



THE ROYAL BOROUGH OF
KINGSTON
UPON THAMES

Budget Report

2021/22 to

2024/25

Children's and Adults Care & Education Committee	9th February 2021
Culture, Housing, Environment & Planning Committee	11th February 2021
Response and Recovery Committee	16th February 2021
Budget Council	25th February 2021

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Introduction

1. This report sets out the Budget for 2021/22 including the Capital Programme and Housing Revenue Account (HRA) and Schools Budget, and the Medium Term Financial Strategy (MTFS) to 2024/25 which continues to support the vision and ambitious outcomes for Kingston's communities, residents and businesses as set out in the Corporate Plan:

To be a vibrant, diverse and inclusive Borough, where residents are empowered to remain independent and resilient.

2. The Council's Liberal Democrat administration and officer Senior Leadership Team are focussed on delivering the following strategic outcomes which support the administration's manifesto commitments:
 - **a well maintained borough with a sustainable approach to growth and development which benefits our communities**
 - **a safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy**
 - **healthy, independent and resilient residents with effective support to those who need it most**
3. As part of its Corporate Plan, Kingston Council has a clear vision about the type of Council it intends to be and how it will strive to put the needs of residents at the heart of what the Council does by being:

A financially and environmentally sustainable, engaging and collaborative Council that works transparently in the best interests of Kingston's residents and businesses.
4. In order to achieve this vision, the Council is proposing to set a budget and MTFS that will provide a foundation for the Council to achieve these key outcomes, change the culture of the organisation and ensure our scarce resources are focused on what matters most to our communities.

Budget outcomes

5. This report provides the budget proposals and council tax setting for the 2021/22 financial year achieving the following key outcomes
 - Growth and investment in services to meet our key priorities and demand pressures of **£11.535m**

- The identification of **£7.415m** of revenue savings, of which **£3.093m** are as a direct result of the Transformation programme.
 - An average council tax at band D of **£1,693.57**, a 1.99% increase in the Council Tax set by Kingston Council and a 3% increase in the Adult Social Care precept.
 - A general fund reserve of **£19.633m** for 2021/22 is held at the level of this year's figure with no increase applied.
 - A Capital Programme to provide infrastructure investment in Kingston. The general fund capital programme over four years from 2021/22 will be **£113.3m**.
6. This Budget is designed to support the Council in meeting the significant challenges it faces in ensuring services for its residents and some of our most vulnerable communities are protected against a backdrop of increasing demand in terms of volume and complexity, decreasing resources available to fund those services and the ongoing financial challenges brought about by the Covid-19 pandemic.

Financial Context

7. The financial context that the council is operating in has been uncertain for a number of years due to short term spending reviews. This uncertainty has been increased by the significant pressures that the Covid-19 pandemic has brought and the continuing unknown impact of the country's exit from the European Union.
8. The economic effects of the COVID-19 pandemic significantly overshadow the previous uncertainty as we continue to operate in unknown territory. Since the initial lockdown in March 2020, COVID-19 has created additional costs to the Council in increasing and new demands for services such as social care and temporary accommodation, and led to substantial income losses. Central government has provided funding and support to compensate for the majority of the immediate pressures. However the medium term impact of COVID-19 and the likely continuing deep economic recession threaten the collapse and erosion of the Council's income base that Kingston generates the majority of resources to fund essential services.
9. A number of the cost and income pressures arising from COVID-19 are likely to continue well into 2021/22. At the time of writing a third national lockdown is in place and the economic consequences of this remain unknown. The most profound estimated impacts are on the levels of Council Tax and Business Rates which are discussed in the Resources section of this report. We will continue to monitor the impact of national economic events on the Council's financial position.
10. At a local level, for Kingston, the structural overspend and shortfall of funding within the Dedicated Schools Grant (DSG) for children with special educational needs or disabilities gives rise to our most significant financial challenge. This challenge is not unique to Kingston, but the scale of the deficit combined with the low level of

reserves held locally requires the Council to be tackling it with a greater degree of rigour and speed than many others. The cumulative deficit on Kingston's DSG reserve is estimated to be over £25m by 31 March 2021 which places a considerable strain on the Council's financial sustainability.

11. In 2020, the Department for Education (DFE) introduced regulations requiring any general fund contributions to the DSG to be approved by the Secretary of State. In addition the Ministry of Housing, Communities and Local Government (MHCLG) approved a statutory override for 2021/24 enabling Section 151 officers to not consider the cumulative DSG deficits in assessing the Local Authority financial sustainability providing a short term respite pending a sustainable solution. The DFE have initiated a programme to review with individual boroughs a sustainable financial solution over the period of the statutory override. The Council is one of the first to be part of this process in recognition of the scale of the challenge and severe financial consequences and actions without resolution. The outcome of this process seeking any required decisions will be reported to the appropriate Strategic Committee.
12. Elsewhere within the Council, consistent with the national picture, there has continued to be a high level of demand for Adult Social Care. Work to manage this demand has reaped benefits - however there still remains increasing demand within this area which is reflected in the budget and MTFS. The high levels of demand in Children's Services has continued to be a significant issue and this is reflected in the budget and MTFS.
13. The 2021/22 Local Government Financial settlement is, again, for one year only. The provisional settlement showed a continuation of the funding provided in the previous settlement, along with additional funding to partly meet the significant funding pressures in both Adults and Children's social care and also some continuation of funding streams to support the additional cost pressures that have arisen from Covid-19.
14. The settlement also confirmed that the Council Tax referendum threshold is set at 5%, comprising the 3% social care precept and a 2% general increase.
15. Taking all these risks and pressures into account, the Council needs to make savings of £7.415m next year. The ongoing impact of COVID-19 will need to be closely monitored.

