



# City of Westminster Cabinet Report

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>15 October 2018</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>2019/20 Budget Proposals</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>To manage the Council's finances prudently and efficiently</b>
<b>Cabinet Member:</b>	<b>Cabinet Member for Finance, Property and Regeneration</b>
<b>Financial Summary:</b>	<b>This report sets out the Council's budget proposals for the 2019/20 financial year. For 2019/20, the Council estimates a total gross General Fund savings requirement of £35.848m. This is due to £26.300m for core funding losses and other Council-wide pressures as well as a further £9.548m of unavoidable, direct service pressures.</b>
<b>Report of:</b>	<b>Steven Mair, City Treasurer Tel: 0207 641 2904 Email: <a href="mailto:smair@westminster.gov.uk">smair@westminster.gov.uk</a></b>

# 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 people are born into a supportive and safe environment, can grow and learn throughout their lives, build productive careers, have access to high-quality, affordable homes and retire into the community with dignity and pride.
- 1.2 This is no small challenge as the Council operates in a unique environment. This includes:
  - a resident population of over 244k individuals;
  - daily visitors of approximately 1m people (including over 700k workers);
  - more than 150 languages spoken in the borough's schools;
  - approximately 50k businesses being based in the borough;
- 1.3 From 2018/19, there are five priority areas to enable for City for All to be realised:
  - city of opportunity i.e. creating opportunities so that everyone can build their lives, careers and families in the borough;
  - city that offers excellent local services i.e. continue to drive improvements and partnership working to keep the borough safe, clean and well run;
  - caring and fairer city i.e. prioritising the care and support for the most vulnerable individuals in the borough;
  - healthier and greener city i.e. working closely with partners such as the NHS to encourage individuals and families to enjoy active and healthy lives.
  - city that celebrates its communities i.e. ensuring that everyone has a stake in the city and can actively contribute to their community
- 1.4 These priorities are underpinned by an open, working partnership between residents, businesses and other stakeholders – through which the Council will work with across the community to build an even fairer, stronger and more cohesive Westminster.
- 1.5 To ensure that these priorities are delivered, the Council has set aside ring-fenced funding for the "#MyWestminster Programme". This programme consists of three parts:
  - #MyWestminster Fund;
  - #MyWestminster Projects;
  - #MyWestminster City Lions.
- 1.6 These are discussed in more detail in section 4 but to date, under the #MyWestminster Fund strand, 29 local community organisations have successfully bid for approximately £0.200m of funding and under the

#MyWestminster Projects strand and 17 projects have been allocated funding (£1.742m as approved in January 2018). The #MyWestminster City Lions strand will aim to work with 13-15 year olds and focus on linking them with the most high profile companies and institutions in the borough.

1.7 All budget proposals presented have been carefully tested against the City for All priorities.

1.8 To support the delivery of the City for All priorities and the underpinning delivery programmes, the Council will continue to embed the staff values of being:

- **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.

1.9 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 multi-year settlement offer from Central Government and internal modelling, the Council had already anticipated that further savings would be required in 2019/20.

1.10 The 2019/20 financial year is pivotal for Local Government; this is the last year of the multi-year settlement and between now and 2020/21 a number of developments are expected that are likely to impact the Council's funding or service delivery, these are depicted below. Where information is available, these are discussed further in section 6.



1.11 For 2019/20, the Council has continued to build on the time invested in the 2018/19 Medium Term Planning process and is in a position to put forward budget proposals for 2019/20 for consideration and approval now. This provides a greater period of time for services to ensure the smooth implementation of their budget changes.

- 1.12 It should be noted that there is the potential for further changes to the Council's financial position between the date of this report and Full Council on 6 March 2019. These matters may include:
- further changes or impact of final determinations over and above current modelling made by Central Government to the Council's grants which may become apparent in December 2018;
  - pressures to budgets not currently anticipated;
  - other changes which are unforeseen or not possible to estimate until later in the financial year e.g. impact of final approved Council Tax base for 2019/20;
  - changes as a result of consideration of consultations or equality impact assessments.
- 1.13 The potential for the changes described in 1.12 will be monitored and modelled closely as the year progresses. Services along with support from the City Treasurer have invested much time and effort into the development of these budget proposals which has again been a challenging process and has to date identified total gross General Fund savings requirement of £35.848m. As in previous years, all of the proposed savings are from measures which avoid service reductions e.g. budget savings through income generation, efficiencies and other transformation means.
- 1.14 While some uncertainties remain, the Council is confident the budget proposals presented in this report offer a strong basis of a fully balanced budget for 2019/20. Furthermore, the Council's ongoing, forward-looking approach means it is well placed to meet its future financial challenges if management action on budget proposals continues as currently envisaged and planned.
- 1.15 At period 4, services area revenue budgets are projected to underspend by £2.194m by year-end. All variances are subject to 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 track record. The Council tracks and monitors financial performance monthly and any risks are reported through routine management reporting along with the progress being made against the savings and growth targeted for the year. Westminster adopts a robust and pro-active approach to budget management, with a focus on strategic (corporate) and operational (service areas) risks and opportunities.
- 1.16 The capital programme is set in detail over the period from 2019/20 to 2032/33 at a gross budget of £3.8bn (fifteen years of General Fund and HRA investment) and is funded through a combination of external funding, capital receipts and borrowing. 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 programme report contains further details on the capital schemes and is reported separately on this agenda.

- 1.17 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. The continuing climate of austerity and increasing demands on services will continue for the foreseeable future but with the Westminster's track record of continued leadership and management action the Council can deliver a balanced budget for 2019/20 and beyond.

## **2 Recommendations**

- 2.1 Having considered and had regard to the Equality Impact Assessments (EIA) in Annex B and considered the views of the Budget and Performance Task Group set out in Annex A, that Cabinet approve and recommend to Full Council the following:

- the budget proposals, set out in Annexes B and C, for the 2019/20 budget where relevant external consultations have been completed (remaining consultations are on savings items outlined in 19.1 and as reviewed by the Budget and Performance Task Group as detailed in Annex A;
- in principle, the budget proposals for the 2019/20 budget where relevant external consultations have not been completed as separately listed in Section 19 are approved. Such proposals will be further considered, by Full Council on 6 March 2019, once all consultations and EIAs (Equality Impact Assessments) have been completed.
- the financial regulations noted in Section 19.6 and set out at Annex D.

- 2.2 Cabinet:

- agrees to receive a further report in February 2019 which will finalise the budget for 2019/20 for approval by Council.

## **3 Reasons for Decision**

- 3.1 The presentation of this budget proposals report offers an early opportunity to note and approve budget changes for the 2019/20 financial year.
- 3.2 All proposals have been assessed for whether they require consultations and equality impact assessments, whether these have been completed or not and,

where they have not been completed, timescales for completion. Completed EIAs are available to all members at Annex B.

#### **4. City for All and My Westminster**

##### **City for All – Beyond 2018/19**

4.1 In July 2018, the Leader of the Council reiterated the Council's commitment to creating a City for All. This aspiration seeks to create opportunities and conditions whereby people in the borough:

- from all backgrounds are empowered to make choices to improve their lives;
- are protected from harm;
- have the opportunity to build their lives and raise their families;

4.2 To achieve this aspiration under City for All, the Council has identified the following five areas to focus resources on:

1. City of opportunity i.e. creating opportunities so that everyone can build their lives, careers and families in the borough. Included here are plans to help deliver approximately 1,850 new Council and Affordable homes by 2023, promote the #MyWestminster City Lions Programme for 13 to 16 year old, support 750 people annually into jobs as well as ensuring Council services work more closely to enable parents to return to work, continue providing support to schools and work with a variety of stakeholders to build a new model of vocational education.
2. City that offers excellent local services i.e. continue to drive improvements and partnership working to keep the City safe, clean and well run. Plans here include, continued investment in Children's Services, license buskers and street entertainers by 2019, work to agree a new protocol with power and utility companies to better co-ordinate works and deliver step changes in the quality of City West Homes customer service
3. Caring and fairer city i.e. prioritising the care and support for the most vulnerable individuals in the borough. Plans here include, five schemes chosen by residents which will receive total investment of nearly £0.400m from the Council's innovative voluntary community contribution scheme, continued support for the new £6m assessment centre for outreach services and rough sleepers, a new 84 bed home providing specialist care for those living with dementia, support for vulnerable children with a package of care to help 700 children with special education needs and funding for a dedicated officer to support local neighbourhoods and assist the police

4. Healthier and greener city i.e. working closely with partners such as the NHS to encourage individuals and families to enjoy active and healthy lives. Plans here include delivering a £1m Schools Clean Air Fund to help schools tackle poor air quality, launch a healthier schools programme to ensure over 42,000 children benefit from better air, oral health and action on obesity, plant 3,000 trees by 2020, expand the *#Don'tBeldle* campaign and sign up 1,000 business to assist in reducing emissions and expand the borough's network of 165 electric vehicle charging points by 25%
  5. City that celebrates its communities i.e. ensuring that everyone has a stake in the city and can actively contribute to their community. The #MyWestminster Programme will help to celebrate the City's diversity and place local people at the heart of the Council's work
- 4.3 Projects underway to address the five areas above are discussed below under #MyWestminster Projects.

### **#MyWestminster Programme**

- 4.4 The #MyWestminster Programme was established at the end of 2017/18 and was funded from the 2017/18 General Fund underspend. The total budget set aside for the first round of the Programme is £2.342m. The programme contains three distinct strands:
- #MyWestminster Fund (£0.5m);
  - #MyWestminster Projects (£1.742m);
  - #MyWestminster City Lions (£0.1m)

### **#MyWestminster Fund**

- 4.5 The #MyWestminster Fund is an open fund that allows community groups to bid for projects to support the needs of the local Westminster community groups and its residents.
- 4.6 The first tranche of funding opened for applications in December 2017 and proposals had to come from organisations rather than individuals and all projects must be delivered by March 2020. In addition, for this tranche only, applications could also be submitted for projects, which would be delivered at, or around, the #MyWestminster Day on 1 July 2018.
- 4.7 Between December 2017 to February 2018, 139 applications for funding were received, of which 29 have been awarded funding totalling approximately £0.200m.
- 4.8 Applications for further funding were opened for submission between June to August 2018. Funding for projects will need to address the themes of building

community leadership; celebrating community cohesion; building pride in mixed and vibrant neighbourhoods; improving the environment and supporting young people. The outcome of this round of funding applications will be announced in the autumn of 2018.

### **#MyWestminster Projects**

- 4.9 The #MyWestminster Projects are a package of Council-led initiatives to address the City for All vision. These have largely moved into delivery phases with various launches of new services and initiatives happening throughout the first half of 2018. £1.742m was allocated to projects identified in January 2018.

### **#MyWestminster City Lions**

- 4.10 The My Westminster City Lions was renamed from the #MyWestminster Club following consultation with the Youth Council and it is a development programme to help 13-16 year olds broaden their horizons and secure exposure to exciting work place experiences.
- 4.11 Westminster's schools are excellent; educational attainment is very high, the Council wishes to do more to ensure young people can realise the benefits of being at the heart of the nation's capital.
- 4.12 In order to create opportunities for young people and fill the gap in existing programmes, the #MyWestminster City Lions programme will focus on linking young people with the most highly profile companies and iconic institutions in Westminster. In particular, those young people who are less likely to access such opportunities will be targeted.

## **5 Financial Context**

### **Background: Central Government Funding Landscape and Westminster**

- 5.1 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:
- 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.
- 5.2 The level of reductions and changes to Local Government funding itself since 2010/11 makes year on year comparisons of funding changes difficult. The

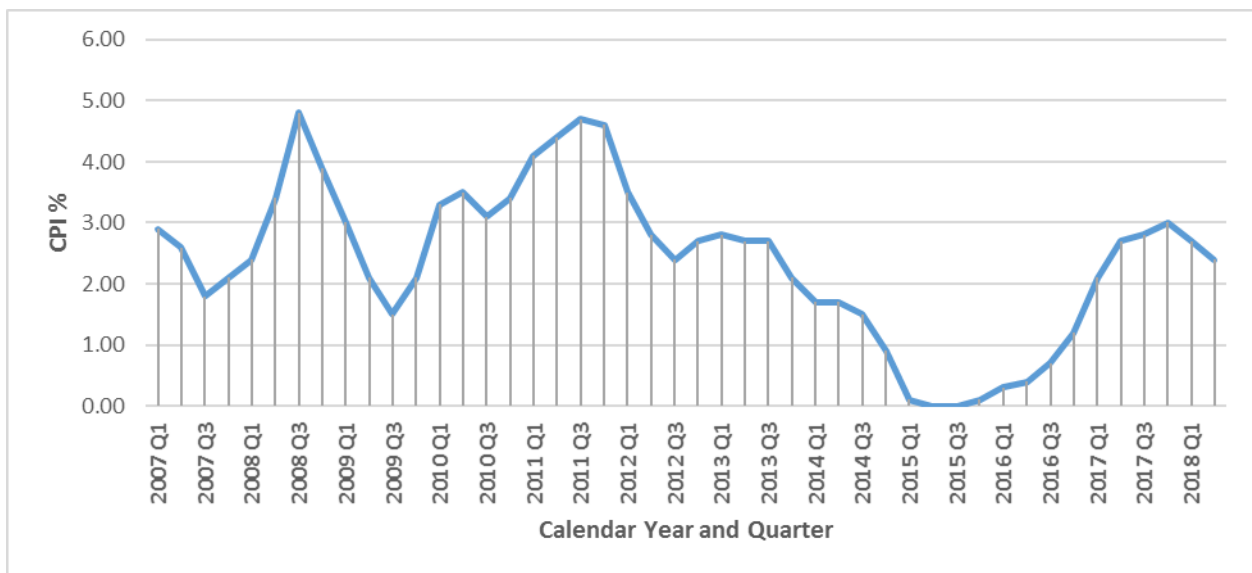


National Audit Office (NAO) stated in their report from March 2018, “Financial Sustainability of Local Authorities 2018” that between the period 2010/11 to 2017/18, English local authorities had lost an average of 49.1% of their government funding. The NAO went on to forecast that by 2019/20, this reduction would be 56.3%.

- 5.3 London Councils undertook a more detailed analysis of government funding reductions and estimated that between 2010/11 to 2019/20:
- English local authorities (excluding the GLA and Fire Authorities) as a whole will have lost 60.9% of their core funding;
  - more specifically, London Boroughs will have lost on average 57.4% of their core funding from Central Government.
- 5.4 The Council estimates that between 2010/11 to 2019/20, its total estimated loss in Government funding will be circa 51.2%.

### General Volatility

- 5.5 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 changing nature of CPI inflation as recorded by the Office of National Statistics for the period between January 2007 to July 2018:



- 5.6 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. localised business rates retention. The Government’s previous Autumn Statements and Spending Reviews 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.

### **Transfer of Risk**

- 5.7 The Local Government Finance system has fundamentally changed since 2010/11. The previous system was highly centralised and whilst the funding was distributed on the basis of relative needs and resources, the funding actually being distributed was comprised of Revenue Support Grant, nationally pooled Business Rates and other specific grants.
- 5.8 The introduction of the Business Rates retention mechanism from 2013/14 was envisaged to make Local Government as a whole more self-reliant but consequently meant that individual councils would bear more risk than previously.
- 5.9 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 include:
- the introduction of the Business Rates Retention scheme in 2013/14 which left authorities' core funding exposed to the impact of appeals, wider changes in the local economy etc;
  - the projected national flat, real growth in Business Rates leaving authorities and regions exposed in terms of adequacy and certainty of long-term funding;
  - abolition of Council Tax Benefit Subsidy and replacement with localised Council Tax Support schemes (with less funding to begin with);
  - the increased expectation on local decision-making on the ASC Precept as a means to address the national pressures in Adult Social Care.
- 5.10 It should be noted that until late 2017/18, the expectation was that by the end of the decade, Business Rates retention would be fully localised (i.e. rising from the current 50% retention rate to 100% retention). However, the latest information from MHCLG is that by 2020/21 the next phase of Business Rates retention will be 75% retention and not 100%. This next phase of rates retention may result in further risk being transferred to local authorities and/or currently ring-fenced grants (such as Public Health) being rolled into general funding.

## **6 External Influences**

### **Summary Horizon Scanning**

- 6.1 Over the next 18 months, the Council anticipates some significant changes, a number of which will directly impact Local Government funding. Broadly;
- from autumn 2018, the Government will release further consultations on the Fair Funding Review which will define how available funding will be distributed to authorities from 2020/21;
  - also expected from Autumn 2018 onwards is the delayed Green Paper on Adult Social Care funding;
  - in October 2018, the Chancellor of the Exchequer will set out the Budget and Autumn Statement. It is uncertain if this will contain decisions that will directly impact the Council but as minimum will contain the latest economic forecasts which will give some indication of the success of austerity measures;
  - by the end of March 2019, the UK will have formally exited the European Union. There may a transition period and it is possible that initial uncertainty could have some adverse impacts on the economy;
  - a Spending Review is expected in 2019/20 but the exact timing of this announcement and the period it will cover is currently unknown. Previous reviews such as the one in October 2010, not only set the resource limit for the Government departments and funding limits for Local Government but included other policy decisions which financially impacted the Council;
  - by 2020/21, the next phase of Business Rates retention will be implemented. Authorities will have revised baseline levels (i.e. the government “resets” its expectation of the level of business rates income that councils will receive) and may be able to retain 75% of Business Rates. There is some uncertainty on arrangements for authorities in Business Rates Pools. The London Pooling arrangement agreed in 2018/19 is currently being negotiated for 2019/20 to establish whether it will continue at 100% growth retention or 75% across London.
- 6.2 The Council continues to monitor these events and incorporate the necessary impacts or estimated impacts where possible into its medium term planning process.

