

## Council

27 February 2020

### Medium Term Financial Plan 2020-21 to 2023-24 and Detailed Budget and Council Tax 2020/21 [Finance and Partnerships Committee - 13 February 2020 - Appendix A]

Report by Executive Director, Corporate and Communities

Relevant Portfolio Holder: Portfolio Holder for Finance and Partnerships

- A. At its meeting on 13 February 2020, the Finance and Partnerships (F&P) Committee considered the report which is attached to this report as **Annex 1**, which itself has one Annex, as follows:
- **Annex A** - Formal Council Tax Calculation and Resolution.
- B. The F&P Committee received late material (including comments from Committees which considered service specific budget proposals) which is attached to this report as **Annex 2**. The late material also included an annex updating the MRP policy (originally included in the Budget Report pack, as Enclosure 2 to Annex 12) which is attached to this report as **Enclosure 1 to Annex 2**.
- C. The F&P Committee resolutions were as follows [References to 'the report'\* are to the report at **Annex 1** on this agenda, which was Appendix A in the F&P Committee's agenda. Other references are to the Budget Report Pack which has been previously circulated to all Members as a separate document] :
1. The comments of the Strategic Housing and Planning Committee, Community Engagement Committee, Children and Adults Care and Education Committee and Environment and Sustainable Transport Committee be noted;
  2. The Executive Director, Corporate and Communities be authorised to make any necessary changes to the GLA precept in the Council Tax Calculation in **Annex A** to this report prior to submission to Budget Council, once the final decisions have been confirmed by them;
  3. Council be **RECOMMENDED** to approve the budget proposals and Council Tax for 2020/21 as set out in the Budget Report pack report and annexes.
  4. Council be **RECOMMENDED** to authorise the relevant officers to take necessary action to deliver the agreed budget and service changes, including increasing relevant fees and charges in line with inflation.
  5. Council be **RECOMMENDED**, in accordance with the requirements of the Local Government Act 2003, to note the comments of the Executive Director, Corporate and Communities in regard to the robustness of estimates and the level of reserves and balances as set out in the section "Comments of the Director of Corporate and Commercial (S151 Officer) " in **paragraphs 24 to 32** of the Budget Report Pack;
  6. Council be **RECOMMENDED** in accordance with sections 32 to 36 of the Local Government Act 1992, to calculate the amounts in the statutory Council Tax calculation, **Annex A** to this report (amended Annex 3 to the Budget Report pack) for the financial year 2020/21;

7. Council be **RECOMMENDED** to approve the Capital Strategy, including the detailed capital programme for 2020/21 to 2023/24, as set out in **Annex 11** to the Budget Report pack, and the Treasury Strategy including the Annual Investment Strategy, prudential indicators and the Minimum Revenue Provision (MRP) policy as set out in **Annex 12** to the Budget Report pack;
  8. Council be **RECOMMENDED** to approve the pay policy at **Annex 13** to the budget report pack;
  9. Council be **RECOMMENDED** to approve the Schools Budget for 2020-21 in line with paragraph 17 and Enclosure 1 of **Annex 14** to the Budget Report pack;
  10. Council be **RECOMMENDED** to approve the proposals outlined for the Central School Services Block including the transfer of £16k to the High Needs Block (ref. paragraphs 26-28 of **Annex 14** to the Budget Report pack);
  11. Council be **RECOMMENDED** to approve the proposals outlined for the Early Years Block including the transfer of £121k to the High Needs Block (ref. paragraphs 29 - 34 of **Annex 14** to the Budget Report pack);
  12. Council be **RECOMMENDED** to approve the proposals for the High Needs Block (outlined in paragraphs 35-38 of **Annex 14** of the Budget Report pack);
  13. Council be **RECOMMENDED** to approve the proposals outlined for the Schools Block (ref. paragraphs 20-25 of **Annex 14** of the Budget Report pack) and the Schools Funding Formula outlined in Enclosure 2 of **Annex 14** and the Schools Allocations in Enclosure 3 of **Annex 14**, including a Minimum Funding Guarantee of +0.5% per pupil (ref. paragraphs 22-23 of **Annex 14**); and
  14. Council be **RECOMMENDED** to approve continued participation within the Business Rates Pool across London.
- D. The Lee Valley Regional Park Authority has confirmed their 2020/21 levy as £149,453.76, this is a slight increase on the 2019-20 figure of £149,247.36. The London Pensions Fund Authority has also confirmed their levy at £215,978, a slight increase on the 2019/20 levy of £215,799. Both authorities have frozen their budgets for 2020/21 however individual contributions will vary each year dependent on the taxbase for each Council.
- E. There will be Late Material on this item circulated prior to the Council meeting (as **Annex 3** to this report) including an update on the GLA Budget and Precept to be approved by the GLA on Monday 24 February 2020.