Corporate Plan

16. All the proposals in the budget result from the work the Strategic Leadership Team and senior managers have been doing over many months as part of the budget setting process. The proposals have been developed in collaboration with Portfolio Holders and reflect the administration's political priorities and support the Corporate Plan.

A well maintained borough with a sustainable approach to growth and development which benefits our communities

17. The Budget proposes revenue growth and investment of £1.108m to support this outcome which includes investment in Green spaces, waste and recycling, community safety and highways.
18. There is continued capital investment to bring forward the regeneration of Cambridge Road Estate in Norbiton, to deliver much needed additional Council homes, as well as market sales homes, improved open spaces, and community facilities. There is also further capital investment in our green spaces through the continuation of the community park programme and investment in electric vehicle lamp column charging points and LED street lighting.

A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy

19. The budget proposes revenue investment of £0.170m into working with partners to achieve positive outcomes for the community including investment in the Kingston together fund.
20. The Council continues to support a vibrant community and voluntary sector recognising the significant contribution it makes to Kingston communities. There is investment proposed in the budget to launch the Kingston Together voluntary sector commissioning fund.

Healthy, independent and resilient residents with effective support to those who need it most

21. The greatest level of revenue growth of £3.071m is to support the most vulnerable in our communities and to meet the significant demand within children and adult social care services. This includes utilising adult social care Council Tax precept that central government introduced as a means to fund additional pressures within adult social care services. There is investment to champion independence; focus on strength and resilience; and support people of all ages to live healthy, independent lives. The budget seeks to ensure support and resources are targeted at the most vulnerable or where the outcomes will have the greatest impact of improving the lives of those who need it the most.
22. In addition, through capital investment and innovative partnerships, the Council is delivering the infrastructure that is needed for the future, including new school places and a new dementia care home.

A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston's residents and businesses

23. The budget and MTFs support the continued transformation of the Council ensuring it is delivering value for money and effective outcomes by smarter commissioning, digital transformation, business process re-engineering, reviewing how the Council uses its assets to best effect and reviewing all support services to ensure they are focussed on enabling frontline service delivery for the benefit of residents and businesses.

Comments of the Executive Director of Corporate and Communities (S151 Officer)

24. The Local Government Act (2003) Section 25 requires the Council's Chief Financial Officer (as defined by section 151 of the Local Government Act 1972) to report on the 'robustness' of the financial estimates which are used in calculating the Council Tax for 2021/22. The Council is required to have regard to the S151 Officer's comments when making the final decision on its budget and Council Tax for the year.
25. The purpose of the S151 Officer's comments 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, in other words that the financial plan being presented 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.
26. Section 25 of the Act also requires the Council, in setting its budget, to maintain 'adequate level of controlled reserves'. The S151 Officer 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 S151 Officer has carried out a financial risk analysis of the Council's proposed budget which is detailed in Annex 1.
27. In assessing the level of risk, all elements of the budget have been considered, including external economic factors, the impact of demand led growth, delivery of savings, any uncertainty over the level of funding available and the risk posed from the possibility that some savings proposals may not proceed as a result of consultation. This shows that £0.191m of the total £7.415m of savings proposals in 2021/22 are subject to consultation and would need to be substituted with funding from reserves should they not proceed.
28. The highest value risk highlighted in Annex 1 is the risk of further overspends on the high needs block of the dedicated schools grant, causing a further increase in the cumulative deficit. This contributes £5.9m to the overall total level of risk that has

been identified should all risks identified, materialise. However a statutory override allows this risk not to be considered in assessing the Council's financial sustainability and the impact score has therefore been reduced accordingly.

29. The total risk level of £13.8m compares to a total level of risk of £14.998m in 2020/21 with the change largely due to a lower value of savings that are subject to consultation. The Council general fund reserve is £19.633m, the same level as in 2020/21, with no increase proposed.
30. The level of scrutiny and challenge exercised by Officers and Portfolio Holders through the budget setting process and the effectiveness of the budgetary control framework enabling successful resolution of in year financial issues enable the S151 Officer to offer assurance on the robustness of estimates in accordance with Section 25 of the Local Government Act 2003. 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.
31. The analysis of potential scenarios shows that for 2021/22 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.
32. The ongoing pressure in relation to the High Needs Block of the Dedicated Schools Grant budget is considered as part of the schools budget papers in Annex 14. Whilst the deficit on this reserve does impact on the Council's overall financial position, a statutory override from MHCLG allows s151 officers to disregard the accumulated deficit in assessing the Council's financial sustainability during the period 2021 to 2024.
33. Based on the inclusion of growth and contributions to reserves within the budget, the flexible use of the Strategic Investment Reserve and leadership and organisational experience demonstrated in previous years in containing significant budget pressures, managing significant budget reductions and delivering transformational change, the General Fund balance is considered to be sufficient. The S151 Officer therefore advises that the level of reserves is adequate in line with Section 25 of the 2003 Act. Any amendments to the budget proposals which reduce the contribution to reserves or the overall level of reserves available would cause this advice to change.

