



City of Westminster Cabinet Report

Decision Maker: Cabinet

Date: 22nd February 2016

Classification: For General Release

Title: 2016/17 to 2019/20 Budget and Council Tax Report

Wards Affected: All

Policy Context: To manage the Council's finances prudently and efficiently

Financial Summary: This report sets out the Council's financial framework for the 2016/17 to 2019/20 financial years

The Report of: Steven Mair, City Treasurer
Tel: 020 7641 2904
Email: smair@westminster.gov.uk

1 Executive Summary

- 1.1 Since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services. Consequently the Council has examined every area of operation to identify opportunities to reduce costs and generate additional income. This process is on-going and will last until at least 2019/20 but with appropriate management action the Council can deliver a balanced budget for 2016/17 and beyond. This will only happen as a consequence of robust medium and long term planning and requires a transformational approach. The Council is proud of its track record in rising to this financial challenge but it is clear that financial discipline and prudence must be at the core of its approach to budget setting
- 1.2 To meet these funding challenges in 2016/17, the Council has had to meet a total savings requirement of £45.876m. This encompasses savings due to reduced government grant and cross cutting pressures of £33.458m and £12.418m to finance the net additional impact of direct service pressures. The proposals identified through the medium term financial planning (Medium Term Plan) process are set out in Schedule 4 to this report
- 1.3 This savings challenge arose from the February 2016 Local Government Finance Settlement (LGFS) which indicated a further reduction in our headline Settlement Funding Assessment (Revenue Support Grant (Revenue Support Grant) and National Non-Domestic Rates (National Non-Domestic Rates)) of £11.5m for 2016/17. Overall, Revenue Support Grant and National Non-Domestic Rates fall from £152.1m to £140.6m. A more detailed examination of the headline announcement identified a further £1.2m cash cut to the Settlement Funding Assessment level as previously specific grants had been rolled-in to the 2016/17 Revenue Support Grant quantum. In addition, it should be noted that the Council's National Non-Domestic Rates yield is £6m lower due to the impact of appeals. This broadly aligned with our Medium Term Plan modelling. This was subsequently confirmed in the Final Settlement on 8th February 2016
- 1.4 In addition to these funding changes the Council will continue to face pressures arising through commercial, legislative, demographic and operational pressures, offset by mitigating actions by service areas. There is also contractual and salary inflation, pension cost increases, changes in national insurance and other issues
- 1.5 No Council Tax Freeze Grant has been offered for 2016/17 and all previous grants have been rolled in to Revenue Support Grant. Westminster has availed itself of all such freeze grants from 2011/12 to 2015/16. For 2016/17 those local authorities who are responsible for adult social care are able to levy a new social care increase of up to 2% on Council Tax. This is included within the Council's budget for 2016/17 and will raise £0.946m of additional revenue

- 1.6 The Council is dealing with a large number of complex demand-led, legislative, policy and financial initiatives which will present new operational challenges to adapt to, as well as delivering financial benefits and new ways of working. These are set out in Section 11 of the report
- 1.7 The Council forecast for its current year budget has been improving over recent months and currently indicates a closing position with an underspend against budget. Our best estimate for the remainder of the year, taking into consideration all known risks and opportunities will be for this position to continue to improve, with the year-end closing position finishing better than budgeted. This will assist the Council in meeting any emerging financial risks it carries
- 1.8 Westminster adopts a very robust, comprehensive and active approach to budget management, with a focus on strategic (corporate) and operational (service areas) risks and opportunities. The Council tracks and monitors performance monthly and any risks are reported through routine management reporting along with the progress being made against the savings targeted for the year
- 1.9 A balanced budget will be set for 2016/17 with reserves strengthened. Taking these together the Council is well placed to deliver its future financial challenges. On this basis the Council's 2016/17 budget is considered to be robust
- 1.10 For the first time in 2015/16 the Council has started to develop a 10 year view of its financial position. While there are a great deal of unknowns going forward, longer term projections of demographic changes suggest a growth in the demand for services as they are currently delivered. Further work is on-going in respect of this exercise with the intention to contribute to and help develop the Council's strategic, transformational approach to delivering services
- 1.11 As part of the settlement for 2016/17, the Government announced that they would offer authorities an opportunity to accept a provisional four year funding settlement to 2019/20. This projects Council funding cuts through to 2019/20. However, this promises to provide authorities with more certainty on future funding and so to enable improved planning for services and collaboration e.g. with partner organisations
- 1.12 This report also sets out the direction of travel for 2018/19. Given the challenges facing Local Government over recent years, the funding reduction announced in the recent Local Government Settlement and the continued need for the national deficit to be reduced, the Council is targeting savings of £117m over the next three years up to 2018/19. The requirement up to 2016/17 has been identified, and detailed work has commenced up to 2017/18 and 2018/19. Efforts will continue to identify further opportunities to bridge the full estimated £117m for the period to 2018/19
- 1.13 The Council is embarking on an ambitious capital programme which is directly linked to the aims and objectives of City for All and PACE. The programme is

set over a five year period from 2016/17 to 2020/21 at a gross budget of £1.720bn (excluding the Housing Revenue Account) and is fully funded. Including the Housing Revenue Account the total is £2.080m. The capital programme through the ethos of City for All will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism

- 1.14 The Council's consistent, but evolving, core offer is a direct response to our residents' wishes and lies at the heart of everything we do: Clean streets, excellent services, low tax, working with residents, investing in the city, helping those that need it most, generating opportunities for employment and making it easier to do business with us. Our priority remains to give people, families and businesses the confidence and opportunities to thrive in our dynamic, creative and world leading city. We also aim to strengthen connections amongst residents, businesses and visitors as everyone plays their part in, and benefits from, the city's success
- 1.15 The Council has continued to embed its values and behaviours for the organisation during 2015/16. These values and behaviours underpin how the Council delivers services to its communities, how it operates as an organisation and how it works together. They have been carefully defined to illustrate what is needed to enable Westminster to move forward in the difficult times ahead and are summarised below:
- Productive – we show initiative, drive and determination and help others to be productive and make informed decisions
 - Ambitious – we constantly challenge, create new solutions and work as a team
 - Collaborative – we work with partners and show local leadership, we treat everyone with courtesy and fairness and challenge one another respectfully
 - Enterprising – we constantly seek better FM and to reduce cost, we seek to generate growth and take managed risks to achieve the best outcomes
- 1.16 Throughout the process of setting the budget the Council has been very mindful of the impact of service changes or reductions on residents and the Equalities Impact Assessments are dealt with in **Annex C** which decision makers will take into account when considering this budget report.

2 Recommendations

2.1 That the Cabinet recommend to Council the following:

- the 2016/17 budget, as set out in this report, and recommend to the Council the Tax levels as set out in the Council Tax resolution at Annex B;
- the estimated level and use of Earmarked Reserves in Schedule 5, as at the budget monitoring position for month 9, 2015/16;
- that the local element of Council Tax is increased for Band D properties by 1.99%
- that local element of Council Tax is increased by 2% in respect of Adult Social Care;
- that as a consequence of the general rise in Council Tax and Adult Social Care the local element for Band D properties be confirmed for 2016/17 as £392.81;
- That the Council Tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2017, be as specified in the Council Tax Resolution in Annex B and as summarised in Schedule 7 of Annex B. That the Precepts and Special Expenses be as also specified in Annex B for properties in the Montpelier Square and Queen's Park Community Council areas as summarised in paragraph 6 of Annex B. That the Council Tax be levied accordingly and that officers be authorised to alter the Council Tax Resolution as necessary following the final announcement of the Greater London Authority precept;
- that the views of the Budget and Performance Task Group set out in Annex A be noted, considered and incorporated into the Cabinet's report to Council in accordance with the Budget and Policy Framework Procedure Rules in the Constitution;
- that the cash limited budgets for each service with overall net expenditure for 2016/17 of £183,804k (as set out in Schedule 3) be approved;
- that the members of Executive Management Team be responsible for managing their respective budgets including ensuring the implementation of savings;
- that the City Treasurer be required to submit regular reports as necessary on the implementation of the savings proposals and on the realisation of pressures and mitigations as part of the regular budget monitoring reports;

- that the City Treasurer be delegated responsibility for any technical adjustments required to be made to the budget and any technical changes to this report before it is issued to Council;
- that the cost of inflation be issued to service budgets if and when it materialises, to the limits as contained within schedule 4;
- that the views of consultees and consultation approach, as set out in section 19, be considered by Council;
- the Council agrees to consider the offer of a four year settlement from government in return for publishing an efficiency statement demonstrating how the spending certainty from a multi-year settlement will be of benefit to residents once any final guidance has been received;
- that the Council carries forward an unspent contribution from reserves balance originally agreed as £1.1M for 2015/16 to 2016/17 to support a forecast increased number of Discretionary Housing Benefit claims;
- that the Equality Impact Assessments included in Annex C be received and noted to inform the consideration and approval of this report;
- that the Material Changes to the Council's Financial Regulations as included in Annex 4 are noted and approved;
- That the Council sets aside £200k to support the Children's directorate in transitioning towards external funding for the Youth Service

2.2 That the Cabinet recommend that this report be submitted to the meeting of the Council on 2nd March 2016 and Council be recommended to receive a speech by the Leader of the Council on Council priorities and financial aims

3. Reasons for Decision

3.1 The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit budget returns to the Department of Communities and Local Government. Approval of the revenue estimates constitutes authority for incurring of expenditure in accordance with approved policies

4. Achievements from 2015/16: City for All

4.1 The Council's vision is for Westminster to be a City for All, an unrivalled City of choice and aspiration where everyone plays their part to ensure the City's continued success. City for All is a three year plan to support a City that is confident, tolerant and where everybody is able to share in the benefits of economic success

- City of Aspiration – We are enabling all our communities to share in the economic prosperity of our City by being ambitious and enterprising in the way we work;
- City of Choice – We are being collaborative in the way we work to create a City of Choice where residents, businesses and visitors can make responsible decisions for themselves, their families and their neighbourhoods;
- City of Heritage – We are being productive in protecting and enhancing Westminster's unique heritage so that every neighbourhood is a great place to live, work and visit, both now and in the future

4.2 Achievements against each of these areas of focus are set out below

Aspiration

- to date 524 residents have been supported to secure a range of paid employment opportunities. It is projected that the programme will support between 756 and 804 job starts by 1 April 2016;
- agreed with BT Openreach to make fibre optic broadband available to an additional 38,874 homes and businesses in Westminster;
- in partnership with Central London Forward, the Working Capital programme has launched which will work with 400 people claiming employment allowance to provide tailored, individual support;
- through the West End Partnership, launched a 15 year vision for the West End that will enhance its unique character and help it grow and prosper through a £500 million investment by partners

Choice

- over 90% of clients now have a personal budget as part of our City for All commitment is to ensure that adults and older people are given more choice and control over their care and support. Personal budgets and direct payments allow residents to understand how much their resource allocation for support is and gives them opportunities to directly buy services with it;
- we have successfully rolled out and development of the Community Independent Service and Hospital Discharge service models helping up to 10,000 residents stay independent for longer;
- organised the most successful Silver Sunday providing over 800 older people with opportunities for to participate in 47 events across the city;
- as part of Time Credits programme the Council has committed to rewarding those who help their neighbours and play an active role in their communities with up to 50,000 'credits' over three years, which they can spend on a range of activities such as cinema visits and sport. The requirement to positively engage in the programme has been included as part of the 'Promoting Social Value' requirements in the specification for the new leisure management contract which commences in 2016 which will ensure longer term sustainability

Heritage

- delivered the biggest West End LIVE to date with a record number of attendees and performances;
- street cleansing performance continues to improve. Results from the City Survey show that customer satisfaction with the service continues to remain high:
 - Satisfaction with refuse collection - cited by largest number of residents (68%) as an important service – remains high: 88% of residents are satisfied with this service
 - Concerns about vandalism, teenagers loitering on streets, drunkenness, drug dealing and use in public places all at their lowest level since City Survey began in 2003
 - Improvement observed in street cleansing performance in comparison with last year: 27% reduction in complaints and 16% in litter levels
- the annual flagship 'Active Westminster Awards' event took place on Friday 27th November 2015 at Lords Cricket Ground. The event attracted in excess of 150 guests and feedback from attendees was extremely positive.

England International footballer Sue Smith and Sky Sports TV presenter David Garrido presented the awards with the Lord Mayor;

- launched the Greener City Action Plan, providing a 10 year plan for establishing us as a leading authority in the sustainability agenda;
- developed a Community Infrastructure Levy (CIL) for Westminster. Full Council approved the charging schedule on 20th January 2016 and charging of CIL is due to commence on the 1st May. Project receipts of a Westminster CIL are in the order of an average of £17.5m per annum;
- introduced a new basements policy

5. Financial Situation and Strategy

5.1 As noted above, since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services. This process is on-going and will last until at least 2019/20 and needs to be flexed as the Council develops a stronger understanding of the financial challenges it faces. In November 2015 the Comprehensive Spending Review set out the strategic direction for public expenditure. This confirmed significant reductions in the funding for Local Authorities

5.2 The Comprehensive Spending Review 2015 also outlined a number of significant changes to the local government funding regime which may have a significant impact on the Council's finances over time. These included:

- Councils responsible for social care able to levy a 2% increase on Council Tax. This power to be used on top of authorities' existing ability to raise the tax by up to the existing 1.99%% limit without holding a referendum. The increase has the potential to raise £2 billion a year nationally by the end of the Parliament and in Westminster this would equate to £946k to the City Council's revenue income;
- by the end of the Parliament local government will retain 100% of business rate revenues to fund local services, giving them control of £13 billion of "additional" local tax revenues, and £26 billion in total business rate revenues. The system of top-ups and tariffs which redistributes revenues between local authorities will be retained. This change is intended to be fiscally neutral – with additional National Non-Domestic Rates retention being offset by additional burdens being devolved to local government or cuts to other grants;

- the Uniform Business Rate will be abolished and any local area will be able to cut business rates as much as they like although at the expense of the local council itself, to win new jobs and generate wealth. It is intended that this measure will strengthen incentives to boost growth, help attract business and create jobs. The business rate retention changes may have significant implications for Westminster, though the full impact of these is still not completely clear. The earliest these reforms are likely to be implemented is 2020;
- potential reforms to the New Homes Bonus to be subject to consultation including the means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. Potential changes will have implications for the City Council's projected future revenues and also for Economic Development funding, where there is currently a dedicated pool of funding top sliced from New Homes Bonus receipts and allocated competitively to boroughs by the London Enterprise Panel. This arrangement has been confirmed as now not being continued;
- the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right To Buy receipts) on the revenue costs of reform projects;
- the government announced real-terms public health savings of 3.9% over the next 5 years. The government will also consult on options to fully fund local government's Public Health spending from their retained business rates receipts, as part of the move towards business rate retention. The ring-fence on public health spending will be maintained in 2016/17 and 2017/18;
- the Spending Review indicated that social care funds of £1.5 billion would be made available by 2019/20 (beginning from 2017/18) for local government, to be included in an improved Better Care Fund. Together with social care, this indicates that local government has access to the funding it needs to increase adult social care spending in real terms by the end of the Parliament;
- the Better Care Fund will be frozen in real terms for 2016/17. After 2016/17, the BCF will be the minimum mandatory amount to be pooled in areas, allowing for greater flexibility for local area to be ambitious and pool greater amounts and render the minimum irrelevant in the future;
- following the Chancellor's Autumn Statement, a National Funding Formula for Schools Funding will be introduced in 2017/18. A full consultation is expected to take place in advance of the implementation. The consultation will provide detail supporting the proposed methodology and implementation

process including any transitional support packages for Local Authorities that may be affected with reduced funding levels;

