



City of Westminster Cabinet Report

Decision Maker:	Cabinet
Date:	19th February 2018
Classification:	General Release
Title:	2018/19 Budget and Council Tax Report
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently
Finance Summary:	This reports sets out the Council's budget for the 2018/19 financial year
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1 Executive Summary

City for All: The Council's strategy and priorities

- 1.1 Westminster City Council's strategy, City for All, aims to make Westminster a place where every single person has the opportunity to realise their potential, where providing affordable housing gives the best possible prospects for people to thrive and where enabling businesses to flourish creates economic prosperity that everyone can benefit from.
- 1.2 On 8 November 2017, Council endorsed the MyWestminster Programme to invest in community and voluntary groups across Westminster in order to strengthen community identity by supporting projects which matter to residents. The programme consists of three strands:
 1. **The MyWestminster Fund** will provide grants of up to £10,000 to voluntary organisations, resident, faith and community groups for projects that will support Westminster.

2. **The MyWestminster Projects** will tackle issues relevant to communities in Westminster. These include the Housing Standards Task Force to tackle unlawful letting, the advice service for the 30,000 EU nationals living in Westminster, and the Integrated Streets Unit to tackle anti-social behaviour issues, such as drug abuse.
 3. **The MyWestminster Club** will provide work experience in high profile city institutions, including the Ritz Hotel, and access to great activities, run by our cultural partners such as Somerset House for young people growing up in the city.
- 1.3 All budget proposals presented have been carefully tested against the City for All priorities and to make sure they align to the MyWestminster Programme.
 - 1.4 To support the delivery of these priorities and the underpinning delivery programmes, the Council will continue to embed the staff values:
 - **Productive** – to show initiative, drive and determination and help others to be productive and make informed decisions;
 - **Ambitious** – to constantly challenge, create new solutions and work as a team;
 - **Collaborative** – to work with partners, show local leadership, treat everyone with courtesy and fairness and challenge one another respectfully; and
 - **Enterprising** – to constantly seek better Value for Money and to reduce cost, seeking to generate growth and take managed risks to achieve the best outcomes.
 - 1.5 The location of the City of Westminster in the heart of England’s capital city presents some unique opportunities and challenges to service delivery. Below are a selection of achievements and survey results relating to the past year.

Overall Council Services and Performance

- overall satisfaction with the Council remains high with 86% of residents being satisfied with the way the Council runs the City;
- the majority of residents speak positively of the Council (59%);
- seven in ten residents (71%) think the Council provides good value for money;

- a fifth of residents (22%) responded to say that services have improved over the last twelve months.

The Area

- satisfaction with Westminster as a place to live remains very high, with over nine in ten (93%) stating that they are satisfied with the area;
- residents generally continue to feel safe in Westminster;
- views of social cohesion have also improved with nearly nine in ten residents (87%) now feeling that people from different backgrounds get on well in their area.

Residents

- three quarters of residents, (75%) spend a great deal or fair amount of time in their local community;
- residents feel more optimistic about their financial situation than in 2016.

- 1.6 The challenging financial climate resulting from year on year funding reductions, increased demands for services and wider macro uncertainty has continued to adversely impact Local Government. Based on the settlement information from Central Government and the Council's internal modelling, further savings have been required in 2018/19 and will be required beyond this period.
- 1.7 In addition to the above, in 2020/21, funding for Local Government will transform as part of the next stage of Business Rates Retention as well as reflect the outcomes of the Government's Fair Funding review. It is anticipated that this review will update the formulae which in turn calculates the level of relative needs, assesses deprivation levels and takes into account population and other demographics for each local authority.
- 1.8 For 2018/19, the Council has continued to build on the time invested in the 2017/18 Medium Term Planning process and was in a position to put forward budget proposals for 2018/19 for consideration by Cabinet and Full Council in October and November 2017. This has provided a greater period of time for reviewing and planning of budget proposals which has allowed more time to be spent ensuring a smooth implementation and supporting the achievement of these budget changes.
- 1.9 Since the position on 2018/19 presented to Full Council in November 2017, some changes have arisen which include:

- final allocations for 2018/19 by Central Government to some of the Council's grants as announced in early February 2018 in the final 2018/19 settlement;
- additional pressures to budgets which could not have been reasonably foreseen earlier e.g. a potential increased pay award for 2018/19;
- other changes which are not finalised until the third quarter of the year e.g. the number of Band D equivalent dwellings in the 2018/19 Council Tax base;
- changes as a result of consideration of consultations or equality impact assessments.

- 1.10 These developments have been closely monitored and along with the development of the budget proposals which has again been a challenging process have identified final gross savings of £38.327m for 2018/19. As in previous years, the proposed savings are from measures which avoid service reductions e.g. additional income generation, efficiencies and other transformation means.
- 1.11 The Council's budget proposals will provide a balanced budget for 2018/19. Furthermore, the Council is well placed to meet its future financial challenges if management action on budget proposals continues as currently envisaged and planned.
- 1.12 As at period 8, service area revenue budgets are projected to underspend by £6.302m by year-end. All variances are subject to continued active management throughout the financial year and it is anticipated that a favourable variance will be delivered by year end in line with the Council's recent track record. 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. Westminster adopts a robust and proactive approach to budget management, with a focus on strategic (corporate) and operational (service areas) risks and opportunities.
- 1.13 The capital programme is set in detail over the period from 2018/19 to 2031/32 at a gross General Fund budget of £2.594bn and is funded through the use of external funding, capital receipts and borrowing. The capital programme for the Housing Revenue Account (HRA) is updated annually as part of the HRA's 30 year Business Plan which is presented to Cabinet alongside this report.
- 1.14 Capital investment is targeted to deliver the aims of City for All, delivering affordable homes, improved facilities and well-maintained infrastructure and public realm. This will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism and continue to provide first

class services for our residents. The Capital Strategy contains further details on the capital schemes and is reported separately on this agenda.

- 1.15 The Council has examined every area of operation to identify opportunities to reduce costs and generate additional income. The Council is also investing through its capital programme to ensure its property portfolio remains fit for purpose to deliver first class services and generate commercial income. This climate of austerity and increasing demands will continue for the foreseeable future but the Council has a strong track record of continued leadership and management action to be able to deliver a balanced budget for 2018/19 and beyond.

2 Recommendations

- 2.1 The Cabinet be recommended to note that the local element of Council Tax for 2018/19 will not increase.

- 2.2 That Cabinet be recommended to approve the following:

- the 2018/19 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 C;
- that local element of Council Tax is increased by 2% in respect of the Adult Social Care Precept as permitted by Government and anticipated in their Core Spending Power assumptions;
- that as a consequence of no change in Council Tax and the 2% increase in the Adult Social Care precept the local element for Band D properties be confirmed for 2018/19 as £416.27;
- that subject to their consideration of the previous recommendation, 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 2018, be as specified in the Council Tax Resolution in Annex C (as may be amended). That the Precepts and Special Expenses be as also specified in Annex C for properties in the Montpelier Square and Queen's Park Community Council;
- 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 Council approves the budget proposals presented to Council on 8th November 2017 which were approved in principle pending the completion of relevant external consultations as outlined in Section 18;

- that the views of the Budget and Performance Task Group set out in Annex A be considered as required;
- that the draft estimated cash limited budgets for each service with overall net expenditure for 2018/19 of £186.163m (as set out in Schedule 3) be noted;
- 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;
- that the cost of inflation, pressures and contingency be issued to service budgets if and when the need materialises, to the limits as contained within schedule 4c;
- the Council continues as previously agreed to make two further one off contributions into the Pension Fund of £10m per annum as well as a recurrent additional £4m contribution as part of the on-going annual contributions as set out in paragraph 13.6;
- that the views of consultees and consultation approach, as set out in section 18, be considered by Council;
- that the proposed use of new capital receipts be used under the freedoms of the Flexible Capital Receipts regulations be used to fund revenue expenditure on City Hall, Digital Programme and Pension Deficit Recovery programmes which lead to future ongoing savings (and subject to review at year end to determine the actual costs, savings and financing by the City Treasurer) be recommended to Council for approval;
- that the proposed use of new capital receipts be used under the freedoms of the Flexible Capital Receipts regulations to finance future revenue expenditure on other relevant and applicable programmes which arise in the future during the duration of the regulations and which lead to ongoing savings (and subject to review at year end to determine the actual costs, savings and financing by the City Treasurer);
- that the City Treasurer be delegated responsibility to transfer any potential surplus Business Rates revenue into a reserve to mitigate the potential impact of business rates volatility and to support future years' revenue budgets;
- that the Council carries forward any unspent contribution from Discretionary Housing Benefits (DHP) into 2018/19 to support payments while options to

absorb the expected reduction in DHP payments from government are considered;

- following the consultation with Band H properties, the council introduces the Westminster Community Contribution to allow the most expensive properties in the city to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets at night and helping people who are lonely and isolated;
- that the Equality Impact Assessments included in Annex B be received and noted to inform the consideration of the budget after approval; and
- that the Cabinet recommend that this report be submitted to the meeting of the Council on 7th March 2018.

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 Ministry of Housing, Communities and Local Government (MHCLG). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.
- 3.2 It should be noted that the Council presented a set of budget proposals to Cabinet in October 2017 and Council in November 2017, this offered an early opportunity to note and approve budget changes for 2018/19. These proposals were assessed at the time as to whether they required consultations and equality impact assessments. Completed EIAs were made available to all members.

4. Financial Context

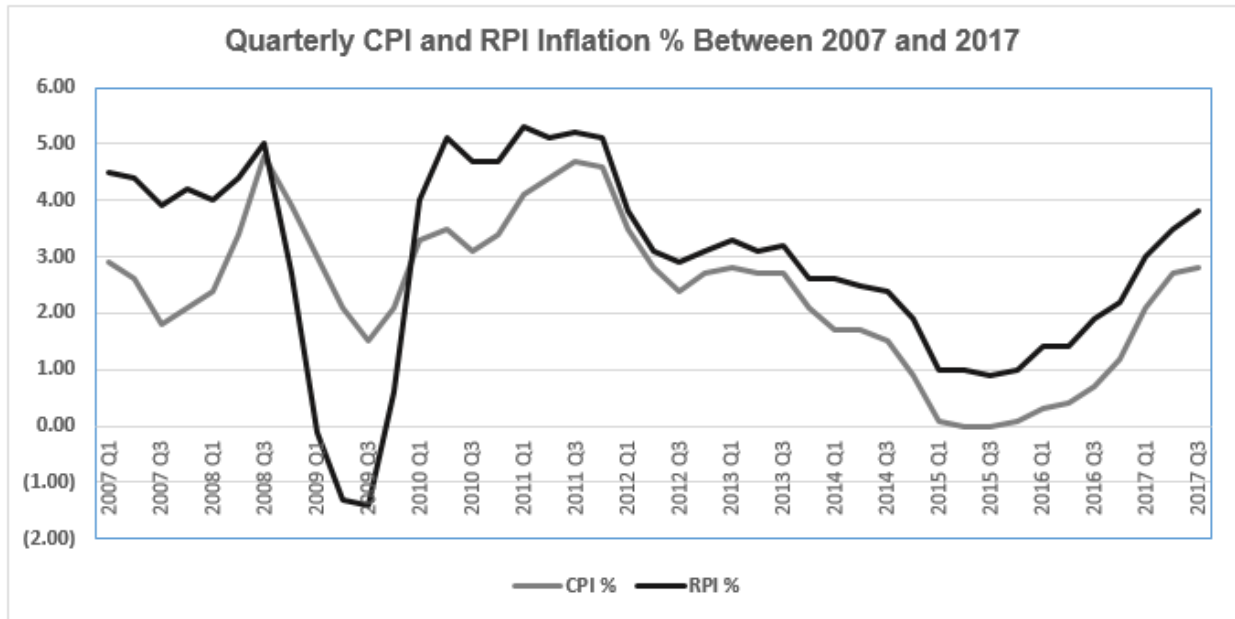
- 4.1 The Council faces an ever challenging and complex financial environment as exemplified by the issues which are summarised below.

Central Government: Funding Landscape and Westminster

- 4.2 Since 2010 Westminster City Council has faced significant financial challenges stemming from the economic downturn which first began to manifest in late 2007. This resulted in austerity measures announced in the Government's October 2010 Spending Review and was accompanied by higher expectations on the Council. Specifically, the Council has had to contend with:

- ongoing grant funding reductions from Central Government;
- demand led pressures impacting services e.g. due to demographic changes;
- uncertainty on inflation;
- service pressures;
- other issues e.g. Government policy changes as part of managing austerity.

- 4.3 These financial challenges have created a climate of uncertainty for councils that have had to manage funding reductions against the need to provide for risks and pressures, many of which are volatile and subject to variables outside of the council's control e.g. inflation. The graph below illustrates the unpredictable nature of inflation as recorded by the Office of National Statistics for the period between 2007 to Quarter 3 of 2017:



Source: Office for National Statistics

- 4.4 This climate is expected to last for the foreseeable future and the Council will continue to adapt by developing stronger understanding of future developments e.g. fully localised business rates retention and implications of Brexit. The Government’s Autumn Statement and Spending Reviews from the past few years have set out the strategic direction for public expenditure. These have confirmed significant reductions in the funding for Local Authorities. The last Autumn Statement saw the focus move away from balanced public sector spending by 2020 to the middle of the next decade – but has seen no reduction to previously planned reductions to Local Government funding up to 2020.
- 4.5 The Local Government Finance system has fundamentally changed in recent years, the previous system was highly centralised and allocated funding on the basis of relative needs and resources. At the start of 2017/18, the expectation was that by the end of the decade, this would be replaced with a fully localised system. The Government has now outlined plans for a 75% Business Rates Retention system nationwide along with a review of formulae funding (Fair Funding Review) to be implemented by 2020/21. Whilst the Fair Funding review provides an opportunity for improvements to how funding and need will be assessed, it also contains risks and uncertainties due to the complexity of the size and scope of the task. The Council will monitor and contribute at every opportunity into this review.
- 4.6 This shift in risk has occurred since 2010, in the gradual move away from centralisation to that of localisation and greater emphasis on the provision of financial incentives in the funding system. The most visible examples of this include:

- the introduction of the Business Rates Retention scheme and the safety net mechanism which means that should an authority's collection of Business Rates fall short of the calculated Baseline funding, the first 7.5% of this loss must be met by the authority itself. The projected national flat real growth in Business Rates poses a real risk to the adequacy of long term Local Government funding;
- the original funding of the New Homes Bonus grant through "top-slicing" the funding of Revenue Support Grant and the recent reductions to funding of New Homes Bonus by tapering allocations i.e. cutting off allocations awarded for earlier years;
- abolishing the Council Tax Benefit Subsidy and replacing this with locally designed Council Tax Discount Schemes. The initial financing for these schemes came from the funding for Council Tax Benefit Subsidy but was reduced by 10% nationally;
- substituting specific streams of funding from Central Government for national pressures such as Adult Social Care, Policing or the effects of higher than expected inflation with provisions to increase Council Tax. In effect, this results in greater burdens on residents.

Overview of Financial Context, Challenges and 2018/19 Local Government Finance Settlement

- 4.7 The Council accepted the Government's offer of a four-year funding allocation in 2016/17 in order to gain some level of certainty on future funding and assist in service planning and collaboration with partner organisations. This gave the Council a Settlement Funding Assessment (SFA) reducing from £140.570m in 2016/17 down to £119.860m in 2019/20. The Council was assured by MHCLG that by accepting this four-year deal it will not be worse off than if it had not taken up the offer.

2018/19 Final Local Government Finance Settlement

- 4.8 The Secretary of State for Housing, Communities and Local Government released on 6th February 2018, the Final Local Government Finance Settlement for 2018/19 to 2019/20.
- 4.9 The 2018/19 settlement is the third of the four-year funding settlement confirmed in 2016/17. Whilst the multi-year settlement offer was welcomed by the Council, the certainty of this now erodes as the end of the offer period approaches and from 2020/21 a new funding regime commences.

4.10 Whilst the 2018/19 final settlement was largely in line with the provisional settlement from December 2017 as well as other indicative information, there was an unexpected announcement regarding Adult Social Care funding for 2018/19.

4.11 The keys points to note from the final 2018/19 settlement are:

- an additional grant, the Adult Social Care Support Grant which is over and above previous announcements on 2018/19 for £0.8m. At the time of writing this report, it is not clear if this a one-off grant, similar to that of the Adult Social Care Support grant from 2017/18;
- a further reduction of Revenue Support Grant of £8.1m which is rolled into Baseline funding for technical reasons for London Pooling. The reduction was as previously anticipated;
- the difference from the change in indexation from September 2017 RPI (3.9%) to CPI (3.0%) for Business Rates in terms of baseline funding for the Council will be met by a section 31 grant;
- a change in the referendum limit for the increase in Core Council Tax from 1.99% to 2.99% so it now possible for authorities to increase Council Tax by 2.99% without the need to hold a referendum. This is separate to the increase in Council Tax for the Adult Social Care Precept;
- the previous proposals to penalise authorities by reducing New Homes Bonus for the proportion of planning decisions subsequently made on appeal will not proceed for now. Based on the total 2018/19 allocation of New Homes Bonus grant, the Council is £1.1m better off than anticipated. This is as a result of the confirmation of the new year's allocation of the grant which is based on the number of Dwellings as per Council Tax Base form returns;
- confirmation that authorities would be able to increase planning fees by 20% on the condition that this is reinvested into planning services. The Council's Planning service analysed potential impact of this earlier in the year and concluded at that time that the additional income was estimated to be approximately £430k for the Council;
- reductions in other grants which includes:
 1. a £130k reduction in Housing Benefit Administration grant;
 2. a £300k reduction in Flexible Homeless Support;
 3. a £40k reduction in Homelessness Reduction;

4. a £145k further grant reductions based on prior year outcomes e.g. Council Tax Administration Grant.

In addition to the above, there are further confirmed losses to:

5. the Public Health grant of £825k, however this is a ring-fenced grant to the Public Health service and so does not impact the General Fund;
 6. a national reduction of £19m in funding for Unaccompanied Asylum Seeking Children (UASC). The actual reduction by individual authority is yet to be announced.
- confirmation that the Flexible Use of Capital Receipts on eligible revenue expenditure on projects will be extended for another three years. As before this provision applies to projects which will delivery ongoing revenue savings that has been incurred between 1st April 2016 to 1st April 2021;

4.12 The settlement also outlined proposals to implement by 2020/21:

- the next phase of Business Rates Retention with a 75% retention for Local Authorities (separate from the London Business Rates pooling pilot where London authorities can retain 100% of growth). This new system would see the roll in of Revenue Support Grant and the Public Health grant into the new baseline funding. It is unclear whether what if any new responsibilities will transfer across to Local Government;
- to coincide with the above, the Government has launched a Fair Funding review to consult on updating funding baselines for local authorities. These baselines will be updated for more up to date and accurate relative needs assessments and demographic data which have not been updated since 2013/14.

2018/19 Budget Gap

4.13 As a result of the challenges and financial climate above, for 2018/19 the Council will have to meet a total gross savings requirement of £38.327m. This encompasses savings required to meet reduced government grants and cross cutting pressures of £31.432m and additional savings finance the impact of direct service pressures of £6.895m for 2018/19. The proposals identified through the medium term financial planning (MTP) process to meet these challenges are set out in Schedule 4b to this report.

4.14 In addition to the points discussed above, some of the most significant strategic financial challenges that the Council will face in 2018/19 are set out below:

- on-going austerity and reductions to funding e.g. in 2018/19, the Council's Revenue Support grant will reduce by £8.1m (and for technical reasons is rolled into Baseline funding as per London Pooling). Further reductions to other grants have been confirmed in the Settlement;
- the Business Rates system continues to expose the Council to financial pressures which are beyond its control. The primary issue for Westminster is that of outstanding appeals which include those from prior revaluations. MHCLG's spending power assumptions take inadequate account of original NNDR valuation errors and thus, despite real underlying growth in the Council's business rate taxbase, the Council has found itself over time with substantially lower NNDR yields than required to meet its MHCLG-assumed Baseline Funding levels. For 2017/18, this shortfall in funding was calculated at the start of the year to be £6.33m although current monitoring suggests the position will be more positive than this by year end, as success and reduction rates in appeals against the 2010 List have begun to decline. Council officers have been actively working with officials in the formal Systems Design Working Group (consisting of various local government representative bodies and others including the Local Government Association, the Valuation Office, CIPFA and MHCLG) to engage with Central Government. The group is working to highlight on-going problems with Business Rate localisation arrangements and to propose viable, long-term solutions ahead of the full planned national localisation of Business Rates in 2020/21;
- Brexit - the potential effects of Brexit are currently un-quantified but are explored from Section 4.64 to 4.69 of this report. Potential effects are both short term and longer term and could impact on revenue budgets, capital projects, treasury management and the pension scheme;
- on-going exposure to risk – the Council is an extremely complex organisation and is subject to a wide range of risks many of which are unknown and cannot be quantified. It is therefore essential that the Council maintains adequate general reserves to provide a buffer against these risks. This issue is explained further in Section 8;
- other pressures - the Council will continue to face pressures arising through commercial, legislative, demographic and operational issues across the whole range of its services. Combined with these factors, the Council also has to finance contractual and salary inflation, pension cost increases, capital financing and other pressures.

Autumn Budget

- 4.15 On 22nd November 2017, the Chancellor of the Exchequer delivered his first Autumn Budget which is the first of the new fiscal cycle. This Budget announcement contained an update on economic forecasts and updates on policies, some of which relate to Local Government as a whole.
- 4.16 The key points in this Autumn Budget included:
- 4.17 Brexit - The Chancellor outlined a programme of implementation to provide clarity to businesses on the ongoing Brexit negotiations over the coming months. To date, £700m has been invested on Brexit and a further £3bn has been set aside over the next 2 years on the preparations for withdrawing from the European Union.
- 4.18 Economic Forecasts - The Office for Budget Responsibility (OBR) provided the following revised forecasts:
- a continued rise in employment levels since 2010 with unemployment rates at their lowest since 1975. However, growth remains a challenge. It is reported that although GDP growth was 0.3% in quarters 1 and 2 of 2017 and 0.4% at the end of quarter 3, it is slower than in 2016. The revised forecasts up to 2022 are lower than previous expectations;
 - three out of four fiscal targets are expected to be achieved i.e. bringing the structural deficit below 2% in 2020/21 ('fiscal target'), ensuring debt falls as a percentage of GDP by 2020/21 ('supplementary target') and keeping welfare spend below its cash limit ('welfare cap'). The OBR expects though that the Government will not be able to balance the budget by the middle of the next decade ('fiscal objective');
 - despite the continued actual increase in inflation, the target remains at 2.0%, with the revised forecasts as follows:

Year	CPI %
2017	2.70%
2018	2.40%
2019	1.90%
2020	2.00%
2021	2.00%
2022	2.00%

- 4.19 Universal Credit - The following details in relation to Universal Credit were announced:

- from January 2018, those in need of it (and eligible for welfare under Universal Credit) will be able to access a month's worth of support within five days of making a claim i.e. an interest free advance. The recovery period for this advance will also be extended from six to twelve months;
- from February 2018, the seven-day waiting period will be removed so entitlement to Universal Credit will begin from the first day of application;
- from April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their Universal Credit claim;
- it will also be easier for claimants to have the housing element of their award paid directly to their landlord;
- it is currently scheduled that new claims for Westminster claimants will have transferred to Universal Credit by December 2018, with existing Housing Benefit claims transitioning to Universal Credit between 2019 and 2022. There are a number of types of claim that will remain on Housing Benefit and will not transition to Universal Credit, including pensioner claims and claims for temporary accommodation.