Medium Term Financial Strategy

34. The MTFs sets out projections for costs of service delivery and the resources available to fund those services over the four year period to 2024/25.
35. The table below sets out a summary of the MTFs over the four year period along with the position agreed for the current financial year, 2020/21.

Medium Term Financial Strategy	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Expenditure:					
Base Budget	136,308	140,421	145,675	144,817	149,450
Adjustments to Base Budget	446	2,036	82	0	0
Inflation	2,984	2,598	3,641	3,716	3,798
Growth	6,598	11,535	804	4,650	6,010
Contributions to reserves	1,270	(3,500)	0	0	0
Savings	(7,185)	(7,415)	(5,385)	(3,733)	(1,128)
Gross Budget requirement	140,421	145,675	144,817	149,450	158,130
Resources:					
Parking and Traffic Reserves	(7,807)	(6,673)	(6,673)	(6,673)	(6,673)
Specific Grants	(7,198)	(10,177)	(1,341)	(819)	(793)
Sub-total	(15,005)	(16,850)	(8,014)	(7,492)	(7,466)
Financing Resources for tax setting purposes					
Business Rates	(23,860)	(22,880)	(23,361)	(23,852)	(24,329)
Council Tax	(103,001)	(106,449)	(107,513)	(108,588)	(109,674)
Collection Fund (Surplus)/Deficit	1,445	504	1,119	1,119	0
Sub-total	(125,416)	(128,825)	(129,755)	(131,321)	(134,003)
Total Resources	(140,421)	(145,675)	(137,769)	(138,813)	(141,469)
Annual Increase in Budget Gap	0	0	7,048	3,589	6,024
Cumulative Budget Gap	0	0	7,048	10,637	16,661

36. A reconciliation from the 2020/21 budget to the proposed 2021/22 budget is shown in Annex 2.

37. In the current context of Local Government funding, the analysis of resources and expenditure reveals a gap in future years between funding available and likely cost. In financial terms, this gap needs to be closed by budget reductions and/or increases in resources through local taxation.

38. Whilst no decisions on Council Tax increases in future years have been taken, the maximum that could be raised by increasing Council Tax to the current maximum permissible amount is shown in the table below.

	2022/23 £000s	2023/24 £000s	2024/25 £000s
Outstanding Estimated Budget Gap (Maximum Savings Required)	7,048	3,589	6,024
Maximum contribution from General Increase (1.99%)	(2,140)	(2,204)	(2,270)
Minimum Additional Savings Required	4,908	1,385	3,754

Consultation and Engagement

39. The Council conducted a Budget Engagement exercise with residents via the Kingston Lets Talk Portal which included draft headline proposals on the areas that were being considered for investment and for savings along with indicative values for each directorate. This call for views closed on 25 January 2021.
40. This engagement exercise followed the wider engagement exercise carried out in August/September 2020 that sought to explore the resident's experience of Covid-19. [The results of that survey](#) (available on the Kingston Lets Talk Portal) helped us build a picture of what residents have experienced over the 6 months March - September 2020, what services have been most helpful, and what support was needed in future.
41. A multi-channel approach was undertaken during the summer and autumn to raise public awareness of the financial challenges being faced by the Council and to provide information about the way that the Council spends its budget.
42. During the budget engagement period, 34 residents gave feedback via the Council's engagement portal Let's Talk and 3 responded via email. There were 615 visits to the portal page and 419 downloads of the document. 97% of respondents were Kingston residents; 9% work in Kingston and 9% own a business in Kingston.
43. The budget planning engagement asked for comments rather than quantitative information. The main themes coming out of the comments were:
 - Approach to the Budget - overall, while some respondents noted that the report this year had fewer detailed proposals, other respondents commented that the council approach was "sensible given constraints"
 - Alternative options to generate savings - the most common response to this could be grouped under parking and transport. respondents felt that the council could generate more income with parking charges and/or implementing a congestion charge zone or making Kingston an Ultra Low Emission Zone.
 - Future Priorities for the Council - The top priority as noted by respondents fell under highways and transport, including roads, pavements and repairing potholes; better walking and cycle facilities and sustainable transport. This was followed by a call for the council to focus more on environmental issues and housing, particularly homelessness.
44. Specific feedback will be shared with relevant stakeholders for consideration and service planning. We will feed any response back to residents as appropriate. More widely we will email all respondents thanking them for their participation and letting them know about next steps for the budget process and how their feedback will be used.
45. Some of the proposals within this paper will be subject to formal consultation processes. Where a consultation process has already been identified as being required this is noted against the proposal. The inclusion of these items within the

proposed budget is subject to the necessary consultation. If consultation results in revisions or cancellation of the proposed actions, then alternative arrangements will be made in year to deliver reductions in spend. If that cannot be achieved then the Council will need to draw on reserves to cover any shortfall in expenditure. The adequacy of reserves and associated risk is covered elsewhere in this report. Where formal consultation is not required the council will involve users and ensure they have opportunities to have their say in shaping service delivery by following the principles of our community engagement framework.

