth due to unavoidable pressures

a. Introduction of Apprenticeship Levy - on 6 April 2017, the Government is introducing the Apprenticeship Levy. The levy requires all employers with a pay bill of over £3m each year to invest in Apprenticeships by paying an amount of 0.5% of their total pay bill. Employers can then access this funding to help towards the cost of training apprentices.

b. Employer's Pension Fund contributions - The triennial actuarial valuation of the Royal Borough of Kingston Pension Fund carried out during 2016 showed the need to increase the level of employer's pension contributions for future service from 15.5% to 15.9%. This growth is more than offset by a much larger saving in the lump sum contribution to the past service deficit which is shown as a budget reduction elsewhere in the MTFP.

c. Private Sector Housing (Loss of Income) - Growth required to mitigate the loss of income due to delay in approval of in house Home Improvement Agency from November 2015. This proposal approved by members on 13 September 2016.

d. Health and Safety Tree Works - Over the last 2 years, annual tree inspections have identified a number of trees to be in a dangerous condition. Last year, one of the trees split out and fell across a public footway. This growth request allows for essential works to trees to make them safe.

e. London/National Living Wage Contracts - Growth allows the grounds maintenance contractor, Idverde to pay its staff the National Living Wage

122. Re-prioritisation from outcome based budgeting process

a. Economic Growth and Development - promoting and enabling economic development with partners in the borough is seen as a key strategy to improve the economic prosperity of the borough and as such, growth has been provided to develop, commission and deliver a local economic growth and development plan.

b. Private Sector lease - Additional incentives to secure more private properties for lease to reduce expensive nightly pay accommodation. Assumes average additional payment of £690 to secure 101 units

123. The medium term position projects that all growth through to 2020-21 has been identified through the OBB process. There is no provision for unallocated growth in our medium term projections. Any new unavoidable growth identified in future years will need to be funded by budget reductions beyond those currently forecast as required.

Budget Reductions

124. As discussed above, once projections concerning a reduction in resources and the effects of inflationary and growth pressures on the existing cost base are reached, a budget gap is identified. This gap is closed through budget reductions.

125. The table below summarises budget reductions by outcome from 2017-18 to 2020-21.

Savings	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Outcome 1	5,286	7,421	8,515	8,890
Outcome 2	1,804	2,246	2,622	2,747
Outcome 3	233	360	388	388
Outcome 4	84	189	211	211
Outcome 5	415	500	500	500
Outcome 6	50	119	144	144
Outcome 7	2,600	2,837	3,825	3,772
Outcome 8	59	97	129	129
Org. Outcomes	1,495	2,447	3,054	3,054
Fixed Costs	1,338	1,374	1,268	1,268
Total	**13,364**	**17,590**	**20,656**	**21,103**

Further details surrounding these budget reductions can be seen in Annex 4 and details showing how these outcome budget reductions are applied to service headings can be seen in Annex 5.

Kingston's Budget by Outcome

126. The result of our analysis of resources, cost pressures and budget reductions leads to a gross budget requirement for each outcome for 2017-18 as follows. This is also projected further for 2018-19 to 2020-21.

Outcome	2016/17 Revised Base Budget £000s	Growth £000s	Budget Reductions £000s	Gross Budget Requirement 2017/18 £000s	Gross Budget Requirement 2018/19 £000s	Gross Budget Requirement 2019/20 £000s	Gross Budget Requirement 2020/21 £000s
Outcome 1	60,970	6,628	5,286	**62,312**	65,473	69,196	73,119
Outcome 2	7,798	755	1,804	**6,749**	6,434	6,193	6,206
Outcome 3	1,052	126	233	**944**	408	317	341
Outcome 4	976	2	84	**894**	796	782	789
Outcome 5	873	255	415	**713**	637	663	693
Outcome 6	2,831	624	50	**3,405**	3,677	3,993	4,336
Outcome 7	15,028	400	2,600	**12,828**	13,343	13,178	13,819
Outcome 8	839	1	59	**781**	748	721	726
Org Outcome	19,929	58	1,495	**18,492**	18,289	18,063	18,452
Fixed Costs	25,403	235	1,338	**24,300**	25,015	25,926	26,726
Total	**135,699**	**9,083**	**13,364**	**131,418**	**134,820**	**139,032**	**145,207**
Remaining Budget Gap				0	9,219	16,267	22,301
Total	**135,699**	**9,083**	**13,364**	**131,418**	**125,601**	**122,765**	**122,906**

127. The detail of outcome budgets mapped to service headings can be seen in Annex 8. This information should be considered alongside the more detailed budgets in the budget book published alongside this report. The budgets published in Annex 8 and the budget book show the best estimate available at the time this agenda is published as to how expenditure will be split across service areas. There are a number of proposals included within the budget where work to implement change is ongoing and the commissioning process and outcome approach will lead to budgets being re-organised within service areas during the year. Assumptions have been made on the best information available at the time. Reports will be presented to the relevant Strategic Committees to update them on the implementation of specific projects.