### **Local Government Finance Settlement**

- 6.3 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. The budget for 2019/20 is set to be the final year with this certainty of the multi-year offer.

- 6.4 Whilst the multi-year offer has provided some certainty, there have been unexpected changes from the original offer that has impacted the Council. These include:
- reforms to the New Homes Bonus grant which have resulted in losses to the Council;
  - reductions to other grants;
  - a change from uplifting Business Rates from RPI to CPI in 2018/19 (though the difference between RPI and CPI was compensated with a section 31 grant).
- 6.5 Based on the multi-year offer, for 2019/20, the Council had anticipated a loss for the Revenue Support Grant. However, since the Council is part of the Business Rates Pool for London, it no longer receives Revenue Support Grant and an equivalent amount is built into the Council's Baseline Funding. For 2019/20, the retained Business Rates value (known as Baseline Funding) for the Council will include a reduction of £8.500m which is the same reduction that the Council would have incurred to its Revenue Support Grant allocation had it not been part of the London Business Rates Pool.
- 6.6 The December 2017 settlement for 2018/19 also included other unexpected announcements. These included:
- a change in the referendum limit for raising the core element of Council Tax from 1.99% to 2.99% in 2018/19 and 2019/20;
  - a one-off grant allocation for Adult Social Care. This also occurred in 2017/18 and it should be noted that these one-off grant allocations are funded by permanent losses elsewhere in local authorities' funding e.g. from New Homes Bonus.

### **Updates Since March 2018 Full Council**

- 6.7 Following the approval of the 2018/19 Council Tax and Budget Report in March 2018 at Full Council, there have been some developments which could potentially impact the Council from 2018/19 onwards. These include:
- March 2018 Spring Statement*
- 6.8 On 13 March 2018, the Chancellor of the Exchequer delivered his first Spring Statement, which provides an update to the Budget announcement that is now released in the preceding autumn.
- 6.9 The announcements of particular interest to the Council within this Spring Statement included:

### *Spending Review*

- 6.10 The Chancellor indicated that a detailed spending review of Central Government budgets would be conducted in 2019/20. There is a risk that regardless of the state of the economy that Central Government departmental budgets could be subject to further reductions from 2020/21 onwards.
- 6.11 In previous spending reviews and budgets, certain services such as Health, Defence, International Aid and Education have either been protected from reductions or had reductions capped. This magnifies the level of reductions required from “unprotected” services such as Local Government. The Council anticipates that this Spending Review will not be announced until at least Spring/Summer 2019, which may impact the savings required in the 2020/21 budget cycle.

### *Business Rates*

- 6.12 The November 2017 Budget set out proposals that Business Rates would be revalued every 3 years instead of every 5 years. The Chancellor has now confirmed that this will commence from 2020/21 instead of 2021/22 and will coincide with the implementation of the Fair Funding Review and 75% Retention of Business Rates.
- 6.13 The last revaluation in September 2016 resulted in most organisations in London (including the Council) facing larger Business Rates bills from their properties’ rateable values increasing. There is a strong risk that both the Council itself and Westminster businesses will again face an increase to the rateable values of its properties and therefore an increased bill to Business Rates. However, this will be mitigated to a degree following the change in inflationary rises from RPI to CPI.

### *Economic Performance*

- 6.14 The UK economy grew by 1.7% in 2017, slightly slower than in 2016. This relatively modest growth reflected subdued growth in consumer spending. Stronger export performance has mitigated this to some extent, supported by the lower value of the pound and a resurgent world economy.
- 6.15 The CPI inflation level of 3% (as at November 2017) was still well above the official 2% target. The Bank of England’s Monetary Policy Committee (MPC) increased interest rates from 0.25% to 0.5% - in early November 2017. The MPC signalled that it was likely to raise interest rates further, possibly in May 2018. In fact, the Bank of England raised interest rates again in August 2018 from 0.5% to 0.75% and signalled that further “gradual” and “limited” increases would follow this. The Council anticipates a further rate increase of 0.25% in 2019/20.

6.16 The Office for Budget Responsibility expects UK GDP to grow by 1.5% in 2018, an improvement on its previous forecast. However, it has kept its forecast for the next two years unchanged. It also forecasts growth of 1.4% in 2021 and 1.5% in 2022. For comparison purposes the November 2017 forecasts are shown below:

- 1.4% in 2018;
- 1.3% in 2019;
- 1.3% in 2020;
- 1.5% in 2021;
- 1.6% in 2022.

#### *Government Spending/Fiscal Policy*

6.17 In 2016/17, UK government borrowed £46 billion to make up the difference between its spending and income raised from taxes and other sources. The Spring Statement included the following forecasts for government borrowing as a percentage of GDP:

- 1.8% in 2018/19
- 1.6% in 2019/20
- 1.3% in 2020/21
- 1.1% in 2021/22
- 0.9% in 2022/23

6.18 The Chancellor confirmed that in 2018/19 day to day spending will be in surplus but that public sector net debt will peak at 85.5% in 2018/19 but would fall to 77.9% of GDP in 2022/23.

6.19 The 2018 Spring Statement did not provide any updates to previous announcements on the Adult Social Care Green paper. The latest update is that this green paper will be delayed until at least autumn 2018.

#### *Fair Funding Review*

6.20 Local Government Funding has two facets:

- how the need for available funding is measured for each authority i.e. Relative Needs;
- how this “Relative Need” for each authority is then distributed i.e. Business Rates Retention (previously the Formula Grant).

6.21 The current assessment of Relative Needs is over 10 years old and data within this has not been updated since 2013/14.

6.22 The Council responded to an initial consultation on MHCLG’s Fair Funding Review in mid-March 2018. This review seeks to address the complexities, lack

of transparency and out-dated data present in the current system. MHCLG aim to implement the outcomes of the review in 2020/21 to coincide with the next phase of Business Rates Retention.

6.23 The initial Fair Funding Review Consultation discussed the following:

- The creation of a foundation formula to calculate need and distribute funding for those services which are not driven by unique cost drivers; the following three factors are deemed to be most suitable cost drivers in this regard:
  - a. Population growth is cited as the key cost indicator that authorities will ultimately incur in providing services. Based on research from London Councils, the population for London has grown since 2010 by 13%, twice the rate of that of the rest of the country. This trend is forecast to continue. Therefore, the Council would want this to be reflected in any new assessment of need. Whilst the Fair Funding Review includes questions on addressing the difficulties faced by rural authorities, the Council and other organisations such as London Councils have argued that the issues faced by urban authorities e.g. authorities such as the Council with high transient populations (circa 1m daily visitors) should be given equal consideration;
  - b. Deprivation is also considered to be an important cost driver for many services. This too must be reflected in the new relative needs formula. Deprivation is higher in some parts of the country than others, can differ within a region and within a borough itself. This is evident in London and in the borough. London Councils have proposed that whichever measure of deprivation is used, the higher costs associated with London such as housing costs are reflected. This is to ensure that the higher needs of individuals is reflected due to less available median income after the cost of housing is included;
  - c. Area Cost Adjustment the Council believes that the relative needs assessment should continue to include this and that it should be based on the most up to date data. This adjustment is crucial for boroughs such as the Council located in areas where delivering services are expensive.

6.24 The Council agrees with the objectives of the Fair Funding Review to simplify how relative needs are calculated and to ensure that revised formulae focus on only the most important cost drivers. Currently, the uncertainty for the Council is on which services could be funded from the above “foundation formula” and which would be funded service specific formulae.

6.25 In August 2018, representatives from MHCLG requested a meeting with officers from the City Treasurer’s department to discuss developments on the Fair

Funding review. The Council was able to use this opportunity to reiterate its concerns, to ask for clarity on related issues and to offer constructive suggestions into the review. This dialogue with MHCLG will be ongoing as the review develops.

#### *Increased NHS Funding*

- 6.26 In late June 2018, additional funding for the NHS in England was announced, up to 2023/24. However, the Government also has a pre-existing commitment to eliminate the national deficit by the middle of the next decade.
- 6.27 To achieve increased NHS funding and also balancing the economy, the Government would likely need to continue with public spending reductions elsewhere or increase taxation.
- 6.28 In light of the above and based on prior years, it is unlikely that Local Government will see any significant increases to its current funding levels, certainly in the short-medium term.

#### **Local Government Settlement Technical Consultation**

- 6.29 In late July 2018, MHCLG released a consultation on the technical aspects of the 2019/20 finance settlement. This consultation included proposals on the items in the remainder of this section

#### *2019/20 Settlement*

- 6.30 Specifically, the consultation set out plans:
- for the final year of the multi-year settlement to be implemented for 2019/20 as per previous announcements. The impact of this will be that the Council will lose core funding of £8.500m;
  - to uplift Business Rates in 2019/20 by September 2018 CPI. The change from uplifting Business Rates from RPI to CPI was implemented as part of the 2018/19 settlement, two years ahead of plan. The Council was compensated for the difference between RPI and CPI through a direct grant. This is expected to happen again for 2019/20.
- 6.31 The consultation did not however address specific details on other grants for 2019/20 such as the New Homes Bonus. Although it is expected that in 2020/21 that the new relative needs assessment and Business Rates Retention will be implemented, the Council calls for continued certainty on actual funding levels from 2020/21 with a similar offer of a multi-year settlement.



### *Business Rates Retention Pilot 2019/20*

- 6.32 The technical consultation also set out proposals for further Business Rates Retention Pilots in 2019/20. This would not apply to London as MHCLG are in separate discussions with London boroughs (represented by London Councils) on a continuation in 2019/20 of the Business Rates Retention Pilot launched in 2018/19.
- 6.33 Although the exact arrangements for the London Pool in 2019/20 are yet to be determined, it should be noted that the pilots announced for 2019/20 contain some potential changes over previous pilots. These include:
- growth retention by authorities in a pool being 75% rather than 100%. This is to mirror how Business Rates Retention will operate in 2020/21 and is a means for HM Treasury to manage costs overall;
  - removal of the “no-detriment” clause, this clause ensured that authorities in a pilot were no worse off than if they were under the 50% Retention scheme. This clause provided financial assurance to authorities participating in the pilot. Given the expectation that London will be in an overall growth position, the issue of “no detriment” might not pose an issue;
  - the points above are mitigated somewhat by the Safety Net which for the 2019/20 pilot is set at 95% of Baseline funding which is greater the 92.5% in the current scheme. However, commentators have pointed out that since the Safety Net for a pilot applies to the overall pilot and not at individual authority level, actual losses by an authority may be larger than in the current scheme.

### *New Homes Bonus*

- 6.34 Previous consultations set out plans to change New Homes Bonus (NHB). The number of years’ payments in the scheme reduced (or “tapered”) from 6 years to 5 years in 2017/18 and then from 5 years to 4 years in 2018/19. This has resulted in a gross loss of £5.4m from legacy NHB payments for the Council since 2017/18.
- 6.35 Following a consultation for 2017/18, a national baseline was set at 0.4% of Band D equivalent dwellings (i.e. the NHB due will be the change in Band D dwellings from the previous less 0.4% of that change). If any authority fails to achieve this 0.4% threshold, they will not receive an NHB grant. Whilst the Council has achieved growth above this threshold, the presence of a baseline target reduces the grant payment to the Council.
- 6.36 The consequence of tapering of payments and the 0.4% baseline is reduced payments to Local Authorities and therefore savings to Central Government. It

should be noted that in previous consultations, the Government indicated the possibility of increasing this 0.4% baseline target in future years. The rationale for increasing this 0.4% baseline target would be to manage the overall cost of NHB payments nationally.

- 6.37 Authorities will send returns to MHCLG for the end of October 2018 which will be used to assess growth in dwellings compared to the previous year. If, overall there has been greater growth in the number of dwellings overall in England compared to that of previous years, it is possible that the 0.4% baseline will increase. This would be a means for the Government to reduce the cost of funding for the NHB scheme in 2019/20.
- 6.38 In 2018/19, the Council will receive £8.884m of NHB grant income. It is known that due to tapering, £2.240m will be lost in the 2019/20 NHB allocation. However, based on average growth in the borough in the past few years, the Council anticipates an increase in the number of dwellings (compared to October 2017) which will mitigate this loss. The confirmation of 2019/20 NHB allocation is expected in the December 2018 settlement.
- 6.39 Finally, it should be noted that there is currently no clarity on the future of the NHB scheme beyond 2019/20, it is possible that the future of this grant scheme will be set out in the 2019 Spending Review.

#### *Council Tax Referendum Principles*

- 6.40 At this stage, the Government are not indicating a change to the Council Tax referendum limits announced in December 2018. However, as with NHB, the actual confirmation of the referendum limits are expected in the December 2018 settlement for 2019/20
- 6.41 Under the current regulations, the Council has the option to:
- increase Council Tax by 2.99% without a referendum for general purposes;
  - increase Council Tax by 2.00% without a referendum specifically to fund Adult Social Care (the ASC Precept).

#### *Negative Revenue Support Grant*

- 6.42 The Council's annual finance settlement is formally known as the "Settlement Funding Assessment (SFA)." The SFA contains Revenue Support Grant (RSG) and Baseline Funding i.e. retained Business Rates. Business Rates are uplifted annually for inflation and the Government will not make any other changes to an authority's baseline which was set out in 2013/14 until the whole system is reset (post 2019/20). Therefore, when reductions are made to the SFA, they can only be made by reducing RSG allocations.

- 6.43 Some authorities are now in a situation where they face “Negative RSG”. This means that due to ongoing reductions to the SFA, some authority’s actual reductions to SFA exceed their RSG allocation for 2019/20. This means that to implement the overall reduction to an authority’s SFA, their Baseline Funding would need to be reduced.
- 6.44 It should be noted that the Council is not in this situation. However, for 2019/20, there are 168 local authorities that are. Those affected authorities have responded to previous consultations and lobbied for a decision to effectively reverse this Negative RSG adjustment. The technical consultation for the 2019/20 settlement sets out proposals to do this. The Government’s favoured approach is to simply not make the adjustment to affected authority’s baseline funding levels i.e. to forego these Business Rates receipts.
- 6.45 Based on the information available on the Government’s proposed approach above, authorities such as the Council which was not affected by Negative RSG will not pay for this decision from their funding. The cost of foregoing Business Rates’ receipts will be borne by HM Treasury.
- 6.46 The concern here is that whilst the Council is not directly impacted financially, effectively reductions to the overall SFA funding for England set out as part of the 2016/17 multi-year settlement will not be applied to 168 authorities in 2019/20. This effectively improves the multi-year settlement for those councils while still implementing the original reductions for authorities such as Westminster. This decision to not reduce funding to some authorities then raises further questions and complications e.g.
- whether the 168 authorities affected by “Negative RSG” will be permanently spared these reductions to their funding;
  - how the removal of funding reductions from some authorities will be balanced against those such as the Council that will be still subject to reductions in 2019/20;
  - finally, how this will be accounted for in the 2019 Spending Review and then in the implementation of the Fair Funding Review for 2020/21.

#### *Autumn 2018*

- 6.47 In addition to the 2019/20 provisional finance settlement in December 2018, in November 2018 there will be an update on the state of the economy and national budget by the Chancellor of the Exchequer. Subsequent reports will provide updates to this and any other developments.

## **7 Internal Updates**

### **Adult Social Care (ASC) Precept**

- 7.1 The offer by the Secretary of State for Communities and Local Government to Adult Social Care 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.
- 7.2 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.
- 7.3 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.
- 7.4 As at June 2018, 5,201 packages of care were being provided across Adult Social Care (encompassing community based care and residential/nursing placements) an increase of 155 from March 2017 against a background of increasing complexity and hence unit cost of individual packages.
- 7.5 For financial modelling purposes it has been currently assumed that for 2019/20 the Council will apply the precept for Adult Social Care (ASC) of 2% on its share of Council Tax bills. This cannot be considered or approved until March 2019 and should it not be approved by Full Council in March 2019, the Council will be required to replace the foregone income with additional savings proposals. Should any authority choose to apply 2% onto Council Tax bills for the ASC precept, it is assumed that the Council will have to complete a declaration to MHCLG within 21 days of its 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.

## **Better Care Fund (BCF)**

- 7.6 The Department of Health and Social Care (DoHSC) and MHCLG released the BCF Policy Framework on 31 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.
- 7.7 There are some 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 three years 2017/18 to 2019/20. £1bn of this fund became available from 2017/18 and is being paid as a MHCLG grant direct to local authorities and ring-fenced to social care; the grant comes with conditions that it should be pooled into the Better Care Fund.
- 7.8 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.
- 7.9 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.
- 7.10 The Council will 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.
- 7.11 In total, £15.807m of iBCF funding has been allocated to Westminster City Council in 2019/20. 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 non-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 (DToC) Model.