Resources

46. This section of the report explains the resources the Council has available to fund its expenditure, how they are generated and any restrictions on their use. It also outlines the expected level of resources over the medium term.

47. A summary of resources is shown in the table below.

Resources Analysis	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Business Rates	22,880	23,361	23,852	24,329
Council Tax	106,449	107,513	108,588	109,674
Collection Fund Deficit (Council Tax)	(290)	(516)	(516)	0
Collection Fund Deficit (Business Rates)	(214)	(603)	(603)	0
Total Local Taxation	128,825	129,755	131,321	134,003
Specific Grants	10,177	1,341	819	793
Use of Statutory Parking & Traffic Reserves	6,673	6,673	6,673	6,673
Grand Total	145,675	137,769	138,813	141,469

Business Rates

48. Business Rates is a tax on business premises. Business rates are set nationally, but collected locally. The Council therefore cannot directly influence the level of income generated through this source. It is however a very important source of income for the Council. The shares of business rates retained under the current arrangements are 30% for Boroughs and 37% for the GLA, with the remaining 33% being retained by central government.

Business Rates Base

49. The level of business rates income included in the budget reflects the latest forecast made of the Council's share of the Business Rates income to be collected. This has reduced by £0.980m since the 2020/21 budget was set due to a combination of factors. Most notably these are the financial impact of the Covid-19 global pandemic, which has impacted both collection rates and businesses ability to trade. There also continues to be a number of successful appeals against rateable value by

businesses, and erosion of the taxbase due to a decline in the retail and commercial markets.

50. There is a significant risk facing business rates income in 2021/22. A large proportion of businesses were awarded 100% relief during 2020/21, meaning they did not have to pay any business rates. It is not yet confirmed whether these will be extended into 2021/22. The cost to the Council of these reliefs will be fully funded by the Government via Section 31 grant, but any businesses that close and don't reopen will reduce the Council's business rates base income. The budget estimate has been set on the basis that this business rates base remains in place during 2021/22. The position reflected in the budget is based on the best information available at the time this paper is written, but there will be a greater degree of risk in the estimates made due to the uncertainty over the impact of the pandemic.

Business Rates - Local Income Tax Guarantee Scheme

51. The government has announced a funding scheme to compensate Councils for 75% of the losses in business rates base income experienced during 2020/21. This will be calculated by comparing the billable income estimated at the start of the year, with the billable income total at the end of the year. Councils will receive 75% of any difference where income has fallen, ignoring losses where reliefs are fully funded.
52. This income stream will be used to offset the impact of business rates losses chargeable to the general fund, considered in the Collection Fund section of this report.

Business Rates Pool

53. Councils in London had also been members of a business rates pool in recent years, which allowed London wide growth in Business Rates to be shared amongst authorities. However, in light of the significant risks set out above, analysis by the London Pool has demonstrated only marginal benefits of being in a pool for 2021/22, which is not likely to be sufficient to outweigh the risks faced by Pool members.
54. An application to revoke the London Business Rates pool has been sent to the Ministry of Housing, Local Government and Communities, which has been accepted. The benefits of forming a business rates pool will continue to be tested by London Councils ahead of future years' budgets being set.

Council Tax

55. The Council Tax which residents in the Borough pay comprises two elements, one is the tax levied by the Council to fund our services and the other is an amount collected on behalf of the Greater London Authority (GLA) and paid over to them. The final decision on the level of Council Tax levied by Kingston will be taken by Members at the Budget Council meeting on 25 February 2021.

56. The level of income collected through Council Tax is determined by the level of Council Tax charged and the number of properties that Council Tax is chargeable on which is known as the tax base. The tax base is determined by assessing the number of chargeable dwellings in the Borough and their Council Tax band, allowing for discounts or exemptions and estimating the number of new properties that are likely to be added in the Borough during the year. The taxbase directly affects the general fund income for the Council.

57. For 2021/22, the taxbase has been set, under delegated powers at 62,854.5 which is a decrease of 1.56%. Like other areas of the Council's finances, the taxbase has been affected by the impact of the Covid-19 global pandemic. The key factors are set out in the table below:

Changes to the taxbase between 2020/21 and 2021/22	Band D units
Taxbase for 2020/21	63,853.7
New properties during the year and anticipated for 2021/22	394.9
Reduction due to increased Council Tax Support Scheme payments	-487.0
Changes in reliefs, discounts and premiums	57.9
Impact of reduced collection rates (1.5% lower)	-965.0
Taxbase for 2021/22	62,854.5

58. As with business rates, the government has announced funding to cover irrecoverable losses in the council tax base. This will refund the council 75% of the loss in tax base during 2021/22, but unlike business rates, it will not compensate for losses in collection (which are deemed to be recoverable). The Council Tax base for 2021/22 is using a collection rate of 97.7%, whereas the 2020/21 budget was set using 99.2%. This 1.5% reduction is based on the analysis of collection during the year.

