Royal Borough of Kingston upon Thames

Destination Kingston

Medium Term Service and Financial Plan 2016/17 to 2019/20 and Detailed Budget and Council Tax 2016/17

Growth Committee	**3 February 2015**
Residents Committee	**9 February 2015**
Adults & Children's Committee	**10 February 2016**
Treasury Committee	**11 February 2016**
Budget Council	**1 March 2016**

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Budget Book – a separate pack entitled 'Detailed Budget for each Service 2016/17' 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 SERVICE & FINANCIAL PLAN 2016/17 TO 2019/20 AND DETAILED BUDGET AND COUNCIL TAX FOR 2016/17

REPORT BY THE DIRECTOR OF FINANCE

SECTION 1 – COMMITTEE REPORT

INTRODUCTION

1. This document presents Destination Kingston, the Council's medium term service and financial plan for 2016/17 to 2019/20.

2. Section 2 of this report is a summary of the Destination Kingston publication which outlines the Council's vision and strategy for Kingston's future. This details the route towards the Council's transformation to an 'enabling' Council and the outcomes on which we will focus over the next four years. The final version of Destination Kingston will be published in March.

3. Section 3 of this report is the annual budget report for 2016/17 which includes the statutory decisions required by the Council to set a budget and Council Tax level for 2016/17. It includes the detailed outcome and service budget proposals for 2016/17.

4. This section also includes financial projections over the medium term through to 2019/20 concerning projected expenditure, budget reductions, likely resources and service transformation.

5. This report will be considered by each of the Council's four Strategic Committees and then by Council on 1 March 2016. The four Neighbourhood Committees will also consider elements of the plan relevant to them and will have the opportunity to submit comments to the Treasury Committee for consideration before the report is referred to Council for decision.

BACKGROUND

6. This latest edition of Destination Kingston sets out the next phase of the Council's programme of change. The Council continues to operate in a very difficult financial environment with 2016/17 being the sixth successive year of spending reductions and the worst, so far, in terms of the annual reduction of financial support from Government. These reductions are programmed to continue through to 2019/20.

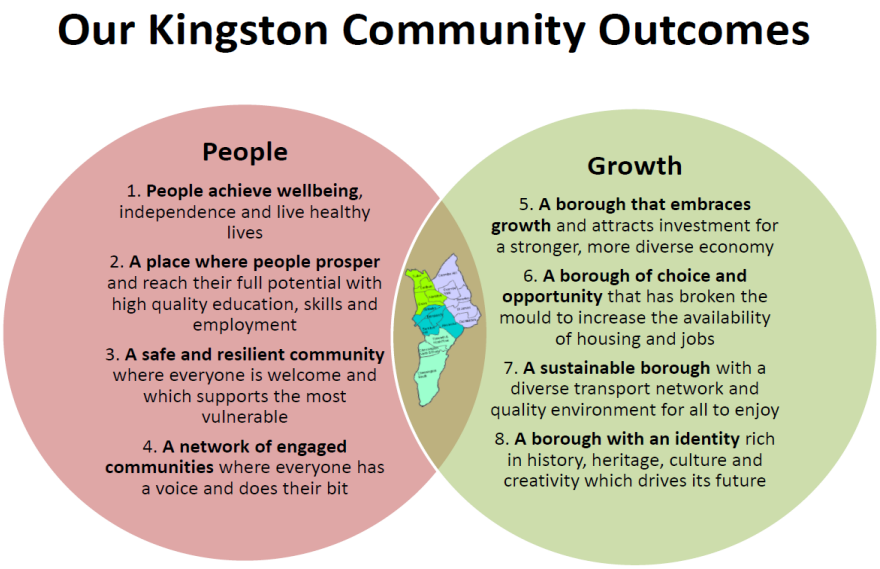
FINANCIAL CHALLENGE 2016/17 to 2019/20

7. At the beginning of the financial planning period, we estimated that we would need to find £35m savings by 2019/20 without any increases to Council Tax in that period. The Local Government Financial Settlement has increased that challenge to £40m.

8. Kingston recognised that this was a significant challenge and 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.

9. 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. The community outcomes identified by Kingston are shown below:



BUDGET REDUCTIONS 2016/17 to 2019/20 & TRANSFORMATIONAL HEADLINES

10. The OBB process generated some radical new ideas and an innovative direction of travel. Budget reductions are summarised below.

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Outcome 1 - People achieve well being, independence and live healthy lives	4,028	7,265	7,939	8,730
Outcome 2 - A place where people prosper and reach their full potential with high quality education, skills and employment	398	775	843	1,022
Outcome 3 - A safe resilient community where everyone is welcome and which supports the most vulnerable	358	501	600	650
Outcome 4 - A network of engaged communities where everyone has a voice and does their bit	313	384	476	503
Outcome 5 - A borough that embraces growth and attracts investment for a stronger, more diverse economy	163	389	399	420
Outcome 6 - A borough of choice and opportunity that has broken the mould to increase the availability of housing and jobs	566	646	715	740
Outcome 7 - A sustainable borough with a diverse transport network and quality environment for all to enjoy	3,151	3,611	4,321	4,321
Outcome 8 - A borough with an identity risch in history, heritage, culture and creativity which drives its future	160	186	224	256
Outcome 9 - Organisational Outcomes	2,272	3,762	4,708	5,310
Asset Disposals	839	839	708	708
Total Savings	**12,248**	**18,358**	**20,933**	**22,660**

11. Kingston is responding to the financial challenge through some ground-breaking work concerning our Adult Social Care responsibilities and working with the local Clinical Commissioning Group in a whole-system approach under the Kingston Co-ordinated

Care Programme. This will produce a far better customer experience and customer outcomes for our clients and also achieve significant efficiencies from £1.5m in 2016/17 rising to £2.1m in 2019/20

12. Kingston continues to be at the forefront of the provision of Children's Services through its jointly owned company, Achieving for Children, which has been recognised by Government as an exemplar of excellence in the way it delivers services and the innovative model under which it delivers those services. It has recently been cited as a model that others should seek to follow and as a high-performing service that will be used to by Government to address performance issues in Children's services across the country. Savings of £1m in 2016/17, rising to £4m in 2019/20 have been identified

13. We continue to embrace the challenges and opportunities driven by growth. We seek to place greater emphasis on Kingston getting the most from housing and economic growth and seek to play a leadership role in generating and nurturing that growth in order to develop further sources of revenue to protect essential services.

14. Kingston is also continuing with its shared services approach and is implementing significant budget reductions through sharing Environment Services with Sutton. This initiative is set to achieve annual savings of £1.2m.

15. The Council also recognises that it needs to redefine its place in the community and its role. We are also proposing a different type of Council, one which is not just focused on delivering and commissioning, but also on enabling – getting the most out of all kinds of resources across Kingston. We expect to make savings of £1.1m in 2016/17 rising to £3.3m in 2019/20.

16. Kingston's asset disposal programme is expected to generate significant capital receipts in the next 4 years. These will be used to support regeneration and improvements to the borough. These projected receipts have also reduced the cost to our revenue account of essential planned expenditure on capital maintenance over the next 4 years.

17. Kingston has also put growth of £6.2m into its budget in 2016/17 to recognising the challenge of demand led growth such as social care (£2.3m); unavoidable pressures (£3.6m) and as a result of re-prioritisation under OBB (£0.3m) to deal with the effects of demand led growth for our services.

LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/17 to 2019/20

18. The Government announced its planned deal for Local Government through to 2019/20 in the Local Government Finance Settlement on 17 December 2015. The background to this was the Spending Review announced alongside the Chancellor's Autumn statement on 25 November 2015. This indicated that Local Government would, again receive the largest funding reductions in comparison to other areas of public expenditure. The four year settlement that was announced, however, was materially worse than had been expected.

19. The Settlement produced a reduction in the Revenue Support Grant (RSG) from Government of 41% (£8.3m) in 2016/17 compared with the current financial year and also indicated that this grant would be reduced to zero by 2019/20. On top of this in 2019/20, Kingston will pay over to Government an additional £2.5m in Business rates

tariff. This additional tariff shows that the reduction required by the Government was not fully met by reducing Kingston's RSG to zero.

20. The annual reduction of RSG by 41% is the largest reduction in Government support that Kingston has faced. Taking RSG and Business Rates into account, the Government will have effected a reduction in the resources with which it funds Kingston of 112% by 2019/20 compared to 2015/16. If we combine RSG and retained business rates, by 2019/20 our funding will have reduced from £67m in 2010/11 to £19m, a cash reduction of 72% in 10 years.

21. The reasons for this 'worse than worst case scenario' settlement relate to the way in which the Government calculates the Core Spending Power of a Local Authority and thereby the Government grant reduction that it receives.

22. Any hope of a reduced reduction to that which we had planned from the high level figures produced in the Spending Review which accompanied the Chancellor's Autumn Statement in November 2015, were dashed by the change in distribution of Government grant driven by Core Spending Power calculations.

23. The Core Spending Power analysis now includes, for the first time, the resources available to a Local Authority through Council Tax. These calculations also include an assumed increase in Council Tax by 2% representing a new social care levy to fund pressures in Adult Social Care services and also by 1.99% representing a general increase.

24. In effect the Government is saying that its grant reduction can be replaced by an annual Council Tax increase of 3.99%. This is a complete change in policy direction from the previous Government, where Council Tax increases were actively suppressed through a combination of additional grant for freezing Council Tax and referendum threshold for Council Tax increases.

25. The perversity of this change in methodology is that those Councils that already rely more on Council Tax than RSG have been hit again by receiving the greatest reductions in RSG because of the high proportion of their funding from Council Tax. This is because Council Tax increases are deemed to be part of the funding solution by Government.

26. Although London as a whole has marginally gained by this redistribution, there are a number of Outer London Boroughs in the bracket in which Kingston now finds itself, notably Bromley and Richmond.

27. For Kingston and these boroughs, the change in Government attitude to Council Tax increases; the lack of consultation by the Government with regard to these grant distribution changes; the emphasis by Government on Council Tax as a solution and the lateness in publication of any of these changes has given local decision makers a very short time to drastically revise their planned approach to Council Tax increases.

REVISED CHALLENGE – MEDIUM TERM FINANCIAL PLAN 2016/17 to 2019/20

28. With grant assumptions, based on the Chancellor's Summer budget, Kingston's budget for 2016/17 and 2017/18 had been balanced through the identification of significant savings (£11.4m in 2016/17, rising to £22m in 2019/20) from the OBB exercise. The outcome of the Settlement meant a revised budget gap of £3.4m in

2016/17 rising to £18m in 2019/20. We found an additional £0.8m of savings which gave use a revised budget gap of £2.6m in 2016/17 rising to £17.2m in 2019/20.

29. These represented significant gaps both in terms of quantum and the solutions and time available to resolve them. The £12.2m of savings already identified in 2016/17 represented the second highest annual savings reductions in Kingston's history and the identification of further possible savings of £2.6m for 2016/17, in the short time available, would have increased the risk of the ability to deliver a balanced budget to an unsatisfactory level.

30. The poor financial settlement leading to a significant gap in 2016/17; the radical change in Government policy towards Council Tax increases in its Core Spending Power calculations including the lack of consultation regarding those changes; the high level of savings already identified for 2016/17 and the short amount of time to identify further savings have all contributed to an unavoidable case to increase Council Tax by 1.99% in 2016/17 and to implement the Government's Social Care Precept (equivalent to a further 2%). The increase in Council Tax has allowed us to not only close the budget gap in 2016/17 but also to reduce the level of risk attached to the savings identified to date.

31. Although, the reasons above also have marked effects on the budget gap from 2017/18 to 2019/20, we have not made any decisions about Council Tax increases in those years. The table below shows the medium term financial position – a balanced budget for 2016/17 and budget gaps in the years 2017/18 to 2019/20.

	2016/17 £000s	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**
Expenditure before Savings	**155,347**	**159,081**	**163,197**	**167,293**
Savings	(12,248)	(18,358)	(20,933)	(22,660)
Total Expenditure	**143,099**	**140,723**	**142,264**	**144,633**
Total Resources	**(143,099)**	**(137,719)**	**(133,337)**	**(130,888)**
Budget Gap	**0**	**3,004**	**8,927**	**13,745**

32. Those future decisions have not been taken as the Administration continues to focus efforts on limiting Council Tax increases in future years through exploring further savings opportunities to reduce the budget gap through transformation of our services, efficiencies and maximising income; keeping pressure on our increasing costs and continuing to lobby Government about what we see as an unfair and unacceptable four year financial settlement including an ambition to become an early adopter of the Governments plans for Local Authorities to retain a greater proportion of the Business Rates that they generate.

33. It is likely that this change to Business Rates Retention would bring additional responsibility but it is also likely that it will allow Councils to keep some of the rewards of generating economic growth in their locality.

34. In terms of the financial stability, what is clear is that the Council has the mechanisms to close the budget gap through to 2019/20 through a mixture of further budget reductions and Council Tax increases. The challenge is to maximise the former whilst seeking to minimise the latter.

35. The table below shows the maximum and minimum options (in terms of Council Tax increases and further budget savings) available to the Council in trying to resolve this budget position. The table shows the possible effect of maximum contributions from Council Tax increases in that period and the consequent residual savings that would be required to accompany that solution, or the savings that would be required if no further Council increases were made, both in terms of new savings to be identified and the total savings that would need to be applied to the budget each year.

	2017/18 £000s	2018/19 £000s	2019/20 £000s
Total Estimated Budget Gap	9,114	17,612	24,157
Exisiting Planned Savings	(6,110)	(8,685)	(10,412)
Outstanding Estimated Budget Gap	**3,004**	**8,927**	**13,745**
Council Tax Solutions:			
Maximum Contribution from Social Care Levy	(1,749)	(3,603)	(5,568)
Maximum Contribution from General Increase	(1,740)	(3,585)	(5,540)
Total Maximum Contribution from Council Tax	**(3,489)**	**(7,189)**	**(11,109)**
Maximum Additional Savings Required	3,004	8,927	13,745
Minimum Additional Savings Required	0	1,738	2,637
Maximum Total Savings	9,114	17,612	24,157
Minimum Total Savings	6,110	10,423	13,049

36. Despite the reduction in resources and ever increasing demand, the Council delivered and under spend of £0.066m in 2014/15 which marginally increased the Council's balances and maintained all important financial stability. The current financial year has been challenging and latest projections indicate a potential over spend of up to £1m. The main reason for this is increasing demand in Adult Social Care and Children's Social Care, a trend seen across London and the rest of the country. The Strategic Leadership Team are managing this position and growth has been applied to both areas in the 2016/17 budget recognising ongoing higher levels of demand.

TIMESCALES

37. To make a recommendation to Council which meets on 1 March 2016, the Treasury Committee needs to consider this matter at its meeting on 11 February 2016. The Growth Committee, Residents Committee, Adults & Children's Committee along with the four Neighbourhood Committees will consider the elements of the budget relevant to them at their meetings on 3 February, 9 February, 10 February, 11 February and 2 and 4 February respectively and submit comments to Treasury Committee as appropriate.

FINANCIAL IMPLICATIONS

38. 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 2016/17. 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.

39. 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.

40. 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 £8.041m should all risks identified, materialise. The same analysis on the 2015/16 budget showed a level of risk at £8.006m

41. In assessing the level of risk in the 2016/17 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

42. 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.

43. The analysis of potential scenarios shows that for 2016/17 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.

44. Based on an assessment of all the factors listed in paragraph 21; 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

45. The Council is legally required to set its budget and council tax for 2016/17 by 10 March 2016. This report, together with the detailed medium term financial plan and budget proposals provide the necessary information for that decision to be taken.

46. The requirements of the Director of Finance by the Local Government Act 2003 are addressed above

47. 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

48. 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.

EQUALITY IMPACT ASSESSMENT

49. 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 3.

ENVIRONMENTAL IMPLICATIONS

50. 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: held by Toby Clarke, Finance Strategy Lead. Phone: 020 8547 5668; Email: toby.clarke@kingston.gov.uk

- *Destination Kingston* – Medium Term Service and Financial Plan 2015/16 to 2018/19 and Details Budget and Council Tax 2015/16
- Autumn Statement and Comprehensive Spending Review – published 25 November 2015
- Provisional Local Government Finance Settlement information – published 17 December 2015
- GLA Precept – consultation published in January 2015

SECTION 2: DESTINATION KINGSTON 2016/17 – 2019/20

Section 2 of this report is a summary of the Destination Kingston publication which outlines the **Council's vision and strategy for Kingston's future**. This details the route towards the Council's transformation to an '**enabling' Council** and the **outcomes** on which we will focus over the next four years. The final version of Destination Kingston will be published in March.

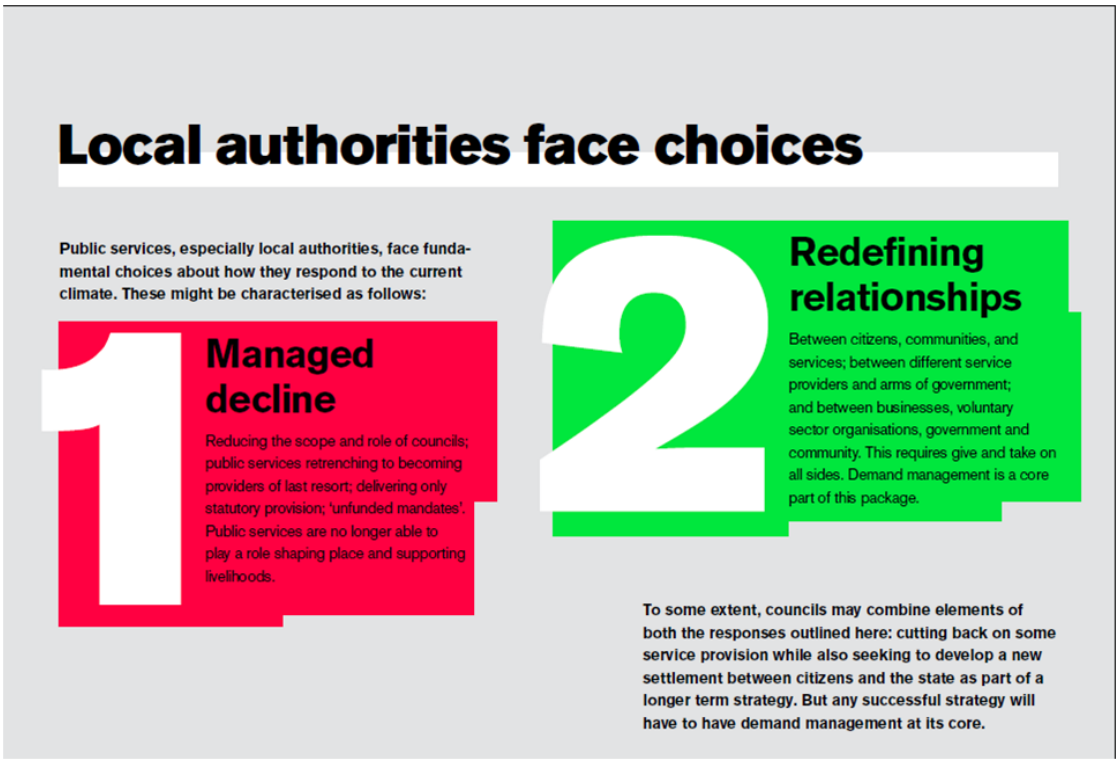
We are now beyond the midpoint of a decade during which the level of resource available to local government will have fallen significantly at a time when demand for services has been increasing. Our record in responding to the first five years of austerity brought on by a national deficit reduction strategy has been admirable. Through the One Council and One Kingston Programmes we have made significant changes to the way in which the Council operates and the way in which services are provided. Despite a reduction in the Government's contribution to our resources, and a need to find savings of over £40m, we have continued to deliver for the residents and the borough.

One of the themes of the One Council Programme was that what seemed like an unprecedented level of change and transformation would not be followed by a return to stability, but instead would herald a time of constant and ongoing change. That very much reflects where we currently stand: five years and two major transformation programmes have helped us navigate the challenges so far, but the next five years will be more challenging still.

The benefits of recent history include the fact that as an organisation we are now able and ready for further change. Our rapidly changing environment and the emerging demands placed upon us mean that it is not possible for us to have designed an organisational structure that would remain fit for purpose throughout this transformative decade. However the organisation we are today is one that is conditioned to change and able to respond positively to it.

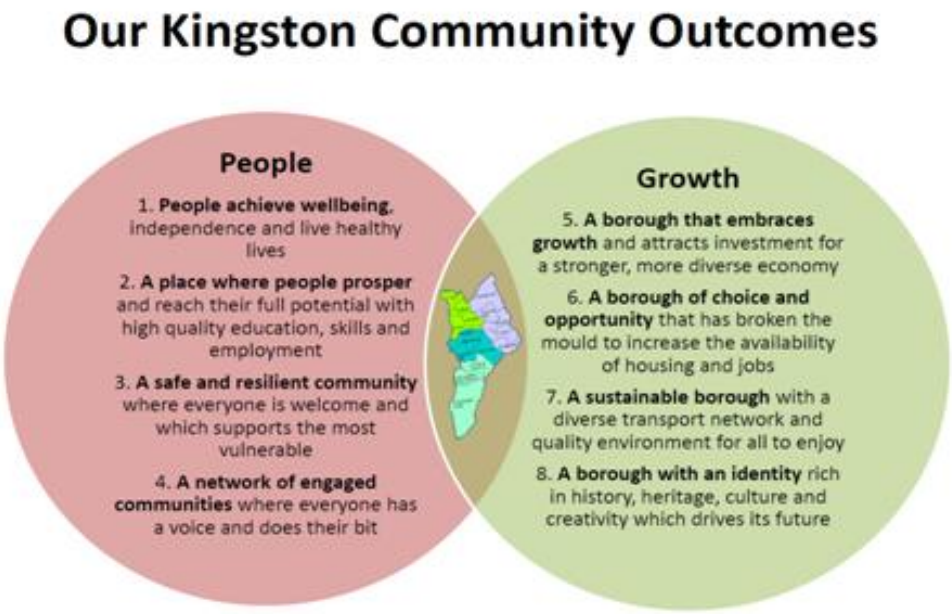
Over the past eighteen months we have continued to analyse our external environment and to shape our strategic direction accordingly. The complexities and changes that we face include being part of a Capital City with a growing population, demographic changes leading to disproportionate increases in the sections of the community that need more intensive support, significantly reduced financial resources, and technological and societal changes that are driving changes to expectations of how residents could and should engage with public institutions.

Our overwhelming conclusion is that the role of the local authority needs to change significantly if it is to continue to play a leading role in the success of the borough and its residents. We have found this to be expressed most clearly in the following graphic produced by the Royal Society of Arts:



We interpret this to contrast an approach whereby reduced resources translates to reduced ambition and an inferior version of the present (the Red Box); with a future where ambition is retained but the methods of achieving that are radically changed to reflect a reduced level of resource (the Green Box). Our favoured Green Box approach is one that inevitably retains the need to change current familiar ways of doing things, but by repositioning the role of the local authority and making greater uses of capacity and capabilities beyond it, can still deliver the outcomes that the borough deserves and aspires to.

This approach informed the adoption of an innovative and radically different approach to developing our medium term service and financial plan. Our new Outcome Based Budgeting approach set out eight community outcomes arranged into two domains focused on "People" and "Growth":



We mapped existing activities and resources to these eight outcomes, and used these as the building blocks of our medium term planning. By shifting the focus to planning based on future outcomes, rather than on adjustments to existing services carried out within a defined organisational structure, we were able to achieve a different dynamic within the challenge to identify new ways of delivering with less financial resource.

It was easier for those tasked with delivering proposals to put forward suggestions that crossed service boundaries and that made common connections across different parts of the organisation. The distribution of resources across outcomes demonstrated the extent to which our spend is focused on services to a relatively small proportion of the population, and conversely that significant areas of activity are undertaken with a level of resource that appears disproportionately low when compared to their relative high priority.

Outcome Based Budgeting therefore freed us up to focus on the importance of the full scope of our role rather than being driven to focus on existing patterns of spend.

In addition to adopting a ‘Green Box’ philosophy, there were a number of further guiding themes running through the work being undertaken.

The importance of technology in service development has long been evident, but often this has felt like a de-personalising experience: removing human interaction and replacing it with automation. The work of Steve Hilton and his call for a “More Human” world resonated with the work we were undertaking. Hilton focuses on the power of technology to break down the barriers within the traditional bureaucratic approach to managing activities. Instead of technology being de-humanising it can actually bring the ‘personal back’ into the way services are delivered and interactions managed.

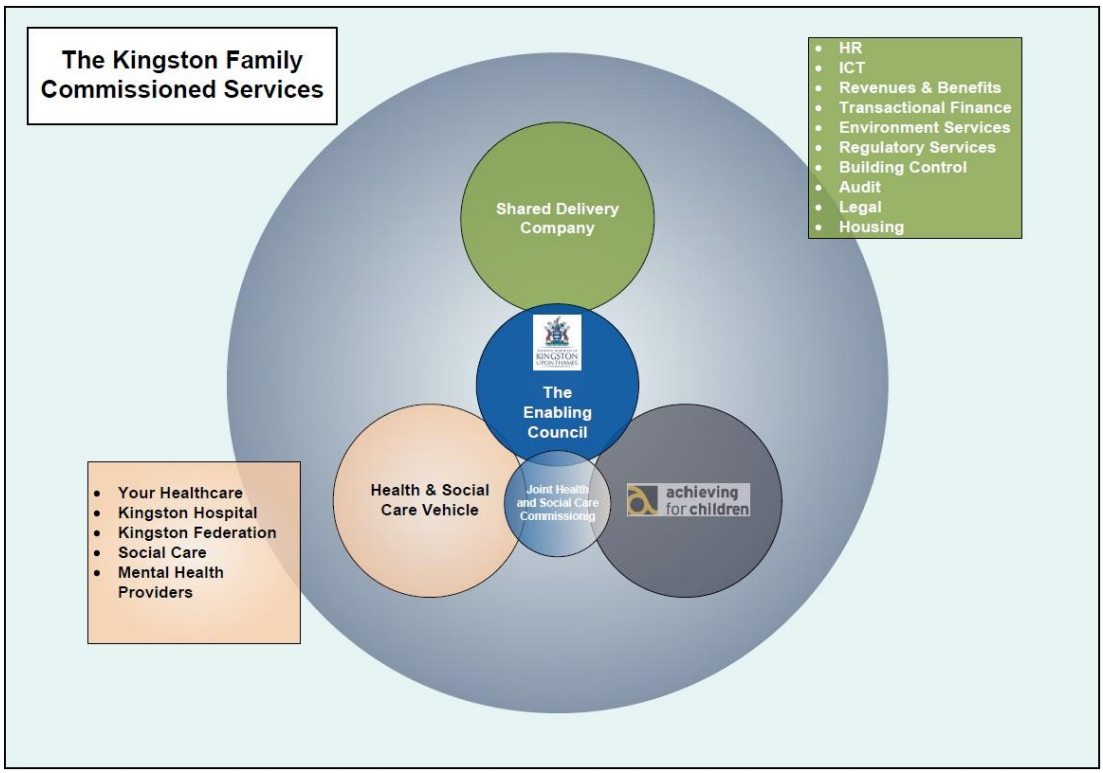
These theories align with the work we have done to reinvent the way that the Council engages with residents, recognising a shift from traditional and formal committee and consultation routes to a more regular, open and engaging form of contact. They can also be seen in our approach to Welfare Reform, where we match individual solutions to individual circumstances in advance of crisis rather than a uniform approach in response to its arrival,

and in the work of the Kingston Collaborative Care Programme and the focus on simplifying organisational landscapes to deliver better outcomes for individuals.

We also emphasised the need to be able to shift the existing mindset that we are always best placed to deliver a solution to an identified need or problem. Kingston has many strengths across its public sector organisations, amongst the businesses that operate here, in the voluntary sector and in individuals and community groups. In many instances a better solution will be able to be generated via one or several of those agents rather than by the council itself. We asked Outcome Leads to look at what others already do and how the Council could support that, rather than to duplicate it through additional unilateral interventions.

The results of this work are reflected in the proposals set out in this budget pack. They also inform the work that we are doing to transform the Council itself. Having moved beyond the model of uniform direct delivery to recognise the Council's fundamental role as being about the commissioning of services, we see now the need for a further shift in role to reflect the strategy outlined above. We have termed this emerging organisation 'The Enabling Council'.

Within this new model the Council is the system leader and retains its sovereign accountabilities. The main role of the Council will be to build capacity within the Kingston family and enable all parts of the system to work together for our community outcomes.



The Council will need to have, at its core, functions and capabilities to lead and develop this new system. It expected that over time there will be fewer services delivered directly by the Council as the Kingston family matures, leading to Kingston becoming an Enabling Council.

The Enabling Council functions contain those which are already recognised as necessary and central to the Council being able to carry out its role, development of the Kingston Family, and new areas that focus on developing a more commercial approach.

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SECTION 3 – BUDGET REPORT & COUNCIL TAX FOR 2016/17

DETAILED BUDGET PROPOSALS

1. This section of the report builds upon the high level strategic direction described in previous sections of Destination Kingston and outlines the approach that has been followed in producing the detailed budget proposals for 2016/17 and the medium term financial plans through to 2019/20

THE NATIONAL ECONOMY AND PUBLIC FINANCES

2. The General Election in May 2015 saw the return of a majority Conservative Government and a continuation of the deficit reduction strategy in terms of public finances. The Chancellor of the Exchequer outlined the Government's proposals in his budget in July 2015 and indicated that all Government expenditure would be reviewed in a Comprehensive Spending Review (CSR2015) to be reported in November 2015.

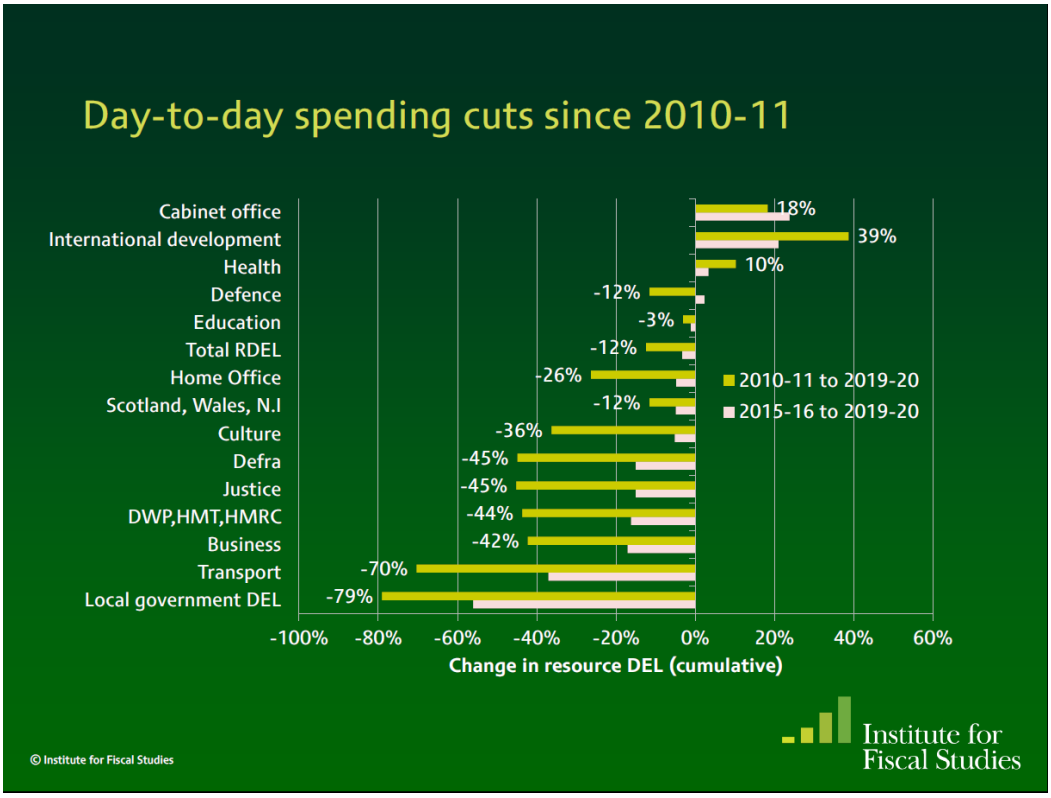
3. The latest indicators detailing the national economic performance and the results of the CSR2015 were released on 25 November 2015. These announcements produced some significant headlines and set out, at summary level, the overall Government departmental spending plans and Local Government resources between 2016/17 and 2019/20.

4. Compared to the Summer Budget, announcements showed a 0.1% increase to forecast GDP growth in 2016 and 2017 and a 0.1% decrease compared to previous assumptions in 2019 and 2020. Forecast CPI inflation decreased by 0.1% in 2016 but in future years up to 2019 increased by 0.1% on previous forecasts. Employment figures were broadly in line with those forecast in the Summer Budget but did show a small increase (100,000 per year) from 2017.

5. The Office of Budget Responsibility (OBR) forecasts that public finances will return a surplus of £10.1bn by 2019/20 and public expenditure is expected to increase again in 2020/21.

6. The CSR2015 reported that, since the July budget, the OBR forecast public finances would be £27bn higher over the next 5 years, meaning that compared to July announcements, the reduction in overall departmental spending would be less pronounced over the spending review period to 2019/20. For departments outside of Health, Education, Defence and International Development, this meant an average real terms cut of 18% by 2019/20 instead of the 27% previously forecast.

7. The £27bn improvement was attributed to projected higher tax receipts and lower debt interest, this enabled the Chancellor to make headline announcements such as not pursuing the policy of changes to Child tax credits and not reducing Police funding any further. This windfall, however, did not lead to any change to the forecast cuts to Local Government Funding. CSR2015 revealed that the real terms cut to the Local Government Department Expenditure Limit (LGDEL) would be 56%, the largest cut of any department.



LOCAL GOVERNMENT FINANCE SETTLEMENT

7. 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

8. The Settlement, however, did provide some significant changes to the approach Government takes in determining its grant allocations to individual Councils and some implicit changes from the previous Government in its attitude to Council Tax increases in the future. These effects compounded to produce one of the most challenging financial settlements that Kingston has experienced and was beyond the worst case scenario that could have been expected.

Core Funding Assessment, Revenue Support Grant and Council Tax

9. For the first time, the Government has taken into account, when determining its grant allocations through the Core Funding Assessment (CFA), the level of resource in each Local Authority that is funded by Council Tax. The Government calculates the reductions it intends to make and the resources available to each Council; this then drives the grant reduction with the principle being that each Council should receive the same level of total funding reduction. By taking Council Tax into consideration, those Councils that are funded by a higher proportion of Council Tax have received the greatest reductions in Government grant.

10. This is because the Government has implicitly assumed Council Tax increases in its CFA calculations as a valid method of funding future expenditure. Therefore, those

Councils that are funded by a higher proportion of Council Tax also have the power to raise more funding in future years through Council Tax increases. This could be seen as a double hit, in that those Councils receiving proportionately less government grant will see a comparably greater reduction in their remaining government grant.

11. This is a significant change of direction from the last Government's attitude to Council Tax increases, where the last Government actively pursued a policy of limiting Council Tax increases through referendum thresholds, whereby any Council wishing to increase its Council Tax beyond that threshold had to seek the approval of its residents, through to additional financial support from Council Tax Freeze grants.

12. The Settlement revealed that the Government is allowing Local Authorities with social care responsibilities to raise Council Tax by 2% each year to fund those specific services, known as a Social Care precept.

13. Additionally, implicit in the Government's calculations was an annual general increase in Council Tax limited to 1.99%.

14. The inference here is that the severity of the government grant reduction is offset by the ability to raise Council Tax by 2% plus 1.99%, giving an estimated total Council Tax increase of 3.99% each year. Through the threshold, any increase above that would need to be approved by local residents through a local referendum.

15. This change in attitude to Council Tax increases has had a severe impact on the quantum and speed of the reduction in Revenue Support Grant (RSG), the main avenue of financial support to Local Authorities from Government. This is compounded for those Councils with a high level of funding from Council Tax, like Kingston.

16. Kingston has a traditionally high proportion of Council Tax funding, second only to Richmond in London. Although London, as whole, has marginally benefitted from this change in CFA methodology, Kingston has not and will see an unprecedented reduction in government grant of 41% or £8.3m from 2015/16 to 2016/17. By 2019/20, the grant that Kingston receives from Government will be reduced to zero. By this stage Kingston will also be subject to an additional business rates tariff, payable to central government of £2.5m. This in effect means a reduction in government grant from £20.3m in 2015/16 to minus £2.5m in 2019/20 – a £22.8m (112%) funding reduction from Government in four years.

17. In the past when there has been a fundamental change in methodology to the Government's CFA calculations, the effects on the extreme winners and losers of that change have been smoothed by applying some form of damping methodology. This Settlement has seen no such methodology applied by Government. In effect, the Government has passed on that damping ability to Local Authorities by assuming annual Council Tax increases, leaving the final determination with local decision makers.

18. These reductions represent a continuation and indeed an acceleration of the reductions that Kingston has been subject to since 2010/11. When taking into account the Business Rates that Kingston is allowed to retain as per the Government retention scheme, Kingston's funding will have dropped from £67m in 2010/11 to £19m by 2019/20. In pure cash terms, this is a reduction of 72% in 10 years.

19. This, of course, does not take into account, the real terms effects of inflation and demand led growth for services during that period. By way of comparable contrast the budget gap that Kingston faced at the start of this financial planning period and including the results of the settlement was £40m by 2019/20. In the previous four year period from 2012/13 to 2015/16, the starting budget gap was £35m.

Settlement Offer

20. The four year settlement has been presented as an offer to Local Government and one which, if accepted, would have to be supported by an 'Efficiency Plan', the detail of which remains unknown. The changes in CFA methodology and the consequent redistribution of grant were not consulted upon previously by Government and so had not been predicted. The same is true from what seems to be a late change in the Government's attitude to Council Tax increases.

Retained Business Rates

21. The Settlement confirmed the Government's intention of 100% business rates retention by the end of the Parliament. The Government will consult in 2016 on the proposals, including what it describes as the right model of devolution and level of flexibility. However, it seems that the Government wants this policy to be fiscally neutral and it is likely that services will be transferred into local government to be funded by any additional resources.

22. What can be certain is that the headline 30% of business rates that Kingston is currently allowed to retain will not be replaced by 100% retention. 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. The change to the Business Rates retention scheme is something that the Council has been supporting for some time before it was announced as part of the Spending Review 2015 and is an area where the Council had been working with Local Government and HM Treasury ministers and continues to do so.

New Homes Bonus

23. The New Homes Bonus is set to continue but the Settlement does include a separate consultation regarding proposed reforms to the system. The consultation seeks views on the options for change to two aspects of the Bonus: reducing overall costs by moving from 6 years to 4 years of payments and reform of the Bonus in order to better reflect Local Authorities performance on housing growth. For London, there will be no top slice of the NHB to the London Local Enterprise Partnership in 2016/17, as was the case in 2015/16. Without this top slice, there is a general increase in the New Homes Bonus in the early years with a subsequent decrease in the latter two years of the Settlement. The change in CFA methodology to one including Council Tax means that those Councils who have acted in the spirit of the New Homes Bonus and increased their Council tax base through housing growth will be hit twice by a greater reduction in their RSG and a subsequent reduction in their New Homes Bonus.