- 7.12 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.
- 7.13 A number of providers have exited the market recently and the Council expects this trend to continue. 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.
- 7.14 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**

- 7.15 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.
- 7.16 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.

7.17 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.

7.18 The Council continues to use all available opportunities to request more certainty on funding in general, particularly iBCF. However, if iBCF funding does cease with no alternative funding being offered, ASC will look to make further efficiency savings to mitigate the loss.

### **Housing Services**

7.19 The Council is involved in providing a wide range of housing related activity such as:

- responding to housing need and rough sleeping;
- preventing homelessness and supporting the vulnerable;
- providing housing to the homeless;
- allocating available social and affordable housing;
- working with Registered Providers (RPs) of affordable accommodation, developing new homes including new infill sites and regeneration plans.

7.20 The provision of Temporary Accommodation (TA) that is suitable for homeless households in terms of size, cost and location is a statutory requirement. Properties are generally leased by the Council from the private sector, either directly or through contractors, such as Registered Providers (RP). More than 3,000 households are expected to approach the Council's Housing Options Service in housing need in 2018/19. Homeless prevention is a priority for the Council, challenging illegal evictions, providing housing and debt advice and working with households to identify housing solutions including moving into the private rented sector. The Council's legal duties are set out within the recent Homeless Reduction Act and the Council's Housing Caseworkers lead the response to enquiries involving individual households.

7.21 The Council conducts formal street counts of rough sleepers regularly and at the count in May 2018, 299 people were found. The September 2018 count found 340 people. The Council commissions 415 specialist bed spaces that take people directly from the streets and one person moves on positively from these every four days. There are two street outreach teams; one which focuses on new

people arriving on the street and the other focuses on the most entrenched longer term rough sleepers who either refuse to come indoors or those who are unable to maintain accommodation. Of those who were met for the first time, less than 3% identified Westminster as their last settled base and 75% of people encountered do not spend a second night out.

- 7.22 In Westminster, there are a very wide variety of services commissioned to enable vulnerable people to maintain their independence in the community, preventing homelessness and tenancy breakdown. These include 24-hour hostels for rough sleepers, specialist housing for people with severe and enduring mental health issues and learning disabilities, young people (16-25), domestic violence refuges for women and their children, floating support in the community for people to sustain their tenancies and sheltered housing for older people.
- 7.23 In 2018/19, the Council expects to complete over 700 lettings of social housing into CityWest Homes stock that becomes vacant, nominations into registered provider accommodation and newly developed housing. The Council is required to have a public Housing Allocations scheme that sets out how these units are allocated to meet the Council's statutory obligations, meet the varying demands for social housing and to reduce the numbers of people living in Temporary Accommodation. There are currently 3,933 households on the Council's Housing waiting list, waiting times vary according to property size but are typically longer for larger units. Available properties are generally let through Choice Based lettings where households bid for available properties based on their individual priorities, with additional priority given for homeless households who are working and those with established local connections.
- 7.24 The Council has in recent years also purchased properties for use as TA, funded by the Affordable Housing Fund and borrowing. Homeless households are then placed in those properties and are charged a rent set by a Central Government formula which has remained unchanged since 2011. TA now comprises over 2,550 units of accommodation (having been c. 1,600 in 2011) for homeless households provided through over 30 contractors and Council-owned properties. The demand profile is below:

Demand Profile	31/3/14	31/3/15	31/3/16	31/3/17	31/3/18
Homelessness Applications (p.a.)	1,002	1,053	954	878	729
Homelessness Acceptances (p.a.)	705	617	511	496	443
Households in Temporary Accommodation	2,283	2,397	2,423	2,518	2,521

- 7.25 The greatest demand is for 2 bed properties, followed by 3 bed, half of TA is located within Westminster, the remainder located across half of London boroughs (although principally in East London) with c. 80 properties outside of London. The Council is delivering new homes by identifying under-utilised space



within the Council's housing assets. Opportunities include basements and laundry rooms, garages and parking areas, former offices and parking areas. The first phase of the programme has achieved planning permission on 25 homes over seven sites, which will be retained as Council housing. Further opportunities are being progressed to ensure an on-going pipeline.

- 7.26 The Council recently updated its policies regarding homeless prevention and its placement policies to make best use of the private rented sector. As part of this, the Council ensures that:
- the Housing Options service promotes moves into the private rented sector for people at risk of homelessness;
  - properties offered are inspected for suitability in terms of size and location;
  - rents are set at affordable, Local Housing Allowance levels for two years and providing follow-up contact to confirm that the household has settled;
  - should the tenancy break down through no fault of the household within two years then alternative accommodation will be provided without the household reapplying.
- 7.27 Following this, the Council has now formally discharged its housing duty to over 110 families into good quality private rented sector properties in addition to supporting over 200 households each year to move into the private rented sector to prevent homelessness. The Council has just approved a second investment of £15m into the Real Lettings scheme to deliver additional properties for use by homeless households with tenancy support provided by St Mungo's as a specialist housing charity. The first investment was approved in December 2016 and completed December 2017.
- 7.28 The Council's legal duties to provide housing are set out within the new Homeless Reduction Act, in place since April 2018. Whilst it is too early to draw any firm conclusions from the new legislation, there is a strong focus on increased prevention which is delivered through the Council's new Housing Options Service contract.

### **Family Services - Legislative Changes and Greater Understanding of Rights**

- 7.29 Recent changes in both statute and case law have had an impact on demand for services provided by the authority's Family Services directorate. Greater awareness of "Staying Put" rights under the Children's and Families' Act and a case law verdict against the London Borough of Southwark around assessment rights for 16-17 year olds has created an increase in duties and subsequent increase in demand for services. The impact of "Staying Put" is modelled as £0.276m and the Southwark Judgment is modelled as £0.223m. Mitigations include: a revised Placements Strategy for Looked After Children (LAC);

investment in the Early Help service to reduce the number of children presenting with a need for LAC care; and continuous reviews of placement unit costs and care plans to ensure they are aligned and represent value for money and meet each child's needs.

- 7.30 The Children's Social Work Act 2017 has come into force from April 2018. The introduction of the Act placed a duty on local authorities to provide all care leavers up to the age of 25 with access to support, to assist them on anything from applying for jobs to finding a first place to live. Whilst it is still early, modelling estimates the impact of the Act will be an additional financial burden of £0.250m per annum. Mitigations include: providing high quality advice and guidance to young people from an earlier age to reduce their reliance on Council services post-18.

### **Unaccompanied Asylum-Seeking Children (UASC) Demographic Demand**

- 7.31 Numbers of UASC presenting in the borough have traditionally been higher than other London Boroughs, barring Hillingdon with Heathrow Airport, due to the borough having Victoria International Coach Station and the majority of embassies located within its boundaries. UASC are subject to a National Transfer Scheme, with numbers per authority determined on a national basis.
- 7.32 Under the National Transfer Scheme for UASC, the Council has an expected allocation of up to 28 UASC in its care, with any further children above this threshold presenting in the borough transferred to other local authorities. Delays in transfers have meant a larger number have remained under the care of the authority. In 2017/18, the number in care averaged 65.
- 7.33 WCC has a number of care leavers supported by Children's Services with no recourse to public funds (NRPF) as they were previously UASC in receipt of services from the authority. Under the Children and Social Work Act 2017 they will remain NRPF care leavers up to the age of 25.
- 7.34 The financial impact of UASC Demand and NRPF is modelled at £0.333m net of funding received from the Home Office for UASC and current budget allocations in the borough. Mitigations include: a revised Placement Strategy for LAC; continuous placement reviews; a pan-London dispersal scheme which transfers new UASC cases within London faster than the National Transfer Scheme.
- 7.35 With the planned mitigation strategies mentioned above, the service is confident it can manage the pressures outlined within the proposed financial resources for the Children's and Families' Executive Directorate.

## Discretionary Housing Payments

- 7.36 Tenants receiving either housing benefit or the housing element of Universal Credit (see below) with an entitlement that is less than their rent can apply to the Council for a Discretionary Housing Payment (DHP). Claims are decided after taking into account the particular circumstances of the case alongside the Council's policy.
- 7.37 National DHP funding for the period April 2016 to March 2021 was set at £800m as part of Summer Budget 2015. The table below shows the annual breakdown over the 5-year period:

Year	National DHP Funding £m
2016/17	150
2017/18	185
2018/19	170
2019/20	155
2020/21	140

- 7.38 Due to a change in allocation methodology by the DWP, Westminster and most other London boroughs experienced a reduction in funding whereas nationally other authorities saw an increase in 2017/18. This trend repeated in 2018/19. The DWP are revisiting this change in methodology but it is not known if this will result in a positive outcome for the Council. Based on previous DWP announcements on the levels of DHP funding, the Council expects to receive notification of the government contribution for 2019/20 in January 2019 at the earliest.
- 7.39 The reductions to the Government contribution prompted the Council to review its policy on DHP claims to ensure it remains affordable. Awards will continue to be made for short periods to allow applicants time to change their circumstances so extra financial assistance with rent is no longer required. This approach ensures DHP can continue to assist with the transition into employment and with emergency support to prevent homelessness. The Council will only agree repeat claims when the applicant can demonstrate they are in the process of taking meaningful action to avoid long-term reliance on DHP. Examples of the actions needed are moving to cheaper alternative accommodation and starting full-time employment.
- 7.40 Looking at DHP claims received there is an indication of a modest reduction in demand with 488 claims received in the period 1 April to 31 July 2017 and 450 claims between 1 April and 31 July 2018. The following table shows the reduction in the number of successful claims over the same periods:

	1/4/17 to 31/7/17	1/4/18 to 31/7/18
<b>Successful claims</b>	271 (68%)	225 (55%)
<b>Unsuccessful claims</b>	129 (32%)	182 (45%)

- 7.41 The reduction in claims is in line with the policy on awarding DHP. This is necessary to ensure spend is within available resources. DHP is also being used to assist with the prevention and management of homelessness. The government contribution towards DHP for 2019/20 is unlikely to be known before January 2019 but a further reduction is a risk given a reduction to the overall national funding. A trend towards fewer awards of DHP means the Council is well placed to respond to future funding reductions. However, the reduction in DHP funding and DHP awards by the Council could result in an adverse impact on Housing budgets if resources were no longer sufficient to assist tenants in temporary accommodation.
- 7.42 In light of the above, if the Government contribution to DHP for 2019/20 is at a similar level to 2018/19, the Council will be able to deal with this level of activity as long as the current trend for reduced spend on DHP continues.

### **Universal Credit**

- 7.43 The introduction of Universal Credit (UC) was the main element of the Welfare Reform Act 2012. Government has designed UC to improve work incentives by removing the need to claim different benefits depending on whether or not a person is in work or unemployed. UC also simplifies the welfare system by replacing six existing benefits with a single payment. The Department for Work and Pensions (DWP) administers UC and one of the six benefits it replaces is housing benefit.
- 7.44 UC is a working age benefit so does not apply to pensioners. For the time being households with three or more children are also excluded from UC. For most applicants who pay rent, the housing element of UC replaces housing benefit. However, there are two significant exceptions to this: tenants of supported housing and temporary accommodation provided by a local authority under a homelessness duty will continue to claim housing benefit for assistance with rent whilst receiving UC for day-to-day living costs.
- 7.45 The DWP began implementing UC in April 2013 and have adopted a gradual “test and learn” approach. The DWP implement UC through Jobcentre districts rather than local authority boundaries. By December 2018, UC will have been introduced to every Jobcentre office in the country and will apply to customers having to make a new claim for one of the six benefits UC replaces.
- 7.46 The process for moving existing customers who experience no changes requiring a new claim from their old benefits to UC will take place between July 2019 and March 2023. DWP estimate this will involve moving 2.09 million customers onto UC and recognise a large number (36%) will be receiving an existing benefit awarded because of disability.

- 7.47 The Marylebone Jobcentre, which covers a large part of Westminster, implemented UC for new applicants from 20 June 2018. Harlesden and North Kensington Jobcentres that also cover smaller parts of Westminster will have implemented UC for new claims by 12 December 2018.
- 7.48 The Council will monitor its housing benefit caseload to establish the effect UC implementation has. It is inevitable the caseload will reduce but it is too soon to judge how quickly this will happen. It is also too soon to predict whether UC implementation will result in an increased demand on the DHP budget. However, the policy on whether or not a DHP will be agreed for a UC recipient is the same as for a housing benefit claimant.
- 7.49 There may be an adverse impact on the Council's budget in future years which will be clarified as the government releases further information. Resulting pressures will then be considered at part of future years' budget cycles.

### **Oxford Street District**

- 7.50 Westminster City Council is committed to the long-term future of the West End. The West End is the cultural and economic capital of the UK that 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, 15% of London's economic output. Employing more than 650,000 people, the area generates the largest proportion of taxes with more than £17 billion of tax receipts per year.
- 7.51 The West End is primarily responsible for London's status as the world's most popular visitor destination with more than 31m international visitors spending over £11bn in the West End. It 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.
- 7.52 The Council's commitment to the West End is demonstrated by a capital investment towards Oxford Street district for £50m per annum for three years. This encompasses the redesign of Oxford Street district and the Council will continue to work with partner organisations as options are developed for the district. Furthermore, the Council is committing £28m towards place-shaping at Strand/Aldwych. This is set out in the 2019/20 capital programme.

## **8 Underlying Financial Strategy**

8.1 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 given 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 possibilities of pooling resources to achieve joint outcomes e.g. iBCF;
- 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; and
- challenge and improve all financial management practices seeking to (by way of example) minimise cost, maximise working capital opportunities, proactively 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.

8.2 The Council is confident the budget proposals contained within this report form a strong basis to deliver a balanced budget for 2019/20. The Council is managed with strong financial discipline and as part of year-end planning it is intended to strengthen Earmarked and General Reserves if the opportunity presents itself. In line with Council practice, any further reductions in specific grants will be matched by reductions in associated expenditure.

## **9 Financial Performance – Revenue 2018/19**

9.1 At period 4, services area revenue budgets are projected to underspend by £2.194m by year-end. All variances are subject to continued active management throughout the financial year.

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

- City Treasurer's department is forecasting a net underspend of (£4.183m) largely due to increased treasury investment income of £4.313m;
- Policy, Performance and Communications who are forecasting a net underspend of (£0.310m) which is largely related to staff costs.

9.3 These are offset by:

- Children's Services who have a net overspend totalling £2.120m due to pressures in Education from funding issues, under-recovery of traded services income and high demand on Special Education Needs Transport. There are further pressures in Family Services increased number of care leavers and impacts from changes in legislation and judicial decisions as well as larger numbers of Unaccompanied Asylum Seeking Children (UASC)
- Corporate Services with a net overspend of £0.198m largely within Legal Services, staffing and external legal service spend.

9.4 The forecast outturn at period 4 on the HRA is an adverse variance of £1.652m. This is largely due to adverse variances totalling £2.303m, broken down as follows:

- under-recovery of rental income of £1.838m of which £1.314m relates to tenant rent due to higher voids levels, £0.400m for commercial property rents following rent reviews and a further £0.124m across the remainder of the service;
- under-recovery of other income totalling £0.465m

These, however are offset by the following:

- forecasted net underspends of £0.708m, of which £0.365m is due to refunds on rents, rates and taxes, £0.200m on reduced communal electricity costs and £0.143m on reduced repairs and maintenance
- a small overspend of £0.056m on management related costs and recharges.

9.5 Fundamental to any well managed organisation is a strong finance service. In times of unprecedented pressure on public sector finances this becomes more

important than ever. Within Westminster City Council the finance service has been developed to lead the industry in its innovation, quality and value added to the organisation.

9.6 An illustrative list of the activities the service has undertaken so far during 2018/19 to raise standards are as follows:

- taking a lead on the implementation of the new Finance and HR system;
- developing staff technology skills through focused training to enable the transition to advanced analytics;
- continuing to deliver a comprehensive training and development programme putting staff development at the heart of what we do;
- enhanced staff engagement through new workgroups, forums and communication channels;
- development and implementation of a workforce plan aligned to both current and future service needs;
- refined finance graduate scheme to align with future departmental needs and those of the new generation of graduates; and
- a continuous programme of improvement for the Statement of Accounts.

9.7 The finance service is seeking to achieve further improvements, efficiencies and achievements in 2019/20 in line with the department's drive for continuous improvement. This will be achieved through the motivation and empowerment of the workforce

## **10 2019/20 Revenue Budget Gap**

### **Medium-Term Financial Outlook**

10.1 The Council's medium term modelling takes into account:

- known government grant reductions e.g. for 2019/20 the £8.5m reduction to Revenue Support Grant;
- estimates of further grant losses e.g. New Homes Bonus due to tapering;
- estimates of inflation (both pay and contract);
- other Council-wide costs such as superannuation costs and allowances for specific pressures and general risks;
- capital financing revenue impacts.