**Background papers** - None other than those referred to in this report

**Author of report** - Rachel Howard, Acting Assistant Director, Finance (RBK), Telephone 020 8547 5709, email: [rachel.howard@kingston.gov.uk](mailto:rachel.howard@kingston.gov.uk)

**Finance & Partnerships Committee**

13 February 2020

**Medium Term Financial Strategy 2020-21 to 2023-24 and Detailed Budget and Council Tax 2020-21**

Report by: Executive Director, Corporate and Communities

Relevant Portfolio Holder: Portfolio Holder for Finance and Contracts

**Purpose**

To set out the proposed budget for 2020/21 to 2023/24 and the detailed information required to enable this Committee to make recommendations to Budget Council on 27 February 2020.

To **resolve** that -

1. The comments of the Strategic Housing and Planning Committee, Community Engagement Committee, Children and Adults Care and Education Committee and Environment and Sustainable Transport Committee be noted;
2. The Executive Director, Corporate and Communities be authorised to make any necessary changes to the GLA precept in the Council Tax Calculation in **Annex A** to this report prior to submission to Budget Council, once the final decisions have been confirmed by these bodies;
3. Council be **RECOMMENDED** to approve the budget proposals and Council Tax for 2020/21 as set out in the Budget Report Pack report and annexes.
4. Council be **RECOMMENDED** to authorise the relevant officers to take necessary action to deliver the agreed budget and service changes, including increasing relevant fees and charges in line with inflation.
5. Council be **RECOMMENDED**, in accordance with the requirements of the Local Government Act 2003, to note the comments of the Executive Director, Corporate and Communities in regard to the robustness of estimates and the level of reserves and balances as set out in the section "Comments of the Executive Director, Corporate and Communities (S151 Officer) " in **paragraphs 24 to 32 of the Budget Report Pack**;
6. Council be **RECOMMENDED** in accordance with sections 32 to 36 of the Local Government Act 1992, to calculate the amounts in the statutory Council Tax calculation, **Annex A** to this report (amended Annex 3 to the Budget Report pack) for the financial year 2020/21.
7. Council be **RECOMMENDED** to approve the Capital Strategy including the detailed capital programme for 2020/21 to 2023/24 as set out in **Annex 11** to the Budget Report and the Treasury Strategy including the Annual Investment Strategy, prudential indicators and the Minimum Revenue Provision (MRP) policy as set out in **Annex 12** to the Budget Report.
8. Council be **RECOMMENDED** to approve the pay policy at **Annex 13** to the budget report