Better Care Fund

24. Together with the additional council tax flexibility for adult social care, the Government is providing £1.5bn of additional funding for Local Authorities to spend on adult social care by 2019/20 to be included in an improved Better Care Fund. The Government proposes to allocate this funding through a separate grant to local government using a methodology which benefits those Councils that benefit less from the additional council tax flexibility for social care. Kingston's share of this national funding is estimated at £0.4m in 2019/20. However, the distribution of this grant is based on the ability of a Council to increase its Council Tax yield through Council Tax increases and not by any relevant social care need factor. Again, this means that Councils that are funded by a high proportion of Council Tax lose out.

Overall Effect on Kingston

25. The details of the Settlement and its effect on Kingston's 2016/17 budget and medium term financial planning through to 2019/20 are described in the next section. However, the grant reductions described were worse than our worse case planning scenarios in terms of the overall reduction and the speed with which those reductions would be implemented. Previous funding assumptions had been based on the headline information revealed during the Summer budget 2015 and the seemingly better news released with the Spending Review on 25 November 2015.

26. The Settlement has revealed that the change in CFA methodology has had a severe impact on those Councils who traditionally receive a high proportion of their funding through Council Tax, a bracket in which Kingston is firmly embedded. The opportunities for Kingston to alleviate this position in the long term now lie firmly in the reform of the Business Rates retention system and its ability to generate economic growth to take advantage of the further planned devolution of this system. In the short to medium term of this financial plan, those options are limited to further savings; becoming an early adopter of the New Business Rates retention system and Council tax increases.

MEDIUM TERM FINANCIAL PLAN 2016/17 to 2019/20 & DETAILED BUDGET 2016/17

Introduction & the Challenge

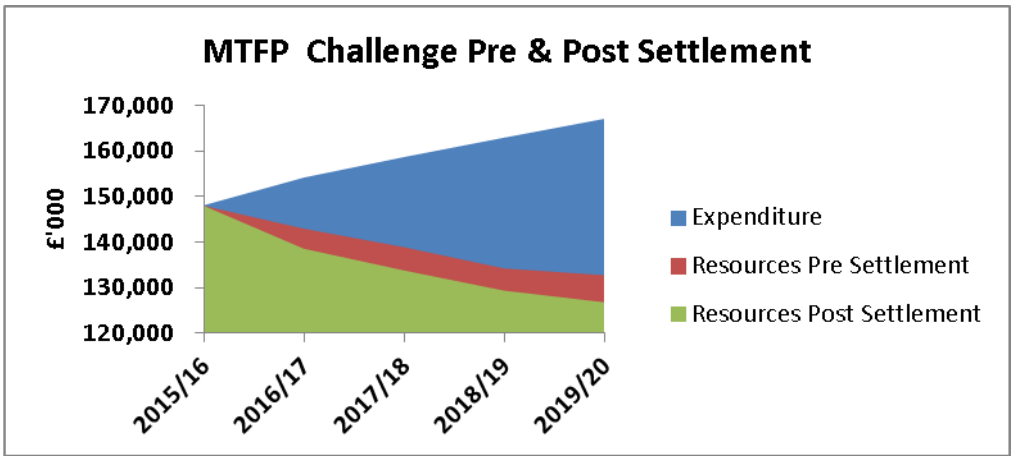
27. The Medium Term Financial Plan (MTFP) analyses and charts the financial pressures related to Kingston's budget position through to 2019/20. In simple terms, the plan projects the resources that Kingston will have available in future years to fund the services it delivers. It then forecasts the changes 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.

28. 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.

29. Kingston introduced a new budget planning process in 2015 designed to identify budget reductions and which reviewed all of our expenditure in relation to key priority outcomes for residents. The benefits of this Outcome based approach are described later in this report, but the outcome focused approach has meant less concentration on expenditure by service and greater focus on a holistic approach as to how our services benefit residents and contribute to key outcomes. This has allowed us to ensure that expenditure is directed to where it is needed most.

30. This section discusses the main elements of the MTFP beginning with resource assumptions and projections (i.e. funding available to Kingston) to our projections around increases to the current cost base and budget reductions through transformational activity. The section discusses those items of the 2016/17 proposed budget to be approved by Council on 1 March 2016 and the projections related to the remainder of the medium term period, years 2017/18; 2018/19 and 2019/20.

31. The financial challenge that Kingston was faced with at the beginning of the Outcome Based Budgeting process and how this has been made more pronounced by the confirmation of government support though the financial settlement is shown below.



32. The blue line shows the effect of increases to our current cost base through demand led growth for our services and through inflation. The red line shows our planning assumptions regarding future resources to fund those services whilst the green line shows that actual resources determined in the Local Government Financial Settlement. The gap between expenditure and resources is the challenge that Kingston needs to meet through a combination of budget reductions and local taxation increases.

33. This graph clearly shows the effect of the December 2015 Local Government Finance Settlement on our assumptions regarding future resources. The gap was already considerable and our Outcomes Based budgeting had identified significant budget reductions that had closed that gap in 2016/17 and 2017/18 with a balance still to be identified in 2018/19 and 2019/20. At the beginning of this planning period, Kingston estimated that its budget gap (the difference between projected expenditure and resources available) would be £35m by 2019/20, including £11.4m in 2016/17. The Settlement increased this challenge to £40m by 2019/20, including £14.8m in 2016/17. These gaps were calculated on the assumption of no Council Tax increases in the planning period from 2016/17 to 2019/20.

34. The Outcome Based budgeting exercise had identified substantial savings of £11.4m in 2016/17 rising to £22m in 2019/20 which had effectively balanced the budget in 2016/17 and 2017/18 with a budget gap still remaining in the latter two years.

35. As a result of the Settlement a gap remained for 2016/17 of £3.4m rising to £18m in 2019/20. We found an additional £0.8m of savings that reduced the gap as detailed below. The immediate focus now turned to resolving what had been a previously balanced position in 2016/17. The post-settlement challenge is shown below

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Expenditure				
Base Budget	147,593	147,593	147,593	147,593
Adjustments to Base	(689)	(699)	(709)	(709)
Inflation	2,205	5,579	9,125	12,722
Growth	5,497	6,608	7,188	7,687
Expenditure before Savings	**154,606**	**159,081**	**163,197**	**167,294**
Savings	(12,248)	(18,358)	(20,933)	(22,660)
Total Expenditure	**142,358**	**140,723**	**142,264**	**144,634**
Resources				
Parking & Traffic Reserves	(5,752)	(5,757)	(5,762)	(5,762)
Specific Grants	(18,289)	(18,048)	(16,093)	(16,221)
Revenue Support Grant	(11,959)	(5,522)	(1,545)	0
Business Rates	(20,359)	(20,948)	(21,619)	(19,703)
Council Tax	(83,256)	(84,089)	(84,930)	(85,778)
Collection Fund (Surplus)/Deficit	(162)	0	0	0
Total Resources	**(139,777)**	**(134,364)**	**(129,949)**	**(127,464)**
Budget Gap	**2,581**	**6,359**	**12,315**	**17,170**

36. Previous assumptions around the freeze of any Council Tax increases in 2016/17 had to be revisited due to the disastrous nature of the Settlement and the short period that the timing of the Settlement gave in generating alternative viable solutions. The change in the Government attitude to Council Tax increases now had to be considered at the local level, particularly, as Government were implicitly recognising that these increases should be part of any budget gap solution.

37. The immediate issue has had to be resolved by an increase of 3.99% to Council Tax in 2016/17. 2% of this increase related to the new Social Care Precept that the Government has introduced to fund pressures in Adult Social Care, whilst 1.99% represents a general increase in Council Tax.

38. This has allowed us to produce a balanced position in 2016/17 with increasing gaps still present in 2017/18 to 2019/20, as shown in the table below. The increase in Council Tax has allowed us to close the budget gap in 2016/17 and also reduce the level of risk attached to the savings identified to date. This Medium Term Financial Plan is shown in more detail in Annex 2.

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Expenditure				
Base Budget	147,593	147,593	147,593	147,593
Adjustments to Base	(689)	(699)	(709)	(709)
Inflation	2,205	5,579	9,125	12,722
Growth	6,238	6,608	7,188	7,687
Expenditure before Savings	**155,347**	**159,081**	**163,197**	**167,293**
Savings	(12,248)	(18,358)	(20,933)	(22,660)
Total Expenditure	**143,099**	**140,723**	**142,264**	**144,633**
Resources				
Parking & Traffic Reserves	(5,752)	(5,757)	(5,762)	(5,762)
Specific Grants	(18,289)	(18,048)	(16,093)	(16,221)
Revenue Support Grant	(11,959)	(5,522)	(1,545)	0
Business Rates	(20,359)	(20,948)	(21,619)	(19,703)
Council Tax	(86,578)	(87,444)	(88,318)	(89,202)
Collection Fund (Surplus)/Deficit	(162)	0	0	0
Total Resources	**(143,099)**	**(137,719)**	**(133,337)**	**(130,888)**
Budget Gap	**0**	**3,004**	**8,927**	**13,745**

39. No decisions on any Council Tax increases in 2017/18 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.

	2017/18 £000s	2018/19 £000s	2019/20 £000s
Total Estimated Budget Gap	9,114	17,612	24,157
Exisiting Planned Savings	(6,110)	(8,685)	(10,412)
Outstanding Estimated Budget Gap	**3,004**	**8,927**	**13,745**
Council Tax Solutions:			
Maximum Contribution from Social Care Levy	(1,749)	(3,603)	(5,568)
Maximum Contribution from General Increase	(1,740)	(3,585)	(5,540)
Total Maximum Contribution from Council Tax	**(3,489)**	**(7,189)**	**(11,109)**
Maximum Additional Savings Required	3,004	8,927	13,745
Minimum Additional Savings Required	0	1,738	2,637
Maximum Total Savings	9,114	17,612	24,157
Minimum Total Savings	6,110	10,423	13,049

40. This table shows the financial challenge that the Council, after resolution of the 2016/17 position, will continue to tackle from 2017/18 to 2019/20. 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 as well as pursuing the possibility of becoming an early adopter of the new business rates retention scheme.

41. Without taking any Council Tax increases into account, the Council will have experienced at 15% reduction by 2019/20 in terms of its cash resources. In real terms that reduction is closer to 33% and is a greater challenge, by both measures, than the one it had to face in the previous four year period, 2012/13 to 2015/16.

42. 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 future 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 2016/17 to 2019/20

43. The Local Government Finance settlement confirmed the Government grant support to be included in Kingston's budget for 2016/17 and medium term plan to 2019/20.

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Use of Statutory Parking and Traffic Reserves	5,752	5,757	5,762	5,762
Total	**5,752**	**5,757**	**5,762**	**5,762**
Specific Government Resources				
Revenue Support Grant	11,959	5,522	1,545	0
Specific Grants	18,289	18,048	16,093	16,221
Total	**30,248**	**23,570**	**17,638**	**16,221**
Local Taxation Resources:				
Business Rates	20,359	20,948	21,619	19,703
Council Tax	86,578	87,444	88,318	89,202
Collection Fund Surplus/(Deficit) (Business Rates)	(1,687)	0	0	0
Collection Fund Surplus/(Deficit) (Council Tax)	1,849	0	0	0
Total	**107,099**	**108,392**	**109,937**	**108,905**
Total Resources	**143,099**	**137,719**	**133,337**	**130,888**

44. The reduction in Government assistance through grant is pronounced. The effect of an additional Business Rates tariff of £2.5m is shown against the Business Rates line in 2019/20.

45. The table above shows that Council Tax in 2016/17 has been increased by 3.99% but with no further increases as yet planned in 2017/18 to 2019/20.

46. 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 through to 2019/20.

47. ***Government determined resources***

48. **Revenue Support Grant** - The Settlement announcements 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 by 2019/20 and this settlement was beyond the worst case scenario that Kingston had been assuming from both the Chancellor's Summer budget 2015

and Spending review 2015, both in terms of the severity of the immediate reduction and the overall reduction over the four year period.

49. 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 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.

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

Revenue Support Grant Reductions	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Revenue Support Grant (RSG)	20,279	11,959	5,522	1,545	0
Additional Business Rates Tariff	0	0	0	0	(2,512)
Reduction since 2015/16 £000s		(8,320)	(14,757)	(18,734)	(22,791)
Reduction since 2015/16 %		-41.0%	-72.8%	-92.4%	-112.4%

51. The 41% reduction between 2015/16 and 2016/17, is the single greatest reduction that Kingston has ever experienced. 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. This represents a 72% reduction to a significant part of our funding over 10 years.

52. **Specific Grants** - The reduction in specific grants is less pronounced, but suffers from very little information regarding the likely grant amounts beyond 2016/17, giving less financial planning certainty in those years.

Specific Grant Reductions	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Specific Grants	16,861	18,288	18,048	16,094	16,220
Gain/ (Reduction) since 2015/16 £000s		1,427	1,187	(767)	(641)
Gain/ (Reduction) since 2015/16 %		8.5%	7.0%	-4.5%	-3.8%

53. The major grants considered in this section relate to the Public Health Grant and the New Homes Bonus. The small increase from 2015/16 primarily relates to increases in the New Homes Bonus and the discontinuation of the top slice of that grant to the London Local Enterprise Partnership. New Homes Bonus Grant amounts beyond 2016/17 are currently estimates based on the Government's assessment. Current consultation concerning this grant could bring changes to the amounts individual authorities receive based on performance and national reductions through to 2019/20.

54. The Public Health grant received reductions in year in 2015/16. For Kingston this amounted to a reduction of £0.646m to £10.8m. The 2016/17 Public Health grant amount has yet to be confirmed by the Department of Health, but there is likely to be a similar level of funding in 2016/17 and our current assumptions project this through to 2019/20.

55. 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.

56. ***Local Taxation***

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 whilst with Business rates the level of charge is set nationally and only 30% of the income collected in the borough is retained for Council funding with the remainder paid to the Greater London Authority (GLA) and central Government.

57. ***Council Tax***

Before the severity of the government grant reductions were announced, Kingston's planning assumptions stated a freeze in Council Tax in 2016/17.

58. The change in this 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 made it impossible to continue with this plan.

59. The Government has also allowed Local Authorities with social care responsibilities to increase its Council Tax by 2% each year to fund these services. In addition, the government has allowed a 1.99% annual general increase to Council Tax. The assumption of increases in Council Tax is directly linked to the quantum and speed of reduction in RSG. In other words, to stand still in funding terms under the Government's methodology an implicit annual increase of Council Tax up to 3.99% is assumed.

60. Increases to Council Tax and the adoption of the Social Care Precept on Council Tax have become the only viable solution to the financial challenge we are facing in 2016/17. Further increases are also a potential solution in future years, but decisions on this will not be taken at this time.

61. 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	**2015/16 £000s**	**2016/17 £000s**	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**
Council Tax Funding		81,819	86,578	87,444	88,318
Taxbase increase Assumptions %		*1.76%*	*1.0%*	*1.0%*	*1.0%*
Taxbase increase Amount £000s		1,437	866	874	884
Council Tax Increase %		*3.99%*	*0.00%*	*0.00%*	*0.00%*
Council Tax Increase Amount £000s		3,322	0	0	0
Council Tax Funding	**81,819**	**86,578**	**87,444**	**88,318**	**89,202**

62. As well as increases to Council Tax bills, the total yield from Council Tax for 2016/17 is also higher due to an increase in the Council tax base of 1.76% compared to 2015/16. A Council tax base of 60,346 has been approved by the Director of Finance in accordance with the authority delegated by the Council in 2010. Tax base increases of 1.0% have been assumed in 2017/18, 2018/19 and 2019/20.

63. The budget proposals assume the 1 March 2016 Budget Council meeting will approve the 2016/17 Council Tax. The formal council tax calculation is set out in Annex 9. The table below provides details of the council tax requirement for 2016/17. The average Band D Council tax for RBK for 2016/17 will be £1,434.70 (3.99% increase). This is the average Band D bill when taking into account those households both inside and outside of the Wimbledon & Putney Common Conservators Levy area.

Council Tax Setting Calculation	£000s
Gross Budget Requirement	**143,099**
Less:	
Specific Grants	(18,289)
Use of Parking/Traffic Reserves	(5,752)
Net Budget Requirement	**119,058**
Less:	
Business Rates	(20,359)
Collection Fund (Surplus)/Deficit (Council Tax)	(162)
Collection Fund (Surplus)/Deficit (Business Rates)	0
Revnue Support Grant	(11,959)
Total	**(32,480)**
Council Tax Requirement	**86,578**

64. Further details on Council Tax bills can be seen in paragraphs 127-132. This details why the increase to the Council Tax bill is not as great as the headline increase to Council Tax applied.

66. ***Business Rates***

The Council is required to make an estimate of Business Rates that it will collect in 2016/17. This estimate is made by the Director of Finance under authority delegated by the Council in December 2012.

67. The locally estimated Business Rates income for 2016/17 is £83.326m, Under the Business Rates retention system this equates to retained income of £20.359m which is higher than the baseline amount by £0.165m. This does not equate to exactly 30% 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. RBK is subject to a tariff payment in 2016/17, as with previous years, of 18.2% reduction against the 30% retained business rates. In addition, any growth in the business rate base is not all attributable to RBK. A levy of 18.2% operates on this growth which is tied to the baseline funding calculation, meaning that RBK retains 81.8p in every £1 of business rate growth.

68. For future years, headline Government announcements indicate a significant shift in the structure of Local Authority funding through the introduction of a headline policy concerning 100% business rates retention. In reality, this does not mean on

implementation that RBK will be able to retain the 70% of locally generated business rates that it currently pays to the GLA and central government; however, it should mean greater local reward for in achieving local economic growth.

69. At this point in time Government have indicated that they expect to implement this by the end of this Parliament. Consultations on the principle are now with Local Authorities and details behind any new scheme will be worked on from there. Kingston's current resource projections do not take into account this change as it is likely to be implemented beyond our current financial planning period and Settlement period and because details are unknown. However, given the results of the current Settlement, it is likely that Kingston will continue pursue its existing intention to become an early adopter of any new scheme

70. Our current assumptions for 2017/18; 2018/19 and 2019/20 assume inflationary increases in the NNDR multiplier by the RPI figures announced in the Autumn Statement 2015 and also the additional £2.5m business rates tariff in 2019/20 announced in the Settlement.

71. **Collection Fund Surpluses and Deficits**

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.

72. 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 2016 show that there will be a surplus of £2.244m at 31 March 2016. This has to be shared with the GLA in proportion to the respective shares of the 2015/16 Council Tax. RBK's share of the surplus is £1.849m which is applied in 2016/17.

73. A similar process is undertaken for Business Rates with estimates made in respect of surpluses or deficits expected to arise at 31 March 2016 and then shared proportionately between RBK (30%); GLA (20%) and government (50%). Estimates show that there will be a deficit of £5.623m with RBK's share being £1.687m to be applied in 2016/17.

74. No Collection Fund surpluses or deficits are currently assumed in 2017/18; 2018/19 and 2019/20, but any differences as described above will be applied to future years as appropriate.

<u>Expenditure Analysis 2016/17 to 2019/20</u>

75. The section above gives the detail through to 2019/20 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

76. 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

77. 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. With the Office of Budget responsibility forecasting RPI inflation at around 3% through to 2019/20 and the increasing demand for Adult social care services as the population ages, to take but two examples, the pressure on RBK's existing cost base is considerable.

Outcome Based Budgeting Approach

78. The Council's medium term financial and service plan for 2016/17 to 2019/20 has been developed using a very different approach to previous years under a programme called Outcomes Based Budgeting (OBB). This is a change in the approach used to identify proposals for budget reductions required.

79. For the past five years we have delivered significant change via council-wide transformation programmes - the One Council and One Kingston programmes - alongside a traditional exercise to identify savings via our existing organisational structures.

80. 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.

81. The decision to move to an OBB approach was taken on the basis that it was the most appropriate method for the situation in which RBK currently sits and will be operating in terms of reduced resources to deliver services. The approach delivers the following advantages:

● more radical solutions compared to traditional budgeting approaches, so more suited to times of significant change.

● the use of outcomes allows greater identification of cross cutting and joined up initiatives with less regard to existing organisational structures or processes

● outcomes can be used to build greater consensus and focus across different organisations, reflecting the ambition to adopt a whole-system approach to delivery

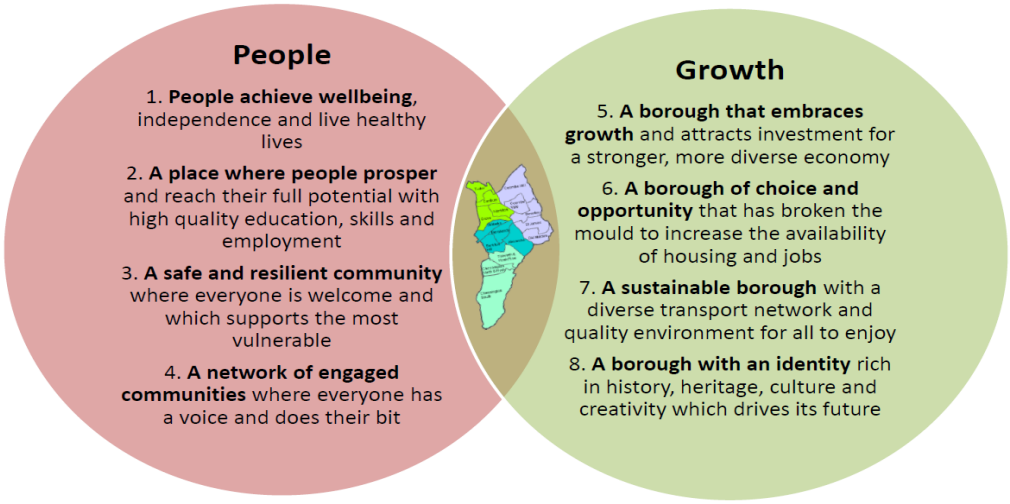
● as an approach it builds on the work done at RBK to adopt a commissioning focus and aligns well with the organisational direction of the Council as an 'enabling Council'.

● it allows a focus on future activity rather than marginal changes to current activity

● using outcome rather than services allows better measurement of impact and success

82. In adopting this process RBK developed eight Community Outcomes with four relating to People and four relating to Place. In addition to this the shape of the organisation and its support services were reviewed under a ninth outcome, Organisational outcomes.

Our Kingston Community Outcomes



83. The approach has worked for Kingston in that has prompted a different set of questions; generated new ideas and led to more innovative solutions to deliver our services with reducing resources.

84. The approach has reaped rewards already and has identified budget reductions of £12.2m in 2016/17 rising to £22.7m in 2019/20. These are believed to be significantly greater than those reductions that would have been identified under the previous methodology. The process will continue to contribute closing the budget gap in 2017/18, 2018/19 and 2019/20.

85. The process has also identified some radical new ideas and an innovative direction of travel that sees Kingston embark on a whole system approach through transformation under the Kingston Coordinated Care Programme with the local Clinical Commissioning Group (CCG); through continuing its nationally recognised approach to Children's Services through its shared community interest company model, AfC; its approach to shared services with the new Environment shared service with Sutton and by embracing the opportunities afforded by housing and economic growth to develop further sources of revenue to protect our services.

86. The Council also recognises that it needs to redefine its place in the community and its role. We are also proposing a different type of Council, one which is not just focused on delivering and commissioning, but also on enabling – getting the most out of all kinds of resources across Kingston.

Gross Budget Requirement 2016/17 and expenditure projections 2017/18 to 2019/20

87. This section describes the detail behind the 2016/17 budget funded by resources highlighted in previous sections as well as the expenditure projections beyond 2016/17 through to 2019/20. 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.

88. Based on our new approach, the 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.

89. Changes to cost and changes to assumptions to 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	2016/17 Budget £000s	2017/18 MTFP Projections £000s	2018/19 MTFP Projections £000s	2019/20 MTFP Projections £000s
2015/16 Base Budget	**131,429**	**131,429**	**131,429**	**131,429**
Removal of specific income lines to Resources analysis:				
Public Health Grant	10,412	10,412	10,412	10,412
Parking & Traffic Reserves	5,752	5,752	5,752	5,752
2015/16 Revised Base Budget	**147,593**	**147,593**	**147,593**	**147,593**
Adjustments to Base	(689)	(699)	(709)	(709)
Inflation	2,205	5,579	9,125	12,722
Growth	6,238	6,608	7,188	7,687
Total	**7,754**	**11,488**	**15,604**	**19,700**
Budget Reductions	(12,248)	(18,358)	(20,933)	(22,660)
Remaining Budget Gap	0	(3,004)	(8,927)	(13,745)
Total	**(12,248)**	**(21,362)**	**(29,860)**	**(36,405)**
Gross Budget Requirement	**143,099**	**137,719**	**133,337**	**130,888**

	2015/16 Revised Base (includes adjustments to base and inflation) £000s	Growth £000s	Budget Reductions £000s	2016/17 Gross Budget Requirement £000s	2017/18 Gross Budget Requirement £000s	2018/19 Gross Budget Requirement £000s	2019/20 Gross Budget Requirement £000s
Outcome 1	**71,464**	1,802	(4,028)	**69,238**	67,884	69,159	70,337
Outcome 2	**7,959**	402	(398)	**7,963**	7,715	7,780	7,736
Outcome 3	**2,192**	65	(358)	**1,899**	1,796	1,939	1,933
Outcome 4	**2,164**	19	(313)	**1,870**	1,819	1,748	1,742
Outcome 5	**809**	158	(163)	**804**	854	852	856
Outcome 6	**2,612**	677	(566)	**2,723**	2,679	2,647	2,660
Outcome 7	**16,435**	729	(3,151)	**14,013**	14,508	14,800	15,817
Outcome 8	**846**	155	(160)	**841**	823	803	788
Outcome 9	**21,392**	532	(2,272)	**19,652**	18,715	18,349	18,337
Fixed Costs	**23,236**	1,699	(839)	**24,096**	23,930	24,187	24,426
Total	**149,109**	**6,238**	**(12,248)**	**143,099**	**140,723**	**142,264**	**144,633**
Remaining Budget Gap	0	0	0	**0**	(3,004)	(8,927)	(13,745)
Total	**149,109**	**6,238**	**(12,248)**	**143,099**	**137,719**	**133,337**	**130,888**

90. **Adjustments to the Base Budget**

91. Adjustments are made to the current year (2015/16) budget in order to arrive at the base position for 2016/17. 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:

Summary Adjustments to base 2016/17 to 2019/20	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Removal of One off Growth:				
Adult Social Care - Care Act expenditure	(795)	(795)	(795)	(795)
Waste Services - recommissioning expenditure	(100)	(100)	(100)	(100)
Discretionary Housing Payments	(117)	(117)	(117)	(117)
Amendments to Planned Savings:				
Adult Social Care	120	120	120	120
One Council Services	201	201	201	201
Grants Adjustments:				
Expenditure related to revised Public Health Grant	1,112	1,112	1,112	1,112
Musics Service Grant	(50)	(50)	(50)	(50)
Other Adjustments				
Removal of transfer to reserves re Police Funding	(1,200)	(1,200)	(1,200)	(1,200)
LPFA Sub Fund Contribution	(110)	(110)	(110)	(110)
Reduction charges to HRA	260	260	260	260
Reduction historical past pensions arrangements	(10)	(20)	(30)	(30)
Total	**(689)**	**(699)**	**(709)**	**(709)**

	Removal One Off Growth £000s	Amendments to Planned Savings £000s	Grant Adjustments £000s	Other Adjustments £000s	2016/17 Total Adjustments to base £000s
Outcome 1	(795)	120	1,112	0	**437**
Outcome 2	0	0	0	0	**0**
Outcome 3	0	0	0	0	**0**
Outcome 4	0	0	0	0	**0**
Outcome 5	0	0	0	0	**0**
Outcome 6	0	0	0	0	**0**
Outcome 7	(100)	0	0	0	**(100)**
Outcome 8	0	0	(50)	0	**(50)**
Outcome 9	0	201	0	260	**461**
Fixed Costs	(117)	0	0	(1,320)	**(1,437)**
Total	**(1,012)**	**321**	**1,062**	**(1,060)**	**(689)**

92. Removal of one-off growth:

● 2016/17 removal of £0.795m of growth applied in 2015/16 which represented RBK's allocation of 'new burden' funding for Adult Social Care in England arising from the proposed implementation of the Care Act in 2015/16

● 2016/17 removal of £0.100m of growth applied in 2015/16 for communications regarding the re-commissioning of Waste

● 2016/17 removal of £0.117m of growth applied in 2015/16 related to discretionary housing payments which were funded through a one-off government grant in 2015/16.

93. Amendments to planned savings – reductions of £8.606m were incorporated into the 2015/16 budget and as work to deliver these savings has progressed, it has proved necessary to remove some of these savings in light of new proposals arising from outcome based budgeting. The savings removed total £0.321m.

94. In year changes to grants. These adjustments reflect changes in year, in 2015/16, to two grants. These adjustments do not reflect the outcome of the Local Government Finance settlement on RBK's 2016/17 general resources which has been detailed previously.

● Public Health Grant – this reflects expenditure related to additional grant of £1.112m received at the beginning of 2015/16. The later in year reduction in 2015/16 is reflected in our resources analysis.

● Music Grant – an adjustment of £0.050m reflecting additional grant in year.

95. Other adjustments relate to:

● the removal of a one off contribution to reserves of £1.2m relating to the 3 yearly funding of £0.4m for additional police officers in Kingston town centre (2015/16 to 2017/18).

● the removal of £0.110m additional contribution to reserves to cover potential LPFA pensions liabilities above the annual amount levied on Kingston by the LPFA

● adjustment of £0.260m, reflecting organisational outcomes savings due to the HRA.

● incremental reductions of historical enhanced pension arrangements of £0.010m in 2016/17, £0.020m in 2017/18 and £0.030m in 2018/19 and 2019/20.

96. **Inflation**

97. 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 September 2015 indicator at 0.8% is applied. Other indices are used as appropriate or where specified in the contract.

98. A summary and narrative concerning inflation is given below showing the effects budgeted for in 2016/17 and their continuing projection through to 2019/20.

Summary Inflation 2016/17 to 2019/20	**2016/17 £000s**	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**
Pay	486	1,782	3,101	4,450
Contracts	1,515	3,325	5,259	7,211
Utilities	99	203	312	426
Business Rates	51	122	199	277
Concessionary Fares	116	282	465	647
Fees & Charges	(62)	(134)	(211)	(289)
Total	**2,205**	**5,579**	**9,125**	**12,722**

	Pay Award Inflation £000s	Contracts Inflation £000s	Utilities Inflation £000s	Business Rates Inflation £000s	Concession Fares Inflation £000s	Fees & Charges Inflation £000s	2016/17 Total Inflation £000s
Outcome 1	102	766	10	3	0	0	**881**
Outcome 2	16	56	8	3	0	0	**83**
Outcome 3	22	2	2	1	0	(1)	**26**
Outcome 4	10	(1)	3	1	0	0	**13**
Outcome 5	18	4	0	0	0	(5)	**17**
Outcome 6	22	5	0	1	0	(5)	**23**
Outcome 7	38	541	44	17	0	(18)	**622**
Outcome 8	10	0	0	0	0	0	**10**
Outcome 9	248	89	32	25	0	(33)	**361**
Fixed Costs	0	53	0	0	116	0	**169**
Total	**486**	**1,515**	**99**	**51**	**116**	**(62)**	**2,205**

99. Major Contracts and Social Care Placements – for 2016/17 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 2017/18 to 2019/20.

100. Salaries Inflation – pay inflation has been applied at 1% for 2016/17 reflecting the proposed deal for public sector pay increases. An assumption of 2% has been made for 2017/18 to 2019/20

101. Utilities – inflation for gas, water and electricity has been applied at RPI for 2016/17 and RPI projections for future years.

102. Business Rates on Council properties have also received an inflationary increase in line with RPI for 2016/17 and RPI projections for future years.

103. Levies & Concessionary Fares

RBK is required to include the requirements of various levying bodies within its budget requirement. The various bodies concerned will fix their levies for 2016/17 by mid-February 2016, after publication of this report. The levies for 2016/17 have been estimated by applying inflation of 0.8% (September 2015 RPI) to the RBK share of the 2015/16 levy amounts and by projected RPI for the years 2017/18 to 2019/20

These costs are summarised below.

Levies	2016/17 £000s
Environment Agency (Thames Region)	137
Lee Valley Regional Park Authority	179
London Pensions Fund Authority	227
Wimbledon & Putney Commons Conservators (Special Levy)	41
Total	**584**

Additionally, the cost of concessionary fares is inflated by estimated RPI in 2016/17 and through to 2019/20.

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

105. **Growth**

106. 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.

107. The detail behind these types of growth is summarised below, showing the effect on the 2016/17 budget and their continuing projection through to 2019/20.

Summary Growth 2016/17 to 2019/20	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Demand Led Growth:				
Adult Social Care - Learning Disability Transitions	530	1,060	1,590	2,120
AfC Contract - Children's Social Care	823	823	823	823
AfC Contract - Special Educational Needs Transport	200	200	200	200
Temporary Accommodation	647	647	647	647
Waste Disposal	87	87	87	87
Adult Social Care - Deprivation of Liberty External Assessments	20	20	20	20
Total Demand Led Growth	**2,307**	**2,837**	**3,367**	**3,897**
Unavoidable Pressures:				
Employers National Insurance Contributions	1,264	1,264	1,264	1,264
Reserve contingency - savings delivery	740	0	0	0
Capital Financing	576	576	445	417
Pension Fund Contributions - Actuarial Valuations	250	588	588	588
Recycling & Refuse Re-commissioning	368	368	368	368
Flood Water Management	200	200	200	200
Concessionary Fares	133	133	133	133
ICT Application Support	72	72	72	72
ICT Microsoft Licences	50	50	50	50
Total Unavoidable Pressures	**3,653**	**3,251**	**3,120**	**3,092**
OBB Reprioritisation				
Economic Growth & Development Plan	122	372	352	348
Town Centre Policing	0	0	200	200
Culture Various Items	134	127	128	128
Various minor items	20	19	20	21
Neighbourhood Watch	2	2	2	2
Total OBB Reprioritisation	**278**	**520**	**702**	**699**
Total Growth	**6,238**	**6,608**	**7,189**	**7,688**

Growth	Demand Growth £000s	Unavoidable Pressures £000s	OBB Reprioritisation £000s	2016/17 Total Growth £000s
Outcome 1	1,308	494	0	**1,802**
Outcome 2	265	137	0	**402**
Outcome 3	0	43	22	**65**
Outcome 4	0	19	0	**19**
Outcome 5	0	36	122	**158**
Outcome 6	647	30	0	**677**
Outcome 7	87	642	0	**729**
Outcome 8	0	21	134	**155**
Outcome 9	0	532	0	**532**
Fixed Costs	0	1,699	0	**1,699**
Total	**2,307**	**3,653**	**278**	**6,238**

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

108. Growth due to increasing demand

● Learning Disabilities Transitions – this growth is present to fund the transitions from Children's Social Care to Adult Social Care of people with learning disabilities and other complex needs. There is generally a higher cost of support when these clients leave Education and go into permanent transitional living arrangements supported by Adult Services. The demand continues to rise and with no reduction in new clients to the Children's Social Care service there is no corresponding reduction in cost.

● AfC Contract – Children's Social Care and Special Educational Needs transport. This reflects permanent change control requests received during 2015/16 from AfC related to a permanent increase in demand for the two services. The £0.823m requested for Children's Social Care is broken down into £0.412m for looked after children; £0.358m for leaving care packages and £0.053m for the associated legal costs for increases in cases. £0.2m relates to an increase in demand for the Special Educational Needs transport service.

● Temporary Accommodation – emergency Bed & Breakfast Accommodation – growth has previously been built into the MTFP from 2016/17 onwards to reflect the increase in demand experienced by this service. Those estimates have been updated here based on current demand experienced by this service. Associated savings for the Private Leasing Scheme in Temporary Accommodation have also been built into the budget for 2016/17.

● Waste Disposal – growth has been applied reflecting the projected increase in landfill tonnage as our population expands

● Deprivation of Liberty External Assessments – following High Court judgements in 2014/15, all Local Authorities with social care responsibilities are statutorily required to provide. This growth reflects the continuing level of demand for this service which has been reduced from previous estimates and over spends experienced in 2014/15 and 2015/16 through a programme to train in-house Best Interest Assessors.

109. Growth due to unavoidable pressures

● Changes to Employers National Insurance Contributions – the government have introduced changes to the rates and rules at which employers pay National Insurance contributions, this has generated an increased cost relating to Council pay budgets which has been met by a growth item. The total amount reflects services within the Council and Kingston's share of that growth within AfC.

● Reserve/Contingency – savings delivery. Due to the large amount of savings to be delivered in 2016/17, one off growth for 2016/17 has been provided to offset any delays in delivery of those savings and reduce the level of risk attached to the savings identified to date.

● Capital Financing – the last medium term financial plan forecast permanent growth from 2016/17 of £0.920m to finance the cost of new capital projects to be funded from borrowing. This growth has been revised downwards despite new projects being added into the programme. This downward revision is due to revised assumptions about capital receipts from the sale of Council assets and their use to fund capital projects (new and existing) rather than the use of borrowing. It should be noted that there is a further saving against the Council's Minimum Revenue Provision (MRP) from revised estimates surrounding factors driving this charge, more detail can be seen in Annex 14.

● Pension Fund Contributions – Actuarial Valuations. The 2013 Actuarial Valuation of the RBK Pension Fund showed a need to increase the level of employer's pension contributions over the following three years in relation to the past service deficit of the Fund. The growth requirement of 2016/17 has reduced from the last published estimates to £0.250m. Prior to the results of a new actuarial valuation a provision for growth has been maintained in the years 2017/18 to 2019/20.

● Recycling and Refuse Re-commissioning. This is growth associated with extending the contract with Veolia for recycling and refuse collection by 7 years. This is in line with growth projected in Destination Kingston 2015/16.

● Flood Water Management. This is growth to replace previous grant funding for this specific service.

● Concessionary Fares. The movement towards usage data for the National Rail and London Overground elements of the concessionary fares apportionment will see a rise in costs for Kingston.

● ICT – Applications Support – required growth in the applications support team to fund increased demand for IT solutions.

● ICT Microsoft Licenses – growth provided to fund unbudgeted costs of licences for Windows office and email. The growth will be met by both RBK and LB Sutton in line with as a cost to the ICT shared service. The growth of £0.050m represents RBK's portion.

110. Re-prioritisation from outcome based budgeting process:

● 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 and local economic growth and development plan.
● Town Centre policing from 2018/19 – growth was provided for 3 years from 2015/16 to fund additional police officers within Kingston Town centre, with a particular focus on the night-time economy. This 3 year programme was funded by a one off contribution to reserves in 2015/16. The growth here represents the continuation of funding of additional police officers into 2018/19 and 2019/20 from the revenue budget.

● Culture Various Items – growth to fund the ability to source more external funding for core arts budget as well as growth to enhance publicity of Kingston's arts and heritage offer.

● Various minor items – a number of small growth items related to outcome 3 to support a safer and resilient community

● Neighbourhood Watch – this relates to funding from the Council to replace funding from other sources to keep the Neighbourhood Watch Scheme running

111. The medium term position projects that all growth through to 2019/20 has been identified through the OBB process. Unlike previous years, there is no provision for unallocated growth in our medium term projections. Any new unavoidable growth indentified in future years will need to be funded by budget reductions beyond those currently forecast as required.