10.2 The net 2019/20 budget gap is £26.3m excluding direct service pressures and has been addressed as detailed in Schedule 4.



- 10.3 Based on available information and the Council's latest working assumptions, it is likely that further changes to core funding (from both austerity and possible changes in relative needs assessment) plus inflationary need, demographic and other pressures are likely to require ongoing savings.
- 10.4 In summer 2018, the Council began to model a range of scenarios for the level of savings needed to meet the budget gap for post 2019/20. This assumes that all savings approved for 2018/19 and those proposed in this report for 2019/20 will be delivered. Furthermore, beyond 2019/20 there are number of uncertainties which are discussed in this report briefly. These are listed below and presently, it remains unclear how these will impact on the Council's finances:
- outcome of the Fair Funding Review;
  - future austerity and Government policy on public spending;
  - Business Rates retention, Pooling and future impact of appeals, revaluation and reset.
- 10.5 More detailed updates on the estimated budget gap for post 2019/20 will be reported through the Council's Executive Leadership Team between autumn 2018 and early spring 2019.

### **2019/20 Estimated Budget Gap**

- 10.6 To meet the funding challenges in 2019/20, the Council has had to meet a total gross savings requirement of £35.848m. In addition to this, there are unavoidable direct service pressures of £9.548m. The net savings requirement is therefore £26.3m and the driver for this is summarised as follows:

<b>Budget Gap Breakdown</b>	<b>£'m</b>
Net Change in Business Rates	8.500
Inflation	6.200
Risks	3.000
Pension Fund Deficit Recovery	4.000
Pressures	1.200
Capital Programme	3.400
<b>Total</b>	<b>26.300</b>

- 10.7 Specifically, the budget gap for 2019/20 contains:
- a confirmed reduction of £8.500m for the Revenue Support Grant (RSG). Note: in 2018/19 the Council joined the London Business Rates Pool and so it did not receive a RSG allocation, instead this amount was rolled into the Council's Business Rate's baseline funding with an equivalent reduction of RSG. The same principle is expected for 2019/20;

- an allocation for 2019/20 pay and non-pay inflation based on best available estimates.
- an amount to mitigate 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;
- other items which impact the whole Council i.e. contribution towards reducing the pension deficit, corporately identified pressures and capital financing.

10.8 The gross savings agreed in the 2019/20 MTP process are summarised as follows, there are no reductions to service provision:

<b>Budget Change Category</b>	<b>£'m</b>	<b>%</b>
Financing	21.503	60.0%
Commercial	4.262	11.9%
Transformation	3.701	10.3%
Efficiency	6.382	17.8%
<b>Total</b>	<b>35.848</b>	<b>100.0%</b>

### **Approach to Meeting the 2019/20 Budget Gap**

10.9 The process for identifying the 2019/20 savings proposals follows the accelerated process for 2018/19. In autumn 2017, the proposed budget proposals for 2018/19 were presented to Cabinet and Full Council for agreement in principle (subject to completed Equality Impact Assessments, Consultations etc.). By February 2018, an updated position for 2018/19 was reported to Cabinet and then in turn to Full Council in March 2018 which took account of the following:

- final decisions on Council Tax including Band D for 2018/19 and the approved 2018/19 Council Tax base;
- outcomes from the 2018/19 Local Government Finance Settlement;
- Business Rates Pooling;
- revised positions related to individual savings following the completion of consultations.

10.10 The same process will be followed for the 2019/20 budget changes and revenue budget.

10.11 The benefit of this is that services have a greater period of time in which to prepare implementation plans and to complete staff consultations (where applicable), public consultations etc. 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.

- 10.12 The governance of the process has been managed at an officer level through a series of regular reports to the Executive Leadership Team (ELT) throughout the financial year to review progress against meeting the budget gap and draft budget proposals themselves. The intention of these meetings was to review budget proposals for deliverability, acceptability and fit with strategic objectives.
- 10.13 In addition to the above, there is regular liaison and leadership by the lead member for Finance, Property and Regeneration and the Cabinet. In early September 2018, Star Chamber sessions, led by the lead member, were held for each Cabinet Member with the Chief Executive and Executive Directors in attendance. These sessions presented Cabinet Members with an opportunity to get a better understanding of the budget proposals and to question or challenge where needed.
- 10.14 This in turn was followed by three Budget and Performance Task Group meetings (i.e. "Scrutiny sessions") in late September/early October. One of the meetings was dedicated to Capital and the proposals outlined in the 2019/20 Capital Programme report.
- 10.15 Equalities Impact Assessments (EIAs) are prepared in respect of all proposals and are made available within this report for consideration. In addition, all of the full EIAs are presented to the Budget and Performance Task Group meetings.
- 10.16 The Corporate Budget Group is a cross-Council team including officers from the City Treasurer's, People Services, Policy, Communications, Legal Services, Procurement departments. This group met to review each budget proposal to assess if there were any issues from the perspective of these departments, whether consultations were needed and if so to ensure timely completion as well as reviewing the proposal itself to ensure it can be delivered.

## **11 Risks, Budget Robustness and General Reserves**

### **Risks and Budget Robustness**

- 11.1 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).
- 11.2 The Council's revenue related risks include:
- general risks;
  - funding related risks e.g. Fair Funding;
  - interest rate risk;

- inflation risk;
  - change in law risk;
  - commercial values risk, e.g. income rental values;
  - contract failure risk and step-in obligations for the Council
- 11.3 The Council has long had processes built into its Medium Term Planning (MTP) process to address the first two categories of risk. For example, as per previous years, a Corporate Budget Group consisting of representatives from the City Treasurer's, People Services, Policy, Communications, Legal Services, Procurement representatives have met regularly to review budget proposals for 2019/20.
- 11.4 While Corporate Budget Group meets to ensure the over-arching issues are robustly considered, a full suite of meetings are arranged at various levels to ensure all stakeholders fully understand the MTP process and their savings proposals. Various meetings take place including Members, Executive Directors and finance officers. These meetings are then reflected back through Corporate Budget Group to ensure all aspects are captured.
- 11.5 These reviews are to enable this cross section of officers to ensure all budget proposals are:
- fully evaluated for any legal, people service and procurement issues;
  - assessed thoroughly to ensure if stakeholder consultations are needed and if so to make these are completed in time;
  - appropriately challenged to ensure they are feasible.
- 11.6 Risks related to the capital programme and pensions and treasury are specifically addressed and discussed separately e.g. capital programme and the Treasury Management Strategy Statement.
- 11.7 The 2019/20 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.

## **Reserves and Balances**

11.8 Local authorities hold two categories of reserves, usable and unusable:

- usable reserves are defined as those that the Council could utilise to fund capital or revenue expenditure. Furthermore, some of these reserves could be applied generally but others will have stipulations attached on their use;
- unusable reserves hold unrealised gains or losses for assets not yet disposed of and also accounting adjustments which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.

11.9 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.

11.10 The use of general and earmarked revenue reserves cannot be regarded as a sustainable medium-term strategy to fill the gap from core funding reductions. This is because a usable reserve is a finite, 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**

11.11 In line with other Local Authorities and the law, the Council holds a general reserve on its balance sheet. The balance of this reserve as at 31 March 2018 was £55.883m. The Council holds this general reserve 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.

## Legislation, Role and Responsibility

11.12 When considering what level of general reserve to hold, the following relevant and applicable legislation and regulation has been taken into account:

- Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing authorities (i.e. the Council) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Specifically, *sections 31A and 42A* require local authorities to set a balance budget including an adequate level of reserves;
- Section 25 of the Local Government Act 2003 requires the Chief Financial Officer or for WCC, the City Treasurer to report on the adequacy (or otherwise) of reserves and the robustness of estimates supporting the budget;
- Section 26 of the Local Government Act 2003 requires that when setting the budget requirement the reserves include a minimum level for controlled reserves – this minimum level is determined by the City Treasurer;
- Section 27 of the local Government Act 2003 requires the City Treasurer to report on the inadequacy of controlled reserves – i.e. when it appears to the City Treasurer that the level of a controlled reserve is inadequate or likely to become inadequate.

11.13 In summary, primary legislation requires the Council to:

- Empower the City Treasurer to report on the adequacy of reserves and determine an appropriate minimum level;
- Set a balanced budget with due regard to the level of reserves held.

11.14 The City Treasurer (as the Council's Section 151 officer) is charged with determining the overall level of general reserves. This position is reviewed annually and is a key part of the formal budget setting process. This is articulated in the annual Council Tax and Budget Report which sets the annual budget and is approved by full Council usually in early March each year.

11.15 This responsibility is set out in paragraph 2.2 of the Council's Financial Regulations which state that the City Treasurer is responsible for:

- *“Advising the Cabinet and Council on a prudent level of reserves for budget purposes, and ensuring any appropriate contingency provisions are maintained”*

11.16 Paragraph 3.2 also states that:

- *“Responsibilities of the City Treasurer include....preparing the Revenue Budget, and reporting to the Council on the robustness of the estimates and the adequacy of reserves”*

### **General Reserve Movements**

11.17 The table below details the movement of general reserve since 2006/07. The Council has faced a number of challenges during this time including significant turbulence in the wider economy, austerity measures etc.

Financial Year	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
GF Balance £'000	66,864	69,930	60,090	32,396	15,578	22,054	32,027	35,295	36,035	41,576	48,777	55,883
<b>Movement</b>		3,066	(9,840)	(27,694)	(16,818)	6,476	9,973	3,268	740	5,541	7,201	7,106

11.18 The table shows that over time there have been significant movements in the general reserve balance including a three year period between 2008/09 to 2010/11 when the general reserve balance decreased by £54.352m. If this had occurred again over a three year period starting from 2017/18, the Council would have a general reserve balance of just £1.531m.

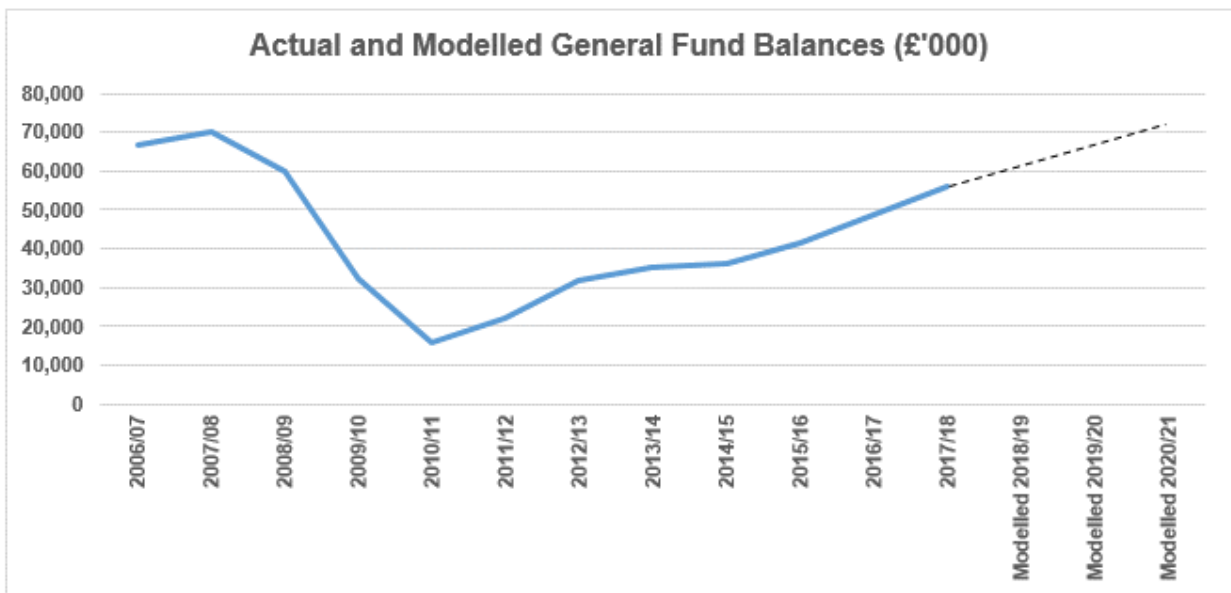
11.19 This would be a highly undesirable position for the Council placing it in financial vulnerable position where its position to with stand any further unexpected financial shocks would be severely constrained. In addition, a position of negative reserves would effectively mean that the Council would be in breach of the law.

11.20 There are also a number of other factors to be taken into account when considering the level of general reserves the Council holds at the present time. These include:

- based on the Council’s budgeted gross expenditure, approximately £2.35m is budgeted to be spent a day on the provision of General Fund services. The 2017/18 General Reserve balance when viewed in this context represents just 23 days of expenditure;
- 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;

- future levels of uncertainty are compounded by the Councils growing reliance on commercial income rather than government core funding. This gearing effect necessitates higher reserves as in the view of the City Treasurer and based on experience from the past these income streams have the potential to fluctuate. Other underlying risks such as the general economic outlook have the potential to impact unfavourably on Westminster given the scale of its business community and contribution to the nation's Gross Value Added;
- future transfer of responsibilities or "new burdens." With the next phase of localisation of Business Rates in 2020/21 (75% retention), the Government has indicated that new responsibilities would transfer over to Local Government (to ensure the new Business Rates 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.

11.21 In light of the previous situation where the Council's General Reserve balance reduced by £54m over a 3 year period and other factors discussed above, the Council's strategy has been to gradually rebuild the level of General Reserve to mitigate any possible similar situation in the future.



### General Reserves Level

11.22 Based on the information contained within the sections above the City Treasurer's judgement is that general reserves are considered adequate at a level of £55.883m as at the date of this report. This was confirmed by the Council's external auditors in the 2017/18 Statement of Accounts.



11.23 This is based on the following considerations:

- it allows the Council to mitigate any macro-factors which cannot necessarily be forecasted or influenced but will impact the Council, e.g. inflation levels.
- the wider economy which appears currently to be stable although significant uncertainties remain;
- the Council's framework of governance and controls has been assessed by the Auditor 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 track record of Directorate teams in recent years of delivering on-going budget savings can be considered successful.

11.24 However, there are a number of other factors which suggest that it would be desirable to increase the level of the balance at the earliest opportunity as set out in the previous section. At this point it is considered that a general reserve balance of at least £70m would be a prudent and advisable position, based on the current economic climate.

11.25 It is not considered at this point that further budget reductions should be made to accommodate an increase in reserves. However, any available resources which become available from the following sources 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;
- any other available resources which become available on an unforeseen or unbudgeted basis.

## **12 Capital Programme to 2023/24**

### **Capital Programme**

12.1 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 Programme report – 2019/20 to 2023/24 being considered on this same agenda which includes forecasts up to 2032/33.

- 12.2 The General Fund capital programme covers five areas of expenditure. These are:
- *Development* (£0.954bn) – these schemes will help the Council achieve strategic aims and generate income.
  - *Investment* (£0.072bn) – schemes within this category will increase the diversification of the Council’s property portfolio, and will be self-funding, by creating income, and generating efficiency savings.
  - *Efficiency* (£0.036bn) – these schemes are funded in accordance with the government’s “Flexible use of Capital Receipts” (FCR) initiative and to qualify, the schemes must be designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
  - *Major Strategic Acquisitions* (£0.135bn) – these expenditure budgets are to allow the Council to acquire properties to enable the development of key strategic sites for future regeneration and investment opportunities.
  - *Operational* (£1.324bn) – these schemes are related to day-to-day activities that will ensure the Council meets its statutory requirements.
- 12.3 The General Fund’s capital programme is fully funded via and is funded through a combination of external funding, capital receipts and borrowing. The on-going revenue implications are included within the MTP.
- 12.4 The Housing Revenue Account (HRA) capital programme has a value of £662m over this year and the next four years (2019/20 to 2023/24). It is important to note that HRA resources can only be applied for HRA purposes, and that HRA capital receipts are restricted to fund affordable housing, regeneration or debt redemption.

### **Flexible Use of Capital Receipts (FCR)**

- 12.5 Following revised regulations in March 2016 on the use of capital receipts, the Council has utilised this flexibility to fund the revenue costs of projects that are either transformational and/or aim to deliver ongoing revenue savings.
- 12.6 The 2019/20 to 2023/24 Capital Programme report sets out the detail of the projects for which the Council is planning to fund using FCR.

## **13 Cash and Financing**

- 13.1 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 to ensure security, liquidity and yield.

- 13.2 The 2018/19 TMSS does not forecast any additional external borrowing in 2019/20, but there is potential for additional borrowing in subsequent years to meet the capital programme.
- 13.3 The investment strategy was set in the current environment of low interest rates that has continued to significantly reduce the capacity to generate investment yield from short-term cash balances. The 2 August 2018 increase in base rate from 0.50% to 0.75% will provide opportunity for additional income. The increase in rates is gradually feeding through to the Council's investments, resulting in increasing returns.
- 13.4 Various opportunities to diversify the treasury portfolio, ensure security of cash balances, liquidity to meet Council obligations as and when required, and increase yield continue to be investigated.
- 13.5 Monitoring of treasury activity is a key control to ensure that dealing accords with the approved 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, Link, and the Council's investments are benchmarked against other local authority investments.
- 13.6 To support the TMSS, the Council has devised a holistic strategic investment framework in order to manage its investment portfolio as one, across investment properties and treasury management. The Investment Executive comprising of Members and officers was set up to implement, monitor and report on the investment strategy.
- 13.7 The investment 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, ensure security of capital and future-proof against possible economic downturns.