Kingston Council Tax and Social Care Precept

59. The social care precept allows the relevant authorities to levy an additional precept to fund adult social care. This can be up to 3% per year in 2021/22, and covers households both inside and outside of the Wimbledon and Putney Common Conservators Levy area.

60. The Kingston element of Council Tax proposed as part of this budget represents a general increase of 1.99% and a further 3% adult social care precept to fund social care services. The formal council tax calculation is set out in Annex 3. The table below provides details of the council tax requirement for 2021/22. The proposed average Band D Council tax for 2021/22 will be £1,693.57. This is the average Band D bill when taking into account those households both inside and outside of the Wimbledon and Putney Common Conservators (WPCC) Levy area. Exact amounts

for properties inside and outside of the WPCC area cannot be determined until WPCC issue their final levy but have been estimated for the purposes of this report.

Council Tax Setting Calculations	2021/22 £000s
Gross Budget Requirement	145,675
Less:	
Specific Grants	(10,177)
Use of Parking and Traffic Reserves	(6,673)
Net Budget Requirement	128,825
Less:	
Business Rates	(22,880)
Collection Fund Deficit (Council Tax)	290
Collection Fund Deficit (Business Rates)	214
Total	(22,376)
Council Tax Requirement	106,449

Greater London Authority Council Tax

61. The announcement of the Mayor of London's draft budget proposals was made on 8 January 2021. The consultation budget proposes a Band D Council Tax precept of £363.66 for 2021/22 compared to £332.07 in 2020/21, an increase of 9.51% or £31.59. The GLA budget proposals are subject to Parliamentary approval of amended referendum limits.
62. Confirmation of the GLA's budget and Council Tax will follow the London Assembly meeting on 25 February 2021 and will be reported verbally if possible to Council on 25 February 2021. Full details of the GLA's draft budget can be found on their website at www.london.gov.uk/budget

Total Council Tax

63. The table below shows the total proposed Council Tax, inclusive of the provisional GLA amounts and detailed amounts for each band. The 2021/22 levy for the Wimbledon and Putney Commons Conservators (WPCC) has now been set at £47,828.44. This works out as an additional band D amount of £31.00 for that area, compared to 2020/21. Any amendments to the GLA element will be reported to the Response and Recovery Committee if available, or Budget Council if received later.

Council Tax Band	Council Tax RBK	Council tax GLA	Council Tax - most areas of the Borough	WPCC area precept	Council Tax - WPCC area
	£	£	£	£	£
A	1,128.54	242.66	1,371.20	20.67	1,391.87
B	1,316.63	283.10	1,599.73	24.11	1,623.84
C	1,504.72	323.55	1,828.27	27.56	1,855.83
D	1,692.81	363.99	2,056.80	31.00	2,087.80
E	2,068.99	444.88	2,513.87	37.89	2,551.76
F	2,445.17	525.76	2,970.93	44.78	3,015.71
G	2,821.35	606.65	3,428.00	51.67	3,479.67
H	3,385.62	727.98	4,113.60	62.00	4,175.60

Collection Fund

64. The Council maintains a Collection Fund as required in order to account for the difference between the actual amounts of Council Tax and Business Rates due and the budgeted amounts used in setting the tax for the year.
65. Where the estimate and actual differs, the Council is required to include the difference in the calculation for the following year's Council Tax and Business Rates income. However, in the light of the unprecedented impact of the Covid-19 pandemic that occurred after the estimates for 2020/21 Council Tax and Business Rates income were made, the government has issued regulations that allow any deficit from 2020/21 to be spread over 3 financial years, rather than charged wholly to the next financial year.
66. Estimates at 15 January 2021 show that there is expected to be a Council Tax deficit of £2.715m at the end of 2020/21, with Kingston's share being £2.252m. The deficit has arisen due to a combination of lower collection rates, increased Council Tax Reduction Scheme support awarded, and lower than planned house building.
67. The table below sets out how this will be spread into the Council's general fund, resulting in a charge to 2021/22 of £0.290m, rising to £0.516m in the subsequent two years:

Council Tax deficit chargeable to the General Fund	(Surplus) / Deficit in 2020/21	Spread into 2021/22 £'000	Spread into 2022/23 £'000	Spread into 2023/24 £'000
2019/20 surplus (cannot be spread)	(273)	(273)		
2020/21 deficit	2,988	996	996	996
Total Collection Fund	2,715	723	996	996
Kingston Share of surplus	(226)	(226)		
Kingston Share of in year deficit	2,478	826	826	826
Total Kingston Share	2,252	600	826	826
Local Income Tax Guarantee Grant	(930)	(310)	(310)	(310)
General Fund Impact	1,322	290	516	516

68. A similar process is undertaken for Business Rates with estimates made in respect of surpluses or deficits expected to arise at 31 March 2021. This is shared between the Council, the GLA and Central Government in proportion to their shares of business rates income.