- an Apprenticeship Levy is to commence in 2017 which will affect only 2% of employers with the largest pay bills. This is expected to raise £2.5bn for England by end of the Parliament with a new independent employer-led standards body to be established for apprenticeships. It is expected that this announcement will add around £500,000 to Westminster City Council's non-schools salary costs

5.3 The provisional 2016/17 Finance Settlement was announced on 17th of December, and confirmed in the final settlement announced 8th February 2016, and brought with it the following changes/issues for 2016/17:

- the most significant element of the Settlement announcement is our Settlement Funding Assessment which falls from £152.1m to £140.6m, a drop of £11.5m;
- the Department of Communities and Local Government have compared the changes in Settlement Funding Assessment for local authorities to their "Core Spending Power" – the income they receive from Council Tax, Business Rates, Revenue Support Grant and the Better Care Fund. Westminster will see a 4.1% reduction in its core spending power next year – the 28th largest percentage reduction out of the 383 English local authorities receiving Revenue Support Grant;
- within the above headline change are a number of previously separate specific grants that have been incorporated into Revenue Support Grant. Excluding these rolled-in grants, the real cut in Settlement Funding Assessment is £12.7m;
- no Council Tax freeze grant is being offered for 2016/17 with all previous grants now being fully rolled-in to Revenue Support Grant;
- the potential to increase the Council Tax by an additional 2% to fund additional adults social care costs was also announced as part of the Settlement. Such an increase would raise approximately an additional £946k in income, which the council be required to separately disclose on the Council Tax Bill and demonstrate how these funds had been targeted on additional adult social care spending;
- the Council Tax Referendum threshold was also announced as part of the Settlement and remains at 2% (meaning any rise without a referendum must be 1.99% or below)

- 5.4 As part of the provisional settlement for 2016/17, the Government announced that they would offer authorities an opportunity to accept a provisional four year funding settlement to 2019/20. The objective being to provide authorities with more certainty on future funding and so to enable improved planning for services and collaboration e.g. with partner organisations
- 5.5 Accepting a four year settlement will allow the Council to improve strategic decision making such as for maximising value for money with suppliers, use of reserves and prioritising funding for service levels
- 5.6 To receive a four year settlement, the Council will need to publish an “efficiency plan.” The Council is in the process of clarifying the Government’s expectations of what this will need to contain and how it will be reviewed over time. In early January 2016, the Secretary of State for Communities and Local Government outlined that authorities would need to demonstrate how the “spending certainty” from a multi-year settlement would be of benefit to residents. In practice, this means that the Council will need to demonstrate what efficiencies it could deliver that would benefit residents through the certainty of a provisional four year settlement
- 5.7 The Council already has a balanced budget so will produce an efficiency plan which has a broad perspective over the Council’s operation with a link to strategic transformation projects. It will also link into:
- finance and the use of cash balances;
 - procurement;
 - improved use of Human Resources;
 - use of IT and digitisation;
 - customer service transformation;
 - asset management;
 - long term financial planning;
 - lean reviews;
 - benchmarking;
 - highest standards of financial management;
 - capital management;
 - business planning;
 - cost reduction;
 - identification and exploitation of commercial opportunities;
 - income generation; and
 - a range of other areas of Council business
- 5.8 It should be noted though that any annual settlement is dependent on several variables. Before finalising an authority’s annual settlement, the Government would need to update the Business Rates multiplier which is inflated annually by the retail price index in September. Also, future events such as the transfer of responsibilities to local authorities and transfers between authorities would

impact an annual settlement. Furthermore, should any of the recent economic forecasts (e.g. borrowing levels, welfare savings etc) slip or fail to be delivered, more savings from unprotected services such as Local Government would be required and so be reflected in final settlements for a year

- 5.9 The Council derived an overall Budget gap for the Council in 2015/16 of £33m and has managed its budget very closely to the impact of that sum. For the years over the medium-term 2016/17 to 2018/19 budget savings of £117m are estimated
- 5.10 For 2016/17, the threshold beyond which a referendum is required is a 2% increase in the tax amount. Any increase at or above this threshold would require a referendum to be held to allow residents to choose whether they wished to pay this higher Council Tax amount or not (a rejection would require us to implement an alternative lower budget). The costs of holding the referendum would have to be met from Council's resources
- 5.11 The proposed option to increase next year's Council Tax by 1.99% for general expenditure is expected to raise around £946k in that year. This additional funding is set aside in the budget proposals contained in this report pending business case proposals to be put forward for its allocation. Proposals that will be considered include services where demand pressures could require additional support eg Childrens Services or the one-off costs of transforming services to implement savings proposals; provision to mitigate any unforeseen short term delay in delivering approved 2016/17 savings whilst implementation takes change; or mitigating savings / pressures
- 5.12 The Council's financial strategy is to:
- balance recurrent expenditure with estimated income in order that the Council has a sustainable financial position, is able to deliver on its key objectives and successfully operate in a radically changed financial environment;
 - maintain an appropriate level of reserves to protect the Council against future budgetary impacts and the continuing financial pressures which the Council faces;
 - risk manage its budget estimates to ensure that they are robust and in year to ensure that the budgets agreed are managed and delivered as required;

- operate to the highest standards of financial management in all areas in order that the Council's finances are robustly secured, value for money is obtained, all professional standards are properly maintained, step change improvements in finance are brought about at pace and rigorous review and quality assurance of all financial matters is undertaken
- investigate funding opportunities that are appropriate for the Council;
- plan over a medium term of 10 years in order that the Council is fully informed as to future scenarios and can prepare appropriate action;
- challenge and improve all financial management practices seeking to by way of example minimise cost, maximise working capital opportunities, pro-actively manage its balance sheet, operate rigorous financial modelling and budget management, ensure financial advice is of the highest quality and bring about step changes improvement in its accounts

5.13 The Council will deliver a balanced budget for 2016/17, as it has done in previous years, despite the considerable reductions that have already been addressed over the last four years. The Council's finances have been on a strengthening trajectory in recent months and continue to be so as the year-end approaches. As part of year-end planning it is intended to strengthen Earmarked and General Reserves in line with the Reserves policy and also in line with Council policy, any further reductions in specific grants will be matched by reductions in associated expenditure.

6. Financial Performance – Revenue 2015/16

6.1 As at December 2016 (Period 9) the Council is showing a favourable variance to budget and over recent months has seen service departments generally under spending with some additional positive income variances. Our expectation for the remainder of the year will be for this position to continue to remain generally steady with the potential for the under position to grow slightly

6.2 The reported favourable balance of £3.497m is due to two main factors; firstly City Management and Communities are projecting a surplus of £3.347m. Secondly, higher cash balances along with improved interest earnings on investments and loans are contributing to a surplus of £0.4m within City Treasurers. This is partially offset by a projected overspend in Growth, Planning and Housing of £0.25m

6.3 Sound financial management is fundamental to this financial position and within the Finance service a number of first stage transformational changes have been

implemented throughout 2015/16 building on those from 2014/15. These include:

- a new service structure being implemented;
- a renewed focus on working capital management and specifically debtors;
- a comprehensive training and development programme being developed;
- working to embed best practice project management within the department;
- continuing to improve project support by introducing business case guidance and templates as well as formalising project governance and sign-off processes for major projects;
- a number of staff have become accredited in the Treasury's Better Business Case methodology;
- culture change with the promotion of an enhanced positive creative attitude and ambition;
- improved capital processes by embedding a more rigorous check on capital schemes, ensuring they fit strategically with City For All; and
- completion of a continuous programme of statement of accounts.

6.4 Further embedding and development of these initiatives will continue through 2016/17

6.5 As part of the improved programme of financial management a review of financial regulations has begun. Annex 4 sets out the material and non-material changes to the regulations which are proposed in order to ensure the Council's finances are robustly and properly managed

7. Revenue Budget 2016/17

7.1 The Council, along with all other local authorities, has faced significant funding reductions on an annual basis since 2010. To the current financial year, our adjusted core Settlement Funding Assessment has fallen by £92m in cash terms and obviously more if the effects of inflation are taken into account. Further cuts to the end of the decade have been already indicated as part of the four year settlement, but may rise as further specific grants are also rolled-in to the quantum

7.2 The Council has recognised these past and current pressures and has implemented a range of measures to mitigate these – including the ground-breaking development of sharing some services on a Tri-Borough basis. Planning ahead, our Medium Term Planning process has identified options to maintain a balanced budget over a three year future planning horizon and has

been updated from last year for this budget setting round to now include 2018/19 options and projections

- 7.3 The Local Government Finance Settlement provisionally announced in December and confirmed earlier this month sets out a fall in Settlement Funding Assessment of £11.5m in cash terms for 2016/17 and is broadly in line with our expectations included in the Medium Term Plan. This figure rises to £12.7m when specific grants rolled into Revenue Support Grant are taken into account. This represents a reduction of 17% against the 2015/16 equivalent figure and, when the income from business rates is included, will mean we have seen a 51% cash reduction in Formula Funding since the start of austerity in 2010/11 – an even higher percentage if the diminishing purchasing power caused by inflation were to be factored in
- 7.4 As noted in paragraph 1.2 to meet the funding challenges in 2016/17, the Council has had to meet a total savings requirement of £45.876m. This encompasses savings due to reduced government grant, capital financing costs, inflation (contractual and employee), pension deficit contribution, impact of national insurance changes and National Non-Domestic Rates reduction to safety net of £33.458m and £12.418m to finance the net additional impact of direct service pressures
- 7.5 These savings have been generated as follows:

	Budget Adjustment	
	£'000s	%
Financing	7,827	17.1%
Commercial	10,407	22.7%
Transformation	11,555	25.2%
Efficiency	15,855	34.6%
Service Reduction	232	0.5%
Total	<u>45,876</u>	

- 7.6 As part of the above, for 2016/17 it is proposed that £3.6m of Public Health grant money is switched to other directorates who can use the money to deliver public health outcomes through a variety of diversified means
- 7.7 To ensure that public health outcomes are achieved it is intended that related budgets are ring fenced. To ensure that there is appropriate governance and oversight of this it is intended that a Public Health Investment Board will be

established and attended by senior Council officers to ensure that the funds are used effectively in delivering outcomes and in accordance with the grant conditions

8. 2016/17 Risks and Budget Robustness

- 8.1 The Council is required to set a balanced budget that takes into account the potential for risk. The level of risk faced by the authority is significant given the uncertain nature and timing of future funding cuts, the overall world economic fragility and inflationary pressures, as well as facing challenging demand-led pressures and high levels of efficiency savings to be delivered to offset the central funding shortfalls
- 8.2 Robust officer and member challenge has been built into the Medium Term Plan process in order to identify and either eradicate or mitigate these potential risks – although they can never, nor should, be completely removed. Accordingly, the Council has built a number of factors into this budget setting process to deal with the potential for remaining risk which are listed below. This budget has been prepared on the basis that estimates are sufficiently robust for the purposes of budget projections and that the proposed financial balances and reserves over the medium term are adequate. Measures to ensure this include:
- regular programme and delivery review of budget options to ensure successful implementation of budget proposals;
 - monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances are being suitably identified and mitigated;
 - speeding up and automating back office finance functions (such as closing the accounts) together with up-skilling the entire finance function – freeing up time and skills of finance staff to concentrate on financial risks and opportunities;
 - continuing to replenish reserves towards their previous historic levels in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.
- 8.3 The finance team assesses risk as part of the general financial control framework and has been specifically updated for all the Medium Term Plan proposals being put forward for consideration. Amongst others, specific risks worthy of individual mention within this report include:

- funding reductions and potential for deficits within partner agencies – particular with regard to shared NHS budgets;
- potential changes to the Locally Retained Business Rates regime – including the 2017 Revaluation; the 2020 SFA re-set and changes to business rate retention;
- inflation, interest rates, and their joint relationship;
- levels of cash balances held – being affected not least by appeals provisions, the replacement of s106 funding by the Community Infrastructure Levy (and potential for further top-slicing of Community Infrastructure Level receipts or New Homes Bonus);
- short-term delivery risk around the implementation of budget options being adopted as part of the Medium Term Plan; and
- further demographic and legislative / demand-led pressures – for instance with regard to Temporary Accommodation costs; an ageing / growing population; and asylum seeker costs

8.4 Excluding the National Non-Domestic Rates Tariff payment, the Council has a net General Fund expenditure of £818m (matched by similar income for a balanced budget). A one percent margin of error in both of these could result in a £16m budget overspend if not mitigated. The projected level of General Reserves represents just 18 days gross expenditure of the Council

8.5 The Council has also completed an assessment of broad financial risks and completed a weighted risk analysis which supports reserves at their current levels. This includes the potential cost to the Council related to its responsibilities for a range of scenarios including, for example, emergency response situation

8.6 The table below outlines the risks to the revenue budget and the subsequent mitigations to these risks:

Risk	RAG: Potential Impact	Mitigation
Overspending against the agreed budget	Amber	Each service is subject to monthly budget monitoring with any issues being reported in the monthly revenue monitor. Any signs of

Risk	RAG: Potential Impact	Mitigation
		budget overspends will be reported and action will be taken to ensure budgets are brought back into line and risks and opportunities are monitored.
Revenue income below expectation	Amber	Income is subject to a variety of influences including the prevailing economic conditions. Variances against budget will be investigated and controlled through the monthly revenue monitoring process.
Unexpected calls on revenue due to unforeseen events	Amber	Unexpected calls on revenue monitored monthly through a range of reporting mechanisms. Financial consequences dealt with through management of reserves and provisions.
Government grants are less than anticipated due to reductions in year or in future years e.g. because of economic problems at a national level leading to fiscal tightening	Amber	Unexpected calls on revenue monitored monthly through a range of reporting mechanisms. Financial consequences dealt with through management of reserves and provisions.
Interest rate movements make borrowing more costly than anticipated	Amber	The Council receives regular advice from the Treasury Advisors in respect of the timing in external and internal borrowing. Financing costs included in the Medium Term Plan are at a prudent level, which takes account of potential movements in interest rates.
Unexpected and unbudgeted inflation impacts on budgets creating financial pressure	Green	Inflation is budgeted for at a prudent level. Variations to budget monitored through the monthly revenue monitor
Inadequate management action in respect of managing budget	Green	Monthly reporting includes performance monitoring. Appropriate governance includes

Risk	RAG: Potential Impact	Mitigation
reductions or otherwise controlling the budget		reporting to Executive Management Team and Cabinet.
Changes in legislation or regulations create a revenue pressure	Green	This is monitored at a service level with the impact being reported and managed through the monthly monitor.