112. **Budget Reductions**

113. 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.

114. The table below summarises budget reductions by outcome from 2016/17 to 2019/20.

Summary Budget Reductions 2016/17 to 2019/20	**2016/17 £000s**	**2017/18 £000s**	**2018/19 £000s**	**2019/20 £000s**
Outcome 1	4,028	7,264	7,938	8,729
Outcome 2	398	775	843	1,022
Outcome 3	358	501	600	650
Outcome 4	313	384	476	503
Outcome 5	163	389	399	420
Outcome 6	566	646	715	740
Outcome 7	3,151	3,611	4,321	4,321
Outcome 8	160	187	225	257
Outcome 9	2,272	3,762	4,708	5,310
Fixed Costs	839	839	708	708
Total	**12,248**	**18,358**	**20,933**	**22,660**

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

115. The result of our analysis of resources, cost pressures and budget reductions leads to a Gross budget requirement for each outcome for 2016/17 as follows. This is also projected further for 2017/18 to 2019/20.

	2015/16 Revised Base (includes adjustments to base and inflation) £000s	Growth £000s	Budget Reductions £000s	2016/17 Gross Budget Requirement £000s	2017/18 Gross Budget Requirement £000s	2018/19 Gross Budget Requirement £000s	2019/20 Gross Budget Requirement £000s
Outcome 1	**71,464**	1,802	(4,028)	**69,238**	67,884	69,159	70,337
Outcome 2	**7,959**	402	(398)	**7,963**	7,715	7,780	7,736
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Fixed Costs	**23,236**	1,699	(839)	**24,096**	23,930	24,187	24,426
Total	**149,109**	**6,238**	**(12,248)**	**143,099**	**140,723**	**142,264**	**144,633**
Remaining Budget Gap	0	0	0	**0**	(3,004)	(8,927)	(13,745)
Total	**149,109**	**6,238**	**(12,248)**	**143,099**	**137,719**	**133,337**	**130,888**

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 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.

116. The allocation of resources available for 2016/17 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

117. An equality impact assessment has been undertaken regarding the budget reductions that will be enacted in the 2016/17 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 £12.248m in 2016/17 and this budget has been produced against a backdrop of previous financial reductions from government.

118. 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

119. 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.

120. 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

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

Reserves and Balances

122. The General Fund balance at 1 April 2015 was £8.018m, representing 6.5% of RBK's 2015/16 net budget requirement. Based on the latest budget monitoring position an over spend of between £0.3m and £1m is forecast in 2015/16. The mid-point of this expectation would result in a General Fund balance at 31 March 2016 of £7.368m. This would represent approximately 6.2% of RBK's 2016/17 net budget requirement.

123. The Council requires an adequate level of reserves to meet any strategic, operational or financial risks that might be inherent in the 2016/17 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.

124. In assessing the level of risk in the 2016/17 budget (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.

125. 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 92% of that risk. Given the likelihood of all the risk materialising in full is low, the General Fund balance is considered to be sufficient.

126. 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 £1m contribution to Strategic Reserves to fund this investment.

● AfC Reserve – underwriting the set up cost element of RBK's ownership share of any loss within AfC

Council Tax Bills

127. As detailed in paragraph 63, Kingston intends to set an average Band D Council tax at £1,434.70

128. 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.

129. The Mayor of London's budget consultation sets out a proposed net budget of £4.755bn and a band D precept of £276.00. This reflects a reduction of 6.4% in the Mayor's band D council tax precept. The proposed GLA budget is shown in the table below. This means that the net increase to Council Tax bills will be 2.15% when taking into account the GLA reduction and the Council increase,

	Net Expenditure after use of reserves £m	Specific Government Grants £m	General Government Grants £m	Retained Business Rates £m	Council Tax Requirement £m
Mayor's Office for Policing & Crime	2,872.8	(374.6)	(1,931.7)	0.0	**566.5**
GLA (Mayor & Assembly)	166.5	(4.6)	(12.5)	(97.9)	**51.5**
London Fire and Emergency Planning Authority	395.2	(12.8)	(128.5)	(115.7)	**138.2**
Transport for London	1,326.1	(30.1)	(435.7)	(854.3)	**6.0**
London Legacy Development Corporation	0.0	0.0	0.0	0.0	**0.0**
NNDR Collection Fund (Surplus)/Deficit	(5.6)	0.0	0.0	0.0	**(5.6)**
Total GLA Group	**4,755.0**	**(422.1)**	**(2,508.4)**	**(1,067.9)**	**756.6**

130. The GLA precept will be formally set by the London Assembly in February 2016. Any changes between the consultation budget shown above and the final position will be reported to Council on 1 March 2016.

131. **Total Council Tax** is shown below, detailing the amounts for each band, the effect of the GLA precept and the effect of the Wimbledon & Putney Commons Conservators (W&PCC) 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 £	Wimbledon & Putney Commons area precept £	Council Tax - Wimbledon & Putney Commons area £
A	956.01	184.00	**1,140.01**	18.32	**1,158.33**
B	1,115.35	214.67	**1,330.02**	21.36	**1,351.38**
C	1,274.68	245.33	**1,520.01**	24.42	**1,544.43**
D	1,434.02	276.00	**1,710.02**	27.47	**1,737.49**
E	1,752.69	337.33	**2,090.02**	33.58	**2,123.60**
F	2,071.36	398.67	**2,470.03**	39.68	**2,509.71**
G	2,390.03	460.00	**2,850.03**	45.79	**2,895.82**
H	2,868.04	552.00	**3,420.04**	54.94	**3,474.98**

132. Properties in the W&PCC area will be subject to an additional levy, as shown above. This levy is due to be confirmed in mid February 2016. This information will be table at the Budget Council meeting and, if received in time, at the Treasury Committee meeting. For 2015/16 this additional amount was £26.93 on a band D property. It is estimated that for 2016/17 this will increase to £27.47. The average band D Council tax amount of £1,434.70 takes this levy into account. For those households outside of this special levy area the RBK element of a Band D Council tax is £1,434.02, whilst for those inside the special levy area the amount is £1,461.49.

Budget Consultation

133. The 2014/15 All in One Survey demonstrated the need for RBK to continue communicating with its residents so that it could understand their priorities and plan accordingly.

134. The series of eight community outcome used as the basis for our new planning approach were informed by the views of residents and the results of these surveys

135. In the Autumn of 2015, RBK held a series of eight events, called the Kingston conversation 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.

136. These conversations set out the challenges that Council is facing through to the end of the decade and were aimed to ensure residents felt that they had a role in shaping the future direction of the Council and were part of the local decision making process. More than 550 people attended across these eight events.

137. The conversation events are to be continued in January/early-February 2016 and are centred on the Council's budget, financial position and future budget proposals. Feedback from these events will be tabled at the Treasury Committee and Council meetings concerned with the 2016/17 budget proposals.

CAPITAL PROGRAMME 2016/17 TO 2019/20

138. The capital programme sets out the Council's plans for the acquisition and improvement of assets over the next four years. The proposed programme from 2016/17 onwards consists of a £80.762m commitment for ongoing projects and £49.442m for new items and is summarised below with additional detail in Annex 10.

The table shows the capital programme in 2016/17 as well, bringing the total programme to £183.371m over 5 years.

Capital Programme	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	Total £000s
Schools Programme	13,180	6,258	5,517	5,039	5,039	**35,033**
General Fund Property Programme	5,101	3,438	575	400	400	**9,914**
Public Realm Programme	5,607	1,467	0	0	0	**7,074**
Highways/Transport Programme	4,424	13,117	18,299	3,575	2,182	**41,597**
Housing General Fund Property Programme	1,420	1,430	1,440	1,440	1,440	**7,170**
ICT Programme	2,826	3,024	1,500	2,765	2,765	**12,880**
Estimated Slippage	(2,693)	2,693	0	0	0	**0**
Total General Fund	**29,865**	**31,427**	**27,331**	**13,219**	**11,826**	**113,668**
Housing Revenue Account	26,615	12,754	12,510	9,154	8,670	**69,703**
Estimated Slippage	(3,313)	3,313	0	0	0	**0**
Total Housing Revenue Account	**23,302**	**16,067**	**12,510**	**9,154**	**8,670**	**69,703**
Total Capital Programme	**53,167**	**47,494**	**39,841**	**22,373**	**20,496**	**183,371**

139. The new items included within the proposed programme are summarised below. As well as disclosure here, larger projects will be the subject of separate reports to the relevant strategic committee before being progressed.

140. **Schools Programme:**

● Schools Expansions **–** grant funding of £4m per year to fund Schools expansions had previously been included to 2017/18, this has now been assumed and added to the capital programme for the later years of 2018/19 and 2019/20. Also and additional confirmed grant for 2017/18 of £0.478m has been added to programme expenditure in that year.

● School Capital Maintenance – grant funding is assumed to support the capital works for Schools maintenance and this is forecast to continue at the current level of £1.039m and has been added to the capital programme for each year from 2016/17 to 2019/20

For both areas the capital programme will be adjusted as grant amounts are confirmed

141. **General Fund Property Programme**

● CCTV Control Room - £0.325m for 2016/17 only, relating to an upgrade and replacement of old equipment to avoid future system failures. This is to be funded from expected capital receipts.

● King Edwards Recreation Ground Changing facilities - £0.160m for 2016/17 only, to replace the existing dilapidated building, improving sports provision and increasing potential to generate income. This is to be funded from expected capital receipts.

● King Georges Recreation Ground Changing facilities - £0.190m for 2016/17 only, to replace the existing dilapidated building, improving sports provision and increasing potential to generate income. This is to be funded from expected capital receipts.

● Tolworth Leisure Centre Cladding Replacement - £0.250m to improve and replace plant room cladding to ensure continued safe operation of the leisure facility. Works

are expected to be carried out across 2016/17 and 2017/18. This is to be funded from expected capital receipts.

● Kingsmeadow Track Surface Replacement - £0.350m for 2016/17 only, to replace the track surface to avoid ongoing repair costs and to ensure that the facility continues to serve local sports people and schools. Potential sources of grant funding are being explored for these works; however, for financial planning purposes this is to be currently funded from expected capital receipts

● Kingsmeadow Underpinning and Structural Works - £0.165m for 2016/17 only, for underpinning works to halt the structural decay of buildings at the site. This is to be funded from expected capital receipts.

● Moor Lane Centre External Works and Windows - £0.150m for 2016/17 for the replacement of timber windows and external decoration works to improve the structural condition and insulation of the building. Works are expected to be carried out across 2016/17 and 2017/18 and are to be funded from expected capital receipts.

● Pathways at Kingston and Surbiton Cemetery - £0.1m for 2016/17 for renew and improve pathways at sites, increasing accessibility and reducing ongoing repair costs. This is to be funded from expected capital receipts.

● Relocation of Kingston Children's Library - £0.090m for 2016/17 to create a new Children's library and remove the need to staff two separate service points. This is to be funded from expected capital receipts.

● Various smaller projects totalling £0.075m for 2016/17 to be funded from expected capital receipts or grant.

● General Fund Property Investment Programme – extension of £0.4m rolling programme, currently present from 2016/17 to 2018/19m, to 2019/20. This programme delivers essential items of work and improvements to the Council's operational portfolio.

142. **Public Realm Programme**

● Villiers Road Waste Transfer Station - £0.250m for 2016/17 to improve the physical condition of the site, ensuring continued compliance with Environment Agency requirements. This is to be funded from expected capital receipts.

● Garden Waste Collection Bins – £0.099m for 2016/17 relating to contractual arrangements for Garden Waste collection. The contractor will no longer operate the service at nil cost to Kingston, giving Kingston the opportunity to benefit from increasing the customer base. In order to achieve this, Kingston will take ownership of garden waste containers currently owned by the contractor.

● Continuous Air Quality Monitoring Stations - £0.063m for 2016/17 for the purchase and installation of two roadside monitoring stations which will help the Council to continue to meet statutory requirements to review and assess air quality. This is to be funded from expected capital receipts.

● Mobile Air Quality and Green Walls for Schools - £0.055m for 2016/17 to measure air quality in school playgrounds located near trunk roads and to assess the benefit

of green walls planted where air quality objectives are not being met. This addition is conditional on receiving grant funding.

143. **Highways/Transport Programme**

● Pay & Display Estate Modernisation and Renewal - £1m for 2016/17 related to the rationalisation and modernisation of equipment and is linked with future revenue savings plans. This is to be funded from expected capital receipts.

● Street Lighting Column Replacement Programme - £2.328m spread across the 4 years from 2016/17 to 2019/20. This will establish a rolling programme of column replacement and will tackle the growing backlog of aged columns in order to reduce the risk of structural failure and resultant liability claims. This is to be funded from expected capital receipts

● Planned Maintenance for Carriageway and Footway Works - £6.4m spread across the 4 years 2016/17 to 2019/20. The investment is designed to allow for preventative maintenance works to overlay carriageways before they fail. Kingston has taken the decision to capitalise this expenditure, previously this has been written off as revenue expenditure in year. The funding of this expenditure remains through the existing revenue budget as previously.

● LED Lantern Replacement on Major Traffic Routes - £0.255m for 2016/17 to replace the existing ageing technology with LED lanterns. This will result in lower energy use as well as reduced maintenance and associated traffic management. This is to be funded from expected capital receipts

● Clarence Street and Fife Road Lighting Replacement - £0.172 for 2016/17 to enable the replacement of street lighting within Clarence Street and Fife Road pedestrian areas. Existing lighting is beyond economical repair with a lack of light hampering CCTV surveillance and creating a poor impression for residents and visitors. This is to be funded from expected capital receipts.

144. **Housing General Fund Programme**

● Disabled Facilities Grant – an additional £0.840m to extend the current programme into 2019/20. This rolling programme delivers mandatory support to adapt resident's homes, increasing independence and quality of life. This will be funded by and be conditional upon securing grant in the region of £0.5m which has, from 2015/16, been administered through the Better Care Fund, with the remainder to be funded from expected Capital receipts.

● Discretionary Grants – an additional £0.6m to extend the current programme into 2019/20. This enables Home Improvement Grants which provide emergency repairs for the most vulnerable residents and Empty Property Grants which bring vacant properties into residential use and deliver affordable temporary accommodation. This is to be funded from expected capital receipts.

145. **ICT Programme**

● Refresh of end-user computing devices - £1.150m in 2016/17. A full refresh of Kingston's PC and laptop estate, much of which is over the standard refresh period of 4 to 5 years, will improve organisational resilience and enable further improvements to productivity across the organisation. This addition is requested in

principle with a separate report to be taken to Treasury Committee providing more detail on the proposals. This will be funded from expected capital receipts.

● Data Centre Replacement - £2.530m spread across 2018/19 and 2019/20. The equipment in the data centre will be at the end of its life by 2018/19. Options such as moving to cloud based services will be assessed and detailed approval from Treasury Committee will be sought at this point. This is to be funded from expected capital receipts.

● Technology Investment Fund - £1.5m in 2019/20. This established rolling programme enables ICT to support service change and modernisation projects, this commitment is set to continue into 2019/20. This is to be funded from expected capital receipts.

● Library Self-Service Upgrade - £0.374m in 2016/17. The introduction of self-service with a fully integrated payments system is part of the objective to modernise the library service through use of technology as part of the 'digital by default' policy. This addition will reconfigure the library space and implement self-service. This is to be funded from expected capital receipts.

146. **HRA Programme**

● Ongoing Capital Renewals - £7.685m spread over 2 years 2018/19 to 2019/20. Detailed plans are still to be developed but this programme is intended to provide ongoing capital renewals following the end of the Better Homes programme, ensuring that residential properties are maintained to a high standard. This will be funded by a mixture of Direct Revenue Financing and expected capital receipts

● Sheltered remodelling – a budget totalling £2.5m is currently within the programme for works to remodel existing sheltered accommodation. It is proposed that this be removed from the programme and replaced with budgets for the individual schemes under consideration which include £0.6m for works at Roupell House and £0.5m at Greenleas in 2016/17. This will be funded by Direct Revenue Financing

● Affordable Housing Development – there is an existing budget of £3.720m within the programme for this purpose. However, with schemes now in development it is proposed to replace this budget with the following items which we forecast to be funded from one-to-one receipts as far as possible with the remainder to be funded from Direct Revenue Financing or other capital receipts:

- Affordable Housing Partner Work - £6.7m spread over 4 years from 2016/17 to 2019/20, with £0.5m relating to 2016/17. The quantum of this proposal is based on forecast Right to Buy sales and is intended to be funded solely from these sales. Expenditure will be modified dependent on the latest forecasts of Right to Buy Sales. This programme will enable schemes such as grants to Registered Providers that will enable Kingston to expend retained receipts and deliver new social housing for the benefit of the borough without further capital contribution from the HRA.
- 55 Mt Pleasant - £0.6m for 2016/17 for the development of this vacant site. Feasibility work is underway to determine best use of the site which will deliver at least two new residential units and a report will be brought to Committee for detailed approval.
- Ernest road conversion - £0.145m for 2016/17 for the conversion of a void property to provide two 2-bed flats.

- Conversion of laundry rooms at Brockworth - £0.115m for 2016/17 to enable the conversion of two disused laundry rooms into two residential flats
- Refurbishment of ex-Warden flats - £0.070m for 2016/17 to refurbish and bring back into use seven warden dwellings made available under the Housing Transformation Programme

● Estate Regeneration - £0.920m spread over 2016/17 and 2017/18 for master planning for estate regeneration expected to be funded from commuted sums and an increase in the Leaseholder buy back budget of £0.250m for 2017/18 expected to be funded from direct revenue financing.

● Garage conversion to additional parking - £0.5m for 2016/17 to fund the demolition of a number of garage sites due to their unserviceable condition, converting the area to car parking spaces and improving parking provision. This is to be funded from capital receipts or borrowing.

● CCTV upgrades - £0.069m for 2016/17 for investment in CCTV for housing stock and hostels. Existing CCTV is in poor condition and not compliant with legislation. This is to be funded from capital receipts or borrowing.

● There are a number of rolling programmes of planned works within the HRA, to which extensions into 2019/20 are proposed. These are to be funded from Direct Revenue Financing:

- HRA hostels - £0.020m for 2019/20 – improvement works programme
- DDA compliance - £0.200m for 2019/20 – works to communal areas ensuring accessibility for residents and visitors in line with the requirements of the Equalities Act 2010.
- Fire Safety Work - £0.100m for 2019/20 – programme to undertake improvements in line with the findings of fire risk assessments.
- Estate Health & Safety Priority Repairs & Improvements - £0.050m for 2019/20 investment to improve safety within communal parts and estates, helping to deliver a high standard of housing assets.
- Estates Lighting - £0.100m for 2019/20 – continuation of the ongoing programme of installation of LED lighting within communal parts and estates, delivering improved resident confidence and satisfaction an increased lighting efficiency.
- Repairs to roads, pathways and parking - £0.080m for 2019/20 – continuation of the programme of improvement works to provide residents with safe walkways and roads
- Major Void Works - £0.4m for 2019/20 to enable major works to properties in void periods, ensuring that stock is maintained to a high standard. Funding for this is expected to be a mixture of direct revenue financing, capital receipts and prudential borrowing

● A further rolling programme is in place for demand driven improvement works, for which extensions into 2019/20 are proposed. These are expected to be funded from Direct Revenue Financing.

- Disabled Adaptions Programme - £0.2m for 2019/20 providing adaptions to HRA properties to aid residents with disabilities to remain in their homes
- Asbestos Management and Removal - £0.150m for 2019/20 – works in response to ongoing asbestos management surveys to ensure that asbestos is managed and that residents are protected.

- Structural Works Repairs/Damp - £0.070m for 2019/20 – works to overcome structural and damp defects

147. A summary of the proposed funding of the capital programme is shown below.

Capital Programme Funding	2015/16 £000s	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	Total £000s
GF Borrowing	9,360	0	0	0	0	**9,360**
Capital Receipts	3,398	10,262	3,647	4,687	4,687	**26,681**
Government Grants	11,616	9,107	6,017	5,539	5,539	**37,818**
External Contributions	5,294	10,458	16,067	1,393	0	**33,212**
Direct Revenue Financing/Reserves	197	1,600	1,600	1,600	1,600	**6,597**
Total General Fund	**29,865**	**31,427**	**27,331**	**13,219**	**11,826**	**113,668**
HRA Borrowing	2,003	1,751	0	0	0	**3,754**
Capital Receipts	3,296	2,367	3,296	3,167	3,551	**15,677**
External Grants	6,787	511	460	0	0	**7,758**
Leaseholder Receipts	2,245	3,010	350	0	0	**5,605**
Major Repairs Reserve	8,971	8,428	8,404	5,987	5,119	**36,909**
Total HRA	**23,302**	**16,067**	**12,510**	**9,154**	**8,670**	**69,703**
Total Capital Programme Funding	**53,167**	**47,494**	**39,841**	**22,373**	**20,496**	**183,371**

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

149. 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 additional capital growth and associated revenue impact has been assessed and considered.

150. 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

151. 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.

152. 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).

153. The MRP charge is based on assumptions concerning asset lives on past capital expenditure that has been funded by borrowing. In 2015/16, RBK reviewed these assumptions stretching back to 2007/08. Before 2007/08 capital expenditure funded by borrowing was charged to the Council's General Fund account at a flat 4%. Capital financing rules were then changed to give greater recognition of the life of the

asset through this charge, for example ICT related assets would have a shorter asset life and some property assets would have a longer asset life.

154. The review of the lives of assets funded by borrowing has revealed that the minimum 4% assumption has meant that RBK has over provided in its MRP charge to the General Fund account since 2008/09. This has now been adjusted retrospectively, producing a saving in the medium term as follows:

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
MRP Review Saving	(839)	(839)	(708)	(708)

155. The review will also provide a one off credit to the General Fund account of £5.052m in 2015/16 representing the over provision for MRP charged between 2008/09 and 2015/16. This will be taken to strategic reserves to fund future one-off transformational investment.

156. 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.

157. 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 2016/17 is set out in Annex 15.

HOUSING REVENUE ACCOUNT

158. Details of the Housing Revenue Account (HRA) budget and medium term financial projections are contained in Annex 11. This reflects the most recent updates to the HRA Business plan which was noted at Treasury Committee on 3 December 2015.

159. Decisions relating to HRA rent setting for 2016/17 will be taken at the Adults & Children's Committee on 10 February 2016 as part of the review of this report.

SCHOOLS BUDGET

160. The preparation, monitoring and reporting of the Schools budget is conducted by Achieving for Children. Details of their proposals for the Schools budget for 2016/17 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 will consider the proposed schools budget at their meeting on 26 January 2016 and feed 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

161. 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

162. 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.

163. 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

164. 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.

165. The Allowances Scheme for the 2016/17 financial year has been updated to take account of the anticipated 1% pay award for local government staff effective from 1 April 2016, is included in Annex 16

PAY POLICY

166. 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 1 March 2016 for approval. This is an updated version of the policy submitted to Council in March 2015.

Background Papers: held by Toby Clarke, Finance Strategy Lead. Phone: 020 8547 5668; Email: toby.clarke@kingston.gov.uk

- *Destination Kingston* – Medium Term Service and Financial Plan 2015/16 to 2018/19 and Details Budget and Council Tax 2015/16
- Autumn Statement and Comprehensive Spending Review – published 25 November 2015
- Provisional Local Government Finance Settlement information – published 17 December 2015
- GLA Precept – consultation published in January 2015

ANNEX 1 – BUDGET RISK 2016/17

Risk Grouping and Reference	Risk	Risk Description	Variation from budget in worst case scenario £000s	Likelihood (1 = low; 5 = high)	Impact (1 = low; 5 = high)	Total Score	RAG Rating
Treatment of inflation and interest rates 1	Non Pay Inflation	Inflation has been provided for major service contracts; major subscriptions; social care placements; National Non-Domestic Rates and utilities. In most cases service contracts apply an inflation index at a specific point in time and so the risk of higher than expected inflation is minimised by this approach. Non-pay budgets not mentioned above have been frozen in cash terms. Although inflation levels have come down since the last budget was set, volatility in the economy remains and this places additional risk on those budgets that have not been inflated.	350	3	4	**12**	**A**
Treatment of inflation and interest rates 2	Investment	The investment income forecast is based on a gradual rise in short-term interest rates. With inflation likely to remain very low over the next twelve months, the Bank of England's Monetary Policy Committee is expected to delay the start of monetary policy tightening until the second half of 2016, and then rising slowly thereafter. General market sentiment is that the first rise in official interest rates will be in Q4 2016. Persistently low inflation, the global economy facing a period of subdued growth and potential concerns over the UK's position in Europe, means that the risk of a shortfall in investment income is weighted towards the downside. Based on the estimated average investment balance, a 0.25% variation in the assumed rate for investments, would cause a variation of approximately £100K in revenue costs.	100	3	1	**3**	**G**
Treatment of inflation and interest rates 3	Borrowing	With short-term interest rates much lower than long-term rates the Council will maintain an under-borrowed position, in order to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances. The Council has previously raised nearly three quarters of its long-term borrowing at fixed rates of interest from the Public Works Loan Board, so exposure is limited to its LOBO (Lender's Option Borrower's Option) loans which could be "called". A LOBO is called when the Lender exercises its right to amend the interest rate on the loan, at which point the Council can accept the revised terms, or reject them and repay the loan. Current interest rates result in very low probability of a LOBO being "called" which would trigger premature repayment, in 2016/17. A 0.5% variation in the LOBO loan interest rates would cause a variation of approximately £300K in revenue costs.	300	1	3	**3**	**G**

Risk Grouping and Reference	Risk	Risk Description	Variation from budget in worst case scenario £000s	Likelihood (1 = low; 5 = high)	Impact (1 = low; 5 = high)	Total Score	RAG Rating
Treatment of delivery of planned savings 1	Savings	Due to the continuing reduction in resources, significant levels of savings are having to be made in 2016/17. The risk of a delay of 1 month to these planned savings across the board would create a quantifiable risk of around £1,020k	1,020	3	5	**15**	**R**
Treatment of delivery of planned savings 2	Organisational Outcome Savings	The current development of a plan to deliver these savings in 2016/17 means that there is a risk to delivery. The worst case scenario would be failure to deliver of 30% of those savings	520	3	5	**15**	**R**
Treatment of demand led and other growth pressures including demographic growth 1	Demographic Growth in the elderly population	Demographic analysis shows that the population is ageing. There has been a 6% increase in number of 65+ in care homes in 2015/16 so far to 267 placements. If this trend continues, worst case scenario could be £1m gross, based on £900 per week - assume 30% client contribution ratio.	700	3	5	**15**	**R**
Treatment of demand led and other growth pressures including demographic growth 1	Demographic Growth in the elderly population	Placements in care homes - market rates are rising significantly, the impact is the difference in cost between a new placement and a placement ceasing. For first 8 months of 2015/16, there has been 90 new admissions - if trend continues and based on £140 per week as difference in gross cost, full year could be £1m or £0.7m net of client contribution.	700	3	5	**15**	**R**
Treatment of demand led and other growth pressures including demographic growth 1	Demographic Growth in the elderly population	Demand for home care is rising - for 2015/16 so far, there has been 20% in number hours/13% in number of clients. Increased demand has stretched the capacities of the framework contractors, with the risk of reduced quality/performance concerns and reliance on more expensive, non-framework contractors instead.	200	4	2	**8**	**A**
Treatment of demand led and other growth pressures including demographic growth 2	Children's Social Care Placements	The risk that if further children in the borough require this service costs will rise if their service provision is unable to be mitigated by the strategy of investment in foster care provision and the new "Better by design" programme. In 15/16 there have already been 2 change control requests in regards of Social Care and some growth has already been provided for 16/17. The risk assumes no mitigation in this regard, further net increases in numbers for 16/17 and 5 new children requiring an external placement. This risk is managed by AfC through the risk and reward mechanism within the Council's contract with AfC.	250	3	3	**9**	**A**

Risk Grouping and Reference	Risk	Risk Description	Variation from budget in worst case scenario £000s	Likelihood (1 = low; 5 = high)	Impact (1 = low; 5 = high)	Total Score	RAG Rating
Treatment of demand led and other growth pressures including demographic growth 2	Children's SEN transport	Pressures due to increase demand in both taxis and minibuses have been recognised in 15/16 of about £200K. The children's commissioner has agreed growth of £50K in 16/17 for a new mini-bus subject to an strategy to divert demand & create more independence which also delivers better VFM. The risk relates to the potential failure in delivering this and the subsequent increase in costs to the Council through the change control mechanism	150	3	2	**6**	**G**
Treatment of demand led and other growth pressures including demographic growth 3	Homelessness - Bed & Breakfast	The number of households in temporary accommodation has increased significantly in 2015/16. The 2016/17 budget is set on the basis of 150 clients. Whist the demand has increased and may continue to increase, the exit solutions has slowed down (e.g. housing association properties). Therefore both demand and supply pressures are risks for this budget area. It is difficult to predict the number of clients but if the clients increased by 25 (from 150 to 175) the full year impact could be in the region of £200k.	200	2	2	**4**	**G**
Treatment of demand led and other growth pressures including demographic growth 4	Winter Maintenance & Highway Maintenance	The freezing conditions experienced over some recent winters have been followed by sustained periods of snow and ice. The weather conditions are impossible to predict, as experienced currently, but there is a risk of increased cost in terms of highway clearance and highway maintenance should poor weather conditions be experienced in 2016/17	500	3	5	**15**	**R**
Treatment of demand led and other growth pressures including demographic growth 5	Waste Management	Officers have modelled projected tonnage figures and inflation estimates in arriving at the budget for 2016/17 and beyond. However, tonnage projections remain volatile and the risk here is that tonnage exceeds that which has been projected	200	2	2	**4**	**G**
Treatment of demand led and other growth pressures including demographic growth 6	Housing Benefits	This risk represents the worst case scenario in a reduction in subsidy recovery for that which is budgeted.	400	2	4	**8**	**A**
Treatment of demand led and other growth pressures including demographic growth 7	Public Health	Risk that due to the open access nature of the Sexual health service commissioned by Public health the demand could increase above that planned by 3.5%.	51	2	1	**2**	**G**
Treatment of demand led and other growth pressures including demographic growth 9	Adult Social Care	Risk that budget growth allocated to Learning Disability clients transitioning from children's services to adults at 18 is insufficient. Budget growth allocated has been reduced on the basis that the All Age integration with children's services is established and starts delivering the planned efficiencies.	200	3	2	**6**	**G**

Risk Grouping and Reference	Risk	Risk Description	Variation from budget in worst case scenario £000s	Likelihood (1 = low; 5 = high)	Impact (1 = low; 5 = high)	Total Score	RAG Rating
Treatment of demand led and other growth pressures including demographic growth 12	Private Sector Leasing	Demand for suitable temporary accommodation remains a risk in conjunction with the next stage of welfare reform in Kingston with the rollout of Universal Credit	300	3	3	**9**	**A**
Financial risks inherent in any significant subsidiaries; new partnership arrangements' major outsourcing arrangements or major capital developments1	Ex-Continuing Healthcare Clients	Risk of increasing number of CHC clients being assessed as no longer meeting CHC requirements and therefore become the responsibility of RBK. 17 placements in care homes at average £900 weekly cost (gross) so far in 2015/16, with others requiring community-based support. Joint protocol with CCG on managing the flow of clients between ourselves still being developed and needs to be embedded before risk can be reduced. Assume £400k worst case scenario net of client contributions.	400	4	4	**16**	**R**
Financial risks inherent in any significant subsidiaries; new partnership arrangements' major outsourcing arrangements or major capital developments 2	Redundancy Costs	As joint working arrangements progress and outcomes are more clearly defined, there is potential for further redundancies and early retirement costs above those that have been forecast	300	3	3	**9**	**A**
Treatment of income budgets in relation to fees and demand 1	Social Services Income	Income from charges for community-based care - delay in consultation and decision can mean loss of £25k per month	150	5	2	**10**	**A**
Treatment of income budgets in relation to fees and demand 2	Parking Service Income	Income received in the parking service is generated by either demand led services such as off-street car parking or residents permits, or by penalty charge notices issued for traffic contraventions. The latter may reduce over time if compliance regarding bus lanes, moving traffic contraventions or parking requirements increases. A significant reduction in penalty charge notices would mean income falls below the level assumed in the budget. Similarly, if customer behaviour changes significantly in regards to use of off-street car parking or purchase of permits, this may cause income to fall below the budgeted level.	500	2	5	**10**	**A**
General Financial and Economic Climate 1	General Economic conditions	The recovery of the UK economy is still in a fragile position and could dip below the Government's estimates in the scale and rate over its recovery in the future. If this occurs, the Council will inevitably feel the effect in demand for its discretionary income generating services and also the potential default concerning its statutory charges	350	2	4	**8**	**A**

Risk Grouping and Reference	Risk	Risk Description	Variation from budget in worst case scenario £000s	Likelihood (1 = low; 5 = high)	Impact (1 = low; 5 = high)	Total Score	RAG Rating
General Financial and Economic Climate 2	Business Rates	The business rates retention system implemented in April 2013 means that the Council retains 30% of the business rates collected locally. The budget has assumed a prudent estimate of what this income will be, but continued economic uncertainty could cause an downward pressure on resources. A 1% reduction in the business rates collected would cause the retained amount to fall by around £200k.	200	2	2	**4**	**G**
		DK 2016-20 Budget Risk Total	**8,041**				

DK 2015-19 Budget Risk Total	**8,006**

ANNEX 2 – MEDIUM TERM FINANCIAL PLAN 2016/17 TO 2019/20

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
Expenditure				
Base Budget	147,593	147,593	147,593	147,593
Adjustments to Base	(689)	(699)	(709)	(709)
Inflation	2,205	5,579	9,125	12,722
Growth	6,238	6,608	7,188	7,687
Savings	(12,248)	(18,358)	(20,933)	(22,660)
Expenditure	**143,099**	**140,723**	**142,264**	**144,633**
Resources				
Parking & Traffic Reserves	(5,752)	(5,757)	(5,762)	(5,762)
Specific Grants	(18,289)	(18,048)	(16,093)	(16,221)
	(24,041)	(23,805)	(21,855)	(21,983)
Financing Resources for tax setting purposes				
Revenue Support Grant	(11,959)	(5,522)	(1,545)	0
Business Rates	(20,359)	(20,948)	(21,619)	(19,703)
Council Tax	(86,578)	(87,444)	(88,318)	(89,202)
Collection Fund (Surplus)/Deficit	(162)	0	0	0
	(119,058)	(113,914)	(111,482)	(108,905)
Total Resources	**(143,099)**	**(137,719)**	**(133,337)**	**(130,888)**
Budget Gap	**0**	**3,004**	**8,927**	**13,745**

Scale of options to close the budget gap 2017/18 to 2019/20

	2017/18 £000s	2018/19 £000s	2019/20 £000s
Total Estimated Budget Gap	9,114	17,612	24,157
Exisiting Planned Savings	(6,110)	(8,685)	(10,412)
Outstanding Estimated Budget Gap	**3,004**	**8,927**	**13,745**
Council Tax Solutions:			
Maximum Contribution from Social Care Levy	(1,749)	(3,603)	(5,568)
Maximum Contribution from General Increase	(1,740)	(3,585)	(5,540)
Total Maximum Contribution from Council Tax	**(3,489)**	**(7,189)**	**(11,109)**
Maximum Additional Savings Required	3,004	8,927	13,745
Minimum Additional Savings Required	(485)	1,738	2,637
Maximum Total Savings	9,114	17,612	24,157
Minimum Total Savings	5,625	10,423	13,049

ANNEX 3 – RECONCILIATION BETWEEN ORIGINAL BUDGET 2015/16 AND PROPOSED BUDGET 2016-17

	£000s
2015/16 Base Budget	**131,429**
Removal of specific income lines to Resources analysis:	
Public Health Grant	10,412
Parking & Traffic Reserves	5,752
2015/16 Base Budget Revised	**147,593**
Adjustments to base (Non Recurring items)	
Removal of One off Growth	(1,012)
Amendments to Planned Savings	321
Adjustments to Government Grants	1,062
Removal of transfer to reserves re Police Funding	(1,200)
Other minor budget adjustments	140
	146,904
Inflation	
Pay Total	486
Non-Pay Total	1,515
Concessionary Fares	116
Utilities	99
NNDR	51
Fees & Charges Total	(62)
	149,109
Growth	
Demand Growth	
Adults Social Care: LD transistions	530
DoLS External Assessments	20
AFC: Children's Social care and SEN transport	1,023
Waste Disposal	87
Temporary Housing Accomodation	647
Unavoidable Pressures	
Concessionary Fares (moving to usage apportionment over 3 years)	133
Reserves/Contingency - savings delivery	740
Recycing & Refuse Commissioning	368
Flood Water management	200
ICT (licenses and Application Support)	122
Additional pension Fund contributions due to Actuarial valuation	250
Capital Financing Costs	576
Changes to National Insurance Contributions	1,264
OBB Reprioritisation	
Culture and Lifelong (outcome 8)	134
Economic Development Plan (outcome 5)	122
Casserole Club (Outcome 3)	20
Neighbourhood watch (Outcome 3)	2
	155,347
Budget Reductions	
Budget Reductions identified	(12,248)
Gross Budget Requirement 2016/17	**143,099**
Financed by:	
Specific Grants	(18,289)
Statutory Parking & Traffic Reserves	(5,752)
Net Budget Requirement 2016/17	**119,058**
Resources:	
Revenue Support Grant	(11,959)
Business Rates	(20,359)
Council Tax	(86,578)
Collection Fund (Surplus)/Deficit (Council Tax)	(1,849)
Collection Fund (Surplus)/Deficit (Business Rates)	1,687
Total Resources	**(119,058)**