128. The allocation of resources available for 2017-18 across the outcomes varies considerably. This differential expenditure does not reflect or indicate the relative influence and importance afforded to the different outcomes. It is more a by-product of the varied statutory responsibilities that must be met and reflects that a very significant proportion of our costs are spent on a relatively small number of the population needing additional social care support, compared to the majority of residents who only access or receive universal services.

Equality Impact Assessment

129. An equality impact assessment has been undertaken regarding the budget reductions that will be enacted in the 2017-18 budget to ensure compliance with the public sector equality duty which is designed to eliminate discrimination, advance

equality of opportunity and foster good relations within the protected characteristics. Kingston has had to make savings totalling £13.364m in 2017-18 and this budget has been produced against a backdrop of previous financial reductions from government.

130. The budget reduction proposals have been assessed carefully to make sure that any changes will have the least possible impact on residents and service users with a commitment to fairness. Any impact on staff will be managed through the change management process supported by staff from Human Resources

131. The impact of the budget reduction proposals will be monitored to ensure that any potential negative impact is reduced as far as possible. Each service area will undertake further appropriate impact assessments at the implementation stage if there is a likelihood of a negative impact for service users or staff within the equality protected characteristics.

132. The Council aspires to and is confident that the savings proposed will enable it to discharge more than its statutory obligations and continue to meet the requirements of those most in need of its support and help

133. Further details of the Equality Impact Assessment can be found in Annex 6.

Reserves and Balances

134. The General Fund balance at 1 April 2016 was £8.018m, representing 6.8% of RBK's 2016-17 net budget requirement. Based on the latest budget monitoring position (month 8) an over spend of between £1.5m and £1.9m is forecast in 2016-17. The mid-point of this expectation would result in a General Fund balance at 31 March 2017 of £6.318m. This would represent approximately 5.4% of RBK's 2017-18 net budget requirement.

135. The month 8 monitoring position represents a significant improvement (£2.7m) from the forecast £4.6m net overspending at month 6 reported to the Treasury Committee on 6 December 2016. The main reasons for the improvement are as follows:

- bringing forward planned saving from 2017/18 - capitalisation of planned highways maintenance £1.6m
- further increase in use of in-year surplus from parking and traffic enforcement £0.6m
- reduced spend on building maintenance as some assets identified as potential disposals £0.2m

There are also a number of smaller improvements as mitigating actions take effect.

136. The Council requires an adequate level of reserves to meet any strategic, operational or financial risks that might be inherent in the 2017-18 budget. Any materialising risk could be managed, in whole or in part, throughout the year but it is also required that the Council states that is general reserve is also sufficient to cover these risks. This is stated in the financial implications paragraphs in section 1 of this report.

137. In assessing the level of risk in the 2017-18 budget (see Annex 1) the Director of Finance has scrutinised key areas including the treatment of inflation and interest rates, growth and the delivery of savings as well as the treatment of income budgets in relation to fees and demand. Financial risks inherent in any significant subsidiaries; new partnership arrangements; major outsourcing arrangements of major capital developments have been considered along with the correct reflection of the revenue effects of the capital programme. Consideration is given to the economic climate in which the Council is operating and any uncertainty about government funding due to be received in the year. Assurance has been sought on the effectiveness of the Council's budgetary framework as well as ensuring that the budget proposals have been subject to rigorous challenge.

138. The assessment of risk provided in Annex 1 indicates the likelihood and impact of the materialisation of that risk. The financial value of that risk gives a worst case scenario should the risk materialise in full. Should all the risks materialise in full the projected General Fund balance will be able to support 78.4% of that risk. Given the likelihood of all the risk materialising in full is low, the General Fund balance is considered to be sufficient.