69. The projected in-year deficit for Business Rates in 2020/21 is £66.047m, with Kingston's share being £19.814m. However, it is important to note that the majority of this (£14.261m) will be directly offset by Section 31 grants that fund the wide scale reliefs awarded to the retail, hospitality, and leisure and nursery sectors by the government as the first lockdown commenced.

70. The net deficit anticipated for 2020/21 is £5.553m. The table below sets out the impact of both the spreading across financial years, and the anticipated Local Income Tax Guarantee funding. This results in general fund impact of £0.214m in 2021/22, rising to £0.603m in subsequent years.

Business Rates deficit chargeable to the General Fund	(Surplus) / Deficit in 2020/21	Spread into 2021/22 £'000	Spread into 2022/23 £'000	Spread into 2023/24 £'000
2019/20 surplus (cannot be spread)	(807)	(807)		
2020/21 deficit - new Covid reliefs	47,537	47,537		
2020/21 deficit - all other items	18,510	6,170	6,170	6,170
Total Collection Fund	65,241	52,900	6,170	6,170
Kingston Share of prior year surplus	(390)	(390)		
Kingston share of Covid relief losses	14,261	14,261		
Kingston share of Section 31 funding	(14,261)	(14,261)		
Kingston Share of in year deficit	5,553	1,851	1,851	1,851
Total Kingston Share	5,163	1,461	1,851	1,851
Local Income Tax Guarantee Grant	(3,743)	(1,247)	(1,248)	(1,248)
General Fund Impact	1,420	214	603	603

Grant Funding

71. Kingston Council no longer receives any Revenue Support Grant (RSG) however a small number of specific grants exist and where there are limited technical restrictions on what they are spent on, these are held centrally. A breakdown of these amounts is shown in the following table.

Specific Grants	2021/22	2022/23	2023/24	2024/25
	£000s	£000s	£000s	£000s
Improved Better Care Fund	1,786	408	408	408
Housing Benefit Admin	326	294	264	238
Council Tax Benefit Admin	147	147	147	147
Social Care Support Grant (Children's & Adults)	3,152	0	0	0
Lower tier services grant	269	0	0	0
New Homes Bonus	565	492	0	0
Covid Relief grant 2021/22	3,932	0	0	0
Total Specific Grants	10,177	1,341	819	793

72. The table above demonstrates that the level of specific grants reduces significantly after 2021/22 with the social care grant not being confirmed beyond 2021/22 and the improved better care fund and new homes bonus expected to reduce significantly in 2020/21. The Government has announced additional funding in relation to Covid of £3.932m for 2021/22, in order to offset any additional costs incurred. A growth item has been included to cover these additional costs, which offset the value of the grant. Further work is required to estimate the level of Housing Benefit Admin grant in future years as the level of universal credit increases and housing benefit reduces.

Use of Statutory Parking and Traffic Reserves

73. The on street parking, moving traffic contraventions and bus lane enforcement accounts are ring fenced accounts for the collection of income from these activities and whose income can only be spent on transport related activity. One of the most significant costs funded from this source of income is funding of the freedom pass for Kingston residents, which combined with the taxi card had a budget for 2020/21 of £5.8m. The budget for this in 2021/22 has been reduced by £0.780m, due to the reduced levels of travel during the pandemic.

74. The level of expenditure on relevant activities included in the budget exceeds the level of income available from the accounts and as such the draw down from the accounts is shown alongside other general resources. The amount to be drawn down is less than that included in the 2020/21 budget, this is due to a reduction in the overall level of enforcement income. Income levels have reduced during the current travel restrictions which has had an effect on the amount of income going into the fund. No changes to the level of income being drawn down from the accounts is

expected over the four year period though this will be regularly reviewed to ensure the drawdown does not exceed the available income.

75. Annex 4 provides a summary of forecast income for these accounts.

Expenditure

76. This section of the report sets out how the resources outlined above are deployed in order to deliver services and how the demands on the available resources change over time.

77. Inflation, growing demand for services and unavoidable increases in cost, place additional pressure on the budget over the medium term and this is mitigated to a degree by budget reductions.

Adjustments to base budget

78. Adjustments are made to the current year (2020/21) budget in order to arrive at the base position for 2021/22. These are necessary to remove one off items or where the impact of a decision differs between financial years. The main adjustments are outlined below.

Adjustments to Base	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Removal of unachieved savings	1,864	0	0	0
Planned changes to previous years savings	576	0	0	0
Planned changes to previous years growth	(600)	0	0	0
Re-alignment of HRA recharges	196	82	0	0
Total	2,036	82	0	0

79. Budget monitoring reports to Response & Recovery committee through the year have highlighted the previous savings that have been flagged as red (i.e. being undeliverable) and whether this is due to Covid or not, this is also regularly reviewed by Departmental Management Teams and is also subject to review and challenge by the Senior Leadership Team. As a result £1.864m of savings have been rated as undeliverable and have been removed from the budget as an adjustment to the base.