4.20 Council Tax - The intention was to enable authorities to increase the allowable premium on long term empty properties from 50% to 100%. However, this was on the provision that current legislation could be updated in time for 1st April 2018. At the time of writing this report, there are no further updates to this so this increase is unlikely to take effect in 2018/19.

4.21 Business Rates – several updates on Business Rates were made in the Budget:

- London Specific Announcements - The pilot for 100% Business Rates retention (separate from the announcement of the 75% retention proposal noted in Paragraph 4.5) was expected to continue as previously announced from April 2018 between the Greater London Authority and London Boroughs. In recognition of the ongoing need to develop infrastructure, the Government will continue to work with Transport for London to develop a fair and affordable plan for Crossrail 2.
- annual multiplier: It had previously been announced that the annual uplift in the business rates multiplier would move from the current RPI index to the (usually lower) CPI index in 2020/21. The Chancellor has announced that this change, will be brought forward to commence in 2018/19. With October 2017 RPI being 3.9% compared to the 3.0% for CPI. With the latest estimated net yield for Westminster businesses for the current year being around £2.08bn, the move from RPI to CPI would be likely to save Westminster businesses around £18m. This quantum would be subject to adjustment for any movements in the taxbase and the fall out of

transitional relief. An additional s31 grant will compensate the Council for the lost revenues which would otherwise have accrued through the localised business rate retention scheme. Though, the Council will benefit from the reduction in uplift to the annual multiplier as it is itself a business rate payer on the properties it uses.

- revaluation cycle: Following the next scheduled Revaluation – currently envisaged in 2022, the Chancellor has announced that future revaluations will thereafter be undertaken on a three yearly cycle. Whilst revaluations are intended to be fiscally neutral across the whole country it introduces the prospect of areas such as London that see valuation growth seeing more frequent rises in the amount of rates payable and a shorter period of time over which transitional relief may be tapered.
- the “Mazars” or “staircase” rating case challenged the decision of the Valuation Office to not separately rate individual floors of office space occupied where they were connected by a communal staircase. Given that it was less likely that individual floors would be more likely to be eligible to small business rate relief than if combined, and meant that businesses were being charged more in Business Rates than if they had a connecting staircase that was wholly controlled by that occupier. The Chancellor’s announcement effectively over-rules the decision of the Supreme Court judgement and will allow businesses to again claim small business rate relief – back-dated to the start of 2017/18. It is unclear if this change will be matched by additional s31 funding to compensate Councils for the loss of locally retained business rates.
- small public houses: To support small pubs, a £1,000 discount was introduced for 2017/18 (for those public houses with a rateable value of less than £100,000 and subject to state aid regulations meaning only one application per owner could be submitted if more than one property was occupied). The Chancellor announced that this discount would also be extended by a further year to cover 2018/19. To date, out of the 171 eligible public houses in Westminster, 65 have applied and been granted this discount. Again, the cost to the Council of granting this discount will be covered by an additional s31 grant.

4.22 Housing - In recognition of the ongoing pressures on housing supply, the Government outlined the following:

- making £15.3bn available of new financial support for housing over the next five years, bringing total support for housing to at least £44 billion over this period for capital funding, loans and guarantees to support house buildings;

- introducing planning reforms that will ensure more land is available for housing and that better use is made of underused land;
- providing £204m of funding for innovation and skills in the construction sector, including to train a workforce to build new homes
- the borrowing cap on the Housing Revenue Account for authorities in areas of high affordability pressure will be lifted to enable more homes to be built. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22. The Council's HRA borrowing cap is £334m. The Council welcomes this announcement but would like assurance from the Government that Westminster is considered to be an area of high affordability pressure. Detailed modelling on the financial implications of this is being completed in order to assess the number of additional homes that could potentially be built if this facility was granted and how they will be financed.

4.23 Planning, along with reforms to Housing to increase the number of homes created, the Government intends to support this objective with reforms to current planning laws. This includes:

- strengthening the Housing Delivery Test with tougher consequences where planned homes are not being built, by setting the threshold at which the presumption in favour of development applies at 75% of housing delivery by 2020;
- expecting local authorities to bring forward 20% of their housing supply as small sites. This will speed up the building of new homes and supports the government's wider ambition to increase competition in the house building market i.e. increased use of SME home builders rather than large corporations;
- speeding up the development process by removing the exemptions from the deemed discharge rules. This will get builders on site more quickly, ensuring that development is not held back by delays in discharging planning conditions
- review of build out – The government will set up a review panel, chaired by Sir Oliver Letwin, to explain the significant gap between housing completions and the amount of land allocated or permissioned, and make recommendations for closing it. The review will provide an interim report in time for Spring Statement 2018 and a full report at Budget 2018.
- register of planning permissions – The government will develop a central register of residential planning permissions from local authorities to improve information on where permissions are held and progress towards them being built out.

- 4.24 Omissions - the Budget announcement did not provide details on the following areas:
- Adult Social Care and the previously announced green paper. This has been delayed until the summer of 2018;
 - Fire Safety, no firm commitments on funding for any additional fire safety costs has been made;
 - Children's Services, no discussion on the growing funding concerns in this area.
- 4.25 The next major fiscal event will be the Chancellor's first Spring Statement expected in March 2018 but below is a summary of previous events.

Business Rates

- 4.26 The current Business Rates Localisation Scheme whereby local authorities retain 50% of their NNDR tax yield (30% Westminster and 20% GLA) was introduced from the start of 2013/14. A series of top-ups and tariffs was applied to re-distribute these locally retained shares back to a starting baseline position – after which local authorities would benefit from subsequent growth, or bear their share of the losses (down to a capped level of loss at 7.5% below Baseline levels). As part of a pilot arrangement the GLA will retain 37% of the yield from 2017/18 – offset by a lowering of the MHCLG share.
- 4.27 Government intends to amend this system by 2020 so that all business rates are retained by local authorities. At the same time, they will revise the data and formulae used to determine the SFA and re-baseline local authority needs assessments. This system reset has the potential to see further changes to the Council's funding assessment and lead to further reductions beyond 2020/21 (subject to any damping arrangements that apply).
- 4.28 Westminster would have seen real growth in its NNDR yield since 2013 had it not been for the impact of back-dated appeals against the original 2010 rating assessments. The Council has experienced a very high number of appeals (44,177 by the end of October of which around 34% have been successful).
- 4.29 The Council is protected from losses caused by these back-dated appeals where net retained yield falls below 92.5% of Baseline funding levels.
- 4.30 Westminster has been below this level in every year since 2013/14 until the latter stages of 2016/17. The 2017/18 Revaluation has introduced further uncertainty with regard to future NNDR yield and is compounded by the new "Check-Challenge-Appeal" process introduced by the Valuation Office Agency so far giving little data on which to forecast the future likely appeals provision

requirement. That said, the average 25% increase in values in 2017 compared to the 62% increase in 2010 has allowed the Council to forecast future yield to match assumed Baseline funding levels rather than remaining in Safety Net.

- 4.31 The Council has agreed to enter a London Business Rates Pooling pilot with all 32 London boroughs plus the GLA. From 1st April 2018, the pilot will allow the Pool to retain 100% of their business rates income. However, the Pool will not retain all income it collects as it will continue to pay a tariff to MHCLG. The overall level of collected rates that will be retained is around 64% after the tariff is paid. The London pilot is outlined further in Paragraphs 14.23 to 14.26.

West End Partnership

- 4.32 Westminster City Council, in partnership with other public and private sector partners, has established the West End Partnership (WEP) to transform the long term performance and success of the West End of London. The West End is the cultural and economic capital of the UK which belongs to and benefits everyone in the UK. It generates greater economic output than anywhere else in the UK with more than £51bn in Gross Value Added per year. Employing more than 650,000 people, the area generates the largest proportion of taxes with more than £17 billion of tax receipts per year.
- 4.33 The West End is primarily responsible for London's status as the world's most popular visitor destination with more than 19m international visitors spending over £12bn in the West End. The West End is an important gateway to other UK tourist destinations and drives growth across the UK. Oxford Street is also the UK's high street with more than 50m UK based visitors. The West End's success and long term growth cannot be taken for granted and investment is needed to ensure that the West End can continue to compete with its global competitors.
- 4.34 The WEP has developed an investment programme that will transform the international competitiveness and productivity of the West End and the UK. The WEP programme will unlock growth, attract investment, improve competitiveness, improve air quality, create jobs and generate substantial tax revenues to the Exchequer.

Tri-Borough to Bi-Borough

- 4.35 In March 2017, Westminster City Council (WCC) and the Royal Borough of Chelsea and Kensington (RBKC) agreed to serve notice to the London Borough of Hammersmith and Fulham (LBHF) to end the current s113 agreements (i.e. under section 113 of the Local Government Act 1972) in place since 2012 to share Children's Services, Adult Social Care & Public Health.

- 4.36 The decision was endorsed by Cabinet and was initiated following intentions by LBHF to eventually withdraw from s113 agreements. This decision by WCC and RBKC sought to provide certainty to both the staff affected and on future service delivery. Both WCC and RBKC were keen to ensure that new arrangements would be implemented from April 2018.
- 4.37 Officers have worked to develop alternative structures that maintain the principles of the original Tri-Borough proposition of collaborative working and delivering efficiencies through scale, whilst retaining sovereignty. New s113 agreements has been established with RBKC, setting out the new sharing arrangements. A small number of services in both Adult Social Care and Children's Services will continue to be shared with both RBKC and LBHF.
- 4.38 The transition from Tri-Borough to Bi-Borough Services for the majority of services effected will take effect from 1st April 2018. Some services will be continued to be shared with LBHF and some services will transition to Bi-Borough Services by April 2019.
- 4.39 The new Bi-Borough structures will retain the principles that underpinned the original Tri-Borough agreement. These have been agreed with the relevant Cabinet Members and were approved by Cabinet in December 2017. The structures were also subject to consultation with the relevant staff.
- 4.40 Specifically,
- Adult Social Care will continue to champion shared hospital discharge services across London, and create more personalised, integrated and locally focused services;
 - Public Health will increase collaboration with other departments and the NHS to tackle complex issues such as social isolation. This will bring a step change in the way funding is utilised to improve people's health and wellbeing;
 - Children's Services will increase support for vulnerable children, through early intervention in education, greater protection from exploitation and increased support for young carers.
- 4.41 The Bi-borough services will also establish joined-up commissioning across Adult Social Care, Public Health and Children's Services. This innovative move will enable the creation of more unified services, transforming the way that families and communities are served.
- 4.42 The financial implications from this change has been dealt with as part of the overall 2018/19 budget setting process.

Adult Social Care Precept

- 4.43 The offer by the Secretary of State for Housing, Communities and Local Government to Adult Social Care (ASC) authorities, effective from 2016/17, gave upper-tier authorities with ASC responsibilities the option to charge an additional precept on their Core Council Tax without the need to hold a referendum, to thus assist those authorities in meeting expenditure pressures in Adult Social Care.
- 4.44 There are on-going pressures on Adult Social Care budgets due to particular market cost pressures and forecast demand growth for care services as a result of increasing numbers of older people, people with disabilities and people with long term health conditions needing care. These demographic pressures are exacerbated by increasing pressure from hospitals to discharge patients in a timely fashion, particularly during the winter months. There is also added pressure from reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide, along with an increase in homecare costs – potentially exacerbated by changes to the Living Wage.
- 4.45 The state of the market and unavoidable cost pressures will continue to be a major challenge. Activity and level of complexity is increasing alongside demographic changes, workforce pressures from the Living Wage and the driving down of price are all major dynamics that are impacting on the availability and quality of services.
- 4.46 As at December 2017, 5,106 packages of care were being provided across Adult Social Care (encompassing community based care and residential/nursing placements) an increase of 60 from March 2017 against a background of increasing complexity and hence unit cost of individual packages.
- 4.47 For financial modelling purposes it has been currently assumed that for 2018/19 the Council will apply the precept for Adult Social Care (ASC) of 2% on its share of Council Tax bills. This is included as a recommendation to this report. Those authorities which choose to apply 2% onto Council Tax bills for the ASC precept must complete a declaration to MHCLG within 21 days of their annual budget being approved by Council. This declaration will compare budget changes in adult social care to the rest of the general fund to demonstrate that the Council has spent the funds raised from the precept on the purpose for which it was intended.

Sustainability Transformation Programme

- 4.48 The Sustainability Transformation Programme (STP) sets out a shared ambition across the NHS and Local Government to create an integrated health and care system that enables people to live well and be healthy.

- 4.49 The Council lies within the North-West London region with 7 other Local Authorities (LAs) and 8 Clinical Commissioning Groups (CCGs). It is an NHS led process and a draft plan of NW London's STP vision was developed with involvement from commissioner, provider, local government and patient representative groups. The key driver for the NW London STP plan is to improve health and wellbeing, enhance clinical outcomes and achieve financial sustainability.
- 4.50 Funding restrictions from NHS England on the STP have required CCGs and LAs to rethink the scope of the original plans, and instead develop local programmes for efficiencies and savings. These local programmes will be set up throughout the North-West London area. The impact from STP plans on local authorities is assessed as and when these come to light. Indicatively, there will be an increased burden on social care services provided by local authorities but offset by funding to be devolved from the NHS.

Better Care Fund (BCF)

- 4.51 The Department of Health (DoH) and MHCLG released the BCF Policy Framework on 31st March 2017. This policy framework for the Fund covers two financial years (2017-19) to align with NHS planning timetables and to give areas the opportunity to plan more strategically.
- 4.52 There are a few changes compared to previous years, including a reduction in the number of national conditions and the introduction of the Improved Better Care Fund (iBCF) of £2bn over the next 3 years. £1bn of this fund became available from 2017/18 and is being paid as a MHCLG grant direct to councils and ring-fenced to social care; the grant comes with conditions that it should be pooled into the Better Care Fund.
- 4.53 The guidance outlines that the funding is to be paid as a direct grant under Section 31 of the Local Government Act 2003. The Policy Framework sets out that the following conditions apply to the grant:
- a requirement that local authorities include the funding in their contribution to the pooled Better Care Fund, unless an area has explicit Ministerial exemption from the Better Care Fund;
 - a requirement that the funding is used to support adult social care to ensure it has the expected impact at the care front line and;
 - that the funding does not replace, and should not be offset against, the NHS minimum contribution to adult social care.
- 4.54 The Council is proposing to continue its existing transformation programme to deliver better and more personalised services and outcomes for residents entitled to support under the Care Act.

- 4.55 It has been agreed, along with RBKC to utilise the additional funds to provide greater stability for the local highly challenging care market, to sustain and increase additional short term capacity procured to assist with better hospital discharge and also to work with health partners to reduce delayed transfers of care.
- 4.56 In total, £12.317m of iBCF funding has been allocated to Westminster City Council in 2018/19. Further work is underway as part of the development of the full Better Care Fund Plan to prioritise the utilisation of the additional funding but at present, it is anticipated that funds will support the following priorities:
- to deliver greater market stabilisation and in particular increased domiciliary care and direct payment rates and an inflationary uplift for residential care providers.
 - to purchase additional capacity, primarily within domiciliary care to assist with better hospital discharge. Part of this will include some capacity previously funded by health commissioners on a none recurrent basis through the existing BCF Pooled Budget;
 - to create a pooled fund with health commissioners to deliver system-wide changes and in particular to assist with implementation of the High Impact Delayed Transfer of Care Model.
- 4.57 The care market across inner London is particularly fragile with Inner London highlighted as having significant pressures across all care groups. While pressures have been building over the last five years, prices have been driven down in real terms and this has resulted in increased concerns about the quality of provision and its continuity.
- 4.58 Westminster City Council, along with other Councils within the West London Alliance continue to work together to increase the sustainability of the local care market. It is anticipated that utilisation of part of the additional iBCF funding will play a major part in bringing additional stability and sustainability to the care market in inner West London.
- 4.59 Enhancing health in Care Homes - The Council is working with the CCG and other members of the West London Alliance to implement the NHSE Enhanced Care in Care Homes Framework. All patients have a named GP and under whole systems a number of high risk patients will have access to case management; this includes access to geriatrician and specialist services as required.

Risk of iBCF Ceasing

4.60 In the 2017 Spring Budget the Treasury announced £2bn funding for local authorities in England to address the pressures in the Health and Social Care system over the next 3 years (2017/18 to 2019/20). This Spring Budget Funding has been merged with the previously announced Improved Better Care Fund (iBCF) and the total funding for Westminster is as follows:

- 2017/18 in £8.721m;
- 2018/19 an additional £3.596m = £12.317m cumulatively;
- 2019/20 an additional £3.490m = £15.807m cumulatively.

4.61 This funding is intended to be spent on the commissioning of new care packages and to help reduce delayed discharges from hospitals. A longer-term funding strategy for the care of older people will be revealed in a social care green paper which was due late in 2017 (and is still awaited) as the pumping of more short term money into the system is not a silver bullet solution and the Government's Green Paper is expected to examine how to place social care on a more sustainable footing over the long term.

4.62 The iBCF is being used to fund:

- the increased capacity required due to complexity and acuity growth in packages of care;
- contract inflation/market stabilisation;
- increased capacity in homecare and residential/nursing inflation pressures;
- demographic pressures and the financial impact of the living wage;
- a transformation pot to support integrated services and to develop future savings for both the LA and the NHS;
- an investment in DTOC High Impact Change Model.

4.63 If the above funding ceases with no alternative funding being offered, this will cause a budget pressure in ASC who will work to make efficiencies in all service areas as part of future budget rounds.

Wider Environment - “Brexit” and Developments in 2017/18

- 4.64 The Department for Exiting the European Union was established to lead on the negotiations for the UK to withdraw from the EU.
- 4.65 In March 2017, the “European Union (Notification of Withdrawal) Bill” became an Act of Parliament and enabled the Government to invoke Article 50 of the Treaty of the European Union to begin the formal negotiations to withdraw.
- 4.66 In May 2017, a white paper, “The United Kingdom’s exit from and new partnership with the European Union” set out the twelve priorities for the UK that negotiations will be centred on:



- 4.67 One of the largest areas of uncertainty and risk for the Council has been on the future of EU citizens in the UK and potential impacts to workforce, rights of residency, access to public services, etc. Discussions in respect of the rights of EU citizens in the UK and UK nationals in the EU remain ongoing.
- 4.68 Irrespective of the developments above, commentators such as the Institute for Fiscal Studies have speculated on the potential implications of a withdrawal on the UK’s public finances. Some of these may have more of a direct impact on the Council than others. Also, some of these may be short term whilst others have longer term implications. For instance:
- the fall in value of Sterling as a result of the reduction in demand for Sterling-based assets could theoretically lead to higher inflation due to the rising price of imported goods. Higher inflation impacts the Council two-fold in that the Council’s contracts will be indexed annually based on this higher inflation value and because the Council may have to pay more for general goods and services. Additionally, it could impact on future local government pay settlements;

- over the medium to long-term, there could be implications for trade costs between the UK and European nations, foreign direct investment into the UK, regulatory changes and net migration.

Brexit Impacts on Treasury Management

- 4.69 The Council's treasury advisors have previously speculated that "Brexit" could have implications on the Council and its investment counterparties. For instance,
- the Bank of England's previous decision to reduce the Bank Rate to 0.25% directly impacted the Council's percentage return on cash investments. The Government's long-term approach to monetary and fiscal policy and therefore the impact on the Council will be influenced by a potential withdrawal from the European Union and the path this takes. However, this was subsequently increased to 0.5% in November 2017
 - the Council currently invests with financial institutions based in London who possess "passporting" rights which enable them to sell their products and services across the European Union. If any company or financial institution did relocate to Europe away from the UK (as some sector commentators have suggested may occur) due to the UK withdrawing from the European Union, their domicile status would change and so could mean they fall outside of the Council's sovereign rating criteria and thus lead to a required change in the investment portfolio mix.
 - how negotiations on withdrawing from the EU could impact the retention and wage costs of certain sectors and therefore the Council such as in the case of social care e.g. care homes. According to one estimate, three out of five care workers in London were born outside of the UK and of this, 28% in the EU;
 - modelling how unexpected "spikes" in inflation could impact the Council's gross expenditure e.g. contract costs, utilities and supplies and services;
 - examining potential risks and ensuring that there are adequate resources set aside to mitigate or manage these in the short term; and utilising all possible means such as: the offer of a multi-year finance settlement; flexibility on using new capital receipts to generate efficiencies; and regular project monitoring.

Pension Fund

- 4.70 The Council's Pension Fund advisor indicated in a recent report that the levels of uncertainty around 'Brexit' and the domestic political environment has had a weakening effect on growth in the UK. The Pension Fund investments are diversified across regions which should lessen any impact of uncertainty, however this could impact the funding levels resulting in an increase in employer contributions to the Fund.

Other Policy and Legislative Updates

- 4.71 In addition to the above, there are a number of financial uncertainties which could have material impacts on the Council's activities with potentially significant financial consequences have been identified as the result of legislative and policy changes. These are outlined below:
- London Plan - the Mayor published a new draft London Plan for consultation on 29th November. The Council will respond in full to the consultation by 2nd March 2018 deadline and is considering the implications for our developing City Plan;
 - London health devolution - in November 2017 there was a further agreement between the Mayor of London, Secretary of State for Health Jeremy Hunt, London Councils and NHS, Public Health and wider health and care leader to give London government and health leaders more control over health and care in the capital, leading to more joined-up services for Londoners. The impacts of this are being monitored and considered in the context of the existing partnership work underway through the North West London Sustainability and Transformation Plan and local primary care and health and wellbeing strategies;
 - Government reshuffle - in January 2018, the Prime Minister made a number of changes to ministerial positions within the Government. The Department for Communities and Local Government has been renamed as the Ministry of Housing, Communities and Local Government, reflecting the importance of housing at the centre of domestic policy. The Department of Health was also renamed the Department of Health and Social Care, underlining the Government's intention to join up health and social care. Both these decisions reflect changes to national policy that may create risks or opportunities for the Council and the city and the impacts will be closely monitored.

5 Underlying Financial Strategy

5.1 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;
- strengthen the Council's balance sheet to provide long term financial benefits. For example, in the 2017/18 Council Tax and Budget Report approval was received to utilise one-off underspends or apply the flexible use of capital receipts towards the Pension Fund for long term benefits;
- continue to proactively explore with partners the possibilities of pooling resources to achieve joint outcomes e.g. STP and BCF;
- risk manage its budget estimates to ensure that they are robust and, to ensure that the budgets agreed are managed and delivered in year 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 and pursue external funding and investment 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; and
- 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.

5.2 The Council's budget proposals will provide a balanced budget for 2018/19. The Council is managed with strong financial discipline and as part of year-end planning it is intended to strengthen Earmarked and General Reserves in line with the Reserves policy if the opportunity presents itself. In line with Council

practice, any further reductions in specific grants will be matched by reductions in associated expenditure.