139. Other earmarked reserves are also deemed sufficient for the following purposes

- Insurance Reserve – provides a fund to meet all new insurance claims below the Council's deductible excess that have been incurred but not reported and a contribution to any future claims paid under the Municipal Mutual Insurance Scheme of Arrangement
- Strategic Reserves – designed to fund major transformational and recommissioning investment. The proposed budget includes a £0.82m contribution to Strategic Reserves to fund this investment.
- AfC Reserve – underwriting the setup cost element of RBK's ownership share of any loss within AfC

Council Tax Bills

140. As detailed in paragraph 79 - 87, Kingston intends to set an average Band D Council tax at £1,477.46.

141. As well as its own services, Kingston is responsible for collecting the Council Tax for services provided by the Greater London Authority (GLA). These services include the Mayor's Office for Policing & Crime; the London Fire and Emergency Planning Authority; the London Legacy Development Corporation and Transport for London.

142. The Mayor of London's budget consultation sets out a proposed net budget of £4.111bn and a band D precept of £280.02. This reflects an increase of £4.02 or 1.5% in the Mayor's band D council tax precept. The proposed GLA budget is shown in the table below.

	Net expenditure after use of reserves	Specific Gov't Grants	General Gov't Grants	Business Rates	Council tax requirement	Band D amount
	£m	£m	£m	£m	£m	£
Mayor's Office for Policing and Crime	**2,920.1**	**420.1**	**1,882.0**	**28.5**	**589.5**	**206.13**
GLA Mayor	903.1	0.0	0.0	825.9	77.2	26.94
GLA Assembly	7.4	0.0	0.0	4.8	2.6	0.91
LFEPA	394.6	12.2	0.0	244.2	138.2	48.21
TfL	1,155.5	67.2	228.0	854.3	6.0	2.09
LLDC	0.0	0.0	0.0	0.0	0.0	0.0
OPDC	0.0	0.0	0.0	0.0	0.0	0.0
Collection Fund (surplus)	-12.2	0.0	0.0	0.0	-12.2	-4.26
Total other services	**2,448.4**	**79.4**	**228.0**	**1,929.2**	**211.8**	**73.89**
Total GLA Group	**5,368.5**	**499.5**	**2,110.0**	**1,957.7**	**801.3**	**280.02**

143. The GLA precept will be formally set by the London Assembly in February 2017. Any changes between the consultation budget shown above and the final position will be reported to Council on 28 February 2017.

144. Total Council Tax is shown below, detailing the amounts for each band, the effect of the GLA precept and the effect of the Wimbledon and Putney Commons Conservators (WPCC) levy which is applicable to some properties within the borough.

Council Tax Band	Council Tax Funding RBK	GLA Precept	Council Tax - most areas of Borough	WPCC area precept	Council Tax - WPCC area
	£	£	£	£	£
A	984.53	186.68	1,171.21	17.85	1,189.06
B	1,148.62	217.79	1,366.41	20.82	1,387.23
C	1,312.70	248.91	1,561.61	23.81	1,585.42
D	1,476.79	280.02	1,756.81	26.78	1,783.59
E	1,804.97	342.25	2,147.22	32.73	2,179.95
F	2,133.14	404.47	2,537.61	38.69	2,576.30
G	2,461.32	466.70	2,928.02	44.63	2,972.65
H	2,953.58	560.04	3,513.62	53.56	3,567.18

145. Properties in the WPCC area will be subject to an additional levy, as shown above. This levy is due to be confirmed in mid February 2017. This information will be tabled at the Budget Council meeting and, if received on time at the Treasury Committee meeting. For 2016/17 this additional amount was £26.97 on a band D property, it is estimated that the equivalent figure for 2017-18 will be £26.78, a slight reduction due to an increase in the taxbase for that area. The average band D Council tax amount of £1,477.46 takes this levy into account. For those households outside of this special levy area the RBK element of a Band D Council tax is £1,476.79, whilst for those inside the special levy area the amount is £1,503.57.

Budget Consultation

146. In the autumn of 2015 a series of events called the Kingston conversation commenced as part of a borough wide engagement campaign led by the Leader and supported by lead members to launch an informed discussion on RBK's future and the role that both the Council and residents needed to play in that future.

147. The November 2016 round of Kingston Conversation events was focussed on Budget Priorities and set out to those residents who attended the financial challenge the Council faces and how we are approaching meeting that challenge. These sessions used a workshop style approach to discuss detailed issues, what might be done differently and what resident's role might be.