ANNEX 4 – BUDGET REDUCTIONS 2016/17 TO 2019/20

Outcome	Reference	Portfolio	Service	Savings Title	Description of Saving	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
1	1a	Adults	Adults Social Care	Older People Accommodation Strategy	Full-year effect of closure of Hobkirk House Residential Care Home	280	280	280	280
1	1b	Adults	Adults Social Care	Charging Policy	Align home care charging policy with other London boroughs (full-year effect as £162k included in 2015/16)	138	138	138	138
1	1c	Adults	Adults Social Care	Daycare Contracts	Prevention contracts reprocurement savings (full-year effect)	13	13	13	13
1	1d	Adults	Public Health	NHS Health Checks	Ensuring efficiency against health check providers (full-year effect)	36	36	36	36
1	1e	Adults	Adults Social Care / Public Health	Kingston Coordinated Care Programme	Transformation Programme, including Integrated Customer journey, Integrated model of care, Active & Supportive Communities, Joint Commissioning and Home Care Recommissioning	1,545	2,118	2,118	2,118
1	1f	Adults	Adults Social Care	Learning Disabilities All Age Service	All Age Service for people with learning disability and children with disabilities in a single team to work with service users and their families across whole life course.	340	1,570	1,570	1,570
1	1g	Adults	Public Health	Public Health - Lifestyle Services	Consolidation of Lifestyle Services to create more efficient and aligned functions and roles and refocussing services towards more targeted intervention.	156	181	181	181
1	1h	Learning & Children's and Adults	Culture & Lifelong Learning / Public Health	Public Health and Sports & Leisure Service	Integrate commissioning of the Public Health Get Active Programme with the Sports and Leisure Service, including efficiencies in the Sports and Leisure Service	146	129	129	129
1	1i	Adults	Adults Social Care	Mental Health Review	Adults Social Care - Review of Section 75 arrangements with South West London & St Georges Mental Health Trust	325	325	325	325
1	1j	Adults	Adults Social Care	Supported Living Support	Reduce support provision	83	114	114	114
1	1k	Adults	Public Health	Sexual Health Pause Project	Sexual Health Pause Project (net saving)	108	275	400	400
1	1l	Other Corporate Services	Other Corporate Services	Corporate Services - National Non-Domestic Rate Relief	Budget realignment to reflect changes to National Non-Domestic Rates arrangements	128	128	128	128
1	1m	Learning and Children's Services	Achieving for Children	Children's Social Care - Better by Design	Better by Design - developing / training specialist foster carers rather than using high cost residential placements. Includes developing a support facility.	137	397	657	865
1	1n	Learning and Children's Services	Achieving for Children	Early Help - Youth Service	Recommissioning of Youth Service Facilities	95	95	95	125
1	1o	Learning and Children's Services	Achieving for Children	Early Help - Youth Offending Service	Reduction in early intervention and preventative work	13	28	28	36
1	1p	Learning and Children's Services	Achieving for Children	Early Help - Early Years - Children's Centres	Reductions in staffing and premises costs through restructuring of Children's Centres network	25	212	212	279
1	1q	Learning and Children's Services	Achieving for Children	Children's Social Care - other budgets	Reductions in other smaller budgets that can be reduced through the alignment of policies and services across both local authorities	10	20	20	26
1	1r	Learning and Children's Services	Achieving for Children	Children's Social Care - Cluster Modelling	Cluster Modelling: redesign of social care teams into three locality clusters, co-location of teams and rationalisation of accommodation.	374	891	941	1,239
1	1s	Learning and Children's Services	Achieving for Children	AfC Support Service Review	Review all support functions currently provided and identify reductions or new procurement options	19	56	93	122

Outcome	Reference	Portfolio	Service	Savings Title	Description of Saving	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
1	1t	Learning and Children's Services	Achieving for Children	AfC - Standards and Improvement	Reduction in staffing & training	30	41	93	122
1	1u	Learning and Children's Services	Achieving for Children	AfC - Finance and Resources	Reprocurement and staffing efficiency savings	27	43	68	89
1	1v	Learning and Children's Services	Achieving for Children	AfC - Social Care - Supported Accomodation Project	Developing multi occupancy accommodation facilities which will be more cost effective than using private accommodation	0	175	300	395
2	2a	Learning and Children's Services	Culture & Lifelong Learning	Modernising library services	New self-service technology will modernise libraries, realising staffing efficiency savings while retaining the existing seven libraries.	127	301	311	322
2	2b	Learning and Children's Services	Achieving for Children	AfC - Education Services	Rationalisation of Education Inclusion and Pupil Support Services	63	63	63	82
2	2c	Learning and Children's Services	Achieving for Children	AfC - Education Services - Cluster Modelling	Cluster Modelling: redesign of teams into three locality clusters, co-location of teams and rationalisation of accommodation.	183	263	281	369
2	2d	Learning and Children's Services	Achieving for Children	AfC Support Service Review	Review all support functions currently provided and identify reductions or new procurement options	6	19	32	43
2	2e	Learning and Children's Services	Achieving for Children	AfC - Standards and Improvement	Reduction in staffing & training	10	14	32	43
2	2f	Learning and Children's Services	Achieving for Children	AfC - Finance and Resources	Reprocurement and staffing efficiency savings	9	15	24	31
2	2g	Learning and Children's Services	Achieving for Children	AfC - Speech and Language Contract	Joint procurement savings	0	100	100	132
3	3a	Place	Cemetries and Crematoria	Environment Regulatory Services income	Increase to income target for fees and charges for regulatory services	17	22	22	22
3	3b	Place	Housing General Fund Community Housing	Dog Warden	Procurement savings	10	10	11	11
3	3c	One Council Services	Revenues and Benefits	Amalgamated Funds	Amalgamated Hardship Fund, Social Fund, and School Uniform Subsidy	31	31	31	31
3	3d	Place	Registrars, Bereavement Services and Building Control	Regulatory Services Charging	Review of Charging - target of self sufficiency for Registrars, Bereavement Services and Building Control	150	188	266	316
3	3e	Place	Environmental Health and Trading Standards	Regulatory Services Shared Service	Reduction in management costs in 2016/17 through shared service arrangements with further rationalisation of service in later years.	150	200	250	250
3	3f	Place	Building Regulation	Building Control Shared Service	Savings through Shared Service arrangements	0	0	20	20
3	3g	One Council Services	Safer Kingston Partnership	Town Centre Policing	Generate external contribution towards existing contract	0	50	0	0
4	4a	One Council Services	Finance	Customer Contact Centre income	Kingston Interpreting Service Income - revise pricing structure	34	66	66	67
4	4b	Adults	Public Health	Community Development	Reduction in activity to reflect reduction in Public Health grant in-year in 2015-16	32	32	32	32
4	4c	One Council Services	Property Services	Library Halls and the Hook Centre Utilities	Realign utilities budgets to reflect efficiencies	25	30	36	41
4	4d	Neighbourhoods	Neighbourhoods One Council Services	Neighbourhood Improvement Budgets & Community Grants	Ward Funding Initiative to increase and replace current Neighbourhood Improvement Budgets & Community Grants	29	29	29	29
4	4e	One Council Services	Organisational Development and Strategic Business	Communities functions	Implement Communities Review to create new function for community engagement	193	212	283	304
4	4f	Adults	Adults Social Care	Learning Disabilities	Recommission arrangements for Learning Disability Parliament	0	15	30	30

Outcome	Reference	Portfolio	Service	Savings Title	Description of Saving	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
5	5a	Place	Compliance and Street Trading	Compliance & Street Trading Income	Income target increased in line with current demand and volumes	20	20	20	20
5	5b	One Council Services	Organisational Development and Strategic Business	Local Land Charges Income	Income target increased in line with current demand and volumes	15	15	15	15
5	5c	Place	Development Control	Development Control income	Pre-planning checks service	15	20	30	50
5	5d	Place	Strategic Planning	Community Infrastructure Levy	Increased income from administrative element of CIL	30	50	50	50
5	5e	Learning and Children's Services	Culture & Lifelong Learning	International Partnerships	Current activity to cease and core tasks to be undertaken under Local Economic Growth and Development plan (budget growth)	27	28	28	29
5	5f	One Council Services	Strategic Business	Annual Contribution to Kingston Chamber of Commerce	Current activity to cease and core tasks to be undertaken under Local Economic Growth and Development plan (budget growth)	24	24	24	24
5	5g	One Council Services	Strategic Business	Business Community Strategy	Current activity to cease and core tasks to be undertaken under Local Economic Growth and Development plan (budget growth)	32	32	32	32
5	5h	Place	Development Control	Development Control Income	Potential Statutory increase to Planning Fees dependent on statutory increase directed by Government	0	50	50	50
5	5i	Place	Development Control	Development Control Shared Service	Efficiencies and increased income to be delivered from a shared service for specific tasks within Development Control	0	100	100	100
5	5j	Place	Strategic Planning	Business Incubator Hub	Profit Share from new arrangements	0	50	50	50
6	6a	Place	Housing General Fund	Housing Options	Implementation of online application system (Housing ICT wizard) enables reduction in staffing levels	23	50	50	50
6	6b	Place	Housing General Fund	Private Leasing Scheme	Budget aligned with cost of meeting current levels of need, including reduced costs due to improved void turnaround timescales and Better Homes inprovement works. Demand will need to be monitored for future years and growth could be required if demand increases	543	543	543	543
6	6c	Place	Housing General Fund	Housing Management	Savings to be delivered from a shared service for specific tasks within Housing	0	53	53	53
6	6d	Place	Housing General Fund	Temporary Accommodation Bad Debts Provision	Improved rent collection levels for Bed & Breakfast and Private Leasing Scheme properties reduces cost of Bad Debts Provision	0	0	69	94
7	7a	Place	Planning and Transportation - Car Parks	P1 Place Shaping Programme: Car Parks	Recommissioning of RBK owned Car Parks (full-year effect)	283	283	283	283
7	7b	Place	Environment Waste	Refuse & Recycling Collection service recommissioning	Refuse & Recycling Collection service recommissioning in line with reports to Committees November / December 2014 (full-year effect)	1,243	1,243	1,243	1,243
7	7c	Place	Environment Street Services	Street Services Reprocurement	Procurement of new Street Works system (full-year effect)	5	5	5	5
7	7d	Place	Environment Waste	Waste Disposal Budget	Operational changes to Villiers Road HRRC (full-year effect)	140	140	140	140
7	7e	Place	Environment Shared Service	Environment Shared Service with Sutton	Savings achieved through shared service arrangements with Sutton (from November 2015)	200	270	310	310
7	7f	Place	Green Spaces Services	Parks & Green Spaces	Savings reflect extended Parks & Green Spaces contracts (Quadron/ATS)	160	160	160	160
7	7g	Place	Environment Waste	Waste Collection Service	Xmas tree collection agreed	10	10	10	10
7	7h	Place	Neighbourhood Engineers	Highway Maintenance	Introduce borough-wide commissioning of highway maintenance	400	400	400	400
7	7i	Place	Environment Shared Service	Street Lighting	Reduce contract management costs for street lighting	50	50	50	50
7	7j	Place	Environment Shared Service	Highway Maintenance - Footway Crossover Income	Increase charges for footway crossovers	50	75	75	75
7	7k	Place	Environment Shared Service	London Permitting Scheme (Highways Enforcement)	Implementation of single IT system within shared service to achieve efficiencies	15	75	75	75
7	7l	Place	Environment Shared Service	Lamp columns wifi pilot evaluation	Formalise scheme with network providers	25	30	30	30
7	7m	Place	Recycling and Refuse	Garden Waste Scheme Income	Increased marketing to increase take-up of service through subscriptions	30	30	30	30
7	7n	Place	Parking Services	Parking fines	Increased income from CCTV enforcement	340	300	260	260

Outcome	Reference	Portfolio	Service	Savings Title	Description of Saving	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
7	7o	Place	Recycling and Refuse	Cessation of free provision of Bio Bags	Cessation of provision of Bio Bag caddy liners	200	200	200	200
7	7p	Place	Green Spaces Services	Highway Maintenance - Tree Pits	Reduce cost of tree pit highway maintenance	0	20	20	20
7	7q	Place	Waste Services	Refuse Collection and Recycling	Recommissioning and negoatiation of SLWP Waste Contract	0	0	400	400
7	7r	Place	Parking Services	Parking Services	New delivery model for Parking Service	0	300	300	300
7	7s	Place	Environment Shared Service	Environment Shared Service	Create Shared Client Hub	0	0	60	60
7	7t	Place	Environment Shared Service	Environment Shared Service	Share winter maintenance delivery with others	0	0	250	250
7	7u	Place	Waste Services	Waste Services	Ceasing the separate collection of incontinence waste	0	20	20	20
8	8a	Learning and Children's Services	Kingston Music Service	Kingston Music Service	Additional income from Music Service	10	26	44	61
8	8b	Learning and Children's Services	Kingston Theatre	Kingston Theatre	Renegotiation of Rose Theatre Contract	150	160	180	195
9	9a	One Council Services	Property Services	Assets - P5 Place Shaping Programme	Total Facilities Management Contract savings (full-year effect)	146	146	146	146
9	9b	One Council Services	Property Services	Asset Strategy - Bus shelters / On Street Furniture	Income from bus shelters / On Street Furniture (full-year effect)	6	13	20	20
9	9c	One Council Services	Property Services	Asset Strategy - Commercial Portfolio	Income from Commercial Portfolio (full-year effect)	80	90	90	90
9	9d	One Council Services	Property Services	Asset Strategy - Place Shaping Programme Phase 2	P5 Place Shaping Programme Phase 2 (full-year effect)	25	25	25	25
9	9e	One Council Services	Property Services	Asset Strategy - Advertising	Income from new arrangements for Large Format Advertising (full-year effect)	12	12	12	12
9	9f	One Council Services	ICT	ICT - Telephony Contract	Cost reductions through review of telephony and data charges (full-year effect)	10	10	10	10
9	9g	One Council Services	Property Services	Assets - Revenue Savings from Disposals	Reduced running costs relating to properties to be disposed of under the Asset Strategy	100	300	300	300
9	9h	One Council Services	ICT	ICT Service Delivery	ICT Service Restructuring following implementation of modern desktop and new ICT service management system	70	70	70	70
9	9i	One Council Services	ICT	Mobile Phones	Cease provision of mobile phones other than for essential use	85	85	85	85
9	9j	One Council Services	Organisational Development and Strategic Business	Enabling Council - staffing reductions	Savings from redesign of Council operating model; reductions arise from integrating current One Council teams at a lower cost and/or extending use of shared service arrangements with Sutton for transactional services currently delivered within One Council teams.	1,161	1,678	1,773	1,974
9	9k	One Council Services	Organisational Development and Strategic Business	Enabling Council - increased income	Increased income through establishing Trading Company & Bid Unit	227	575	980	1,200
9	9l	One Council Services	Organisational Development and Strategic Business	Enabling Council - improved contract & commercial management	Achieve better value from existing contracts	350	570	960	890
9	9m	One Council Services	Organisational Development and Strategic Business	Enabling Council - Asset Strategy	Rationalise use of council buildings	0	163	212	463
9	9n	One Council Services	ICT	ICT Provision to AfC	ICT - Contribution to ICT costs from AfC once provision by Serco for former Richmond staff ceases	0	25	25	25
FC	FC1	Other Corporate Services	Interest & Capital Financing	Minimum Revenue Provision Saving	Reassessment of asset lives within MRP calculation	839	839	708	708
		Total Savings				**12,248**	**18,358**	**20,933**	**22,660**

ANNEX 5 – BUDGET REDUCTIONS BY OUTCOME AND SERVICE 2016/17 TO 2019/20

	2016/17 Outcome 1 £000s	2016/17 Outcome 2 £000s	2016/17 Outcome 3 £000s	2016/17 Outcome 4 £000s	2016/17 Outcome 5 £000s	2016/17 Outcome 6 £000s	2016/17 Outcome 7 £000s	2016/17 Outcome 8 £000s	2016/17 Org Outcome £000s	2016/17 Fixed Costs £000s	2016/17 Total Budget Reductions £000s	2017/18 Total Budget Reductions £000s	2018/19 Total Budget Reductions £000s	2019/20 Total Budget Reductions £000s
Health & Adult Services														
Adult Social Care	2,228	0	0	0	0	0	0	0	0	0	**2,228**	**3,424**	**3,439**	**3,439**
Public Health	943	0	0	32	0	0	0	0	0	0	**975**	**1,802**	**1,927**	**1,927**
Total Health & Adult Services	**3,171**	**0**	**0**	**32**	**0**	**0**	**0**	**0**	**0**	**0**	**3,203**	**5,226**	**5,366**	**5,366**
Learning & Childrens Services														
Commissioner Childrens Services	729	271	0	0	0	0	0	0	0	0	**1,000**	**2,431**	**3,037**	**4,000**
Culture & Lifelong learning	0	127	0	0	27	0	0	160	0	0	**314**	**515**	**563**	**607**
Total Learning & Childrens Services	**729**	**398**	**0**	**0**	**27**	**0**	**0**	**160**	**0**	**0**	**1,314**	**2,946**	**3,600**	**4,607**
Place Services														
Environment	0	0	317	0	20	0	3,011	0	0	0	**3,348**	**4,041**	**4,879**	**4,929**
South London Waste Partnership	0	0	0	0	0	0	140	0	0	0	**140**			
Planning & Transportation	0	0	0	0	45	0	0	0	0	0	**45**	**270**	**300**	**320**
Housing General Fund	0	0	10	0	0	566	0	0	0	0	**576**	**656**	**726**	**751**
Total Place Services	**0**	**0**	**327**	**0**	**65**	**566**	**3,151**	**0**	**0**	**0**	**4,109**	**4,967**	**5,905**	**6,000**
One Council Services														
Cross One Council Services/Enabling Council	0	0	0	0	0	0	0	0	1,738	0	**1,738**			
One Council Finance	0	0	0	0	0	0	0	0	0	0	**0**			
Revenues, Benefits & Pensions	0	0	31	0	0	0	0	0	0	0	**31**	**31**	**31**	**31**
ICT	0	0	0	0	0	0	0	0	165	0	**165**	**190**	**190**	**190**
Customer Contact	0	0	0	34	0	0	0	0	0	0	**34**	**66**	**66**	**67**
Asset Services	0	0	0	25	0	0	0	0	369	0	**394**	**616**	**629**	**634**
Organisational Development and Strategic Business	0	0	0	193	56	0	0	0	0	0	**249**	**3,255**	**4,266**	**4,885**
Legal Services	0	0	0	0	15	0	0	0	0	0	**15**	**15**	**15**	**15**
Corporate Governance	0	0	0	0	0	0	0	0	0	0	**0**			
Business Support	0	0	0	0	0	0	0	0	0	0	**0**			
Safer Kingston Partnership	0	0	0	0	0	0	0	0	0	0	**0**	**50**		
Total One Council Services	**0**	**0**	**31**	**252**	**71**	**0**	**0**	**0**	**2,272**	**0**	**2,626**	**4,223**	**5,197**	**5,822**
Neighbourhoods	**0**	**0**	**0**	**29**	**0**	**0**	**0**	**0**	**0**	**0**	**29**	**29**	**29**	**29**
Other Corporate Services	**128**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**839**	**967**	**967**	**836**	**836**
Total	**4,028**	**398**	**358**	**313**	**163**	**566**	**3,151**	**160**	**2,272**	**839**	**12,248**	**18,358**	**20,933**	**22,660**

ANNEX 6 – BUDGET REDUCTIONS PROPOSALS DK 2016-17 – EQUALITIES IMPACT ASSESSMENT

					Protected Characteristics of residents / service users											
Service	**Reference**	**Savings Title**	**Description of Saving**	**2016/17 £000s**	**Age**	**Disability**	**Gender Reassignment**	**Marriage & Civil Partnership**	**Pregnancy & Maternity**	**Race**	**Religion & Benefits**	**Sex**	**Sexual Orientation**	**Reason for Impact**	**Mitigation of Impact**	**Staff Implication**
Adults Social Care	1a	Older People Accommodation Strategy	Full-year effect of closure of Hobkirk House Residential Care Home	280	Neutral Impact									Closure programme undertaken and residents moved to new placements through agreement	Residents moved to new placements in a supported and coordinated way	Yes was undertaken in consultation and achieved through redeployment and other employment process
Adults Social Care	1b	Charging Policy	Align home care charging policy with other London boroughs (full-year effect as £162k included in 2015/16)	138	Potential negative impact on disability and age and other protected characteristics could be impac									Changes to the non-residential contributions policy will impact around 300 people with an additional charge on average of £30 per week. the range for additions charges will be from £1 to £60 per week	An Equality Impact will be produced as part of the consultation of these proposed changes	None
Adults Social Care	1c	Daycare Contracts	Prevention contracts reprocurement savings (full-year effect)	13	Neutral Impact									Efficiency savings	Better contract management and monitoring	None
Public Health	1d	NHS Health Checks	Ensuring efficiency amongst health check providers (full year effect)	36	Neutral Impact									The level of service will remain the same. A review of performance in 15/16 indicates that some pharmacy provision did not prove to be cost effective The outreach programme will target marginalised groups	Contract Monitoring during the duration of the contract	None

					Protected Characteristics of residents / service users											
Service	**Reference**	**Savings Title**	**Description of Saving**	**2016/17 £000s**	**Age**	**Disability**	**Gender Reassignment**	**Marriage & Civil Partnership**	**Pregnancy & Maternity**	**Race**	**Religion & Benefits**	**Sex**	**Sexual Orientation**	**Reason for Impact**	**Mitigation of Impact**	**Staff Implication**
Adults Social Care / Public Health	1e	Kingston Coordinated Care Programme	Transformation Programme, including Integrated Customer journey, Integrated model of care, Active & Supportive Communities, Joint Commissioning and Home Care Recommissioning	1,545	Potential impact on age and disability.									The experience for customers will be improved as assessments will be proportionate and unnecessary processes will be stripped out of the customer journey People will be supported in the community with short term reablement and community support that meets their needs and maximises people's independence The new model of care will ensure providers work more closely together to meet the needs of people with health and care needs A health and social care commissioning service will make better use of our capacity, reduce duplication and reduce senior management costs. The project will ensure sustainable home care in the future and will support the recruitment and retention of a committed	A EQIA screening assessment has been completed for the active and supportive communities work stream A full EQIA has been completed for the integrated customer journey project A full EQIA will be completed for other component KCC projects	Yes. Staff will work in new roles to new capabilities and in multi agency integrated teams. Options for the delivery vehicle for the new model of care are currently being explored. There will be a reduction in senior management costs.
Adults Social Care	1f	Learning Disabilities All Age Service	All Age Service for people with learning disability and children with disabilities in a single team to work with service users and their families across whole life course.	340	Potential impact on disabled people.									The project will improve the transition process for children and young people as they move into adulthood. Disabled people and children with disabilities will be supported to remain in their local communities rather than in residential placements out of borough	A full Equality Impact Screening Assessment will be carried out as the more detailed business case for this project is developed. Extensive stakeholder engagement with service users, carers and families will ensure that the voice of disabled people shape services	Yes. If the project proceeds to initiation staff currently working in separate children's and adult's teams will work together as one team. Management structures will change and management costs will be reduced.
Public Health	1g	Public Health - Lifestyle Services	Consolidation of Lifestyle Services to create more efficient and aligned functions and roles and refocusing services towards more targeted intervention.	156	Neutral impact									An initial assessment of the impact of these changes indicate that whilst there may be slightly less capacity and provision in some areas Public Health are still able to provide a level of support and provision and no activity will be completely stopped. There should be no substantial impact on achieving good outcomes for people through public health services.	Any impact of aligning roles or reductions in capacity will be mitigated by staff training to develop new capabilities A more detailed assessment of impact will be carried as these proposals are developed further.	Yes and equality consideration will be undertaken

					Protected Characteristics of residents / service users											
Service	Reference	Savings Title	Description of Saving	2016/17 £000s	Age	Disability	Gender Reassignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion & Benefits	Sex	Sexual Orientation	Reason for Impact	Mitigation of Impact	Staff Implication
Culture & Lifelong Learning / Public Health	1h	Public Health and Sports & Leisure Service	Integrate commissioning of the Public Health Get Active Programme with the Sports and Leisure Service, including efficiencies in the Sports and Leisure Service	146	Neutral impact									Joining up the functions and aligning staff roles will lead to efficiencies in commissioning resource and a more joined up and holistic response for people accessing sports and physical activity programmes.	An equalities impact assessment will be undertaken as the business case for this project is further developed As roles and functions are better aligned and integrated, training will be provided to mitigate against loss of expertise.	Yes: (i) restructure Active Kingston team, and (ii) as some roles in public health Get Active Programme will change. Phase 2 of this project will consider options for externalising the Get Active Programme
Adults Social Care	1i	Mental Health Review	Adults Social Care - Review of Section 75 arrangements with South West London & St Georges Mental Health Trust	325	Neutral impact									Early options analysis indicates that bringing social work back in house will lead to more efficient and effective social work practice and a greater focus on achieving the goals and priorities for adult social care	An equalities impact assessment will be undertaken as this business case is further developed	Yes. Staff will transfer back to council premises although they are currently seconded to the Trust so there is no requirement to undertake TUPE
Adults Social Care	1j	Supported Living Support	Reduce support provision	83	Neutral Impact									An early assessment indicates that it is possible to maintain good housing related support through these schemes at a slightly reduced level Other RSLs in other boroughs manage sheltered housing without financial input from the council.	Provider have other funding streams. Impact on tenants will be minimal if services restructure rents by March 2016. Provider have given information about how they will mitigate risks from restructuring staff	None
Public Health	1k	Sexual Health Pause Project	Sexual Health Pause Project (net saving)	108	Positive on Gender									Evidence from Pause Project in Hackney indicates 100% success rate from participants	An equality Impact assessment will be undertaken on project implementation	Team to be created if investment is identified
Other Corporate Services	1l	Corporate Services - National Non-Domestic Rate Relief	Budget realignment to reflect changes to National Non-Domestic Rates arrangements	128	Neutral Impact									Statutory Changes	N/A	None
Achieving for Children	1m	Children's Social Care - Better by Design	Better by Design - developing / training specialist foster carers rather than using high cost residential placements. Includes developing a support facility.	137	Age- the programme is focused on providing foster care placements for children and young people. Disability- the programme could have an impact									Income- The DfE has sponsored the programme to develop and train specialist foster care placements . Invest to save	Long term this programme will reduce the use and cost of residential units and increase their 'right to a family life' for more looked after children and young people. In addition to their long term educational, emotional, social and economic outcomes. Existing services will continue to cater for disabled children and new service will take account of disabled children's needs	None- the outcomes of the programme will not affect role and function of workforce

					Protected Characteristics of residents / service users											
Service	Reference	Savings Title	Description of Saving	2016/17 £000s	Age	Disability	Gender Reassignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion & Benefits	Sex	Sexual Orientation	Reason for Impact	Mitigation of Impact	Staff Implication
Achieving for Children	1n	Early Help - Youth Service	Recommissioning of Youth Service Facilities	95	Age- the re-commissioning programme is focused on re-designing services for young people. Disability- could have an impact									Enhanced Service offer that is more community based and flexible	A comprehensive consultation will be undertaken with current service users and the wider community. An EQIA will be undertaken to inform the final proposals submitted to members for a decision. Service provision will take account of disabled children's needs	The re-design of services may have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	1o	Early Help - Youth Offending Service	Reduction in early intervention and preventative work	13	Neutral Impact l-no front line services or statutory interventions will be compromised.									Efficiency Savings	Service delivery will not be affected as this is a staffing structure change	None Deletion of vacant post
Achieving for Children	1p	Early Help - Early Years - Children's Centres	Reductions in staffing and premises costs through restructuring of Children's Centres network	25	Age- the re-design of the children's centres is focused on re-designing services targeted at children 0-5 years and their families. .Disability- could have an impact Gender-A high proportion of the workforce is female.									Efficiency Savings	A comprehensive consultation will be undertaken with current service users and the wider community. An EQIA will be undertaken to inform the final proposals submitted to members for a decision. Service provision will take account of disabled children's needs	The re-design of services may have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	1q	Children's Social Care - other budgets	Reductions in other smaller budgets that can be reduced through the alignment of policies and services across both local authorities	10	Neutral Impact - no front line services or statutory interventions will be compromised. The proposal is to create efficiencies by aligning business processes across the department									Time efficiencies and improved working practices	Front line services will not be affected as this is a change to business processes	Staffing will not be affected as this is a change to business processes
Achieving for Children	1r	Children's Social Care - Cluster Modelling	Cluster Modelling: redesign of social care teams into three locality clusters, co-location of teams and rationalisation of accommodation.	374	Age/ Disability -the services being re-designed are focused on working with the most vulnerable children and young people in the borough including children and young people within disabilities and complex needs.									Improved service delivery that is more community based	A comprehensive consultation will be undertaken with current service users and staff. An EQIA will be undertaken to inform the final proposals submitted to members for a decision.	The re-design of services may have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	1s	AfC Support Service Review	Review all support functions currently provided and identify reductions or new procurement options	19	Neutral Impact									Efficiency Savings	No direct impact on service users anticipated	Potential implications on staff at this point. An EQIA will be completed as necessary.
Achieving for Children	1t	AfC - Standards and Improvement	Reduction in staffing & training	30	Neutral Impact									Efficiency Savings	No direct impact on service users anticipated	The re-design of training and staffing will have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	1u	AfC - Finance and Resources	Reprocurement and staffing efficiency savings	27	Neutral Impact									Efficiency Savings	No direct impact on service users anticipated	The re-design of finance and staffing will have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.

					Protected Characteristics of residents / service users											
Service	**Reference**	**Savings Title**	**Description of Saving**	**2016/17 £000s**	**Age**	**Disability**	**Gender Reassignment**	**Marriage & Civil Partnership**	**Pregnancy & Maternity**	**Race**	**Religion & Benefits**	**Sex**	**Sexual Orientation**	**Reason for Impact**	**Mitigation of Impact**	**Staff Implication**
Culture & Lifelong Learning	2a	Modernising library services	New self-service technology will modernise libraries, realising staffing efficiency savings while retaining the existing seven libraries.	127	Neutral impact									Modernisation of library service and efficiency savings	An Equality Assessment will be undertaken as part often change process. A minimum staffing level will be maintained in every library to support users to use the self service to take account of individual needs. Ensure the machines will be compliant taking account of disability , ager and other protected characteristics	Yes. Potential change to staff roles are envisaged. Equality Impact will be undertaken as necessary
Achieving for Children	2b	AfC - Education Services	Rationalisation of Education Inclusion and Pupil Support Services	63	Gender-the rationalisation of the education and pupil support services is likely to have an impact on staffing. Age -the rationalisation exercise may have some impact on the front line services provided which are targeted at children and young people at risk of or not in education.									Efficiency Savings	A comprehensive consultation will be undertaken with current service users and the wider community. An EQIA will be undertaken to inform the final proposals submitted to members for a decision.	The rationalisation of these services is likely to have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	2c	AfC - Education Services - Cluster Modelling	Cluster Modelling: redesign of teams into three locality clusters, co-location of teams and rationalisation of accommodation.	183	Age/ Disability - the services being re-designed are focused on working with the most vulnerable children and young people in the borough including those with Special Educational Needs and Disability .									Improved service delivery that is more community based	A comprehensive consultation will be undertaken with current service users and staff. An EQIA will be undertaken to inform the final proposals submitted to members for a decision.	The re-design of services may have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	2d	AfC Support Service Review	Review all support functions currently provided and identify reductions or new procurement options	6	Neutral impact									Efficiency Savings	No direct impact on service users anticipated	Unknown implications on staff at this point. An EQIA will be completed as necessary.
Achieving for Children	2e	AfC - Standards and Improvement	Reduction in staffing & training	10	Neutral Impact									Efficiency Savings	No direct impact on service users anticipated	The re-design of training and staffing will have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Achieving for Children	2f	AfC - Finance and Resources	Reprocurement and staffing efficiency savings	9	Neutral Impact									Efficiency Savings	No direct impact on service users anticipated	The re-design of training and staffing will have implications for staff. An EQIA will be undertaken prior to any consultation with staff and changes to job roles.
Cemeteries and Crematoria	3a	Environment Regulatory Services income	Increase to income target for fees and charges for regulatory services	17	Neutral Impact									Income Generation	N/A	None
Housing General Fund Community Housing	3b	Dog Warden	Procurement savings	10	Neutral Impact									Efficiency Savings	N/A	Potential equality consideration will be undertaken

Service	Reference	Savings Title	Description of Saving	2016/17 £000s	Age	Disability	Gender Reassignment	Marriage & Civil Partnership	Pregnancy & Maternity	Race	Religion & Benefits	Sex	Sexual Orientation	Reason for Impact	Mitigation of Impact	Staff Implication
Revenues and Benefits	3c	Amalgamated Funds	Amalgamated Hardship Fund, Social Fund, and School Uniform Subsidy	31	Neutral Impact									No impact - budget realignment will bring budgets into one fund.	This has not affected the criteria that were drawn up to govern these funds. The school uniform fund will be amalgamated into the Crisis Fund and an EQIA will be undertaken for this during January 2016.	None
Registrars, Bereavement Services and Building Control	3d	Regulatory Services Charging	Review of Charging - target of self sufficiency for Registrars, Bereavement Services and Building Control	150	Neutral Impact									Env shared service with Sutton 2015/2016/17 Building Control review of processes and market share 2016/17 No impact - service to Kingston residents and service users will be unaffected.	EQIA will be undertaken as part of the Environment Shared Service process. EQIA will also be undertaken if there are changes to policy that affect protected groups.	Yes Environmental Health and Trading Standards. Equality impact assessment will be undertaken as necessary
Environmental Health and Trading Standards	3e	Regulatory Services Shared Service	Reduction in management costs in 2016/17 through shared service arrangements with further rationalisation of service in later years.	150	Neutral Impact									Env shared service with Sutton 2015/2016/17 Building Control review of processes and market share 2016/17 No impact - service to Kingston residents and service users will be unaffected.	EQIA will be undertaken as part of the Environment Shared Service process. EQIA will also be undertaken if there are changes to policy that affect protected groups.	Yes Environmental Health and Trading Standards. Equality impact assessment will be undertaken as necessary
Finance	4a	Customer Contact Centre income	Kingston Interpreting Service Income - revise pricing structure	34	Largely positive impact across all characteristics									Price increases will be paid by the commissioning organisation rather than the individual service user. Additional travel payments will benefit many interpreters across all characteristics	N/A	None
Public Health	4b	Community Development	Reduction in activity to reflect reduction in Public Health grant in-year in 2015-16	32	Neutral Impact									Alternative funding identified to continue service from external body	N/A	None
Property Services	4c	Library Halls and the Hook Centre Utilities	Realign utilities budgets to reflect efficiencies	25	Neutral Impact									No impact - budget realignment will bring budgets into line with recent spending patterns reflecting energy efficiencies	N/A	None
Neighbourhoods One Council Services	4d	Neighbourhood Improvement Budgets & Community Grants	Ward Funding Initiative to increase and replace current Neighbourhood Improvement Budgets & Community Grants	29	Neutral Impact									Potential to have an impact on any VCS group who may not be able to access funding that previously would have been available via discretionary funds, though there is alternative funding available via the ward scheme. These budgets recorded under spends in past years so the budget reduction can be accommodated with no significant reduction in actual spend.	Ward funding scheme will enable Members to prioritise funding to high priority needs within their ward. VCS groups can access emerging needs fund and support to engage in Council commissioning. New Communities function will offer additional capacity building and support to VCS groups.	None

					Protected Characteristics of residents / service users											
Service	**Reference**	**Savings Title**	**Description of Saving**	**2016/17 £000s**	**Age**	**Disability**	**Gender Reassignment**	**Marriage & Civil Partnership**	**Pregnancy & Maternity**	**Race**	**Religion & Benefits**	**Sex**	**Sexual Orientation**	**Reason for Impact**	**Mitigation of Impact**	**Staff Implication**
Organisational Development and Strategic Business	4e	Communities functions	Implement Communities Review to create new function for community engagement	193	Currently rated as neutral as impact can only be fully assessed once detailed design work for the new structure is completed.									Transforming the engagement function should have positive impact for all residents as it will provide more opportunities to engage with the Council and make their voice heard. This should also strengthen links across the Kingston Family and mean Council commissioning is based on the needs and views of service users and residents.	A full EQIA will be undertaken as part of the review	Yes - several teams in scope, full EQIA and consultation will be required and there will be opportunities for re-deployment into the new communities function
Compliance and Street Trading	5a	Compliance & Street Trading Income	Income target increased in line with current demand and volumes	20	Neutral Impact									Income Generation	N/A	None
Organisational Development and Strategic Business	5b	Local Land Charges Income	Income target increased in line with current demand and volumes	15	Neutral Impact									Income Generation	N/A	None
Development Control	5c	Development Control income	Pre-planning checks service	15	Neutral Impact									Income Generation	N/A	None
Strategic Planning	5d	Community Infrastructure Levy	Increased income from administrative element of CIL	30	Neutral Impact									Income Generation	N/A	None
Culture & Lifelong Learning	5e	International Partnerships	Current activity to cease and core tasks to be undertaken under Local Economic Growth and Development plan (budget growth)	27	Neutral Impact									Realignment of Budget	Equality Impact will be undertaken	Potential impact
Strategic Business	5f	Annual Contribution to Kingston Chamber of Commerce	Current activity to cease and core tasks to be undertaken under Local Economic Growth and Development plan (budget growth)	24	Neutral Impact									Realignment of Budget	Potentially through Commissioning	None
Strategic Business	5g	Business Community Strategy	Current activity to cease and core tasks to be undertaken under Local Economic Growth and Development plan (budget growth)	32	Neutral Impact									Realignment of Budget	Equality Impact will be undertaken	Potential Impact
Housing General Fund	6a	Housing Options	Implementation of online application system (Housing ICT wizard) enables reduction in staffing levels	23	Neutral Impact									The implementation of this program should actually improve the service for the majority of service users.	Ensuring access channels that are useable by digitally excluded service users are retained.	Yes and equality impact will be undertaken as necessary
Housing General Fund	6b	Private Leasing Scheme	Budget aligned with cost of meeting current levels of need, including reduced costs due to improved void turnaround timescales and Better Homes improvement works	543	Neutral Impact									This saving is found through withdrawing funding from the Housing service which they have historically not spent. Room is still retained within this budget to accommodate extra pressures on temporary accommodation - specifically Bed and Breakfast placements - so this should have no impact on service delivery	Ensuring accurate and continual forecasting of the borough's Temporary Accommodation needs	None

					Protected Characteristics of residents / service users											
Service	**Reference**	**Savings Title**	**Description of Saving**	**2016/17 £000s**	**Age**	**Disability**	**Gender Reassignment**	**Marriage & Civil Partnership**	**Pregnancy & Maternity**	**Race**	**Religion & Benefits**	**Sex**	**Sexual Orientation**	**Reason for Impact**	**Mitigation of Impact**	**Staff Implication**
Planning and Transportation - Car Parks	7a	P1 Place Shaping Programme: Car Parks	Recommissioning of RBK owned Car Parks (full-year effect)	283	Neutral Impact									Efficiency savings	N/A	Possible staff implication, review of the service may see reduction in staff numbers.
Environment Waste	7b	Refuse & Recycling Collection service recommissioning	Refuse & Recycling Collection service recommissioning in line with reports to Committees November / December 2014 (full-year effect)	1,243	Potential impact on age and disability and neutral on other characteristics									Efficiency savings through new methods of collection	An equality impact assessment will be undertaken to ensure older and disabled people's needs are taken into account through appropriate provision	None
Environment Street Services	7c	Street Services Reprocurement	Procurement of new Street Works system (full-year effect)	5	Neutral Impact									Efficiency savings	N/A	None
Environment Waste	7d	Waste Disposal Budget	Operational changes to Villiers Road HRRC (full-year effect)	140	Neutral Impact									Efficiency savings achieved through changes to opening times	N/A	None
Environment Shared Service	7e	Environment Shared Service with Sutton	Savings achieved through shared service arrangements with Sutton (from November 2015)	200	Neutral Impact									Efficiency savings through better contract management and sharing services	Equality Impact assessment will be undertaken as necessary	Potential staffing impact Equality Impact will be undertaken
Green Spaces Services	7f	Parks & Green Spaces	Savings reflect extended Parks & Green Spaces contracts (Quadron/ATS)	160	Neutral Impact									Efficiency savings Overall neutral impact but possibility that residents may notice change in any maintenance schedules.	Need to be able to respond appropriately if there are any queries	None
Environment Waste	7g	Waste Collection Service	Xmas tree collection agreed	10	Neutral Impact									Efficiency savings	N/A	None
Neighbourhood Engineers	7h	Highway Maintenance	Introduce borough-wide commissioning of highway maintenance	400	Neutral Impact									Efficiency Savings	Better coordination of works	None
Environment Shared Service	7i	Street Lighting	Reduce contract management costs for street lighting	50	Neutral Impact									Efficiency Savings	Contractual changes	None
Environment Shared Service	7j	Highway Maintenance - Footway Crossover Income	Increase charges for footway crossovers	50	Neutral impact									Income Generation	N/A	None
Environment Shared Service	7k	London Permitting Scheme (Highways Enforcement)	Implementation of single IT system within shared service to achieve efficiencies	15	Neutral Impact									Income Generation	N/A	None
Environment Shared Service	7l	Lamp columns wifi pilot evaluation	Formalise scheme with network providers	25	Neutral Impact									Income Generation	Engagement with Network providers	None
Recycling and Refuse	7m	Garden Waste Scheme Income	Increased marketing to increase take-up of service through subscriptions	30	Neutral Impact									Income Generation	N/A	None
Parking Services	7n	Parking fines	Increased income from CCTV enforcement	340	Neutral Impact									Income Generation	N/A	None
Recycling and Refuse	7o	Cessation of free provision of Bio Bags	Cessation of provision of Bio Bag caddy liners	200	Neutral Impact									Decommissioning this service to deliver efficiency savings	Significant communication exercise will be undertaken across the borough to ensure residents are aware and know what alternative action to take.	None
Kingston Music Service	8a	Kingston Music Service	Additional income from Music Service	10	Neutral Impact									Income Generation	N/A	None
Kingston Theatre	8b	Kingston Theatre	Renegotiation of Rose Theatre Contract	150	Neutral Impact									Contractual changes	N/A	None
Property Services	9a	Assets - P5 Place Shaping Programme	Total Facilities Management Contract savings (full-year effect)	146	Neutral Impact									Efficiency savings	N/A	None