### **Future Economic Outlook**

- 13.8 The Council's treasury advisors have previously advised that the UK's departure from the EU could have implications on the Council and its investment counterparties. This continues to be the case. For instance:
  - the Government's long-term approach to monetary and fiscal policy during and after negotiations and therefore the impact on the Council will be influenced by a potential withdrawal from the European Union and the path this takes. The Monetary Policy Committee (MPC) at the Bank of

England on 2 August 2018 voted unanimously to increase the Base Rate by 0.25% from 0.50% to 0.75%. The MPC is responsible for making decisions about how the UK reaches the 2% inflation target set by the Government. Current market perceptions are for future increases in the Base Rate to be likely at a gradual pace and to a limited extent whilst UK Gross Domestic Product (GDP) is expected to grow by around 1.8% per year on average over the forecast period.

- the Council currently invests with financial institutions based in London who possess “passporting” rights which enables 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 could result in them falling outside of the Council’s sovereign rating criteria and thus lead to a required change in the investment portfolio counterparty list.

## **14 Pension Fund**

- 14.1 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 £873m as at 30 June 2018.

### **Triennial Valuation**

- 14.2 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. The next triennial valuation will commence as at 31 March 2019.
- 14.3 The actuary reported that the employer’s contribution rate was required to rise from 12.5% to 15.7% with effect from 1 April 2017 in order to fully fund the cost of active members. The impact of this change on the Council’s ongoing revenue budget cost £2.5m per annum more than 2016/17 contribution rates.
- 14.4 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.
- 14.5 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.

- 14.6 Options to reduce this deficit and the consequent interest costs were explored with the actuary in 2017 and previously reported to Council. These being:
- a total of £30m cash injection;
  - together with increases of £4.0m per annum for each of the years 2017/18 to 2019/20, followed by more measured increases thereafter to account for the impact of inflation.
- 14.7 This has allowed the deficit recovery period to fall to 17 years, delivering a significant reduction 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. 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 £183m as at 30 June 2018.
- 14.8 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.

### **Government Actuaries Department Review**

- 14.9 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 sufficient contributions to maintain the future solvency of each fund. GAD has recently conducted a review of the 2016 actuarial valuation. Although initial results have been published, the Fund's actuary, along with other actuarial firms, have been in discussion with the MHCLG, the LGPS Scheme Advisory Board (SAB) and GAD. The final report is expected to be published by the end of September.
- 14.10 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.
- 14.11 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 and enhancing net of fees returns. 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, pending an investment strategy review. 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.

## **15 Council Tax, the Collection Fund and Business Rates**

### **Council Tax**

- 15.1 The Council Tax Base (the number of Band D equivalent properties estimated to be billable for the year 2018/19) will be considered by Cabinet in December 2018 and is expected to be approved by Full Council in January 2019.
- 15.2 Any decision to increase the standard Band D Council Tax charge will be made at the final budget setting in March 2019. Under revised regulations set out in December 2017 as part of the 2018/19 finance settlement, authorities can now increase standard Band D Council Tax by up to 2.99% without a referendum compared to 1.99% previously.
- 15.3 It should be noted that the budget options detailed in this report include the option to increase the Adult Social Care Precept by 2% which will impact on the amount payable by Council Tax payers. Further announcements are anticipated by MHCLG on the future of the ASC Precept in December 2018.
- 15.4 Based on the 2018/19 Council Tax base, every 1% increase to Band D Council Tax generates approximately £0.500m of Core Funding – Council Tax income for the Council.

### **Council Tax: Greater London Authority (GLA) Council Tax Precept**

- 15.5 In 2018/19, the GLA increased the precept on London Boroughs' Band D Council Tax by £12.00 specifically to fund the police plus a further £2.21 (2.99%) for other services provided by the GLA.
- 15.6 In late June 2018, the Mayor's budget guidance for 2019/20 indicated that the GLA's Precept on Band D Council Tax may increase again. The GLA is proposing to increase their precept by an additional £12.00 to fund the police and a further £1.52 (1.99%) for non-police services. For 2019/10, the latter is earmarked to fund fire and rescue services.
- 15.7 The confirmation of the above is expected in January 2019 and it should be noted that the precept does not impact the Council's finances as the Council acts as agent on behalf of the Mayor of London.

## **The Collection Fund**

- 15.8 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.

## **Business Rates**

- 15.9 In 2018/19 the business rates retention scheme developed into a two-year London-wide pooling arrangement whereby any growth that would normally be paid over the MHCLG (under the normal scheme, 50% of the growth above baseline levels is paid to central government as a levy) would be retained within London and distributed via four pots:
- Relative Need
  - Population
  - Growth Reward
  - Strategic Investment Pot (SIP) – bid process for this pot
- 15.10 Currently, the London pool is estimated to retain approximately £350m by not having to pay a levy on its overall growth above baseline levels. Due to the volatility of business rates in general, this figure is subject to change and the amount of growth Westminster will receive from this pot is dependent on the performance of all London boroughs.
- 15.11 At present, Westminster's share is estimated to be £6.7m in 2018/19. The outcome will be known at the end of the financial year once all London boroughs have submitted their final accounts. As the London pool is expected to operate for only two years, any growth retained will be placed into reserves to mitigate any volatility in local government funding after the outcome of the Fair Funding Review is known.
- 15.12 Westminster continues to be by far the biggest collector of business rates in the country, collecting around 8% of the national total. Due to Westminster's place in the national economy, rent levels, and hence business rates, continue to grow at rates well above the national average. There have been 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.

15.13 This 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 for every year since the current scheme start in 2013/14. Only in recent times, now that the VOA has cleared much of the backlog has Westminster been able to budget at a level which it expects to be able to continue to do in the foreseeable future.

### **Future Outlook**

15.14 After two years in the London pool, the Council anticipates reverting back to the standard business rates retention scheme regulations. These are regulations whereby local authorities retain 50% of their 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).

15.15 Government intends to amend this system by 2020 so that 75% of business rates are retained by local authorities. This will coincide with the Fair Funding Review (FFR) which will realign the formula by which Councils receive government funding. Further consultations on both the business rates scheme and FFR are expected during autumn 2018 with the final outcome of the 2020/21 funding mechanism known in 2019.

15.16 Westminster, like the rest of the UK, is exposed to a number of business rates risks which are outside its control but it will continue to seek further clarity from central government. These risks are:

- continued exposure to back dated appeals;
- the lack of VOA data from the 2017 valuation list following the introduction of Check-Challenge-Appeal (process for businesses to submit their appeals to the VOA);
- effective capacity the Valuation Office;
- uncertainty of the business rates reset. A reset is when the government updates the level at which it expects each council to collect in business rates;
- the future of the “High Street”.



## **16 Schools**

### **Dedicated Schools Grant**

- 16.1 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure supporting the schools' budget. The grant also covers wider support to fund pupils with special educational needs, through an element in the DSG known as the High Needs block, and for two, three and four year olds in nursery and associated provision, through the Early Years element. Schools are funded through the DSG, not the General Fund. The National Funding Formula (NFF), which allocates DSG funds to local authorities, was introduced in 2018/19.
- 16.2 The DSG consists of four separate blocks: schools, central schools services (introduced in 2018/19), high needs and early years. The overall value of the DSG is ring-fenced; however, the four blocks that make up the DSG are not separately ring-fenced. Therefore, movement between blocks is possible subject to specific conditions and limits. Subject to agreement with Schools' Forum and following consultation with all local schools, the authority has the ability to transfer funds from the Schools block – this transfer can be up to 0.5% of the total value of the block. Any transfers higher than the 0.5% require Secretary of State approval.
- 16.3 Westminster City Council (WCC) 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.
- 16.4 The DSG carry forward from 2017/18 was £4.080m, which included an in year overspend of £1.194m mainly on high needs. The proposed allocation of the £4.080m shown below was considered at the June 2018 Schools' Forum. Given the proposed changes to schools funding as a result of the move towards the NFF over the next two years, the Schools' Forum deferred the decision on how much will be allocated to each block to the October 2018 Schools' Forum meeting.

Description	2018/19 £m	2019/20 £m	2020/21 £m
<b>Brought Forward Reserves</b>	<b>4.080</b>	<b>1.150</b>	<b>-</b>
<b>Early Years</b>			
Estimated ESFA adjustment part-year effect	0.780		
<b>Schools Block</b>			
Restructuring, redundancies and virtual school pressure	1.000		
<b>High Needs</b>			
Growth, Hospital Schools & post-16 unfunded growth	1.150	1.150	
<b>Central Schools Block</b>			
	-	-	
<b>Total Expenditure</b>	<b>2.930</b>	<b>1.150</b>	<b>-</b>
<b>Projected Year End Reserves</b>	<b>1.150</b>	<b>-</b>	<b>-</b>

## Implementation of the National Funding Formula (NFF)

### *Schools and high needs block*

- 16.5 The Department for Education (DfE) introduced the NFF for schools, high needs and central school services from 2018/19 to distribute resources to Local Authorities (LAs). Full implementation of the NFF is expected in 2021/22, subject to primary legislation by Central Government.
- 16.6 The introduction of the NFF represents a significant change, and is likely to lead to some schools benefiting from an increase in funding and others having funding reductions. To provide stability for LAs and schools through the transition before the NFF is introduced in full, in 2018/19 and 2019/20 each LA continues to set a local schools formula, in consultation with local schools. These local formulae determine individual schools' budgets. The DfE have decided that in order to continue to support a smooth transition, LAs will continue to set a local formulae in 2020/21. The Council will consult with the schools forum on the local formula.
- 16.7 The DfE has published illustrative LA and school level allocations for the schools block, high needs block and central school services block in 2019/20. The provisional allocations will be updated in December 2018.

- 16.8 The minimum per pupil funding levels within the NFF will increase to £4,800 for secondary schools and £3,500 for primary schools. All Westminster Schools receive per pupil funding above this level in the local formula.

*Central school services block in 2019/20*

- 16.9 The central school services block within the DSG will continue to provide funding for LAs to carry out central functions on behalf of compulsory school age pupils in state-funded and maintained schools and academies in England. Westminster's provisional funding shows a reduction of £0.024m.
- 16.10 The block will continue to cover the two distinct elements of ongoing responsibilities and historic commitments. From 2020/21, the DfE expects to start to reduce the historic commitments element of the central school services funding block where authorities' expenditure has not reduced. This is likely to further reduce WCCs allocation.

*Westminster NFF Provisional Funding Allocations 2019/20*

<b>Block</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Change</b>	<b>% Change</b>
Schools *	£112.414m	£112.787m	+\$0.373m	+0.3%/ +0.4% per pupil
High Needs **	£25.151m	£25.597m	+\$0.446m	+1.8%
Central School Services	£1.120m	£1.096m	-\$0.024m	-2.1%
<b>Total</b>	<b>£138.685m</b>	<b>£139.480m</b>	<b>+\$0.795m</b>	<b>+0.6%</b>
*Pupil numbers have reduced by 11 and schools block per pupil funding has increased by 0.4%. Allocation is before deduction for academies **before deductions for specific special needs place funding in special schools and mainstream units				

- 16.11 The early years funding block is allocated separately. In July 2018 the ESFA announced that 2018/19 Early Years Block funding has decreased by £2.312m. The revised budget is £13.396m from the original funding of £15.708m. The decrease is 14.7% and most of this is reduced payments to schools, academies and Private Voluntary and Independent nurseries (PVI's) because of decreased participation.
- 16.12 The indicative figures show an overall increase of funding of 0.6% equivalent to £0.795m in 2019/20.

- 16.13 No individual school will see a reduction in funding in 2019/20 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 as per the funding regulations.
- 16.14 The 2017/18 year-end closing position for the LA-maintained primary and secondary schools was a collective balance of £5.414m. For the 2018/19, 10 schools are projecting a year end deficit. Any school in this situation is given officer support to prevent this from happening and to ensure that they set sustainable budgets commensurate with their resource levels.
- 16.15 The last pupil count was completed in October 2017. The number of children in secondary schools increased to 8,433 (+155) but the number of children in primary schools decreased to 10,153 (-234), an overall total fall of (-79). As school funding is pupil-based and the Education & Skills Funding Agency (ESFA) have set different primary and secondary units of funding this represented a cost pressure for schools. The October 2018 pupil count will change the 2019/20 notional funding allocations.
- 16.16 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*

- 16.17 WCC in consultation with the school's forum introduced the government's new early years funding formula from September 2017 including the additional 15-hour entitlement for eligible families. 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*

- 16.18 In 2018/19 schools 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. Allocations for 2019/20 have not yet been announced.

- 16.19 For 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 receive £2,300 per eligible pupil, an increase of £400 / 21% on the previous year (£1,900 in 2017/18).
- 16.20 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. There is no onus on WCC to monitor or capture this information, it is a school's responsibility.

#### *Academies and Free Schools*

- 16.21 Westminster schools that convert to academy status or newly established free schools obtain their funding directly from the ESFA. These schools receive a school budget share equivalent to the budget 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 deducted from the schools block. There are no further academy conversions in the pipeline in WCC.

### **17 Housing Revenue Account (HRA)**

- 17.1 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.
- 17.2 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.
- 17.3 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. The current HRA Cap is £333.5m with borrowing of £262.1m. Details in respect of the recent Government announcement that HRA borrowing caps are to be abolished are awaited in order to assess how this will impact upon the HRA business plan assumptions
- 17.4 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 £1.415bn over 30 years. Any implications and changes that may result following the review into CWH have not been built into the projections for the HRA at this stage

- 17.5 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 3 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.
- 17.6 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.
- 17.7 The proposed HRA budget for 2019/20 is presented as a draft for noting at this stage. The Housing Investment Strategy and HRA 30 year Business Plan report is being presented to Cabinet in October and Full Council in November alongside the other budget papers to approve the five year (2019/20 to 2023/24) 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. This means HRA reserves are projected to fall to close to a minimal level of circa £11m and all of the currently assumed borrowing headroom would be utilised by 2020/21, which would necessitate a focus on managing budgets and expenditure closely. The final HRA budget and business plan will come back to Cabinet and Full Council in February and March 2019, at which point certain key issues such as the impact of the recent Government announcement on borrowing caps will be further developed.

## **18 Public Health**

- 18.1 The Public Health Grant contains a condition to ring-fence the grant to the delivery of the Public Health outcomes that were transferred to local authorities under the Health and Social Care Act 2012. The grant conditions direct the spending of the grant by the Council towards mandated and non-mandated Public Health services.
- 18.2 In 2019/20, the Government is applying a year-on-year reduction of circa 2.6% on the grant received. The impact of this is being managed within the service through efficiencies driven by re-procuring contracts as they come to the end of their agreement. The impact of this does not affect the level of general fund savings required due to the ring-fenced nature of the grant and earmarked Public Health reserve.
- 18.3 In 2019/20, £1.8m of savings on contract efficiencies are being delivered without any adverse impact on the delivery of services, with the majority of these savings

secured through re-procurements which have already concluded. The level of grant projected for 2019/20 is £30.4m.

## 19 2019/20 Proposals Requiring Consultations

### External consultations

- 19.1 The draft balanced budget for 2019/20 contains 2 savings proposals totalling £0.384m which have been identified as potentially requiring external consultation. These are:

Directorate	Description	2019/20 Amount £m	Consultation start	Consultation end
Children's	Collaborative Commissioning and Demand Management	0.200	Oct-18	Dec-18
CMC	PPL Fee review and additional income	0.184	6/8/18	29/10/18

It should be noted that whilst the following does not require consultation it nonetheless will be decided at March 2019 Full Council.

Adults	Adult Social Care Levy	£1.023m
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- 19.2 It is expected that all consultations will be complete by December 2018 and the responses will be considered by Cabinet and where necessary reported to Full Council when the budget is confirmed in March 2019.

### The Scrutiny Process

- 19.3 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."
- 19.4 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.
- 19.5 The minutes of the meetings held are presented in Annex A to this report.

## Financial Regulations

- 19.6 There is an obligation for the Council to regularly review its financial regulations. Financial regulations provide the framework for managing the Council's financial affairs.
- 19.7 The recent review of the financial regulations has been driven by the following factors:
- The Council's on-boarding to the Hampshire County Council Integrated Business Centre (IBC) solution. This will see the transition of the Council's primary transactional HR and finance processes to delivery by the IBC.
  - The implementation of the Programme Management Office which will manage the Council's major capital projects; and
  - Minor revisions to reflect changes to management arrangements, post titles and other clarifications.
- 19.8 The regulations set out the Council's requirements in respect of:
- Financial management roles and responsibilities
  - Financial planning and budgeting
  - Financial monitoring and control
  - Internal control and audit
  - Financial systems and procedures
  - External arrangements
- 19.9 The City Treasurer has statutory and delegated duties in relation to the financial administration and stewardship of the council. The statutory responsibilities cannot be overridden and arise from:
- Section 151 of the Local Government Act 1972;
  - The Local Government Finance Act 1988;
  - The Local Government and Housing Act 1989;
  - The Accounts and Audit Regulations 2015 (amended from 2003);
  - The Local Government Pension Scheme Regulations 2013 (amended from 1974/1997);
  - The Local Government Pension Scheme Regulations (Management and Investment of Funds) 2016;
  - Public Service Pensions Act 2013 (new);
  - The Local Authorities Goods and Services Acts 1970;
  - The Local Government Acts 2000 and 2003;
  - The Localism Act 2011.