9. Medium-Term Financial Outlook 2016/17 to 2018/19

- 9.1 The Council has seen unprecedented cuts to its core funding since 2010 and the working assumption is that this scale of reduction will continue to the end of the decade by which time the proposed full localisation of business rates will likely see Revenue Support Grant disappear completely. It is expected the implementation of this new funding model to be fiscally neutral at least for the start of the arrangements – believed to be in 2020/21 and thus it cannot at this stage be envisaged that additional funding will be derived from this source until around this time
- 9.2 The Council's medium term modelling has been updated to reflect the provisional four-year Funding Settlement announced in December. This also takes into account Inflation (both pay and contract), superannuation, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The current estimated overall funding gap is £33m in year 2016/17, £34m in 2017/18 and to £50m in 2018/19. While the provisional four year settlement also covers 2019/20 the overall savings target has not yet been formally quantified because pressures and new burdens are not sufficiently clear to issue a formal forecast of reductions that will need to be made

10. Capital Programme to 2020/21

- 10.1 The Council is embarking on an ambitious capital programme which is directly linked to the aims and objectives of City for All and PACE. The programme is set over a five year period from 2016/17 to 2020/21 at a gross budget of £1.720bn and is fully funded. The capital programme through the ethos of City for All will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism

- 10.2 The most ambitious schemes in the capital programme are development projects which will generate capital receipts or on-going revenue income, which will help to fund these projects and then provide an on-going benefit to the Council. In addition to this, projects will help the Council to generate savings and support more effective ways of working. The general fund programme is funded via capital receipts, grants, other external contributions and borrowing. The on-going revenue implications are included within the Medium Term Plan
- 10.3 The Housing Revenue Account capital programme is £360m, therefore the general fund and Housing Revenue Account capital programmes together are approximately £2.080bn. The vast majority of the Housing Revenue Account programme is to be funded via capital receipts and reserves
- 10.4 In order to manage the capital investment, the capital strategy has detailed the governance processes and procedures to support capital project delivery

11. Key Legislative and Policy Initiatives

- 11.1 In line with previous budget reports a number of financial uncertainties which could have material impacts on the Council's activities with potentially significant financial consequences have been identified
- 11.2 Section 11.3 identifies and assesses the impact of new policy/legislative initiatives which could have a cost or income impact from 2016/17 onwards

11.3 New Policy Initiatives

a) Devolution to London: health, employment and skills

London Councils and the Greater London Authority put forward a Spending Review submission on 4 September 2015 setting out proposals for devolution and reform in relation to employment, skills, business support, crime and justice, health and housing

The core proposition was that London, like other cities, should have significant responsibilities devolved from the national level, allowing us to stimulate growth, boost housing delivery and deliver more effective outcomes within a tight public spending settlement. Tackling these issues locally, through integrated working, would allow us to focus on avoiding the costs of failure and to manage services sustainably in the face of rising demand and continuing fiscal restraint

Health and care

Two agreements were signed on 15th December 2015 to transform health and wellbeing outcomes, inequalities and services in London through new ways of working. These were:

- A London Health and Care Collaboration Agreement was reached between London Partners; Clinical Commissioning Groups, London boroughs, the Mayor, NHS England in London and Public Health England in London;
- A London Health Devolution Agreement between the Chancellor, Mayor of London, Chief Executive of the NHS, Chair of London Councils, Secretary of State for Health, Chair of London Clinical Commissioning Council and the Chief Executive of Public Health England

The collaboration agreement described aspirations and objectives for better care in London shaped by the work of the London Health Commission. The agreement highlights the importance of collaboration to transform care at three levels, borough, sub-regional and pan-London and emphasises the principle of subsidiarity between these spatial levels. It also announced five pilots that will test the principles of collaboration and inform whether there is a business case to scale-up or replicate these ways of working across the rest of London

The agreement with national government and the NHS at national level includes agreements to jointly explore reform and devolution across six areas: capital and estates, system finances, provider regulation and inspection, workforce and skills, transformation funding, public health and employment and health. Detailed and specific changes to the existing regime are expected to emerge from the work developed during 2016

In parallel, NHS England published guidance in January 2016 asking that local health systems develop 'Sustainability and Transformation Plans' spanning providers and commissioners, that set out the mixture of demand moderation, allocative efficiency, provider productivity, and income generation required for the NHS locally to balance its books

The agreements signal a step-change in the collective ambition of Government, London's 32 Clinical Commissioning Groups, all 33 local authority members of London Councils, the Greater London Authority, NHS England and Public Health England to transform health and wellbeing outcomes, inequalities and services in London through new ways of working together and with the public. While the focus will now be on the pilot areas to

make the fastest progress, there remains a lot which can be done locally to move towards greater devolution of integrated budgets and commissioning. This provides an opportunity particularly for the Westminster Health and Wellbeing Board to consider how it can further develop its systems leadership role and develop areas for joint working beyond health and care on areas such as on estates and workforce

Employment

The Spending Review announced the creation of a new Health and Work Programme¹ that will effectively replace the Work Programme and Work Choice from 2017 onwards. It contained a specific commitment that the 'The Mayor of London and the boroughs will jointly commission employment support (outside the Jobcentre Plus regime), to assist the very long-term unemployed and those with health conditions and disabilities to (re)-enter work. The government, the Mayor of London and the boroughs will commence detailed discussions on how they can jointly shape every element of the commissioning process: from strategy to service design, managing provider relationships and reviewing service provision'. There was also a commitment to expand the number of jobcentres co-located with local authorities

Skills

The Spending Review announced protected funding for the core adult skills participation budgets in cash terms, at £1.5 billion. Savings will be made from nonparticipation budgets and efficiencies will be delivered through locally-led area reviews. The London approach to area reviews has now been agreed with government and the FE Commissioner and borough Leaders will chair the sub-regional area review steering groups in London, representing all Leaders and Mayors in that sub-region. The area review process in London started in February 2016 and will be an important test of boroughs working collaboratively and strategically at a sub-regional level across all of London. Westminster is part of the review being led at the geography of Central London Forward

b) Housing and Planning Bill

The changes in the Housing and Planning Bill are aimed at supporting housing growth and to simplify and speeding up the planning system, with the aim of delivering more housing. There is a clear focus on home ownership, with measures to: facilitate the building of Starter Homes available at sub-market prices to first time buyers; self/custom build housing; the extension of

the Right to Buy to housing association tenants following voluntary agreement with the National Housing Federation; and the mandatory sale of high value local authority voids to fund the Right to Buy discounts for housing association tenants with the proceeds being paid to the Exchequer. Most recently, Government agreed an amendment to allow London local authorities to negotiate agreements to reduce the amount that they would have to pay to Government in respect of sale of high value voids. To do this, the agreements “must require the authority to ensure that at least two new affordable homes are provided for each old dwelling”

Other measures in the Bill include provisions to: increase high income social tenants’ rents (known as ‘Pay to Stay’) to market or near market levels with the additional income paid to national government; phase out tenancies for life; new tools to tackle rogue landlords in the private rented sector; changes to speed up compulsory purchase, and a relaxing of regulation of housing associations. Numerous changes to the planning system are included, with the most significant being recent Government amendments which may enable planning fees to be set locally and will allow the piloting of a scheme whereby applicants can choose who processes their planning application – the local authority or another provider (for the processing and not the determination of planning applications)

Although much of the detail about how the various policies will operate will be set out in regulations, which have yet to appear, the initial impact of the changes on Westminster has been modelled, looking at these changes together with those being made by the Welfare Reform and Work Bill. Once the detail is available, further work will be done to identify impacts and prepare for implementation. We will continue to work to influence and shape the policy (in particular any secondary legislation or regulations) as it passes through Parliament

Depending on the detail of the scheme, the Starter Homes initiative may have a significant impact on the delivery of other forms of affordable housing as it could lead the Council to have less ability to prescribe the type of affordable housing that is developed to meet the Councils independent assessment of the types of housing needed in Westminster. The Council is lobbying to ensure that the requirement to secure Starter Homes through the planning system is set at a level that allows local authorities the flexibility to respond to a variety of needs

Other changes in the Bill such as the sale of local authority high value voids and their likely replacement outside of central London are likely to have an

impact on how we discharge our duties to homeless people in priority need. There may also be a loss of social stock from housing associations offering the right to buy. The agreement between them and government which enables them to offer the right to buy on a voluntary basis, does not require them to replace homes of the same kind or in the same area, which could have a significant impact in high value areas such as Westminster. We would like steps to be taken to ensure that links are kept between the places where housing associations sell homes and those where the homes are re-provided - with local authority nomination rights to the replacement home equivalent, wherever this is

These policy changes are likely to decrease the supply of social rented accommodation, making it more difficult for local authorities to meet their statutory duties in borough, while at the same time changes to the welfare benefit system may both increase homelessness levels in high rent areas like ours. The result is likely to be that more households are likely to remain in expensive temporary accommodation for longer periods of time

Although the Council does not hold data on the household income of tenants, it is estimated that 8% - 10% (960 to 1,200) tenants may be affected by the Pay to Stay provisions. Discussions are continuing with Government to ensure the council can cover the additional costs involved in collection from the additional rent collected. The scheme may have consequences for other housing priorities, such as extension of intermediate housing which is the main way in which those in work but on lower to average wages vital to Westminster's local economy and public services can be helped. Lobbying has emphasised this as a key issue to Government

Further details will be carefully considered by officers (with appropriate additional modelling) and any lobbying points to be taken forward as the legislation is prepared and taken forward will be identified

c) Childcare Bill

The Bill aims to provide families where all parents are working with an entitlement to 30 hours per week of free childcare (for 38 weeks of the year) for three and four year olds. It will also require local authorities to publish information about the provision of childcare in their area

The Bill delivers on the manifesto commitment around free childcare, which became was subject to debate during the general election. Critical to the

success of the policy will be the way in which the commitment is funded. The commitment has been costed at £350m, potentially to be funded through reductions in pension tax relief. However, the funding to local authorities to resource the existing 15 hour entitlement for 3 and 4 year olds (and some 2 year olds) has been at a relatively low level which has not covered the full cost to childcare providers of making the additional provision available. This has led to problems identified by industry bodies and parents, including the cross-subsidisation of 'free' places by 'paying' clients; a rise in fees more generally; the displacement of parents taking up 'free' places to childcare providers in less affluent areas; and in some cases childcare providers seeking to charge 'top-up' fees to parents taking up the free provision. The Pre-School Learning Alliance, representing 14,000 childcare providers, has been quoted as stating that the current 15 hour offer was underfunded by c.£206m, with 50% of providers breaking even or making a loss. It is not yet clear how these issues will be addressed in expanding the scope of the free childcare commitment and a failure to do so is likely to exacerbate these unintended consequences, possibly to the extent of reducing rather than increasing the supply of childcare

It is not yet clear how the additional requirements on local authorities to publish relevant information will differ from existing requirements

d) Education and Adoption Bill

The Bill aims to improve schools and give every child the best start in life through the following measures:

- Regional Schools Commissioners will be given powers to bring in leadership support to help failing maintained schools and speed up the process to turn schools into academies. Schools that receive inadequate Ofsted judgments will usually be converted to academies and schools that are classified under a new 'coasting' definition (mediocre performance and insufficient pupil progress) will be eligible for academisation
- The Education Secretary will have new powers to force local councils to hand over their responsibilities for adoption to another authority or agency. Regional adoption agencies will be introduced to increase the scale at which adoption services are delivered

The proportion of schools judged to be good or outstanding in Westminster is well above the published national average. As of December 2015, Westminster had no inadequate schools. The service priorities for maintaining high standards in Westminster include targeted school interventions based on

local knowledge and data, support for the Virtual School for looked after children and the building of school 'best practice' networks

Westminster City Council already shares its fostering and adoption service with the London Borough of Hammersmith and Fulham and Royal Borough of Kensington and Chelsea. The tri-borough service has enabled us to pool expertise and resources so that applications are processed more efficiently. Westminster is also part of a well-established regional consortium, the West London Consortium Adoption and Permanence Consortium

e) Welfare Reform and Work Bill

The Bill aims to:

- Freeze the majority of working-age benefits, tax credits and Child Benefit for 2016/17 and 2017/18 (protecting statutory payments, pensions and benefits relating to the additional costs of disability)
- Reduce the cap on total benefits received by a single household from £26,000 to £23,000, exempting households with a member eligible for Working Tax Credit
- Reduce social housing rents by 1% in each of the next four years
- Introduce a new Youth Allowance for 18-21 year olds with stronger conditionality on 'earning or learning', remove automatic entitlement to housing support for 18-21 year olds, and provide Jobcentre Plus adviser support in schools to supplement careers advice
- Introduce duties to report annually on progress towards achieving full employment (defined elsewhere as achieving the highest employment rate in the G7); achieving the Government's target of creating 3 million new apprenticeships; and the progress of the Troubled Families programme

It is important to consider these changes in conjunction with those in the Housing and Planning Bill. The one per cent reduction in social housing rents each year for four years proposed in the Bill is due to begin in April 2016. It will have a significant financial impact on the City Council, reducing Housing Revenue Account rent income by £32 million in cash terms over the first four years of the 30-year Housing Revenue Account – an anticipated loss of investment capacity of £237 million net present value. The Housing Revenue Account business plan and investment strategy have been reviewed in the

light of the likely impact of this reduction; as far as possible key initiatives and existing commitments to residents have been protected

The welfare changes within the Bill are likely to have a significant impact on some households in Westminster, many of these with complex needs – particularly the reduction in the benefit cap. This will affect a group of larger families within Westminster and will render a larger proportion of the local stock of rented accommodation within the City unaffordable for those subject to the cap (which in turn is likely to lead to an increase in numbers presenting themselves as homeless). The circumstances in which young people will still be able to receive housing support will be another major factor in determining the likely increase in households at risk of homelessness (the Institute for Fiscal Studies notes that over half of housing benefit expenditure on recipients aged under 25 currently goes to claimants who themselves have dependent children and so who might not reasonably be expected simply to live with their parents)

An increase in homelessness presentations is likely to lead to more placements in temporary accommodation, the costs of which are borne by the General Fund. Pressure is also likely to increase on the Housing Options Service, other homelessness-related services and employment-related services. Detailed work is being carried out across the Council to model the impact of the changes being made by the Bill (and the other changes to national housing policy) and to identify ways of mitigating them, including through reviewing policies such as those on procurement of temporary accommodation and discharge of homelessness duties and improved coordination between services, especially employment services

Separately, but linked, the Universal Credit (Work Allowance) Amendment Regulations 2015 reduce and in some cases remove completely the level of earnings that an individual or family can reach before Universal Credit begins to be withdrawn. This fulfils a similar function to the Tax Credit reductions which were not progressed in moving towards the Government's pledged £12bn in welfare reductions and raises similar concerns in terms of reducing incentives for people to move into and sustain employment