6 Financial Performance – Revenue 2017/18

6.1 At period 8, service area revenue budgets are projected to underspend by £6.302m by year-end. All variances are subject to continued active management throughout the financial year.

6.2 The main areas contributing to the projected underspend are summarised below:

- (£4.141m) - City Management & Communities - Licensing £0.900m; Highways £0.600m; Parking £2.226m; Waste & Parks £0.569m;
- (£0.920m) - PPC – Vacancies £0.720m; £0.200m supplies & services;
- (£1.990m) - City Treasurer – Revenues and Benefits £0.390m; interest earnings £1.600m;
- £0.970m - Growth, Planning & Housing – Property Investment & Estates;
- (£0.425m) - Corporate services – Information services £0.440m;
- £0.504m - Children's Services- Placement pressures £0.549m;
- (£0.300m) - Chief of Staff- Electoral services £0.100m; vacancies £0.087m.

6.3 The forecast outturn as at period 8 on the HRA is an adverse variance of £2.773m. This is largely due to:

- a projected shortfall in budgeted income of £4.291m which is mainly due to a shortfall in lessees' contribution to major works income;
- an overall overspend of £0.575m is projected in supplies and services and premises costs largely due to recharges;
- these are offset by a projected increase in other income of £1.136m e.g. from non-dwellings rent and lease extensions and a £0.957m underspend in other expenditure due to lower capital borrowing charges and depreciation costs.

6.4 Fundamental to any well managed organisation is a strong finance service. In times of unprecedented pressure on public sector finances this becomes all the more pertinent. Within Westminster City Council the finance service has been

developed to lead the industry in its innovation, quality and value added to the organisation.

6.5 An illustrative list of the activities the service has undertaken so far during 2017/18 to raise standards are as follows:

- a robust business planning processes with objectives which include supporting the City for All plan, adding value, creating a positive working environment and fostering a culture of innovation and excellence in everything we do;
- continuing to deliver a comprehensive training and development programme placing the engagement, well-being and development of our people at the heart of what we do;
- enhanced communication and staff engagement through new workgroups, forums and communication channels;
- effecting a positive culture change through the introduction of initiatives focussed on employee motivation modelled on industry best practices;
- process reviews to reflect a best in class service;
- development and implementation of a workforce plan aligned to both current and future service needs;
- development and early stage implementation of a tailored productivity improvement programme;
- development and roll-out of a bespoke training course aimed at preparing team members for the digitally disrupted world of tomorrow;
- introduction and implementation of a rotation policy aimed at increasing team resilience and enhancing bench strength;
- implementation of a multi-channel Our Voice strategy aimed at improving the working environment and overall operational efficiency;
- introduction of initiatives aimed at reducing workplace stress in a high performing environment;
- embedding a coaching culture across the finance team through targeted training sessions to further drive culture change and staff empowerment;
- assessment of the internal audit process and overall risk management;

- modelling a 10 year financial plan based on analysis of identified operating costs drivers;
- refined finance graduate scheme to align with future departmental needs and those of the new generation of graduates;
- quarterly full close down of accounts; and
- completion of a continuous programme of improvement for the Statement of Accounts.

6.6 The finance service is seeking to achieve further improvements, efficiencies and achievements in 2018/19 in line with the department's drive for continuous improvement. This will be achieved through the motivation and empowerment of the workforce.

7 Revenue Budget 2018/19

Funding Gap

7.1 As noted in Section 1, to meet the funding challenges in 2018/19, the Council has had to meet a total gross savings requirement of £38.327m. This encompasses savings of £31.432m needed due to reduced government grants, capital financing costs, inflation (contractual and employee), pension deficit contribution and a further £6.895m to finance the net additional impact of direct service pressures. The net of these savings and pressures which have resulted in the gap are summarised as follows:

Budget Gap 2018/19

Description	£'m
Baseline Funding: Pooled Business Rates and Technical Adjustments	8.100
Core Funding Gain - Council Tax Base Growth	(0.331)
New Homes Bonus Loss	0.805
Inflation	7.643
Risks	3.000
Pension Fund Deficit Recovery	4.000
Pressures	4.915
Capital Programme	3.300
Total	31.432

7.2 The gross savings agreed in the MTP process are summarised as follows:

MTP Budget Change Classification

Budget Change Category	2018/19 £'m	%
Financing	14.832	38.7%
Commercial	4.957	12.9%
Transformation	8.467	22.1%
Efficiency	10.07	26.3%
Total	38.327	100.0%

Approach to Meeting the Estimated Funding Gap in 2018/19

- 7.3 The process for identifying the 2018/19 savings proposals was accelerated in comparison to previous years. The benefit of this is that services have a greater period of time in which to prepare implementation plans and to complete staff consultations, public consultations and the like. The Council believes in long term planning and many of the savings are a continuation of transformation plans from the previous financial year and are expected to run into future years.
- 7.4 The governance of the process is managed at officer level through a series of monthly “Star Chamber” meetings throughout the financial year which review draft budget proposals. The intention of these meetings is to review budget proposals for deliverability, acceptability and fit with strategic objectives.
- 7.5 Regular liaison and leadership by Cabinet continue throughout the process. Presentations for the Budget and Performance Task Group took place in October 2017. A further update was provided in January 2018.

- 7.6 EIAs are prepared in respect of all proposals and are made available within this report for consideration. In addition, all of the full EIAs were presented to the Budget and Performance Task Group Members.
- 7.7 As far as possible, the Council has targeted financing and commercial revenues, efficiency and transformation as being the main sources of the budget savings in order to minimise the impact on the end service received by service users. As per the analysis in paragraph 7.2, no savings have resulted from service reductions.

8 2018/19 Risks and Budget Robustness

- 8.1 The Council is a large, complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the Council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (risks by their nature can never be completely removed). The Council has long had processes built into its Medium Term Planning (MTP) to address this.
- 8.2 For example, a Corporate Budget Group consisting of representatives from the City Treasurer, People Services, Policy, Communications, Legal Services and Procurement hold regular meetings to review budget options. These reviews cover requirements on Stakeholder Consultations, staff restructures and Trade Union liaison (where budget options involve staffing changes), legal implications and deliverability etc.
- 8.3 The 2018/19 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the City Treasurer's department leads on:
- monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and
 - continuing to replenish reserves and balances towards an appropriate level 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.
- 8.4 A summary of selected key, strategic risks / weaknesses and mitigating actions:

MTP Risk Analysis

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
1. Financial Management				
<p>Significantly reduced funding levels pose a high risk for the Council. Reshaping and improving Council services requires strong financial management skills across the organisation.</p> <p>The Council has been required to find savings year on year from its budget since 2010/11. It is becoming harder to identify low risk savings opportunities and thus the need to protect the General Fund by holding suitable levels of reserves to mitigate higher risk becomes more essential.</p>	<p>Decisions may be taken which have potentially adverse consequences for the Council in later years.</p>		<p>1) Robust Budget preparation, budget setting, and a Budget Accountability Framework are key elements in ultimately eliminating this risk. 2) Regularly reviewing balances, and forecasting income and expenditure against budgets can assist in reducing the underfunding risk. 3) Implementation of best practice within the finance department</p>	<p>All</p>
2. Localising Business Rates				
<p>On-going volatility from appeals and also the impact on collection rates as following the implementation of localising business rates, 75% of outcome will fall on Local Government.</p>	<p>Adverse financial outcome for the Council in future years</p> <p>In addition, the Council faces the prospect of future transfer of responsibilities or "new burdens" with the potential full localisation of Business Rates. The Government has already indicated that new responsibilities would transfer over to Local Government (to ensure the new Business Rate's scheme is revenue neutral). The Council must ensure it is well resourced to manage the responsibility of new services that could potentially be demand led (or historically under-funded).</p>		<p>1) Continuing efforts to collaborate and interact with MHCLG, Valuation Office, London Councils, etc. 2) Leading on responses to consultations. 3) Lobbying "Central Government" (i.e. Valuation Office, MHCLG)</p>	<p>All</p>

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
3. Business Rates Appeals				
Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 75% for Local Authorities. The related opportunity is from consultations on dealing with Business Rates appeals process - checking and challenging might reduce the number of live appeals.	Adverse financial outcome(s) for the Council in future years		<ul style="list-style-type: none"> 1) Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals 2) Continuing discussions with MHCLG and the Valuation Office on measures to resolve outstanding appeals 	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
4. Pension Fund Assets / Pension Fund Deficit				
Pension Fund assets failing to deliver returns in line with the anticipated returns underpinning valuation of Pension Fund Liabilities over the long-term.	The Council's Pension Fund being under-funded resulting in an increase in the employer contribution rate and deficit funding that the Council pays into the fund.		1) Exercising prudence when anticipating long-term returns, analysing progress, providing quarterly comparisons, regularly benchmarking assets to re-valued liabilities, roll-forward of liabilities between formal valuations at whole fund level. The deficit is being addressed as part of the budget process.	All
5. Reliance on Commercial Income				
Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents	A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income. Competition - As well as individual factors influencing demand the Council has to consider competitive forces in certain service areas. Especially trading activities.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
6. Parking Income				
The Council's Parking Service is in high demand due to the Council's central location.	Uncontrollable reductions in income could leave the service under-funded or exposed to large losses in income which could affect the services specifically supported by this income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Service
7. Inflation				
The Council's expenditure (pay and non-pay) is subject to annual inflation based on indexation that is determined by national inflation rates. Inflation can affect agreed suppliers' contracts for other service expenditure	Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment. Other issues include: Each 1% change in inflation adds around £6m to the Council's cost pressures		1) Monitoring actual inflation and forecast projection (e.g. at key milestones such as HM Treasury's Budget announcement) and modelling the impact of incremental increases on the Council's applicable expenditure. 2) Exploring all opportunities during the tendering process for all service contracts to minimise indexation clauses, negotiate for favourable fees etc.	All
8. Delivery of Budgeted Savings				
Agreed MTP Savings are not fully achieved or slip into future years.	Potential for in-year overspends and funding gaps		1) Robust challenge of all proposed MTP Savings during the MTP process (e.g. through Corporate Budget Group) 2) In-year monitoring of agreed MTP Savings	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
9. Planned Use of Capital Receipts				
Capital receipts are generated when an asset is disposed of and are source of financing capital expenditure. However there can be delays in completing the disposal of an asset which then delays the inflow of a capital receipt.	Shortfalls in financing of capital expenditure, possibly resulting in higher borrowing costs.		1) In-depth analysis and challenge of capital project cash flow projections. 2) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
10. Review of needs and resource allocations				
A review of the funding allocation formulas used by Central Government could mean that the Council's share of funding is proportionately reduced in favour of other Local Authorities post 2019/20.	Whilst there could be gains and losses which will alter the business rates top up / tariff adjustment for individual authorities, the Council may experience a larger loss in funding than expected in shorter space of time		1) Responding to consultations. 2) Engaging and lobbying MHCLG.	All
11. Interest Rate changes				
Changes to the Bank Base Rate and returns on investments.	The Council earns an amount of income from its Treasury function. Should the country return to a reducing interest rate situation then such a decrease in interest rates could mean returns on investment are lower, reducing the amount of income earned e.g. from Government Bonds		The Council has a number of options available to it to mitigate these risks. These include: placing fixed term deposits as opposed to instant access, limiting deposits in money market funds and closely monitoring interest rate forecasts and available market rates.	Specific Service
12. Public Health Grant Funding				
The Government is proposing reductions to Public Health grant funding, along with possible removal of the ring-fence for the grant/potential changes to the Public Health grant conditions.	The proposed changes to the grant would cause a funding pressure for the service and have the potential to cause short-medium term disruptions to the service and on-going projects.		Budget savings proposals, in line with outcome of a national consultation process which was initiated by Public Health England at end of July 2015 on the four possible options proposed for the budget reductions. An implementation plan with proposed efficiencies to ensure that the budget commitments are met.	Specific Service

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
13. Strategic Transformation Partnerships				
<p>Failure to secure appropriate monies towards an increase in demand for social care services due to a shift in activities from acute to community setting.</p>	<p>Increase demand on social care services which may result in financial pressures and impact on the quality of care offered.</p>		<p>An Out of Hospital (OOH) strategy has been developed which is expected to be reflected in the transformational business cases for the STP.</p> <p>WCC sits on the Health and Care Transformation Board (HCTB).</p>	<p>Specific Service</p>
14. Demographic Changes				
<p>Customer needs and behaviours continue to change which brings new challenges and opportunities to the Council.</p> <p>There is the potential to see changes to population levels caused by uncertainty of status of existing overseas workers / residents as well as ability for new workers to come to the country</p>	<p>Demographic changes have led to continuing pressures on social services budgets. The age profile is changing as the number of families leaving is reflected in falling numbers of children in some age-groups. The children left are increasingly benefit dependent or in fee paying schools. Children's Services have been rated as outstanding so the main issues are likely to be housing costs and the cost and availability of childcare, as well as possibly community safety.</p>		<p>The Council is engaged in long term planning and transformational programmes to mitigate the action of demographic changes on budgets and services.</p>	<p>Specific Services</p>

9 **Financial Outlook 2018/19 to 2019/20**

- 9.1 The Council's financial modelling takes into account indicative government grant reductions, inflation (both pay and contract), pension costs, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The net budget gap is £31.432m in 2018/19 excluding direct service pressures and has been addressed as detailed in Schedule 4b and Annex A.
- 9.2 The Council's latest working assumptions would suggest that further reductions in core funding plus inflation, demographic and other pressures are likely to require further significant savings to be identified for 2019/20. The quantum at this stage is being finalised and will be tested and updating during 2018/19.
- 9.3 The Council continues 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. As part of this work, services across the Council were approached to identify the significant cost drivers, opportunities and pressures impacting them to help better understand individual operating environments within the organisation.
- 9.4 With regards to the 10 year plan, Council Tax and Business Rates will continue to be sources of income as central government grants reduce. Westminster, in 2017/18, had the lowest Council Tax Band D rate in England and this trend is anticipated to continue. From 2018/19, local authorities can now increase Council Tax by 2.99% without a local referendum. This is a new provision announced by the Government to assist local authorities with rising service pressures and inflation. Business Rates increases from 2018/19 have been limited to CPI (3% as at September 2017) which is an unexpected change from previous years.
- 9.5 For Business Rates in particular, whilst this is a positive outcome in terms of community affordability, there is a concern that the alignment of rate increases with the CPI could erode the Council's capacity to deliver quality services over time. This is due to CPI not necessarily being a good measure of cost change for the Council, particularly for construction costs or other large service contracts which are indexed by RPI or industry specific indices.

10 **Capital Programme to 2022/23**

- 10.1 The Council has embarked on an ambitious long-term capital programme which will help deliver on the aims and objectives of its City for All strategy and maintain its status as a global centre for business, retail, entertainment and tourism. Full details are available in the Capital Strategy Report - 2018/19 to 2022/23 being considered on this same agenda which includes forecasts up to 2031/32.

10.2 The Council's General Fund Capital Programme is split into:

- Development – these schemes will help the Council achieve strategic aims and generate income (£1.024bn);
- Investment – schemes within this category will help to generate income and increase the diversification of the Council's property portfolio and will be self-funded by creating additional income and efficiency savings (£87.613m);
- Operational – these schemes are related to day to day activities that will ensure the Council meets its statutory requirements (£1.482bn).

10.3 The General Fund's Capital programme is fully funded via capital receipts, external contributions and borrowing. The on-going revenue implications are included within the MTP.

10.4 The HRA capital programme over the five-year period starting 2018/19 is £790m, which is funded via capital receipts, reserves, grants and borrowing.

11 Reserves and Balances Policy

Usable vs Unusable Reserves

11.1 Local authorities hold two categories of reserves; "usable" and "unusable". Usable reserves are defined as those which contain resources that the Council could utilise to finance capital investments or fund revenue expenditure. Within this, some of these reserves could be applied generally but others will have stipulations attached on their use.

11.2 The Council's usable 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; and
- Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants.

- 11.3 Conversely, unusable reserves are those that the Council would not be able to use to finance capital investment or fund revenue expenditure. 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 International Financial Reporting Standards.
- 11.4 This distinction between usable and unusable reserves and also between the different types of usable reserves themselves is important in being able to understand exactly what resources the Council holds and under what circumstances they can be used.
- 11.5 Whilst usable general and earmarked revenue 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 usable reserve is a cash balance which can only be used once whereas the reduction in core funding is a permanent year-on-year loss to the Council's base budget.

General Reserves

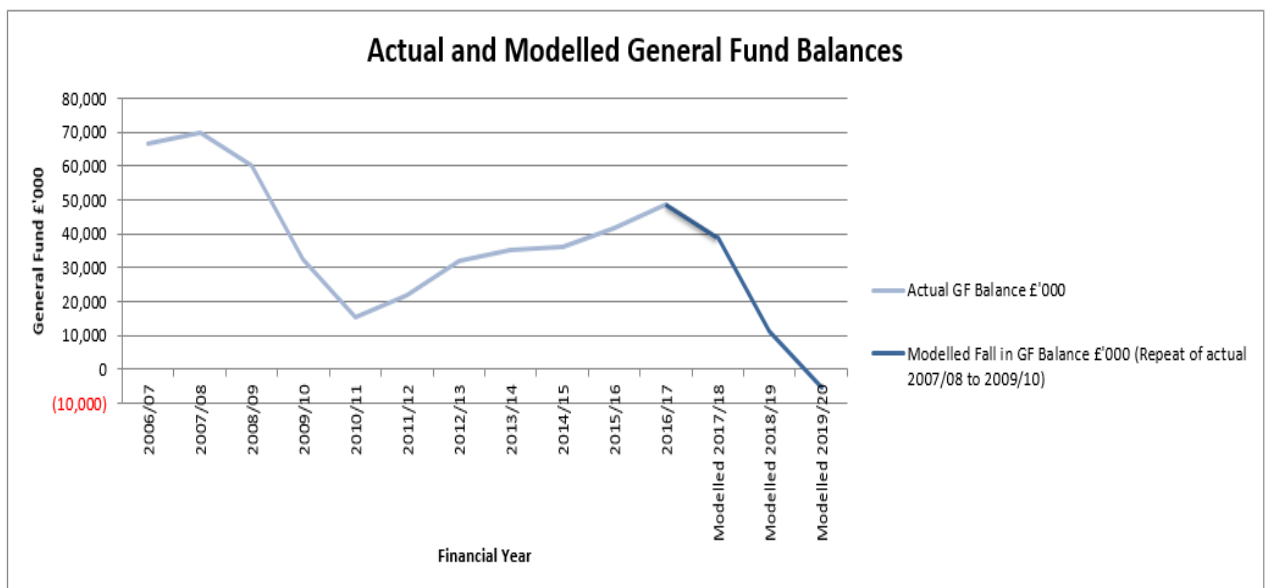
- 11.6 The Council's General Reserves includes the General Fund balance; this is held to:
- comply with the law;
 - provide funds for emergencies or other unexpected requirements for funds;
 - mitigate against risks faced in day to day operations;
 - provide a balance to insulate it from the need to borrow on a short term basis due to uneven cashflows.
- 11.7 The table below details the movement for the Council's General Reserve balance since 2006/07. This can be considered a reasonable period of time over which to consider movements as the Council has faced a number of challenges during this time including significant turbulence in the wider economy.

Year	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Closing Balance	66,864	69,930	60,090	32,396	15,578	22,054
Balance Movement	-	3,066	(9,840)	(27,694)	(16,818)	6,476

Year (continued)	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Closing Balance	32,027	35,295	36,035	41,576	48,777
Balance Movement	9,973	3,268	740	5,541	7,201

11.8 The table above and the graph below demonstrates how over time there have been significant movements in the General Reserve balance including a three-year period 2008/09 to 2010/11 when the general reserve balance decreased by £54.352m. The Council could not manage a similar reduction in reserves over the next three financial years as it no longer has that level of reserves.

General Reserves Movements (actual and modelled)



11.9 When assessing what level of General Reserve balance should be held, the Council must consider a number of factors. These include the risks which are set out in detail in paragraph 8.4 but include by way of example:

- based on the Council's gross expenditure, approximately £2.33m is (budgeted) to be spent a day on the provision of General Fund services. The General Reserve balance when viewed in this context represents just 21 days of expenditure;
- the Council has been required to find savings year on year from its budget since 2010/11 and it is becoming harder to identify low risk savings opportunities;

- future levels of uncertainty are compounded by the Council's growing reliance on commercial income as these income streams have the potential to fluctuate;
- emerging risks such as Brexit have the potential to impact unfavourably on Westminster;
- future transfer of responsibilities or "new burdens" with the potential full localisation of Business Rates;
- demographic changes have led to continuing pressures on social services budgets; and
- inflation and its impact on budgets.

General Reserves Policy

11.10 In assessing the level of General Reserves balance, the City Treasurer has taken into consideration the following:

- the wider economy currently appears to be more stable than in previous years although significant uncertainties remain particularly in respect of the UK's exit from the European Union;
- the Council's framework of governance and controls has been assessed by audit as being satisfactory. In addition, Internal Audit completed its audit of budgetary controls in February 2017 and concluded that the Council had provided "substantial assurance" on these controls;
- the overall track record of Directorate teams in recent years of delivering on-going budget savings has been successful.

11.11 However, there are a number of other factors which suggest that it would be highly desirable to increase the level of the General Reserve balance at the earliest opportunity as set out in the previous section.

11.12 It is not considered at this point that further budget reductions should be made to accommodate an increase in reserves. However, any resources which become available from the following should be added to the General Reserve where possible:

- in year revenue underspends as reported through the monthly revenue monitor to Cabinet;
- one off revenue funds which become available e.g. one off unbudgeted income or rebates;

- short term underspends from unexpected upsides on treasury management;
- any other spare resources which become available on an unforeseen or unbudgeted basis.

12 Cash and Financing

- 12.1 An annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process each year following discussions at other committees including Scrutiny. The purpose of the TMSS is to set the boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years so as to ensure security, liquidity and return.
- 12.2 The 2018/19 TMSS does not forecast any additional external borrowing in 2018/19, but there is potential for additional borrowing in later years to meet the capital programme.
- 12.3 The investment strategy was set in the current environment of ultra-low interest rates that has significantly reduced the capacity to generate revenue from short-term cash balances. The July 2016 cut to the base rate further reduced income. Interest rates subsequently have risen back to 0.50% after the Bank of England voted to raise rates by 0.25% on 2 November 2017. The increase in rates is gradually feeding through to the Council's investments resulting in increasing returns.
- 12.4 Over the summer various opportunities to diversify the treasury portfolio, ensure security of cash balances and increase the yield have been investigated. Potential opportunities have been explored and are currently undergoing due diligence review.
- 12.5 Monitoring of treasury activity is a key control to ensure that dealing accords with the agreed TMSS. In addition to half yearly reports on activity to Full Council and Scrutiny Committee, weekly updates are provided to the City Treasurer and monthly reviews of the investment portfolio are undertaken by the Council's treasury advisor. With the implementation of HRA Self-financing under the Localism Act, the borrowing and cash elements of the HRA and General Fund are managed on a separate basis.
- 12.6 To support the Treasury Management Strategy Statement, the Council has devised a holistic strategic investment framework in order to manage its investment portfolio as one, across investment properties and treasury management.
- 12.7 The framework sets out in detail the longer term investment plan to manage investments in relation to long term capital spend and cash requirements, diversify to reduce risk and future-proof against possible economic downturns.