					Protected Characteristics of residents / service users											
Service	**Reference**	**Savings Title**	**Description of Saving**	**2016/17 £000s**	**Age**	**Disability**	**Gender Reassignment**	**Marriage & Civil Partnership**	**Pregnancy & Maternity**	**Race**	**Religion & Benefits**	**Sex**	**Sexual Orientation**	**Reason for Impact**	**Mitigation of Impact**	**Staff Implication**
Property Services	9b	Asset Strategy - Bus shelters / On Street Furniture	Income from bus shelters / On Street Furniture (full-year effect)	6	Neutral Impact									Income Generation	N/A	None
Property Services	9c	Asset Strategy - Commercial Portfolio	Income from Commercial Portfolio (full-year effect)	80	Neutral Impact									Income Generation	N/A	None
Property Services	9d	Asset Strategy - Place Shaping Programme Phase 2	P5 Place Shaping Programme Phase 2 (full-year effect)	25	Neutral Impact									Efficiency savings	Different delivery model	None
Property Services	9e	Asset Strategy - Advertising	Income from new arrangements for Large Format Advertising (full-year effect)	12	Neutral Impact									Income Generation	N/A	None
ICT	9f	ICT - Telephony Contract	Cost reductions through review of telephony and data charges (full-year effect)	10	Neutral Impact									Efficiency savings	N/A	None
Property Services	9g	Assets - Revenue Savings from Disposals	Reduced running costs relating to properties to be disposed of under the Asset Strategy	100	Neutral Impact									Efficiency savings	N/A	None
ICT	9h	ICT Service Delivery	ICT Service Restructuring following implementation of modern desktop and new ICT service management system	70	Neutral Impact									Efficiency savings	N/A	Potential impact on staff Equality consideration will be undertaken
ICT	9i	Mobile Phones	Cease provision of mobile phones other than for essential use	85	Neutral Impact									Efficiency Savings	N/A	None
Organisational Development and Strategic Business	9j	Enabling Council - staffing reductions	Savings from redesign of Council operating model; reductions arise from integrating current One Council teams at a lower cost and/or extending use of shared service arrangements with Sutton for transactional services currently delivered within One Council teams.	1,161	Neutral Impact									Redesign of Council operating model and efficiency savings	All projects will continue to undertake equality impact as necessary	Potential staff implication equality impact will need to be undertaken
Organisational Development and Strategic Business	9k	Enabling Council - increased income	Increased income through establishing Trading Company & Bid Unit	227	Neutral Impact,									Service efficiency and revenue raising initiative	Equality Impact will undertaken as necessary	Potential staff implication equality impact will need to be undertaken
Organisational Development and Strategic Business	9l	Enabling Council - improved contract & commercial management	Achieve better value from existing contracts	350	Neutral Impact									Efficiency Savings	Improving value for money	Potential staff implication equality impact will need to be undertaken
Interest & Capital Financing	FC1	Minimum Revenue Provision	Reduction in annual charge due to asset lives review	839	Neutral Impact									Efficiency Savings	Change in Accounting Estimate	None
Total Savings				**12,248**												

ANNEX 7 – GROWTH BY OUTCOME AND SERVICE 2016/17 TO 2019/20

	2016/17 Outcome 1 £000s	2016/17 Outcome 2 £000s	2016/17 Outcome 3 £000s	2016/17 Outcome 4 £000s	2016/17 Outcome 5 £000s	2016/17 Outcome 6 £000s	2016/17 Outcome 7 £000s	2016/17 Outcome 8 £000s	2016/17 Org Outcome £000s	2016/17 Fixed Costs £000s	2016/17 Total Budget Growth £000s	2017/18 Total Budget Growth £000s	2018/19 Total Budget Growth £000s	2019/20 Total Budget Growth £000s
Health & Adult Services														
Adult Social Care	707	0	0	2	0	0	0	0	0	133	**842**	1,372	1,902	2,432
Public Health	41	0	0	0	0	0	0	0	0	0	**41**	41	41	41
Total Health & Adult Services	**748**	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**133**	**883**	**1,413**	**1,943**	**2,473**
Learning & Childrens Services														
Commissioner Childrens Services	1,045	365	0	0	0	0	0	0	0	0	**1,410**	1,411	1,411	1,411
General Fund Services to Schools	5	0	0	0	0	0	0	15	0	0	**20**	20	20	20
Culture & Lifelong Learning	3	35	0	0	0	0	0	140	0	0	**178**	171	171	171
Total Learning & Childrens Services	**1,053**	**400**	**0**	**0**	**0**	**0**	**0**	**155**	**0**	**0**	**1,608**	**1,602**	**1,602**	**1,603**
Place Services														
Environment	1	0	31	0	1	0	261	0	0	0	**294**	294	294	294
South London Waste Partnership	0	0	0	0	0	0	465	0	0	0	**465**	465	465	465
Planning & Transportation	0	0	8	0	154	3	3	0	0	0	**168**	419	399	395
Housing General Fund	0	0	0	0	0	674	0	0	0	0	**674**	674	674	674
Total Place Services	**1**	**0**	**39**	**0**	**155**	**677**	**729**	**0**	**0**	**0**	**1,602**	**1,852**	**1,832**	**1,828**
One Council Services														
One Council Finance	0	0	0	1	0	0	0	0	72	0	**73**	72	72	72
Revenues, Benefits & Pensions	0	0	0	0	0	0	0	0	36	0	**36**	36	36	36
ICT	0	0	0	0	0	0	0	0	191	0	**191**	191	191	191
Customer Contact	0	0	0	0	0	0	0	0	22	0	**22**	23	23	23
Asset Services	0	0	0	0	0	0	0	0	34	0	**34**	34	34	34
Strategic Business	0	2	24	6	1	0	0	0	41	0	**74**	72	73	74
Organisational Development	0	0	0	0	0	0	0	0	47	0	**47**	47	47	47
Legal Services	0	0	0	0	1	0	0	0	2	0	**3**	3	3	3
Corporate Governance	0	0	0	0	0	0	0	0	36	0	**36**	36	36	36
Business Support	0	0	0	0	0	0	0	0	51	0	**51**	51	51	51
Safer Kingston Partnership	0	0	2	0	0	0	0	0	0	0	**2**	2	202	202
Total One Council Services	**0**	**2**	**26**	**7**	**2**	**0**	**0**	**0**	**532**	**0**	**569**	**568**	**768**	**769**
Neighbourhoods	**0**	**0**	**0**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**10**	**9**	**9**	**9**
Other Corporate Services	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,566**	**1,566**	**1,164**	**1,033**	**1,005**
Total	**1,802**	**402**	**65**	**19**	**158**	**677**	**729**	**155**	**532**	**1,699**	**6,238**	**6,608**	**7,188**	**7,687**

ANNEX 8 – SUMMARY OF PROPOSED BUDGET 2016/17 TO 2019/20

	2016/17 Outcome 1 Budget £000s	2016/17 Outcome 2 Budget £000s	2016/17 Outcome 3 Budget £000s	2016/17 Outcome 4 Budget £000s	2016/17 Outcome 5 Budget £000s	2016/17 Outcome 6 Budget £000s	2016/17 Outcome 7 Budget £000s	2016/17 Outcome 8 Budget £000s	2016/17 Org Outcome Budget £000s	2016/17 Fixed Costs Budgets £000s	2016/17 Total Gross Budget Requirement £000s	2017/18 Total Gross Budget Requirement £000s	2018/19 Total Gross Budget Requirement £000s	2019/20 Total Gross Budget Requirement £000s
Health & Adult Services														
Adult Social Care	39,909	0	0	151	0	0	0	0	6,760	5,481	**52,300**	**52,807**	**54,592**	**56,410**
Public Health	9,487	0	0	450	0	0	0	0	1,199	0	**11,137**	**10,341**	**10,249**	**10,282**
Total Health & Adult Services	**49,397**	**0**	**0**	**601**	**0**	**0**	**0**	**0**	**7,959**	**5,481**	**63,437**	**63,148**	**64,841**	**66,693**
Learning & Childrens Services														
Commissioner Childrens Services	18,434	6,429	0	0	0	0	0	0	7,698	0	**32,561**	**31,461**	**31,203**	**30,592**
Culture & Lifelong learning	887	1,431	0	0	0	0	0	789	2,554	0	**5,662**	**5,583**	**5,634**	**5,688**
General Fund Services to Schools	11	0	0	0	0	0	0	(12)	329	0	**328**	**328**	**327**	**327**
Total Learning & Childrens Services	**19,332**	**7,860**	**0**	**0**	**0**	**0**	**0**	**778**	**10,581**	**0**	**38,551**	**37,372**	**37,163**	**36,607**
Place Services														
Environment	63	0	477	0	(94)	0	8,815	0	9,165	0	**18,425**	**18,568**	**18,607**	**19,447**
South London Waste Partnership	0	0	0	0	0	0	4,963	0	0	0	**4,963**	**5,232**	**5,377**	**5,523**
Planning & Transportation	0	0	(44)	0	815	185	185	0	1,509	0	**2,651**	**2,712**	**2,700**	**2,715**
Housing General Fund	0	0	17	0	0	2,505	(19)	0	1,654	0	**4,157**	**4,119**	**4,083**	**4,093**
Total Place Services	**63**	**0**	**450**	**0**	**721**	**2,690**	**13,944**	**0**	**12,328**	**0**	**30,196**	**30,630**	**30,767**	**31,778**
One Council Services														
One Council Finance	0	0	0	0	0	0	0	0	3,561	0	**3,561**	**3,620**	**3,682**	**3,745**
Revenues, Benefits & Pensions	0	0	60	0	0	0	0	0	3,250	0	**3,310**	**3,344**	**3,378**	**3,414**
ICT	0	0	0	0	0	0	0	0	0	0	**0**	**18**	**63**	**109**
Customer Contact	0	0	0	(26)	0	0	0	0	4	0	**(22)**	**(39)**	**(23)**	**(8)**
Asset Services	0	0	0	0	0	0	0	0	102	0	**102**	**15**	**169**	**334**
Organisational Development and Strategic Business	444	96	940	1,246	82	32	27	63	(858)	0	**2,074**	**1,004**	**205**	**(199)**
Safer Kingston Partnership	0	0	450	0	0	0	0	0	0	0	**450**	**402**	**652**	**652**
Total One Council Services	**444**	**96**	**1,450**	**1,220**	**82**	**32**	**27**	**63**	**6,059**	**0**	**9,475**	**8,363**	**8,126**	**8,046**
Neighbourhoods	**0**	**8**	**0**	**48**	**0**	**0**	**41**	**0**	**(53)**	**0**	**44**	**90**	**112**	**134**
Other Corporate Services	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(17,221)**	**18,615**	**1,395**	**1,120**	**1,255**	**1,374**
Total	**69,238**	**7,963**	**1,899**	**1,870**	**804**	**2,723**	**14,013**	**841**	**19,652**	**24,096**	**143,099**	**140,723**	**142,264**	**144,633**
Budget Gap Remaining	0	0	0	0	0	0	0	0	0	0	**0**	**(3,004)**	**(8,927)**	**(13,745)**
Total	**69,238**	**7,963**	**1,899**	**1,870**	**804**	**2,723**	**14,013**	**841**	**19,652**	**24,096**	**143,099**	**137,719**	**133,337**	**130,888**

ANNEX 9 - FORMAL COUNCIL TAX CALCULATION AND RESOLUTION

(For approval at 1 March 2016 Council – subject to confirmation of GLA precept)

The Council is recommended to resolve as follows:

1) It be noted that on 15 January 2016, under delegated powers, the Director of Finance approved the Council Tax Base for 2016/17 for the whole Council area as 60,346 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act").

2) That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act:

		£
a)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act, taking into account the total of special items included in e) below.	416,833,706
b)	The aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.	330,255,300
c)	The amount by which the aggregate at a) above exceeds the aggregate at b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. [Item R in the formula in Section 31A(4) of the Act].	86,578,406
d)	The amount at c) above [Item R], all divided by Item T (1 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.	1,434.70
e)	The expenses of meeting the levy issued to it by the Wimbledon and Putney Commons Conservators shall be the aggregate of all special items referred to in Section 34(1) of the Act.	40,792.29
f)	The amount at d) above less the result given by dividing the amount at e) above by Item T (1 above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relate.	1,434.02
g)	The amount given by adding the amount at f) above to the result of the amount at e) above divided by the council tax base for the part of the Council's area defined by the Wimbledon and Putney Commons Act 1871, calculated by the Council, as the basic council tax for dwellings in those areas to which the special items relate.	1,461.49

h)

Valuation Bands	Part of the Council's Area: Part of the Council's Area to which special items as defined in e) above relate	Part of the Council's Area: All other parts of the Council's Area
	£	£
A	974.33	956.01
B	1,136.71	1,115.35
C	1,299.10	1,274.68
D	1,461.49	1,434.02
E	1,786.27	1,752.69
F	2,111.04	2,071.36
G	2,435.82	2,390.03
H	2,922.98	2,868.04

being the amounts given by multiplying the amounts at f) and g) above by the number which, in the proportion set out in Section 5(1) of the Act is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

i) That it be noted that for the year 2016/17, the Greater London Authority has stated the following amounts in precepts issued to the Council in accordance with Section 40 of the Act for each of the categories of dwellings shown below:

Valuation Bands	GLA Precept £
A	184.00
B	214.67
C	245.33
D	276.00
E	337.33
F	398.67
G	460.00
H	552.00

j) That having calculated the aggregate in each case of the amounts at (h) and (i) above, the Council in accordance with Section 30(2) of the Act hereby sets the following amounts of Council Tax for the year 2015/16 for each of the categories of dwelling shown below:

Valuation Bands	Part of the Council's Area: Part of the Council's Area to which special items as defined in e) above relate	Part of the Council's Area: All other parts of the Council's Area
	£	£
A	1,158.33	1,140.01
B	1,351.38	1,330.02
C	1,544.43	1,520.01
D	1,737.49	1,710.02
E	2,123.60	2,090.02

F	2,509.71	2,470.03
G	2,895.82	2,850.03
H	3,474.98	3,420.04

k) The Director of Finance, the Head of Finance – Strategy & Accounting, the Head of Revenues and Benefits, the Revenues Manager, Team Managers and Revenues and Benefits Officers be authorised to collect and recover the Council Tax and National Non-Domestic Rate for the year ending 31 March 2017 any Council Tax, Community Charge and National Non-Domestic Rate outstanding for preceding years and General Rates including Unoccupied Property Rate outstanding in respect of the period to 31 March 1990.

l) To note that, in accordance with Section 52ZB of the Local Government Finance Act 1992, the Council's relevant basic amount of Council Tax for 2016/17 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC.

ANNEX 10 – CAPITAL PROGRAMME & FUNDING 2016/17 TO 2019/20

							2015/16			2016/17			2017/18			2018/19			2019/20			
Project Name	**Latest Budget 2015/16**	**Budget 2016/17**	**Budget 2017/18**	**Budget 2018/19**	**Budget 2019/20**	**Total Budget**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Total Funding**
Schools Programme																						
Schools Building Programme Unallocated	**1,866**	**4**	**3,828**	**4,000**	**4,000**	**13,698**	0	1,866	1,866	0	4	4	0	3,828	3,828	0	4,000	4,000	0	4,000	**4,000**	**13,698**
Coombe Hill School Expansion	**569**	**0**	**0**	**0**	**0**	**569**	0	569	569	0	0	0	0	0	0	0	0	0	0	0	**0**	**569**
Kings Oak - Connect Building	**1,216**	**0**	**0**	**0**	**0**	**1,216**	0	1,216	1,216	0	0	0	0	0	0	0	0	0	0	0	**0**	**1,216**
Robin Hood Bulge Class	**111**	**0**	**0**	**0**	**0**	**111**	0	111	111	0	0	0	0	0	0	0	0	0	0	0	**0**	**111**
St Andrews & St Marks	**1,361**	**0**	**0**	**0**	**0**	**1,361**	0	1,361	1,361	0	0	0	0	0	0	0	0	0	0	0	**0**	**1,361**
Feasibility studies for new projects	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Lovelace school Phase 2 PEP	**1,485**	**0**	**0**	**0**	**0**	**1,485**	0	1,485	1,485	0	0	0	0	0	0	0	0	0	0	0	**0**	**1,485**
Maple Infants Expansion	**1,185**	**0**	**0**	**0**	**0**	**1,185**	0	1,185	1,185	0	0	0	0	0	0	0	0	0	0	0	**0**	**1,185**
King Athelstan	**850**	**800**	**0**	**0**	**0**	**1,650**	98	752	850	402	398	800	0	0	0	0	0	0	0	0	**0**	**1,650**
St Lukes - Single Storey Classroom	**325**	**0**	**0**	**0**	**0**	**325**	0	325	325	0	0	0	0	0	0	0	0	0	0	0	**0**	**325**
Knollmead Phase 2	**100**	**2,000**	**650**	**0**	**0**	**2,750**	0	100	100	0	2,000	2,000	0	650	650	0	0	0	0	0	**0**	**2,750**
Alexandra & St Paul's	**900**	**2,415**	**0**	**0**	**0**	**3,315**	0	900	900	0	2,415	2,415	0	0	0	0	0	0	0	0	**0**	**3,315**
School Expansion Projects Total	**9,968**	**5,219**	**4,478**	**4,000**	**4,000**	**27,665**	**98**	**9,870**	**9,968**	**402**	**4,817**	**5,219**	**0**	**4,478**	**4,478**	**0**	**4,000**	**4,000**	**0**	**4,000**	**4,000**	**27,665**
Schools Maintenance	**560**	**1,039**	**1,039**	**1,039**	**1,039**	**4,716**	0	560	560	0	1,039	1,039	0	1,039	1,039	0	1,039	1,039	0	1,039	**1,039**	**4,716**
Malden Manor - Boiler Replacement Works	**43**	**0**	**0**	**0**	**0**	**43**	0	43	43	0	0	0	0	0	0	0	0	0	0	0	**0**	**43**
St Lukes Boiler Replacement Works	**106**	**0**	**0**	**0**	**0**	**106**	0	106	106	0	0	0	0	0	0	0	0	0	0	0	**0**	**106**
Kings Oak Water Pipework Replacement	**132**	**0**	**0**	**0**	**0**	**132**	0	132	132	0	0	0	0	0	0	0	0	0	0	0	**0**	**132**
Burlington Infant School - Additional WC Provision	**27**	**0**	**0**	**0**	**0**	**27**	0	27	27	0	0	0	0	0	0	0	0	0	0	0	**0**	**27**
Malden Parochial School - Bulge Class Alterations	**137**	**0**	**0**	**0**	**0**	**137**	0	137	137	0	0	0	0	0	0	0	0	0	0	0	**0**	**137**
School Maintenance Projects	**1,005**	**1,039**	**1,039**	**1,039**	**1,039**	**5,161**	**0**	**1,005**	**1,005**	**0**	**1,039**	**1,039**	**0**	**1,039**	**1,039**	**0**	**1,039**	**1,039**	**0**	**1,039**	**1,039**	**5,161**
New & Refurbished School Kitchens and Dining Facilities	**170**	**0**	**0**	**0**	**0**	**170**	170	0	170	0	0	0	0	0	0	0	0	0	0	0	**0**	**170**
Dysart School Expansion	**905**	**0**	**0**	**0**	**0**	**905**	0	905	905	0	0	0	0	0	0	0	0	0	0	0	**0**	**905**
Bedelsford & Dysart Post 16 Facility	**738**	**0**	**0**	**0**	**0**	**738**	13	725	738	0	0	0	0	0	0	0	0	0	0	0	**0**	**738**
Schools Devolved Formula Capital	**394**	**0**	**0**	**0**	**0**	**394**	0	394	394	0	0	0	0	0	0	0	0	0	0	0	**0**	**394**
Other Schools Capital Projects	**2,207**	**0**	**0**	**0**	**0**	**2,207**	**183**	**2,024**	**2,207**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,207**
Schools Programme Total	**13,180**	**6,258**	**5,517**	**5,039**	**5,039**	**35,033**	**281**	**12,899**	**13,180**	**402**	**5,856**	**6,258**	**0**	**5,517**	**5,517**	**0**	**5,039**	**5,039**	**0**	**5,039**	**5,039**	**35,033**
Housing General Fund Programme																						
Disabled Facilities Grants	**820**	**830**	**840**	**840**	**840**	**4,170**	280	540	820	330	500	830	340	500	840	340	500	840	340	500	**840**	**4,170**
Home Improvement Grant	**210**	**220**	**230**	**0**	**0**	**660**	210	0	210	220	0	220	230	0	230	0	0	0	0	0	**0**	**660**
Discretionary Grants	**390**	**380**	**370**	**600**	**600**	**2,340**	390	0	390	380	0	380	370	0	370	600	0	600	600	0	**600**	**2,340**
Housing General Fund Programme Total	**1,420**	**1,430**	**1,440**	**1,440**	**1,440**	**7,170**	**880**	**540**	**1,420**	**930**	**500**	**1,430**	**940**	**500**	**1,440**	**940**	**500**	**1,440**	**940**	**500**	**1,440**	**7,170**

							2015/16			2016/17			2017/18			2018/19			2019/20			
Project Name	**Latest Budget 2015/16**	**Budget 2016/17**	**Budget 2017/18**	**Budget 2018/19**	**Budget 2019/20**	**Total Budget**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Total Funding**
ICT Programme																						
ICT Infrastructure	**712**	**0**	**0**	**0**	**0**	**712**	712	0	712	0	0	0	0	0	0	0	0	0	0	0	**0**	**712**
ISIS System	**584**	**0**	**0**	**0**	**0**	**584**	584	0	584	0	0	0	0	0	0	0	0	0	0	0	**0**	**584**
CISCO Telephony	**337**	**0**	**0**	**0**	**0**	**337**	337	0	337	0	0	0	0	0	0	0	0	0	0	0	**0**	**337**
Refresh of end-user computing devices	**0**	**1,150**	**0**	**0**	**0**	**1,150**	0	0	0	1,150	0	1,150	0	0	0	0	0	0	0	0	**0**	**1,150**
Data Centre Replacement	**0**	**0**	**0**	**1,265**	**1,265**	**2,530**	0	0	0	0	0	0	0	0	0	1,265	0	1,265	1,265	0	**1,265**	**2,530**
ICT - Managed Projects Total	**1,633**	**1,150**	**0**	**1,265**	**1,265**	**5,313**	**1,633**	**0**	**1,633**	**1,150**	**0**	**1,150**	**0**	**0**	**0**	**1,265**	**0**	**1,265**	**1,265**	**0**	**1,265**	**5,313**
OCP 3 - Commissioning	**63**	**0**	**0**	**0**	**0**	**63**	63	0	63	0	0	0	0	0	0	0	0	0	0	0	**0**	**63**
Library Self Service Upgrade	**0**	**374**	**0**	**0**	**0**	**374**	0	0	0	374	0	374	0	0	0	0	0	0	0	0	**0**	**374**
ICT Oversight Projects Total	**63**	**374**	**0**	**0**	**0**	**437**	**63**	**0**	**63**	**374**	**0**	**374**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**437**
Technology Investment Fund	**0**	**1,500**	**1,500**	**1,500**	**1,500**	**6,000**	0	0	0	1,500	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500	0	**1,500**	**6,000**
Digital Strategy	**320**	**0**	**0**	**0**	**0**	**320**	320	0	320	0	0	0	0	0	0	0	0	0	0	0	**0**	**320**
Care Act	**285**	**0**	**0**	**0**	**0**	**285**	285	0	285	0	0	0	0	0	0	0	0	0	0	0	**0**	**285**
Service Management Replacement	**75**	**0**	**0**	**0**	**0**	**75**	75	0	75	0	0	0	0	0	0	0	0	0	0	0	**0**	**75**
CALM	**33**	**0**	**0**	**0**	**0**	**33**	33	0	33	0	0	0	0	0	0	0	0	0	0	0	**0**	**33**
Technology Refresh	**82**	**0**	**0**	**0**	**0**	**82**	82	0	82	0	0	0	0	0	0	0	0	0	0	0	**0**	**82**
Microsoft Dynamics Enterprise Agreement Final year Payment	**115**	**0**	**0**	**0**	**0**	**115**	115	0	115	0	0	0	0	0	0	0	0	0	0	0	**0**	**115**
Microsoft Licence True-Up	**220**	**0**	**0**	**0**	**0**	**220**	220	0	220	0	0	0	0	0	0	0	0	0	0	0	**0**	**220**
Technology Investment Fund Total	**1,130**	**1,500**	**1,500**	**1,500**	**1,500**	**7,130**	**1,130**	**0**	**1,130**	**1,500**	**0**	**1,500**	**1,500**	**0**	**1,500**	**1,500**	**0**	**1,500**	**1,500**	**0**	**1,500**	**7,130**
ICT Programme Total	**2,826**	**3,024**	**1,500**	**2,765**	**2,765**	**12,880**	**2,826**	**0**	**2,826**	**3,024**	**0**	**3,024**	**1,500**	**0**	**1,500**	**2,765**	**0**	**2,765**	**2,765**	**0**	**2,765**	**12,880**
General Fund Property Programme																						
North Kingston Centre decant	**940**	**0**	**0**	**0**	**0**	**940**	0	940	940	0	0	0	0	0	0	0	0	0	0	0	**0**	**940**
North Kingston Learning Village Equipment Grant	**100**	**0**	**0**	**0**	**0**	**100**	0	100	100	0	0	0	0	0	0	0	0	0	0	0	**0**	**100**
Refurbishment of Former Magistrates Court	**1,934**	**0**	**0**	**0**	**0**	**1,934**	1,934	0	1,934	0	0	0	0	0	0	0	0	0	0	0	**0**	**1,934**
Transforming Adult Social Care	**394**	**525**	**0**	**0**	**0**	**919**	0	394	394	0	525	525	0	0	0	0	0	0	0	0	**0**	**919**
Asset Management Plans - Corporate	**93**	**0**	**0**	**0**	**0**	**93**	93	0	93	0	0	0	0	0	0	0	0	0	0	0	**0**	**93**
RE:FIT - Energy Performance Contract	**344**	**803**	**0**	**0**	**0**	**1,147**	344	0	344	803	0	803	0	0	0	0	0	0	0	0	**0**	**1,147**
Guildhall fire alarm works	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Kingfisher Sports centre Changing Rooms	**233**	**0**	**0**	**0**	**0**	**233**	0	233	233	0	0	0	0	0	0	0	0	0	0	0	**0**	**233**
Public Health Transition project	**18**	**0**	**0**	**0**	**0**	**18**	0	18	18	0	0	0	0	0	0	0	0	0	0	0	**0**	**18**
Kingston Crematorium - Building Fabric And H&S	**245**	**0**	**0**	**0**	**0**	**245**	245	0	245	0	0	0	0	0	0	0	0	0	0	0	**0**	**245**
King George Field Drainage Works	**130**	**0**	**0**	**0**	**0**	**130**	130	0	130	0	0	0	0	0	0	0	0	0	0	0	**0**	**130**
Moor Lane Renovation Works	**65**	**0**	**0**	**0**	**0**	**65**	65	0	65	0	0	0	0	0	0	0	0	0	0	0	**0**	**65**
Kingston Library & Museum Heating Replacement	**64**	**0**	**0**	**0**	**0**	**64**	64	0	64	0	0	0	0	0	0	0	0	0	0	0	**0**	**64**
Air Conditioning Replacement Works	**11**	**0**	**0**	**0**	**0**	**11**	11	0	11	0	0	0	0	0	0	0	0	0	0	0	**0**	**11**
Kingsmeadow Athletics Track	**62**	**0**	**0**	**0**	**0**	**62**	62	0	62	0	0	0	0	0	0	0	0	0	0	0	**0**	**62**
Ventilation & Ahu Works	**30**	**0**	**0**	**0**	**0**	**30**	30	0	30	0	0	0	0	0	0	0	0	0	0	0	**0**	**30**
Guildhall 2 Pabx & Cctv	**10**	**0**	**0**	**0**	**0**	**10**	10	0	10	0	0	0	0	0	0	0	0	0	0	0	**0**	**10**
Air Conditioning To Server Rooms In Guildhall Buildings	**21**	**0**	**0**	**0**	**0**	**21**	21	0	21	0	0	0	0	0	0	0	0	0	0	0	**0**	**21**
Lightning Conductor Installation Works	**36**	**26**	**0**	**0**	**0**	**62**	36	0	36	26	0	26	0	0	0	0	0	0	0	0	**0**	**62**
Hook Centre Heating Works	**2**	**59**	**0**	**0**	**0**	**61**	2	0	2	59	0	59	0	0	0	0	0	0	0	0	**0**	**61**
Kingston Cemetery Roads & Paths	**20**	**0**	**0**	**0**	**0**	**20**	20	0	20	0	0	0	0	0	0	0	0	0	0	0	**0**	**20**
Car Parks Resurfacing Programme	**88**	**0**	**0**	**0**	**0**	**88**	88	0	88	0	0	0	0	0	0	0	0	0	0	0	**0**	**88**
Car Parks Pay & Display New Coinage Alterations	**35**	**0**	**0**	**0**	**0**	**35**	35	0	35	0	0	0	0	0	0	0	0	0	0	0	**0**	**35**
Car Parks Lighting Programme	**70**	**0**	**0**	**0**	**0**	**70**	70	0	70	0	0	0	0	0	0	0	0	0	0	0	**0**	**70**
Kingston Library & Museum Fire Alarm Works	**19**	**0**	**0**	**0**	**0**	**19**	19	0	19	0	0	0	0	0	0	0	0	0	0	0	**0**	**19**
General Fund Property Programme	**139**	**315**	**400**	**400**	**400**	**1,654**	139	0	139	315	0	315	400	0	400	400	0	400	400	0	**400**	**1,654**

							2015/16			2016/17			2017/18			2018/19			2019/20			
Project Name	**Latest Budget 2015/16**	**Budget 2016/17**	**Budget 2017/18**	**Budget 2018/19**	**Budget 2019/20**	**Total Budget**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Total Funding**
Guildhall 2 - CCTV Control Room	**0**	**325**	**0**	**0**	**0**	**325**	0	0	0	325	0	325	0	0	0	0	0	0	0	0	**0**	**325**
King Edwards Rec - New changing facilities	**0**	**160**	**0**	**0**	**0**	**160**	0	0	0	160	0	160	0	0	0	0	0	0	0	0	**0**	**160**
King Georges Rec - Replace pavilion/changing rooms	**0**	**190**	**0**	**0**	**0**	**190**	0	0	0	190	0	190	0	0	0	0	0	0	0	0	**0**	**190**
Tolworth Leisure Centre - Replacement of Cladding	**0**	**125**	**125**	**0**	**0**	**250**	0	0	0	125	0	125	125	0	125	0	0	0	0	0	**0**	**250**
Kingsmeadow - Replace track surface.	**0**	**380**	**0**	**0**	**0**	**380**	0	0	0	380	0	380	0	0	0	0	0	0	0	0	**0**	**380**
Kingsmeadow - Under Pinning / Structural Repairs	**0**	**165**	**0**	**0**	**0**	**165**	0	0	0	165	0	165	0	0	0	0	0	0	0	0	**0**	**165**
New pathways at Kingston and Surbiton Cemetery	**0**	**100**	**0**	**0**	**0**	**100**	0	0	0	100	0	100	0	0	0	0	0	0	0	0	**0**	**100**
Moor Lane Centre - Replacement of timber windows and external decoration works	**0**	**100**	**50**	**0**	**0**	**150**	0	0	0	100	0	100	50	0	50	0	0	0	0	0	**0**	**150**
Children's burial & memorial garden	**0**	**30**	**0**	**0**	**0**	**30**	0	0	0	30	0	30	0	0	0	0	0	0	0	0	**0**	**30**
Relocation of Kingston Children's Library back into main library	**0**	**90**	**0**	**0**	**0**	**90**	0	0	0	90	0	90	0	0	0	0	0	0	0	0	**0**	**90**
Closure of Council Helpdesk at the Hook Centre	**0**	**10**	**0**	**0**	**0**	**10**	0	0	0	10	0	10	0	0	0	0	0	0	0	0	**0**	**10**
PHE Grant - Kaleidoscope Cairn House Recovery Hub	**0**	**35**	**0**	**0**	**0**	**35**	0	0	0	35	0	35	0	0	0	0	0	0	0	0	**0**	**35**
General Fund Property Programme Total	**5,101**	**3,438**	**575**	**400**	**400**	**9,914**	**3,416**	**1,685**	**5,101**	**2,913**	**525**	**3,438**	**575**	**0**	**575**	**400**	**0**	**400**	**400**	**0**	**400**	**9,914**
PublicRealm Programme																						
Ancient Market	**100**	**0**	**0**	**0**	**0**	**100**	100	0	100	0	0	0	0	0	0	0	0	0	0	0	**0**	**100**
AFC Wimbledon	**13**	**0**	**0**	**0**	**0**	**13**	0	13	13	0	0	0	0	0	0	0	0	0	0	0	**0**	**13**
Refuse & Recycling Fleet and Containers	**4,984**	**0**	**0**	**0**	**0**	**4,984**	4,984	0	4,984	0	0	0	0	0	0	0	0	0	0	0	**0**	**4,984**
Non -planning Mitigation for SLWP Energy Recover Facility build	**150**	**0**	**0**	**0**	**0**	**150**	150	0	150	0	0	0	0	0	0	0	0	0	0	0	**0**	**150**
WTS Villiers Road Environment Agency Compliance Works	**360**	**0**	**0**	**0**	**0**	**360**	360	0	360	0	0	0	0	0	0	0	0	0	0	0	**0**	**360**
Villiers Road Waste Transfer Station	**0**	**250**	**0**	**0**	**0**	**250**	0	0	0	250	0	250	0	0	0	0	0	0	0	0	**0**	**250**
Two Continuous Air Quality Monitoring Stations	**0**	**63**	**0**	**0**	**0**	**63**	0	0	0	63	0	63	0	0	0	0	0	0	0	0	**0**	**63**
Mobile Air Quality and Green Walls at Schools	**0**	**55**	**0**	**0**	**0**	**55**	0	0	0	55	0	55	0	0	0	0	0	0	0	0	**0**	**55**
Garden Waste Collection Bins	**0**	**99**	**0**	**0**	**0**	**99**	0	0	0	99	0	99	0	0	0	0	0	0	0	0	**0**	**99**
Pay and Display Estate Modernisation and Renewal	**0**	**1,000**	**0**	**0**	**0**	**1,000**	0	0	0	1,000	0	1,000	0	0	0	0	0	0	0	0	**0**	**1,000**
Public Realm Programme Total	**5,607**	**1,467**	**0**	**0**	**0**	**7,074**	**5,594**	**13**	**5,607**	**1,467**	**0**	**1,467**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**7,074**
Highways and Transport Programme																						
Bridge Station	**55**	**0**	**0**	**0**	**0**	**55**	55	0	55	0	0	0	0	0	0	0	0	0	0	0	**0**	**55**
Bridge Height Signs	**83**	**0**	**0**	**0**	**0**	**83**	83	0	83	0	0	0	0	0	0	0	0	0	0	0	**0**	**83**
Kingston Gateway Improvements	**40**	**0**	**0**	**0**	**0**	**40**	0	40	40	0	0	0	0	0	0	0	0	0	0	0	**0**	**40**
The Riverside CPZ	**40**	**0**	**0**	**0**	**0**	**40**	40	0	40	0	0	0	0	0	0	0	0	0	0	0	**0**	**40**
At Risk Street Lighting	**50**	**50**	**50**	**0**	**0**	**150**	50	0	50	50	0	50	50	0	50	0	0	0	0	0	**0**	**150**
LED Lantern Replacement on Major Traffic Routes	**0**	**255**	**0**	**0**	**0**	**255**	0	0	0	255	0	255	0	0	0	0	0	0	0	0	**0**	**255**
Clarance Street and Fife Road - Street Lighting Replacement	**0**	**172**	**0**	**0**	**0**	**172**	0	0	0	172	0	172	0	0	0	0	0	0	0	0	**0**	**172**
Street Lighting Column Replacement Programme	**0**	**582**	**582**	**582**	**582**	**2,328**	0	0	0	582	0	582	582	0	582	582	0	582	582	0	**582**	**2,328**
Planned Maintenance for Carriageway & Footway Works	**0**	**1,600**	**1,600**	**1,600**	**1,600**	**6,400**	0	0	0	0	1,600	1,600	0	1,600	1,600	0	1,600	1,600	0	1,600	**1,600**	**6,400**
Highways/Transport Total	**268**	**2,659**	**2,232**	**2,182**	**2,182**	**9,523**	**228**	**40**	**268**	**1,059**	**1,600**	**2,659**	**632**	**1,600**	**2,232**	**582**	**1,600**	**2,182**	**582**	**1,600**	**2,182**	**14,483**
Ewell Rd Culvert - Strengthening	**50**	**0**	**0**	**0**	**0**	**50**	0	50	50	0	0	0	0	0	0	0	0	0	0	0	**0**	**50**
Ewell Rd Culvert	**6**	**0**	**0**	**0**	**0**	**6**	0	6	6	0	0	0	0	0	0	0	0	0	0	0	**0**	**6**
TFL Bridge Strengthening Total	**56**	**0**	**0**	**0**	**0**	**56**	**0**	**56**	**56**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**56**