The proposed changes to youth arrangements will impact on the role which the Council takes on employability and skills for younger people, currently being refined following the recent restructure. The foregrounding of national reporting arrangements for the Troubled Families programme, and associated powers for the relevant Secretary of State to compel public bodies to provide certain information, may have reporting implications for Troubled Families

work within the City and may also support ongoing efforts across the Council and partners to resolve data sharing difficulties in order to coordinate and integrate people services more effectively

f) Enterprise Bill

The Bill aims to:

- Extend the Government's 'Red Tape Challenge' to a greater range of regulators, and require regulators to report on their performance in implementing more business-friendly regulation, as well as introducing smaller scale measures to support the Government's commitment to reducing the regulatory burden on businesses by at least £10bn in this Parliament
- Creating a Small Business Conciliation Service to resolve business-to-business disputes over issues such as late payment
- Improvements to business rates administration including reform of the ratepayer appeals process and better access to Valuation Office Agency information
- Introducing a cap on exit payments to public sector workers leaving their positions

The ambition to reduce red tape connects with similar work being carried out by the European Commission and also with the Government's Red Tape Challenge programme in the last Parliament, which culminated in the Deregulation Act and which estimated to have created £300m in annual savings to small businesses through reducing red tape. The renewed and expanded ambition is likely to give rise to a range of operational issues across the various business compliance regimes – including development management – operated by or involving the City Council, potentially reducing compliance-related duties but also potentially reducing the City Council's ability to impose high standards or take enforcement action on particular issues

The extension of the Primary Authority scheme, which enables businesses operating in several locations across the country to work within a single streamlined compliance and inspection regime for a range of regulatory issues, and on which the City Council already works with a significant number of businesses, potentially provides further income generation opportunities for

the City Council to consider. The business unit recently established within Growth, Planning and Housing may be able to advocate this route of regulatory compliance to businesses as well as signposting the proposed Small Business Conciliation Service where relevant. In order to make this more viable within the financial context, there may be scope to explore, as the LGA has begun to do, options for greater flexibility in how services aimed at assisting businesses to navigate regulation are funded

The business rates improvements are likely to have a significant impact on the Council particularly in view of the c10,800 outstanding business rate appeals within the City. The Council is working with partners to engage with the Government's significant reshaping of the business rates and local government finance systems following the Chancellor's announcement in October, as well as continuing to engage in working with Government to explore improvements to the appeals system. Notwithstanding this wider work, the Government's Review of business rates is still scheduled to report in time for Budget 2016 and may provide some additional impetus for these reforms

Relevant Human Resources policies will need to be updated to take account of the new rules on exit payments as and when they are finalised

g) Annual Pension Update

The Westminster Pension Fund was 74% funded as at the end of September 2015 which was similar to the position at March 2013 which was the date of the last Triennial Valuation. The position had improved to 81% at March 2014 following strong investment returns but over the past year the financial markets have been more challenging and the low interest rate position continues to create a high value for the Funds liabilities. Whilst the funding level remains at 74% the value of the deficit has increased from £297M to £361M. Investment returns have been good with an annualised return of 10% pa over the past three years which has exceeded the fund benchmark and more importantly the expected returns assumed by the Actuary to recover the deficit

Following the introduction of the Public Service Pensions Act 2013 the Council has now established a Local Pension Board. The Board is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund. The Westminster Pension Board held its first meeting on the 27th July and comprises 3 Employer representatives and 3 Employee representatives. It will meet

quarterly to discuss a range of governance and administration issues and the Board members are undertaking the necessary knowledge and skills training

2016 will see the Fund complete its last triennial valuation. This is where the Fund Actuary will assess all of the membership data for the Fund and apply assumptions to calculate the 'funding level' which is the ratio of assets to liabilities. This will then inform the employers' contribution rates for the 3 years from April 2017. The assumptions involved range from mortality, long term inflation, salary growth and expected investment returns. Westminster Pension Fund uses a smoothed approach to calculating its liabilities which ensures short term volatility is avoided and contribution rates are held as stable as possible

12. Reserves Policy

- 12.1 Under the current accounting regime, local authorities hold two categories of reserves in their balance sheet; "useable" and "unusable" reserves
- 12.2 Useable reserves can be generally defined as those which contain resources that the Council could utilise to finance capital investments or fund revenue expenditure incurred in the running of services. Some of these reserves could be applied generally but others will have conditions attached on their use
- 12.3 The Council's useable reserves can be grouped into the following sub-categories:
 - General Reserves – working balances held to ensure long term solvency and to mitigate risks e.g. the General Fund balance and the Housing Revenue Account balance
 - Earmarked Reserves – to fund specific projects or as a means to build up funds for known contingencies. e.g. the Insurance reserve
 - Ring-fenced Reserves – carried forward balances or grant funding which have certain conditions or restrictions attached to them preventing their general use by the Council e.g. Schools balances
 - Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants
- 12.4 Details of expected and budgeted movements in specific earmarked reserves are set out in full detail in Schedule 5 to this report

- 12.5 Conversely, unusable reserves are those that the Council would not be able to use to finance capital investment or fund revenue expenditure from. This is because this category includes reserves which hold unrealised gains or losses for assets not yet disposed of and also adjustments which are required by statute and differ in basis from accounting standards
- 12.6 This distinction between useable and unusable reserves and also between the different types of useable reserves themselves is important in being able to understand exactly what resources the Council holds and under what circumstances they can be used
- 12.7 Whilst general and earmarked reserves can be used to fund costs incurred in the provision of services, such use cannot be regarded as a sustainable medium-term strategy to fill the gap in on-going service provision from core funding reductions. This is because a useable reserve is a cash balance which can only be used once whereas the reduction in core funding is a permanent loss to the Council's base budget
- 12.8 The Council's General Fund balance stood at just under £70m at the end of 2007/08 after which it declined dramatically until it stood at under £16m by the end of 2011/12. This was as the result of significant structural changes to the Council's income sources together with rising cost pressures – the mitigation and re-balancing of which took time to implement in a controlled and continuing way
- 12.9 The November 2015 Autumn Statement and Spending Review reported improved economic forecasts which resulted in higher than expected levels of public spending by the Government. However, should these forecasts slip or not be achieved, further savings to public spending can be expected. As local authorities fall into the category of unprotected services, there is a heightened risk that a repeat of the pressures experienced before could deplete the Council's General Reserves to below zero - something prohibited for local authorities by statute. However, the four year Settlement offered by government should provide additional certainty than in the past
- 12.10 Accordingly, the Council has in recent years recognised the need to rebuild General Reserves to a level that will provide financial resilience to weather any such similar call on reserves. As a consequence General Reserves have slowly recovered to now stand at £36m. Recommendations set out in this Budget Report would see General Reserves recover further to stand at around £40m by the end of 2015/16
- 12.11 The Medium Term Plan makes no assumptions at this stage about further rises to General Reserves beyond 2016/17. However, given the nature of financial

uncertainty into the future, the longer term opportunity to build general reserves back closer to £50m will need to be considered as the opportunity arises

13. Cash and Financing

- 13.1 The Treasury Management Strategy is presented for approval at the 22nd February Cabinet meeting on the same agenda as this report. It sets out the Council's position on the management of cash and borrowings
- 13.2 It provides routine updates on the financing position and seeks the continued use of investment options that have been used in the current financial year, within a conservative risk structure. With the implementation of Housing Revenue Account Self-financing under the Localism Act, the borrowing and cash elements of the Housing Revenue Account and General Fund are managed on a separate basis
- 13.3 Cash balances are expected to remain high over 2016/17 (taking into account capital receipts and expenditure and movements in working capital balances) but then declining as the enlarged capital programme starts to be financed. Given the prevailing low level of interest rates, officers are keeping under review whether there is opportunity to borrow now in advance of need

14. Council Tax

- 14.1 Recommendations set out elsewhere in this report, and contained within the overall Medium Term Plan options, propose that the Council Tax amount is increased for 2016/17 by 1.99%. In addition and as allowable by government the Council has levied an additional 2% onto the Council Tax bill to go towards pressures associated with adult social care
- 14.2 The core increase of 1.99% keeps the Council within the limits set by government over which it would be required to additionally prepare and publish an alternative budget proposal and to thereafter hold a referendum to allow residents to opt for either budget proposal. The cost of holding any such referendum would be at the expense of the Council and the ability to demand instalments on account would be delayed – thus incurring an additional cash flow loss
- 14.3 The total yield from Council Tax is a function not only of the tax amount but also the size of the Taxbase. The Taxbase (expressed as the number of Band D equivalent properties in an area) continues to grow and thus lead to a higher yield for a number of reasons:

- the number of properties has increased as redevelopment and regeneration of the city continues; and
- the number of benefit claimants is reducing the cost of Council Tax Support

14.4 Accordingly, as set out in Appendix 2, the Taxbase is shown to rise from 121,891 equivalent properties to 125,181 – a 2.7% rise which equates to £1.24m without taking into account the rise in the tax rate

14.5 Other precepts and special expenses are made via the Council Tax bill for all or part of the Council areas. These are summarised below:

- The Greater London Authority has indicated an intention to set its own Band D charge for 2016/17 at £276.00 – this is a reduction of £19.00 on the 2015/16 amount of £295.00
- The Queen’s Park Community Council adopted a Band D charge for residents in its area at the same level as 2015/16 – it being £44.40
- The Montpelier Square Garden Committee determined to recover the same gross amount as in the current year from residents surrounding Montpelier Square under its powers to raise a special expense – this equates to a Band D charge of £341.96 – a reduction of £3.20 on the 2015/16 charge of £345.16

14.6 The table below sets out the composition of each Band D equivalent charge for each area together with a calculation of the total yield expected from that charge:

Band	Montpelier Square	Queen's Park Community Council	All Other Parts of The City
A	£673.84	£475.47	£445.87
B	£786.16	£554.72	£520.19
C	£898.45	£633.96	£594.49
D	£1,010.77	£713.21	£668.81
E	£1,235.38	£871.70	£817.43
F	£1,460.00	£1,030.19	£966.06
G	£1,684.61	£1,188.68	£1,114.68
H	£2,021.54	£1,426.42	£1,337.62

	Queen's Park Community Council	Montpelier Square	Rest of the City	Total
Band D Amounts:				
Queen's Park Community Council	£44.40			
Montpelier Square		£341.96		
Westminster City Council	£392.81	£392.81	£392.81	
	£437.21	£734.77	£392.81	
Greater London Authority	£276.00	£276.00	£276.00	
	£713.21	£1,010.77	£668.81	
Taxbase (Band D Equiv Properties)	3,269 no.	95 no.	121,817 no.	125,181 no.
Total Collectable:				
Queen's Park Community Council	£145,151	£0	£0	£145,151
Montpelier Square	£0	£32,500	£0	£32,500
Westminster City Council	£1,284,163	£37,333	£47,850,904	£49,172,400
	£1,429,314	£69,833	£47,850,904	£49,350,051
Greater London Authority	£902,291	£26,231	£33,621,470	£34,549,992
	£2,331,605	£96,064	£81,472,374	£83,900,043

- 14.7 The Council Tax Setting report for 2015/16, agreed a £1.1.M contribution from Reserves to support Discretionary Housing Payments in 2015/16. This was required due to a dramatic reduction in central government DHP funding (£4.8M in 2014/15 reduced to £2.6M in 2015/16)
- 14.8 A revised Discretionary Housing Payments Policy was subsequently agreed. The successful implementation of the revised policy and general good management of the Discretionary Housing Payments process has meant that we are currently forecasting only a small spend in 2015/16 above our government Discretionary Housing Payments allocation
- 14.9 The Council's 2016/17 DHP allocation has been recently set by central government at £2,669,172
- 14.10 In a normal year, it could be considered that the level of our DHP funding allocation could be managed within the new Discretionary Housing Payments Policy and by our current management of Discretionary Housing Payments claims. However, 2016/17 is likely to see the introduction of the government's latest round of Welfare Reform changes, in particular the reduction in the Benefit Cap threshold to £23K for families. This will inevitably increase the

number of Discretionary Housing Payments applications. The City Council therefore intends to “carry forward” the unspent balance of the agreed £1.1M contribution from Reserves in 2015/16 to 2016/17

15 Schools

Dedicated Schools Grant

- 15.1 As part of the current Spending Review, the Chancellor has announced the implementation of a National Funding Formula for schools from 2017/18. As the changes are anticipated to be in place from 2017/18, a full consultation review is anticipated to take place in Spring 2016. It should be noted that the review is anticipated to cover the whole Dedicated Schools Grant which includes high needs funding and early years funding as well as the specific schools funding formula. The Dedicated Schools Grant is a specific grant received by Local Authorities to fund education related services. In addition to schools this covers wider support for pupils including Special Education needs spend and Early Years Provision covering 2, 3 and 4 year olds in nursery and associated provision
- 15.2 Schools are funded primarily via the ring-fenced Dedicated Schools Grant and thus Council Tax income is not used to fund schools-related expenditure
- 15.3 The Dedicated Schools Grant consists of three separate blocks of funding: the Schools’ Block, the High Needs’ Block and the Early Years’ Block. Although each of the separate blocks are not separately ring-fenced, the DSG overall continues to be ring-fenced
- 15.4 The Council is able to retain an amount of Dedicated Schools Grant to pay for the education of pupils who are the responsibility of Westminster but who are not in Westminster schools. The Council does not contribute any of its own resources to fund schools, but it is required to fund the management and administration of education services from its own Council Tax/Settlement Funding Assessment resources

Pupil Premium

- 15.6 Pupil Premium for primary schools (per year for 2016/17) is £1,320 per FSM6 pupil, and for secondary schools £935 per FSM6 pupil (unchanged). FSM6 refers to a child that has been entitled to a free school meal at any point in the past six years
- 15.7 There is also a Pupil Premium for looked after children and service children (children of parents who are in the armed forces)

- 15.8 It is for schools to decide how the Pupil Premium should be spent, however the Department for Education intends that schools will be held accountable for the impact of its use
- 15.9 Pupil Premium for 3 and 4 year old children is at a rate of £300 per annum per eligible child.