13 Pension Fund

13.1 The City of Westminster Pension Fund includes the City Council's pension obligations as well as those for a number of other admitted and scheduled bodies – for example City West Homes. The Council's attributable share of the Pension Fund assets total £800m.

Triennial Valuation

13.2 The triennial valuation of the Pension Fund was completed by the Council's actuary as at 31 March 2016. The latest actuarial report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years 2017/18 to 2019/20.

13.3 The actuary reported that the employer's contribution rate was required to rise from 12.50% to around 15.70% in order to fully fund the cost of active members. The impact on the Council's ongoing revenue budget of this change cost an additional £2.5m over 2016/17 contribution rates.

13.4 As well as needing to make contributions into the Pension Fund for active members, the Council has to make contributions to address an historic funding deficit. The latest triennial valuation valued the Pension Fund deficit at £285m as at 31 March 2016 compared with £320m at 31 March 2013. Despite the reduction in the funding deficit, this positioned the Council as having one of lowest funded Local Government pension funds in the country.

13.5 While the Pension Fund is in deficit, it incurs an interest cost which it would not if it were fully funded. The cost of this interest increases the total contributions required to be made by the Council throughout the period until the deficit is repaid.

13.6 Options to reduce this deficit and the consequent interest costs were explored with the actuary in 2017. The second and third years of the strategy were agreed as:

- two one-off cash injections of £10.0m to be made over the period 2018/19 to 2019/20 (see paragraph 13.9);
- together with increases of £4.0m per annum in the ongoing annual contributions £10.5m to £18.5m over the period 2017/18 to 2019/20, followed by more measured increases thereafter to account for the impact of inflation.

13.7 This has allowed the deficit recovery period to fall to 17 years, delivering a significant reduction of £317m in the total interest to be paid over the 17-year period. This strategy provides an optimal mix of maintaining annual affordability whilst also offering the greatest saving in overall cost. This scenario is estimated to reduce the total repayments to £453m from £805m and achieve a fully funded

position by 2033/34. It also enables the ongoing contribution rate in respect of existing employees to be increased to 15.70% as outlined above. As a result of this action, and with market increases in equity values, the latest funding update has shown that the deficit had fallen to £171m as at 30 September 2017.

- 13.8 This compares with a previous scenario whereby contributions increased at £1.5m per annum, no one-off contributions were made, and the repayment period extended to 2047/48. The revised deficit reduction strategy significantly improves the Pension Fund's position nationally as it moves the Fund towards a fully funded position earlier by 14 years to 2033/34.
- 13.9 The potential to make the three one-off contributions of £10m will be subject to the availability of either annual revenue resources (potentially from in-year underspends) or capital receipts under the Flexible Use of Capital Receipts guidance published by Ministry of Housing, Communities and Local Government. The City Treasurer will review the scope to use such resources as part of the year-end closure procedures. The performance of the scheme and deficit reduction strategy outlined above will be reviewed on a periodic basis to assess whether the strategy remains on track or whether further adjustments to payments or projections are required.

Government Actuaries Department Review

- 13.10 Under section 13 of the Public Service Pensions Act 2013, the Government Actuaries Department (GAD) is required to review all local government pension scheme valuations to ensure that all employers are "paying enough" to maintain the future solvency of each fund. GAD conducted a "dry-run" using the 2013 valuation in order to test its methodology and alert practitioners about what to expect. Although it did not publicly release the findings from this first review, the Council was given details of its "dry run" review, which found that, in terms of deficit position, the Westminster Fund was in the lowest (i.e. worst) decile across all schemes following the 2013 valuation.
- 13.11 GAD has recently completed its review of the 2016 valuation. The initial findings of the GAD review of the 2016 valuation are that contributions are now sufficient to meet statutory requirements for the future solvency of the pension fund. This affirms the strategy adopted to substantially increase contributions to the pension fund over the period 2017/18 to 2019/20 outlined in paragraphs 13.6 and 13.7 above to address the historic funding deficit and reduce the deficit recovery period substantially.

Governance

- 13.12 The Local Pension Board continues to operate alongside the Pension Fund Committee as a scrutiny function and reports on its activities to the Pension Fund Committee and Full Council. The Board, comprised of both employer and

employee representatives, is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund. The Pension Fund continues to work with the London Collective Investment Vehicle (LCIV). All local government pension schemes in England and Wales are required to form investment pools of at least £25bn with investment manager appointment and monitoring decisions undertaken at pool level. Westminster and all the other London Councils are members of the LCIV, set up to facilitate joint procurement of investment managers, with the objective of achieving significant savings. Two of the Westminster fund's existing investment mandates have been transferred to the LCIV and a third was subject to a London wide fee arrangement that substantially reduced manager fees. Another mandate continues to remain under review with a view to transfer in 2018. The Council is also working with the LCIV to help establish a new infrastructure mandate on the platform of which the Pension Fund has an allocation of 5% of total fund assets.

14 **Council Tax, the Collection Fund, Business Rates and Discretionary Housing Payments**

Council Tax

- 14.1 The Council Tax Base (the number of Band D equivalent properties estimated to be billable for the year 2018/19) was considered by Cabinet in December 2017 and approved by Full Council on the 24th January 2018. The yield derived from the Council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.
- 14.2 The Welfare Reform Act 2012 replaced the previous Council Tax Benefits scheme with a locally determined Council Tax Reduction scheme. In setting the taxbase for 2018/19, Council also approved the continuation of the existing Local Council Tax Reduction Scheme which ensures those eligible have their Council tax liability fully funded (the changes from 2013/14 allowed Councils to charge up to 10% of the Council Tax liability to benefit claimants).
- 14.3 The number of properties (and mix of properties within each banding) has increased over the current year's taxbase as the result of a combination of new properties being brought into use; alterations to existing properties changing their valuation, and changes to the numbers of residents entitled to funding via the Local Council Tax Reduction Scheme. The taxbase for the whole of the City of Westminster has increased from 126,975.59 to 128,833.30 Band D equivalent properties – an increase of 1,857.71 (a 1.46% increase).
- 14.4 As well as collecting Council Tax for the Council's own purposes, the Council is responsible for collecting it for both major and minor preceptors. The change in the taxbase for each body is set out in the table below:

Council Tax Base Analysis:

Financial Year	Queen's Park Community Council (No.)	Montpelier Square Garden Committee (No.)	Rest of the City of Westminster (No.)	Whole of the City of Westminster (No.)
2017/18	3,346.26	94.16	123,535.17	126,975.59
Change	60.35	1.52	1,795.84	1,857.71
2018/19	3,406.61	95.68	125,331.01	128,833.30

- 14.5 All other things being equal, the overall increase in the taxbase has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Using the 2017/18 Band D amount of £408.12, the increase in the taxbase for 2018/19 would generate an additional £758k in the Council's own share of the Council Tax yield. As part of the MTP process for 2018/19, a saving of £475k within the City Treasurer's department was predicated on an estimated Council Tax base growth. The actual growth in taxbase achieved which was calculated in late Autumn 2017 at 1.46% or £758k over 2017/18.
- 14.6 The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of Council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of 3.00% or more would constitute an excessive increase for 2018/19. This is 1.00% higher than in previous years, the Secretary of State announced this change in the provisional finance settlement for 2018/19 and confirmed in the final settlement in February 2018.
- 14.7 Should a local authority wish to propose a budget that increases the Band D amount by more than this threshold, it is additionally required to prepare an alternate budget that does not breach that limit and to hold a referendum of its residents who would be able to determine which budget proposal they wished to be implemented. Such a referendum would involve considerable cost in holding.
- 14.8 Inflation has the impact of eroding the real purchasing power of the Council Tax yield. The latest ONS official annual inflation rates for November 2017 indicate CPI to have been 3.1% over the previous twelve months; CPIH 2.8%; and RPI 3.9%.
- 14.9 The maximum amount that the Council can increase on its own element without triggering a referendum is 2.99%. The table below sets out the additional income that would be generated by incremental increases up to the maximum level.

	Increase in Band D Amount						
	0.00% (£)	0.50% (£)	1.00% (£)	1.50% (£)	2.00% (£)	2.50% (£)	2.99% (£)
2017/18 Band D Amount	408.12	408.12	408.12	408.12	408.12	408.12	408.12
Percentage Change Increase	0.00	2.04	4.08	6.12	8.15	10.20	12.20
Band D Amount after Change	408.12	410.16	412.20	414.24	416.27	418.32	420.32
Weekly Cost of Change	0.00	0.04	0.08	0.12	0.16	0.20	0.23
	£'000						
Additional Yield from Change	0	263	526	789	1,050	1,314	1,572

- 14.10 The schedules throughout this report set out the financial implications on the Council's overall budget of not increasing the general Council Tax amount for 2018/19 over that of 2017/18 Band D general Council Tax. Cabinet is asked to consider this option to freeze general Council Tax.
- 14.11 The Greater London Authority is due to meet to formally consider the Mayor's proposed budget for the GLA on the 22nd February 2018. However, the Mayor's proposed budget recommends an increase to the 2018/19 Band D equivalent charge from £280.02 to £294.23. This consists of a £12.00 increase in the policing element and £2.21 (2.99%) increase in the non-police element of the precept. A verbal update will be provided at the meeting regarding the outcome of the London Assembly decision.
- 14.12 The Queen's Park Community Council has determined their basic tax amount for 2018/19 to remain unchanged for 2018/19 at £46.38.
- 14.13 The Montpelier Square Garden Committee has notified the Council of their intention to increase the amount they wish to raise from their special expense for residents in their area from £45,000 in 2017/18 to £47,000 in 2018/19 (an increase of 4.4%).
- 14.14 Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding from Council Tax to support spending on Adults Social Care activities which would otherwise have been unaffordable. This Adults Social Care Precept was first introduced in 2016/17 and which the Council added an additional 2.00% in accordance with that year's recommendations.
- 14.15 The 2017/18 Local Government Finance Settlement extended this opportunity for the period 2017/18 to 2019/20. A limit of a maximum total 6.00% further increase for these three years applies, but allows some scope for the phasing of this additional charge to be applied (no more than 3.00% in either 2017/18 or 2018/19 and a maximum 2.00% in the final 2019/20 year). The Council applied a 2% increase in 2017/18.

- 14.16 The high and growing demographic and spending pressures, coupled with the particular vulnerability of this customer cohort are such that it is recommended that this additional funding opportunity is taken up. In order to keep the increases to the taxpayer manageable and affordable, the spreading of this additional charge to an equal 2.00% per annum is considered most appropriate in order to balance affordability to the taxpayer and the generation of much needed additional funding.
- 14.17 The additional revenues expected to be generated from the Adults Social Care Precept is as set out in the following table:

Band D (£) Breakdown:	2017/18	2018/19
Prior Year Band D Amount (£)	392.81	408.12
0.00% General Council Tax Increase (£)	7.46	0
2.00% Adult Social Care Precept (ASC) (£)*	7.85	8.15
Total Band D Rate (£)	408.12	416.27
No. Band D Equivalent Dwellings	126,975.59	128,833.30
Total Council Tax Income Raised in Year by ASC Precept (£)	996,758	1,049,991

- 14.18 The collective impact of the proposed changes to the Band D amounts for 2018/19 (as discussed in the paragraphs above) is summarised in the table below:

	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
Breakdown of Band D Council Tax in the City of Westminster	£	£	£	£
Westminster City Council - Basic Element	408.12	408.12	408.12	
Westminster City Council - ASC Precept	8.15	8.15	8.15	
Sub-Total	416.27	416.27	416.27	
Greater London Authority Precept	294.23	294.23	294.23	
Queen's Park Community Council Precept	46.38	0.00	0.00	
Montpelier Square Special Expense	0.00	491.22	0.00	
Total Band D Amount in Area	756.88	1,201.72	710.50	
2018/19 Taxbase	3,406.61	95.68	125,331.01	128,833.30
Westminster City Council	1,418,070	39,829	52,171,540	53,629,439
Greater London Authority	1,002,327	28,152	36,876,143	37,906,622
Queen's Park Community Council	157,999	0	0	157,999
Montpelier Square	0	47,000	0	47,000
Total Council Tax Income in Area (£)	2,578,396	114,981	89,047,683	91,741,060

- 14.19 Between November and December 2017 the council consulted with all Band H properties on a proposal to introduce a voluntary Community Contribution for the most expensive properties in the city to support discretionary services that would

otherwise not be funded without increasing the level of Council Tax for all residents. Residents of Band H properties were consulted and there was a strong showing of support for the scheme and the Council proposes to now proceed with the voluntary contribution scheme. The scheme will be entirely voluntary and there will be no obligation on anyone to pay.

The Collection Fund

- 14.20 Statutory regulations require local authorities to account for annual Council Tax income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This statutory override necessitates that any variance between the originally estimated net Council Tax yield and that subsequently achieved in year is not immediately transferred to the Comprehensive Income and Expenditure Account, but is held on the Balance Sheet and instead distributed in a subsequent year. The effect of these regulations are that for 2018/19 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.
- 14.21 Any variance between budget and actual for 2017/18 will however impact on 2018/19. Growth in the taxbase throughout the year and successful collection rates being slightly higher than expected has led to a forecast 2017/18 position £690k above budget.

Business Rates (NNDR)

- 14.22 Business Rates were partly localised from the start of 2013/14. Fifty percent of net business rate yield is currently retained and shared by local authorities with the remainder pooled by MHCLG and returned in the form of Revenue Support Grant and other specific grants. A series of Tariffs and Top-ups operates to additionally redistribute retained income from those authorities with high yield to those with low NNDR receipts. Local authorities are potentially able to encourage the growth of local NNDR yield and keep fifty percent of the growth (being subject to a 50% levy on any surplus). The reverse however also operates in so far as local authorities bear 50% of the cost of any shortfall in business rate income if it is lower than the government's target level (Baseline). A Safety Net scheme operated to protect individual local authorities from losses should their retained yield fall below 92.50% of their anticipated Baseline Funding level (this is paid for from the 50% levy charged on those authorities exceeding their Baseline Funding level).
- 14.23 The 2018/19 Local Government Finance Settlement approved a pilot pooling arrangement for London boroughs and the GLA, which will see the Council retain 64% of the business rates collected, but will see no RSG payments – the overall position neutralised by a change in Tariff. The advantage of being in a pilot pooling arrangement is that London as a whole is expecting to retain the overall £240m Levy it would otherwise have paid over to MHCLG.

14.24 The 85% allocation for London boroughs and the GLA is based on a formula that allocates the £204.5m projected to be available on the basis of:

- 15% Growth Reward (for those boroughs above Baseline)
- 35% Need – based on Settlement Funding Allocations
- 35% Population

14.25 The remaining 15% will be retained in a central Strategic Investment Pot which will be distributed for projects that contribute to sustainable growth of London's economy and will need to have broad support across London's authorities.

14.26 For Westminster a provisional allocation from pooling has been estimated at £3.8m. This quantum is subject to significant uncertainty as it will rely on updated data being submitted to the City of London Corporation and not currently collated / available), and ultimately on outturns which may not be definitively known until all appeals for 2018/19 materialise and are determined.

14.27 Westminster is by far the biggest collector of business rates in the country, collecting around 8% of the national total. Westminster businesses are some of the most economically active and productive in the country and demand for business premises, and hence rent levels, continue to grow at rates well above the national average. This has seen significant increases in rateable values at both the 2010 Revaluation (63% increase) and the 2017 Revaluation (25%). A consequence of the high revaluation increases has been to see record levels of appeals lodged against the Valuation Office Agency's rating assessments, which in turn has led to particularly high levels of subsequent rate refunds – the majority of which have been back-dated to the very start of the 2010 Valuation List.

14.28 This has led to a situation for Westminster whereby, after the impact of making refunds for successful appeals, the net amount collected has fallen below the Safety Net threshold in the first three years since the current scheme start in 2013/14. Had the impact of appeals caused by original errors in the VOA assessments been discounted, rather than being below the Safety Net level, the Council would have seen real growth and reward above Baseline.

14.29 The implementation of the new Check-Challenge-Appeal process has seen a significant reduction in the number of appeals being recorded by the Valuation Office. Anecdotal evidence from various working groups attended by officers suggests that the industry is having difficulties using the new process and that the very small numbers of checks and challenges so far received is not an indication that the ultimate level of appeals will be significantly different to experience from the 2005 and 2010 Revaluations.

Discretionary Housing Payments

14.30 The Council's Discretionary Housing Payment (DHP) funding allocation from Central Government has significantly reduced in since 2014/15:

- 2014/15 - £4.8m;
- 2015/16 - £2.6m;
- 2016/17 - £2.7m;
- 2017/18 - £1.4m.

14.31 The extent of these ongoing funding reductions has resulted in the Council previously agreeing a revised DHP policy and contributions from reserves (most recently £1m) to support future DHP spend above the Government's funding allocation.

14.32 The allocations for 2018/19 are yet to be confirmed but based on previous year's trends is anticipated to reduce. In 2017/18, the majority of local authorities nationally saw increases in their DHP allocation. However, in London, authorities saw an overall reduction. The Council experienced a loss of circa £1.3m. This was as a result of national formulae changes which sought to be distribute the reduced funding for DHP more evenly throughout the country to the detriment of areas where private rents are high such as in Westminster.

14.33 The level of reduction in allocation for Westminster would be extremely difficult to manage in a normal year. However, should levels of DHP claims increase e.g. due previously reduced Benefit Cap thresholds under the Government's on-going Welfare Reform programme, the Council could be faced with financial risk if sufficient funds were not set aside to manage DHP claims.

14.34 A further £0.5m will be allocated to help residents meet the costs of their housing which has been separately agreed.

15 Schools

Dedicated Schools Grant

15.1 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure to support the schools budget. The grant also covers wider support for high needs and early years for funding of pupils with special educational needs and for two, three and four year olds in nursery and associated provision. Schools are funded primarily by the DSG and not by council tax income. The 2018/19 financial year will be the first year of the National Funding Formula (NFF).

15.2 The DSG consists of four separate blocks: schools, the new central schools services, high needs and early years. The overall distribution of the DSG is ring-

fenced; however, the four blocks that make up the DSG aren't separately ring-fenced so movement between blocks is possible subject to specific conditions and limits. The specific change for 2018/19 is that there is a 0.5% limit on transferring out of the schools block that can be made without reference to the Secretary of State.

- 15.3 Westminster City Council (WCC) is able to retain DSG funding to pay for the education of pupils who are the responsibility of the Council but who are not being educated in a WCC school. The council does not contribute any of its own resources to fund schools but is required to fund the management and administration of education services from council tax and funding settlement resources.
- 15.4 Given the proposed changes to schools funding it is important to know that decisions will be taken at January and March 2018 Schools' Forum on how much will be allocated to each block and how much contingency to allocate because of the significant changes made to DSG for implementing National Funding Formula for the next 2 years.

Description	2018/19 £000's	2019/20 £000's	2020/21 £000's
Brought Forward Reserves	2,634	917	317
Early Years			
Nursery Full Time Places	292		
Nursery Schools Sustainability	400	200	
Schools Block			
Minimum Funding Levels - Primary	350		
High Needs			
EHCP Transition	150		317
Post 16 Unfunded Growth	125		
Central Schools Block			
ESG Reduction	400	400	
Total Expenditure	1,717	600	317
Projected Year End Reserves	917	317	0

Implementation of the National Funding Formula (NFF):

Schools and high needs block

- 15.5 The NFF is being introduced from the 2018/19 financial year. The main headlines are:
- increasing the basic amount that every pupil will attract in 2018/19 and 2019/20;
 - for the next two years, this investment will provide for up to 3% gains a year per pupil for underfunded schools, and a 0.5% a year per pupil cash increase for every school;
 - protection of funding for pupils with additional needs, cash limited to 0.5% and national high needs budget information;
 - this formula settlement to 2019/20 will provide at least £4,800 per pupil for every secondary school and £3,500 per pupil for primary schools.
 - in 2018/19 and 2019/20, the NFF will set indicative budgets for each school, and the total schools funding received by each local authority will be allocated according to the national fair funding formula and transparently for the first time;
 - local authorities will continue to set a local formula to distribute the same funding, and to determine individual schools' budgets in 2018/19 and 2019/20, in consultation with schools;
 - to support local authorities planning, all local authorities will receive some increase to the amount they plan to spend on schools and high needs in 2018/19.
- 15.6 The indicative figures show an overall increase of funding of 0.5% equivalent to £1.2m in 2018/19 and a further increase of 0.5% in 2019/20. No individual school will see a reduction in funding in 2018/19 providing there is no decrease in pupil numbers. Reductions in any schools funding is limited by -1.5% Minimum Funding Guarantee (MFG) in their pupil budget.
- 15.7 The high needs block for 2018/19 will be £24.971m, an increase of £0.634m.
- 15.8 The 2016/17 year-end closing position was a collective balance of £3.7m for the LA-maintained primary and secondary schools. For the 2017/18 financial year 4

schools are projecting a year end deficit, 2 of which could have deficits in excess of £100,000. To prevent this from happening officers will support schools to ensure that they set sustainable budgets commensurate with their resource levels.

- 15.9 A pupil count was completed in October 2017. However, the number of children in secondary schools have increased to 8,433 (+155) but the number of children in primary schools has decreased to 10,153 (-234) and there is current capacity in the system of approximately 15%, an overall total fall of (-79). As school funding is pupil-based and the Education and Skills Funding Agency (ESFA) have set different primary and secondary units of funding this represents a further cost pressure for schools.
- 15.10 Schools in England report that they are facing rising cost pressures, especially from increased staffing costs. The Institute for Fiscal Studies (IFS) estimated in April 2016 that there would be at least a 7% real terms reduction in per-pupil spending between 2015/16 and 2019/20, or about 8% if changes in the costs likely to be faced by schools were also accounted for. The spending pressures that schools face make it imperative for the service to work with schools to ensure that they are equipped to face the challenges ahead and to insulate the local authority.

Early Years Block

- 15.11 In December 2016, the government set out its funding proposal to introduce an early years' national funding formula from 2017/18. A new entitlement for the additional 15-hour entitlement for eligible families was introduced in September 2017.
- 15.12 Westminster City Council in consultation with the school's forum introduced the new funding formula from September 2017. The key priority was to establish transitional arrangements from the current funding levels and the delivery of full time places to the new national funding formula without destabilising individual settings. The government expects all authorities to have implemented the new funding model by 2019/20. Transitional funding has been allocated to enable the delivery of the new proposals without causing excessive turbulence within the current system.

Pupil Premium

- 15.13 In 2018/19 schools will receive pupil premium funding for each child registered as eligible for free school meals at any point in the last six years. The per pupil figure is £1,320 per primary school pupil and £935 per secondary school pupil.
- 15.14 The only increase is for the Pupil Premium Plus, for each pupil identified in the spring school census as having left local authority care because of adoption, a special guardianship order, a child arrangement order or a residence order, schools will receive £2,300 per eligible pupil (£1,900 in 2017/18).