80. Adjustments are also required where the impact of previous year's savings and growth requirements changes year on year. These tend to be where growth was time limited or where the impact of savings decreases over time.

81. A review of the charges from the general fund to the Housing Revenue Account (HRA) for support services has revealed that some re-alignment is required in order to ensure the charges remain fair and accurate. Base budgets are being adjusted on a phased basis as each service area's charges are reviewed.

Inflation

82. A key element in the budget preparation process is building in an appropriate allowance for inflation. In line with previous years, the draft budget presented continues to restrict inflationary increases to cost elements where there is an unavoidable contractual commitment only. Where the Consumer Price Index (CPI) is used, an allowance of 1% was used instead of the September 2020 indicator (0.5%) which was lower than usual due to the effects of Covid.

83. Pay inflation has been allowed for, whilst the Government announced a pay freeze for public sector workers, this does not apply to Local Government and no decision has been made in respect of pay awards to local government staff. An increase of 2% has been allowed for but held centrally as a contingency budget to offset any additional costs should a pay award be agreed nationally.

84. The table below shows the inflation allowed for in each category.

Inflation	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
Pay	713	727	742	757
Non-Pay (Contracts & Social Care)	1,944	2,806	2,867	2,936
Concessionary Fares	0	123	125	122
Utilities	0	49	50	49
NNDR (Business Rates)	0	57	58	57
Fees & Charges	(59)	(121)	(126)	(123)
Total	2,598	3,641	3,716	3,798

Growth

85. Growth is proposed to be added to the existing cost base to assist in delivering the Corporate Plan. The need for individual items of budget growth arise mainly from the need to fund the increasing demand for some of our services due to changes in demographics and client numbers or for unavoidable pressures where current budgets would be insufficient to maintain existing service levels. This includes the creation of 18.4 FTE in new roles. An allowance has been made for additional costs associated with the response to the ongoing COVID-19 pandemic. This is funded primarily through one off government grant funding, supplemented by £0.8m of Council resources.

Growth by Corporate Plan	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston's residents and businesses.	2,446	3,825	4,472	5,500
A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy	170	(154)	(4)	0
A well maintained borough with a sustainable approach to growth and development which benefits our communities	1,108	145	(340)	0
Healthy, independent and resilient residents with effective support to those who need it most	3,071	920	522	510
Additional costs associated with Covid - 19	4,740	(3,932)	0	0
Total	11,535	804	4,650	6,010

86. Further details of the growth being applied is shown in Annex 5.

Contribution to Reserves

87. A budget of £3.5million per year was established in 2019/20 to contribute to the Council's General Fund Balance, this has resulted in a general fund balance of £19.633m as at 31st March 2021. This annual contribution has now been removed from the base budget with no further increases to the balance planned over the next four years. This position will be reviewed annually as the overall current level of reserves remains low for an authority of Kingston's size in comparison to other London Boroughs.

Budget Reductions

88. The table below summarises the budget reductions being proposed in this medium term financial strategy against the corporate plan themes. More detail on the individual proposals making up these totals is provided in Annex 6. This includes the indicative impact on staffing resources of 18.25 FTE which will be subject to consultation and will include a mitigation strategy to minimise any compulsory redundancies including prioritising the deletion of vacant posts and those covered by agency and interim staffing.

Savings by Corporate Plan	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s
A financially and environmentally sustainable, engaging and collaborative council that works transparently in the best interests of Kingston's residents and businesses.	3,269	2,728	2,179	1,080
A safe borough with diverse and vibrant communities which help to shape local priorities through participatory democracy	144	140	0	0
A well maintained borough with a sustainable approach to growth and development which benefits our communities	447	367	36	(2)
Healthy, independent and resilient residents with effective support to those who need it most	3,555	2,150	1,518	50
Total	7,415	5,385	3,733	1,128

Equalities

89. Equality considerations have been undertaken regarding the budget reductions that will be enacted in the 2021/22 budget to assist members to fulfil the requirements of 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 £7.415m in 2021/22 and this budget has been produced against a backdrop of previous financial reductions from the government.
90. 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.
91. 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.
92. 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
93. Further details of the Equality Considerations are included in the budget reductions information at Annex 6.

Summary by Directorate

94. The result of the changes in resources and spending outlined above leads to a net budget requirement for each directorate for 2021/22 as follows.

Directorate	Original Budget 2020/21 £000s	Original Budget 2021/22 £000s
Adult's Social Care and Health	50,467	48,761
Children's Services	29,870	31,528
Corporate and Communities	61,472	69,409
Place	(2,806)	(5,236)
Chief Executives	1,418	1,213
Total	140,421	145,675

95. A more detailed analysis by service is provided in Annex 7. Annex 8 shows the budget summarised by expenditure type. The budgets published in this annex and summarised in the table above show the best estimate available at the time this agenda is published as to how expenditure will be split across service areas.