9. Council be **RECOMMENDED** to approve the Schools Budget for 2020-21 in line with paragraph 17 and **Enclosure 1** of Annex 14 to this report;
10. Council be **RECOMMENDED** to approve the proposals outlined for the Central School Services Block including the transfer of £16k to the High Needs Block (ref. paras 26-28 of Annex 14 to this report);
11. Council be **RECOMMENDED** to approve the proposals outlined for the Early Years Block including the transfer of £121k to the High Needs Block (ref. paras. 29 - 34 of Annex 14 to this report);
12. Council be **RECOMMENDED** to approve the proposals for the High Needs Block (outlined in Annex 14 paras. 35-38)
13. Council be **RECOMMENDED** to approve the proposals outlined for the Schools Block (ref. paras 20-25 of **Annex 14**) and the Schools Funding Formula outlined in **Enclosure 2** and the Schools Allocations in **Enclosure 3** of Annex 14, including a Minimum Funding Guarantee of +0.5% per pupil (ref. paras 22-23 of Annex 14).
14. Council be **RECOMMENDED** to approve continued participation within the Business Rates Pool across London.

### **Benefits to the Community:**

Setting a balanced budget assists in ensuring the Council is financially sustainable and able to deliver services to the community.

### **Key Points**

- A. A separate document, entitled '**Budget Report 2020/21 to 2023/24**' has been published alongside this agenda **and has been dispatched as a separate document to all Members. Members are requested to bring this with them to the meeting.** The references in this report refer to that Budget Report pack unless otherwise stated. That document comprises the budget proposals for all service areas.
- B. Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and the level of Council Tax. The Budget Report Pack therefore includes the advice of the Executive Director, Corporate and Communities (Section 151 Officer) as set out in **paragraphs 24 to 32 of the Budget Report pack.**
- C. This Committee is asked to consider the budget proposals relating to electoral services, legal affairs, performance, regulatory services, finance, human resources and pensions, contracts and commissioning, revenue and benefits, asset management, cemeteries and crematoria and registration services, being the services within its remit and the overall draft budget and to make the appropriate recommendation to Council.
- D. Any information made available subsequent to this document going to print, including recommendations from the other Strategic Committees, will be tabled as late information.

- E. In relation to the services within the remit of this Committee, Members are asked to refer in particular to the following items:
1. Budgetary growth is shown in **Annex 5**. This includes; **items 14-15** in relation to Capital Financing and Storage costs, **item 16** in relation to Apprenticeship Salaries, **item 17** for future growth requirements, **item 18** Kingston Together Fund and **items 32, 33 and 34** which relate to Operational Assets Appraisal, Property Investments Rental Income and Property Voids respectively.
  2. Budget reductions are shown in **Annex 6** of the report. These include; **item 13** relating to Smarter Commissioning, **items 23 to 33** in relation to Efficiencies and Automation within HR, Finance & Legal and Business support **and items 64 to 67** which relate to income from the Property Estate, income from investment in new Commercial Property and Operational Property review.
  3. The Capital Strategy is set out in **Annex 11** with the detailed programme provided in **Enclosure 1** including; **items 5 and 9** in relation to existing projects within the general fund property programme, **items 23, 24 and 28** relating to property responsive projects and **items 39 and 46** which relate to existing and new projects in the regeneration programme.
- F. The information in the Budget Report Pack is to enable the Committee to consider how the budget proposals contribute to delivering an overall balanced budget for the whole Council, and take a considered view of all relevant factors before Full Council determines the final budget and Council Tax for 2020/21 on 27 February 2020. In relation to the Committee's wider responsibilities for the Council's Medium Term Financial Strategy, the proposals should be considered as a whole and alongside the comments of other Strategic Committees.
- G. In relation to the wider remit of this committee in respect of the medium term financial strategy, Members are asked to refer in particular to:
1. **Annex 1** to this report sets out a summary of Budget risks.
  2. Growth recommended for approval within the budget is set out in **Annex 5**.
  3. **Annex 6** to the report provides a summary of the budget reductions (savings) for 2020/21 to 2023/24. The proposed savings total £7.185m in 2020/21.
  4. **Annex 7** sets out a summary of the proposed budget by service/function.
  5. The Capital Strategy is set out in **Annex 11**.
  6. The Treasury Management Strategy is included at **Annex 12**.
  7. The pay policy statement for 2020/21 is included at **Annex 13**.
  8. The schools budget report is included at **Annex 14**

### **Final Local Government Finance Settlement**

1. The final local government finance settlement for 2020/21 has yet to be published. Any amendments or confirmation of the final figures will be reported to Council.