- 15.15 Pupil premium for three and four year-old children is at a rate of £300 per eligible child. Schools can decide how they use the pupil premium and have to report on use each September on their individual school's website.

Education Services Grant (ESG) and CSSB

- 15.16 The ESG, which funds spending on school improvement, management of school buildings and tackling non-attendance, was cut by £200 million (around 20 per cent) in 2015/16. For 2016/17 to 2019/20, the Chancellor announced a further cut of £600 million.
- 15.17 School and Early Years Finance Regulations will be amended to allow local authorities to top-slice schools block funding in order to fund services previously provided by ESG.
- 15.18 The 2017/18 allocation was £335k, with an additional transitional grant of £275k totalling £610k for the financial year.
- 15.19 The retained duties allocation for 2018/19 has changed because of the drop in pupil numbers and now forms part of the newly created central services block of the DSG of £1.120m.

Academies and Free Schools

- 15.20 Westminster schools that convert to academy status or newly established free schools obtain their funding directly from the Education Funding Agency (EFA). These schools receive a school budget share equivalent to what they would have received if they were a Westminster school. This is funded in most cases by an adjustment to the DSG received by the council and applied to the schools block.

16 Housing Revenue Account (HRA)

- 16.1 The HRA 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 c. 12,000 units of social housing and c.9,000 leaseholders within Westminster. The HRA itself is required to set a balanced budget and must not go into deficit, after taking into account HRA Reserves.
- 16.3 In 2012 the HRA moved from a national subsidy system of financing to one of Self-Financing. In order to facilitate this the Council was required to buy the HRA out of the subsidy system through taking on £68m of extra borrowing within the HRA, but in return retains all future rental income and economic benefit.

- 16.4 The Council's Arm's Length Management Organisation, CityWest Homes Ltd (CWH), undertakes the housing management function on behalf of the Council and has responsibility for the long-term investment needs of the stock estimated at £1.420bn 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. The Government have also legislated that HRA rents reduce in real terms over a 4-year period by 1%. This has cost the HRA c.£32m over this period and over 30 years the NPV cost is estimated to be c.£237m. We are currently in year 2 of this 4 year rent reduction process. Recent announcements indicate that the policy on rent rises will return to CPI plus 1% for 5 years from 2020.
- 16.6 Self-financing itself 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 funding the Council's ambitious Regeneration programme, the impact of the Right to Buy, interest rate risk, and the impact of welfare reform upon future rent collection.
- 16.7 The Housing Investment Strategy and HRA 30-year Business Plan report are being presented to Cabinet alongside this report to approve the five year (2018/19 to 2022/23) capital budget for the HRA. The proposals will continue to see the immediate capacity of the HRA applied to help deliver the Council's objectives of City for All.

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;
 - Lee Valley Regional Park Authority – recover the cost of running the Lee 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 the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2018/19 levies. Therefore, the 2017/18 levy charges are included in the budget options being recommended in this report. Should these organisations provide the notifications to the Council for the 2018/19 levy charges

after the dispatch of this agenda item and before the meeting itself, a verbal update will be provided.

18 2018/19 Proposals Requiring Consultations

External consultations

18.1 The budget proposals for 2018/19 presented to Full Council in November 2017 contained 10 savings proposals totalling £5.360m which had been identified as requiring external consultation. As at January 2018, the following is the update to the November 2017 position:

Directorate	Description	2018/19 Amount £'m	Consultations and Outcomes
Adults	Alternative delivery models including Commercial Trading	0.100	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required
Adults	Review care pathways and re-commission key services	0.630	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required
Adults	Asset Based Commissioning of prevention services	0.100	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required
Adults	Remodel In-House service Portfolio	0.150	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required
Children's	Income Generation Traded Services and Education	1.055	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required
Children's	Commissioning Contracts	0.467	Extensive consultation undertaken with parents, providers and practitioners. Savings guided by results enabling changes to SEN travel arrangements as well as reduction in unnecessary contract items.

GPH	Corporate Property Strategy	0.476	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required.
GPH	Property Rationalisation and Asset Management	2.007	Following further exploratory work, no significant changes to front-line service offer result from this saving, no consultation required
GPH	Electronic Consultation	0.100	Consultation completed. Following feedback from stakeholders the adoption of electronic only consultations in respect of planning application will not be pursued at this time.
GPH	Planning Performance Agreements	0.275	Westminster Property Association (who represent over 250 developers and property owners) are currently still discussing proposed changes to PPA. Savings are expected to be achieved due to increased service demand, therefore with no changes to the front-line service offer, no consultation is required
Total		5.360	

The Scrutiny Process

- 18.2 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."
- 18.3 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.

- 18.4 The minutes of the meetings held are presented in Annex A to this report. Annex A also highlights a number of risks associated with the Council's budget for 2018/19 and makes a number of recommendations.
- 18.5 A Budget and Performance Task Group was scheduled for February 2018 to further discuss any developments in the savings proposals. However, in place of this a report was supplied to Members of the final changes and it was agreed that a further tranche of meetings was not necessary.

19 **Legal implications**

- 19.1 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.
- 19.2 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.
- 19.3 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.
- 19.4 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 Section 8 above 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.
- 19.5 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.

- 19.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act 2010. This is addressed in Section 22 below. In developing a 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.
- 19.7 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.
- 19.8 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.
- 19.9 The use of General Fund and HRA (non-Right to Buy) capital receipts funds to fund transformation projects detailed in this report is compliant with the Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued under section 15(1) of the Local Government Act 2003 (which authorities are required to have regard to). The guidance applies with effect from 1 April 2016 to 31 March 2019.

Implications by Rhian Davies, Chief Solicitor (Litigation and Social Care)

20 **People's Services Comments**

- 20.1 In accordance with statutory requirements, an HR1 form was issued in order to inform the Department for Business, Energy and Industrial Strategy (BEIS) of up to 48 potential redundancies.
- 20.2 A consultation was scheduled to commence at the end of January 2018 on the review of Highways services including Roads Management. The new structure will be implemented from July 2018 and it is estimated that it may result in up to 10 redundancies.

- 20.3 A consultation was scheduled to commence at the end of January 2018 on the Effective Neighbourhood Working Programme. The new structure will be implemented from July 2018 and it is estimated that this has the potential for up to 12 redundancies. However, given current vacancies the actual number is expected to be significantly less.
- 20.4 As a consequence of the Tri to Bi-Borough changes there are a number of restructures with the possibility that some redundancies may arise, which could amount to approximately 6 redundancies

21 Equalities Implications

- 21.1 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.
- 21.2 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.
- 21.3 A screening of all budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments (EIAs) are included in Annex B. 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. Where budget proposals required a full EIA to be undertaken, these have been published and shared with the Budget & Performance Task Group to ensure they form part of the budget scrutiny process.

Schedules

- 1 Gross Income 2017/18 to 2018/19
- 2 Gross Expenditure 2017/18 to 2018/19
- 3 Net Budget 2017/18 to 2018/19
- 4a 2018/19 Service Budget Changes by Cabinet Member and Executive Management Team
- 4b Detail of 2018/19 Service Budget Changes
- 4c Detail of 2018/19 Budget Changes
- 5 Subjective Analysis by Income and Expenditure
- 6 General Fund Balance and Reserves
- 7 Levies, Special Expenses and Precepts
- 8 Localised Business Rates, Settlement Funding Assessment and Council Tax
- 9 General Fund Services per Band Dwelling
- 10 Housing Revenue Account

Annexes

- A Budget and Performance Task Group Meeting Notes
- B Equalities Impact Assessments
- C Council Tax Resolution

Background Papers

2018/19 Budget Proposals Report

2017/18 Budget and Council Tax Report and Medium Term Plan - Council Meeting 8 November 2017

Treasury Management Strategy Statement for 2017-2018 to 2021/22 - Council Meeting 8 November 2017

Capital Strategy 2017/18 to 2021/22, Forecast Position for 2016/17 and Future Years Forecasts Summarised up to 2030/31 - Council Meeting 8 November 2017

If you have any queries about this report or wish to inspect any of the background papers, please contact: David Hodgkinson on 0207 641 8162 or at dhodgkinson@westminster.gov.uk

Schedule 2 - Illustrative Gross Expenditure 2017/18 to 2018/19

Cabinet Member:	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Leader of the Council	9,205	(101)	9,104
Deputy Leader and Business, Culture and Heritage	18,542	(601)	17,942
Adult Social Services and Public Health	146,157	(2,186)	143,971
City Highways	61,222	(3,619)	57,602
Children, Families and Young People	140,663	(1,399)	139,264
Environment, Sports and Community	75,228	(351)	74,877
Finance, Property and Corporate Services	321,785	27,486	349,271
Planning and Public Realm	9,501	104	9,605
Housing	70,967	(1,329)	69,638
Sub-Total Gross Expenditure	853,270	18,004	871,274
Core Funding:			
Council Tax Income	0	0	0
Business Rates (Net of Tariff)	0	0	0
Revenue Support Grant	0	0	0
Sub-Total Core Funding	0	0	0
Executive Management Team:	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Chief of Staff	5,518	(5,518)	0
City Treasurer	66,049	30,323	96,371
Director of Policy, Performance and Communications	15,572	203	15,775
Executive Director Adult Services	146,157	(2,186)	143,971
Executive Director of Childrens Services	140,663	(1,399)	139,264
Executive Director of City Management and Communities	137,373	(4,226)	133,147
Executive Director of Corporate Services	20,894	4,214	25,109
Executive Director of Growth, Housing and Planning	321,044	(3,407)	317,637
Sub-Total Gross Expenditure	853,270	18,004	871,274
Core Funding:			
Council Tax Income	0	0	0
Business Rates (Net of Tariff)	0	0	0
Revenue Support Grant	0	0	0
Sub-Total Core Funding	0	0	0

Schedule 3 - Illustrative Net Budget 2017/18 to 2018/19			
Cabinet Member:	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Leader of the Council	7,549	(101)	7,449
Deputy Leader and Business, Culture and Heritage	(3,527)	(866)	(4,393)
Adult Social Services and Public Health	58,954	(3,962)	54,992
City Highways	(43,228)	(3,806)	(47,034)
Children, Families and Young People	31,416	(2,957)	28,459
Environment, Sports and Community	50,532	(1,334)	49,198
Finance, Property and Corporate Services	46,395	26,540	72,935
Planning and Public Realm	2,011	(383)	1,628
Housing	26,161	(3,231)	22,930
Sub-Total Gross Expenditure	176,263	9,900	186,163
Core Funding:			
Council Tax Income	(52,022)	(331)	(52,353)
Business Rates (Net of Tariff)	(78,080)	(55,730)	(133,810)
Revenue Support Grant	(46,161)	46,161	0
Sub-Total Core Funding	(176,263)	(9,900)	(186,163)
Executive Management Team:	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Chief of Staff	2,838	(2,838)	0
City Treasurer	32,411	28,392	60,803
Director of Policy, Performance and Communications	7,664	204	7,868
Executive Director Adult Services	58,954	(3,962)	54,992
Executive Director of Childrens Services	31,416	(2,957)	28,459
Executive Director of City Management and Communities	2,330	(5,445)	(3,115)
Executive Director of Corporate Services	12,772	1,037	13,810
Executive Director of Growth, Housing and Planning	27,878	(4,531)	23,347
Sub-Total Gross Expenditure	176,263	9,900	186,163
Core Funding:			
Council Tax Income	(52,022)	(331)	(52,353)
Business Rates (Net of Tariff)	(78,080)	(55,730)	(133,810)
Revenue Support Grant	(46,161)	46,161	0
Sub-Total Core Funding	(176,263)	(9,900)	(186,163)

*Revenue Support Grant has been rolled into Business Rates

Schedule 4a - 2018/19 Total Service Budget Changes by Cabinet Member and Executive Management Team

Cabinet / EMT	City Treasurer	Director of Policy, Performance and Communications	Executive Director Adult Services	Executive Director of Childrens Services	Executive Director of City Management and Communities	Executive Director of Corporate Services	Executive Director of Growth, Housing and Planning	Total
Leader of the Council	(2)	(96)	0	0	0	(2)	0	(101)
Deputy Leader and Business, Culture and Heritage	0	(17)	0	0	(178)	0	(343)	(538)
Adult Social Services and Public Health	0	0	(7,948)	0	0	0	0	(7,948)
City Highways	0	0	0	0	(4,248)	0	0	(4,248)
Children, Families and Young People	0	0	0	(3,080)	0	0	0	(3,080)
Environment, Sports and Community	0	(200)	0	0	(1,749)	0	0	(1,949)
Finance, Property and Corporate Services	(13,197)	(3)	0	0	0	(1,019)	(2,630)	(16,848)
Planning and Public Realm	0	0	0	0	0	0	(933)	(933)
Housing	0	0	0	0	0	0	(2,681)	(2,681)
Sub-Total Savings	(13,199)	(316)	(7,948)	(3,080)	(6,175)	(1,022)	(6,587)	(38,327)
Leader of the Council	0	0	0	0	0	0	0	0
Deputy Leader and Business, Culture and Heritage	0	0	0	0	0	0	0	0
Adult Social Services and Public Health	0	0	3,986	0	0	0	0	3,986
City Highways	0	0	0	0	0	0	0	0
Children, Families and Young People	0	0	0	123	0	0	0	123
Environment, Sports and Community	0	0	0	0	730	0	0	730
Finance, Property and Corporate Services	0	0	0	0	0	0	2,056	2,056
Planning and Public Realm	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0
Sub-Total Growth for Pressures	0	0	3,986	123	730	0	2,056	6,895
Total Net Savings	(13,199)	(316)	(3,962)	(2,957)	(5,445)	(1,022)	(4,531)	(31,432)

**Outside of the budget changes due to MTP Savings and Growths shown above, services within Cabinet Member portfolios have processed routine "net-nil" adjustments between income and expenditure that are reflected in Schedules 1, 2 and 3.*

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Schedule 4b - Detail of 2018/19 Service Budget Changes

Schedule 4 - Detail of 2018/19 Budget Changes	Budget Change Type £'000		
	Expenditure	Income	Net Change
Other Policy, Performance and Communications savings	(50)	0	(50)
Vacancy Factor	(51)	0	(51)
Sub-Total Savings	(101)	0	(101)
Total Leader of the Council	(101)	0	(101)
City Management and Communities Controllable Spend Review	(111)	0	(111)
Licensing pre-application advice service	0	(50)	(50)
External Income - Economy	0	(200)	(200)
Place Shaping income	0	(100)	(100)
Vacancy Factor	(78)	0	(78)
Sub-Total Savings	(189)	(350)	(539)
Total Deputy Leader and Business, Culture and Heritage	(189)	(350)	(539)
Pension Auto Enrolment (as modelled for STP)	390	0	390
Homecare rate rises, Sanctuary contract increase, Asylum pressures, Spot placements	232	0	232
Reversal of Adult Social Care support grant from 2017/18	0	1,329	1,329
Health Integration Fund (iBCF new monies)	2,035	0	2,035
Sub-Total Growth for Pressures	2,657	1,329	3,986
Adult Social Care Precept	(1,003)	0	(1,003)
Alternative delivery vehicle including Commercial Trading	0	(100)	(100)
Asset Based Commissioning of prevention services	(100)	0	(100)
Delivery of Differential Charging Priorities	0	(250)	(250)
Direct Payments as first choice	(100)	0	(100)
E Market dynamic purchasing systems	(50)	0	(50)
Forensic Needs & payments analysis	(100)	0	(100)
Improved transition and promoting independence	(200)	0	(200)
Increase in iBCF grant	0	(3,596)	(3,596)
Integrated back office functions with Public Health and Health	(250)	0	(250)
Integrated front door with Health and digital by default	(40)	0	(40)
Joint commissioning with health to deliver shared demand and costs management	(320)	0	(320)
Joint Commissioning, capitated budgets & accountable care partnerships	(200)	0	(200)
Promoting well-being, prevention and independence to manage care package costs	(450)	0	(450)
Realising the full efficiency benefits of integrated Learning Disabilities and Mental Health Services	(150)	0	(150)
Remodel In-House service Portfolio	(150)	0	(150)
Review care pathways and re-commission key services	(630)	0	(630)
Review of workforce costs	(150)	0	(150)
Vacancy Factor	(145)	36	(109)
Sub-Total Savings	(4,038)	(3,910)	(7,948)
Total Adult Social Services and Public Health	(1,381)	(2,581)	(3,962)

Schedule 4b Continued - Detail of 2018/19 Service Budget Changes

Schedule 4 - Detail of 2018/19 Budget Changes	Budget Change Type £'000		
	Expenditure	Income	Net Change
Abnormal Loads cost recovery	(100)	0	(100)
Bay suspensions relocation service	0	(250)	(250)
Better working in our neighbourhoods	(900)	0	(900)
Charging for revisits - food team	0	(20)	(20)
City Management and Communities Controllable Spend Review	(273)	0	(273)
Compliance and Audit Contract – contract efficiencies	(50)	0	(50)
Digital transformation further City Management and Communities savings	(152)	0	(152)
Direct Deployment of Parking Marshals	(500)	0	(500)
Flexible car sharing operators	0	(300)	(300)
Highways - Expenditure Review	(100)	0	(100)
Pay to Park Benchmarking	(300)	0	(300)
Provision of electric vehicle charging points	0	(130)	(130)
Public Protection And Licensing Additional Income	0	(200)	(200)
Review of Highways services including Road Management	(750)	0	(750)
Temporary structures charging review	0	(150)	(150)
Vacancy Factor	(73)	0	(73)
Sub-Total Savings	(3,198)	(1,050)	(4,248)
Total City Highways	(3,198)	(1,050)	(4,248)
Revised figure based on change in inflation expectation and minimum wage changes, plus 2% volume changes	123	0	123
Sub-Total Growth for Pressures	123	0	123
Children's Transformation – Commissioning contracts	(467)	0	(467)
Children's - Reshape 0-19 service model	0	(450)	(450)
Children's Transformation - Education and Disability	(130)	(925)	(1,055)
Children's Transformation - Other family services savings	(215)	(200)	(415)
Children's Transformation - Resources and Management	(550)	0	(550)
Vacancy Factor	(160)	17	(143)
Sub-Total Savings	(1,522)	(1,558)	(3,080)
Total Children, Families and Young People	(1,399)	(1,558)	(2,957)
Waste Disposal Costs	730	0	730
Sub-Total Growth for Pressures	730	0	730
Additional commercial activity in libraries	0	(50)	(50)
Cemeteries Increased Capacity	0	0	0
City Management and Communities Controllable Spend Review	(166)	0	(166)
Leisure - additional income	0	(100)	(100)
Libraries stock efficiencies	(100)	0	(100)
Parking: Business Processing & Technology Contract Review	(550)	0	(550)
Sports & Leisure - Phase II	0	(670)	(670)
Vacancy Factor	(117)	9	(108)
Voluntary sector support	(200)	0	(200)
Sub-Total Savings	(1,133)	(811)	(1,944)
Total Environment, Sports and Community Total	(403)	(811)	(1,214)

Schedule 4b Continued - Detail of 2018/19 Service Budget Changes

Schedule 4 - Detail of 2018/19 Budget Changes	Budget Change Type £'000		
	Expenditure	Income	Net Change
Major Projects	0	1,477	1,477
Corporate Property Strategy	0	579	579
Sub-Total Growth for Pressures	0	2,056	2,056
Budget cleanse	(6,000)	0	(6,000)
Business rates	(2,908)	0	(2,908)
City Treasurers - Treasury Management and review of non-pay budgets	0	(1,412)	(1,412)
Commercial operating model for procurement	0	(150)	(150)
Commercialisation of Financial Expertise	0	(50)	(50)
Corporate Property Strategy	0	(476)	(476)
Increase in Council Tax Base	0	(475)	(475)
Legal joint venture	0	(200)	(200)
Property - Sustainable Green Energy	(122)	0	(122)
Property Rationalisation and Asset Management	(1,907)	(100)	(2,007)
Recharging of Matrix contract	0	(50)	(50)
Reduced spend on Legal Services	0	(100)	(100)
Revenue & Benefits – contract reprocurement	(1,320)	0	(1,320)
Review of ICT budgets	(200)	0	(200)
Review of Insurance - City Treasurers	(180)	0	(180)
Transition to new comms contract/model	(240)	0	(240)
Vacancy Factor	(164)	0	(164)
Wireless and small Cell concessions	0	(800)	(800)
Sub-Total Savings	(13,041)	(3,813)	(16,854)
Total Finance, Property and Corporate Services	(13,041)	(1,757)	(14,798)
Development Planning Income	0	(450)	(450)
Planning Performance Agreements	0	(275)	(275)
Proceeds of Crime Act - Planning Enforcement	0	(150)	(150)
Vacancy Factor	(58)	0	(58)
Sub-Total Savings	(58)	(875)	(933)
Total Planning and Public Realm	(58)	(875)	(933)
CityWest Homes Property Fee Income	(90)	0	(90)
Rough Sleeping and Supported Housing	(2,000)	0	(2,000)
Spot purchases of housing for intermediate affordable housing	0	(577)	(577)
Vacancy Factor	(14)	0	(14)
Sub-Total Savings	(2,104)	(577)	(2,681)
Total Housing	(2,104)	(577)	(2,681)
Service Summary:			
Sub-Total Growth for Pressures	3,510	3,385	6,895
Sub-Total Savings	(25,382)	(12,945)	(38,327)
Net Total Savings	(21,872)	(9,560)	(31,432)

*Outside of the budget changes due to MTP Savings and Growths shown above, services within Cabinet Member portfolios have processed routine "net-nil" adjustments between income and expenditure that are reflected in Schedules 1, 2 and 3.