Academies/“Free Schools”

- 15.10 Westminster schools that convert to Academy status or newly established “Free Schools” obtain their funding directly from the Education Funding Agency. They will receive a budget share equivalent to what they would have had if they were a Westminster school (funded in most cases by an adjustment to the DSG paid to the Council)

16 Housing Revenue Account

- 16.1 The Housing Revenue Account is a statutory ring-fenced Landlord Account within the Council’s overall General Fund, established under the 1989 Local Government and Housing Act
- 16.2 It accounts for the management and maintenance of circa 12,000 units of social housing and 9,000 leaseholders within Westminster. The Housing Revenue Account itself is required to set a balanced budget and must not go into deficit, after taking into account Housing Revenue Account Reserves
- 16.3 In 2012 the Housing Revenue Account moved from a national subsidy system of financing to one of self-financing. In order to facilitate this the Council was required to buy out of the subsidy system through taking on £68m of extra borrowing within the Housing Revenue Account, but in return gets to keep all future rental income
- 16.4 The Council’s Arm’s Length Management Organisation, CityWest Homes Ltd, undertakes the housing management function on behalf of the Council and has responsibility for the long-term investment needs of the stock estimated at £1.4bn over 30 years
- 16.5 The Government continues to control rent levels and rent increases through Rent Rebate Subsidy Limitation. A mechanism which limits the amount of

eligible housing benefit payable if average rent increases by a Local Authority exceed Government determined limits. However, the previous presumption underlying self-financing that rents would increase by 1% above inflation annually for ten years has now been curtailed as the Government putting legislation in place to reduce Housing Revenue Account rents in real terms for 4 years by 1%. This is estimated to cost the Housing Revenue Account £32m over 4 years and over 30 years the NPV cost is £237m. This will lead to significant reduction in the Housing Revenue Account's financial capacity to undertake future investment in new Housing Supply

- 16.6 In addition the Housing and Planning Bill currently going through Parliament will require local authorities to dispose of high value stock when it becomes void in order to fund the extension of right to buy to private sector Registered Providers. The details of this policy have yet to be determined, and there may be some local discretion in how LA's can fund this. Nevertheless there remains considerable uncertainty around its likely impact on Westminster. Around 57% of the council housing stock could be affected and the likely result would be a reduction initially in the availability of relets to homeless households of around 200+ a year, and the requirement to make an annual payment from the Housing Revenue Account to Government of a worst case scenario of up to £100m. The cost of every additional 200 households in temporary accommodation cost the Council circa £1.5m a year. As the details of how this policy will work remains significantly unknown it is not built into any assumptions contained in the 2016/17 30 year Housing Revenue Account business plan
- 16.7 In addition self-financing presents the Local Authority with a number of uncertainties and risks that will need to be monitored and actively managed. These include the impact on cash flow of forward funding the Council's Regeneration programme. The impact of the Right to Buy, interest rate risk, and the impact of welfare reform on future changes to housing benefit collection/payment
- 16.8 The proposed Housing Revenue Account budget for 2016/17 is contained and summarised in Schedule 9. The Housing Investment Strategy and Housing Revenue Account 30 year Business Plan report was presented to Cabinet in December 2015 to approve the five year (2016/17 to 2020/21) Capital budget for the Housing Revenue Account. The development of an ongoing active asset management strategy will also help to underpin the future operation of the Housing Revenue Account and enhance the viability of the account as well as help to develop headroom to reconfigure the stock and to undertake an initially limited programme of building new homes.

17 Levies and Special Charges

- 17.1 Three bodies recover their net cost by way of a levy on local authorities – this charge is thus separately identified within the Council Tax charged by those local authorities. The three bodies are:
- Environment Agency – recover the cost of flood defence works across the Thames region;
 - Lea Valley Regional Park Authority – recover the cost of running the Lea Valley park facilities to the North West of London; and
 - London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Authority
- 17.2 At present only the London Pensions Fund Authority has submitted their charge for 2016/17. Accordingly the 2015/16 figures for the Environment Agency and the Lea Valley Regional Park Authority are included in the budget options being recommended in this report. Should these organisations notify the Council as to their required charge after despatch of this agenda item and before the meeting itself, a verbal update will be provided.

18 Greater London Authority Precept

- 18.1 The Greater London Authority is due to meet to formally consider the Mayor's proposed budget for the Greater London Authority on the 22nd of February. However, the Mayor's proposed budget recommends a reduction to the 2015/16 Band D equivalent charge of £295.00 down to £276.00, a reduction of £19.00. A verbal update will be provided at the meeting regarding the outcome of the London Assembly decision
- 18.2 The Greater London Authority precept will raise £34.5m from Westminster residents in 2016/17 if approved by the London Assembly as recommended

19 Consultation with the Community and Stakeholders

- 19.1 Budget consultation by Cabinet Member Portfolio

Built Environment

- 19.2 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans.

- 19.3 Development Planning consultation has already taken place with relevant stakeholders and no further work is required in 2016/17.

Adults and Public Health

- 19.4 Savings proposals arise from service redesigns for better outcomes plans so public consultation was not required. There are no statutory requirements to consult on the plans.

Housing, Regeneration, Business and Economic Development

- 19.5 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans. In addition there has been long-term consultation within Housing Regeneration Schemes that are ongoing.

Children and Young People

- 19.6 The Children's Services department have undertaken extensive consultation and engagement due to the nature of their proposals affecting service users.
- 19.7 Changes specifically to Children's Centres required statutory consultation, which the department robustly undertook, however engagement took place for all service changes providing service users with the opportunity to shape future services.
- 19.8 Consultation and engagement activities included public consultation meetings, focus groups, engagement events and surveys. The consultation web pages also received a substantial number of visits.
- 19.9 Key points and key themes of feedback from the consultation are being presented to Cabinet in a report accompanying the Cabinet Decision Report and therefore are not set out here. Proposals in the Cabinet Decision Report reflect the feedback received during the consultation. However, the Council proposes to set aside £200k of transition funding to broker a service from the market or voluntary sector in respect of Youth Services.
- 19.10 A decision on the proposals following the consultation will be taken at Cabinet.

City Management and Customer Services

- 19.11 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans.

Sustainability and Parking

- 19.12 Savings proposals arise from internal efficiency plans or contractual savings with no public consultation required. However, demand management proposals have involved both informal and formal stakeholder consultation and/or notification in line with internal Westminster City Council policy and statutory requirements.

Public Protection

- 19.13 Proposals around Street Trading Fees will require statutory consultation.

Finance and Corporate Services

- 19.14 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans.

Sport and Leisure

- 19.15 Consultations required relating to Sport and Leisure savings proposals are now complete.

20 The Scrutiny Process

- 20.1 The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Performance Task Group as a standing group, with the following terms of reference
- 20.2 “To consider, on behalf of the Policy and Scrutiny Committees, budget options and draft business plans and estimates at the appropriate stages in the business planning cycle and to submit recommendations / comments to the cabinet and/or Cabinet Members”
- 20.3 Cabinet must take into account and give due regard of any views and recommendations from the Budget and Performance Task Group in drawing up firm budget proposals for submission to the Council, and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet’s response
- 20.5 The minutes of both meetings are presented in Annex A to this report. Annex A also highlights a number of risks associated with the Council’s budget for 2016/17 and makes a number of recommendations

21 Legal implications

- 21.1 The function of calculating the City Council's budget requirement and the City Council's element of the Council Tax, and the function of setting the Council Tax, are the responsibility of the full Council. The function of preparing estimates and calculations for submission to the full Council is the responsibility of the Cabinet
- 21.2 In coming to decisions in relation to the revenue budget and the Council Tax, the Council and its officers have various statutory duties. In general terms, the Council is required by the Local Government Finance Act 1992 to make estimates of gross Revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the City Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget
- 21.3 The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account
- 21.4 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the report of the City Treasurer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Sections 7, 8, 9, 10, and 12 above respectively and in particular paragraphs 1.9 and 12.10, where it is stated that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial balances and reserves over the medium term are adequate, particularly in reference to risks and budget robustness as set out in paragraph 8.2 and 8.6
- 21.5 Some savings proposals may only be delivered after specific statutory or other legal procedures have been followed and/or consultation taken place. Where consultation is required the Council cannot rule out the possibility that they may change their minds on the proposal as a result of the responses to a consultation, and further reports to Cabinet or cabinet member (as appropriate) may be required

- 21.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 23. In developing final set of proposals for consideration officers have had regard to how the equality duty can be fulfilled in relation to the proposals overall. However further detailed equality impact assessments may be required for specific proposals as identified by each directorate prior to final decisions being made
- 21.7 Section 106, Local Government Finance Act 1992, applies to Members where:
- they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and
 - any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting
- 21.8 In these circumstances, any such Members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Such Members are not debarred from speaking. Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting

22. Human Resource Comments

- 22.1 In accordance with statutory requirements, on 15th October 2015 an HR1 form was issued in order to inform the Department of Business, Innovation and Skills (BIS) of up to 95 potential redundancies
- 22.2 A consultation process was formally launched on 15 June 2015 proposing the restructure of Development Planning Support Function. This resulted in 12 redundancies and expected revenue savings of £148k
- 22.3 On 23rd April 2015 a consultation process was formally launched for the Registration Service. There was a requirement to reduce the current service costs and deficit of £118k and ensure the cost-neutral operation of the service going forward. This resulted in 2 redundancies

- 22.4 On 7 September 2015 consultation commenced for Youth Services. City West Homes had a funding reduction and can no longer fund the service (£30k per annum). This resulted in 6 redundancies (1 x FTE)
- 22.5 On 15th October 2015, a 30 day period of formal staff consultation began in the Children's Commissioning Department which looks to reduce from 109 to 84 posts. The proposals move the focus of the department's work to be more strategic and less transactional, with the emphasis on influencing future service direction to improve outcomes and optimise value for money across children's services. It is expected that the new structure will go live on 1 April 2016 and will result in 9 redundancies for WCC and delivers a £629k saving on the total budgeted commissioning service
- 22.6 On 15th October 2015, a 30 day period of formal staff consultation also began in the Adult's Commissioning Department. It is expected that the new structure will go live on 1 April 2016 and will result in 12 redundancies. The proposed structure is cost neutral, recognising the need for increased capacity to deliver the required outcomes and efficiencies for Adult Services
- 22.7 A 45 day consultation started on 16/11/15 in the Children's Play Service. The proposal sets out the Council's intention to divest responsibility for the provision of Westminster Play Services to schools or third sector providers. The current Westminster Play Service will cease with effect from 10th April 2016 and if the service is closed it is expected that this will result in 68 redundancies. This will result in savings of £89,000 in 2015/16, £233,000 in 2016/17 and £30,000 in 2017/18
- 22.8 Consultation is expected to commence in January in respect of a restructure of HR which will result in savings of around £450,000

23. Equalities Implications

- 23.1 Under the Equalities Act 2010 the Council has a legal duty to pay "due regard" to the need to eliminate discrimination and promote equality with regard to the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation
- 23.2 The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop the Council from making decisions which may affect one group more than another. The law requires that the duty to pay "due regard" be demonstrated in the decision making process

- 23.3 An initial screen of budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments are dealt with in Annex C. Where it has been identified that a proposal may have an adverse impact on people who share a protected characteristic, an assessment of the impact has been undertaken to ensure that “due regard” is paid to the equality duties as required by statute

Schedules

- 1 Sources of Income
- 2 Expenditure Requirements
- 3 Net Budget Requirement (Cabinet Member and Executive Management Team)
- 4 Details of Budget Changes
- 5 Movement in Reserves
- 6 Levies, Special Expenses and Precepts
- 7 Localised Business Rates, Settlement Funding Assessment and Council Tax
- 8 Uses of Council Tax Income
- 9 Housing Revenue Account

Annexes

- A Budget and Performance Task Group Meeting Notes
- B Council Tax Resolution
- C Equalities Impact Assessments
- D Material and Non-Material changes to Financial Regulations

Background Papers

Budget and Council Tax Report 2015/16 22nd February 2016

Report to Cabinet Treasury Management Statement 22nd February 2016

Various working papers

If you have any queries about this report or wish to inspect any of the background papers, please contact: Steven Mair on 0207 641 2904 or at smair@westminster.gov.uk.

Budget and Performance Task Group – Report on 2016/17 Budget Scrutiny

1. Executive Summary - *The Scrutiny Process*

The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Performance Task Group as a standing group, with the following Terms of Reference:

“to consider, on behalf of the Policy and Scrutiny Committees, budget options and draft business plans and estimates at the appropriate stages in the business planning cycle and to submit recommendations / comments to the cabinet and/or cabinet members.”

These Terms of Reference were agreed by the current Budget and Performance Task Group at its first meeting on 8 February 2016.

Cabinet must *take into account* and *give due regard* of any views and recommendations from the Budget and Performance Task Group in drawing up firm budget proposals for submission to the Council , and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet’s response.

2. Key Matters for Members’ Consideration - *Summary of Response*

2.1 Overall Budget

The overall 2016/17 draft budget appears robust, and officers provided assurances on a number of point to members across all Directorates, including in relation to managing changing service demand priorities, and around the deliverability of a number of projects.

2.3 Risks Highlighted

Finance

There is uncertainty around forthcoming changes to Business Rates administration but officers are in contact with DCLG in order to seek to be involved in influencing the development of the scheme and in pilot schemes. The final settlement has been announced and there are no further changes required to the council’s budget.

Growth, Planning and Housing

The detail around the Housing and Planning Bill and Welfare Reform is still awaited. There remains a continuing increase in demand for Temporary Accommodation, which is partly driven by long-term unemployment.

Increases in interest rates and stamp duty, in addition to global and European uncertainty may have a direct impact upon the property market and consequently the Property Investment Strategy.

Children's Services

Further details of the national funding formula for Schools and the evolving role of local authorities in Education are yet to be announced.

Policy, Performance & Communications

The anticipated income from Community Infrastructure Levy is demand-led and savings may need to be found if the anticipated income does not materialise.

Public Health

There is a review anticipated of how the Public Health grant is distributed across authorities in addition to the future funding reductions announced. It is as yet unclear when and to what extent this may impact the council.

3. First Budget & Performance Task Group Meeting – Monday 8 February 2016

The first meeting of the Budget and Performance Task Group on Monday 8 February 2016 appointed Councillor Brian Connell as Chairman, confirmed the group's membership and agreed its programme of work and corresponding timetable.

As the task group's representative at the Cabinet Member discussions to agree budgets in their portfolios, Cllr Gotz Mohindra updated that he was assured the budget analysis has been thorough and that the 2016/17 Budget is resilient.

The Taskgroup noted the inclusion of relevant Equalities Impact Assessments (Equalities Impact Assessments) and Capital Spend as part of the scrutiny process this year. The Chairman directed attention to the relevant Equalities Impact Assessments throughout the budget discussions.

The City Treasurer explained that the **provisional finance settlement** was largely as anticipated and officers are currently examining the details of the final announcement which was issued just before the Task Group meeting. The Council should continue to plan for austerity and government funding reductions to continue until ca.2020. Westminster City Council will give consideration to

agreeing a provisional four year funding settlement to 2019-20 with central Government.

In 2015/16 there is a projected underspend of circa £4m and this is likely to increase towards the end of the year. This is intended to go into the authority's general reserves, which in the current financial climate need to be supported.

The Tri-borough **Children's Services** Director and Tri-borough Director of Finance and Resources highlighted that whilst being one of the Council's largest portfolios, they are expecting a balanced budget in the current financial year. Key issues facing the department include an Ofsted visit, which has recently completed its review of Westminster, and the national funding formula for schools. Officers are currently waiting on further details, which are expected to be released after the London Mayoral Election. It is anticipated that Westminster could be significantly impacted by a new funding formula.

The Director explained that aside from schools, the majority of the directorate's 2015/16 Budget was spent on child protection and children in care. Many of the savings in the 2016/17 Budget will be achieved through back office efficiencies to ensure the continuation of the high-standards necessary for the child protection service.

The department has also received government funding for the Focus on Practice programme. Members sought clarification of the impact savings will have on the provision of services by Health, particularly in Children's Centres. Members were particularly concerned about the potential impact of savings on those who need the Children's Centres services most. It was explained that Children's Services officers are working with Public Health colleagues to ensure that this provision for children remains robust.