							2015/16			2016/17			2017/18			2018/19			2019/20			
Project Name	**Latest Budget 2015/16**	**Budget 2016/17**	**Budget 2017/18**	**Budget 2018/19**	**Budget 2019/20**	**Total Budget**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Total Funding**
A2043 Malden Road, Kingston	**78**	**0**	**0**	**0**	**0**	**78**	0	78	78	0	0	0	0	0	0	0	0	0	0	0	**0**	**78**
Biking Borough / Strategic Cycle Routes	**120**	**0**	**0**	**0**	**0**	**120**	0	120	120	0	0	0	0	0	0	0	0	0	0	0	**0**	**120**
Neighbourhood Improvements - Kingston Town	**145**	**0**	**0**	**0**	**0**	**145**	0	145	145	0	0	0	0	0	0	0	0	0	0	0	**0**	**145**
Neighbourhood Improvements - Maldens & Coombe	**157**	**0**	**0**	**0**	**0**	**157**	0	157	157	0	0	0	0	0	0	0	0	0	0	0	**0**	**157**
Neighbourhood Improvements - South Of The Borough	**151**	**0**	**0**	**0**	**0**	**151**	0	151	151	0	0	0	0	0	0	0	0	0	0	0	**0**	**151**
Ewell Road Corridor	**50**	**0**	**0**	**0**	**0**	**50**	0	50	50	0	0	0	0	0	0	0	0	0	0	0	**0**	**50**
Strategic Route A308 London	**50**	**0**	**0**	**0**	**0**	**50**	0	50	50	0	0	0	0	0	0	0	0	0	0	0	**0**	**50**
Implementation Of Strategic Walking Scheme	**75**	**0**	**0**	**0**	**0**	**75**	0	75	75	0	0	0	0	0	0	0	0	0	0	0	**0**	**75**
Neighbourhood Improvements - Surbiton	**151**	**0**	**0**	**0**	**0**	**151**	0	151	151	0	0	0	0	0	0	0	0	0	0	0	**0**	**151**
Brighton Rd/Maple Rd	**75**	**0**	**0**	**0**	**0**	**75**	0	75	75	0	0	0	0	0	0	0	0	0	0	0	**0**	**75**
Surbiton - Kingston Metro	**50**	**0**	**0**	**0**	**0**	**50**	0	50	50	0	0	0	0	0	0	0	0	0	0	0	**0**	**50**
TFL Corridors Total	**1,102**	**0**	**0**	**0**	**0**	**1,102**	**0**	**1,102**	**1,102**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,102**
Kingston Rd Various Sections	**0**	**100**	**0**	**0**	**0**	**100**	0	0	0	0	100	100	0	0	0	0	0	0	0	0	**0**	**100**
London Rd - Fairfield North to Cambridge Rd	**240**	**0**	**0**	**0**	**0**	**240**	0	240	240	0	0	0	0	0	0	0	0	0	0	0	**0**	**240**
Cambridge Rd - Hawks Rd to Gloucester Rd	**0**	**215**	**0**	**0**	**0**	**215**	0	0	0	0	215	215	0	0	0	0	0	0	0	0	**0**	**215**
TFL Principal Rd Maintenance Total	**240**	**315**	**0**	**0**	**0**	**555**	**0**	**240**	**240**	**0**	**315**	**315**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**555**
New Malden to Raynes Park	**203**	**86**	**1,541**	**0**	**0**	**1,830**	0	203	203	0	86	86	0	1,541	1,541	0	0	0	0	0	**0**	**1,830**
Portsmouth Rd	**1,700**	**1,394**	**0**	**0**	**0**	**3,094**	0	1,700	1,700	0	1,394	1,394	0	0	0	0	0	0	0	0	**0**	**3,094**
Kingston station cycle hub and Kingston station plaza (Full Scheme)	**215**	**2,764**	**3,033**	**0**	**0**	**6,013**	0	215	215	0	2,764	2,764	0	3,033	3,033	0	0	0	0	0	**0**	**6,013**
Kingston Enterprise Hub/ Kingston station access (interim scheme)	**59**	**699**	**750**	**0**	**0**	**1,509**	0	59	59	0	699	699	0	750	750	0	0	0	0	0	**0**	**1,509**
Wheatfield Way Greenway	**220**	**2,117**	**0**	**0**	**0**	**2,337**	0	220	220	0	2,117	2,117	0	0	0	0	0	0	0	0	**0**	**2,337**
Riverside Boardway	**0**	**164**	**2,075**	**1,364**	**0**	**3,603**	0	0	0	0	164	164	0	2,075	2,075	0	1,364	1,364	0	0	**0**	**3,603**
Kingston Hill/ Kingston Vale A308	**67**	**1,376**	**1,499**	**0**	**0**	**2,941**	0	67	67	0	1,376	1,376	0	1,499	1,499	0	0	0	0	0	**0**	**2,941**
Interim local connectivity to Kingston Town Centre	**8**	**226**	**249**	**0**	**0**	**483**	0	8	8	0	226	226	0	249	249	0	0	0	0	0	**0**	**483**
Local connectivity: to Kingston Bridge	**5**	**167**	**0**	**0**	**0**	**172**	0	5	5	0	167	167	0	0	0	0	0	0	0	0	**0**	**172**
Local connectivity: to Portsmouth Rd	**0**	**6**	**139**	**29**	**0**	**174**	0	0	0	0	6	6	0	139	139	0	29	29	0	0	**0**	**174**
Kingston to Surbiton	**35**	**192**	**1,241**	**0**	**0**	**1,468**	0	35	35	0	192	192	0	1,241	1,241	0	0	0	0	0	**0**	**1,468**
Cambridge Rd/ Kingston Rd A2043	**168**	**267**	**2,632**	**0**	**0**	**3,068**	0	168	168	0	267	267	0	2,632	2,632	0	0	0	0	0	**0**	**3,068**
Local connectivity: Kingston Hill/ London Rd	**21**	**111**	**649**	**0**	**0**	**781**	0	21	21	0	111	111	0	649	649	0	0	0	0	0	**0**	**781**
Ewell Rd A240	**52**	**286**	**1,810**	**0**	**0**	**2,148**	0	52	52	0	286	286	0	1,810	1,810	0	0	0	0	0	**0**	**2,148**
Local connectivity: St Mark's Hill B3370	**5**	**28**	**191**	**0**	**0**	**224**	0	5	5	0	28	28	0	191	191	0	0	0	0	0	**0**	**224**
Complementary Measures	**0**	**259**	**259**	**0**	**0**	**518**	0	0	0	0	259	259	0	259	259	0	0	0	0	0	**0**	**518**
TFL Mini-Hollands Total	**2,758**	**10,143**	**16,067**	**1,393**	**0**	**30,361**	**0**	**2,758**	**2,758**	**0**	**10,143**	**10,143**	**0**	**16,067**	**16,067**	**0**	**1,393**	**1,393**	**0**	**0**	**0**	**30,361**
Highways/Transport Programme Total	**4,424**	**13,117**	**18,299**	**3,575**	**2,182**	**41,597**	**228**	**4,196**	**4,424**	**1,059**	**12,058**	**13,117**	**632**	**17,667**	**18,299**	**582**	**2,993**	**3,575**	**582**	**1,600**	**2,182**	**41,597**
General Fund Slippage Forecast	**(2,693)**	**2,693**	**0**	**0**	**0**	**0**	(467)	(2,226)	(2,693)	467	2,226	2,693	0	0	0	0	0	0	0	0	**0**	**0**
General Fund Total	**29,865**	**31,427**	**27,331**	**13,219**	**11,826**	**113,668**	**12,758**	**17,107**	**29,865**	**10,262**	**21,165**	**31,427**	**3,647**	**23,684**	**27,331**	**4,687**	**8,532**	**13,219**	**4,687**	**7,139**	**11,826**	**113,668**

							2015/16			2016/17			2017/18			2018/19			2019/20			
Project Name	**Latest Budget 2015/16**	**Budget 2016/17**	**Budget 2017/18**	**Budget 2018/19**	**Budget 2019/20**	**Total Budget**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Borrow/ CR**	**Other**	**Total Funding**	**Total Funding**
HRA Housing Programme																						
Better Homes	**17,030**	**6,600**	**6,000**	**2,315**	**0**	**31,945**	6,205	10,825	17,030	1,787	4,813	6,600	1,000	5,000	6,000	1,167	1,148	2,315	0	0	**0**	**31,945**
ECO Funding Grant/External Wall Insulation	**1,997**	**51**	**0**	**0**	**0**	**2,048**	0	1,997	1,997	0	51	51	0	0	0	0	0	0	0	0	**0**	**2,048**
Better Homes Total	**19,027**	**6,651**	**6,000**	**2,315**	**0**	**33,993**	**6,205**	**12,822**	**19,027**	**1,787**	**4,864**	**6,651**	**1,000**	**5,000**	**6,000**	**1,167**	**1,148**	**2,315**	**0**	**0**	**0**	**33,993**
HRA Hostels	**40**	**20**	**20**	**20**	**20**	**120**	0	40	40	0	20	20	0	20	20	0	20	20	0	20	**20**	**120**
DDA Compliance	**878**	**200**	**200**	**200**	**200**	**1,678**	0	878	878	0	200	200	0	200	200	0	200	200	0	200	**200**	**1,678**
General Lift Improvements	**641**	**374**	**1,540**	**484**	**0**	**3,039**	0	641	641	0	374	374	0	1,540	1,540	0	484	484	0	0	**0**	**3,039**
Gas Appliances & Heating System Renewal	**167**	**90**	**0**	**0**	**0**	**257**	0	167	167	0	90	90	0	0	0	0	0	0	0	0	**0**	**257**
Fire Safety Works	**100**	**100**	**100**	**100**	**100**	**500**	0	100	100	0	100	100	0	100	100	0	100	100	0	100	**100**	**500**
FD30 Fire Doors	**1,406**	**0**	**0**	**0**	**0**	**1,406**	0	1,406	1,406	0	0	0	0	0	0	0	0	0	0	0	**0**	**1,406**
Water Tank Renewal	**460**	**20**	**0**	**0**	**0**	**480**	0	460	460	0	20	20	0	0	0	0	0	0	0	0	**0**	**480**
Estate Health & Safety Priority Repairs & Improvements	**59**	**50**	**50**	**50**	**50**	**259**	0	59	59	0	50	50	0	50	50	0	50	50	0	50	**50**	**259**
Provision Of Anti-Scalding Mix	**0**	**0**	**0**	**0**	**0**	**0**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Estate Lighting	**96**	**100**	**100**	**100**	**100**	**496**	0	96	96	0	100	100	0	100	100	0	100	100	0	100	**100**	**496**
Defective Asphalt On Walkways (Dale Court)	**500**	**0**	**0**	**0**	**0**	**500**	0	500	500	0	0	0	0	0	0	0	0	0	0	0	**0**	**500**
Repairs To Roads Pathways Parking	**119**	**70**	**70**	**80**	**80**	**419**	0	119	119	0	70	70	0	70	70	0	80	80	0	80	**80**	**419**
Major Void Works	**400**	**400**	**400**	**400**	**400**	**2,000**	0	400	400	0	400	400	0	400	400	0	400	400	0	400	**400**	**2,000**
Asbestos at Haylett Gardens	**95**	**0**	**0**	**0**	**0**	**95**	0	95	95	0	0	0	0	0	0	0	0	0	0	0	**0**	**95**
Ongoing Capital Renewals	**0**	**0**	**0**	**2,685**	**5,000**	**7,685**	0	0	0	0	0	0	0	0	0	0	2,685	2,685	1,551	3,449	**5,000**	**7,685**
HRA Planned Projects Total	**4,961**	**1,424**	**2,480**	**4,119**	**5,950**	**18,934**	**0**	**4,961**	**4,961**	**0**	**1,424**	**1,424**	**0**	**2,480**	**2,480**	**0**	**4,119**	**4,119**	**1,551**	**4,399**	**5,950**	**18,934**
Disabled Adaptations Programme	**187**	**200**	**200**	**200**	**200**	**987**	0	187	187	0	200	200	0	200	200	0	200	200	0	200	**200**	**987**
Asbestos Management & Removal	**150**	**150**	**150**	**150**	**150**	**750**	0	150	150	0	150	150	0	150	150	0	150	150	0	150	**150**	**750**
Structural Works Repairs/Damp	**71**	**70**	**70**	**70**	**70**	**351**	0	71	71	0	70	70	0	70	70	0	70	70	0	70	**70**	**351**
HRA Demand Driven Projects Total	**408**	**420**	**420**	**420**	**420**	**2,088**	**0**	**408**	**408**	**0**	**420**	**420**	**0**	**420**	**420**	**0**	**420**	**420**	**0**	**420**	**420**	**2,088**
Grants to Move	**300**	**300**	**300**	**300**	**300**	**1,500**	0	300	300	0	300	300	0	300	300	0	300	300	0	300	**300**	**1,500**
Tadlow Buy Backs	**750**	**0**	**0**	**0**	**0**	**750**	0	750	750	0	0	0	0	0	0	0	0	0	0	0	**0**	**750**
Registered Provider Grant	**594**	**0**	**0**	**0**	**0**	**594**	594	0	594	0	0	0	0	0	0	0	0	0	0	0	**0**	**594**
Home Loss	**220**	**80**	**80**	**0**	**0**	**380**	0	220	220	0	80	80	0	80	80	0	0	0	0	0	**0**	**380**
Extension of Homes	**355**	**0**	**0**	**0**	**0**	**355**	0	355	355	0	0	0	0	0	0	0	0	0	0	0	**0**	**355**
Roupell House	**0**	**600**	**0**	**0**	**0**	**600**	0	0	0	0	600	600	0	0	0	0	0	0	0	0	**0**	**600**
Greenleas	**0**	**500**	**0**	**0**	**0**	**500**	0	0	0	0	500	500	0	0	0	0	0	0	0	0	**0**	**500**
Affordable Housing Development	**0**	**320**	**320**	**0**	**0**	**640**	0	0	0	96	224	320	96	224	320	0	0	0	0	0	**0**	**640**
Affordable Housing Partner Work	**0**	**500**	**2,200**	**2,000**	**2,000**	**6,700**	0	0	0	500	0	500	2,200	0	2,200	2,000	0	2,000	2,000	0	**2,000**	**6,700**
Refurbishment of Ex-Warden Flats	**0**	**70**	**0**	**0**	**0**	**70**	0	0	0	0	70	70	0	0	0	0	0	0	0	0	**0**	**70**
Conversion of Laundry Rooms at Brockworth	**0**	**115**	**0**	**0**	**0**	**115**	0	0	0	34	81	115	0	0	0	0	0	0	0	0	**0**	**115**
Conversion at Ernest Road	**0**	**145**	**0**	**0**	**0**	**145**	0	0	0	21	124	145	0	0	0	0	0	0	0	0	**0**	**145**
55 Mount Pleasant	**0**	**600**	**0**	**0**	**0**	**600**	0	0	0	180	420	600	0	0	0	0	0	0	0	0	**0**	**600**
Garage Conversion to Additional Parking	**0**	**500**	**0**	**0**	**0**	**500**	0	0	0	0	500	500	0	0	0	0	0	0	0	0	**0**	**500**
CCTV Upgrades	**0**	**69**	**0**	**0**	**0**	**69**	0	0	0	0	69	69	0	0	0	0	0	0	0	0	**0**	**69**
Estate Regen - Leasehold Buyback	**0**	**0**	**250**	**0**	**0**	**250**	0	0	0	0	0	0	0	250	250	0	0	0	0	0	**0**	**250**
Estate Regen - Masterplanning	**0**	**460**	**460**	**0**	**0**	**920**	0	0	0	0	460	460	0	460	460	0	0	0	0	0	**0**	**920**
HRA Other Projects Total	**2,219**	**4,259**	**3,610**	**2,300**	**2,300**	**14,688**	**594**	**1,625**	**2,219**	**831**	**3,428**	**4,259**	**2,296**	**1,314**	**3,610**	**2,000**	**300**	**2,300**	**2,000**	**300**	**2,300**	**14,688**
HRA Housing Programme Total	**26,615**	**12,754**	**12,510**	**9,154**	**8,670**	**69,703**	**6,799**	**19,816**	**26,615**	**2,618**	**10,136**	**12,754**	**3,296**	**9,214**	**12,510**	**3,167**	**5,987**	**9,154**	**3,551**	**5,119**	**8,670**	**69,703**
HRA Slippage Forecast	(3,313)	3,313	0	0	0	0	(1,500)	(1,813)	(3,313)	1,500	1,813	3,313	0	0	0	0	0	0	0	0	**0**	**0**
HRA Total	**23,302**	**16,067**	**12,510**	**9,154**	**8,670**	**69,703**	**5,299**	**18,003**	**23,302**	**4,118**	**11,949**	**16,067**	**3,296**	**9,214**	**12,510**	**3,167**	**5,987**	**9,154**	**3,551**	**5,119**	**8,670**	**69,703**
Grand Total	**53,167**	**47,494**	**39,841**	**22,373**	**20,496**	**183,371**	**18,057**	**35,110**	**53,167**	**14,380**	**33,114**	**47,494**	**6,943**	**32,898**	**39,841**	**7,854**	**14,519**	**22,373**	**8,238**	**12,258**	**20,496**	**183,371**

ANNEX 11 - HOUSING REVENUE ACCOUNT BUDGET AND CAPITAL PROGRAMME 2016/17 to 2019/20

Joint Report by the Director of Place and Director of Finance

SUMMARY

1. This report sets out the proposed budget for the Council's Housing Revenue Account (HRA) for 2016/17 and the medium term plan for the HRA for the next four years.

2. The HRA budget is being considered by Housing Consultative Committee on 1 February 2016 and the comments of that group will be fed back to the Adults and Children's Committee who meet on 10 February 2016.

BACKGROUND

3. The Council is required to maintain a Housing Revenue Account (HRA) which is ring fenced from the Council's other budgets and is a record of all revenue expenditure and income relating to the Authority's own housing stock. The Council is required to set a budget which avoids a deficit on its HRA at the end of the year.

4. The main source of income for the HRA is rents paid by tenants and service charges, which comprise income from leaseholder service charges and charges paid by tenants for specific services. These resources can only be spent on services related to the provision of Council Housing, with the largest item of expense being the revenue cost of capital investment in the Council's Housing stock through contributions to the Major Repairs Reserve.

5. The operation of the HRA self financing system is now well established, with 2016/17 being the fifth year. Self financing has given the Authority greater freedom and resources to be able to invest in Council Housing and in particular commence a major programme of capital works to bring all council homes up to the Decent Homes standard, with work due to be completed in 2019. There are key changes being introduced by Central Government in the Housing Bill which impact on the HRA, which is different to the previous 4 years of the self financing system. From 2016/17 the rents will be reduced by 1% per annum for four years and the HRA may be required to dispose of high value void stock as part of a policy to fund the Right To Buy (RTB) discounts of Housing Associations.

6. 2016/17 will be the fifth year of the Better Homes Programme, and will continue to include internal and external works to tenant and leaseholder properties. Internal works include the replacement of kitchens and bathrooms as well as heating systems and wiring where required. External works include the replacement of windows and roofs and repairs to the external walls. Leaseholders will be expected to contribute to these costs as required under the terms of their leases. There will be a time lag between RBK paying for the costs of the work and the income from leaseholders being available to fund the programme as invoices will not be raised until after completion of the works which may cross financial years.

7. A programme of regeneration for areas of RBK Housing stock is being formulated, and subject to progression there may be additional costs to be funded within both revenue and capital budgets. Known requirements have been included in this budget proposal.

8. The capital programme for 2016/17 is set out in more detail later in this report.

9. Changes to the operation of the HRA budget have led to additional risks which are dealt with in greater detail in Enclosure 4 to the report.

2016/17 PROPOSED BUDGET AND INDICATIVE BUDGETS 2017/18 - 2019/20

10. The proposed budget for 2016/17 is shown in Enclosure 1, the 2016/17 key changes in Enclosure 2 and the indicative 2017/18 - 2019/20 budgets in Enclosure 3. The starting point for building the budget was the existing budget for 2015/16. A number of growth items have been added and savings taken. Inflation has been kept to a minimum with an allowance for salary inflation in relation to the Local Government pay award, and a small increase for Waste Collection and Grounds Maintenance in line with our contracts. Further details of the major changes are given below.

HRA Rents

11. Under Self Financing the funds for maintaining and developing Housing stock can only be generated through rental income and so this is a key part of the budget.

12. Government policy which directs the setting of rents has recently changed; the summer budget included plans to ensure social housing rents are reduced by 1% per annum for four years starting in 2016/17. When setting rents for the 2015-16 financial year rents had been increased by CPI plus 1% in line with the previous regulations. This new change has resulted in a significant drop in rental income for the HRA from 2016/17 to 2019/20, estimated to be in the region of £1m per annum compared to the previous HRA business plan assumptions.

13. This reduction in income has resulted an in depth review of the HRA business plan with updated assumptions for both capital and revenue expenditure, capital financing costs, new savings proposals and a review of growth requirements to ensure only essential growth has been included. This review has led to a reduction in budgeted costs for the HRA and enabled a balanced budget to be presented for 2016/17. Further work will be done to reduce the gap for future years.

14. For 2016/17 in cash terms this gives a rent reduction of £1.16 per week from an average rent of £115.78 to £114.62. This is above the limit set for Housing Benefit (HB) Subsidy of £113.95. As the average rent is greater than the Housing Benefit Subsidy limit there is a charge to the HRA. Based on the figures above that loss is estimated to be £0.108m. The outturn average rent may well reduce or increase depending upon factors such as actual voids during the year and this will impact on whether there is any Housing Benefit Subsidy loss.

Provision for bad debts

15. A significant risk to the HRA budget is the loss of net income from rents. This will arise because of increasing arrears and bad debts resulting from the changes to Housing Benefit and the introduction of Universal Credit which could reduce the monies available to tenants. The annual contribution to bad debts provision has been reduced by £0.059m to £0.341m, which represents 1.2% of the rent roll and reflects the reduction in the rental income that results from the new 1% rent reduction policy.

Other rents and charges

16. It is proposed that rents on HRA Hostels, non-dwellings and other non-Housing dwellings owned by the Council be kept at the same level as 2015/16. It is also proposed that the level of service charge be unchanged. The regularisation of the Sheltered Housing Rents and Charges was recommended at Treasury Committee 3 December 2015. The enhanced sheltered housing management service will add £4.53pw to the rent that would be charged to general needs tenants, but this will be more than offset by removal of the £9.88pw support charge. The financial consequences have been estimated on the basis that existing sheltered tenants on Housing Benefit (around 80%) will choose to stay on their current tenancy terms and conditions. There will be a cost to the HRA for every tenant opting into the new tenancy conditions, estimated at no more than £0.053m in total in 2016/17.

Cost of borrowing

17. The cost of borrowing arises primarily from the interest on the loans taken out to implement Self Financing. These loans of £115.5m attract an interest rate of 3.37% with a smaller balance of loans (£14.4m) taken out prior to Self Financing attracting a higher rate of 5.14%.

18. The first of the Self-Financing loans begin to mature in 2028/29 and the updated 30 year HRA business plan forecasts that the HRA balances will start to accumulate after delivery of the Better Homes programme to allow repayment of this debt as it becomes due.

Depreciation and other capital funded from revenue

19. A depreciation charge representing the loss of value in the capital stock during the year is made to the Housing Revenue Account (the major part of this is on components such as kitchens and bathrooms). The depreciation charge has increased significantly from previous years and any future year changes could have a significant effect on the HRA budget. The depreciation charge provides funding for capital expenditure or the repayment of debt through the Major Repairs Reserve.

20. Where an additional amount is set aside in revenue to fund capital expenditure (Direct Revenue Financing or DRF) this also forms part of the contribution to the Major Repairs Reserve. Given the constraints on the 2016-17 HRA budget, no revenue budget has been set aside to fund capital expenditure.

Revenue growth and savings

21. The key changes in the 2016/17 Proposed Budgets are detailed in Enclosure 2. Income Budgets are reduced by £0.803m, technical adjustments are benefitting the HRA by £0.672m, growth is £0.914m and savings £1.045m.

Capital

22. The HRA capital programme is set primarily to implement the Better Homes programme but also to address a small programme of planned works to estates and other demand driven projects. The proposed programme is included within the separate Capital Programme Annex to the Destination Kingston pack but is also shown in summary below.

HRA Capital Programme 2015/16 to 2019/20	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
Better Homes	19,027	6,651	6,000	2,315	0	33,993
Planned Capital Projects	4,961	1,424	2,480	4,119	5,950	18,934
Demand Driven Capital Projects	408	420	420	420	420	2,088
Other Capital Projects	2,219	4,259	3,610	2,300	2,300	14,688
Slippage	(3,313)	3,313	0	0	0	0
Total HRA (inc. Slippage)	**23,302**	**16,067**	**12,510**	**9,154**	**8,670**	**69,703**

23. The funding for this programme of works is shown in the following table.

HRA Capital Programme Funding	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
HRA Borrowing	2,003	1,751	0	0	0	3,754
Capital Receipts	3,296	2,367	3,296	3,167	3,551	15,677
Capital Grant	6,787	511	460	0	0	7,758
Leaseholder Receipts	2,245	3,010	350	0	0	5,605
Major Repairs Reserve	8,971	8,428	8,404	5,987	5,119	36,909
HRA Funding	**23,302**	**16,067**	**12,510**	**9,154**	**8,670**	**69,703**

FINANCIAL ADMINISTRATION

Local Government Act 2003

24. In preparing the Council's General Fund Budget and Council Tax, the Director of Finance is required by the Local Government Act 2003 to report on the robustness of the Council's financial estimates and adequacy of reserves. The formal legal requirements do not apply to the HRA where there are no implications for Council Tax, however the same issues are relevant for the HRA budget and best practice suggests that the same considerations are made in respect of this budget.

25. The purpose of the Director's comments on the robustness of the estimates is to give assurance that risk is appropriately managed and that there is a legitimate expectation that likely eventualities are provided for within the budget. It is not intended (nor possible) to give a guarantee that the budget is sufficient to cover all possible scenarios (however unlikely), nor that income and expenditure will occur exactly as budgeted. It is concerned with whether the plan is a sound one or not.

26. In reaching a conclusion on the robustness of the estimates, the Director of Finance has taken into account a number of factors including

- 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
- Expected levels of inflation are provided for to protect the real terms value of budgets
- Known areas of expenditure pressure have been provided for and prudent estimates made about interest rates

- The Council is operating with a strengthened approach to budgetary control which has successfully dealt with in year financial challenges as they have occurred
- Delivery against savings targets will be monitored separately and corrective action taken where necessary
- The revenue effects of the capital programme have been reflected in the budget.
- Any recommended increases in fees and charges are consistent with the assumptions in the budget.

27. Based on this analysis, the Director of Finance reports that the revenue and capital estimates given in this report are robust as if covered by Section 25 of the Local Government Act 2003.

28. Section 25 of the Act requires the Council, in setting its budget, to maintain an '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.

29. To inform this judgement, the Director of Finance has carried out a financial risk analysis of the Council's proposed budget. This is detailed in enclosure 4. Based on budget monitoring information reported at Month 8, the forecast balance at 1 April 2016 on the reserves is £3.108m. £3m is considered the minimum needed to cover against this the risks identified in Enclosure 4 as well as any risks yet to be identified.

TIMESCALE

30. The HRA tenants will be consulted on the proposals in this report, through the Housing Consultative Committee on 1 February 2016. The results of that consultation will be made available to Adults and Children's Committee when they consider these proposals.

ENVIRONMENTAL IMPLICATIONS

31. Improvements to housing will positively influence the sustainability of the stock and help the Council to meet its environmental objectives for example by reducing heat loss through enhanced external fabric improvements.

ENCLOSURES

Enclosure 1 2016/17 Proposed Budget
Enclosure 2 2016/17 Proposed Budget (Key Changes)
Enclosure 3 Indicative Estimates 2016/17 to 2019/20
Enclosure 4 Risk Analysis

Background Papers Held by Toby Clarke (Tel: 020 8547 5668) e-mail: Toby.Clarke@kingston.gov.uk), author of the report.

ENCLOSURE 1 - 2016/17 PROPOSED BUDGET

	2015/16 Budget £'000	Total Changes £'000	2016/17 Budget £'000
INCOME:			
Rental Income	(28,528)	457	(28,071)
Void Losses	324	269	593
Service Charges	(2,282)	0	(2,282)
Non-Dwelling Income	(371)	77	(294)
Grants & Other Income	(1,103)	(1)	(1,104)
Interest Received	(28)	(2)	(30)
Transfer from Reserves	(557)	557	0
Gross Income	**(32,545)**	**1,357**	**(31,188)**
EXPENDITURE:			
General Management	5,807	(67)	5,740
Special Management	2,931	(390)	2,541
Other Management	4,973	(199)	4,774
Bad Debt Provision	400	(59)	341
Responsive & Cyclical Repairs	4,795	(2)	4,793
Interest Paid	4,661	(108)	4,553
Finance Administration	7	11	18
Depreciation & DRF	8,971	(543)	8,428
Gross Expenditure	**32,545**	**(1,357)**	**31,188**
(Surplus) / Deficit for the year	**0**	**0**	**0**
Balance on the HRA at the start of the year			**(3,108)**
Balance on the HRA at the end of the year			**(3,108)**

ENCLOSURE 2 - 2016/17 PROPOSED BUDGET (KEY CHANGES)

Item No	Description of Proposed Budget (Key Changes)	2016/17 £000
1	Rental Income -1% reduction, sales and realignment of budgets	457
2	Voids - dwellings	269
3	Non-Dwelling Income	77
	Income	**803**
4	Removal of 2015/16 reserves funding	557
5	Depreciation	285
6	Direct Revenue Financing of Capital Expenditure	(828)
7	Removal of 2015/16 one off growth items removed	(530)
8	Interest Paid & Finance Administration	(97)
9	Bad Debt Provision	(59)
	Technical Adjustments	**(672)**
10	Estate Regeneration	375
11	Salary (Inflation and NI growth) and Decant Officer	164
12	Overheads	164
13	Housing Commissioning (2016/17 only)	120
14	Other smaller items incl Befriending £26k, Home Connections £20k, Shield cleaning contract £16k, waste collection £12k	91
	Growth	**914**
15	2015/16 Housing Services Transformation Programme Savings	(389)
16	Overheads	(237)
17	Salaries	(162)
18	2015/16 Housing Transformation Project Budgets	(154)
19	Community and Environmental Works Programme	(100)
20	Other smaller items	(3)
	Savings	**(1,045)**
	Net Changes	**0**

ENCLOSURE 3 – INDICATIVE ESTIMATES 2016/17 – 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
INCOME:				
Rental Income	(28,071)	(27,648)	(27,313)	(27,488)
Void Losses	593	583	576	200
Service Charges	(2,282)	(2,309)	(2,349)	(2,391)
Non-Dwelling Income	(294)	(305)	(321)	(339)
Grants & Other Income	(1,104)	(1,109)	(1,116)	(1,124)
Interest Received	(30)	(43)	(64)	(111)
Gross Income	**(31,188)**	**(30,831)**	**(30,587)**	**(31,253)**
EXPENDITURE:				
General Management	5,740	5,681	5,770	5,861
Special Management	2,541	2,751	2,560	2,608
Other Management	4,774	4,718	4,672	4,627
Bad Debt Provision	341	336	332	334
Responsive & Cyclical Repairs	4,793	4,593	4,593	4,593
Interest Paid	4,553	4,585	4,585	4,585
Finance Administration	18	18	18	18
Depreciation & DRF	8,428	8,412	8,296	8,280
Gross Expenditure	**31,188**	**31,094**	**30,826**	**30,906**
(Surplus) / Deficit for the year	**0**	**263**	**239**	**(347)**
Balance on the HRA at the start of the year	**(3,108)**	**(3,108)**	**(2,845)**	**(2,606)**
Balance on the HRA at the end of the year	**(3,108)**	**(2,845)**	**(2,606)**	**(2,953)**

ENCLOSURE 4 RISK ANALYSIS

1. Under Self Financing there are many risks that have been identified as outlined below.

   - A new risk under the Housing Bill is the change in the Government's rent policy from 2016/17 to 2019/20. Instead of an increase in rent of CPI+1% in 2015/16, 2016/17 rents are being reduced by 1% from their 2015/16 level and will continue to be reduced by 1% each year taking us up to 2019/20. This is a substantial reduction in the rental income (estimated at £1m per annum for each of the next 4 years) compared to what it would have been if rents had increased by CPI +1%. There has been no Government clarification of what will happen to rents beyond 2019/20. 2019/20 includes an extra rent week given that it is a 53 rent week year compared to other years which are 52 rent week years.

   - A further risk under the Housing Bill is the funding of the Housing Associations' RTB discount from Local Authorities' funds. This potentially involves housing Local Authorities being given a financial "target" and paying the financial target by selling high value void stock. In effect capital receipts that would have been retained by RBK may have to be paid over to fund Housing Associations' RTB discounts. At the time of setting this budget the financial target for RBK and exact implementation of this policy are unknown.

   - The introduction of Universal Credit paid directly to tenants (unlike Housing Benefit which is paid directly to the HRA Landlord) increases the probability of bad debts.

   - The Government may wish to further reduce the level of benefits restricting further the ability of our tenants to pay increasing rents.

   - If as a result of CLG policy changes, RTB sales are substantially increased, there will be a loss of rental income which it might be difficult to replace.

   - If the level of voids is high, for example as a result of the redevelopment of sheltered housing or estate regeneration, there would be a loss of net income.

   - There is a possibility that management and maintenance costs increase more than rents.

   - The investment in council stock could be subject to cost pressures or be in schemes that are not priorities or value for money.

   - There is a possibility that recovery of costs from leaseholders may reduced through non-payment or late payment of charges.

2. In practice these risks could be summarised as loss of net rental income and loss of effective control of the capital programme and both could result in a reduction in the actual improvements to the Council's stock.

3. In preparing the budgets a number of specific measures have been addressed

   - Allowing for a gap between the CLG limit on Borrowing and what is actually proposed.

   - Examination of rents to ensure that budgeted amounts are achievable

- Ensuring that provisions for bad debts are adequate
- Opting not to make a voluntary revenue provision for the repayment of loans, in order to avoid reducing reserves and to allow reserves to accumulate in future.

4. Borrowing Limits - Under Self Financing the DCLG has imposed a limit of £150m on HRA borrowing in addition to the borrowing being covered by the Prudential Code.

5. Rents - The uncertainty after the current four year rent policy means that rents could potentially decrease further, generating less income over a more sustained period. Both revenue and capital programmes will be kept under review as policy emerges and the levels of reserves and headroom within borrowing limits are sufficient to pursue the programmes as stated.

6. The 2016/17 depreciation budget is based on the asset valuation as at March 2015. The asset valuation March 2016 will be used as the basis of the actual charge for 2016/17. Therefore there is a risk the figures may change.

7. Estate Regeneration - The revenue budget includes programme management costs and certain consultancy / professional fees, whilst the capital budget includes master planning costs. There is a risk that further costs may need to be funded by RBK through revenue and/or capital budgets.

8. Reserves - It is estimated that general reserves at the start of 2016/17 will be about £3.108m. This is considered to be adequate and is approximately 10% of the total income.

ANNEX 12 - SCHOOLS BUDGET 2016/17

BACKGROUND

1. The Schools Budget is a ring-fenced account within the authority's overall funds and this report sets out the draft budget and funding formulae that will need to be approved by Budget Council for 2016/17. The Schools Budget has been prepared in accordance with the national funding arrangements effective for 2016/17.

2. The Schools Budget funds individual schools' delegated budgets and certain defined activities for the direct benefit of pupils or schools, including special educational needs and the co-ordinated school admissions service.

3. The Schools Forum, as the body representing the interests of schools and academies, is consulted regarding formula changes and has the power to agree to proposals made by the authority regarding certain issues. The Schools Forum met on 17 September 2015 and 19 November 2015, noted the changes regarding schools funding 2016/17 and approved central and de-delegated budgets. The Schools Forum met again on 26 January 2016 to receive an update on the final funding model.

4. The Education Funding Agency (EFA) has to approve the authority's formula for the distribution of Schools Block funds to mainstream schools. Their concerns are with compliance with regulations and fairness between academies and mainstream schools. The 2016/17 formula for distributing funds to mainstream schools had to be submitted to the EFA by 21 January 2016.

EDUCATION FUNDING SETTLEMENT 2016/17

5. The draft 2016/17 Dedicated Schools Grant (DSG) allocation for Kingston is £120.098m compared to £118.067m in 2015/16. The allocation is divided into three blocks. The schools block is for mainstream schools, the early years block is for 2, 3 and 4 year olds and the high needs block is for pupils and learners with substantial additional needs including SEN. Although the overall DSG is ring fenced, the blocks themselves are not. The amounts include funding for both maintained schools and academies and that part of the schools block relating to academies will be recouped by the EFA for payment direct to academies.

6. The main adjustments between the 2015/16 and 2016/17 DSG allocations are shown in the table below.

	Schools Block £'000	**Early Years Block** £'000	**High Needs Block** £'000	**Total** £'000
DSG 2015/16	93,417	7,608	17,042	118,067
Growth for Pupils in Mainstream schools	1,731	0	0	1,731
Additional Growth & Top Up Funding	0	0	334	334
Adjustment for residency to location	0	0	(34)	(34)
DSG 2016/17	**95,148**	**7,608**	**17,342**	**120,098**

7. The growth for pupils in mainstream schools is a result of an increase in the number of pupils of 381 (1.9%) to 20,703. Within this the number of primary pupils has increased by 276 (2.2%) and the number of secondary pupils has increased by 105 (1.4%).

8. The early years funding for 3-4 year olds is based on the numbers in the January census. The allocation notified is based on the 2015 census and will be updated once the 2016 numbers are known.

9. The high needs block is not pupil-led and is calculated from a baseline carried forward from the previous year adjusted to take account of any agreed changes with the EFA.

PUPIL PREMIUM

10. The Pupil Premium for the categories below is not part of the DSG. The allocations for 2016/17 will be based upon the January 2016 census and the rates are unchanged from 2015/16.

	2015/16 **£** **per pupil**	**2016/17** **£** **per pupil**
Primary pupils based on free schools meals Ever 6	1,320	1,320
Secondary pupils based on free school meals Ever 6	935	935
Service Children	300	300
Looked After Children	1,900	1,900

DISTRIBUTION OF THE DSG IN 2016/17

Schools Block

11. The funding formula for the Schools Block was noted by the Schools Forum and provisionally endorsed by the EFA in October 2015. This formula has now been rerun with the actual data from the October 2015 census with Schools Forum updated on 26 January 2016.

12. Details of the 2016/17 formula are shown in Enclosure 1 and details of the allocations to individual schools are shown in Enclosure 2.

13. The schools block allocation must also fund the Growth Fund which supports the funding of new classes which are necessary from September 2016. These additional classes are not funded through the DSG until the following April. This increased demand for school places requires the diversion of funds which would otherwise go to schools, early years or SEN. The Growth Fund is provisionally estimated to be £1.103m

14. National policy assumes that within the schools block, central and de-delegated budgets will be kept to a minimum and requires the approval of the Schools Forum.
15. The 2016/17 budgets for these categories are:

Centrally Retained & De-delegated Budgets	**£000**
Contribution to combined budgets	164
School Admissions	247
Fees to Independent Schools without SEN (Virtual School)	65
Contingencies (National Non-Domestic Rates (NNDR))	72
Behaviour Support Services	268
Support to Underperforming Ethnic Groups (UPEG) and Bilingual Learners	136
Servicing for Schools Forum	1
Prudential borrowing costs	141
Copyright Licensing	103
Total	**1,197**

Early Years

16. There is only one change to the Early Years Single Funding Formula (EYSFF). Following agreement at Schools Forum, the Income Deprivation Affecting Children Index (IDACI) dataset will be used to calculate the social deprivation supplement to target funding more directly to those settings with the most disadvantaged children.