## **20 Legal Implications**

- 20.1 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.
- 20.2 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.
- 20.3 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.
- 20.4 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 11, 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.
- 20.5 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.
- 20.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 23 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.

20.7 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.

20.8 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.

20.9 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)(a) 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 2021.

## **21 People's Services Comments**

21.1 The Council is required by law to notify the Redundancy Payments Service (RPS), of a proposal to dismiss 20 or more employees as redundant at one establishment within a period of 90 days or less.

21.2 The RPS, acting on behalf of the Secretary of State for Business, Energy and Industrial Strategy (BEIS), collects the information and distributes it to the appropriate Government Departments and Agencies who offer job brokering services and/or training services so that they can discharge their obligation to the affected employees.

21.3 The budget proposals for 2019/20 are likely to result in up to a reduction in headcount of six. It is expected that these will be met from existing vacancies and so it is unlikely at this stage that any redundancies are expected in relation to this proposals. Regardless of this, as the headcount reduction is less than 20, the statutory requirement to complete an HR1 form to the BEIS is deemed unnecessary at this stage.

## **22 Procurement Implications**

- 22.1 Procurement Services representatives attended a series of Corporate Budget Group meetings during July and August 2018. These meetings included an opportunity for Procurement (together with other support teams e.g. People Services) to gain a better understanding of 2019/20 savings proposals. Where there were proposals involving external supply market engagement, Procurement were able to constructively challenge to help ensure a reasonable level of robustness.
- 22.2 Procurement are satisfied with the 2019/20 budget proposals recommended in this report for approval.

## **23 Equalities Implications**

- 23.1 Under the Equalities Act 2010 the Council has a legal duty to pay “due regard” to the need to eliminate discrimination and promote equality with regard to the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation.
- 23.2 The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop the Council from making decisions which may affect one group more than another. The law requires that the duty to pay “due regard” be demonstrated in the decision making process.
- 23.3 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.

## **Annexes**

- A Budget and Performance Task Group Report and Meeting Minutes
- B Equalities Impact Assessments
- C Schedules to the Budget Proposals (See Below)
- D Financial Regulations

## **Schedules to the Budget Proposals:**

- 1 Gross Income
- 2 Gross Expenditure
- 3 Net Budget Requirement (by Cabinet Member and ELT)
- 4 Details of Budget Changes

## **Background Papers**

2018/19 Budget and Council Tax Report – Council Meeting 07 March 2018

Capital Strategy 2018/19 to 2022/23, forecast position for 2017/18 and future years forecasts summarised up to 2031/32 – Council Meeting 07 March 2018

Treasury Management Strategy Statement for 2018/19 to 2022/23 – Council Meeting 07 March 2018

**If you have any queries about this report or wish to inspect any of the background papers, please contact: Jake Bacchus on 0207 641 1360 or at [jbacchus@westminster.gov.uk](mailto:jbacchus@westminster.gov.uk)**

**Budget and Performance Task Group – Summary Report and Minutes on 2019/20**  
**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.”

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.

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 2019/20 draft budget appears robust, and officers provided assurances on a number of points raised by 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 2019/20 were all subject to a robust Equality Impact Assessment (EIA) process. However, a number of proposals are still in development with the need for a full EIA, or the precise impacts yet to be determined. It is important that EIAs for such proposals continue to be kept under review and completed outside of the annual scrutiny cycle in line with the same robust process.

**4. General Observations**

Westminster City Council has a large and ambitious capital programme that is vital to delivering some the council's key priorities. The relevant Policy and Scrutiny Committee should review the delivery of the capital programme. The council should investigate ways that a new Facilities Management contract could involve Small and Medium Enterprises. Savings proposals should be communicated using clear language to ensure the effects that they will have on services users can be clearly 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 a cautious approach to forecasting income for City Promotions, Events and Filming and advertising on waste vehicles.

## **Budget Task Group**

### **MINUTES OF PROCEEDINGS**

Minutes of a meeting of the **Budget Task Group** held on **Monday 24<sup>th</sup> September 2018**, in room 3.4, 5 Strand.

**Members Present:** Cllr Melvyn Caplan (Chair), Cllr David Boothroyd, Cllr Lorraine Dean, Cllr Adam Hug, Cllr Eoghain Murphy

**Also Present:** Stuart Love (Chief Executive), Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Barbara Brownlee (Executive Director of Growth, Planning and Housing), Richard Barker (Executive Director of City Management and Communities), Kevin Goad (Director of City Highways), Catherine Murphy (Strategic Finance Manager), Ian Heggs (Bi-Borough Director of Education), Anita Stokes (Strategic Finance Manager) Chris Greenway (Bi-Borough Director of Integrated Commissioning), Ben Goward (Chief Information Officer and Patrick Montgomery (Head of Workplace Technology)

#### **1. Welcome and Apologies**

1.1 The Chair welcomed those present.

#### **2. Declarations of Interest**

2.1 There were no declarations of interest.

#### **3. Capital Budget Overview**

3.1 Steve Mair presented the capital budget overview. In response to members' questions, the task group was told:

- There is a 6 year window for the flexible use of capital receipts
- When making property investments the council focuses on the potential return. Potential returns are benchmarked against the return the council could generate by contributing to the pension fund deficit (5.1%). Investments that do not reach that benchmark would still be considered if they demonstrate other strategic benefits
- Colleagues from services are invited to suggest ideas for the flexible use of capital receipts, however any suggestions have to be transformational and generate savings.
- The council does not need to get MHCLG permission for the flexible use of capital receipts, but it must have a strategy in place and this must be

approved by full council. The council discusses each proposed initiative with its auditors.

- The additional funding from flexible use of capital receipts for the City Hall refurbishment project is due to refined estimates of rental costs for decant accommodation during the project. The programme as a whole is forecast to be under its capital budget.
- Most capital schemes have approximately 20% contingency. Each scheme has a different contingency, as it is risk based and evaluated at different points during a scheme as the risk changes. The City Treasurer's department works with colleagues in services to understand the commercial challenges involved in capital schemes.

#### **4. Growth, Planning and Housing 2019/20 Capital Budget**

4.1 Barbara Brownlee presented the Growth, Planning and Housing (GPH) Capital Budget. In response to members' questions, the Task Group was told that:

- The Council has an ambitious housebuilding plan. Other key schemes include major office moves and Oxford Street District.
- Staffing of the GPH capital programme is always under review and ensuring the correct levels was a key council focus. A programme management office has been established which will be responsible for monitoring all capital schemes. The ambition is for this office to be able give one council wide view of the performance of all capital programmes.
- The £71.9m for property acquisitions will only be used if the right properties become available. No revenue income assumptions have been made against this budget so there is no risk to achieving the revenue budget should no acquisitions be made.
- The council has a cash flow model that it uses to inform decisions around borrowing for programmes. Different scenarios for forward borrowing are being investigated.
- The governance involved in making sure issues with the capital programme are raised include the Capital Review Group being chaired by the Cabinet Member for Finance, Property and Regeneration, the Executive Leadership Team giving more attention to the capital programme and the establishment of the Programme Management Office.
- Two of the main challenges for GPH will be Lisson Grove, which is a challenging programme, and Oxford Street, which will be high profile.
- The net expenditure for Huguenot House includes income from sales of completed units.
- Large landowners have expressed an interest in contributing to the redevelopment of Oxford Street, but the Council needs to understand what their expectations might be.
- The council normally borrows from the Public Works Loans Board. The rates are based on the national landscape, meaning that the reputation of the local government sector and the challenges being faced by some authorities should not affect Westminster's ability to borrow or the rates available.



- The business plan for the council's housing subsidiary company would become clearer in March 2019. The council was investigating model schemes. The model of the housing subsidiary would not be based on anything done by another authority as each authority had different reasons for establishing such companies.

## **5. Housing Revenue Account 2019/20 Capital Budget**

- 5.1 Barbara Brownlee presented the Housing Revenue Account (HRA) capital budget. In response to members' questions, the task group was told:
- The housebuilding programme had brought forward the year at which the HRA would reach its borrowing cap.
  - The HRA programme is dependent upon income. The risks associated with this were constantly being monitored and mitigation put in place.
  - The council had modelled what the HRA borrowing cap would need to be for the council to deliver all of its known ambitions, which exceeded the current financial capacity of the HRA.
  - The capital expenditure labelled 'other' was the infill programme that made use of underutilised council land for housing.

## **6. City Management and Communities 2019/20 Capital Budget**

- 6.1 Richard Barker presented the City Management and Communities (CMC) capital budget. In response to members' questions, the task group was told:
- The ultra-low emission zone regulations would be a challenge when replacing the waste collection fleet. In the short term, the existing fleet was being retrofitted with equipment to control emissions whilst the council waited for the market in greener waste vehicles to mature.
  - The council was considering its options with regards to buying waste collection vehicles outright as a capital spend or including in the contract price as part of the revenue budget.
  - The highways capital programme was rigorously monitored. Other CMC projects such as public realm improvement were more challenging to spend in line with budget due to third party dependencies.
  - The Community Infrastructure Levy was a small part of the funding for public realm improvement schemes. Most of the funding was from external sources.

## **7. Children's Services 2019/20 Capital Budget**

- 7.1 Ian Heggs presented the Children's Services capital budget. In response to members' questions, the task group was told:
- The schools expansion programme was funded from basic need funding from central government, s106 funding and funding that academies had secured from local government.

## **8. Adult Social Care 2019/20 Capital Budget**

- 8.1 Chris Greenway presented the Adult Social Care (ASC) capital budget. In response to members' questions, the task group was told:
- Key capital projects for Adult Social Care were being delivered in GPH (such as Beachcroft). ASC was part of the project board for each scheme and there was a project manager.
  - ASC was undertaking strategic reviews of mental health, disability and older people's services. These reviews would identify future capital expenditure requirements.
  - Capital schemes in ASC were funded by the community capacity grant.

## **9 Corporate Services 2019/20 Capital Budget**

- 9.1 Ben Goward presented the Corporate Services capital budget. In response to members' questions, the task group was told:
- Savings would be achieved by re-procuring telephony and data networking contracts.
  - Windows 10 was being implemented because support for Windows 7 was ending.
  - The Council had set a target for replacing hardware in time for staff returning to the refurbished City Hall.
  - Hardware was bought in US dollars and was therefore susceptible to exchange rate fluctuations. Economies were being achieved by purchasing hardware with the Royal Borough of Kensington and Chelsea.
  - The capital planning cycle for IT hardware was moving from replacing hardware every 5 years to every 3 years.
  - Open source software was used where possible (e.g. the website) but quality open source products were often not available.
  - Applications that the council uses are increasingly cloud based and therefore not capital expenditure.

## **10. City Treasurer's 2019/20 Capital Budget**

- 10.1 Steve Muldoon presented the City Treasurer's capital budget. In response to members' questions, the task group was told:
- The budget was purely comprised of contingency held centrally on behalf of the council.
  - Central held contingency includes an element of contingency budget taken from each scheme. Services have to bid for access to these contingencies.

## **11. MEETING CLOSE**

- 11.1 The Meeting ended at 19:30

## **Budget Task Group**

### **MINUTES OF PROCEEDINGS**

Minutes of a meeting of the **Budget Task Group** held on **26<sup>th</sup> September 2018**, in Room 3.6/7, 5 Strand.

**Members Present:** Cllr Melvyn Caplan (Chair), Cllr David Boothroyd, Cllr Lorraine Dean, Cllr Tony Devenish, Cllr Adam Hug, Cllr Eoghain Murphy

**Also Present:** Stuart Love (Chief Executive), Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Barbara Brownlee (Executive Director of Growth, Planning and Housing), Daniel Peattie (Strategic Finance Manager) Bernie Flaherty (Bi-Borough Executive Director of Adult Social Care), Chris Greenway (Bi-Borough Director of Integrated Commissioning), Gary Hamilton (Adult Social Care), Richard Simpson (Public Health Finance Manager), Melissa Caslake (Bi-Borough Executive Director of Children's Services), Andrew Tagg (Head of Operations and Programmes) and Ashley Hughes (Strategic Finance Manager).

#### **1. Welcome and Apologies**

1.1 The chair welcomed those present.

#### **2. Declarations of Interest**

2.1 There were no declarations of interest.

#### **3. 2019/20 Budget Overview**

3.1 Steve Mair introduced the 2019/20 budget overview. In response to members' questions, the task group was told:

- Net savings of £26.3m have been established in order to meet the challenge of reducing government funding, service pressure, inflation, capital financing and other financial risks. There may be further small adjustments to the budget in early 2019 following the local government funding settlement and announcements on other grants and funding.
- The council increases the assumed impact of the capital plan on the revenue budget by circa £3million per year. Forward borrowing is being investigated to mitigate the potential impact of future interest rate rises.
- The 2019/20 budget proposals were rigorous and Mr Mair was confident the budget would balance.

- The Government's fair funding review will examine the factors taken into account when setting the local government finance settlement. London Boroughs were expected to lose out from the review.
- Equality Impact Assessments (EIA) are reviewed by the Policy and Strategy team and external counsel is consulted.

#### **4. Adult Social Care 2019/20 Budget**

4.1 Bernie Flaherty presented the Adult Social Care (ASC) budget. In response to members' questions, the task group was told:

- Work force costs include retraining staff to deal with changing service users' needs.
- There is a weak care market in Westminster. It is at an appropriate level, but for better services and efficiencies, the market needs to be vibrant. This is the most challenging area for ASC. The proposed savings are based on work that was done in 2018/19. These savings are not expected to lead to a reduction in wages.
- The council is working to build the local care market by reducing the barriers to entry for some providers.
- Westminster has a quality assurance team that works with providers to make sure they are not rated as 'inadequate' or 'requires improvement'. This work ensures good services for users and leads to efficiencies.
- The review of contracts proposal will be revisited once more detail is known, to reassess if a detailed EIA is required.
- The only capital expenditure related to promoting independence is for specialist equipment. This may change in the future.
- The Council is working with Clinical Commissioning Group colleagues to build services together (e.g. commission care beds together).
- The Council believes that ASC needs a different system to be sustainable. That system should utilise technology as much as possible.
- 6,298 people use ASC services in Westminster. This number has raised slightly in recent years, however the serious issue is the increases in the complexity of needs.
- Social prescribing and independent living will help people live independent lives and reduce the demand for services.
- The West London Alliance (WLA) has agreed with providers across the seven boroughs to standardise costs. The WLA has identified that Westminster on occasion has paid more than neighbouring authorities.
- New systems and procedures across the bi-borough services have helped to deliver efficiencies that were not possible in a tri-borough service. Part of this is because of work done to ensure eligibility criteria are applied properly.

## **5. Public Health 2019/20 Budget**

- 5.1 Bernie Flaherty presented the Public Health budget. In response to members' questions, the task group was told:
- Officers robustly scrutinise public health spend to make sure that it is focused on achieving public health outcomes.
  - Work has already begun on delivering the 2019/20 savings.
  - The council still has a number of contracts that have been inherited from the NHS when Public Health responsibility was transferred to local authorities. Officers are reviewing the services offered to make sure that new contracts are place based. £4.5million has been saved by recommissioning NHS contracts that have ended.
  - There are still some high salaries that have been inherited from the NHS. However, even if vacant, these are specialised positions recruitment to which is difficult.

## **6. Children's Services 2019/20 Budget**

- 6.1 Melissa Caslake presented the Children's Services budget. In response to members' questions, the task group was told:
- There are approximately 45,000 children in Westminster. Approximately 1,000 have an Education, Health and Care Plan (EHCP), 4,000 have additional needs and 2,000 have some form of early help in place.
  - There are 57 unaccompanied asylum-seeking children in Westminster. The threshold the Home Office had set for Westminster is 28. The Home Office is reviewing the funding for unaccompanied asylum-seeking children which is underfunded.
  - The NHS is redefining its responsibilities concerning young people with an EHCP. This will put additional pressure on council services.
  - The proposal 'collaborative commissioning' has been reviewed and it is believed that the saving could be achieved with the deletion of a long-term vacant post and achieving efficiencies in a particular contract. This proposal would no longer need a full EIA.
  - Work is being undertaken to understand what the future of children's services traded services looked like. Attention is being paid to areas where there is no demand and therefore no need for the council to provide the service but also to making sure this does not lead to additional demand elsewhere.
  - Schools' payroll has been moved to external providers.
  - The council is working with schools to address problems with declining pupil numbers. Westminster has a high number of small schools. Small schools are more susceptible to issues caused by declining pupil numbers.
  - The review of grant utilisation would not result in a reduction in service. Most of the grant is from public health.