## Precepts and levies

2. The 2020/21 levy for the Wimbledon and Putney Commons Conservators (WPCC) has now been set at £48,926.63, which works out to an additional band D amount of £30.41 for that area.
3. Following the announcement of the police grant settlement, the Mayor of London has published a revised budget and precept for the Greater London Authority (GLA). The proposed Band D precept in the 32 London boroughs is now £332.07 – an £11.56 or 3.6% rise compared to 2019-20 (comprising an additional £10 for the Metropolitan police and £1.56 for the London Fire Brigade). The final GLA council tax figure will not be approved formally until after the London Assembly meeting on Monday 24 February.
4. The table below shows the total proposed Council Tax, inclusive of the revised GLA and WPCC amounts and detailed amounts for each band. This amends the table at paragraph 60 of the budget report pack.

Council Tax Band	Council Tax RBK	Council tax GLA	Council Tax - most areas of the Borough	WPCC area precept	Council Tax - WPCC area
	£	£	£	£	£
A	1,074.88	221.38	1,296.26	20.27	1,316.53
B	1,254.03	258.28	1,512.31	23.65	1,535.96
C	1,433.17	295.17	1,728.34	27.03	1,755.37
D	1,612.32	332.07	1,944.39	30.41	1,974.80
E	1,970.61	405.86	2,376.47	37.17	2,413.64
F	2,328.91	479.66	2,808.57	43.92	2,852.49
G	2,687.20	553.45	3,240.65	50.68	3,291.33
H	3,224.64	664.14	3,888.78	60.82	3,949.60

## Comments from other Strategic Committees

5. Each of the other Strategic Committees are considering the budget at their meetings in the run up to the Finance and Partnerships committee. Each committee is asked to consider the budget for the services within their remit and make recommendations to Finance and Partnerships Committee; with the Strategic Housing and Planning committee having additional responsibilities with regard to setting rent levels in the housing revenue account.
6. The Children's and Adults Care and Education Committee met on 30 January 2020 and resolved to recommend the budget for the services within their remit to Finance and Partnerships Committee. They also made specific recommendations in relation to the schools budget which are included within the recommendations of this report.
7. The recommendations of the other strategic committees will be tabled as late information for Finance and Partnerships Committee as they are not available at the time of writing.

## **Consultations**

8. A consultation on the outline budget proposals ran from 16 December 2019 to 16 January 2020. A summary of the outcomes of this consultation is included in the main budget report pack.
9. Any consultation necessary for specific proposals will be carried out as part of the detailed implementation plan for those changes. Proposals subject to consultation prior to implementation are marked as such in the budget report pack.
10. A consultation with business ratepayers on the budget proposals, as required by section 65 of the Local Government Finance Act 1992, is available to ratepayers online until 10 February 2020. The outcome of this consultation will be reported as late material to Finance and Partnerships Committee.

## **Timescale**

11. After consideration by the Strategic Committees, the Budget will be considered and recommended for approval by Council on 27 February 2020.

## **Resource Implications**

12. All resource implications are contained within the Budget Report pack.

## **Legal Implications**

13. The Local Government Act 2003 requires the Chief Finance Officer to report to Council as part of the budget process on the robustness of the estimates and the adequacy of the proposed financial reserves. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the setting of the overall budget and council tax. The amount of council tax must be sufficient to meet the Council's legal and financial commitment, ensure the proper discharge of its statutory duties and lead to a balanced budget.
14. The Localism Act 2011 provides for a council tax referendum to be held if an authority increases its relevant basic amount of council tax in excess of principles determined by the Secretary of State. The Local Government Finance Settlement published in December 2019, announced that a referendum must be held if council tax for general spend is to be increased by 4% or more. Council tax for general spending requires a referendum if it rises by 2% or more alongside a maximum 2% social care precept.
15. In considering the budget for 2020/21, Members must consider the Public Sector Equality Duty under s149 Equality Act 2010. The Council must, when exercising its functions, have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited by the Equality Act and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' under the Act and those who do not share a protected characteristic. A 'protected characteristic' is defined in the Act as age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Marriage and civil partnership are also protected characteristics for the purposes of the duty to eliminate discrimination. Members