17. As part of central government policy, the early years funding criteria for 2 year olds is incrementally increasing the available offer. Funding for 2 year-olds is provided at a higher rate than for 3 and 4 year-olds and remains a concern as pressure builds to increase hourly rates for 3 and 4 year olds.

High Needs

18. Members were advised at this time last year that pressure was continuing to build on the demand-led SEN budgets within the high needs block. Schools Forum and the Council have been advised throughout 2015/16 of these pressures and the actions that are being taken and are planned to be taken, in mitigation.

19. At its meeting in November 2015, Schools Forum was advised that the 2015/16 cumulative projected DSG overspend was £1.548m. The Forum was presented at its September 2015 meeting with a model showing projected DSG income and expenditure profiled over the next five financial years which was updated for the November 2015 meeting. The Forum had been previously advised that it would need to consider options to recover the projected year on year DSG deficit.

20. At its meeting in November 2015, Schools Forum also received its second comprehensive SEN funding report of the year. This report explained in detail the reasons for the projected SEN overspend and what actions were being taken and are planned to be taken in mitigation. Perhaps the most important of these actions are further plans to substantially increase our in-house SEN provision across both Kingston and Richmond. A special joint meeting of both Kingston and Richmond Forums will be held at the end of February 2016 to update Forum members on the very latest plans to 'grow' our in-house provision across both boroughs.

21. At its meeting in November 2015, Schools Forum did not agree to a circa. £500k transfer from school budgets to high needs budgets as part of the suite of actions detailed in School Forum reports and referred to above. Schools Forum also subsequently declined a revised proposal in December 2015. It will be necessary to revisit options in time for the 2017/18 budget round in order to continue to address the projected year on year DSG deficit.

22. The demand-led SEN budgets will continue to be closely monitored throughout 2016/17 and regular updates provided for both Schools Forum and the Council.

Overall

23. The proposed distribution of the 2016/17 DSG is summarised in Enclosure 3. As DSG allocations to each of the blocks are not ring-fenced, the totals for each block do not have to match the actual DSG allocations. This allows some necessary adjustment to meet budget pressures as described above.

24. At the time of the Local Government Finance Settlement in December 2015, the DfE also announced that the Government would introduce the first ever national funding formula for schools, high needs and early years and that there would be a transitional phase to help smooth the implementation of the new schools formula. They also announced that the Government would launch a detailed consultation in 2016 and would implement the new formula from 2017 to 2018. It is anticipated that Kingston's response to such consultation will include the need for:

    - a more flexible and responsive methodology for the calculation of the DSG High Needs Block, including an element of pupil led funding, which reflects better the number of pupils in receipt of support, the substantial pressures on SEN funding and the high cost of external providers

    - a more appropriate methodology for calculating other DSG block funding which reflects both need and area-based costs rather than historical spend

    - additional funding to reflect the escalating costs of meeting the unprecedented demand for school places

CONSULTATION ON 2016/17 SCHOOLS BUDGET

25. All primary and secondary schools (academies and maintained) were consulted on the proposals in Enclosure 1. The Schools Forum considered these proposals at their meetings in September and November 2015 and received an update on the 2016/17 Dedicated Schools Grant in January 2016.

EQUALITY IMPACT ASSESSMENT IMPLICATIONS

26. The Schools Funding Formula allows for factors covering deprivation, English as an additional language and low cost high incidence Special Educational Needs. These factors allow resources to be targeted at those schools whose pupils have particular needs. This report also includes details of funding to meet the needs of Special Educational Needs Pupils in special schools and mainstream schools.

ENVIRONMENTAL IMPLICATIONS

27. There are no direct environmental implications arising from this report.

BACKGROUND PAPERS

None

APPENDICES

Enclosure 1 – Schools Funding Formula 2016/17

Enclosure 2 – Schools Allocations 2016/17

Enclosure 3 – Dedicated Schools Budget 2016/17

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Schools Block Funding 2016/17

Annex 12 – Enclosure 1

Factor	Unit	2015/16 (£/unit)	2015/16 Total (£000)	2016/17 (£/unit)	2016/17 Total (£000)	NATIONAL AVERAGE RATE	LONDON AVERAGE RATE
Primary AWPU/(Basic Entitlement in 2014/15) post MFG	All Pupils	2,965	37,819	3,000	39,235	3,014	3,553
KS3 AWPU/(Basic Entitlement in 2014/15) post MFG	All Pupils	4,357	19,709	4,341	20,783	4,158	4,718
KS4 AWPU/(Basic Entitlement in 2014/15) post MFG	All Pupils	4,357	13,417	4,507	13,562	4,680	5,130
Primary School Lump Sum	Per School	175,000	6,125	175,000	6,300	128,799	142,532
Secondary School Lump Sum	Per School	175,000	1,750	175,000	1,925	140,665	135,783
Primary Deprivation	FSM Pupils	3,055	3,457	3,040	3,639	1,135	1,553
Secondary Deprivation	FSM Pupils	3,055	1,966	3,040	1,858	1,399	1,678
Primary Prior Attainment	Relevant Pupils	1,263	2,876	1,256	2,881	872	874
Secondary Prior Attainment	Relevant Pupils	784	999	788	948	1,107	1,246
EAL Primary	Relevant Pupils	109	305	110	320	517	493
EAL Secondary	Relevant Pupils	109	36	110	41	1,084	1,246
Primary Mobility	Relevant Pupils	18,690	905	3,000	157	1,047	1,098
Secondary Mobility	Relevant Pupils	18,690	0	3,000	0	1,612	1,261
LAC	Relevant Pupils	n/a	n/a	n/a	n/a	n/a	n/a
Split Sites	n/a	85,378	85	85,378	85	n/a	n/a
Rates	Actual Cost	n/a	1,546	n/a	1,608	n/a	n/a
Use of Recreation Centre	Actual Cost	n/a	58	n/a	58	n/a	n/a
Growth Fund 13/14 redistribution	Actual Cost	n/a	43	n/a	n/a	n/a	n/a
Total			**91,094**		**93,400**	**n/a**	**n/a**
MFG	Actual Cost	n/a	888	n/a	1,265	n/a	n/a
Capping (%)	Actual Cost	n/a	0.78%	n/a	0.24%	n/a	n/a

Schools Block Allocations 2016/17

Annex 12 – Enclosure 2

Secondary Schools	AWPU KS3 (£)	AWPU KS4 (£)	Lump Sum (£)	Deprivation (£)	EAL (£)	Prior Attainment Secondary (£)	Mobility (£)	Split Sites (£)	Rates (£)	Recreation Centre (£)	Total Pre MFG (£)	MFG (£)	De-Delegation (£)	Total Post MFG (£)	Final APT 2015/16 (£)	NOR 2015/16	NOR 2016/17
Per Unit Amount	4,341	4,507	175,000	3,040	110	788	3,000										
Chessington Community College	894,318	1,036,626	175,000	215,830	2,852	99,866	0	0	277,954	0	2,702,446	(14,571)	(7,804)	2,680,071	3,117,557	523	436
Kingston Academy	1,003,937	0	175,000	48,667	1,366	26,243	0	0	0	0	1,255,214	0	0	1,255,214	0	0	130
Coombe Girls' School	2,717,686	1,870,434	175,000	291,826	6,529	120,121	0	0	45,885	0	5,227,481	(102,026)	0	5,125,455	5,135,547	1,046	1041
Southborough High School	1,484,742	1,063,669	175,000	209,750	5,055	111,271	0	0	19,649	0	3,069,136	(16,160)	0	3,052,976	3,045,434	578	578
The Tiffin Girls' School	1,953,608	1,081,697	175,000	24,319	2,417	0	0	0	38,421	0	3,275,462	(29,236)	0	3,246,225	3,105,999	660	690
Tolworth Girls' School	2,665,590	1,843,392	175,000	264,467	5,166	149,486	0	0	24,633	58,068	5,185,802	(39,831)	0	5,145,971	5,104,338	1,017	1023
Tiffin School	2,070,824	1,289,022	175,000	57,757	1,648	1,779	0	0	44,252	0	3,640,282	(95,668)	0	3,544,614	3,374,144	726	763
Richard Challoner School	1,923,219	1,252,966	175,000	131,564	432	89,551	0	0	49,410	0	3,622,140	(78,564)	0	3,543,577	3,547,574	724	733
The Holy Cross School	1,931,901	1,320,572	175,000	191,511	2,481	93,091	0	0	27,799	0	3,742,354	(122,667)	0	3,619,687	3,601,268	736	738
Coombe Boys School	1,875,464	1,203,388	175,000	176,312	7,569	130,305	0	0	30,732	0	3,598,769	371,387	0	3,970,156	3,988,028	692	699
The Hollyfield School	2,261,844	1,600,010	175,000	246,228	5,595	126,525	0	0	58,421	0	4,473,623	(70,523)	0	4,403,100	4,504,920	900	876
Total Scondary Schools	**20,783,133**	**13,561,777**	**1,925,000**	**1,858,230**	**41,107**	**948,239**	**0**	**0**	**617,155**	**58,068**	**39,792,709**	**(197,859)**	**(7,804)**	**39,587,046**	**38,524,810**	7,602	7,707

Primary Schools	AWPU (£)	Lump Sum (£)	Deprivation (£)	EAL (£)	Prior Attainment (£)	Mobility (£)	Split Sites (£)	Rates (£)	Recreation Centre (£)	Total Pre MFG (£)	MFG (£)	De-Delegation (£)	Total Post MFG (£)	Final APT 2015/16 (£)	NOR 2015/16	NOR 2016/17
Per Unit Amount	3,000	175,000	3,040	110	1,256	3,000										
Burlington Junior School	1,332,204	175,000	164,152	9,763	144,211	0	0	20,331	0	1,845,661	(58,284)	(18,612)	1,768,765	1,783,749	443	444
Burlington Infant and Nursery	1,080,166	175,000	133,754	16,454	112,987	0	0	44,282	0	1,562,642	(27,465)	(15,091)	1,520,086	1,500,507	360	360
Coombe Hill Infants School	990,152	175,000	85,116	21,892	79,215	0	0	22,408	0	1,373,783	(79,907)	(13,834)	1,280,042	1,183,851	302	330
Ellingham Primary School	1,029,158	175,000	136,793	5,717	71,931	0	0	56,640	0	1,475,239	(40,285)	(14,379)	1,420,575	1,295,825	308	343
Lime Tree Primary School	975,150	175,000	144,814	11,641	69,974	0	0	35,924	0	1,412,503	0	(13,624)	1,398,879	1,142,925	230	307
Green Lane Primary and Nursery	1,221,187	175,000	139,833	6,581	77,613	24,900	0	21,502	0	1,666,617	84,492	(17,061)	1,734,047	1,656,406	381	407
Robin Hood Primary School	621,095	175,000	112,475	6,671	58,361	0	0	20,808	0	994,410	0	(8,677)	985,732	999,883	208	207
Tolworth Junior School	969,149	175,000	128,962	5,711	80,626	0	0	49,020	0	1,408,469	37,919	(13,540)	1,432,848	1,496,440	338	335
Tolworth Infants' School	837,128	175,000	104,922	14,021	86,096	0	0	49,020	0	1,266,188	0	(11,696)	1,254,492	1,264,211	285	291
Coombe Hill Junior School	1,167,179	175,000	75,996	7,589	62,276	0	0	33,612	0	1,521,651	(25,107)	(16,307)	1,480,237	1,549,344	412	389
Maple Infants' School	717,110	175,000	66,877	6,642	51,301	0	0	18,917	0	1,035,846	(21,591)	(10,019)	1,004,237	1,015,219	243	239
Alexandra Infant School	911,390	175,000	77,693	15,963	53,018	0	0	50,871	0	1,283,935	(24,289)	(12,733)	1,246,912	1,237,763	302	309
King Athelstan Primary	1,101,169	175,000	179,351	10,553	103,160	0	0	13,840	0	1,583,073	303,768	(15,385)	1,871,456	1,809,968	346	367
Grand Avenue Primary School	1,773,272	175,000	91,196	10,223	105,009	0	0	104,395	0	2,259,094	(38,134)	(24,775)	2,196,185	2,099,366	563	591
Malden Manor Primary School	1,245,191	175,000	151,993	14,747	100,480	0	0	30,677	0	1,718,088	49,342	(17,397)	1,750,034	1,704,357	397	415
King's Oak Primary School	1,251,192	175,000	260,315	17,363	149,784	131,802	0	74,693	0	2,060,148	225,500	(17,481)	2,268,168	2,182,257	398	448
Lovelace Primary School	1,536,236	175,000	209,750	7,653	186,234	0	0	31,204	0	2,146,076	0	(21,463)	2,124,613	2,141,413	515	512
Fern Hill Primary School	1,890,290	175,000	155,033	20,221	132,640	0	0	112,230	0	2,485,413	(112,914)	(26,410)	2,346,090	2,306,805	620	630

Primary Schools	AWPU (£)	Lump Sum (£)	Deprivation (£)	EAL (£)	Prior Attainment (£)	Mobility (£)	Split Sites (£)	Rates (£)	Recreation Centre (£)	Total Pre MFG (£)	MFG (£)	De-Delegation (£)	Total Post MFG (£)	Final APT 2015/16 (£)	NOR 2015/16	NOR 2016/17
Christ Church New Malden Primary	1,242,190	175,000	91,196	6,799	90,667	0	85,378	10,884	0	1,702,114	(23,489)	(17,355)	1,661,270	1,641,848	410	414
Christ Church CofE Primary Sch	1,551,238	175,000	27,359	7,335	55,459	0	0	10,594	0	1,826,984	(7,460)	(21,673)	1,797,851	1,830,209	529	517
Malden Parochial C of E Primary School	804,123	175,000	30,399	3,459	54,776	0	0	4,363	0	1,072,120	(30,227)	(11,235)	1,030,659	1,028,054	268	268
St Andrew 's St Mark's Jnr	957,147	175,000	112,475	4,827	44,319	0	0	3,809	0	1,297,576	(20,475)	(13,372)	1,263,728	1,253,684	317	319
St John's C of E Primary School	576,088	175,000	33,438	2,197	35,277	0	0	5,537	0	827,537	(29,375)	(8,049)	790,114	812,863	200	192
St Paul's Primary School	615,094	175,000	24,319	1,671	40,495	0	0	4,127	0	860,706	0	(8,594)	852,112	864,250	209	205
St Paul's Junior School	1,042,660	175,000	105,635	4,852	42,003	0	0	10,884	0	1,381,033	(9,425)	(14,567)	1,357,041	1,249,045	317	330
St Matthew 's C of E Primary	1,263,194	175,000	103,355	4,605	56,679	0	0	13,845	0	1,616,679	(53,002)	(17,648)	1,546,029	1,487,231	404	421
St Mary's C of E Primary	684,105	175,000	66,877	2,653	53,041	0	0	7,038	0	988,713	(18,481)	(9,558)	960,674	963,885	231	228
Corpus Christi	1,320,202	175,000	51,678	9,653	76,744	0	0	8,339	0	1,641,617	0	(18,445)	1,623,172	1,615,972	435	440
Our Lady Immaculate R C P	1,239,190	175,000	51,678	14,246	74,777	0	0	7,736	0	1,562,626	(1,564)	(17,313)	1,543,749	1,552,310	417	413
St Joseph's Catholic Primary School	753,115	175,000	94,235	8,970	68,331	0	0	4,767	0	1,104,419	30,085	(10,522)	1,123,982	1,172,354	260	251
St Luke's C of E Primary	798,122	175,000	48,638	3,524	30,274	0	0	7,762	0	1,063,320	(33,005)	(11,151)	1,019,164	931,950	239	266
Castle Hill Primary School	1,176,180	175,000	165,741	7,431	146,837	0	0	59,726	0	1,730,915	130,703	0	1,861,618	1,900,950	396	417
Knollmead Primary School	585,090	175,000	55,822	7,504	59,161	0	0	4,301	0	886,876	31,540	0	918,416	956,443	202	223
Latchmere School	2,490,382	175,000	114,412	11,159	175,774	0	0	25,845	0	2,992,572	(41,012)	0	2,951,560	2,831,623	796	838
St Agatha's Catholic Primary	1,302,200	175,000	42,558	9,420	51,860	0	0	10,642	0	1,591,680	0	0	1,591,680	1,618,524	439	434
Kingston Community	186,029	175,000	0	0	0	0	0	0	0	361,029	0	0	361,029	0	0	27
Total Primary Schools	**39,234,765**	**6,300,000**	**3,638,837**	**319,708**	**2,881,390**	**156,702**	**85,378**	**990,572**	**0**	**53,607,352**	**197,859**	**(467,963)**	**53,337,247**	**52,081,481**	**12,720**	**13,127**
Total All Schools	**73,579,675**	**8,225,000**	**5,497,067**	**360,815**	**3,829,629**	**156,702**	**85,378**	**1,607,727**	**58,068**	**93,400,061**	**0**	**(475,768)**	**92,924,293**	**90,606,291**	**20,322**	**20,834**

Annex 12 – Enclosure 3

KINGSTON SCHOOLS BUDGET 2016/17	BUDGET 2016/17 £000
EXPENDITURE	
SCHOOLS BLOCK	
Schools Formula	92,924
Academies	(44,591)
A Individual Schools Budget	48,333
de-delegated budgets	476
Net Individual Schools Budgets	48,809
B Pupil Growth Reserve	1,103
C Central Budgets	720
TOTAL SCHOOLS BLOCK	**50,632**
HIGH NEEDS BLOCK	
D MAIN STREAM SCHOOLS	
Places (SRPs)	758
Top Up (Special Units and Matrix)	2,846
	3,604
E SPECIAL SCHOOLS	
RBK Places	2,190
Top Up RBK Special Schools	2,361
Top Up Non RBK Schools	1,009
Independent Schools	5,053
	10,614
F EARLY YEARS SPECIAL UNITS	
Place	115
Top Up	0
	115
G PUPIL REFERAL UNIT	
Place	440
Top Up	280
	720
H OTHER	
Speech, Language, Communication Packages	297
Service for Sensory Impairment	101
Boarding School - Children in Need	
Secondary Collaborative Anstee Bridge	100
Invest to Save' Capital Borrowing	
Education otherwise than in school	143
Education Welfare	59
Specialist SEN support (ASfL)	221
Pre-school SEN service (Portage)	102
Support Services (Procurement, Finance, NKC)	16
Over 16s LDD Learners	1,213
	2,252
TOTAL HIGH NEEDS	**17,304**

EARLY YEARS BLOCK	
I INDIVIDUAL SCHOOLS BUDGETS	7,020
J CENTRAL BUDGETS (trajectory funding and advisory teachers)	513
K EARLY YEARS EQUIPMENT	38
TOTAL EARLY YEARS	**7,571**
TOTAL EXPENDITURE	75,507
FUNDED BY	
BALANCES BROUGHT FORWARD	0
GRANT FOR YEAR	(120,098)
Adjust to grant for places funding	0
Academies	44,591
Net Grant	(75,507)
BALANCES TO BE CARRIED FORWARD	
	75,507

ANNEX 13 - ON-STREET PARKING ACCOUNT, BUS LANE ENFORCEMENT & MOVING TRAFFIC CONTRAVENTIONS ACCOUNTS

Report by the Director of Finance

Recommendations:

1. to note the four-year forecast on the On Street Parking; Bus Lane Enforcement and Moving Traffic Contraventions accounts

2. to note the additional draw downs against eligible expenditure totalling £0.340m from the Bus Lane Enforcement and Moving Traffic Contraventions accounts in 2016/17.

GENERAL

Background

1. This annex forecasts the medium term position of the Council's statutory On-Street Parking; Bus Lane Enforcement and Moving Traffic Contraventions accounts. Qualifying expenditure that can be offset against the income raised from these accounts is governed by statute. The Council must ensure that this expenditure meets the criteria that are set down.

2. The medium term projections of income and expenditure related to these accounts is summarised below and discussed in detail in narrative pertaining to the individual accounts in this Annex.

	2015/16 (Forecast Outturn Balance) £	2016/17 (Budget Balance) £	2017/18 (Budget Balance) £	2018/19 (Budget Balance) £	2019/20 (Budget Balance) £
On Street Parking Account	(963,492)	(814,992)	(611,492)	(352,992)	(39,492)
Bus Lane Enforcement Account	(1,609,775)	(1,312,075)	(930,375)	(524,675)	(114,975)
Moving Traffic Contraventions Account	(1,085,695)	(1,212,695)	(1,317,695)	(1,418,695)	(1,556,695)
Total Balance	**(3,658,962)**	**(3,339,762)**	**(2,859,562)**	**(2,296,362)**	**(1,711,162)**

3. After increases to target income in the 2015/16 budget, reflecting the over-achievement of income in previous years, latest forecasts from 2015/16 indicate a small under-achievement of £0.1m. This has meant that income forecasts for future years have been maintained at the current level.

ON-STREET PARKING ACCOUNT

Background

4. The council is required to maintain the on-street parking account under the traffic regulation act 1984 and the traffic management act 2004. All costs and income associated with the provision of on-street parking are charged to the fund. Any deficit on the fund must be made good from the general fund however any surplus may be applied for specified types of revenue expenditure as laid out in the acts. The categories of relevant expenditure include the provision and maintenance of off-street parking accommodation, public passenger transport, highway or road improvement

projects, environmental improvement and the implementation of the London Transport Strategy**.**

Medium Term Financial Forecast

5. The four-year forecast for the on-street parking account is shown in the table below**:**

On Street Parking Account	2015/16 (Forecast Outturn Balance) £	2016/17 (Budget Balance) £	2017/18 (Budget Balance) £	2018/19 (Budget Balance) £	2019/20 (Budget Balance) £
Surplus at 1 April	**(1,311,992)**	**(963,492)**	**(814,992)**	**(611,492)**	**(352,992)**
Applied:					
Concessionary Fares	2,909,000	2,500,000	2,500,000	2,500,000	2,500,000
Car Parks Repairs & Maintenance	197,100	197,100	197,100	197,100	197,100
Highways Improvements	36,000	36,000	36,000	36,000	36,000
Total Transfers Out of Fund	**3,142,100**	**2,733,100**	**2,733,100**	**2,733,100**	**2,733,100**
Net Budget Surplus	(2,646,600)	(2,646,600)	(2,646,600)	(2,646,600)	(2,646,600)
2015/16 Forceast Outturn Variance	(147,000)	0	0	0	0
2016/17 Inflation & Minor Changes	0	62,000	62,000	62,000	62,000
Estimated Future Inflation Changes	0	0	55,000	110,000	165,000
Total Transfer into Fund	**(2,793,600)**	**(2,584,600)**	**(2,529,600)**	**(2,474,600)**	**(2,419,600)**
Surplus at 31 March	**(963,492)**	**(814,992)**	**(611,492)**	**(352,992)**	**(39,492)**

Transfers Out of the Fund

6. There are a number of draw downs from the reserve used to contribute towards base budget revenue spend. The contributions towards concessionary fares, car parks repairs and maintenance and highway improvements have been in the base for a number of years and it is not proposed to change these in the current medium term plan. Although the contribution to concessionary fares looks to have decreased in 2016/17 and beyond, this is simply a redistribution of that commitment between the three statutory accounts. The £0.409m reduction is compensated in by an increase in contribution of £0.159m in the Bus Lane Enforcement Account and £0.250m in the Moving Traffic Contraventions Account.

Transfers into the Fund

7. The income generated by on-street parking exceeds the cost of provision and the resulting surplus is transferred annually into the on-street parking account. The budgeted surplus will reduce each year as inflationary increases are applied to the costs of operating the service and an allowance for this has been included in the forecast. For 2015/16 the budgeted surplus is £2.647m with the Council expecting to exceed this target by £0.147m. Due to cost inflation incurred in the service this will reduce to £2.585m for 2016/17.

Budget Risks

8. There is one key budget risks to the on-street parking account forecast position**:**

- An increase in the level of compliance with on-street parking policies would result in reduced numbers of PCN's being issued and a consequential reduction in the level of income received. This would pose a risk to the budgeted surplus being achieved and could reduce the ongoing balance of the fund.

BUS LANE ENFORCEMENT ACCOUNT

Background

9. The council is required to maintain the bus lane enforcement account under the London Local Authorities Act 1996. All costs and income associated with bus lane enforcement are charged to the fund. Any deficit on the fund must be made good from the general fund however any surplus may be applied for specified types of revenue expenditure as laid out in schedule 2 to the Act. The categories of relevant expenditure include meeting the costs of public passenger transport and improvement of highways.

Medium Term Financial Forecast

10. The four-year forecast for the bus lane enforcement account is shown in the table below:

Bus Lane Enforcement Account	2015/16 (Forecast Outturn Balance) £	2016/17 (Budget Balance) £	2017/18 (Budget Balance) £	2018/19 (Budget Balance) £	2019/20 (Budget Balance) £
Surplus at 1 April	**(2,225,275)**	**(1,609,775)**	**(1,312,075)**	**(930,375)**	**(524,675)**
Applied:					
Concessionary Fares	841,000	1,000,000	1,000,000	1,000,000	1,000,000
Drawdown to support eligible expenditure (2015/16 MTFP)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Drawdown to support eligible expenditure (2016/17 MTFP)	0	100,000	100,000	100,000	100,000
Funding to provide new unattended cameras	140,000	0	0	0	0
Total Transfers Out of Fund	**1,981,000**	**2,100,000**	**2,100,000**	**2,100,000**	**2,100,000**
Net Budget Surplus	(1,748,500)	(1,808,500)	(1,728,500)	(1,708,500)	(1,708,500)
2015/16 Forceast Outturn Variance	383,000	0	0	0	0
2016/17 Inflation & Minor Changes	0	6,200	6,200	6,200	6,200
Estimated Future Inflation Changes	0	0	4,000	8,000	12,000
Total Transfer into Fund	**(1,365,500)**	**(1,802,300)**	**(1,718,300)**	**(1,694,300)**	**(1,690,300)**
Surplus at 31 March	**(1,609,775)**	**(1,312,075)**	**(930,375)**	**(524,675)**	**(114,975)**

Transfers Out of the Fund

11. There are a number of draw downs from the reserve used to contribute towards base budget revenue spend. The contribution towards concessionary fares has been in the base for a number of years and is increased in 2016/17 onwards reflecting the redistribution of this commitment across the three statutory accounts as detailed in paragraph 6. Additionally a new draw down of £0.1m is made in 2016/17 onwards to fund eligible expenditure in the General Fund

Transfers into the Fund

12. The income generated by bus lane enforcement exceeds the cost of provision and the resulting surplus is transferred annually into the bus lane enforcement account. For 2015/16 the budgeted surplus is £1,749m and the forecast outturn position for income indicates the Council will fall short of this target by £0.383m. The budgeted surplus will reduce each year as the inflationary effect of costs affects the budgeted surplus. However, the new unattended cameras are projected to provide increased income in 2016/17 and this income is projected to decrease in future years as bus lane compliance increases. The budgeted surplus for 2016/17 is therefore increased to £1.802m.

Budget Risks

13. There is one key budget risk to the bus lane enforcement account forecast position:

- An increase in the level of compliance with bus lane regulations would result in reduced numbers of PCN's being issued and a consequential reduction in the level of income received. This would pose a risk to the budgeted surplus being achieved and could reduce the ongoing balance of the fund.

MOVING TRAFFIC CONTRAVENTIONS ACCOUNT

Background

14. The Council is required to maintain a separate account for income and expenditure relating to the enforcement of moving traffic contraventions under part 6 of the traffic management act 2004. All costs and income associated with moving traffic contraventions are charged to the fund. Any deficit on the fund must be made good from the general fund however any surplus may be applied for specified types of revenue expenditure in a similar way to how surpluses generated by on-street parking activities are utilised**.**

Medium Term Financial Forecast

15. The four-year forecast for the moving traffic contraventions account is shown in the table below:

Moving Traffic Contraventions Account	2015/16 (Forecast Outturn Balance) £	2016/17 (Budget Balance) £	2017/18 (Budget Balance) £	2018/19 (Budget Balance) £	2019/20 (Budget Balance) £
Surplus at 1 April	**(748,695)**	**(1,085,695)**	**(1,212,695)**	**(1,317,695)**	**(1,418,695)**
Applied:					
Concessionary Fares	0	250,000	250,000	250,000	250,000
Drawdown to support eligible expenditure (2015/16 MTFP)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Drawdown to support eligible expenditure (2016/17 MTFP)	0	240,000	200,000	160,000	120,000
Funding for Flood Water Management Strategy	100,000	0	0	0	0
Funding to provide new unattended cameras	140,000	0	0	0	0
Total Transfers Out of Fund	**1,240,000**	**1,490,000**	**1,450,000**	**1,410,000**	**1,370,000**
Net Budget Surplus	(1,440,000)	(1,620,000)	(1,560,000)	(1,520,000)	(1,520,000)
2015/16 Forceast Outturn Variance	(137,000)	0	0	0	0
2016/17 Inflation & Minor Changes	0	3,000	3,000	3,000	3,000
Estimated Future Inflation Changes	0	0	2,000	6,000	9,000
Total Transfer into Fund	**(1,577,000)**	**(1,617,000)**	**(1,555,000)**	**(1,511,000)**	**(1,508,000)**
Surplus at 31 March	**(1,085,695)**	**(1,212,695)**	**(1,317,695)**	**(1,418,695)**	**(1,556,695)**

Transfers Out of the Fund

16. There are a number of draw downs from the reserve that contribute to eligible General Fund expenditure. These include £1m that was added in the 2015/16 budget process and one off funding for unattended parking cameras and Flood Water management. The latter is to be funded through the General Fund revenue budget from 2016/17 whilst the former relates to one off expenditure in 2015/16.

17. In addition to this from 2016/17 onwards an additional drawdown of £0.250m is made for concessionary fares reflecting the redistribution of this commitment between the

three statutory accounts as described in paragraph 6. Finally, an additional drawn down of £0.240m to fund eligible expenditure is made in 2016/17.

Transfers into the Fund

18. The income generated by moving traffic contraventions exceeds the cost of enforcement and the resulting surplus is transferred annually into the moving traffic contraventions account. The budgeted surplus will reduce each year if inflationary increases are applied to the costs of operating the service and an allowance for this has been included in the forecast. For 2015/16 the budgeted surplus is £1.440m and the forecast outturn position for income indicates the council will exceed this target by £0.137m. This excess will also be transferred to the fund increasing the available balance for allocation.

19. The budgeted surplus is expected to increase in 2016/17 to £1.617m due to the effect of the new unattended cameras and to gradually decrease as compliance increases and the number of contraventions falls.

Budget Risks

20. There is one key budget risk to the moving traffic contravention account forecast position:

    An increase in the level of compliance would result in reduced numbers of contraventions and therefore reduced numbers of PCN's being issued. This would reduce income and pose a risk to the budgeted surplus being achieved, which could reduce the ongoing balance of the fund.

ANNEX 14 - PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION POLICY STATEMENT 2016/17

Recommendations:

1. to approve the Prudential Borrowing Indicators and Limits as set out below

2. to approve the Minimum Revenue Provision (MRP) statement for 2016/17 as set out below

3. to approve the retrospective adjustment to the Minimum Revenue Provision (MRP) charged to the General Fund from 2008/09 to 2015/16

Prudential Indicators 2016/17

1. The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. **Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in within the main budget report and Annex 10.

Capital Financing & Expenditure	2015/16 £m (Revised)	2016/17 £m	2017/18 £m	2018/19 £m
General Fund	29.9	31.4	27.3	13.2
Housing Revenue Account	23.3	16.1	12.5	9.2
Total Expenditure	**53.2**	**47.5**	**39.8**	**22.4**
Capital Receipts	6.7	12.7	6.9	7.9
Borrowing	11.4	1.8	0.0	0.0
Government Grants	11.6	9.1	6.0	5.5
External Contributions	12.1	10.9	16.5	1.4
Revenue/Reserve Contributions	11.4	13.0	10.4	7.6
Total Financing	**53.2**	**47.5**	**39.8**	**22.4**

3. **Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31 Mar 2016 £m (Revised)	31 Mar 2017 £m (Estimate)	31 Mar 2018 £m (Estimate)	31 Mar 2019 £m (Estimate)
General Fund	141.1	133.7	126.2	118.8
Housing Revenue Account	132.2	134.0	134.0	134.0
Total Capital Financing Requirement	**273.4**	**267.7**	**260.2**	**252.8**

4. The CFR is forecast to reduce by £5.7m by 31 March 2017 as capital expenditure funded from borrowing reduces. This trend continues into the medium term.

5. **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31 Mar 2016 £m (Revised)	31 Mar 2017 £m (Estimate)	31 Mar 2018 £m (Estimate)	31 Mar 2019 £m (Estimate)
Borrowing	233.1	233.1	233.1	233.1
Total Debt	**233.1**	**233.1**	**233.1**	**233.1**

6. Total debt is expected to remain below the CFR during the forecast period.

7. **Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Operational Boundary	31 Mar 2016 £m (Revised)	31 Mar 2017 £m (Estimate)	31 Mar 2018 £m (Estimate)	31 Mar 2019 £m (Estimate)
Borrowing	298.0	292.0	285.0	277.0
Total Debt	**298.0**	**292.0**	**285.0**	**277.0**

8. **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	31 Mar 2016 £m (Revised)	31 Mar 2017 £m (Estimate)	31 Mar 2018 £m (Estimate)	31 Mar 2019 £m (Estimate)
Borrowing	308.0	305.0	295.0	287.0
Total Debt	**308.0**	**305.0**	**295.0**	**287.0**

9. **Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31 Mar 2016 % (Revised)	31 Mar 2017 % (Estimate)	31 Mar 2018 % (Estimate)	31 Mar 2019 % (Estimate)
General Fund	9.38	10.58	10.90	10.97
Housing Revenue Account	16.44	16.81	17.02	17.23

10. **Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The positive effect that we can see is due the fact that we had planned to borrow for some elements of the capital programme in future years, but with increased levels of expected capital receipts, this is now not required.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
General Fund - increase in Annual Band D Council Tax	(0.91)	(0.16)	0.00
Housing Revenue Account - average increase in weekly	(0.08)	(0.05)	0.00

11. **Adoption of the CIPFA Treasury Management Code:** The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* on 29 February 2012.

Annual Minimum Revenue Provision Statement 2015/16

12. Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

13. The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits.

14. The CLG Guidance requires the Authority to approve an Annual MRP Statement each year. RBK's statement is as follows:

    "The Council will set aside an amount each year within its General Fund budget which it deems prudent and appropriate, having regard to statutory requirements and relevant guidance issued by CLG."

    Key points underlying this statement include:

- For capital expenditure incurred before 1 April 2007 MRP will be determined as 4% of the Capital Financing Requirement in respect of that expenditure.
- For unsupported capital expenditure incurred after 31 March 2007, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational.
- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

15. During 2015/16, the Council undertook a review of its projected MRP payments and MRP payments that had been made since and including the year 2008/09. This review was based on re-visiting the asset life assumptions that had been applied to capital expenditure funded by borrowing during that time.

16. The review concluded that in a number of cases, particularly in the years 2008/09 to 2011/12, the asset lives related to some capital expenditure had been under estimated. This meant the MRP set aside by the Council during those years was more than prudent and that that cost could be spread further into the future whilst remaining prudent and appropriate.

17. The review has enabled a reduction on forecast MRP costs in future years against a comparable capital programme against which previous estimates were made. If approved, it will also allow a one off write back of £4.101m in 2015/16, relating to the over provision of MRP from 2008/09 to 2014/15 and a reduced cost of £0.951m against budgeted MRP expenditure for 2015/16. These changes are set out in the tables below:

Year	MRP Charged to General Fund £m	Revised MRP Charge to General Fund £m	Difference £m
2008/09	4.576	4.431	(0.146)
2009/10	5.411	5.017	(0.394)
2010/11	5.601	5.172	(0.429)
2011/12	5.868	5.367	(0.501)
2012/13	7.180	6.309	(0.871)
2013/14	7.180	6.308	(0.872)
2014/15	7.247	6.359	(0.888)
Total	**43.063**	**38.962**	**(4.101)**

Year	Budgeted MRP Charge to General Fund £m	Revised MRP Charge to General Fund £m	Difference £m
2015/16 Charge	7.708	6.757	(0.951)
2008/09 - 2014/15 Credit	0.000	(4.101)	(4.101)
Total 2015/16 Charge	**7.708**	**2.656**	**(5.052)**

18. Based on the Authority's latest estimate of its Capital Financing Requirement on 31 March 2016, the budget for MRP has been set as follows:

	Estimated Capital Financing Requirement (CFR) 31 March 2016 £m	**2016/17 Estimated Minimum Revenue Provision (MRP) £m**
Capital Expenditure before 1 Apr 2007	76.0	4.5
Capital Expenditure financed by borrowing after 31 Mar 2007	65.1	2.9
Total General Fund	**141.1**	**7.4**
Assets in the Housing Revenue Account	16.7	0.0
Housing Revenue Account Subsidy Reform Payment	115.5	0.0
Total Housing Revenue Account	**132.2**	**0.0**
Total	**273.4**	**7.4**

ANNEX 15 - Treasury Management Annual Strategy Report 2016-2017

Report by the Director of Finance

Purpose

To inform the Council of the treasury management strategy for the coming financial year.

Recommendations of the Portfolio Holder of Treasury

1. Approve the Treasury Management Strategy 2016/17, and the Treasury Management Indicators as set out in paragraph 64 of the report and RECOMMEND to the Council for adoption: and

2. Approve the Investment Strategy 2016/17 contained in the treasury management strategy, and the detailed criteria included in Attachment 4 and RECOMMEND to the Council for adoption.

Key Points

A. The Council's treasury management activities are regulated by statute, professional codes and official investment guidance.

B. The report fulfils two key legislative requirements – the reporting of the treasury management strategy and treasury management indicators as required by the CIPFA Treasury Management Code of Practice, and the investment strategy in accordance with CLG Investment Guidance.

C. The Council invests and borrows substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The effective identification and management of risk are therefore central to the Council's treasury management strategy.

Context

1. Treasury Management is about managing the Council's cash flow, borrowing and cash investments, to support Kingston's finances, and is an important part of the overall financial management of the Council's affairs. The sums of money managed are very significant and no treasury management activity is without risk. The effective identification and management of risk are therefore central to the Council's treasury management strategy.

2. The Council's treasury management activities are regulated by statute, professional codes and official investment guidance. In February 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice 2011 Edition ("the Code"), and a Treasury Management Policy Statement **(Attachment 1)** as recommended under the CIPFA Code.

3. The CIPFA Code requires the Council to approve the annual strategy report before the start of the financial year. The report also includes the annual Investment Strategy that is a requirement of the Department for Communities and Local Government's (CLG) Investment Guidance.

4. A further report on actual activity for the year is presented to the Audit, Governance and Standards Committee after the end of the financial year. A mid-year review report is also presented to the Audit, Governance and Standards Committee during the year with the latest one for 2015-16 presented on 13 January 2016. The report included for scrutiny the Council's Treasury Management Practices (TMPs), which set out the manner in which the Council seeks to achieve its treasury management policies and objectives, and prescribes how activities are managed and controlled.

5. Although the responsibility for treasury management decisions remains with the Council at all times, as this is a complex and technical area, treasury management advisors are employed to provide specialist skills and resources. Following a competitive tendering process, Arlingclose Limited, an independent treasury advisory company, were appointed as the Council's Treasury Management Advisors for a period of three years commencing July 2012. The signed agreement included an optional two year extension period.