## **7. Growth, Planning and Housing 2019/20 Budget**

- 7.1 Barbara Brownlee presented the Growth, Planning and Housing Budget. In response to members' questions, the task group was told:
- The CityWest Homes proposed saving relates to a review of their IT provision which identified efficiencies.
  - The uplift in Facilities Management costs following the end of the Amey contract is in line with current market forces. Officers are in the process of reviewing the contract specifications to ensure the contract only includes services the council requires.
  - The number of people presenting as statutory homeless is rising. The Council has mitigating measures in place.
  - The increase in income from completing rent reviews has been rising steadily.
  - The introduction of the Homelessness Reduction Act has increased costs because the council has additional duties. The duties have been funded.

## **8 Housing Revenue Account 2019/20 Budget**

- 8.1 Barbara Brownlee presented the Housing Revenue Account budget. In response to members' questions, the task group was told:
- There is no impact modelled in the budget as a consequence of the review into CityWest Homes
  - There is an allowance of £500k for bad debt in the dwelling rent income forecast.

## **9. MEETING CLOSE**

- 9.1 The Meeting ended at 8:22pm

## **Budget Task Group**

### **MINUTES OF PROCEEDINGS**

Minutes of a meeting of the **Budget Task Group** held on **4<sup>th</sup> October 2018**, in room 3.8, 5 Strand.

**Members Present:** Cllr Melvyn Caplan (Chair), Cllr David Boothroyd, Cllr Lorraine Dean, Cllr Tony Devenish, Cllr Adam Hug and Cllr Eoghain Murphy

**Also Present:** Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Julia Corkey (Director of Policy, Performance and Communications), Ezra Wallace (Head of Corporate Strategy), Richard Barker (Executive Director of City Management and Communities), Catherine Murphy (Strategic Finance Manager), Martin Hinckley (Assistant City Treasurer) and Jake Bacchus (Strategic Finance Manager)

#### **1 Welcome and Apologies**

1.1 The Chairman welcomed those present.

#### **2 Declarations of Interest**

2.1 There were no declarations of interest.

#### **3 City Management and Communities 2019/20 Budget**

3.1 Richard Barker presented the City Management and Communities (CMC) budget. In response to members' questions, the task group was told:

- CMC is currently projecting an underspend of £250,000 for 2018/19. This is largely a result of commercial waste income performing ahead of budget.
- The procurement strategy for the waste collection fleet has not been finalised which is why it is included in both the proposed and capital revenue budgets (from 2020/21) although it is likely to be a capital spend.
- One of the reasons for the proposed extension of the waste collection and street cleansing contract is that the council wants to resolve the issue of the waste fleet before re-procuring the contract.
- The cost of street cleansing as a result of the opening of the Elizabeth line is forecast to increase further in 2020/21. The costs will be reviewed as the date the line opens becomes clearer.
- Phase three of the integrated neighbourhoods service largely focuses on back office support services. The Service Improvement teams in CMC and

GPH will be merged and the current underspend on staff costs in these two teams will be removed as a saving.

- £450,000 of the integrated neighbourhoods service savings are as a result of integrating public health grant for CMC services that deliver public health outcomes.
- Based on the experience of other authorities the projections for income from advertising on waste vehicles is prudent.
- Officers examine wider economic indicators to forecast income from parking bay suspensions.
- The council's parking strategy encourages responsible parking over income from penalty charge notices.
- Developments such as electric vehicles, the ultra low emission zone and promotion of active transport could pose a challenge for parking income. Work is being undertaken to try and identify what these developments might mean.
- New parking permit contracts have previously had issues when being introduced because of a new permit registration system implementation each time. The function was being integrated with the digital strategy and a council owned solution will be developed for future continuity so this is not expected to be an issue in the future.
- Westminster City Council has approximately 51% market share of the commercial waste market. There is a growing appetite for commercial recycling services and this area of the service is being developed.
- CMC will become a net income generator for the council and future savings will be achieved primarily through driving additional income.
- The parking service is delivered through multiple contracts. It has previously been delivered through a single contract; however, it is believed the current model works best. This will be reviewed through the re-procurement process.
- The in-house sports and leisure function will focus on developing the offer and a fully commissioned service will be delivered through sports clubs and commissioned partners.

#### **4 Policy, Performance and Communications 2019/20 Budget**

4.1 Julia Corkey presented the Policy, Performance and Communications (PPC) budget. In response to members' questions, the task group was told:

- PPC is due to fall short against its income target due to market pressures. There has been a decrease in the number of film premieres which has affected income, this is due to cinemas in Leicester Square being redeveloped, other areas attracting film premieres and a general trend of fewer films having high profile premieres. The council is not forecasting an increase in income once the cinemas reopen.
- There are fewer events being held in the city as the council balances income and other benefits with resident amenity.



- The £222,000 saving from a review of staffing is the equivalent of approximately five posts. The saving includes £50,000 from the Lord Mayor's Office.
- The council is appealing an increase in business rates for the Piccadilly Underpass advertising site.

## **5 Corporate Services 2019/20 Budget**

5.1 Steve Mair presented the Corporate Services budget. In response to members' questions, the task group was told:

- The council is expecting teething issues with the introduction of SAP as with any new IT solution but these will be manageable. SAP is being introduced on 1<sup>st</sup> December as the only other available date would be 1<sup>st</sup> January which is impractical as it would require working over Christmas.
- Payment and income modules of the SAP system have been tested and the Income Management module is already in place. The payroll module is in the final stage of testing.
- Legal services income has been affected by a fall s106 cases due to the introduction of the Community Infrastructure Levy (CIL). A modest increase in fees for the service is being considered.
- Bring your own device is already in place in the council but will be promoted more widely in 2019/20.

## **6 City Treasurer 2019/20 Budget**

6.1 Steve Mair presented the City Treasurer budget. In response to members' questions, the task group was told:

- No net benefit from the Greater London business rates pool has been included in the budget for 2019/20.
- Treasury management income increases in step with interest rate increases. Income from treasury management will fall as the capital programme starts to be delivered, as there will be less cash available.
- The Council has undertaken substantial due diligence on the proposed new supplier of the revenue and benefits contract, including liaison with central government and commissioning external independent advice from one of the major audit firms, which included an in-depth review of the bidder's accounts. Whilst there is considered to be no short / medium term risk of financial issues affecting the bidder, the Council is undertaking mitigation actions on a similar basis to those undertaken by central government. This will include actions to mitigate any future loss of Council data.
- No decision has been made on continuing the community contribution in 2019/20. It is not included in the council's budget as the income goes to the City of Westminster Charitable Trust.
- The Council is investigating forward borrowing to secure current low interest rates for future borrowing.

## **7 MEETING CLOSE**

7.1 The Meeting ended at 8:08

## **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 impacts have been considered where appropriate.

An Equalities Impact Assessment (EIA) has been produced to review each of the savings initiatives of the 2019/20 budget, for either the initial assessment 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. A series of additional annexes covering each of the portfolio areas have been produced and saved on the Westminster City Council external website, as follows:

- Annex B Part A
  - Finance, Property and Regeneration
  - Family Services and Public Health
  
- Annex B Part B
  - Housing and Customer Services
  - Public Protection and Licensing
  - Environment and City Management
  - Deputy Leader, Economic Development, Education and Community

Additionally, a lever arch file 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 the 7<sup>th</sup> November 2018.

Members are requested to ask anyone from 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 the 24<sup>th</sup>, 26<sup>th</sup> September and 4<sup>th</sup> October 2018 and are available on the Council's committees website alongside the agenda and papers for this meeting.

A summary of all the assessments is presented below:

EIA Reference Number	EIA Description	Executive Director	Full EIA or Screening Only	Annex B Breakdown	Page Number
<b>Leader of the Council (Councillor Aiken)</b>					
1.68	Review of Staffing within PPC	Policy, Performance & Communications (Julia Corkey)	Screening	Part A	60
1.69	Review of Corporate Services, pay and non pay budgets	Corporate Services (John Quinn)	Screening	Part A	68
<b>Finance, Property and Regeneration (Councillor Robathan)</b>					
1.18	Increase in Council Tax Base	City Treasurer's (Steve Mair)	Screening	Part A	1
1.20	Revenue & Benefits – contract re-procurement	City Treasurer's (Steve Mair)	Screening	Part A	9
1.25	Corporate Property Strategy	Growth, Planning & Housing (Barbara Brownlee)	Screening	Part A	18
1.40	Property Rationalisation and Asset Management	Growth, Planning & Housing (Barbara Brownlee)	Screening	Part A	27
1.52	Treasury Management and review of non-pay budgets	City Treasurer's (Steve Mair)	Screening	Part A	36
1.62	Business Rates	City Treasurer's (Steve Mair)	Screening	Part A	44
1.67	Capital Programme slippage impact	City Treasurer's (Steve Mair)	Screening	Part A	52
1.69	Review of Corporate Services, pay and non pay budgets	Corporate Services (John Quinn)	Screening	Part A	68
<b>Family Services and Public Health (Councillor Acton)</b>					
3.20	Review of contracts	Adult Services (Bernie Flaherty)	Full EIA	Part A	76
3.21	Promoting independence	Adult Services (Bernie Flaherty)	Screening	Part A	88
3.26	Bi-Borough Process and Policy Review	Adult Services (Bernie Flaherty)	Screening	Part A	88
3.30	Improved market management	Adult Services (Bernie Flaherty)	Screening	Part A	99
3.35	Adult Social Care Levy (Precept)	Adult Services (Bernie Flaherty)	Screening	Part A	110
3.38	Use of IBCF Grant to fund placements budget	Adult Services (Bernie Flaherty)	Screening	Part A	110
3.39	Public Health budget changes	Adult Services (Bernie Flaherty)	Screening	Part A	121
8.22	Children's – Grant Utilisation	Children's Services (Melissa Caslake)	Screening	Part A	129
8.23	Children's - Collaborative Commissioning	Children's Services (Melissa Caslake)	Full EIA	Part A	138
8.24	Children's - Lean Operations Review	Children's Services (Melissa Caslake)	Screening	Part A	148
<b>Housing and Customer Services (Councillor Smith)</b>					
1.69	Review of Corporate Services, pay and non pay budgets	Corporate Services (John Quinn)	Screening	Part A	68
4.18	Housing General Fund	Growth, Planning & Housing (Barbara Brownlee)	Screening	Part B	157
4.19	GPH 5% Vacancy Factor	Growth, Planning & Housing (Barbara Brownlee)	Screening	Part A	169
4.20	CityWest Homes efficiency savings	Growth, Planning & Housing (Barbara Brownlee)	Screening	Part B	177
<b>Public Protection and Licensing (Councillor Adams)</b>					
1.3 (ii)	Digital saving - validation hub	City Management & Communities (Richard Barker)	Screening	Part B	185
6.09	Regulatory support services & pre-application advice	City Management & Communities (Richard Barker)	Screening	Part B	194
6.13	PPL Fee review and additional income	City Management & Communities (Richard Barker)	Full EIA	Part B	203
<b>Environment and City Management (Councillor Mitchell)</b>					
1.3 (i)	Digital saving - Parking Permits	City Management & Communities (Richard Barker)	Screening	Part B	212
5.16	Westminster Car Club (Parking)	City Management & Communities (Richard Barker)	Screening	Part B	228
6.11	Integrated neighbourhoods services - Phase 3	City Management & Communities (Richard Barker)	Screening	Part B	235
7.20	Waste contract savings	City Management & Communities (Richard Barker)	Screening	Part B	244
7.22	Advertising on waste collection vehicles	City Management & Communities (Richard Barker)	Screening	Part B	252
7.24	Commercial Waste Income	City Management & Communities (Richard Barker)	Screening	Part B	260
7.26	Parking Debt Recovery	City Management & Communities (Richard Barker)	Screening	Part B	268
7.27	Road Management: Reclassification of Roads	City Management & Communities (Richard Barker)	Screening	Part B	279
<b>Deputy Leader, Economic Development, Education and Community (Councillor Harvey)</b>					
2.09	Libraries: commercial and business opportunities	City Management & Communities (Richard Barker)	Screening	Part B	287
2.10	Community Services: controllable spend review	City Management & Communities (Richard Barker)	Screening	Part B	297
6.11	Integrated neighbourhoods services - Phase 3	City Management & Communities (Richard Barker)	Screening	Part B	308
7.12	Sports and leisure savings Phase 2	City Management & Communities (Richard Barker)	Screening	Part B	315
7.19	Libraries further service transformations	City Management & Communities (Richard Barker)	Full EIA	Part B	324

## List of savings proposals by Executive Directorate

Ref	Description	£'000
3.20	Review of contracts	250
3.21	Promoting independence	300
3.26	Bi-Borough Process and Policy Review	200
3.30	Improved market management	500
3.35	Adult Social Care Levy (Precept)	1,023
3.38	Use of IBCF Grant to fund placements budget	2,828
<b>Total Adult Services</b>		<b>5,101</b>
8.22	Children's – Additional services chargeable to Public Health Grant	448
8.23	Children's - Collaborative Commissioning	200
8.24	Children's - Lean Operations Review	200
<b>Total Children's Services</b>		<b>846</b>
1.3	Digital saving - Parking Permits	293
1.3	Digital saving - validation hub	55
2.9	Libraries: commercial and business opportunities	300
2.10	Community Services: controllable spend review	119
5.16	Westminster Car Club (Parking)	163
6.9	Regulatory support services & pre-application advice	50
6.11	Integrated neighbourhoods services - Phase 3	900
6.13	PPL Fee review and additional income	184
7.12	Sports & Leisure - Phase II	400
7.19	Libraries further service transformations	200
7.20	Waste contract savings	1,000
7.22	Advertising on waste collection vehicles	350
7.24	Commercial Waste Income	330
7.26	Parking Debt Recovery	250
7.27	Road Management: Reclassification of Roads	200
<b>Total City Management &amp; Communities</b>		<b>4,794</b>
1.25	Corporate Property Strategy	1,500
1.40	Property rationalisation and asset management	1,420
4.18	Housing General Fund	200
4.19	GPH 5% Vacancy factor	751
4.20	CityWest Homes efficiency savings	100
<b>Total Growth, Planning &amp; Housing</b>		<b>3,971</b>
1.69	Review of Corporate Services, pay and non pay budgets	297
<b>Total Corporate Services</b>		<b>297</b>
1.68	Review of Staffing within PPC directorate	222
<b>Total Policy, Performance &amp; Communications</b>		<b>222</b>
1.18	Increase in Council Tax Base	475
1.20	Revenue & Benefits – contract re-procurement	2,965
1.52	City Treasurers - Treasury Management	4,081
1.62	Business rates	9,701
1.67	Capital programme slippage impact	3,395
<b>Total City Treasurer's</b>		<b>20,617</b>
<b>Total General Fund</b>		<b>35,848</b>

Savings references 8.23, and 6.13 require external consultations which are all due to be complete by December 2018. Further details can be found in section 19.1.