148. We estimate around 100 people attended the events (excluding Councillors) and the majority of participants found the events informative and that they improved their understanding of the topic and the huge financial challenges the council faced (90% as opposed to 47% before the event).

CAPITAL PROGRAMME 2017-18 TO 2020-21

149. The capital programme sets out the Council's plans for the acquisition and improvement of assets over the next four years. The General Fund proposed programme from 2017-18 onwards consists of £62.058m already approved for ongoing projects as set out in the table below.

Existing Capital Programme	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	Total £000s
Schools Building Programme	5,034	7,556	5,039	0	17,629
General Fund Property Programme	1,110	400	400	0	1,910
Highways / Transport Programme	25,232	3,575	2,182	0	30,989
Public Realm Programme	0	0	0	0	0
Housing General Fund Programme	1,440	1,440	1,440	0	4,320
ICT Programme	1,560	2,825	2,825	0	7,210
Total Current Programme	**34,376**	**15,796**	**11,886**	**0**	**62,058**

150. It is proposed to add £30.060m for new projects or additions to rolling programmes. This will be supplemented by any slippage approved as part of the closing of the 2016-17 accounts. In addition new projects may be added during the year. The new programme and total combined programme is summarised below with additional detail in Annex 10.

Additions to Capital Programme	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	Total £000s
Schools Building Programme	0	0	0	5,039	5,039
General Fund Property Programme	4,282	2,940	440	830	8,492
Highways / Transport Programme	2,642	2,150	2,150	4,332	11,274
Public Realm Programme	5,264	95	1,411	0	6,770
Housing General Fund Programme	0	0	0	1,440	1,440
ICT Programme	147	0	0	1,500	1,647
Total Additions	**12,335**	**5,185**	**4,001**	**13,141**	**34,662**

Total Capital Programme	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	Total £000s
Schools Building Programme	5,034	7,556	5,039	5,039	22,668
General Fund Property Programme	5,392	3,340	840	830	10,402
Highways / Transport Programme	27,874	5,725	4,332	4,332	42,263

Public Realm Programme	5,264	95	1,411	0	6,770
Housing General Fund Programme	1,440	1,440	1,440	1,440	5,760
ICT Programme	1,707	2,825	2,825	1,500	8,857
Total Capital Programme	**46,711**	**20,981**	**15,887**	**13,141**	**96,720**

151. The capital programme shown above consists of externally funded and internally funded projects. The externally funded expenditure stands at £29.7million in 2017-18, although £23 million of this relates to the Go Cycle programme so this reduces significantly in later years and this funding may be re-profiled as the Go Cycle programme progresses in future years.

152. The internally funded programme consists of rolling programmes of work and separate stand alone projects delivered in order to repair and improve the Council's assets. A number of new bids for expenditure have been presented by officers with the relevant professional knowledge for their service area and of the assets required to deliver that service. The inclusion of these bids is affordable within the overall funding available.

Externally Funded Expenditure

153. Basic need grant allocations of £4.4m for 2017-18 and £6.5m for 2018-19 have been confirmed by the Department for Education. A further £4m basic need grant is estimated to be available in the subsequent years of the programme. In addition to this £1m per year schools maintenance grant is estimated to be available. This is in line with current allocations.

154. Transport for London (TfL) grant funding is only confirmed annually and based on specific projects. Based on recent experience allocations of around £3m per year could be expected although up to a third of this is likely to fund revenue costs. £2m per year has therefore been assumed in the future capital programme.

155. Further TfL funding for the Go Cycle programme is also included in the capital programme with current projections showing £23 million in 2017-18 and £1.4m in 2018-19. The timing of this funding between years will be subject to review as projects progress.

156. Disabled Facilities Grants are funded by Communities and Local Government (DCLG). Updated grant allocations are not expected until early in 2017, but these are estimated to be in line with current forecasts of £500k per annum. This is supplemented by internal funding

157. There are no other new externally funded projects to be added to the programme. The table below shows a summary of the existing externally funded programme for 2017-18 with new elements added for 2020-21.