Flexible use of Capital Receipts

96. To support local authorities deliver more efficient and sustainable services, a time limited flexibility is currently available to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform. The Council's refreshed strategy in respect of this is set out in Annex 9.

Housing Revenue Account Budget

97. The Housing Revenue Account (HRA) is a ring fenced account for all income and expenditure relating to the Council's housing landlord function. Details of the proposed HRA budget and medium term plans are shown in Annex 10. In order to meet statutory deadlines for advising tenants of changes in their rent, decisions on the HRA budget and rent levels will be taken at the Culture, Housing, Environment & Planning Committee (CHEP) on 11 February 2021.

Capital Strategy

98. Annex 11 sets out the Council's Capital Strategy including the recommended detailed capital programme for capital investment in the borough for the period 2021/22 to

2024/25 of some £185.775m. This includes expenditure on general fund schemes of £113.347m and expenditure on the Housing Revenue Account (HRA) of £72.428m. The capital strategy is a requirement under the updated Prudential Code and Treasury Management Code of Practice (both issued in December 2017).

99. The general fund capital programme is being funded by a mixture of capital receipts from the sale of surplus sites, grant funding and prudential borrowing. The HRA programme is being funded by Major Repairs Reserve, GLA grant, share of Right to Buy (RTB) Receipts, leaseholder receipts and Borrowing.
100. The programme reflects the Council's priorities and objectives with major investment in housing and school places as well as rolling programmes to improve highways, pavements and street lighting. The Council continues to invest in the Hook flood alleviation scheme, parks improvements and structural improvements to the Kingston cemetery chapels. The programme also includes the Council's property regeneration project at Cambridge Road, planned works on road maintenance, provision of disabled facilities grants, support for the modernisation of registration and funeral services, investment in IT programmes and works to operational properties. A programme of LED replacement lights will be started in 2021/22. Funding currently within the programme will adequately cover an initial phase. Further phases will be considered throughout 2021/22 and the revenue savings included in the future years budget setting process.
101. The assumed level of prudential borrowing to finance the general fund capital programme is £74.985m, as detailed in Annex 11. This includes prudential borrowing for invest to save schemes of £4.747m. Allowance for the financing costs for all borrowing approvals has been made in revenue estimates for 2021/22 to 2024/25.
102. The outline HRA capital programme has been drafted on the basis of the existing Housing Revenue Account 30 year business plan. The expenditure plans for the four years 2021/22 to 2024/25 include a programme of works to council housing stock of £15.778m. In addition, it also includes provision for the completion of the affordable homes programme of new build housing of £40.222m.
103. This programme over the 4 years (2021/22 to 2024/25) is financed by HRA borrowing of £23.745m, right to buy receipts of £0.335m, Major Repairs Reserve funding of £34.964m, Leaseholders Contributions £2.5m, GLA Homes for Londoners Grant £7.4m and allowable debt from RTB receipts of £3.484m.
104. The outline education capital programme is shown within the capital strategy. This includes capital provision for works to maintain school buildings funded by the capital maintenance grant and plans for school expansions. This includes the school's expansion works at Burlington Junior School to increase pupil places.

Treasury Management

105. The proposed Treasury Management Strategy for 2021/22 is attached at Annex 12. This includes the annual investment strategy for surplus cash and borrowing including a policy statement on the minimum revenue provision required to be set aside to repay debt.

106. Under the prudential code for capital finance, the Council can take a local decision on the level of borrowing that it considers appropriate to support new capital investment. In taking such a decision the Council has to determine that any such borrowing is affordable (by reference to the impact on the revenue budget), prudent and sustainable.

107. In order to support any decision on prudential borrowing, local authorities are required to set a number of prudential indicators before the beginning of the financial year. These range from the setting of local limits on prudential borrowing to those that relate to treasury management activities. Monitoring against the indicators will be undertaken throughout the financial year and mid and end of year reports submitted to the Audit and Governance Committee. The indicators may be revised, following approval by Full Council, at any time during the year.

Pay Policy

108. The Council is required to set a pay policy for the remuneration of staff. This is included at Annex 13.

Schools Budget

109. The schools budget papers relating to the education services funded from the dedicated schools grant is set out in Annex 14.

Annexes

Annex 1 - Budget Risk 2021/22

Annex 2 - Reconciliation of 2020/21 Budget to proposed 2021/22 Budget

Annex 3 - Statutory Council Tax Calculation

Annex 4 - Statutory Parking and Traffic Accounts

Annex 5 - Budget Growth 2021/22 to 2024/25

Annex 6 - Budget Reductions (Savings) 2021/22 to 2024/25

Annex 7 - Summary of budget by Service / Function

Annex 8 - Summary of budget by expenditure type

Annex 9 - Flexible use of capital receipts strategy

Annex 10 - HRA Budget

Annex 11 - Capital Strategy

Annex 12 - Treasury Management

Annex 13 - Pay Policy

Annex 14 - Schools Budget

Background Papers: held by Tim Gibson, Interim Head of Financial Planning and Business Partnering

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