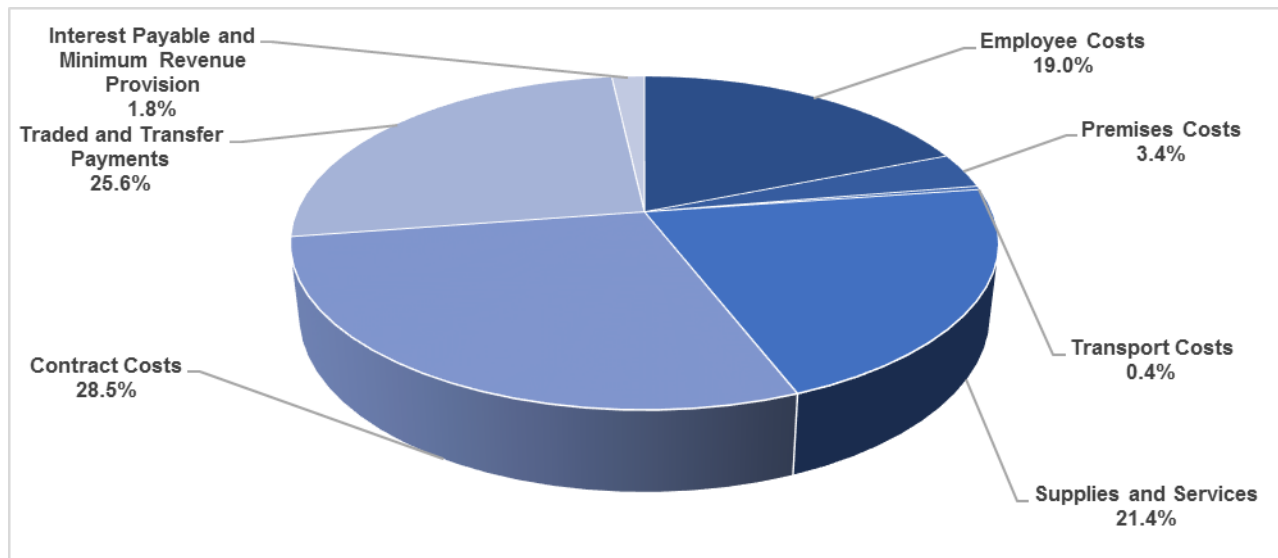
Schedule 4c - Detail of 2018/19 Budget Changes

	2018/19 £'000
Total Service Budget Changes	(31,432)
Financed by Budget Changes:	
Council Tax:	
Council Tax Changes	(331)
Sub-Total Council Tax Changes	(331)
Business Rates Budgeted Technical Reserves Appropriations:	
Baseline Funding: Pooled Business Rates and Technical Adjustments	8,100
Sub-Total Business Rates Changes	8,100
Non-Core Funding Changes:	
New Homes Bonus Loss	805
Inflation	7,643
Risks	3,000
Pension Fund Deficit Recovery	4,000
Pressures	4,915
Capital Programme	3,300
Sub-Total Non-Core Funding Changes	23,663
Total Financed by Budget Changes	31,432

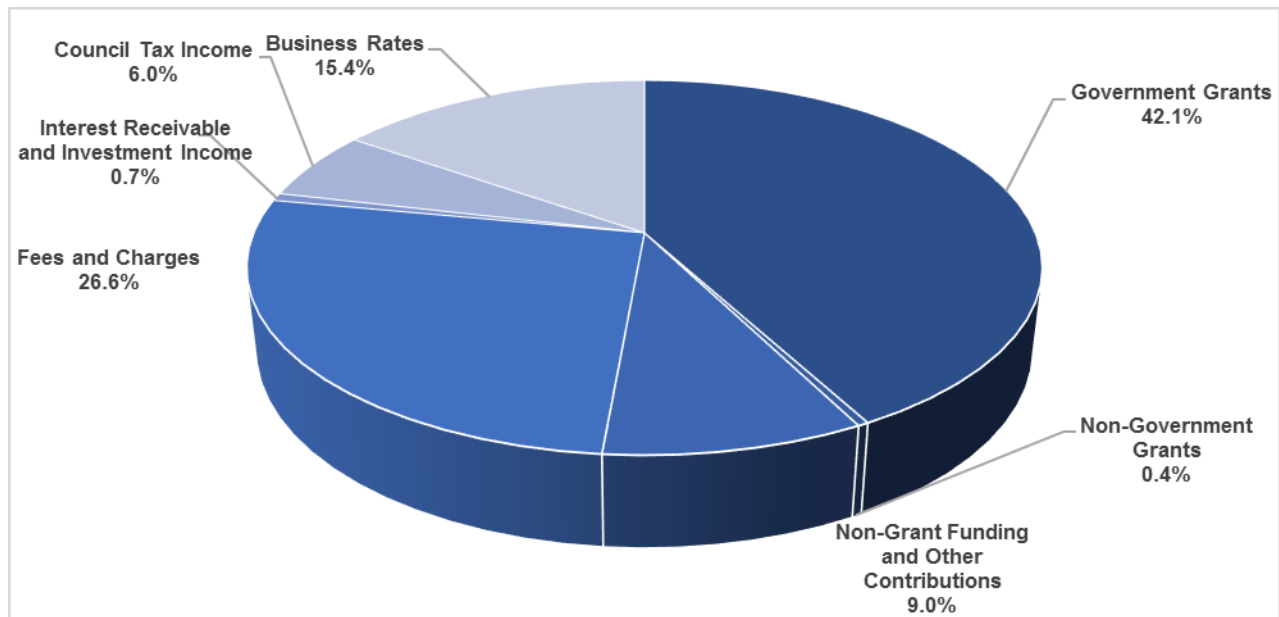
Schedule 5 – Subjective Analysis

Subjective Analysis Grouping	Description
Employee Costs	e.g. Basic pay, National Insurance, Pension costs, employee training, recruitment costs
Premises Costs	e.g. Utilities bills, rents, rates and repairs and maintenance costs
Transport Costs	e.g. Vehicle lease hire and fuel costs
Supplies and Services	e.g. Equipment, stationary, professional fees, telephony, IT and other hired services
Contract Costs	The cost to the Council for services provided on its behalf by external entities
Traded and Transfer Payments	a) Traded services are service those offered between different functions within the Council
	b) Transfer Payments e.g. Housing Benefits - payments to individuals for which the Council receives no good or services in return
Interest Payable and Minimum Revenue Provision	a) Interest which is payable on the Council's loans/borrowing
	b) The Minimum Revenue Provision is an amount required by Statute that is charged to revenue each year and set aside for repaying external loans and meeting other credit liabilities.
Government Grants	Grants which are received by the Council from Central Government departments or their agencies for specific purposes e.g. the Public Health Grant or for more general purposes such as the New Homes Bonus grant
Non-Government Grants	Grants from non-Government sources e.g. TfL, Heritage Lottery Fund etc
Non-Grant Funding and Other Contributions	This includes income from other sources of funding through contributions e.g. NHS/residential care/other local authority contributions, costs e.g. project costs externally recharged to outside entities.
Fees and Charges	This is defined as income raised from the provision of a service or use of a council asset e.g. rent, service charges, planning application fees, penalty charges etc
Interest Receivable and Investment Income	Interest which is due to the Council from investments or from its balances

Schedule 5 - Subjective Analysis - Expenditure			
Subjective Analysis	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Employee Costs	166,178	(1,056)	165,122
Premises Costs	31,917	(2,113)	29,804
Transport Costs	3,093	(31)	3,062
Supplies and Services	163,178	22,888	186,066
Contract Costs	252,665	(4,117)	248,548
Traded and Transfer Payments	224,021	(867)	223,154
Interest Payable and Minimum Revenue Provision	12,217	3,300	15,517
Sub-Total Expenditure	853,270	18,004	871,274



Schedule 5 - Subjective Analysis - Income			
Subjective Analysis	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Government Grants	(365,141)	(1,378)	(366,519)
Non-Government Grants	(2,488)	(790)	(3,278)
Non-Grant Funding and Other Contributions	(76,690)	(1,461)	(78,150)
Fees and Charges	(228,313)	(3,063)	(231,376)
Interest Receivable and Investment Income	(4,375)	(1,412)	(5,787)
Sub-Total Income	(677,007)	(8,104)	(685,111)
Core Funding:			
Council Tax Income	(52,022)	(331)	(52,353)
Business Rates (Net of Tariff)	(78,080)	(55,730)	(133,810)
Revenue Support Grant	(46,161)	46,161	0
Sub-Total Core Funding	(176,263)	(9,900)	(186,163)
Total Income	(853,270)	(18,004)	(871,274)



Schedule 6 - General Fund Balance and Reserves

The following movements have been projected as at Period 8:

General Fund Balance and Earmarked Reserve	2017/18 Opening Balance £'000	Projected In-Year Movement	2017/18 Projected Closing Balance £'000
General Fund Balance	48,777	6,302	55,079
General Fund Earmarked Reserves	110,298	6,002	116,300
Ring-fenced Earmarked Reserves	14,747	3,011	17,758
Receipts in Advance Reserves	19,836	0	19,836
Total General Fund Earmarked Reserves	144,881	9,013	153,894

Schedule 7 – Levies, Special Expenses and Precepts

Levies

The Council is required to raise levies from its taxpayer on behalf of three separate bodies. The levies are as follows:

Levying Body	2017/18 Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
London Pension Fund Authority *	1,967	TBC	1,967
Lee Valley Regional Park Authority *	358	TBC	358
Environment Agency*	288	TBC	288
Total	2,613	0	2,613

*Details of the 2018/19 Levy from these bodies have yet to be received.

Any details that are received subsequent to despatch of this report will be verbally reported at the meeting

Special Expenses

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

The Garden Square Committee have notified the Council of their desire to increase the annual charge to relevant residents from £45,000 to £47,000 for 2018/19 - a 4% increase. The Committee is not subject to the same rules regarding the need to hold a referendum as is the Council.

	2017/18 Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Montpellier Square Garden Committee	45,000	2,000	47,000

Precepts

The Council, as the "Billing Authority", is responsible for billing for major or minor preceptors on behalf of the following organisations:

a) Greater London Authority

The GLA make a Council Tax charge to residents across all 32 London Boroughs (plus the City of London at a reduced rate which pays for its own policing). This charge is used to fund a number of subsidiary components within the overall GLA group. The average Band D charge across all 32 boroughs has been recommended to rise from £280.02 to £294.23 (This consists of an increase of £12.00 in the policing element and £2.21 (2.99%) increase in the non-police element of the precept). Details of the charge are set out below:

Breakdown of GLA Budget Funded by Precept	2017/18 Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
GLA (Mayor)	63,200	4,200	67,400
GLA (Assembly)	2,600	0	2,600
Mayor's Office for Policing And Crime (MOPAC)	592,000	47,000	639,000
London Fire and Emergency Planning Authority (LFEPA)	138,200	9,300	147,500
Transport for London (TfL)	6,000	0	6,000
Greater London Authority Group	802,000	60,500	862,500

GLA Precept Amount (Band D Equivalent)	2017/18 £	Change £	2018/19 £
Band D Amount - 32 Borough's	280.02	14.21	294.23
Band D Amount - Common Council City of London	73.89	2.21	76.10

Schedule 7 – Levies, Special Expenses and Precepts Continued

b) Queen’s Park Community Council

The Queen's Park Community Council is the only Parish Council in London and was established in April 2014. Queen's Park propose not to increase their precept for 2018/19.

	2017/18 £	Change £	2018/19 £
Queen's Park Precept (Band D Equivalent)	46.38	0	46.38

**Schedule 8 – Localised Business Rates, Settlement Funding Assessment and Council Tax
Settlement Funding Assessment:**

Breakdown	2017/18 £'000	Change £'000	2018/19 £'000
Business Rates (Net of Tariff)	(78,080)	(55,730)	(133,810)
Revenue Support Grant	(46,161)	46,161	0
Settlement Funding Assessment	(124,241)	(9,569)	(137,110)

Council Tax

The taxbase across the constituent parts of the Council area has changed due to organic growth in the taxbase and changes to the level of taxpayers eligible for the Council Tax Reduction scheme

Breakdown of Taxbase	2017/18	Change	2018/19
Queen's Park Community Council (No.)	3,346.26	60.35	3,406.61
Montpelier Square Garden Committee (No.)	94.16	1.52	95.68
Rest of the City of Westminster (No.)	123,535.17	1,795.84	125,331.01
Total Taxbase	126,975.59	1,857.71	128,833.30

The Council and other precepting bodies (including for Special Expense) have indicated their Band D Council Tax amounts for the forthcoming year will be as per the table below:

Breakdown of Band D £	2017/18 £	Change £	2018/19 £
Westminster City Council	408.12	8.15	416.27
Greater London Authority Precept	280.02	14.21	294.23
Queen's Park Community Council Precept	46.38	0.00	46.38
Montpelier Square Special Expense	477.91	13.31	491.22

As a consequence of changes to the taxbase and Band D amounts, the total expected to be raised from Council Tax for each organisation is as shown below:

Total Council Tax Yield	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Westminster City Council	51,821	1,808	53,629
Greater London Authority	35,556	2,351	37,907
Queen's Park Community Council	155	3	158
Montpelier Square	45	2	47

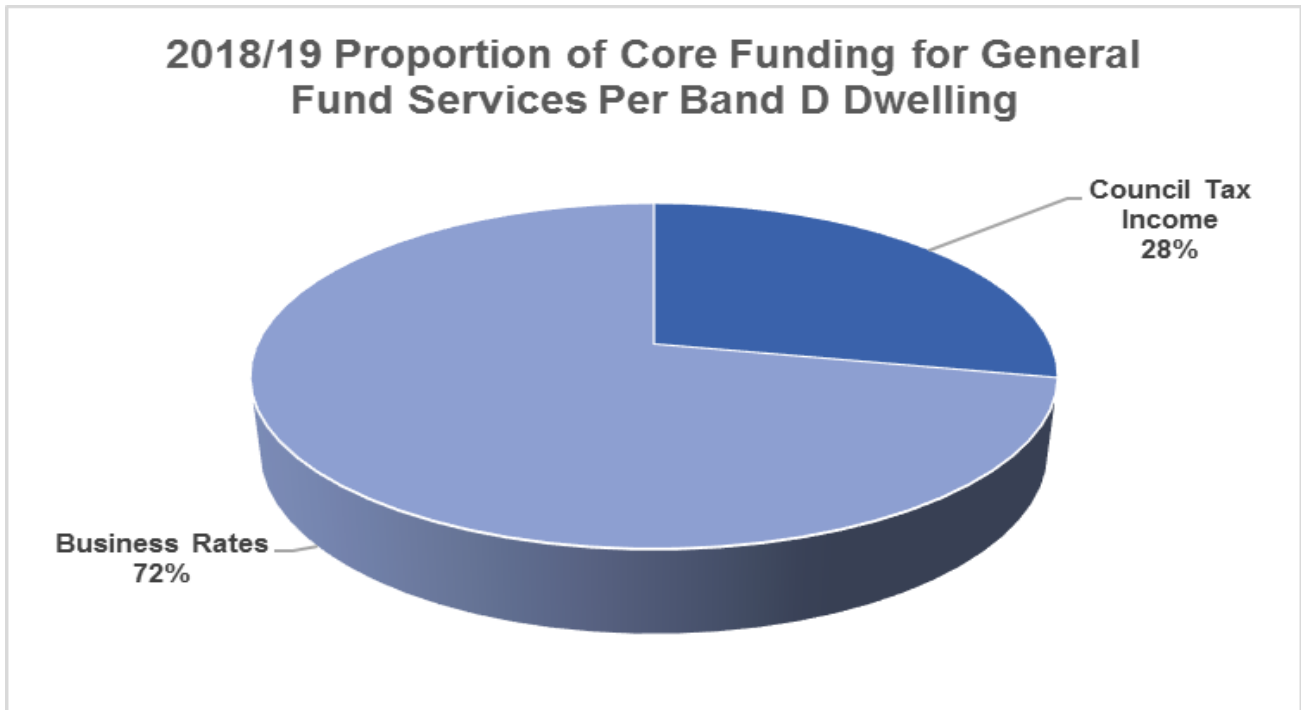
DCLG has allowed upper-tier authorities with Adults Social Care responsibilities to increase their council tax by up to an additional 2% in 2016/17 and a maximum of 6% between 2017/18 to 2019/20. The Council took advantage of this additional income source in 2016/17 and 2017/18 by increasing Council Tax by 2% in both years and recommendations elsewhere in this report propose 2% is added to the 2018/19 charge

Schedule 9 General Fund Services per Band D Dwelling

The cost of delivering services to residents and visitors equates to £1,444.99 for every Band D equivalent household in the borough, this equates to £27.79 per week.

The GF is financed by locally retained, pooled Business Rate income and locally raised Council Tax income.

Taking the cost of providing GF services per Band Dwelling of £1,444.99, the chart below illustrates as a proportion how the different sources of Core Funding contributes towards this.



Schedule 10 Housing Revenue Account

Cabinet Member:	2017/18 Revised Budget £'000	Budget Change £'000	2018/19 Draft Budget £'000
Business Income			
Rent Income – Dwellings	(74,474)	10	(74,464)
Rent Income – Sheds and Garages	(1,058)	(191)	(1,248)
Service Charges – Tenant	(2,996)	(50)	(3,046)
Service Charges – Lessee	(11,188)	(437)	(11,625)
Heating and Hot Water	(4,501)	(729)	(5,230)
Sub-Total Business Income	(94,216)	(1,396)	(95,612)
Other Income			
Corporate Property Income	(7,625)	(275)	(7,900)
Major Works Lessee Income	(9,792)	1,596	(8,196)
Miscellaneous Income	(1,392)	(1,207)	(2,599)
Interest on Balances	(652)	327	(325)
Sub-Total Other Income	(19,462)	442	(19,020)
Total Income	(113,678)	(955)	(114,632)

Management Costs			
Housing Management Fee	22,726	2,361	25,087
Business Transformation	4,200	(3,700)	500
TMO Fees	1,442	31	1,473
Legal Costs	1,326	(187)	1,139
Other Management Costs	1,954	(41)	1,914
IT Services	1,130	563	1,693
Sub-Total Management Costs	32,779	(973)	31,806
Total Special Services	8,278	1,045	9,323

Repairs			
Planned Maintenance	5,107	(789)	4,318
Void Repairs	1,000	-	1,000
Responsive Repairs	9,679	3,303	12,982
Corporate Property Repairs	2,646	187	2,833
Total Repairs and Maintenance	18,432	2,701	21,133
Total Directly Managed Costs	59,489	2,773	62,262

Central Support Service Overheads and Recharges	8,900	1,309	10,209
Miscellaneous Expenditure/Income	36,872	(1,705)	35,167
Total Expenditure	105,260	2,377	107,638
Net In year deficit / (surplus)	(8,417)	1,423	(6,994)

HRA Reserves			
Opening HRA Balance Brought Forward	(43,484)	28,895	(14,589)
Budgeted Net In year deficit / (surplus)	(8,417)	1,523	(6,894)
Budget Capital expenditure funded from balances	37,312	(26,312)	11,000
Projected HRA Balance Carried Forward	(14,589)	4,106	(10,484)

Annex A

Budget and Performance Task Group – Summary Report on 2018/19 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 12 October 2017.
- 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.

The Task Group examined five key themes:

- the potential impact of savings proposals on affected groups
- whether or not the budget proposals would affect the Council’s ability to fulfil its legal obligations
- the need to identify and address potential optimism bias (over-confidence about the ability to secure third party income)
- the need to examine the Capital Programme as closely as the revenue budget
- the potential impact of any external factors (for example, Brexit).

The minutes of the Task Group’s meetings are attached to this summary. The Task Group would like to offer enormous thanks to the officers of all directorates for the rigour and commitment that went into preparing papers and

Equality Impact Assessments for the Task Group's meetings, answering members' questions and following up on requests.

2. Overall Budget

The overall 2018/19 draft budget appears robust, and officers provided assurances on a number of points members across all Directorates, including in relation to managing changing service demand priorities, and around the deliverability of a number of projects.

3. Risks

Despite the overall confidence in the draft budget there are a number of risks which the task group wishes to highlight. The savings proposals for the 2018/19 were subject to a more robust Equality Impact Assessment (EIA) process than previous years; however in at least one case (planning and licensing electronic consultations) it was evident that officers working closer to the service were not involved in the process and key considerations had been overlooked because of this. This could have left the decision open to challenge and affected the achievability of the saving.

Adult Social Care is an area subject to immense cost pressures. The relevant Policy and Scrutiny Committee (Adults, Health and Public Protection Policy and Scrutiny Committee) has a wide remit and takes a service quality based approach to its work rather than focusing on the financial performance of the service. This could lead to a lack of member-level oversight of budget pressures. This will be discussed at the next meeting of the Westminster Scrutiny Commission.

Westminster City Council is proposing to increase its use of s106 funding for the schools expansion programme. Although this approach has been taken in other local authorities, it has not been used widely in Westminster before as the Building Schools for the Future programme had provided most of the funding in the past. This approach creates a dependency on the availability of s106 funding, which should be continually monitored.

The Council is using increasingly varied methods of delivering services and projects with other organisations, such as entering into a shared legal services ABS and being a member of the West End Partnership. Partnership can make it possible for member level financial oversight to be difficult. These joint projects should be regularly reported on to the relevant Policy and Scrutiny Committee and the West End Partnership budget should be reported separately from the Council budget. When these projects are expected to generate income, this should be clearly and realistically displayed in the business case and budget.

The Capital Programme planned for 2018/19 will cause high levels of disruption in specific geographical areas of the City. The Cabinet and Executive Directors need to be clear with non-executive members and residents about the level of disruption to avoid as far as possible delays to the delivery of capital projects. Similarly, the digitalisation of planning and licensing consultations requires political buy-in to achieve.

4. General Observations

The Council should be bold when designing new services instead of taking an overly cautious approach and then identifying savings later, as has been the case with direct deployment of parking marshals. The direct deployment of parking marshals is forecast to save the authority £500,000; this could have been achieved from the outset of the contract.

Savings proposals should be communicated using clear language to ensure the effects that they will have on services users can be understood. This was not always the case with some of the language used in Task Group's papers.

5. Positive Observations

The Task Group found clear examples of proposals avoiding optimism bias including removing unachievable targets for external advertising and taking a cautious approach to forecasting income from City Hall once it has been redeveloped.

The Task Group commended the approach to accessing project management expertise to deliver the significantly expanded capital programme. Sourcing project managers from contractors is prudent and will protect the Council from incurring staffing costs should the projects be delayed (e.g. through delays in external funding)

Budget and Performance Task Group Day 1 12th October 2017

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Thursday 12 October 2017**, Rooms 3.6-3.7, 3rd Floor, 5 Strand, Westminster, London, WC2N 5HR.

Members Present: Councillors Brian Connell (Chairman) Barbara Arzymanow, Adam Hug and Andrew Smith.

Also Present: Barbara Brownlee (Executive Director, Growth, Planning and Housing), Siobhan Coldwell (Chief of Staff), Jonathan Cowie (CEO, CityWest Homes), Dick Johnson (SFM, Growth, Planning and Housing), Artemis Kassi (Policy and Scrutiny Officer), Steven Mair (City Treasurer) and Steve Muldoon (Assistant City Treasurer)

1 WELCOME

- 1.1 The Chairman, welcomed members and officers to the Task Group meeting, which opened at 7.02 pm.

2 TERMS OF REFERENCE

- 2.1 The Chairman reminded members of the Task Group's terms of reference and noted that the observations and recommendations of the task group would be shared in a report to Cabinet Members and the Council. He mentioned that he would be speaking at the Cabinet meeting on behalf of the Task Group.
- 2.2 The Chairman reminded members that, in order to fulfil the Terms of Reference, the Task Group should keep in mind any potential impact on affected groups (as discussed in respect of EIAs), whether or not the budget proposals would affect the Council's ability to fulfil its legal obligations, the need to identify and address potential optimism bias (over-confidence about the ability to secure third party income), the need to examine the Capital Programme as closely as the revenue budget and the potential impact of any external factors (for example, Brexit).

3 APOLOGIES

- 3.1 Apologies were received from Cllr Tony Devenish.

4 DECLARATIONS OF INTEREST

- 4.1 There were no declarations of interest.