must consider how the decision will contribute to meeting these duties in light of other relevant circumstances such as economic and practical considerations.

16. Some of the proposed savings will be subject to separate decision making processes (either by Officers, Strategic Committee or Council). Some of the proposed savings require a consultation process to be undertaken and the product of consultation (together with the equality analysis) must be conscientiously taken into account in finalising any decisions. The Budget Report makes it clear that if, as a result of the consultation process there are changes to proposed savings alternative arrangements will need to be made to deliver reductions in spend.

### **Risk Assessment**

17. A financial risk assessment is contained within the Budget Report pack

### **Equalities Analysis**

18. An equalities impact assessment has been undertaken and is disclosed within the budget report pack.

### **Health Implications**

19. There are no direct health implications arising from this report. Any health implications of specific proposals will be considered as part of the detailed implementation plan of those proposals.

### **Road Network Implications**

20. There are no direct road network implications arising from this report. Any road network implications of specific proposals will be considered as part of the detailed implementation plan of those proposals.

### **Sustainability Implications**

21. There are no direct sustainability implications arising from this report. Any sustainability implications of specific proposals will be considered as part of the detailed implementation plan of those proposals.

**Background papers** - None other than those referred to in this report

**Author of report** - Rachel Howard, Acting Assistant Director, Finance (RBK), Telephone 020 8547 5709, email: [rachel.howard@kingston.gov.uk](mailto:rachel.howard@kingston.gov.uk)

### **Annexes to this report:**

Annex A - Statutory council tax calculation (amended Annex 3 to the budget report)



**FORMAL COUNCIL TAX CALCULATION AND RESOLUTION**

(For approval at 27 February 2020 Council – subject to confirmation of the GLA precept.)

The Council is **recommended** to resolve as follows:

- 1) It be noted that on 15 January 2020 under delegated powers, the Director of Corporate and Commercial approved the Council Tax Base for 2020/21 for the whole Council area as 63,853.7 [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 2020/21 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. 438,874,567.00
  
  - b) The aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. 335,873,282.00

---

  - 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]. 103,001,285.00
  
  - 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. 1,613.08
  
  - 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. 48,926.63
  
  - 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. 1,612.32
  
  - 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. 1,642.73

h)

Part of the Council's Area

<u>Valuation Bands</u>	<u>Part of the Council's Area to which special items as defined in e) above relate</u>	<u>All other parts of the Council's Area</u>
	£	£
A	1,095.15	1,074.88
B	1,277.68	1,254.03
C	1,460.20	1,433.17
D	1,642.73	1,612.32
E	2,007.78	1,970.61
F	2,372.83	2,328.91
G	2,737.88	2,687.20
H	3,285.46	3,224.64

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 2020/21, 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:

<u>Valuation Bands</u>	<u>GLA Precept</u>
	£
A	221.38
B	258.28
C	295.17
D	332.07
E	405.86
F	479.66
G	553.45
H	664.14

- 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 2020/21 for each of the categories of dwelling shown below:

Valuation Bands	<u>Part of the Council's Area</u>	
	<u>Part of the Council's Area to which special items as defined in e) above relate</u> £	<u>All other parts of the Council's Area</u> £
A	1,316.53	1,296.26
B	1,535.96	1,512.31
C	1,755.37	1,728.34
D	1,974.80	1,944.39
E	2,413.64	2,376.47
F	2,852.49	2,808.57
G	3,291.33	3,240.65
H	3,949.60	3,888.78

- k) 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 2020/21 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC.