6. Arlingclose continue to provide a good service, and as the Council looks to review its operating model and implement significant changes to service delivery over the next few years, it was considered prudent not to carry out a routine procurement this year, but agree to the extension.

TREASURY MANAGEMENT RISK

7. The effective management of risk is a prime objective of treasury management activities. The main risks associated with treasury management are listed below. The principal features of these risks as defined by CIPFA are set out in the Glossary of Terms **(Attachment 2)**.

- Credit and counterparty Risk
- Liquidity Risk
- Interest Rate Risk
- Refinancing Risk
- Legal Risk
- Operational Risk
- Market Risk

8. The Council's arrangements to manage and control treasury management risk are set out in TMP1 – Risk Management.

ECONOMIC AND MARKET PROSPECTS

9. Arlingclose projects the first increase in UK Bank Rate in the third quarter of 2016, rising slowly thereafter and finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to the forecast are weighted towards the downside.

10. A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its 2015 average of 1.82%, by around 0.2% a year. The uncertainties surrounding UK and US monetary policy and global growth weakness are likely to prompt short-term volatility in gilt yields.

11. A more detailed interest rate forecast provided by Arlingclose is set out in **Attachment 3.**

INVESTMENT AND DEBT PORTFOLIO FORECASTS

12. Investment and debt portfolio forecasts are shown in the balance sheet analysis below:

Balance Sheet Summary projections				
	31 Mar 2016 Estimate £m	31 Mar 2017 Estimate £m	31 Mar 2018 Estimate £m	31 Mar 2019 Estimate £m
General Fund CFR	141.1	133.7	126.2	118.8
HRA CFR	132.2	134.0	134.0	134.0
Total CFR	**273.4**	**267.7**	**260.22**	**252.8**
Less External Borrowing	233.0	233.0	233.0	233.0
Internal Borrowing	**40.3**	**34.6**	**27.2**	**19.7**
Less usable Reserves	51.0	47.3	47.0	45.7
Less Working Capital	5.4	5.4	5.4	5.4
(Net investments) / ext. borrowing	**(16.1)**	**(18.1)**	**(25.2)**	**(31.3)**

13. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

14. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing. The capital borrowing need has therefore not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used instead. By essentially lending its own surplus funds to itself, the Council is able to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances.

BORROWING AND DEBT STRATEGY

15. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

16. The Council currently holds £233m of loans, as part of its strategy for funding previous years' capital programmes. The Council's capital expenditure plans do not currently imply any need to borrow during 2016/17 except for short-term loans

(normally for up to one month) to cover any cash flow shortages during the year and at year end.

17. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to continue to use internal resources, or to borrow short-term loans instead.

18. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. The Council may also borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing.

19. Alternatively, the Council may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

20. The primary source of long-term borrowing for the Council has previously been the Public Works Loan Board (PWLB) and bank loans. However, as always the Council would investigate other sources of finance that may be available at more favourable rates.

21. The Council's approved sources of long-term and short-term borrowing are set out in **Attachment 4**.

22. **Local Government Association (LGA) Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee to cover the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to the Treasury Committee.

23. **LOBOs:** The Council holds £61m of LOBO (Lender's Option Borrower's Option) loans which could be "called" within 2016/17. A LOBO is called when the Lender exercises its right to amend the interest rate on the loan, at which point the Council can accept the revised terms or reject them and repay the loan without penalty. Although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the

opportunity to do so, and will also consider any other options to repay LOBO loans if economically advantageous to do so, following advice from Arlingclose.

24. Consideration will be given to premature repayment of debt as short term rates on investments are likely to be lower than rates paid on current debt. This would also reduce the Council's investment balances and counterparty risk. Consideration will also be given to restructuring the debt portfolio, by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs. However the low interest rate environment and rules regarding the premature repayment of PWLB loans adversely affects the scope to undertake meaningful debt restructuring on favourable terms at the present time.

25. **Borrowing in Advance of Need:** The Director of Finance under delegated powers may borrow in advance of need if it is within forward approved Capital Financing Requirement estimates, and if it is expected to provide the best long term value for money. Risks associated with any advance borrowing activity will be managed as part of the Council's overall management of its treasury risks. The Council would not look to borrow more than two years in advance of need, although the Council is not required to link particular loans with particular items of expenditure.

INVESTMENT STRATEGY

26. The Investment Strategy sets out the Council's criteria for choosing counterparties and limiting exposure to the risk of loss. The investment strategy needs to allow for sufficient options and counterparties to be able to operate in normal market conditions. The Council's strategy is in accordance with CLG Investment Guidance under the Local Government Act 2003.

27. The key intention of the Guidance is to invest prudently, and to ensure that priority is given to security (protecting the capital sum from loss). Liquidity (keeping the money readily available for expenditure when needed) is secondary, followed by the yield earned on investments which is a tertiary consideration.

28. The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

29. Bail-in legislation, which means that large investors including local authorities would be expected to lose some or all of their deposits in return for an equity share in failed banks, has now been fully implemented in the UK, USA and Germany. The rest of the European Union follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans.

30. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority.

31. RBK holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 31 March 2015 the Council's

investment balance has ranged between £26m and £67m and similar levels are expected to be maintained in 2016/17.

32. The Council's surplus cash is currently invested in short-term unsecured bank deposits (with banks that as a minimum have a Fitch long term rating of A- or equivalent), money market funds and Achieving for Children. The investment strategy allows the Council to further diversify into more secure and/or higher yielding asset classes during 2016-17, especially if money is available for longer-term investment.

33. In order to diversify the investment portfolio, investments will be placed with a number of approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty ensure prudent diversification is achieved. Forward dealing will be undertaken if good opportunities materialise.

34. The Guidance requires certain investment policy parameters to be set within the Investment Strategy and for the Council to have regard to the CIPFA TM Code.

35. The Guidance separates investments into two categories, Specified and Non-Specified Investments. The definitions and criteria adopted to identify Specified and Non-Specified Investments are shown in **Attachment 4** for approval.

36. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the monetary limits (per counterparty) and the time limits shown.

	Minimum Credit Rating	**Time Limit**	**Money Limit (each)**
UK Government	-	50 years	unlimited
Other National Governments and multilateral development banks	AA-	5 years	£10.0m
	A+	4 years	£5.0m
	A	3 years	£5.0m
	A-	2 years	£5.0m
UK Local Authorities	-	5 years	£10.0m
UK Nationalised / part nationalised Banks	-	1 year	£10.0m
Major UK Financial Institutions	-	1 year	£10.0m
Banks (unsecured)	AA-	3 years	£5.0m
	A+	2 years	£5.0m
	A	13 months	£5.0m
	A-	6 months	£5.0m
	BBB+	100 days	£2.5m

	BBB-	Next day only	£2.5m
Banks (secured)	AA-	4 years	£10.0m
	A+	3 years	£10.0m
	A	2 years	£10.0m
	A-	13 months	£10.0m
	BBB+	6 months	£5.0m
Bank subsidiary and Treasury Operations	-	As per parent bank	As per parent bank
UK Building Societies without credit ratings	-	6 months	£2.5m
UK Challenger Banks	-	6 months	£1.0m
Corporates	AA-	3 years	£5.0m
	A+	2 years	£5.0m
	A	13 months	£5.0m
	A-	6 months	£5.0m
Registered Providers	AA-	4 years	£5.0m
	A+	3 years	£5.0m
	A	2 years	£5.0m
	A-	13 months	£5.0m
Money Market Funds and other pooled funds	-	n/a	£10.0m
Achieving for Children	-	n/a	unlimited

The table must be read in conjunction with the notes below which explain the facilities, institutions or other products that fall under each category.

37. **UK Government:** Debt Management Account Deposit Facility, Government Bills or Gilts.

38. **Other National Governments and multilateral development banks:** Loans, bonds and bills issued or guaranteed by national governments and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency.

39. **UK Local Authorities:** Loans, bonds and bills issued by regional and local authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency.

40. **UK Nationalised / part nationalised Banks:** In the event of large state ownership it is judged the risk of failure will be lower than other banks, hence a higher monetary limit than unsecured banks.

41. **Major UK Financial Institutions** – which have passed the Bank of England's Prudential Regulation Authority (PRA) most recent Bank Stress Tests. In December 2015, the Bank of England announced the results of its second annual stress testing exercise on major UK financial institutions which both the Bank's Financial Policy Committee and PRA consider to be important to UK financial stability.

The PRA stress tested the institutions to assess their ability to withstand a crisis scenario, modelled on the theoretical impact of a £100bn reduction in the banks' profits caused by a serious economic shock.

The Bank of England said the results of the stress tests "suggest that the banking system is capitalised to support the real economy in a severe global stress scenario".

Institutions which 'passed' the tests in December 2015 were:

- Barclays Bank
- HSBC Group
- Lloyds Banking Group
- Nationwide Building Society
- Royal Bank of Scotland Group
- Santander UK
- Standard Chartered

42. **Banks Unsecured:** (the term 'bank' also refers to building societies). Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investments with banks rated BBB are restricted to UK banks. Unsecured investments with banks rated BBB or BBB- are restricted to overnight deposits with the Council's current bank service provider.

43. **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments. Secured investments with banks rated BBB are restricted to UK banks.

44. **Bank subsidiary and Treasury Operations** – If the entities are unrated or fall below the criteria specified above, the Council will use these where the parent bank meets the criteria specified for Banks.

45. **UK Building Societies** – the Council will use Societies without credit ratings, where credit analysis by the Council's treasury management advisor show them to be suitably creditworthy, and which have a profit ratio (as % of total assets) of 0.25% and above (as shown in the latest produced set of accounts). Credit analysis by Arlingclose focuses on:

a) Solvency measures
   - Chance of incurring large losses
   - Capital resources available to cover any losses
b) Liquidity measures
   - Amount of wholesale funding
   - Liquid assets available to cover withdrawals

46. **UK Challenger Banks:** New banks which are smaller than the large, well established banks in the market. Many are unrated but do have very high levels of capital buffers. The Council's treasury advisor will monitor and review these institutions. If they are satisfied that the banks show continuing stability, secure financial metrics and recommend them as a creditworthy counterparty, then up to £1m could be invested by the Council.

47. **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

48. **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain a high likelihood of receiving government support if needed.

49. **Money Market Funds and other pooled funds:** Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

    Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

50. **Achieving for Children (AfC)**: Achieving for Children is a Community Interest Company, jointly owned by Kingston Council and the London Borough of Richmond upon Thames. Both Councils are in joint agreement to provide AfC with a 'revolving credit facility'. This arrangement seeks to provide AfC with a loan facility to cover differences in timing of their income and expenditure. These loans form part of each Council's investment strategy.

Credit Ratings

51. Where credit ratings apply, investment decisions will be made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's.

Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

52. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

53. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the Security of Investments

54. Additional requirements under the Code of Practice require the Council to supplement credit rating information. Full regard will therefore be given to other available information on the credit quality of organisations, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. The Council's treasury management advisors also provide specific advice in relation to investment activities. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the investment strategy criteria.

55. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. Subjective overlay by Members and / or officers will be considered at all times, and during exceptional market conditions the Director of Finance may temporarily restrict investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Limits applying to Investments

56. The maximum that will be lent to any one organisation (other than the UK Government) will be £10m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

Note - General Fund and Pension Fund investments are not grouped together when considering exposure to counterparties.

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£10m per country
Registered Providers	£25m in total
Unsecured investments with Building Societies	£10m in total
Loans to unrated corporates	£10m in total
Money Market Funds	£50m in total

57. In the normal course of the council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

58. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the longer term investment limits. Limits on non-specified investments are shown in **Attachment 4.**

Liquidity Management

59. To meet unexpected payments the Council seeks to maintain:

- Liquid short term deposits of at least £3m available within a week's notice.

Use of External Fund Managers

60. The Council may use external fund managers for part of its investment portfolio. The fund managers would not be subject to the above restrictions provided that their arrangements for assessing creditworthiness and exposure limits have been risk assessed and agreed by the Director of Finance.

Treasury Management Indicators and Limits on Activity

61. The Council is required to have regard to the treasury indicators which form part of the Treasury Management Code. The purpose of these treasury indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these

are set to be too restrictive they will impair the opportunities to reduce costs / improve performance.

62. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

63. The activity limits are:

1. Upper limits on variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.

2. Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

3. Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. (Guidance notes in the Code of Practice require LOBO loan maturity dates to be determined by the next call date).

4. Total principal funds invested for periods longer than 364 days – These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on maturities beyond the period end.

64. The Council is asked to approve the following indicators:

	Interest Rate Exposures			
		2016/17	**2017/18**	**2018/19**
		£m	**£m**	**£m**
No. 1	Upper limit - variable rates	120	113	107
No. 2	Upper limit - fixed rates	292	285	277

No.3 Maturity Structure of fixed interest rate borrowing						
	2016/17		**2017/18**		**2018/19**	
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	50%	0%	50%	0%	50%
12 months to 2 years	0%	50%	0%	50%	0%	50%
2 years to 5 years	0%	50%	0%	50%	0%	50%
5 years to 10 years	0%	70%	0%	70%	0%	70%
10 years to 20 years	0%	70%	0%	70%	0%	70%
20 years to 30 years	0%	70%	0%	70%	0%	70%
30 years to 40 years	0%	70%	0%	70%	0%	70%
40 years to 50 years	0%	70%	0%	70%	0%	70%
50 years and above	0%	70%	0%	70%	0%	70%

No. 4 Maximum principal sums invested >364 days			
	2016/17	**2017/18**	**2018/19**
Principal sums invested > 364 days	40%	20%	10%

65. **Local Treasury Management Limits** - In addition to the above required activity limits, local treasury management limits have been set, based on what officers consider to be acceptable risk

66. **Fixed / Variable Interest Rate Exposures**

	2016/17	**2017/18**	**2018/19**
	%	**%**	**%**
Limits on variable interest rates ● Debt (excluding LOBO's) ● Investments (under 1 year)	 30 100	 30 100	 30 100
Limits on fixed interest rates ● Debt ● Investments (over 1 year)	 100 40	 100 40	 100 40

67. **Debt maturity repayments** (excluding LOBO's) –

- Maximum (%) of debt maturing in any one year – 20%
- Maximum (%) of debt maturing in next five years – 50%

Performance Indicators

68. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the activity limits, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Borrowing – average rate of borrowing for the year compared to average available
- Debt – average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate.

69. The results of these indicators will be reported in the Treasury Management Annual Report for 2016/17.

Policy on Use of Financial Derivatives

70. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

71. The Council's policy concerning the use of financial derivatives is set out in **Attachment 4**.

Housing Revenue Account (HRA) Treasury Management Strategy

72. The HRA self-financing regime commenced on 1st April 2012 and the Council notionally split each of its existing long-term loans into General Fund and HRA pools at that time. In the future, new long-term loans will be assigned in their entirety to one pool or the other. Interest payable and other costs or income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged or credited to the respective revenue account.

73. At the start of the Self Financing regime, the HRA was required to take on £115.5m of loan debt as part of the settlement. Council officers have developed a business plan to determine how and when the Council can afford to repay the HRA debt settlement and the additional borrowing to support the Council's housing investment programme over a 30 year period. The HRA business plan has been projected for 2016-17 onwards.

74. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. Interest will be transferred between the General Fund and HRA at year end, at an internally determined rate of interest.

Member and Officer Training

75. The Head of Finance Strategy & Accounting and Finance Strategy Capability Lead will ensure that council members and officers tasked with treasury management responsibilities have access to training relevant to their needs.

76. Training will continue to be provided to Members as part of their induction training and on-going Member Training Programme.

77. Due to the specialist skills needed for treasury management activities, officer training will continue to cover money and capital market operations, an awareness of available sources of funds and investment opportunities, an ability to assess and control risk, and an appreciation of the implications of legal and regulatory requirements. The Council subscribes to the CIPFA Treasury and Pensions Network which provides access to appropriate specialised training.

Timescale

78. The Treasury Management Annual Strategy must be submitted to the Treasury Committee before the beginning of each financial year and then recommended to the Council for adoption.

Resource Implications

79. Proper management of the Council's borrowing and investment position in accordance with the approved Treasury Management Strategy contributes significantly to the financial stability of the Council's budget position.

Legal Implications

80. The report fulfils two key legislative requirements. The reporting of:

- the treasury management annual strategy and treasury management indicators as required by the CIPFA Treasury Management Code of Practice; and
- the investment strategy in accordance with CLG Investment Guidance.

Risk Assessment

81. The Council's arrangements to manage and control treasury management risk are set out in TMP1 – Risk Management (scrutinised by Audit, Governance and Standards Committee on 13 January 2016).

Equalities Impact Assessment

82. As the report is for Members' information, an EQIA is not needed.

Environmental Implications

83. None arising directly from this report.

Background papers – None other than those referred to in this report

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LIST OF ATTACHMENTS

Attachment 1 -	***Treasury Management Policy Statement***
Attachment 2 -	***Glossary of Terms***
Attachment 3 -	***Interest Rate Forecasts***
Attachment 4 -	***Schedule of Approved Instruments, methods and techniques (Criteria for Specified and Non-Specified Investments)***

ATTACHMENT 1

COUNCIL'S FINANCIAL REGULATIONS

TREASURY MANAGEMENT

CIPFA CODE OF PRACTICE FOR TREASURY MANAGEMENT (Revised November 2011)

Approved by Council 29 February 2012

The Royal Borough of Kingston upon Thames adopts as part of the Council's Financial Regulations the following four clauses of the CIPFA Code of Practice for Treasury Management and the **Treasury Policy Statement** as set out below:

CLAUSE 1

The Council will create and maintain, as the cornerstones for effective treasury management:

- a **treasury management policy statement** (see below), stating the policies, objectives and approach to risk management of its treasury management activities.

- suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

CLAUSE 2

The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

CLAUSE 3

The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Policy and Resources Committee, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.

CLAUSE 4

The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

THE TREASURY MANAGEMENT POLICY STATEMENT (see Clause 1)

The treasury management policy statement defines the policies and objectives of the Council's treasury management activities:

1. The Council defines its treasury management activities as:

   The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The Council's specific borrowing objective is to achieve the lowest level of interest paid on debt as prudently possible, while at the same time minimising the potential volatility of the average rate of interest.

5. The Council's specific investment objective is to achieve an overall return on total deposits above the seven day notice London Interbank Bid Rate (LIBID) – the rate at which a bank will bid to borrow money in the London money market – with the minimum risk of capital loss.

ATTACHMENT 2

GLOSSARY OF TREASURY TERMS

Balances and Reserves – Accumulated sums that are maintained either earmarked for specific future costs or commitments, or generally held to meet unforeseen or emergency expenditure.

Bank Rate – the official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed as the 'base rate'. Also referred to as the 'repo rate'.

Bills – Short dated instruments, issued at a discount, therefore they are not coupon bearing.

Bonds – a debt instrument, in which an investor lends money for a specified period of time at a fixed or floating rate of interest. Bonds may be covered, backed by a separate group of loans, usually prime residential mortgages, or they can be unsecured.

Capital Expenditure – Expenditure on the acquisition, creation or enhancement of capital assets.

Capital Financing Requirement (CFR) – The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

Certificate of Deposit (CD) – A tradable form of fixed deposit. They can be sold before maturity via the secondary market at a rate that is negotiable.

CIPFA – **Chartered Institute of Public Finance and Accountancy** - one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services.

Collateral – Security pledged to ensure repayment of a loan
.

Commercial Paper (CP) – Unsecured promissory notes issued by creditworthy institutions, including both financial institutions and non-bank corporates, generally with maturity of 270 days or less.

Coupon – The total amount of interest a security will pay on a yearly basis.

CPI – Consumer Price Index. The UK's main measure of inflation, used as the Bank of England's inflation target.

Credit Default Swap (CDS) – Financial instrument for swapping the risk of debt default, similar to an insurance policy against a credit default.

Credit Rating – Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO) – An Executive Agency of Her Majesty's Treasury. The DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds.

Discount – A deductable sum - calculated on normal actuarial principles – which a lender pays to the Council if a loan is repaid early and if interest rates are presently higher than the loan rate. The discount reflects the gain to the lender of foregoing the remaining instalments of interest, and receiving funds which have to be re-invested at current interest rates.

ECB – European Central Bank

Federal Reserve – US Central Bank. Often referred to as 'the Fed'.

Financial Policy Committee – a part of the Bank of England, responsible for identifying, monitoring and taking action to remove or reduce systemic risks, with a view to protecting and enhancing the resilience of the UK financial system.

Floating Rate Note (FRN) – A money market instrument, with a floating/variable rate of interest, which re-fixes over a reference rate, for example LIBOR.

GDP – Gross domestic product – also referred to as 'growth' in the economy. The value of the national aggregate of goods and services in the economy.

Government Gilts – A UK Government bond, sterling denominated, issued by HM Treasury. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

LOBOs (Lender's Option / Borrowers Option) –Money Market instruments that have a fixed initial term (typically one to ten years) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan.

London Inter-Bank Bid Rate (LIBID) - The set interest rate at which major banks in London are willing to borrow (bid for) funds from each other for different periods.

London Inter-Bank Offered Rate (LIBOR) - The set interest rate at which major banks in London are willing to lend (offer) to each other for different periods.

Money Market – the term applied to the institutions willing to trade in financial instruments. It is not a physical creation, but an electronic/telephonic one.

Money Market Funds– Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Premium – An additional sum - calculated on normal actuarial principles – which the authority pays to a lender if a loan is repaid early and if interest rates are presently lower than the loan rate. The premium reflects the loss to the lender of foregoing the remaining instalments of interest, and receiving funds which have to be re-invested at current interest rates.

Prudential Code – Developed by CIPFA and introduced in 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators– Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record

local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators.

Prudential Regulation Authority – a part of the Bank of England, responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.

PWLB – **Public Works Loan Board** - an independent statutory body operated within the **Debt Management Office**, which is able to meet all of a local authority's needs for long-term borrowing. The PWLB is prepared to lend to authorities who act prudently and comply with all relevant legislation.

Quantitative Easing (QE) – In the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It "does not involve printing more banknotes. Instead the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England

Reverse repurchase agreement – a transaction carried out under an agreement in which one party buys securities from the other and at the same time and as part of the same transaction commits to resell equivalent securities on a specified date at a specified price.

RPI – Retail Prices Index. A monthly index demonstrating the movement in the cost of living, as it tracks the prices of goods and services including mortgage interest and rent.

RISK:

- **Credit and counterparty risk**
  The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

- **Liquidity risk**
  The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

- **Interest Rate risk**
  The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

- **Refinancing risk**
  The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

- **Legal Risk**
  The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

- **Operational Risk**
  The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.

- **Market Risk**
  The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

Temporary Borrowing – Borrowing to cover peaks and troughs of cash flow, not to fund spending.

Term Deposits – Deposits of cash with terms attached relating to maturity and rate of return (interest).

Treasury Bills – Short dated instruments issued by HM Treasury. They are issued at a discount, therefore they are not coupon bearing.

Yield – The measure of the return on an investment instrument.

ATTACHMENT 3

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Official Bank Rate													
Upside risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50
Arlingclose Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50
Downside risk				-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00
3-month LIBID rate													
Upside risk	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.50	1.60	1.65	1.70	1.75
Downside risk		-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20	-1.20
1-yr LIBID rate													
Upside risk	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45
Arlingclose Central Case	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15	2.15
Downside risk	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25	-1.25
5-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.30	1.38	1.45	1.53	1.60	1.68	1.75	1.83	1.90	1.98	2.05	2.13	2.20
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25
10-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	1.90	1.95	2.00	2.05	2.10	2.15	2.20	2.25	2.30	2.35	2.40	2.45	2.50
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25
20-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.50	2.53	2.55	2.58	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80
Downside risk	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20	-1.20
50-yr gilt yield													
Upside risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60
Arlingclose Central Case	2.50	2.55	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.83	2.85
Downside risk	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15	-1.15

ATTACHMENT 4

SCHEDULE of APPROVED INSTRUMENTS, METHODS and TECHNIQUES (Criteria for Specified and Non-Specified Investments).

1. **Principle**

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this schedule, and within the limits and parameters defined in the Treasury Management Annual Strategy Report.

2. **Criteria for Specified Investments**

CLG guidance defines specified investments as those:

- Denominated in sterling;
- not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes;
- not deemed capital expenditure investments by legislation; and
- invested with:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".
    -

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA- or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

3. **Criteria for Non-Specified Investments**

Non-specified investments are any other type of investment which are not defined as Specified Investments. The authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown below:

	Max (%) of portfolio
Investments (except pooled funds) in foreign countries rated below AA-	10
Long-term investments	40
Investments without credit ratings or rated below A-	75
Total non-specified investments	**75**

4. Approved investment instruments include

- Deposits with the UK government, and Debt Management Agency Deposit Facility (DMADF)
- Treasury Bills
- Gilts
- Sterling denominated loans, bonds and bills issued or guaranteed by national governments and multilateral development banks
- Loans, bonds and bills issued by regional and local authorities

- Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies
- Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies
- Loans, bonds and commercial paper issued by companies other than banks and registered providers
- Investments with Registered Providers of Social Housing
- Money Market Funds
- Pooled funds
- Deposits with Community Interest Companies, partly owned by Kingston Council (i.e. Achieving for Children)
- Callable deposits
- Certificates of deposit
- Commercial paper
- Covered bonds
- Floating Rate Notes
- Reverse repurchase agreements
- Unsecured corporate bonds

5. <u>Approved capital financing methods and types / sources of funding</u>

- Public Works Loans Board (PWLB) loans, other HM Treasury bodies
- Long term money market loans, including LOBOs
- Temporary money market loans (up to 364 days)
- Bank overdraft
- Loans from bodies such as the European Investment Bank (EIB)
- Stock issues
- Operating and finance leases
- Deferred Purchase
- Government and EU Capital Grants
- Lottery monies
- Other Capital Grants and Contributions
- Private Finance Initiative
- Hire purchase
- Sale and leaseback

<u>Internal Resources</u>
- Capital Receipts
- Revenue Balances
- Use of Reserves

<u>Approved sources of long-term and short-term borrowing include</u>

- Public Works Loan Board (PWLB) and its successor body
- Commercial institutions (banks, building societies and other financial institutions) authorised to carry out lending activity in the UK
- Local authorities
- Any other institution approved for investments
- UK public and private sector pension funds (except RBK Pension Fund)
- Local Capital Finance Company and other special purpose vehicles created to enable local authority bond issues
- Any other organisation with a known market presence, whose status can be verified by a broker and / or the Council's treasury management advisor.

6. Use of Derivatives

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to.

Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.

Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

The use of standalone financial derivatives is restricted to only those officers who have completed appropriate training for their use. The Director of Finance will carefully consider as to whether officers have the skills and experience to identify and manage the advantages and risks associated with using the derivatives.

7. New instruments, methods and techniques

The Council will if required consider and determine new financial instruments, methods and techniques; however, the Council will consider carefully whether officers have the skills and experience to identify and manage the advantages and risks associated with their use before undertaking them, more so as some risks may not be wholly or immediately transparent.

ANNEX 16 – MEMBERS ALLOWANCES 2016/17

The Allowance Scheme is index linked on the basis of automatic annual up-rating in accordance with annual Local Government pay settlement with effect from 1 April each year.

Basic Allowance – for all Councillors	£7,849.25	
Special Responsibility Allowances – no Councillor receives more than the equivalent of one special responsibility payment		
Leader of the Council	£24,535.52	Plus £8,454.60 (£301.95 per Member of the Group (28))
Deputy Leader	£18,116.44	
Leader of the Opposition	£12,077.62	Plus £5,435.10 (£301.95 per Member of the Group (18))
Portfolio Holder	£12,075.26	
Chair of Neighbourhoods Committee	£12,075.26	
Chair of Development Control Committee	£12,075.26	
Chair of Health and Wellbeing Board	£12,075.26	
Opposition Spokesperson	£6,037.63	
Leader of a Minority Opposition Group	£6,037.63	Plus £603.90 (£301.95 per Member of the Group (2))
Chair of Audit Standards & Governance Committee	£6,037.63	
Chair of Health Overview Panel	£6,037.63	
Chair of Licensing Committee	£6,037.63	
Allowance of the Independent Member of the Audit Standards & Governance Committee and the Advisory Members on the Adults and Children's and Growth Committees.	£512.60	

Mayoral Allowances
Mayor - £15,537.61 Deputy Mayor - £5,176.07

Dependents Allowance	£9.40 hourly	Linked to the Living Wage for London (reviewed annually in November)

PART 6 - MEMBERS' ALLOWANCE SCHEME

SCHEME FOR THE PAYMENT OF MEMBERS' ALLOWANCES
(EFFECTIVE FROM 1 April 2016)

MADE IN ACCORDANCE WITH THE LOCAL AUTHORITIES (MEMBERS' ALLOWANCES) (ENGLAND) REGULATIONS 2003

Basic Allowance

1. Each Member of the Council will be entitled to receive the sum of £7,849.25 per annum by way of Basic Allowance. If a Member of the Council does not serve as an elected Member for the whole of the 12 month period or becomes disqualified, they will only be entitled to pro-rata payments for the period(s) during which they are actually a serving Member of the Council.

Special Responsibility Allowances

2. Members undertaking the special responsibilities listed below are entitled to the amounts shown on an annual basis. If a Member of the Council does not serve as an elected Member for the whole of the 12 month period or becomes disqualified or if they cease to perform the duties for which the allowance is payable, they will only be entitled to pro rata payments for the period(s) during which they undertake the duties. No Member may receive more than one special responsibility allowance except in the case of a Member who is appointed as Co-Chair of more than one body for which an Allowance is payable to the Chair*. In such circumstances the Member concerned may receive two Allowances so long as the total amount payable does not exceed the amount that would have been payable to the Chair of either body concerned.

   *Where a Member holds another position within the Council for which a special responsibility allowance is payable (e.g. Deputy Mayor) that shall be construed as being a Co-Chair for the purposes of this provision so long as the total amount payable to that Member does not exceed the amount that would have been payable to the Chair of the body for which they are Co-Chair.

3. The entitlement to these payments is in addition to the Basic Allowance.

Leader of the Council	£24,535.52	*
Deputy Leader	£18,116.44	
Leader of the Opposition:	£12,077.62	*
Portfolio Holder	£12,075.26	
Chair of Neighbourhood Committee	£12,075.26	
Chair of Development Control Committee	£12,075.26	
Chair of Health and WellBeing Board	£12,075.26	
Opposition Spokesperson	£6,037.63	

Leader of a Minority Opposition Group	£6,037.63	*
Chair of Audit, Governance and Standards Committee	£6,037.63	
Chair of Licensing Committee	£6,037.63	
Chair of Health Overview Panel	£6,037.63	

*Plus £301.95 per Member of the Group

Allowances for Independent and Co-opted/Advisory Members

An Allowance £512.60 per annum is payable to the Independent member of the Audit, Governance and Standards Committee and to each of the Advisory Members appointed to serve on the Growth Committee and Adults and Children's Committee. If any of those Members does not serve in that capacity for the whole of the 12 month period or becomes disqualified, they will only be entitled to pro-rata payments for the period(s) during which they are actually serving in that capacity.

Dependents' Allowances Scheme

4. The Council's Dependents' Allowances Scheme provides for: The payment of an allowance to Councillors who, to enable them to undertake their duties as a Councillor, incur costs in arranging care for dependent relatives living with them.

5. For the purposes of the scheme 'duties as a Councillor' is defined as attending any meeting or activity organised by, or on behalf of, the Council. This would include attendance at meetings of outside bodies where the Councillor is the Council's representative on the body in question (or a properly appointed substitute member) and attendance at conferences, seminars etc where such attendance is relevant to the Councillor's role on the Council. Any dispute as to entitlement, and any allegations of abuse, shall be referred to the Audit, Governance and Standards Committee for adjudication

6. Payments can be made at a maximum rate equivalent to the Living Wage for London (currently £9.40 per hour)[1] to meet, or contribute towards, actual costs incurred by the Councillor in arranging care for dependent relatives. The maximum rate payable shall increase in line with the minimum wage.

7. Child care costs incurred during the day-time at a registered nursery or equivalent will be paid on a per child basis up to the maximum hourly rate.

8. The maximum period for which any one claim can be made is the duration of the meeting or activity itself, plus, in the case of meetings/activities within the Borough, 30 minutes in total to reflect travelling time to and from the venue. For meetings of outside bodies that take place outside the Borough the actual amount of time spent travelling to and from the venue may be claimed.

9. Dependent relatives are defined as children under the age of 14 and elderly or disabled relatives who could not be left alone.

[1] Reviewed annually in November

10. Payments are not normally made to other family members or persons resident at the Councillor's home.

11. Councillors claiming an allowance must certify that they had needed to incur the costs involved to enable them to carry out the duty in question and produce a signed invoice/receipt in respect of any payments made showing the name and address of the carer.

12. Completed claim forms should be submitted to the Head of Corporate Governance.

13. Payments made under this Scheme may be liable to Income Tax and National Insurance Contributions.

Travel and Subsistence Allowances

14. Travel and Subsistence Allowances will not be paid to Members of the Council except where they are acting in a representative capacity (e.g. at Conferences or Seminars) outside of the Borough.

Withholding Allowance Payments

15. Where a Member is suspended or partially suspended from their responsibilities or duties as a Member of the authority in accordance with Part III of the Local Government Act 2000, or Regulations made under that Part, the Audit, Governance and Standards Committee may authorise the withholding of the Basic Allowance and any Special Responsibility Allowance payable to that Member in respect of the period of suspension.

16. Where payment of any Allowance has already been made in respect of any period during which a Member is suspended, or partly suspended, in accordance with Part III of the Local Government Act 2000, or Regulations made under that Part, or ceases to be a Member of the Authority, or is any way not entitled to receive an Allowance, the Authority may require that such part of the Allowance that relates to that period be repaid to the Authority.

17. These same provisions shall apply to Co-opted/Advisory Members receiving Allowances in accordance with paragraph 5 of this Scheme.

Pensions

18. The Council has determined that no Members of the Authority shall be entitled to pensions under Part 3 of the Local Authorities (Members' Allowances) (England) Regulations 2003.

Annual Up-Rating of Allowances

19. The Allowances set out in paragraphs 1-5 of this Scheme shall be up-rated annually by the same percentage increase as is awarded under the annual Local Government Pay Settlement.

Payroll Arrangements

20. All elected Members of the Council will automatically be put onto the Council's payroll to receive Basic Allowance and any Special Responsibility payment to which they may be entitled.

21. Members should write to the Head of Corporate Governance if they do not wish to receive any/all of their Allowances.

22. Claims for allowance payments not automatically covered by monthly payroll transfer are to be made on the forms which are obtainable from the Head of Corporate Governance.

Time Limit on Claims

23. All claims for Allowances and any other payments not covered by automatic monthly payroll transfers, together with the appropriate receipts, must be submitted to the Head of Corporate Governance within two calendar months of the date on which the duty qualifying for the payment is carried out.

Members who are Members of more than one Authority

24. Where a Member of the Council is also a Member of another authority (as defined in paragraph 3(1) of the 2003 Regulations), they may not receive Allowances from more than one Authority in respect of the same duties.

ANNEX 17

ROYAL BOROUGH OF KINGSTON UPON THAMES

PAY POLICY STATEMENT 2016-2017

General Principles

In setting pay, remuneration for council staff at all levels needs to be adequate to secure and retain high-quality employees dedicated to the service of the public, while not being unnecessarily generous or otherwise excessive or perceived as such. At the same time there must be sufficient flexibility to cope with a variety of circumstances (foreseeable or not), such as local or occupation-specific labour market conditions.

As well as affordability, transparency and fairness will be our first principles when setting pay at all levels and this will be reflected in:

- 'Clean pay' (avoidance wherever possible of additions to basic pay)
- Pay rates and terms and conditions are set outside the organisation and the Council is a signatory to all relevant national agreements
- Job evaluation used to ensure fairness and equality and Equal Pay Audits carried out from time to time
- Performance pay not operated but ability exists to postpone or withhold increments in the case of poor performance or attendance or to award additional increments or make one-off, non-consolidated payments (within strict limits) to recognise most exceptional performance
- Emphasis placed on non-financial rewards and salary sacrifice schemes which can benefit the Council
- Where a member of staff at any level takes on a role which is incidental to their substantive role this will not be remunerated separately and will be taken into account in job evaluation. Conversely, where a member of staff at any level is required to take on a role which is distinct from their substantive role, this will be remunerated separately and appropriately (e.g. election duties, Major Incident Team).
- The Council will not reengage staff to whom it has previously paid a redundancy payment nor will it offer them a contract for services. When considering job applications from those recently made redundant from, or in receipt of a pension from, another public sector organisation, we will be mindful of the public interest in reemploying them, taking into account the time which has elapsed, the level which they were employed at, and the level of the vacancy concerned.
- The Council deducts Income Tax at source for all direct employees, and when it engages contractors/interims it seeks the fullest assurance that their affairs are properly managed and will ask them to commit to this as part of the contractual agreement.
- Staff at any level will not be directly involved in setting their own pay, and, wherever necessary external sources will be used
- A cap of £95k on exit payments, including pension, will be introduced in the summer/autumn 2016 following the implementation of the Enterprise Bill 2015.

Application of General Principles to Pay of Chief Officers, Directors and Chief Executive

The principles above will apply at all levels of the organisation, including the senior management team. The Council's Senior Staff Panel, comprised of elected councillors and reporting to full council, is responsible for appointments and pay and grading matters relating to the senior management team. Should the council need to offer a new appointment at a salary in excess of £100,000 or make a severance payment in excess of £100,000 the full council could be given the opportunity, should it wish, to endorse any proposed arrangements.

Job evaluation and advice to the Panel on pay structures and scales will be provided externally by the Local Government Employers and recommended to the Council's Senior Staff Panel for approval. In February 2011 the Senior Staff Panel decided to set pay levels in the lower quartile of market rates (previously the advice had been to set at mid-market levels). In line with its commitment to transparency, the Council had published details of senior pay publicly online in advance of government's advice to do this, and it also makes available online details of expenses claimed, see

http://www.kingston.gov.uk/information/your_council/council_structure/chief_executive/senior_staff_pay.htm).

Pay scales for the senior management team (Director Level and above) have not been increased since April 2008. In principle, the council is committed to reviewing senior pay levels every two years but because of public sector pay restraint the pay rates of senior managers across the sector have largely stood still since 2009 and no purpose would currently be served by such a review. The last increase in Chief Officer pay bands was in January 2015. This was an increase of two per cent on salaries under £100,000 per annum.

For Royal Borough of Kingston upon Thames non school staff the ratio of highest pay to median pay is approximately 1:7 (comparison on basis of full-time equivalents at September 2015), revised from 1:7.2 last year.

Low Pay

As a signatory to all national pay agreements applicable, the Council will apply those agreements to its entire staff except where this is prevented by other factors such as a TUPE transfer. The Council was an early implementer of the Local Government Services' Single Status Agreement which did much to correct pay differentials for previously undervalued occupations and the Council will continue to work within the framework of national pay agreements to improve pay and conditions.

The Authority monitors the number of non-school based staff and the nature of the roles for those employees whose evaluated grade results in pay based on a spine point below the current London Living Wage (currently £9.40 per hour). The Council has decided to introduce the London Living Wage for staff outside schools from 1 April 2016. Affected staff will receive an additional payment to bring their hourly earnings up to the London Living Wage level.

Review of Policy

This policy was first published in 2012. It will be reviewed and re-published annually.