Summary Externally Funded	2017-18	2018-19	2019-20	2020-21

Projects	£000s	£000s	£000s	£000s
Schools Building Programme	2,795	6,517	4,000	4,000
Schools Maintenance Programme	1,039	1,039	1,039	1,039
Go Cycle	23,000	1,393	0	0
Other Highways / Transport TfL funding	2,000	2,000	2,000	2,000
Disabled Facilities Grants	500	500	500	500
Total	**29,334**	**11,449**	**7,539**	**7,539**

Internally Funded Expenditure

Rolling Programmes

158. The general fund property programme has a rolling programme of £400k per annum to carry out improvements and major repairs across the Council’s property portfolio. There had been a previous indication that the £400k budget understated the true requirement of this programme and something closer to £1 million per year would be required to fulfil obligations in this regard. However, the budget in the current year is not fully utilised and no increase to the £400k per annum has been requested for 2020-21 as the rolling programme moves forward.

159. The ICT programme has two rolling programmes of expenditure; the technology investment fund at £1.2 million per year and the ICT capital maintenance programme at £300k per year. These programmes enable the Council to support service transformation and efficiency and replace and upgrade key equipment as required. It is proposed to roll this programme forward one more year, adding £1.5m to the programme in 2020-21.

160. The highways programme has two rolling programmes for street lighting renewal (£582k) and highways maintenance (£1.6 million). The highways element had been funded from revenue, but a revenue saving has been proposed in the 2017-18 budget to remove this revenue funding and fund from internal capital resources instead.

161. Both rolling programmes are requested to be added for another year, with the highways maintenance programme increasing in value to £1.75 million per year. This reflects the proper accounting treatment of staff time attributable to these projects and makes some allowance for inflation, although this will need to be reviewed annually. For 2017-18, a one off increase to £2.2 million is proposed in order to ensure the full list of works planned for 2016-17 can be completed as this is not all deliverable within the current year budget.

162. The only changes proposed to the Housing General Fund Programme are to add an additional year to the rolling programmes for Disabled Facilities Grants and Discretionary Grants. The Disabled Facilities Grants programme is funded partly from external grants and partly internally. It is possible that the grant funded element

will increase for 2017-18, reducing the need to fund internally, but any confirmation of this is not expected until February 2017.

163. The table below summarises the rolling programmes of work. The figures for the first three years are unchanged from the current programme with the exception of the addition to the highways capital maintenance programme which is shown on a separate line. All other additions are for 2020-21.

Internally Funded Rolling Programme	**2017-18 £000s**	**2018-19 £000s**	**2019-20 £000s**	**2020-21 £000s**
General Fund Property Rolling Programme	400	400	400	400
Technology Investment Fund	1,200	1,200	1,200	1,200
ICT Capital Maintenance Programme	300	300	300	300
Highways Capital Maintenance Programme:				
- Existing Rolling Programme	1,600	1,600	1,600	0
- Addition to Rolling Programme	600	150	150	1,750
Street Lighting Renewal	582	582	582	582
Disabled Facilities Grants	340	340	340	340
Discretionary Grants	600	600	600	600
Total Internally Funded Rolling Programme	**5,622**	**5,172**	**5,172**	**5,172**

<u>One-off projects</u>

164. Additions to the programme are included for specific projects where there is an essential need for works, they are on an invest to save basis or where they are sufficiently advanced to be the subject of a separate committee report. Details of the proposed additions to the programme are set out in Annex 10. These include additions to the Public Realm programme for a programme of Parks and Pavements improvement projects as well as the introduction of ‘Big Belly Bins’. Both of these projects are being considered under separate reports at Resident’s Committee on 2 February 2017.

165. Projects of a significant value (usually over approximately £500,000) should all be subject to committee approval in their own right prior to implementation and their inclusion in the programme represents in principle approval of the funding only. A number of these additions have reports going to the relevant committee at the same meeting that this budget report is being considered. Others, such as proposals for CCTV works and works at the Crematorium are not yet far enough advanced for this to be the case but will come forward during the year as plans are developed.

Capital Financing

166. A summary of the proposed funding of the additions to the capital programme is shown below.

	2017/18	2018/19	2019/20	2020/21	Total
Capital Financing	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Borrowing	0	0	0	0	0
Capital Receipts	10,335	3,185	2,001	5,602	21,123
External Contributions	2,000	2,000	2,000	2,000	8,000
Government Grants	0	0	0	5,539	5,539
Total	**12,335**	**5,185**	**4,001**	**13,141**	**34,662**

167. Funding can take place from a number of resources including borrowing, capital receipts, grants, reserves, external contributions and contributions from the revenue budget.