## Finance and Partnerships Committee - 13 February 2020

## LATE MATERIAL

## Update for item 6 (Appendix A) - Budget Report 2020-21 to 2023-24

*This paper sets out updates and additional information that has become available since the agenda for this meeting went to print. The information contained is relevant to the decisions this Committee is being asked to make.*

**Comments of other Council Committees**

1. **The Children's and Adults' Care & Education Committee** met on the 30th January and the recommendations from that Committee in relation to the budget including the Schools budget is contained within the main agenda pack for this meeting.
2. **Community and Engagement Committee** met on 4th February 2020, and **Environment and Sustainable Transport Committee** met on 11th February 2020 and each one discussed the budget proposals at their meeting. Each committee resolved that:
3. The proposals in the budget report regarding the budget for services within the remit of the Committee be **RECOMMENDED** to the Finance and Partnerships Committee.
4. **Strategic Housing and Planning Committee** met on 6th February and Resolved that –
  - a. the HRA 2020-21 base budget and proposal for growth and savings as set out in Annex 10 to the budget report pack be RECOMMENDED to the Finance and Partnerships Committee;
  - b. the 2020-21 rent policy be agreed, subject to the constraints identified in paragraph 11, 17, and 18 of Annex 10 to the budget report;
  - c. the 2020-21 average rent increase of 1.97% as directed by Government and detailed in paragraph 13 of Annex 10 to the budget report be agreed;
  - d. the tenant service charges are increased by inflation (September 2019 CPI) of 1.7% as detailed in paragraph 20 of Annex 10 to the budget report;
  - e. that the 2020-21 rents for HRA hostels, non-dwellings and other non-Housing dwellings owned by the Council increase in line with inflation (September 2019 RPI) of 2.4% as detailed in paragraph 20 of Annex 10 of the budget report;
  - f. the indicative HRA revenue budgets for 2021-22 to 2023-24 set out in Enclosure 3 of Annex 10 be noted;
  - g. the additions and full HRA Capital Programme as described in paragraphs 29 to 33 of Annex 10 to the budget report pack with detail in Enclosure 5 be noted;
  - h. The proposals in the budget report regarding the 2020/21 budget for Housing and Estate Regeneration including Cambridge Road Estate Regeneration, Community Housing, Council led housing delivery, Private leasing, HMO Licensing, Planning Policy, Building Control, Heritage, Economic Development, Business and Skills be RECOMMENDED to the Finance and Partnerships Committee.

5. There were no further comments recommendations or specific comments arising from the Committee that were requested to be noted for Finance and Partnerships Committee.

### **Consultation with Business Ratepayers**

6. An online consultation with business ratepayers on the budget proposals, as required by section 65 of the Local Government Finance Act 1992, was available to ratepayers between 24 January and 10 February 2020. In total there were 36 visits and of these 12 of these were informed visits (people who have downloaded materials etc.) However we did not have any responses to the survey submitted. In previous years fulfilling this consultation requirement has been carried out via a meeting open to all business rate payers in the Borough. Attendance at those meetings has been limited and generally attracted fewer attendees than the 12 who downloaded the survey materials this year (in some years, no businesses attended).

### **Greater London Authority Budget and precept**

7. Details of the Mayor's draft 2020-21 consolidated budget are contained within the main agenda pack for this meeting.
8. The final draft budget of the GLA is due to be published on Friday 14 February and considered by the London Assembly on Monday 24 February. Any further amendments arising from this will be reported to Budget Council.

### **Levies**

9. The Environment Agency have confirmed their levy at £146,034 for 2019/20, a small increase on the 2019/20 levy which was £142,984.
10. Confirmation of the levy for Lee Valley Regional Park Authority and the London Pension Fund Authority are still awaited and will be reported to Budget Council.
11. Confirmation of the separate precept levied in respect of those residents of properties bordering the Wimbledon and Putney Commons by the Wimbledon and Putney Commons Conservators (WPCC) was included within the main agenda pack for this meeting.