Youth Services are currently being reconfigured and it is proposed that £100,000 seed funding per year for 2 years be provided by the Council to facilitate the transition to the new model of delivery, leveraging funding from other sources. Discussions with various third party providers are currently taking place. The Committee welcomed reassurances that there were discussions with third party organisations to secure leverage funding.

Members asked about partnership working to ensure that young people (including care leavers) with the most complex needs are properly supported. It was clarified that the department continually works with internal and external partners, in particular colleagues in Housing, to ensure those most needing assistance are getting the required support. There has also been a large commissioning review to examine the most cost-effective means of transporting

children and young people to and from schools and this is currently being re-examined but safeguarding must be at the forefront of considerations.

After examining the overarching budget context, the **City Treasurer** presented Members with the planned budget for the Finance service, and advised that it was planning to deliver £7.38m of identified transformation, efficiencies, financing and commercial proposals.

The team would deliver a Council wide balanced budget this year and strive to continually improve the budget process. After being the first local authority to publish audited annual accounts for 2014/15 on 18 May 2015, officers are looking to improve the annual accounts process further this year as a driver of transformational change in the service.

The Chief of Staff advised that the **Chief Executive's** budget is relatively small but has significant income streams through the Coroner's Court and Land Charges. The departmental savings arise from the department coming together in its current form in October 2015 and the Chief of Staff having taken the opportunity to review the budgets. It is expected that this process will be enhanced in subsequent years as the department is fully established.

In 2016/17, departmental savings will be met through not recruiting into posts that have remained vacant and where staff capacity has proven able to cope with reduced staffing levels. Although the Complaint Team's remit may change with the implementation of a new complaints system, it is likely that the workload will be absorbed within current resources, but interim staff will be brought in to cope any temporary increase in workload where necessary.

Following a review of Member allowances, savings have also been identified in the IT allowance that reflects the actual departmental spend over a four-year cycle.

The Chief of Staff explained that the Lord Mayor's continued budget consists of mostly staff with a small percentage on hospitality and other allowances. The Chief of Staff further explained that Westminster's Electoral Services Team budget reflects the fact of the borough's high residential turnover and the subsequent need for continued renewal of the electoral register.

With regards to the role of the Chief of Staff, it was explained that this is a thematic rather than solely a departmental role that takes various guises in different organisations. It is not a role seen in many local authorities but is very common across other public sector organisations.

The Executive Director for **City Management and Communities** was then asked to present the budget and efficiency measures and capital expenditure planned for 2016/17. He drew members' attention to the current projected improvement of

£3.3m in the 2015/16 forecast, which has been achieved mainly through exceeding income targets and carrying vacant posts. He set out the key initiatives for 2016/17 as reflected in the presentation, and highlighted the potential challenges officers are facing with annual reductions in library footfall and increase in waste management costs from increased volumes of waste collection as the economy has improved and the impending contract re-procurement as future costs of collection and particularly disposal could be higher than current costs.

The Executive Director provided further information in relation to a number of projects outlined in the papers:

Digital transformation: A £0.5m saving is linked to libraries through the digital programme and the remainder of the projected £2.072m will be focused on staff efficiencies, mainly in Public Protection & Licensing which holds the bulk of staff in the directorate.

Code of Construction Practice: Once the code is adopted, the department will use the income stream received from developers as part of the planning process to fund the additional activity in the council required to manage the impact of construction. This revenue will be a mixture of cost recovery and additional income.

Waste disposal contract re-let: Since the current disposal contract was agreed, the cost of waste disposal has increased across the industry and officers are anticipating additional costs will be incurred through the re-let of the contract. The waste disposal of both commercial and domestic waste structure will be based on three contracts; the first two contracts are due to commence in September 2016 and the waste incineration contract is due to commence in September 2017.

The Executive Director explained that the automatic public convenience contract was recently re-procured, so the efficiency had already been delivered and the task group was reassured that, given the issues around the separate convenience contract, the auto-convenience service was not reduced.

Members queried the energy efficiency of the borough's street lighting. Although the current street lighting stock is quite efficient, officers are currently examining the business case with a view to installing LED lights.

Members queried the review of parking charges as although they will increase, they are still below those set by neighbouring boroughs. As this is the first review of parking charges for several years, the increase in charges was measured and charges are still below those of neighbouring boroughs. Parking charges will now be reviewed annually and cross-compared with neighbouring boroughs. The task group welcomed news that the City Treasurer and Cabinet Member for Finance

and Corporate Services are currently working on introducing annual reviews of fees and charges across all Council services.

Members asked if the revenue raised from increased parking charges could be used to implement more electric car charging docks. The directorate is investigating extending on-street charging bays and examining the possibility of emissions-based charging of residents parking - a policy employed in neighbouring boroughs. Increasing numbers of users are placing a pressure on the network and officers are working to address this issue.

The Taskgroup discussed the 2016/17 Capital Expenditure budget and sought clarity over details of the City Transport Advisory. The Executive Director explained that the Council currently has a target of 95% of Westminster's roads being considered to be in "good condition" at any given time and that this is above statutory levels.

In relation to **Growth, Planning & Housing** (GPH), the Executive Director advised that the directorate was projecting a slight overspend in 2015/16. Next year (2016/17) GPH will have a reduced budget, with efficiencies of £7.9m expected across the department, offsetting pressures of £6.7m.

The Property Investment Strategy proposes an initial investment of up to £25m in property across the City to take advantage of opportunities to maximise income through the use of Council's assets. The £0.5m saving predicted in 2016/17 is the first in a series of annual returns. It was clarified that the Council will seek a projected return of circa 5% on such investments.

The reprocurement of the Housing Options contract will reshape the service delivery and it is expected to deliver savings of £0.6m out of the current budget of circa £5m. Savings in Temporary Accommodation will focus on reducing the cost incurred with the private sector. The department also plans to acquire in-borough temporary accommodation properties, which will also create another income stream into the general fund.

The reduced Rough Sleeping budget will see continuing changes to the back office rather than changes impacting on front line services. Members raised concerns that the service levels have already been severely affected and that the Rough Sleeping Service have not been able to undertake outreach work. It was clarified that following a reduction in demand, the service has the capacity to manage the proposed change.

Savings in Planning will be achieved through digitisation of the planning application process. Although the external consultation process will remain paper-based, consultation responses are encouraged to be submitted

electronically. Officers are currently liaising with stakeholders, such as amenity societies, to ensure they are fully engaged in the process.

The Task Group discussed various schemes in the Capital Expenditure Programme, including Beechcroft, 219 Harrow Road and Cavendish Square.

The Leisure Estate Review is in the preliminary stages, the purpose of which is to modernise the Council's leisure facilities. It was clarified that while the Council sets a capital budget for the coming period, this is not a final approval in practice for all the spend. Business cases justifying the expenditure have to be submitted for review and the Cabinet Member concerned needs to provide their approval before a proposal is put into implementation. Further detail on the expenditure was requested by the Task Group.

The Executive Director highlighted that the increased capital budget for GPH in 2016/17 was due to slippage in a number of the regeneration projects from the preceding year.

4. Second Budget & Performance Task Group Meeting – Tuesday 9 February 2016

The second Task Group meeting took place on Tuesday 9 February 2016. The Chairman directed attention to the relevant Equalities Impact Assessments throughout the budget discussions.

The City Treasurer gave a reprise of the financial overview as presented at the first Task Group meeting. He further added that the final settlement announced the day before had now been reviewed and there were no further changes required to the council's budget.

The Director of **Corporate Services** explained that the majority of savings as presented for that Directorate were coming from the restructure of the HR and Procurement Services and the Managed Services Framework. A price reduction based on the framework agreement was achieved a year ago and negotiations will continue in light of progress on the project. Further income will be generated by Legal Services, who offer their expertise to other authorities particularly in respect of niche areas such as social care and housing and this service has the potential to expand its external income stream in the coming years.

The HR restructure is not just about savings, and a key aim of the project is to increase organisational development capacity to drive the council forward through greater agility. The role of business partners will change to providing strategic advice as the self-service HR model is implemented across the organisation.

In respect of capital, the planned spend is concentrated on maintaining and improving the core IT infrastructure that will support front line service transformation and increased use of digital channels and solutions.

The Director of **Policy, Performance and Communications** provided a synopsis of the Directorate and its services and ambitions. She provided a breakdown of key controllable service area budgets for 2015/16 and savings for 2016/17, explaining that the budget change was principally around income and efficiencies. It was highlighted that estimations around CIL administration income may be a challenge .

The Task Group discussed the Directorate's income streams and areas for growth, in particular outdoor media, events and the Piccadilly Underpass. The City Treasurer and Director of Policy, Performance and Communications were requested to provide the Task Group with a summary breakdown of the costs and revenue of the Piccadilly Underpass Redevelopment to demonstrate that the scheme delivers a long term benefit which outweighs the short term cash outflow seen in the 2016/17 papers.

The Tri Borough Executive Director of **Adult Social Care and Health** provided a synopsis of the challenges facing the Adult Social Care Team, and advised that officers were looking to continually improve services with reducing funding. She outlined the approach the Directorate were taking going forward as alignment, "upstream" prevention, integration and personalisation of services, with a priority being to do as much as possible to streamline and use technology whilst protecting vulnerable citizens. It was highlighted that the Directorate has delivered a balanced budget for three consecutive years and that it was anticipated that this achievement would be met again for 2015/16.

The upgrade of the current ASC system, the possibility of using Housing Revenue Account for care home rental and the learning disability savings were discussed, and the Executive Director and Director of Finance and Resources addressed any concerns. Specifically regarding high-cost, high need cases, the committee was reassured that officers were working closely with the NHS and that thorough analysis confirmed that the saving can be delivered. With regards to the Customer Care Journey, officers are working to share data in a smarter way with Health IT databases to provide a more holistic care package and ensure the customer's care experience is run smoothly. The £1.3m customer journey saving came out of the "Social Care Activities" line, the total expenditure in 2015/16 was £12.5m and is £11.1m in 2016/17, a reduction of £1.4m. The Director explained that the "Social Care Activities" covers expenditure associated with the assessment and care management process, i.e. non-management front-line workers, and this is mainly the Social Work Teams in Westminster.

The Tri Borough Director of Finance, Adult Social Care advised that the **Public Health** Service was projecting a balanced budget for 2015/16, and that the draft budget for 2016/17 reflected a ring-fenced Department of Health grant of £32.3 million which was expected to be fully utilised. In addition to the Public Health Grant, the department intends to drawdown £4.3m of reserves to cover the in-year grant reduction and investment in public health outcomes.

The Director advised that the team were undertaking a rolling programme of contract reviews for the services it provides, with the aim of delivering efficiencies, improving health and delivering value for money and improving inequalities. It was noted that significant savings had been made through the introduction of payment-by-result contracts. In response to concerns raised about the future of Public Health funding, it was clarified that the service was paying close attention to boundaries of responsibility with the NHS as the Public Health Directorate's primary focus should be on prevention whilst the NHS is responsible for treatment. The team are still in the process of consolidating and standardising the numerous varied contracts which had been inherited when the service was transitioned to the council, so savings will arise through these reprocurements.

The Task Group discussed the £1.4m saving projected for substance misuse in 2016/17 and the potential impact of service delivery changes on vulnerable people. These savings are as a result of the programme of service redesign and re-procurement of core drug and alcohol services and services that no longer meet local need. The following have all contributed to the Council's ability to make these savings:

- reducing the number of contracts and working across three boroughs
- changing drug trends
- reduction in drug related criminal activity allowing for a reduction in the costs of our offender programmes
- local development of a tiered group work programme
- reducing costs of purchased day programmes
- a reduction in costs of inpatient detoxification through increased use of third sector providers.

These savings have been made in a planned way and are considered unlikely to have a significant impact on the quality of services or the Council's capacity to deliver effective treatment to its residents.

5. Recommendations and Actions

- 5.1** That the Executive Director of City Management and Communities provides the Task Group with a breakdown of where the City Transport Advisory capital expenditure is planned to be spent.

- 5.2** In relation to the proposal discussed on 8 February on the Rough Sleeping Service (Growth, Planning & Housing), to note officers' proposals in regards to achieving a reduced service budget through back office savings, and to request that should this be implemented, that it be done so with the upmost sensitivity and concern for service delivery and that the Executive Director provide a briefing note explaining the full impact of budget reductions on the Rough Sleeping Service.
- 5.3** That the Executive Director of GPH provide a breakdown of properties expected to generate Capital income and also provide with a briefing note explaining the Council's processes to secure properties.
- 5.4** That the Executive Director of GPH submit further detail on the Leisure Estate Review capital expenditure.
- 5.5** That the Revenue implications of capital programmes be included in future years' Task Group papers to clarify the link between capital and revenue expenditure.
- 5.6** The City Treasurer and Director of Policy, Performance and Communications provide the Task Group with a summary breakdown of the costs and revenue of the Piccadilly Underpass Redevelopment to demonstrate that the scheme delivers a long term benefit which outweighs the short term cash outflow seen in the 2016/17 papers.

That the Council be recommended to resolve as follows:

1. It be noted that on the 20th of January 2016, the Council calculated the Council Tax Base 2016/17
 - a) For the whole Council area as **125,181.13** [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”); and
 - b) For dwellings in the Montpelier Square area as **95.04**
 - c) For dwellings in the Queen’s Park Community Council area as **3,269.17**
2. Calculate that the Council Tax Requirement for the Council’s own purposes for 2016/17 (excluding Special Expenses) is **£49,172,400**
3. That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act:
 - a) **£855,232,900** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it
 - b) **£806,028,000** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act
 - c) **£49,204,900** being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(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 31B of the Act*)
 - d) **£393.07** being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the Basic Amount of its Council Tax for the year (including Special Amounts)
 - e) **£32,500** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act
 - f) **£392.81** being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in

accordance with Section 34(2) of the Act, as the basic amount of the Council Tax for the year for those dwellings in those parts of the area to which no special item relates.

4. To note that the Greater London Authority have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below:

Multiplier	Band	Greater London Authority
6	A	£184.00
7	B	£214.67
8	C	£245.33
9	D	£276.00
11	E	£337.33
13	F	£398.67
15	G	£460.00
18	H	£552.00

5. To note that the Queen's Park Community Council have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below

Band	Queen's Park Community Council
A	£29.60
B	£34.53
C	£39.47
D	£44.40
E	£54.27
F	£64.13
G	£74.00
H	£88.80

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2016/17 for each part of its area and for each category of dwellings:

Westminster Council Requirement and Special Expenses

Band	Montpelier Square	Queen's Park Community Council	All Other Parts of The City
A	£489.84	£291.47	£261.87
B	£571.49	£340.05	£305.52
C	£653.12	£388.63	£349.16
D	£734.77	£437.21	£392.81
E	£898.05	£534.37	£480.10
F	£1,061.33	£631.52	£567.39
G	£1,224.61	£728.68	£654.68
H	£1,469.54	£874.42	£785.62

Westminster Council Requirement, Special Expenses and Precepts

Band	Montpelier Square	Queen's Park Community Council	All Other Parts of The City
A	£673.84	£475.47	£445.87
B	£786.16	£554.72	£520.19
C	£898.45	£633.96	£594.49
D	£1,010.77	£713.21	£668.81
E	£1,235.38	£871.70	£817.43
F	£1,460.00	£1,030.19	£966.06
G	£1,684.61	£1,188.68	£1,114.68
H	£2,021.54	£1,426.42	£1,337.62

7. That the City Treasurer be authorised to collect (and disperse from the relevant accounts) the Council Tax and the National Non-Domestic Rate and that whenever the office of the City Treasurer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised postholder be authorised to act as beforesaid in his stead.
8. That notice of amounts of Council Tax be published.
9. That the Council does not adopt a special instalment scheme for Council tenants.