5 EQUALITY IMPACT ASSESSMENTS

- 5.1 The Chairman explained that Equality Impact Assessments (EIAs) are formally acknowledged as part of the review process and that EIAs come in two stages. They are required if a budget recommendation will have an impact on a particular community. It was noted that there were no full (second stage) EIAs for the areas under review at this meeting but that an example of a full EIA had been provided to members for information.
- 5.2 A concern was raised that there was a risk that EIA preparers determine that an EIA is not necessary but in retrospect later find that an EIA was in fact necessary. A past example was given of the Charing Cross Library whereby the EIA did not register the impact of changes upon Westminster's Chinese community. It was clarified that the EIA process this year included a review by an independent barrister in addition to review by the Council's Policy team.

6 BUDGET OVERVIEW

- 6.1 The Chairman invited the City Treasurer to provide members with a brief overview of the proposed budget for 2018/2019. Members noted that £30.8m of net savings were identified for 2018/2019. The City Treasurer stated that, whilst £130m of gross savings would be delivered between 2015 and 2018, further savings would continue to be required in future years due to anticipated continued reductions in government funding, new legislative requirements, service delivery pressures and inflation on staff and contract costs. Members heard that, whilst the Council spends approximately £850m per year, the Council will still have to generate efficiencies to fund issues such as demographic pressures due to population longevity, the pension fund deficit recovery, inflation and legislative changes.

Action: Members to be provided with a breakdown by category of the drivers of the savings requirement.

- 6.2 The City Treasurer gave an overview of the capital programme both in terms of expenditure and income.
- 6.3 The City Treasurer highlighted the forecast capital spend for 2017/2018 of £370.02m, with an income of £205.1m. It was noted that the programme extends to 2031/2032 and that the largest area of gross spend would be in Growth, Planning and Housing. The West End Partnership was noted as a new area with a gross budget of £421.5m up to 2031/2032.
- 6.4 The City Treasurer advised that, concerning pensions pressures, Westminster had had one of the lowest funded pension funds. An increase in the annual contribution

rate of £4m into the pension fund is helping to reduce the period for the repayment of that debt to 19 years.

7 CHIEF OF STAFF

- 7.1 The Chairman invited Siobhan Coldwell, Executive Director, to provide a brief overview of the budget for Chief of Staff.
- 7.2 Siobhan Coldwell advised that there were no proposals for savings in the coming year for two reasons. The first reason was that, in an election year, there is a significant particular demand on electoral and committee services. The second reason was that the department had not delivered all the savings for 2017/18 of £185k. Only one post had been removed from the Complaints function in the Triborough Services and there had been concerns that the department might have been making redundancies when there were re-deployment needs. The Chief of Staff stated that there would be a clearer picture at the end of the year once the consultation process had been completed.
- 7.3 In response to members' questions concerning the non-delivery of savings, it was stated that a virement in recognition of this was reflected in the 2017/18 budget table. The Task Group was informed that the focus at EMT is on the delivery of the whole budget, not individual savings line items, and that Executive Directors are ultimately tasked with the management of their total budget envelope, which would naturally have ups and downs across the service portfolio. It was added that there has been an overall underspend in the last three years and that it was anticipated that there would be an underspend this year as well.
- 7.4 The Chief of Staff stated that the Council had committed to delivering savings within the Lord Mayor's Secretariat but that they had been unable to deliver the transformation, which would now take effect next year. She stated that the department would be on track by the end of the financial year.
- 7.5 In response to members' questions, Siobhan Coldwell stated that staffing restructures and re-shaping of jobs would subsequently bring costs down. Members sought clarification concerning the cost implications for the Coroner's Service as a result of the Criminal Justice Act. There were between 200 and 300 inquests per year as a result of "deaths in care". The Coroner in Westminster was responsible for undertaking high profile cases, including inquests those resulting from the Grenfell Tower fire and the Westminster Bridge incident, but the biggest impact on the service was caused by those who die in care. In response to members' questions concerning the cost impact of the Grenfell Tower fire inquests, the City Treasurer clarified that costs were being recovered from RBKC and that the transactions would be reflected in the Council's annual accounts, but not be separately visible in the budget.

Action: Siobhan Coldwell to write separately to Cllr Arzymanow about the cost implications of the Criminal Justice Act.

8 GROWTH, PLANNING AND HOUSING

- 8.1 The Chairman invited Barbara Brownlee, Executive Director of Growth, Planning and Housing (GPH), to provide members with an overview of budget proposals for the Directorate.
- 8.2 A number of key issues facing the Directorate were highlighted and discussed. The Executive Director highlighted that the directorate was responsible for an expenditure budget of £322.335m, with a net controllable budget of £27.879m, and indicated that the projected deficit for 2017/18 of £0.970m was due to challenges in income delivery. The Executive Director stated that the directorate had identified transformation and efficiencies of £6.547m. Uncertainty in the areas of Building Control and Planning Income was also highlighted.
- 8.3 Members heard that the savings target from rationalisation of the property portfolio would be exceeded in 2017/2018 but that it would be increasingly difficult to deliver in future years. Barbara Brownlee stated that there continued to be relentless high demand for Temporary Accommodation. The Economy and Place Shaping Teams were already fairly self-sufficient through external funding. It was noted that a degree of caution had been applied in the GPH budget strategy.
- 8.4 In relation to members' questions concerning the Housing Revenue Account, the Executive Director explained that the plan is structured as a phased commitment. Efficiencies for the Planning team reflected the Council's intention to make the function self-financing.
- 8.5 In response to members' questions about property investments, the Executive Director explained that, investments had been frontloaded; they had to be viewed over the longer term.

Key Initiatives

- 8.6 The Executive Director took the members through three key areas of savings. The first was the Corporate Property Strategy, which would deliver £0.476m from rental income streams or by altering current rental agreements for existing properties. The second was the Property Rationalisation and Asset Management, which would deliver savings of £2.007m by reducing the Council's operational footprint. This would be achieved by subletting space within existing properties, including City Hall after its refurbishment. Members were informed that the property

rationalisation plan was a challenging target, which was also linked to delivery around a 'hubs' model.

- 8.7 Members enquired whether these savings reflected any optimism bias (over-confidence about the ability to secure third party income) or double counting but the City Treasurer assured members that figures had been reduced from past proposals of the saving and overall the approach was reasonably prudent. Barbara Brownlee confirmed that a third party will be letting floors in City Hall.
- 8.8 Discussion followed in respect of Rough Sleeping and Supported Housing, which would deliver savings of £2m through re-procurements, efficiencies, service redesign and reduction in service levels. The Executive Director explained that the Council's homeless day centres such as The Passage are now entirely funded through charitable gifts, though still providing services for Westminster. Barbara Brownlee further explained that there had been waking staff in the 24-hour hostels; these have now been changed to sleeping staff, with better outcomes. The Executive Director explained that the Council had received a grant from the MHCLG of £800k over two years, which would complement, not replace, Westminster services for rough sleeping women. Members enquired whether changing hostel services for rough sleepers from waking to sleeping staff arrangements in hostels would increase the risk of legal challenge to the council if there was an incident and how much confidence there was that sleeping staff can provide appropriate care. Barbara Brownlee stated that, during her three year tenure, there had not been an incident and the providers used are nationally recognised.

Action: Members to be provided with figures for the re-procurement of outreach and review of daycare services. Members also to be provided details of the facility on Harrow Road which would no longer be used by the Council.

- 8.9 The Executive Director provided details of three key initiatives to generate income streams. The first concerned the spot purchase of housing (temporary accommodation and intermediate housing). The second concerned the government's proposal to increase planning fees by 20%, to assist planning services to determine applications within the required timescales. The third initiative related to Planning Performance Agreements, resulting in the increase of fees from £26k to £36k.
- 8.10 Members commented that the EIA concerning Rough Sleeping and Supported Housing was thorough but challenged the first stage EIA for the Electronic Consultation (EIA 9.9). Members also commented upon the groups potentially affected by the move towards digitalisation, including groups without access to the internet and of a particular age, as well as those who struggle with the digital

environment. Members were advised that, whilst the general move is towards digital, alternative methods are used where email addresses are not available.

Action: EIA 9.9 to be reworked and resubmitted.

- 8.11 The Executive Director provided an explanation of budget pressures. These related to the unwinding of an income generation scheme which had brought in development fees and the drop in income from Huguenot House during redevelopment.
- 8.12 Members discussed consultations, referring again also to the Electronic Consultation. The Executive Director provided details of three consultation proposals for 2018/2019: the property rationalisation and asset management, planning performance agreements and electronic consultations.
- 8.13 The Executive Director took the members through the breakdown of capital expenditure, including strategic acquisitions. Members queried how the capital budget is scrutinised during the year and whether an underspend would be apparent. Steven Mair responded that capital expenditure is scrutinised as much as revenue, on a quarterly basis, as well as monthly via the Capital Review Group (CRG) meetings which currently included Cllrs Mitchell and Robathan. The Council's own budget monitoring would also detect and report any projected underspends.
- 8.14 The Executive Director provided details of the Housing Revenue Account (HRA), which is a ring-fenced account under statute. The HRA statutorily operates a 30 year business plan. Members asked which element of the budget any fire-related expenditure (such as projected sprinkler expenditure and cladding removal) appeared. Jonathan Cowie explained that fire safety work (e.g. fire doors) and cladding had gone into the HRA budget within major works amounting to £25m. Members queried the update to the business plan, specifically whether the Executive Director was confident that housing secured by s106 agreements would be delivered. Barbara Brownlee stated that s106 quotas go up and down, and cannot be guaranteed, but that the amount of housing secured by s106 had almost doubled.

Action: Members to be provided with details of the amount of housing forecast to be delivered against the target of 1,850, split between affordable and intermediate housing.

9 MEETING CLOSE

- 9.1 The Meeting ended at 8.52pm

Budget and Performance Task Group Day 2 17th October 2017

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Tuesday 17 October 2017**, Rooms 3.6-3.7, 3rd Floor, 5 Strand, Westminster, London, WC2N 5HR.

Members Present: Councillors Brian Connell (Chairman), Barbara Arzymanow, Adam Hug and Andrew Smith

Also Present: Steven Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Julia Corkey (Director of Policy, Performance and Communications), Ed Watson (Executive Director of the West End Partnership), Melissa Caslake (Bi-borough Executive Director of Children's Services), Andrew Tagg (Head of Resources, Children's Finance), Rachel Wigley (Deputy Executive Director and Director of Finance and Resources), Bernie Flaherty (Bi Borough Executive Director of Adult Social Care and Health), Martin Calleja (Head of Transformation, Adult Social Care Finance and Resources), Safia Khan (Lead Business Partner Adults, Adult Social Care Finance), John Forde (Deputy Director of Public Health, WCC), Richard Simpson (Finance Manager, Public Health) and Aaron Hardy (Policy and Scrutiny Manager).

1 WELCOME

- 1.1 Cllr Connell noted that apologies had been received from Mike Robinson (Tri-borough Director for Public Health)
- 1.2 The Chairman reminded members that, in order to fulfil the Terms of Reference, the Task Group should keep in mind any potential impact on affected groups (as discussed in respect of EIAs), whether or not the budget proposals would affect the Council's ability to fulfil its legal obligations, the need to identify and address potential optimism bias (over-confidence about the ability to secure third party income), the need to examine the Capital Programme as closely as the revenue budget and the potential impact of any external factors (for example, Brexit).

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

3 POLICY, PERFORMANCE AND COMMUNICATIONS

- 3.1 Cllr Connell invited Julia Corkey (Director of Policy, Performance and Communications) to take members through budget proposals in her portfolio. The Policy, Performance and Communications (PPC) budget had increased

by £2.747m since reported in February 2017. The increase was as a result of inflation, a transfer from City Management and Communities (CMC) regarding Thames Tidal and past savings that were no longer deemed achievable.

- 3.2 Past savings no longer deemed achievable included those attributed to the Business Intelligence department. These savings had been achieved but within the Council departments (e.g. Revenue and Benefits) that had worked with Business Intelligence, therefore the saving was not deliverable against the PPC budget.
- 3.3 Another budget no longer achievable was £1m income from s106. This had been reduced by £700k to £300k. This was because, although 5% can be taken to pay the running of the scheme, the Council could actually not justify retaining more than £300k for administrative costs.
- 3.4 The Task Group was informed that the budget for income from outdoor media advertising was based on very successful first and second years, however the market had flattened since then and this target was no longer achievable. The doubling of business rates at certain sites (which the Council was appealing) had also affected the achievability of this budget.
- 3.5 The voluntary sector community budget would be reduced by £200k to remove a historic underspend. This would not affect service levels. This budget concerned corporate support for volunteering (e.g. One Westminster and time credits) and not services commissioned from the voluntary sector.
- 3.6 £50k of one off capital expenditure was to be spent on a new system to manage booking for events and filming, this would help to generate an additional £100k income per annum.
- 3.7 The Communications and Campaigns budget was shown with budgeted income matching budgeted expenditure. It was explained that the overall PPC income target regardless of where it is generated offsets the communications expenditure. The department operates as one team with all managers responsible for achieving the overall PPC income target.

Action: To provide members with a briefing on how PPC is scrutinised.

4 WEST END PARTNERSHIP

- 4.1 Cllr Connell invited Ed Watson (Executive Director of the West End Partnership) to take members through budget proposals in his portfolio. Ed Watson told the Committee that majority of the 2018/19 West End Partnership's (WEP) budget related to the Oxford Street District project.

- 4.2 The major activity for 2018/19 would be the Oxford Street West transition scheme; this would be funded by Transport for London. The WEP was waiting on a decision from Government on business cases that had been submitted for a total of £310m of funding for the Oxford Street transformation and two other WEP projects, this is expected in the autumn statement. This funding could be a Tax Increment Financing deal (where the Council retains additional business rates income) or a direct grant. The WEP's business cases were predicated on significant investment from the private sector with Government funding used as a lever to encourage investment. Business Improvement Districts had been charged with leading and generating investment from the private sector. A mixture of traders and local land owners would be approached to contribute.
- 4.3 The WEP capital expenditure for two projects now being delivered are shown in the CMC budget, however going forward WEP projects would be recorded separately. The Westminster Scrutiny Commission would undertake the role of public scrutiny of the WEP's finances.

Action: Ensure that in the future the WEP budget is reported separately from the rest of the Council's.

5 CHILDREN'S SERVICES

- 5.1 Cllr Connell invited Melissa Caslake (Bi-borough Executive Director of Children's Services) to take members through budget proposals in her portfolio. The task group was told that the budget for 2018/19 was all set in the context of a move from a tri-borough to a bi-borough service. The services structures were being consulted on.
- 5.2 The implementation of the national funding formula was a significant risk for schools. There were transition arrangements in place for 2018/19. No individual school in Westminster was set to lose out, however some primary schools had seen falling rolls which reduced their overall budget. The Council was supporting those schools to embed financial strategies and create resilience to funding reductions.

Action: Provide the Task Group with details of schools being supported to become financially resilient to the effects of reduced pupil numbers.

- 5.3 Westminster was experiencing cost pressures as a result of being over the national cap on the number of unaccompanied asylum seekers that had to be placed. A transferral scheme was in place but this was difficult to use in practice.

- 5.4 The government funding for the Partners in Practice/Centre for Social Work was due to taper off. Work was being undertaken to produce a business plan to make this service sustainable.
- 5.6 The bulk of savings in Education (£1.025m) would come from increased trading and pursuing other income sources. The Council had previously invested in the continued delivery of Education support service. The reductions in the Education Services Grants and the increased number of academies, has required these services move to a traded basis to ensure future viability. The Council had focused on developing a robust, quality service but in the future would look to expand the number of services offered, including by trading out of borough. The Council took a measured approach with regards to services that would be traded and those for which the cost would be absorbed by the Council (e.g. billing other local authorities for out of borough children with high needs). SLAs with schools were signed early in the year so there was time to plan services and deal with any demand fluctuations. Currently SLAs were signed annually; negotiations were underway with schools to move to three year SLAs to provide more financial stability.

Action: Provide Task Group members with details of services traded with schools and which of these services are most sensitive to schools not buying in.

- 5.7 Children's Services had made savings by increasing the local offer for children and young people with additional needs; however this had resulted in increased demand for SEND transport. Funding from the high needs funding block was being sought to offset this increase. Costs for home to school transport had also been increased as a result of Children's services duty extending to the age of 25. These costs would not have necessarily been borne by Adults Services in the past as there were different criteria.
- 5.8 The reshaping of the 0-19 service model had already been undertaken. The health visiting contract had been renegotiated; Melissa Caslake said she understood that the efficiencies had been achieved through back office functions; however members of the task group raised concerns that frontline services may have been affected.

Action: Provide the Task Group with details of the impact of front line services of the health visiting contract renegotiation.

- 5.9 The first phase of the perfect pathways commissioning with parents had finished. Providers and market partners were being consulted in how to develop a better offer, focusing mainly on better signposting.

- 5.10 The Task Group discussed short breaks and was told that there was currently a blanket offer on short breaks, where everyone who was eligible received the same package. The Executive Director explained that this did not always meet the child's needs and was not an efficient use of limited resources.
- 5.11 The Task Group discussed the use of s106 contributions to fund the school expansion programme and the risks associated with this. It was explained that this was a funding route that can be used in local authorities to part finance school expansions. It had not been used widely in Westminster before as the building schools for the future programme had provided most of the funding in the past.

Action: Provide the Task Group with details of s106 contributions being used for school expansion in Westminster.

- 5.12 The move to a bi-borough Children's service was discussed. The cost estimate for the bi-borough services was £550k across both boroughs, structures were being consulted upon and this estimate was subject to change. Recruitment and staffing was an unknown issue, more detail about which posts would need to be filled was expected by December once the bi-borough and Hammersmith and Fulham staff consultations had been concluded.

6 ADULT SOCIAL CARE

- 6.1 Cllr Connell invited Rachel Wigley (Deputy Executive Director and Director of Finance and Resources) to take members through budget proposals in Adult Services.
- 6.2 The Task Group enquired as to why the budget for physical support in 2017/18 had doubled since it was reported in February 2017. The explanation included inflation being applied to the service area, virements from other areas, increased allocation of better care fund money, and reallocation of funding from other Adults services as customers' needs had been assessed.

Action: Provide members of the task group with details of the increased 2017/18 physical support budget

- 6.3 Mental health and support with memory and cognition budgets were reported separately because of CIPFA guidelines.
- 6.4 It was indicated that the reduction in the budget for assistive technology was because of a one-off spend that was necessary in 2017/18

- 6.5 The North West London Strategic Transformation Plan would not result in additional funding for the Council, but was being designed improve the health economy overall.
- 6.6 In response to questions the Task Group was told that all of the proposals were achievable. The ones most at risk were those that involved cooperation with health partners as multi-agency working was always challenging and required sign-up from all parties and the relevant skills being available to deliver projects. Another risk was that the market might not respond positively to attempts to re-commission service
- 6.7 The review care pathways and re-commissioning key services initiative was not expected to involve major changes that would affect customers in 2018/19. However these changes would lead to delivering more difficult budget savings in future years.
- 6.8 The scrutiny of Adult Services finances was discussed. The responsible Committee was the Adults, Health and Public Protection Policy and Scrutiny Committee (AHPP). AHPP focused primarily on service quality. Although other bodies (such as the Health and Wellbeing Board) also examined health proposals, the gap in the Scrutiny of Adult Services finances was viewed as a risk by members of the Task Group.
- 6.9 It was explained that the better care fund had been increased and that the Council would also receive an additional Better Care Funding grant for three years. The increases together amounted to £3.596m which would be used to offset the loss of other one-off grants and contract and placement pressures.

Action: Provide the Task Group with a breakdown of the better care funding, showing the permanent increase and the 3 year additional grant.

- 6.10 The Task Group was told that each time a service was re-commissioned it had a well evolved plan and that re-commissioning was about redesigning services not cutting pay.

- 6.11 The Task Group discussed the costs involved in bed blocking.

Action: Provide members of the Task Group with public performance statistics on bed blocking

- 6.12 The change to the duty of Children's Services to provide care up to the age of 25 had not reduced the costs associated with Adult Services as those customers who did transition to Adults Services had the highest needs which required the most

costly care. There was also a growing ageing population adding to the costs of Adult Services.

6.13 The outcome of consultation on the asset based commissioning of prevention services was the only one with the potential to affect the savings target. The consultation was seeking to make use of community assets (including family, personal finance, buildings, businesses and volunteering) to deliver services. Future savings might be difficult to achieve so the implementation period may be extended.

6.14 The Task Group was told that approximately £6.5m was spent on preventative services.

Action: Provide the Task Group with a briefing on the split of funding between preventative measures and care at home.

6.15 The Adult Services capital programme was largely focused on delivering more digital services.

7 PUBLIC HEALTH

7.1 Cllr Connell invited John Forde (Deputy Director for Public Health, WCC) to take members through budget proposals in Public Health.

7.2 Public Health transfers £0.832m of its funding from NHS England to Central London CCG for the delivery of dietetic service by the NHS. This anomaly arose when the Public Health budgets were first devolved to local authorities (not just Westminster) but has not been addressed by the NHS.

7.3 It was clarified that Public Health would shift its operating model with the introduction of a Bi-borough service and that the use of the Public Health grant would continue to be shared with other council departments to optimise its use. One of the main challenges for Public Health in 2018/19 would be to ensure that this approach was successful and the funding used efficiently. The City Treasurer told the Task Group that the main issues potential risks within Public Health were the large number of contracts that were being reviewed and the £1.023m call on reserves. The planned overspend would be drawn from Public Health reserves, which were forecast to last until 2021, but which allowed time to reduce the deficit. However it was essential that recurrent expenditure was brought in line with recurrent income by that date.

7.4 £800k efficiencies in Substance Misuse would be achieved by releasing funds that had been set aside for risks around re-designed services in case they didn't meet

their savings targets. The services had met their targets allowing the risk fund to be released.

- 7.5 The £600k savings from the Genito Urinary Medicine services were as a result of London-wide work to make efficiencies in the contract, such as more digital services and an increase in home testing which offers a more flexible service costing less money.
- 7.6 The savings delivered by ending the Health Trainers contract were mainly achieved as a result of eliminating duplication with other contracts such as cardiovascular disease prevention and adult obesity services.

8 MEETING CLOSE

- 8.1 The Meeting ended at 9.40pm.

Budget and Performance Task Group Day 3 18th October 2017

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Wednesday 18 October 2017**, Room 3.4, 3rd Floor, 5 The Strand, Westminster, London, WC2N 5HR.

Members Present: Councillors Brian Connell (Chairman), Barbara Arzymanow, Tony Devenish, Adam Hug and Andrew Smith

Also Present: John Quinn (Executive Director of Corporate Services), Stuart Love (Executive Director of City Management and Communities), Catherine Murphy (Strategic Finance Manager), Steven Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer) and Aaron Hardy (Policy and Scrutiny Manger).

1 WELCOME

- 1.1 The Chairman welcomed those present.
- 1.2 The Chairman reminded members that, in order to fulfil the Terms of Reference, the Task Group should keep in mind any potential impact on affected groups (as discussed in respect of EIAs), whether or not the budget proposals would affect the Council's ability to fulfil its legal obligations, the need to identify and address potential optimism bias (over-confidence about the ability to secure third party income), the need to examine the Capital Programme as closely as the revenue budget and the potential impact of any external factors (for example, Brexit).