### **Final Local Government Finance Settlement**

12. On 6 February 2020, the Ministry of Housing, Communities and Local Government published the final local government finance settlement. This is subject to debate and agreement by parliament which was originally scheduled for 12 February 2020 but has been delayed due to the introduction of emergency legislation on the early release of terrorist offenders. A revised date for parliamentary debate of the local government finance settlement has yet to be confirmed but will be no earlier than 24 February due to the House of Commons recess. The figures published on 6 February show no changes for Kingston compared to the provisional settlement (and included in the budget report). There is no reason to suspect further changes will arise from the parliamentary debate, but at this stage it cannot be entirely ruled out.

### **Minimum Revenue Provision (MRP) Policy**

13. A revision to the MRP policy originally provided in Enclosure 2 to Annex 12 to the budget pack is included as [Annex 1](#) to this report (now **Enclosure 1 to this Annex 2**), the last two paragraphs show the additional material that was omitted

in error from the original report. The additional paragraphs are the same as the 2019/20 policy.

**Background papers - held by author of the report** - Rachel Howard, Acting Assistant Director, Finance, tel: 020 8547 5709, email: [rachel.howard@kingston.gov.uk](mailto:rachel.howard@kingston.gov.uk)

## Enclosure 1 to Annex 2

(Amended Enclosure 2 to Annex 12 of the Budget Report)

### REVISED ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2020/21

1. 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 (now the Ministry of Housing, Communities and Local Government's -MHCLG) '*Guidance on Minimum Revenue Provision*' (the MHCLG Guidance) most recently issued in 2017.
2. The broad aim of the MHCLG 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.
3. The MHCLG 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 MHCLG."*

During 2017/18 the Council undertook a review of its MRP calculation. The review looked in particular at the methodology applied to capital expenditure financed by borrowing before 1 April 2007, unsupported capital expenditure financed by borrowing incurred after 31 March 2007 and the scope for providing exemptions under the MRP policy for commercial property acquisitions.

4. The following revised policy is as follows and is now in place:
  - For capital expenditure incurred before 1 April 2007 MRP provision from 1st April 2017 will be determined over the remaining useful life of the assets.
  - 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 starting in the year after the asset becomes operational.
  - Where a past overprovision has been identified, the council will spread any resulting reduction in MRP across multiple years
  - No MRP will be charged in respect of assets held within the Housing Revenue Account.
  - Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21 or when the asset becomes operational.
  - No MRP will be charged on expenditure for the Council's on balance sheet commercial property investment . The properties are held for investment purposes and are managed on a fully commercial basis. The purchase of these properties will be treated as capital expenditure and will increase the CFR. The Council is holding these properties solely for investment purposes and they are leased to tenants on a fully repairing basis. As the Council has the ability to sell these properties to repay any outstanding debt liabilities related to their

purchase, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The market value of the assets will be reviewed on a regular basis and if the asset value significantly decreases, a prudent MRP policy will commence.

- The Council will be establishing a wholly owned commercial property company. Commercial loan financing will be provided into that company by the Council. The cash advances will be used by the company to fund capital expenditure and should therefore be treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the loans advanced and under the terms of the contractual loan agreements are due to be returned in full with interest paid. Once funds are returned to the Authority, the returned funds are classed as a capital receipt, offset against the CFR, which will reduce accordingly.
- The Council intends to undertake borrowing to fund the equity investment into its Commercial Property company. This investment will be used by the company to fund capital expenditure (purchase commercial property) and should therefore be treated as capital expenditure by the authority. The authority's CFR will increase by the amount of the equity investment. The authority intends to provide for MRP for this capital expenditure over a period of 50 years which reflects the life of the underlying assets of the company in which the equity is invested.