10. That the Council offers as standard the following patterns for Council Tax and National Non-Domestic Rate: payment by 1, 2, 4, 10 or 12 instalments and that delegated officers have discretion to enter into other agreements that facilitate the collection of Council Tax and National Non-Domestic Rate.
11. That the Council does not offer payment discounts to Council Taxpayers
12. That the Council resolve to charge owners for Council Tax in all classes of chargeable dwellings prescribed for the purposes of Section 8 of the Act.

Equalities Impact Assessments

The Council has a duty to ensure that all policy decisions are considered to assess whether they have any equality impacts. All budget changes set out in this report have been screened to ensure that equality impacts have been considered where appropriate

A lever arch file containing the Equalities Impact Assessments for all savings proposals is held by the Member Services team on the 18th floor of City Hall and will be available to review between 9am and 5pm, Monday to Friday, from Friday 12th February 2016 up until the date of the full Council meeting on 2nd March 2016; please ask any one of the team for access to the folder if you wish to see them. In order for Members to have access to these, the file cannot be taken out of the building. All full Equalities Impact Assessments were also published as part of the papers issued for the Budget and Performance Task Group meetings held on 8th and 9th February 2016 and are available on the Council's website.

Material and Non-Material changes to Financial Regulations**Material changes to financial regulations**

Page	Section	Change
6	C – 1.5	<p>Financial Planning and Budgeting - Principles Paragraph 1.5 added:</p> <p><i>To enable members to make informed decisions, all Cabinet and Committee reports must incorporate a separate section on ‘financial implications’, which will be prepared by the finance department. Reports must show the costs or savings of proposals together with any approved budget provision, future commitments, potential risks, tax implications, and any other financial consequences which may arise from the options and recommendations.</i></p>
7	C – 2.1	<p>Financial Planning and Budgeting - Revenue Budget (Reserves) Added:</p> <p><i>The Chief Executive and City Treasurer on receipt of a business case are responsible for recommending to the Cabinet Member for Finance and Corporate Services:</i></p> <ul style="list-style-type: none"> <i>f. Approving or rejecting requests for the creation of earmarked reserves</i> <i>g. Approving or rejecting transfers to or from reserves, or the re-designation of existing earmarked reserves</i> <p><i>This process may also be exercised by the City Treasurer through approval of the annual account, annual budget and monthly budget monitoring reports</i></p> <p>Budget Managers are responsible for:</p> <ul style="list-style-type: none"> <i>d. Ensuring that any approved withdrawals from reserves are applied for their intended purposes</i>
8-9	C – 3.2	<p>Financial Planning and Budgeting – Capital Programme Bullets (h) – (n) added:</p> <p><i>The City Treasurer is responsible for:</i></p> <ul style="list-style-type: none"> <i>h. Ensuring that any schemes requiring in year approval (outside of the annual capital programme) are reviewed by the Capital Review Group and approved by the relevant cabinet member – in line with the Scheme of Financial Authority.</i> <i>i. Ensuring the Capital Programme includes a contingency for in year approval of schemes and the Capital Review Group approves the use of any contingency. This is so to ensure the overall affordability of the programme is maintained, in line with the scheme of delegation.</i> <i>j. Maintaining a record of the current capital budget and expenditure on the Council’s financial systems, and ensuring compliance with financial reporting standards.</i> <i>k. Reporting to Cabinet and the Capital Review Group on the performance</i>

		<p>against the Capital Programme and budget as well as reporting to the Audit & Performance Committee and Policy & Scrutiny Committee as required.</p> <p><i>l. Ensuring that governance arrangements are in place via the Capital Review Group meeting to review proposed changes to the Capital Programme for approval by the Cabinet Member.</i></p> <p><i>m. Ensuring the Council's annual disposals programme is approved by Cabinet.</i></p> <p><i>n. Ensuring the Capital Review Group is updated on the progress of the disposals programme.</i></p>
10	C – 4.2	<p>Financial Implications of Decisions – Manager Responsibilities</p> <p>Bullets (a) – (b) added:</p> <p><i>a. Ensuring that all decision making reports properly set out the financial implications of the proposed actions, through the provision of adequate information to finance to allow this section to be prepared.</i></p> <p><i>b. Ensuring they act in accordance with guidance issued by the City Treasurer</i></p>
11	D – 2.2	<p>Financial Monitoring and Control – Budget Manager Responsibilities</p> <p>Bullets (d) – (e) added:</p> <p><i>a. Forecasting accurately on a monthly basis throughout the financial year; regularly reporting performance, variances, and forecasts to the City Treasurer, Cabinet, and as required to the Policy & Scrutiny Committee, and Audit & Performance Committee.</i></p> <p><i>b. Ensuring any risks or issues relating to over- or under-spends within their areas are escalated to finance on a timely basis.</i></p>
12	D – 3.1	<p>Reasons for Virements</p> <p>Added:</p> <ul style="list-style-type: none"> • <i>to reflect technical adjustments at the discretion of the City Treasurer</i> • <i>to reflect any changes in corporate priorities (this was previously in schedule of financial authority but not main financial regs)</i>
18	F – 4.3	<p>Expenditure – Other Responsibilities</p> <p>Bullets (a) – (b) added:</p> <p><i>a. Chief Officers are empowered to expend from within their allocated service budget expenditure up to the amount set out in the Schedule of Financial Authority to Officers in any single case where the Chief Officer is of the view that a finding of maladministration with injustice is likely to be found by the Local Government Ombudsman.</i></p> <p><i>b. In circumstances where compensation above the amount set out in the Schedule of Financial Authority to Officers the authority of the General Purposes Committee is required.</i></p>
19-	F – 7.1	<p>Treasury Management – City Treasurer Responsibilities</p>

20		<p>Bullets (c) – (e) added:</p> <ul style="list-style-type: none"> c. <i>Preparing and maintaining a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.</i> d. <i>Preparing and maintaining suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.</i> e. <i>The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management in the Public Services Code of Practice (the Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code’s key principles.</i> f. <i>Ensuring that the organisation (i.e. Full Council) receives 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.</i>
20	F – 7.3	<p>Treasury Management – Other Responsibilities</p> <p>Bullets (a) – (b) added:</p> <ul style="list-style-type: none"> a. <i>This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the City Treasurer, who will act in accordance with the organisation’s policy statement and TMPs and, if he/she is a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management.</i> b. <i>This organisation nominates Housing, Finance & Customer Services Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.</i>
22	G – 1.1	<p>External Arrangements – Principles</p> <p>Added:</p> <p><i>Full Cabinet approval is required in order to set-up a new entity, such as a joint venture.</i></p>

Non-Material changes to financial regulations

Page	Section	Change
Throughout		<p>Update or clarification relating to job titles/departments</p> <p>CFO replaced by City Treasurer Manager replaced by Budget Manager Capital Programme Board replaced by Capital Review Group Strategic Director replaced by Executive Director Payroll Team replaced by BT Shared Service Centre Head of Order to Cash replaced by Finance Manager Lead Business Partner replaced by Strategic Finance Manager Head of Legal and Democratic Services replaced by Tri-Borough Director of Law SEB replaced by Executive Management Team</p> <p>Formatting changes- changes to font and numbering reset at the start of each section</p>
5	B – 4.1	<p>Financial Management Roles and Responsibilities – Budget Managers</p> <p>Added:</p> <p style="padding-left: 40px;"><i>i. Assisting cash flow through timely billing of income due, monitoring income received and taking appropriate action in the event of non-payment.</i></p>
7	C – 3.1	<p>Capital Programme</p> <p>Moved from section D.</p>
F	18	<p>Expenditure – Payroll</p> <p>Replaced: <i>The CFO is responsible for ensuring that the Director of Human Resources operates sound arrangements for the payment of salaries, pensions and expenses to officers and in accordance with the Members Allowances Scheme administered by the Head of Legal and Democratic Services, Members.</i></p> <p>With: <i>The Director of Human Resources is responsible for: Operating sound arrangements for the payment of salaries, pensions and expenses to officers and in accordance with the Members Allowances Scheme administered by the Head of Legal and Democratic Services, Members.</i></p>

Schedule 1 - Sources of Income - 2015/16 to 2016/17

	2015/16 Revised Budget (£,000's)	Budget Change (£,000's)	2016/17 Original Budget (£,000's)
<u>Cabinet Portfolio</u>			
Leader of the Council	(2,135)	(1,760)	(3,895)
Deputy Leader - Built Environment	(9,878)	(2,450)	(12,328)
Finance & Corporate Services	(57,684)	(7,825)	(65,509)
Children & Young People	(97,160)	(670)	(97,830)
Housing, Regen, Business & Economic Dvlpt	(265,164)	(75)	(265,239)
Public Protection	(5,836)	(345)	(6,181)
Sustainability & Parking	(72,771)	(4,378)	(77,149)
City Management & Customer Services	(20,904)	(2,800)	(23,704)
Adults & Public Health	(69,900)	(1,400)	(71,300)
Sports & Leisure	(8,291)	(226)	(8,517)
Net Cost of Service Provision	(609,722)	(21,929)	(631,651)
Funded By:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	(391)	(80,615)
Revenue Support Grant	(70,039)	12,187	(57,852)
	(806,028)	(13,273)	(819,301)
<u>Executive Management Team Portfolios</u>			
Chief Executive / Chief of Staff	(2,583)	0	(2,583)
City Treasurer	(390)	(7,568)	(7,958)
Policy, Performance & Communications	(5,580)	(2,710)	(8,290)
Adults Services	(69,900)	(1,400)	(71,300)
Childrens Services	(97,160)	(670)	(97,830)
City Management & Communities	(110,129)	(8,449)	(118,578)
Corporate Services	(6,280)	(250)	(6,530)
Growth, Planning & Housing	(317,700)	(882)	(318,582)
	(609,722)	(21,929)	(631,651)
Corporate Funding:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	(391)	(80,615)
Revenue Support Grant	(70,039)	12,187	(57,852)
	(806,028)	(13,273)	(819,301)

Schedule 2 - Expenditure Requirements - 2015/16 to 2016/17

	2015/16 Revised Budget (£,000's)	Budget Change (£,000's)	2016/17 Original Budget (£,000's)
<u>Cabinet Portfolio</u>			
Leader of the Council	11,032	(3,284)	7,748
Deputy Leader - Built Environment	13,302	(450)	12,852
Finance & Corporate Services	51,231	20,335	71,566
Children & Young People	135,990	(2,042)	133,948
Housing, Regen, Business & Economic Dvlpt	323,688	555	324,243
Public Protection	17,089	0	17,089
Sustainability & Parking	18,077	827	18,904
City Management & Customer Services	81,948	(1,523)	80,425
Adults & Public Health	135,518	(4,877)	130,641
Sports & Leisure	18,153	(114)	18,039
Net Cost of Service Provision	806,028	9,427	815,455
Funded By:			
Council Tax	0	0	0
Business Rates (Net of Tariff)	0	3,846	3,846
Revenue Support Grant	0	0	0
	806,028	13,273	819,301
<u>Executive Management Team Portfolios</u>			
Chief Executive / Chief of Staff	5,300	(150)	5,150
City Treasurer	11,005	18,471	29,476
Policy, Performance & Communications	15,790	(572)	15,218
Adults Services	133,400	(1,209)	132,191
Children's Services	135,990	(2,042)	133,948
City Management & Communities	133,953	(2,610)	131,343
Corporate Services	20,890	(2,183)	18,707
Growth, Planning & Housing	349,700	(278)	349,422
	806,028	9,427	815,455
Corporate Funding:			
Council Tax	0	0	0
Business Rates Tariff Increase	0	3,846	3,846
Revenue Support Grant	0	0	0
	806,028	13,273	819,301

Schedule 3 - Net Budget Requirement (by Cabinet Member and EMT)

This Schedule consolidates Schedule 1 (Sources of Income) and Schedule 2 (Expenditure Requirements) in order produce the Net Budget

	2015/16 Revised Budget (£,000's)	Budget Change (£,000's)	2016/17 Original Budget (£,000's)
Cabinet Portfolio			
Leader of the Council	8,897	(5,044)	3,853
Deputy Leader - Built Environment	3,424	(2,900)	524
Finance & Corporate Services	(6,453)	12,510	6,057
Children & Young People	38,830	(2,712)	36,118
Housing, Regen, Business & Economic Dvlpt	58,524	480	59,004
Public Protection	11,253	(345)	10,908
Sustainability & Parking	(54,694)	(3,551)	(58,245)
City Management & Customer Services	61,044	(4,323)	56,721
Adults & Public Health	65,618	(6,277)	59,341
Sports & Leisure	9,862	(340)	9,522
Net Cost of Service Provision	196,306	(12,502)	183,804
Funded By:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	3,455	(76,769)
Revenue Support Grant	(70,039)	12,187	(57,852)
	0	0	0
Executive Management Team Portfolios			
Chief Executive / Chief of Staff	2,717	(150)	2,567
City Treasurer	10,615	10,903	21,518
Policy, Performance & Communications	10,210	(3,282)	6,928
Adults Services	63,500	(2,609)	60,891
Children's Services	38,830	(2,712)	36,118
City Management & Communities	23,824	(11,059)	12,765
Corporate Services	14,610	(2,433)	12,177
Growth, Planning & Housing	32,000	(1,160)	30,840
	196,306	(12,502)	183,804
Corporate Funding:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	3,455	(76,769)
Revenue Support Grant	(70,039)	12,187	(57,852)
	(0)	(0)	(0)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)**Leader of the Council / Cabinet Member for Finance**

Cessation of Contracted-Out NI Rate Growth	2,000
Adults Grants Rolled into RSG	(1,000)
Lease charge from Property from 2016/17	(540)
Corporate Property - 15/16 Base Budget Adjustment	2,257
Growth	2,717
Outdoor Media	(1,560)
Digital Transformation	(3,072)
Tri-Borough Corporate Services - Legal Services	(262)
Human Resources - Restructure and Contract Review	(714)
Managed Services Programme	(300)
Finance service restructure - phase 2	(1,072)
Business Intelligence	(200)
Managed Services Programme - additional savings	(300)
Additional HR savings	(160)
Increase in Council Tax Base	(1,243)
Procurement – Bi-borough service and capitalesourcing platform	(427)
Revenue & Benefits – contract extension	(170)
Increased Treasury Management Income	(900)
Chief of Staff - review of budgets	(150)
Print and document management	(220)
Commercial operating model for procurement	(50)
Corporate Property Strategy	(490)
Major Projects - Income generation	(90)
Income from Telecommunications Masts	(117)
Property Rationalisation and Asset Management (including Hubs)	(710)
New Homes Bonus grant profiling	(4,000)
Savings	(16,207)
Net Budget Change - Leader of the Council / Cabinet Member for Finance	<u>(13,490)</u>