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

3 CORPORATE SERVICES

- 3.1 The Chairman invited John Quinn (Executive Director of Corporate Services) to take members through budget proposals in his portfolio. The Task Group was told that the directorate's budget was made up of mainly staffing costs, the second largest spend was on IT costs. Savings would mainly be achieved through more efficient use of staff.
- 3.2 Most of the income was from recharges to other parts of the Council. Internal recharges use the same formula as previous years to calculate the costs. Third party (external) income was approximately £500k which included income from framework contracts or selling procurement services to other authorities.

Approximately £200k of income was from cross-charging services provided to schools.

- 3.3 The Task Group discussed the managed services procurement. The procurement was estimated to be cost neutral in 2018/19 as the first half of the year would still be under the BT contract and the Council would receive a rebate from BT which would cover most of the additional costs in the second half of the year. In addition to the above there would be an additional one off implementation costs.
- 3.4 The savings from Legal Services were dependent on member approval of an alternative business structure (ABS) and joining LGSS. Joining the LGSS will reduce overheads and give the Council access to an additional 100 lawyers. Being in an ABS would allow the Council to use in-house lawyers on work it did with third party organisations, which was one way spend on external legal services could be reduced. The internal charge for legal services would also drop from the current £85 per hour due to a reduction in back-office support costs. In respect of governance, the LGSS has officer and member level boards. The performance of legal services would still be reported to the relevant Policy and Scrutiny Committee.

Action: Circulate the business case for the Legal Services proposals to members of the Task Group.

- 3.5 The BYOD campaign would include offering staff the opportunity to use their own phone by using Skype, reducing handset costs. The Council was no longer pursuing BYOD with in relation to desktops as the costs related to a maintaining many different types of hardware outweighed the benefit.
- 3.6 The Task Group discussed the digital transformation programme, part of which was the one front door proposal which intended to remove various different 'My Accounts' required for online council services and replace them with one. This would be easier to use for customers and achieve a saving by being able to retire out-dated systems. Other candidate projects were being assessed. Members of the Task Group noted that this programme was the first major capital investment of this type the Council had undertaken and that responsible Cabinet members should closely monitor whether or not the projected savings were achieved.

Action: Circulate the business case for the digital transformation programme to members of the Task Group.

- 3.7 The end user computing refresh programme included the introduction of Windows 10 and replacing old hardware.

Action: Provide details of the number of pieces of hardware involved in the computing refresh and average cost per laptop.

4 CITY MANAGEMENT AND COMMUNITIES

- 4.1 The Chairman invited Stuart Love (Executive Director of City Management and Communities) to take members through budget proposals in his portfolio. The Task Group was told that the directorate's surplus for 2017/18 was due to additional income, savings achieved from suppliers and managing existing vacancies.
- 4.2 Funding from MOPAC is projected to reduce by a total of £200k. The Council's previous budget had been £1m. This had been reduced by 56% by MOPAC and the Council had successfully bid for additional funding to bring the total back up to £800k. This pressure was not reflected in the budget as the news on funding had just come to light.
- 4.3 Additional commercial activities in Libraries was planned beyond 2018/19, however a detailed business plan had not been produced and income had not been budgeted for as a cautious approach had been taken based on a lack of success in other authorities.
- 4.4 The additional income from leisure facilities was mainly as a result of increased commercial opportunities being realised at the Sayers Croft Field Centre. This would mainly be generated during school holidays and would not impact on the use of the centre by schools.
- 4.5 The review of the Highways service would not have an effect on the frequency of repairs; there would however be a reduction in staff posts. The review had also identified reductions in duplication of contracted services through a new approach to contract management.
- 4.6 The Council would receive a fee from a provider of electrical vehicle charging points; the demand for spaces for these points outweighed the Council's ability to supply them. Residential parking spaces would only be used for electrical vehicle charging points when residents requested them. Flexible car sharing schemes would not use residential parking spaces.
- 4.7 The Task Group discussed the direct deployment of parking marshals and was told that the contractor had said that its staff were in favour of the approach, as were the Council's own employees in similar roles. This would save the Council the cost of approximately 1,400 hours. Stuart Love told the Task Group that the Council should trust its staff rather than require them report at a central location at the beginning of their shift and go back out. Members of the Task Group encouraged

a bold approach when introducing new schemes, rather than a risk adverse approach which would be reversed later to achieve a saving.

- 4.8 An online solution for consultations on planning and licensing applications would ensure that all the information was available online for residents to access. The Council would utilise existing channels to communicate the change to residents. The changes were not expected to cause significant frustration as it was believed that most residents preferred accessing services digitally. The Task Group was told that the change was not expected to leave the Council open to more judicial reviews on planning and licensing decisions. The Task Group commented that the proposals required political buy-in.
- 4.9 The Better Working in our Neighbourhoods project aimed to build on the experience of city inspectors by combining more functions into the role (e.g. highways inspections and noise complaints) to increase efficiency of work. Staff consultations on the proposals would begin in January. The task Group commented on the importance of clear language in budget proposals so that the effect they had on services could be easily understood.
- Action:** Provide the Task Group with the number of posts that the project will affect.
- 4.10 The budget pressures for waste and disposal reflected an increased cost per tonne, not an increase in tonnage volume which was actually decreasing. This increase had been expected from the outset of the contract. There was only a slight risk that the additional costs would be higher than forecast.
- 4.11 In response to questions, the Task Group was told that the Council was very confident that the capital programme for the directorate would be delivered. The biggest risk was that projects due to be externally funded could suffer slippage as a result of delays on the part of funders, which was outside Council control. To manage the capital programme (which was the Council's largest ever), project management expertise had been brought in from contractors. This approach ensured the Council had appropriate expertise but did not incur an additional overhead if the project stalled. The Task Group praised this approach.
- 4.12 The Task Group emphasised that the capital programme would result in significant disruption in parts of the City and that the Cabinet should ensure this is properly communicated to residents and Councillors to avoid delays in projects.
- 4.13 The increased spend on bridges and structures was higher in 2018/19 than previous years as a result of a number of bridges needing maintenance at the same time.

- 4.14 The disabled facilities grant and safe and secure homes scheme was part of CMC (instead of Adult Services, Growth, Planning and Housing or as part of the CityWest Homes budget) mainly for historical reasons and partly because it was used for works on private properties, not the Council's own stock of housing.

Action: Review the disabled facilities grant and safe and secure homes scheme budget and budgets of a similar nature in other directorates to determine whether these should be combined and the most appropriate department to manage these considering the needs of customers and how they can be best met.

- 4.15 The Executive Director identified income streams for waste and recycling and parking as potential risks for 2018/19. The Council had seen a reduction in the amount of commercial waste being collected, this had been offset by price increases and income had remained static. There had also been small reductions in on-street parking income, this was being monitored but had been more than offset by income from parking suspensions.

Action: Provide members of the Task Group with a breakdown of parking income.

5 CITY TREASURER

- 5.1 The Chairman invited Steven Mair (City Treasurer) to take members through budget proposals in his portfolio.
- 5.2 The City Treasurer's department had achieved an underspend for 2017/18 to date as a result of better than expected Treasury Management performance; this had been achieved by developing a treasury management strategy which sought to alter the Council's approach to risk.
- 5.3 The Task Group was told that the projected increase in the Council Tax base was modest and a reasonable assumption. The cautious approach should ensure that the target is met and in the unlikely event that it is not, it can be absorbed by the Council's overall budget.
- 5.4 The Revenue and Benefits contract had not changed provider for nearly twenty years. Re-procuring the contract to take into account digital solutions and undertaking a robust evaluation of the contract should lead to significant savings.
- 5.5 The projected increase in income from business rates was because of the changes to the appeals system which discouraged speculative appeals. The income was expected up front but to be prudent and guard against the impact of appeals increasing again in the future half of it would be put into a reserve and released in future years.

- 5.6 The £6m saving from accounts and budget cleanse was a guaranteed on-going saving. This had been achieved by improving the Council's financial assurance processes through work such as rigorously challenging debt collection processes, historic budget lines and accruals.
- 5.7 The capital contingency budget was overseen by a member level Capital Review Group which had to approve all requests to draw from the budget.
- 5.8 The capitalisation of pension contributions and centrally held City Hall capital budgets were a mechanism to allow the Council to take advantage of temporary rules that allowed the Council to use capital receipts to fund invest to save projects normally funded through revenue budgets. Investment in City Hall would allow the Council to maximise income from renting office space and investing in reducing the pension fund deficit would reduce the future revenue costs of the pension fund.

6 MEETING CLOSE

- 6.1 The Chairman thanked all of the officers who had prepared papers for the task group, attended the meetings and provided follow up information.
- 6.2 The Meeting ended at 9.05pm.

Annex B

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.

An Equalities Impact Assessment (EIA), has been produced for each of the savings initiatives for the 2018/19 budget, either for section 1 only if no equalities impact was determined, or a full EIA if an impact was detected. This Annex sets out all of the completed returns.

Additionally, two lever arch files containing the EIAs for all savings proposals is held by the Member Services team at 5 The Strand and will be available for Councillors to review between 9am and 5pm, Monday to Friday, up until the date of the full Council meeting on 7th March 2018.

Members are requested to ask any one of the team for access to the file if they wish to see them. In order for all Members to have access to these, the file cannot be taken out of the building. All assessments were also made available at the Budget and Performance Task Group meetings held on 12th, 17th and 18th October 2017 and are available on the Council's website.

A summary list of all the assessments is presented below:

SCHEDULE OF BUDGET PROPOSALS AND EIA REFERENCE NUMBERS

The list of proposals set out below shows the savings being targeted for delivery in 2018/19.

Members are requested to review the list and the Equality Impact Assessment reports cross-referenced below, as part of the requirement to consider each saving proposed before the decision to recommend the budget is taken.

EIA Reference Number	EIA Description	Executive Director	Saving 2018/19 £000	Full EIA or Part 1 Only
Financa, Property & Corporate Services (Councillor Mitchell)				
1.16a	Reduced spend on Legal Services	Corporate Services (John Quinn)	100	Part 1 Only
1.18	Increase in Council Tax Base	City Treasurer's (Steve Mair)	475	Part 1 Only
1.20	Revenue & Benefits – contract re-procurement	City Treasurer's (Steve Mair)	1,320	Part 1 Only
1.24	Commercial operating model for procurement	Corporate Services (John Quinn)	150	Part 1 Only
1.25	Corporate Property Strategy	Growth, Planning & Housing (Barbara Brownlee)	476	Part 1 Only
1.37	Transition to new communication contract/model	Corporate Services (John Quinn)	240	Part 1 Only
1.40	Property rationalisation and asset management	Growth, Planning & Housing (Barbara Brownlee)	2,007	Part 1 Only
1.44	Recharging of Matrix contract	Corporate Services (John Quinn)	50	Part 1 Only
1.52	Treasury Management and review of non-pay budgets	City Treasurer's (Steve Mair)	1,412	Part 1 Only
1.54	Review of ICT budgets	Corporate Services (John Quinn)	200	Part 1 Only
1.55	Legal joint venture	Corporate Services (John Quinn)	200	Part 1 Only
1.57	Commercialisation of financial expertise	City Treasurer's (Steve Mair)	50	Part 1 Only
1.58	Wireless and small cell concessions	City Treasurer's (Steve Mair)	800	Part 1 Only
1.61	Review of Insurance	City Treasurer's (Steve Mair)	180	Part 1 Only
1.62	Business rates	City Treasurer's (Steve Mair)	2,908	Part 1 Only
1.63	Property - sustainable green energy	Growth, Planning & Housing (Barbara Brownlee)	122	Part 1 Only
1.65	Other Policy, Performance and Communications savings	Policy, Performance & Communications (Julia Corkey)	50	Part 1 Only
1.66	Accounts and Budget Cleanse	City Treasurer's (Steve Mair)	6,000	Part 1 Only
1.68	Additional Vacancy Factor	VARIOUS - Apportioned	796	Part 1 Only
1.69	Voluntary Westminster Community Contribution	City Treasurer's (Steve Mair)	nil	Part 1 Only
Business, Culture & Heritage (Councillor Davis)				
2.7	Economy Income	Growth, Planning & Housing (Barbara Brownlee)	200	Part 1 Only
2.8	Place Shaping Income	Growth, Planning & Housing (Barbara Brownlee)	100	Part 1 Only
6.9	Licensing pre-application advice service	City Management & Communities (Stuart Love)	50	Part 1 Only
6.10	Charging for revisits - food team	City Management & Communities (Stuart Love)	20	Part 1 Only
Adult Social Services & Public Health (Councillor Acton)				
3.3 (i)	Commissioning Strategy Programme: Promoting well being, prevention and independence to manage care package costs	Adult Services (Sue Redmond)	450	Part 1 Only
3.17	Commissioning Strategy Programme: Alternative delivery vehicles including commercial trading	Adult Services (Sue Redmond)	100	Part 1 Only
3.18	Whole Systems Integration Programme: Joint commissioning with health to deliver shared demand and costs management	Adult Services (Sue Redmond)	320	Part 1 Only
3.20	Commissioning Strategy Programme: Review care pathways and re-commission key services	Adult Services (Sue Redmond)	630	Part 1 Only
3.21	Commissioning Strategy Programme: Improved transition and promoting independence	Adult Services (Sue Redmond)	200	Part 1 Only
3.22	Whole Systems Integration Programme: Joint Commissioning, capitated budgets & accountable care partnerships	Adult Services (Sue Redmond)	200	Part 1 Only
3.25	Front Door and Demand Management Programme: Integrated front door with Health and digital by default	Adult Services (Sue Redmond)	40	Part 1 Only
3.26	Front Door and Demand Management Programme: Asset Based Commissioning of prevention services	Adult Services (Sue Redmond)	100	Part 1 Only
3.27	Commissioning Strategy Programme: Remodel In-House service Portfolio	Adult Services (Sue Redmond)	150	Part 1 Only
3.28	Commissioning Strategy Programme: Direct Payments as first choice	Adult Services (Sue Redmond)	100	Part 1 Only
3.29	Commissioning Strategy Programme: Forensic needs and payments analysis	Adult Services (Sue Redmond)	100	Part 1 Only
3.30	Commissioning Strategy Programme: E-Market dynamic purchasing system	Adult Services (Sue Redmond)	50	Part 1 Only
3.31	Whole Systems Integration Programme: Realising the full efficiency benefits of Integrated Learning Disabilities and Mental Health Services	Adult Services (Sue Redmond)	150	Part 1 Only
3.32	Whole Systems Integration Programme: Integrated back office functions with Public Health and Health	Adult Services (Sue Redmond)	250	Part 1 Only
3.33	Commissioning Strategy Programme: Review of workforce costs	Adult Services (Sue Redmond)	150	Part 1 Only
3.35	Adult Social Care Levy	Adult Services (Sue Redmond)	1,003	Part 1 Only
3.36	Commissioning Strategy Programme: Delivery of Differential Charging Priorities	Adult Services (Sue Redmond)	250	Part 1 Only
3.37	Whole Systems Integration Programme: Increase in IBCF grant	Adult Services (Sue Redmond)	3,596	Part 1 Only
3.38	Public Health Contract Savings	Adult Services (Sue Redmond)	5,484	Part 1 Only

SCHEDULE OF BUDGET PROPOSALS AND EIA REFERENCE NUMBERS

The list of proposals set out below shows the savings being targeted for delivery in 2018/19.

Members are requested to review the list and the Equality Impact Assessment reports cross-referenced below, as part of the requirement to consider each saving proposed before the decision to recommend the budget is taken.

EIA Reference Number	EIA Description	Executive Director	Saving 2018/19 £000	Full EIA or Part 1 Only
Housing (Councillor Robathan)				
4.13	Rough Sleeping and Supported Housing	Growth, Planning & Housing (Barbara Brownlee)	2,000	Part 1 Only
4.16	Spot purchases of housing for Intermediate affordable housing	Growth, Planning & Housing (Barbara Brownlee)	577	Part 1 Only
4.17	CityWest Homes property fee income	Growth, Planning & Housing (Barbara Brownlee)	90	Part 1 Only
City Highways (Councillor Chalkley)				
1.3	Digital transformation - further City Management and Communities savings	City Management & Communities (Stuart Love)	152	Part 1 Only
5.10	Compliance and Audit Contract – contract efficiencies	City Management & Communities (Stuart Love)	50	Part 1 Only
5.13	Highways - Expenditure Review	City Management & Communities (Stuart Love)	100	Part 1 Only
5.14	Review of Highways service including Road Management	City Management & Communities (Stuart Love)	750	Part 1 Only
5.15	Provision of electric vehicle charging points	City Management & Communities (Stuart Love)	130	Part 1 Only
5.16	Flexible car sharing operators	City Management & Communities (Stuart Love)	300	Part 1 Only
5.17	Direct deployment of Parking Marshals	City Management & Communities (Stuart Love)	500	Part 1 Only
5.18	Parking: Business Processing and Technology Contract Review	City Management & Communities (Stuart Love)	550	Part 1 Only
5.19	Pay to Park Benchmarking	City Management & Communities (Stuart Love)	300	Part 1 Only
5.20	Bay suspensions relocation service	City Management & Communities (Stuart Love)	250	Part 1 Only
5.21	Temporary structures charging review	City Management & Communities (Stuart Love)	150	Part 1 Only
5.22	Abnormal loads cost recovery	City Management & Communities (Stuart Love)	100	Part 1 Only
6.11	Better working in our neighbourhoods	City Management & Communities (Stuart Love)	900	Part 1 Only
6.12	Additional income from Waste Enforcement following an increase in the statutory fees payable.	City Management & Communities (Stuart Love)	200	Part 1 Only
Environment, Sports & Community (Councillor Harvey)				
7.12	Sports and leisure savings Phase 2	City Management & Communities (Stuart Love)	670	Part 1 Only
7.15	Libraries & Archives – stock efficiencies	City Management & Communities (Stuart Love)	100	Part 1 Only
7.16	Libraries & Archives – additional commercial activity	City Management & Communities (Stuart Love)	50	Part 1 Only
7.16	Leisure additional income	City Management & Communities (Stuart Love)	100	Part 1 Only
7.21	City Management and Communities controllable spend review	City Management & Communities (Stuart Love)	550	Part 1 Only
7.23	Voluntary sector support	Policy, Performance & Communications (Julia Corkey)	200	Part 1 Only
Children, Families & Young People (Councillor Holloway)				
8.1A	Specialist Intervention - Perfect Pathways	Children's Services (Melissa Caslake)	205	Part 1 Only
8.1B	Children's Commissioning Directorate Restructure	Children's Services (Melissa Caslake)	120	Part 1 Only
8.1C	Tracking and Survey Re-commissioning	Children's Services (Melissa Caslake)	142	Part 1 Only
8.5A	Review of Dedicated Schools Grant	Children's Services (Melissa Caslake)	575	Part 1 Only
8.5B	Development of Traded Offer	Children's Services (Melissa Caslake)	350	Part 1 Only
8.5C	Asset Strategy - Feasibility Budget	Children's Services (Melissa Caslake)	10	Part 1 Only
8.5D	Schools Standards Service Staffing Efficiencies	Children's Services (Melissa Caslake)	20	Part 1 Only
8.5E	Impact of proposed reduction in staffing budget Westminster Disabled Children Team 2018-19	Children's Services (Melissa Caslake)	50	Part 1 Only
8.5F	An Improved offer of independent travel training	Children's Services (Melissa Caslake)	50	Part 1 Only
8.5A	Release Uncommitted Finance and Resources Budget	Children's Services (Melissa Caslake)	375	Part 1 Only
8.6B	Post Tri-Borough to Bi-Borough Staffing Reviews - Management Savings	Children's Services (Melissa Caslake)	175	Part 1 Only
8.9A	Placement Cost Reduction and Third Party Contributions	Children's Services (Melissa Caslake)	240	Part 1 Only
8.9B	Service Reviews - Restructures	Children's Services (Melissa Caslake)	175	Part 1 Only
8.22	Health Visiting Services Contract Savings in Westminster - 0-19 Service Savings	Children's Services (Melissa Caslake)	450	Part 1 Only
Planning & Public Realm (Councillor Astaire)				
9.8	Development Planning Income	Growth, Planning & Housing (Barbara Brownlee)	450	Part 1 Only
9.10	Planning Performance Agreements	Growth, Planning & Housing (Barbara Brownlee)	275	Part 1 Only
9.11	Proceeds of Crime Act - Planning Enforcement	Growth, Planning & Housing (Barbara Brownlee)	150	Part 1 Only

Annex C - Council Tax Resolution

That the Council be recommended to resolve as follows:

1. It be noted that on the 24th of January 2018, the Council calculated the Council Tax Base for 2018/19:
 - a) For the whole Council area as **128,833.30** [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 **95.68**
 - c) For dwellings in the Queen’s Park Community Council area as **3,406.61**
2. Calculate that the Council Tax Requirement for the Council’s own purposes for 2018/19 (excluding Special Expenses) is **£53,629,439**
3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:
 - a) **£854,521,051** 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) **£800,844,612** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.
 - c) **£53,676,439** 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) **£416.63** 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) **£47,000** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

f) **£416.27** 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 dwelling in the Council's area as indicated in the table below:

Ratio	Band	Greater London Authority
6	A	196.15
7	B	228.85
8	C	261.54
9	D	294.23
11	E	359.61
13	F	425.00
15	G	490.38
18	H	588.46

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 dwelling in the Queen's Park Community Council area as indicated in the table below:

Ratio	Band	Queen's Park Community Council
6	A	30.92
7	B	36.07
8	C	41.23
9	D	46.38
11	E	56.69
13	F	66.99
15	G	77.30
18	H	92.76

6. To note that the Montpelier Square Garden Committee Special Expense for each category of dwelling as indicated in the table below:

Ratio	Band	Montpelier Square Garden Committee
6	A	327.48
7	B	382.06
8	C	436.64
9	D	491.22
11	E	600.38
13	F	709.54
15	G	818.70
18	H	982.44

7. 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 2018/19 for each part of its area and for each category of dwellings:

Westminster Council Requirement & Special Expenses

Ratio	Band	Queen's Park Community Council	Montpelier Square Garden Committee	All Other Parts of Westminster City Council
6	A	308.43	604.99	277.51
7	B	359.84	705.83	323.77
8	C	411.25	806.66	370.02
9	D	462.65	907.49	416.27
11	E	565.46	1,109.15	508.77
13	F	668.27	1,310.82	601.28
15	G	771.08	1,512.48	693.78
18	H	925.30	1,814.98	832.54

Westminster Council Requirement, Special Expenses and Precepts

Ratio	Band	Queen's Park Community Council	Montpelier Square Garden Committee	All Other Parts of Westminster City Council
6	A	504.58	801.14	473.66
7	B	588.69	934.68	552.62
8	C	672.79	1,068.20	631.56
9	D	756.88	1,201.72	710.50
11	E	925.07	1,468.76	868.38
13	F	1,093.27	1,735.82	1,026.28
15	G	1,261.46	2,002.86	1,184.16
18	H	1,513.76	2,403.44	1,421.00

8. 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 post-holder be authorised to act as before said in his stead.
9. That notice of amounts of Council Tax be published.
10. That the Council does not adopt a special instalment scheme for Council tenants.
11. 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.
12. That the Council does not offer payment discounts to Council Taxpayers.
13. 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.