168. When projects are financed by borrowing they impact on the revenue budget through capital financing (interest) costs and money set aside for the repayment of debt. The Council is projecting major capital receipts within its General Fund over the medium term, meaning that future identified capital expenditure detailed here is likely to be funded from capital receipts rather than from borrowing. This produces a minimal effect on the revenue budget. If the receipts were not to be realised or their timing changed, the impact on the revenue budget might also change in terms of notional debt repayment and the ability of finance borrowing from existing loan debt or internal borrowing.

TREASURY MANAGEMENT AND PRUDENTIAL BORROWING

169. The Local Government Act 2003 and the CIPFA Prudential Code for Capital Finance set out the prudential capital finance system. This system effectively means that the Council's capital programme is limited only by the affordability of the revenue costs of borrowing and any increased running costs.

170. These capital financing costs reflect the requirement to make a prudent revenue provision for the repayment of debt, known as the Minimum Revenue Provision (MRP).

171. The Council's MRP policy is included in Annex 14 alongside the Council's prudential indicators and limits which are set to monitor and control the effect of borrowing.

172. The Council's cash flow, borrowing and investments are managed in order to ensure that cash is available to meet required expenditure and that risk associated with investment and borrowing activity is minimised. The Council is required to approve the Treasury Management Strategy which sets out the framework and limits within which these operations are carried out. The proposed strategy for 2017/18 is set out in Annex 15.

HOUSING REVENUE ACCOUNT

173. Details of the Housing Revenue Account (HRA) budget and medium term financial projections are contained in Annex 11. Decisions relating to HRA rent setting for 2017/18 will be taken at the Adults & Children's Committee on 31 January 2017 as part of the review of this report. The proposed HRA budget is being considered by Housing Sub Committee on 24 January 2017 and the comments of that committee will be tabled at Adults and Children's Committee.

SCHOOLS BUDGET

174. The preparation, monitoring and reporting of the School's budget is conducted by Achieving for Children. Details of their proposals for the Schools budget for 2017/18 and ring fenced grant funding for that year are shown in Annex 12. These set out proposals for how the schools funding formula will be adjusted to comply with revised regulations. The Schools Forum considered the proposed schools budget at their meeting on 17 January 2017 and fed any comments back to the Growth Committee and Treasury Committee to be considered before final proposals are made to Budget Council.

STATUTORY PARKING AND TRAFFIC ACCOUNTS

175. Annex 13 provides a summary and forecast of income for the On Street Parking, Bus Lane Enforcement and Moving Traffic Contraventions Accounts which are ring fenced accounts for the collection of income from these activities and whose income can only be spent on transport related activity.

MEMBERS ALLOWANCES SCHEME

176. Budget Council gives consideration to the Members' Allowances Scheme which has to be approved on an annual basis. Individual payments within the scheme are increased in line with any annual Local Government pay settlement for staff, usually with effect from 1 April each year.

177. In considering its Allowances scheme, the Council must have regard to any recommendations made by the Independent Remuneration Panel set up by London Councils. The Panel reports are quadrennial and the most recent one was considered by the Council in July 2014. At that meeting the Council noted that the allowances payable to RBK Members under the current allowances scheme are generally significantly below the recommendations of the Panel. The Council is not obliged to adopt the Panel's recommendations but must have regard to them in determining its own allowances scheme. The Council set up a Member Working Group, comprising the three Group Leaders, to examine the Allowances scheme in the context of the Panel recommendations

178. The Member Working Group met on 3 occasions between July 2014 and March 2015 but, in the event, did not put forward any proposals for amending the Scheme. Separately, however, a small change to the Scheme was agreed in July 2015 to take account of the situation that pertained at that time when the Deputy Mayor was also Co-Chair of a Committee. A further modification was approved in May 2016 when the Chair of the Pension Fund Panel also became eligible for a Special Responsibility Allowance.

179. The Allowances Scheme for the 2017/18 financial year has been updated to take account of the 1% pay award for local government staff effective from 1 April 2017 and is included in Annex 16

PAY POLICY

180. The Localism Act 2011 requires the Council to set a Pay Policy. In particular, this is required to set out details of the process for determining Chief Officers' pay and the relationship between the pay of Chief Officers and other staff. The draft Policy is attached at Annex 17 and is required to be submitted to Budget Council on 28 February 2017 for approval. This is an updated version of the policy submitted to Council in March 2016.

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