Deputy Leader - Built Environment

Development Planning Transformation	(450)
Events and Films	(150)
Community Infrastructure Levy	(1,000)
Development Planning - Fees and Charges	(500)
Code of Construction Practice	(800)
Savings	(2,900)
Net Budget Change - Deputy Leader - Built Environment	<u>(2,900)</u>

Adults & Public Health

New home care contract, as per Care at Home financial model	742
Adults Services - Demographic Pressures	414
Independent Living Fund - New Burdens	361
TUPE Pension Pressure	310
Additional NNDR Costs	24
Grants Rolled into RSG	1,000

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

Lease charge from Property from 2016/17	540
Growth	3,391
Commissioning Transformation and Contract Efficiencies	(1,192)
Mental Health Placements	(100)
Operations Alignment - Customer Journey	(1,333)
Well being and prevention services – including Assistive Technology	(575)
Managing Growth from Within Existing Budgets	(686)
High Cost, High Needs Packages Review	(350)
Better Care Fund - Health Integration Benefit Share	(500)
Public Health Funded Initiative – Improving Social Isolation	(200)
Increase in Social Care to Benefit Health funding	(200)
Mental Health Placements	(150)
Learning Disability Placements and Supplies/Services Review	(400)
Line by Line review of all supplies/services budgets	(255)
Alternative funding for Westminster Shopper	(59)
Public Health – Grant/Contract Reductions	(3,596)
Public Health - efficiencies to offset inflation pressures	(72)
Savings	(9,668)
Net Budget Change - Adults & Public Health	(6,277)

Housing, Regeneration, Business & Economic Development

Temporary Accommodation Demand Pressures	4,500
Employment Skills Recharge	186
Adult Education - Reduced Funding	375
Growth	5,061
Review of Housing Options and Homeless Service costs	(650)
Recharge all project management fees	(250)
Employment and skills recharge	(110)
Income from Regeneration Area Decant Units	(1,191)
Temporary Accommodation homes purchase	(834)
Street Trading Licensing Fees Income	(200)
Rough Sleeping and Supported Housing	(971)
Adult Education - Savings to Offset Funding Cuts	(375)
Savings	(4,581)
Net Budget Change - Housing Regeneration Business & Economic Dvlpt	480

City Management & Customer Services

Waste Tonnage Band Increase.	230
Growth	230
Highways - Alternative Service Delivery Models	(160)
Highways - Service Level Changes	(210)
Highways - Alternative Sources of Funding	(225)
Area Based Working / City Management Transformation	(563)
Road Management fees income	(1,000)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

Efficiencies in Public Conveniences Procurement	(125)
Commercial waste income	(1,500)
Energy efficient street lights	(20)
Area Management - phase 1 & 2	(750)
Savings	(4,553)
Net Budget Change - City Management	(4,323)

Public Protection

Commercial Opportunities Private Rented Accommodation (Licensing)	(15)
Licensing Fees Income	(330)
Savings	(345)
Net Budget Change - Public Protection	(345)

Sports and Leisure

Declining Libraries Income Streams	19
Growth	19
Sports & Leisure - Phase I	(170)
Voluntary and Community Based Services - Return of underspend	(72)
Registration Service Income Growth - Commercialisation	(100)
Libraries stock efficiencies	(17)
Savings	(359)
Net Budget Change - Sports and Leisure	(340)

Children & Young People

Commissioning contracts (specialist services)	(565)
Commissioning team	(154)
Early Help - Children's Transformation	(1,388)
Education	(60)
Finance & Resources	(100)
Focus on Practice	(245)
Other family services savings	(200)
Savings	(2,712)
Net Budget Change - Children & Young People	(2,712)

Sustainability & Parking

Freedom Pass Cost Increase	1,000
Growth	1,000
Parking Transformation Programme	(801)
Kerbside Permissions Charges Review – Demand Management	(1,900)
Review of On Street Parking charges to manage demand	(1,850)
Savings	(4,551)
Net Budget Change - Sustainability and Parking	(3,551)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

<u>Summary of Service Area Net Budget Changes</u>	Growth (£,000's)	Savings (£,000's)	Net (£,000's)
Leader of the Council / Cabinet Member for Finance	2,717	(16,207)	(13,490)
Deputy Leader - Built Environment		(2,900)	(2,900)
Adults & Public Health	3,391	(9,668)	(6,277)
Housing, Regeneration, Business & Economic Dvlpt	5,061	(4,581)	480
City Management & Customer Services	230	(4,553)	(4,323)
Public Protection		(345)	(345)
Sports and Leisure	19	(359)	(340)
Children & Young People		(2,712)	(2,712)
Sustainability & Parking	1,000	(4,551)	(3,551)
	12,418	(45,876)	(33,458)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

Service Area Net Budget Changes (33,458)

Financed by Budget Changes within Corporate Items:

Revenue Support Grant	12,187
Retained NNDR Receipts	(4,530)
Surplus / Deficit to Baseline Funding Position	4,191
NNDR Tariff	3,846
Change in NNDR-Related s31 Grants	(52)
Localised Business Rates	3,455
Organic Growth in Queen's Park Tax Base	(5)
Council Tax Increase for Adults Social Care	(946)
Council Tax Increase	(946)
Council Tax Increase for Adults Social Care	(1,897)
Collection Fund Adjustment Account	(263)
Loss of Council Tax Freeze Grant	497
New Homes Bonus	(1,659)
Queen's Park Community Council Precept	5
London Pension Fund Authority Levy	40
Environment Agency Levy	6
Lee Valley Regional Park Authority Levy	7
Levies and Precepts	58
Capital Financing - MRP Increases	3,200
Contract Inflation	5,940
Employee Salary Inflation	1,602
Contribution to Reduce Pension Deficit	3,000
Employee Inflation & Other Rate Increases	4,602
Risk Provision	2,300
s31 Grant - Special Educational Needs	279
s31 Grant - NHB Returned Funding	276
Education Services Grant	117
Other Grants and Income	671
Contribution to Pensions Reserve	421
Transformation Funding for Savings Proposals	946
Net Impact of all other changes	3,000
Other Reserves & Provisions	4,367
	33,458
CHANGE TO NET REVENUE BUDGET	(0)

Schedule 5 - Movements in Reserves

Movement in General Reserves

	Anticipated Closing Reserves 2015/16 (£,000's)	Budget Change 2016/17 (£,000's)	Anticipated Opening Reserves 2016/17 (£,000's)
Movement in General Reserves	36,035	4,000	40,035

Movement in Earmarked Reserves

Chief Executive / Chief of Staff	625	0	625
City Treasurer	7,875	(327)	7,547
Policy, Performance & Communications	100	0	100
Adult Services	10,463	(6,479)	3,984
Children's Services	355	(204)	152
City Management & Communities	9,311	(3,116)	6,195
Corporate Services	251	0	251
Growth, Planning and Housing	0	0	0
Other	126,353	8,466	134,819
	155,333	(1,660)	153,673

Movement in Ring-Fenced Reserves

Adult Education - Unspent LSC Funding	514	0	514
Schools Reserve/Dedicated Schools Grant	6,971	0	6,971
Quinton Kynaston Endowment	1,546	0	1,546
Public Health Reserve	6,329	(3,828)	2,501
	15,359	(3,828)	11,531

Grand Total

	170,692	(5,488)	165,204
--	----------------	----------------	----------------

Schedule 6 - Levies, Special Expenses and Precepts

Levies

The Council is required to raise levies from its taxpayers on behalf of three separate bodies. The following levies have so far been notified to the Council:

	Budget 2015/16 (£,000's)	Budget Change (£,000's)	Budget 2016/17 (£,000's)
London Pension Fund Authority *	1,988	0	1,988
Lee Valley Regional Park Authority *	279	0	279
Environment Agency *	366	0	366
	2,633	0	2,633

* Notifications from these authorities have yet to be received

Special Expenses

The Montpelier Square Garden Committee raise a charge (Special Expense) against the local residents who have access to this private garden. That charge is recovered as part of the Council Tax bill for those relevant residents as a specific and separate additional

The Garden Committee have indicated their desire to maintain the charge as the same level as for the previous year

	Budget 2015/16 (£'s)	Budget Change (£'s)	Budget 2016/17 (£'s)
Montpelier Square Garden Committee	32,500	0	32,500

Precepts

The Queen's Park Community Council is the only Parish Council in London and was established in April 2014. For 2016/17, they have resolved to maintain the local precept at £44.40 for a Band D amount.

The taxbase in the area has organically grown during the year as a result of new homes being built in the area and changes in bandings. As a result the total raised will increase slightly between the two years.

	Budget 2015/16	Budget Change	Budget 2016/17
Taxbase	3,156	113	3,269
Band D Amount	44		44
Total Precept Raised	140,144	5,007	145,151

Schedule 7 - Localised Business Rates, Settlement Funding Assessment & Council Tax

Settlement Funding Assessment

Revenue Support Grant, together with Retained Localised Business Rates, collectively comprise "Settlement Funding Assessment". The Provisional Local Government Finance Settlement has set out the allocation of Revenue Support Grant for 2016/17 (and outlined an offer of a four-year settlement) as set out below:

	Budget 2015/16 (£,000's)	Budget Change (£,000's)	Budget 2016/17 (£,000's)
CLG-Assumed Business Rates Net Collectable	1,811,983	15,100	1,827,083
Less 50% Share payable to DCLG	(905,992)	(7,550)	(913,542)
Less 20% Share payable to GLA	(362,397)	(3,020)	(365,417)
30% Retained by Westminster City Council	543,595	4,530	548,125
Less Tariff (Payable to DCLG)	(461,562)	(3,846)	(465,408)
CLG-Assumed Net Retained by the Council	82,033	684	82,716

Westminster City Council collects more business rates than any other local authority by a considerable margin (around 8%). Additionally, we saw an abnormally high increase in Rateable Value following the 2010 Revaluation - an average 63%.

As a consequence of the high increase following revaluation, we have seen an unprecedented level of businesses lodging appeals against their valuation. This has adversely impacted on the actual rates collected to the extent that we expect to receive considerably less in NNDR income and thus be eligible for an NNDR Safety Net payment. This will mean our actual retained NNDR (after the Tariff) will actually be £76.513m

Council Tax

	Queen's Park Community Council	Montpelier Square	Rest of the City
Band D Amounts:			
Queen's Park Community Council	44	0	0
Montpelier Square	0	342	0
Westminster City Council	393	393	393
	437	735	393
Greater London Authority	276	276	276
	713	1,011	669
Taxbase (Band D Equiv Properties)	3,269	95	121,817
Total Collectable:			
Queen's Park Community Council	145,151	0	0
Montpelier Square	0	32,500	0
Westminster City Council	1,284,163	37,333	47,850,904
	1,429,314	69,833	47,850,904
Greater London Authority	902,291	26,231	33,621,470
	2,331,605	96,064	81,472,374

Schedule 8 - Uses of the Council Tax Income

	2015/16 Revised Budget (£'s)	Budget Change (£'s)	2016/17 Original Budget (£'s)
<u>Cabinet Portfolio</u>			
Leader of the Council	72.99	(42.21)	30.78
Deputy Leader - Built Environment	28.09	(23.90)	4.19
Finance & Corporate Services	(52.94)	101.33	48.39
Children & Young People	318.56	(30.04)	288.52
Housing, Regen, Business & Economic Dvlp	480.14	(8.79)	471.35
Public Protection	92.32	(5.18)	87.14
Sustainability & Parking	(448.71)	(16.57)	(465.29)
City Management & Customer Services	500.81	(47.70)	453.11
Adults & Public Health	538.33	(64.29)	474.04
Sport & Leisure	80.91	(4.84)	76.07
Net Cost of Service Provision	1,610.51	(142.20)	1,468.30
Funded By:			
Council Tax	(377.74)	(15.16)	(392.90)
Business Rates (Net of Tariff)	(658.16)	44.90	(613.26)
Revenue Support Grant	(574.60)	112.46	(462.15)
<u>Executive Management Team Portfolios</u>			
Chief Executive / Chief of Staff	22.29	(1.78)	20.51
City Treasurer	87.09	84.81	171.89
Policy, Performance & Communications	83.76	(28.42)	55.34
Adult Services	520.96	(34.53)	486.42
Children's Services	318.56	(30.04)	288.53
City Management & Communities	195.45	(93.48)	101.97
Corporate Services	119.86	(22.59)	97.28
Growth, Planning and Housing	262.53	(16.17)	246.36
Net Cost of Service Provision	1,610.51	(142.20)	1,468.30
Funded By:			
Council Tax	(377.74)	(15.16)	(392.90)
Business Rates (Net of Tariff)	(658.16)	44.90	(613.26)
Revenue Support Grant	(574.60)	112.46	(462.15)
	(1,610.51)	142.20	(1,468.30)

Schedule 9 - Housing Revenue Account

	Approved Budget 2015/16 £'000	Changes £'000	Budget 2016/17 £'000
Income			
Business Income			
Rent income - dwellings	(78,063)	2,299	(75,764)
Rent income - sheds & garages	(1,131)	(57)	(1,188)
Tenant service charges	(2,777)	49	(2,728)
Lessee income	(9,427)	(0)	(9,427)
Total Business Income	(91,397)	2,291	(89,107)
Other Income			
Corporate Property Income	(8,228)	(82)	(8,310)
Major works lessees income	(8,813)	4,072	(4,741)
Heating & hot water charges	(2,367)	(25)	(2,392)
Pimlico District Heating Undertaking charges	(3,356)	(0)	(3,356)
Miscellaneous Income	(1,383)	120	(1,263)
Interest on balances	(251)	(401)	(652)
Total Other Income	(24,398)	3,684	(20,714)
Total Income	(115,795)	5,974	(109,821)
Expenditure			
Total Management Costs	30,313	(282)	30,031
Total Special Services	9,600	(0)	9,600
Total Repairs & Maintenance	19,525	(3,258)	16,267
Total Directly Managed Costs	59,437	(3,540)	55,898
Total Central Support Service Overheads & Recharges	8,495	1,486	9,981
Miscellaneous expenditure/income			
Capital financing costs	13,731	(1,346)	12,385
Depreciation	17,239	5,529	22,767
Provision for bad debts	1,071	(221)	850
Central Contingency	600	0	600
Revenue Contribution to Capital (RCCO)	7,282	(7,282)	0
Total Miscellaneous expenditure	39,923	(3,320)	36,602
Total expenditure	107,855	(5,374)	102,481
Net in year deficit/(surplus)	(7,940)	600	(7,340)
HRA Reserves			
Balances Brought Forward	(49,950)	15,303	(34,647)
Net in year deficit/(surplus)	(7,940)	600	(7,340)
Capital expenditure funded from balances	23,243	(14,295)	8,948
Balances Carried Forward	(34,647)	1,608	(33,040)