## Schedule 1 - Illustrative Gross Income Budgets 2018/19 to 2019/20

Cabinet Member	Revised 2018/19 Budget £'000	Budget Change £'000	Draft 2019/20 Budget £'000
Leader of the Council	(6,357)	0	(6,357)
Deputy Leader, Economic Development, Education and Community	(108,726)	(950)	(109,676)
Environment and City Management	(119,001)	(1,393)	(120,394)
Family Services and Public Health	(93,578)	(15,712)	(109,290)
Finance, Property and Regeneration	(276,123)	(16,160)	(292,283)
Housing and Customer Services	(47,782)	(100)	(47,882)
Place Shaping and Planning	(8,377)	0	(8,377)
Public Protection and Licensing	(10,519)	4	(10,515)
<b>Sub-Total Gross Income</b>	<b>(670,463)</b>	<b>(34,312)</b>	<b>(704,775)</b>
<b>Core Funding</b>			
Net Pooled Business Rates	(133,810)	8,500	(125,310)
Council Tax Income	(53,831)	0	(53,831)
<b>Sub-Total Gross Income</b>	<b>(187,641)</b>	<b>8,500</b>	<b>(179,141)</b>
<b>Total Gross Income</b>	<b>(858,104)</b>	<b>(25,812)</b>	<b>(883,916)</b>

Executive Leadership Team	Revised 2018/19 Budget £'000	Budget Change £'000	Draft 2019/20 Budget £'000
City Treasurer	(31,603)	(14,257)	(45,860)
Director of Policy, Performance and Communications	(7,879)	0	(7,879)
Executive Director of Adult Services*	(86,798)	(15,807)	(102,605)
Executive Director of Children's Services	(106,228)	95	(106,133)
Executive Director of City Management and Communities	(136,967)	(2,339)	(139,306)
Executive Director of Corporate Services	(5,593)	0	(5,593)
Executive Director of Growth, Planning and Housing	(295,397)	(2,004)	(297,400)
<b>Sub-Total Gross Income</b>	<b>(670,463)</b>	<b>(34,312)</b>	<b>(704,775)</b>
<b>Core Funding</b>			
Net Pooled Business Rates	(133,810)	8,500	(125,310)
Council Tax Income	(53,831)	0	(53,831)
<b>Sub-Total Gross Income</b>	<b>(187,641)</b>	<b>8,500</b>	<b>(179,141)</b>
<b>Total Gross Income</b>	<b>(858,104)</b>	<b>(25,812)</b>	<b>(883,916)</b>

\*this includes Public Health

**Schedule 2 - Illustrative Gross Expenditure Budgets 2018/19 to 2019/20**

<b>Cabinet Member</b>	<b>Revised 2018/19 Budget £'000</b>	<b>Budget Change £'000</b>	<b>Draft 2019/20 Budget £'000</b>
Leader of the Council	14,998	45	15,043
Deputy Leader, Economic Development, Education and Community	122,985	(508)	122,477
Environment and City Management	105,078	(1,143)	103,935
Family Services and Public Health	174,426	12,832	187,258
Finance, Property and Regeneration	328,122	15,636	343,757
Housing and Customer Services	83,065	(961)	82,104
Place Shaping and Planning	10,304	0	10,304
Public Protection and Licensing	19,127	(89)	19,038
<b>Sub-Total Gross Expenditure</b>	<b>858,104</b>	<b>25,812</b>	<b>883,916</b>
<b>Core Funding</b>			
Net Pooled Business Rates	0	0	0
Council Tax Income	0	0	0
<b>Sub-Total Gross Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Gross Expenditure</b>	<b>858,104</b>	<b>25,812</b>	<b>883,916</b>

<b>Executive Leadership Team</b>	<b>Revised 2018/19 Budget £'000</b>	<b>Budget Change £'000</b>	<b>Draft 2019/20 Budget £'000</b>
City Treasurer	85,446	12,956	98,402
Director of Policy, Performance and Communications	17,856	(222)	17,634
Executive Director Adult of Services*	143,499	12,596	156,095
Executive Director of Children's Services	134,985	497	135,482
Executive Director of City Management and Communities	137,331	(2,001)	135,330
Executive Director of Corporate Services	18,593	1,803	20,396
Executive Director of Growth, Planning and Housing	320,396	183	320,578
<b>Sub-Total Gross Expenditure</b>	<b>858,104</b>	<b>25,812</b>	<b>883,916</b>
<b>Core Funding</b>			
Net Pooled Business Rates	0	0	0
Council Tax Income	0	0	0
<b>Sub-Total Gross Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Gross Expenditure</b>	<b>858,104</b>	<b>25,812</b>	<b>883,916</b>

\*this includes Public Health

**Schedule 3 - Illustrative Net Budgets 2018/19 to 2019/20**

<b>Cabinet Member</b>	<b>Revised 2018/19 Budget £'000</b>	<b>Budget Change £'000</b>	<b>Draft 2019/20 Budget £'000</b>
Leader of the Council	8,641	45	8,686
Deputy Leader, Economic Development, Education and Community	14,258	(1,458)	12,800
Environment and City Management	(13,922)	(2,536)	(16,458)
Family Services and Public Health	80,848	(2,880)	77,968
Finance, Property and Regeneration	51,999	(525)	51,474
Housing and Customer Services	35,282	(1,061)	34,221
Place Shaping and Planning	1,927	0	1,927
Public Protection and Licensing	8,608	(85)	8,523
<b>Sub-Total Gross Expenditure</b>	<b>187,641</b>	<b>(8,500)</b>	<b>179,141</b>
<b>Core Funding</b>			
Net Pooled Business Rates	(133,810)	8,500	(125,310)
Council Tax Income	(53,831)	0	(53,831)
<b>Sub-Total Gross Expenditure</b>	<b>(187,641)</b>	<b>8,500</b>	<b>(179,141)</b>
<b>Total Gross Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Executive Leadership Team</b>	<b>Revised 2018/19 Budget £'000</b>	<b>Budget Change £'000</b>	<b>Draft 2019/20 Budget £'000</b>
City Treasurer	53,843	(1,301)	52,542
Director of Policy, Performance and Communications	9,977	(222)	9,755
Executive Director of Adult Services*	56,701	(3,211)	53,490
Executive Director of Children's Services	28,757	592	29,349
Executive Director of City Management and Communities	364	(4,340)	(3,976)
Executive Director of Corporate Services	13,000	1,803	14,803
Executive Director of Growth, Planning and Housing	24,999	(1,821)	23,178
<b>Sub-Total Gross Expenditure</b>	<b>187,641</b>	<b>(8,500)</b>	<b>179,141</b>
<b>Core Funding</b>			
Net Pooled Business Rates	(133,810)	8,500	(125,310)
Council Tax Income	(53,831)	0	(53,831)
<b>Sub-Total Gross Expenditure</b>	<b>(187,641)</b>	<b>8,500</b>	<b>(179,141)</b>
<b>Total Gross Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*this includes Public Health



**Schedule 4 - Summary Service Budget Changes by Executive Leadership Team and Cabinet Member**

Cabinet Member:	Executive Leadership Team							Total £'000
	City Treasurer*	Director of Policy, Performance and Communications	Executive Director of Adult Services**	Executive Director of Children's Services	Executive Director of City Management and Communities	Executive Director of Corporate Services	Executive Director of Growth, Planning and Housing	
Leader of the Council	0	(222)	0	0	0	(83)	0	(305)
Deputy Leader, Economic Development, Education and Community	0	0	0	0	(1,819)	0	0	(1,819)
Environment and City Management	0	0	0	0	(2,686)	0	0	(2,686)
Family Services and Public Health	0	0	(5,101)	(846)	0	0	0	(5,947)
Finance, Property and Regeneration	(20,617)	0	0	0	0	(204)	(2,920)	(23,741)
Housing and Customer Services	0	0	0	0	0	(10)	(1,051)	(1,061)
Place Shaping and Planning	0	0	0	0	0	0	0	0
Public Protection and Licensing	0	0	0	0	(289)	0	0	(289)
<b>Sub-Total Savings £'000</b>	<b>(20,617)</b>	<b>(222)</b>	<b>(5,101)</b>	<b>(846)</b>	<b>(4,794)</b>	<b>(297)</b>	<b>(3,971)</b>	<b>(35,848)</b>
Leader of the Council	0	0	0	0	0	350	0	350
Deputy Leader, Economic Development, Education and Community	0	0	0	261	100	0	0	361
Environment and City Management	0	0	0	0	150	0	0	150
Family Services and Public Health	0	0	1,890	1,177	0	0	0	3,067
Finance, Property and Regeneration	1,516	0	0	0	0	1,750	2,150	5,416
Housing and Customer Services	0	0	0	0	0	0	0	0
Place Shaping and Planning	0	0	0	0	0	0	0	0
Public Protection and Licensing	0	0	0	0	204	0	0	204
<b>Sub-Total Growth for Service Pressures £'000</b>	<b>1,516</b>	<b>0</b>	<b>1,890</b>	<b>1,438</b>	<b>454</b>	<b>2,100</b>	<b>2,150</b>	<b>9,548</b>
Finance, Property and Regeneration	26,300	0	0	0	0	0	0	26,300
<b>Sub-Total Budget Gap £'000</b>	<b>26,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,300</b>
<b>Total General Fund Impact £'000</b>	<b>7,199</b>	<b>(222)</b>	<b>(3,211)</b>	<b>592</b>	<b>(4,340)</b>	<b>1,803</b>	<b>(1,821)</b>	<b>0</b>

\*Includes Changes for Core Funding For  
Net Business Rates and Council Tax  
Income

\*\*this includes Public Health

**Schedule 4b - Summary of 2019/20 Savings and Growth for Pressure by Cabinet Member**

Title of Budget Change Proposal	Budget Change Type £'000		
	Expenditure	Income	Total
Enhancement of the Maternity and Parental leave policies	350	0	350
<b>Pressure Total</b>	<b>350</b>	<b>0</b>	<b>350</b>
Review of Staffing within PPC directorate	(222)	0	(222)
Review of Corporate Services, pay and non pay budgets	(83)	0	(83)
<b>Saving Total</b>	<b>(305)</b>	<b>0</b>	<b>(305)</b>
<b>Leader of the Council Total</b>	<b>45</b>	<b>0</b>	<b>45</b>

Home to School Transport - inflation and minimum wage changes, plus volume increases	261	0	261
Loss of passport and citizenship application checking income	0	100	100
<b>Pressure Total</b>	<b>261</b>	<b>100</b>	<b>361</b>
Community Services controllable spend review	(119)	0	(119)
Libraries and registrars commercial and business opportunities	0	(300)	(300)
Integrated neighbourhoods services - Phase 3	(450)	(350)	(800)
Sports & Leisure - Phase II	0	(400)	(400)
Libraries further service transformations	(200)	0	(200)
<b>Saving Total</b>	<b>(769)</b>	<b>(1,050)</b>	<b>(1,819)</b>
<b>Deputy Leader, Economic Development, Education and Community Total</b>	<b>(508)</b>	<b>(950)</b>	<b>(1,458)</b>

Street Cleansing	150	0	150
<b>Pressure Total</b>	<b>150</b>	<b>0</b>	<b>150</b>
Digital saving - Parking Permits	(293)	0	(293)
Westminster Car Club (Parking)	0	(163)	(163)
Waste contract savings	(1,000)	0	(1,000)
Advertising on waste collection vehicles	0	(350)	(350)
Commercial Waste Income	0	(330)	(330)
Parking Debt Recovery	0	(250)	(250)
Road Management: Reclassification of Roads	0	(200)	(200)
Integrated neighbourhoods services - Phase 3	0	(100)	(100)
<b>Saving Total</b>	<b>(1,293)</b>	<b>(1,393)</b>	<b>(2,686)</b>
<b>Environment and City Management Total</b>	<b>(1,143)</b>	<b>(1,393)</b>	<b>(2,536)</b>

**Schedule 4b - Summary of 2019/20 Savings and Growth for Pressure by Cabinet Member**

Demographic Pressures	561	0	561
Children with learning disabilities transitioning into adults services	624	0	624
Complexity & Acuity pressures on Adult Social Care Budgets	705	0	705
Family Services – Placement related pressures	1,082	95	1,177
<b>Pressure Total</b>	<b>2,972</b>	<b>95</b>	<b>3,067</b>
Review of Contracts	(250)	0	(250)
Promoting independence	(300)	0	(300)
Process and Policy Review	(200)	0	(200)
Improved Market Management	(500)	0	(500)
Adult Social Care Levy	(1,023)	0	(1,023)
Use of iBCF Grant to fund placements budget	(2,828)	0	(2,828)
Review of Grant Utilisation across Children's Services	(446)	0	(446)
Collaborative Commissioning	(200)	0	(200)
Leaks and bottlenecks review	(200)	0	(200)
<b>Saving Total</b>	<b>(5,947)</b>	<b>0</b>	<b>(5,947)</b>
<b>Family Services, Adult Social Services and Public Health Total</b>	<b>(2,975)</b>	<b>95</b>	<b>(2,880)</b>
Performance and Contract Managed Service Provider	1,516	0	1,516
Developer Income	1,750	0	1,750
Facilities Management Costs	0	900	900
<b>Pressure Total</b>	<b>4,516</b>	<b>900</b>	<b>5,416</b>
Increase in Council Tax Base	0	(475)	(475)
Revenue & Benefits – contract re-procurement	(2,965)	0	(2,965)
Corporate Property Strategy	0	(1,500)	(1,500)
Property rationalisation and asset management	(117)	(1,304)	(1,420)
City Treasurers - Treasury Management	0	(4,081)	(4,081)
Business rates	0	(9,701)	(9,701)
Capital programme slippage impact	(3,395)	0	(3,395)
Review of Corporate Services, pay and non pay budgets	(204)	0	(204)
<b>Saving Total</b>	<b>(6,681)</b>	<b>(17,061)</b>	<b>(23,741)</b>
<b>Finance, Property and Regeneration Total</b>	<b>(2,165)</b>	<b>(16,161)</b>	<b>(18,325)</b>
Review of Corporate Services, pay and non pay budgets	(10)	0	(10)
Housing GF	(100)	(100)	(200)
GPH 5% Vacancy factor	(751)	0	(751)
CHW Efficiency saving	(100)	0	(100)
<b>Saving Total</b>	<b>(961)</b>	<b>(100)</b>	<b>(1,061)</b>
<b>Housing and Customer Services Total</b>	<b>(961)</b>	<b>(100)</b>	<b>(1,061)</b>
MOPAC funding reduction	0	204	204
<b>Pressure Total</b>	<b>0</b>	<b>204</b>	<b>204</b>
Digital saving - Validation Hub (Licensing)	(55)	0	(55)
Public Protection & Licensing fee review and additional income	(34)	(150)	(184)
Regulatory support services & pre-application advice	0	(50)	(50)
<b>Saving Total</b>	<b>(89)</b>	<b>(200)</b>	<b>(289)</b>
<b>Public Protection and Licensing Total</b>	<b>(89)</b>	<b>4</b>	<b>(85)</b>

<b>Overall Service Summary</b>	<b>Expenditure</b>	<b>Income</b>	<b>Total</b>
Sub-Total Growth for Pressures	8,249	1,299	<b>9,548</b>
Sub-Total Savings	(16,045)	(19,804)	<b>(35,848)</b>
<b>Net Total</b>	<b>(7,796)</b>	<b>(18,505)</b>	<b>(26,300)</b>

**Schedule 4c Summary of Budget Gap**

<b>Core Funding Changes:</b>	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>Total £'000</b>
Net Business Rates Change (loss from RSG Roll In)	0	8,500	<b>8,500</b>
<b>Sub-Total Core Funding Changes</b>	<b>0</b>	<b>8,500</b>	<b>8,500</b>

<b>Non-Core Funding Changes:</b>			
Inflation	6,200	0	<b>6,200</b>
Risks	3,000	0	<b>3,000</b>
Pension Fund Deficit Recovery	4,000	0	<b>4,000</b>
Pressures	1,200	0	<b>1,200</b>
Capital Programme	3,400	0	<b>3,400</b>
<b>Sub-Total Non-Core Funding Changes</b>	<b>17,800</b>	<b>0</b>	<b>17,800</b>
<b>Total Budget Gap</b>	<b>17,800</b>	<b>8,500</b>	<b>26,300</b>



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**WESTMINSTER CITY COUNCIL** – City of Westminster  
**FINANCIAL REGULATIONS**

Contents

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**Part A**      **Status of financial regulations**  
**Part B**      **Financial management roles and responsibilities**  
**Part C**      **Financial planning and budgeting**  
**Part D**      **Financial monitoring and control**  
**Part E**      **Internal control and audit**  
**Part F**      **Financial systems and procedures**  
**Part G**      **External arrangements**

**Appendix A Schedule of financial authority to officers**

Within these Regulations **Executive Director of Finance & Resources** means:

- The officer with the statutory responsibility for the proper administration of the Council's financial affairs in accordance with S151 of the Local Government Act 1972, i.e. Chief Finance Officer;
- Or those officers authorised to act on his/her behalf.

**Part A: Status of Financial Regulations**

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**1. Purpose**

1.1 These Financial Regulations (Regulations) provide the governance framework for managing the Council's financial affairs.

**2. Status**

2.1 The Local Government Act 1972 (Section 151) makes the Chief Finance Officer (Executive Director of Finance & Resources) responsible for the proper administration of the Council's financial affairs. These Regulations are issued pursuant to these responsibilities.

**3. Scope**

3.1 The regulations set out the Council's requirements in respect of:

- financial management roles and responsibilities
- financial planning and budgeting
- financial monitoring and control
- internal control and audit
- financial systems and procedures
- external arrangements

- 3.2 The regulations apply to the control of both the General Fund finances (except for schools) and the Housing Revenue Account.
- 3.3 Appendix A to the Regulations comprises the 'Schedule of Financial Authority to Officers' which sets out the approved financial limits within which officers may conduct the Council's business.
- 3.4 The Regulations are supported by a set of mandatory Financial Procedures which provide more detailed direction on the arrangements to be complied with.

#### **4. Compliance**

- 4.1 These Regulations, and the Financial Procedures, apply to every member and officer of the Council and to anyone acting on its behalf. Failure to comply may constitute misconduct and lead to formal disciplinary action.
- 4.2 All Council members and officers have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, and achieves value for money. In doing so, proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.

#### **5. Maintaining the regulations**

- 5.1 The Executive Director of Finance & Resources is responsible for:
  - a. Maintaining and updating these Regulations and the Schedule of Financial Authority to Officers.
  - b. Ensuring that any revisions affecting the powers of Members are approved by the Council on the recommendation of the Cabinet Member for Finance, Property and Regeneration.
  - c. Reviewing and reissuing the Financial Procedures as necessary to support the effective operation of these Regulations.

### ***Part B: Financial Management Roles and Responsibilities***

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#### **1. Principles**

- 1.1 A transparent framework of financial management responsibilities and decision making is essential to the effective management of the Council's financial affairs.
- 1.2 All members and officers have a common duty to abide by the highest standards of integrity and propriety when making decisions about the use of public monies.

#### **2. Members**

- 2.1 Members' responsibilities for the overall management of the Council's financial affairs are exercised through:
  - a. **Full Council**, which is responsible for approving the Council's overall policy framework and the budget within which the executive operates, setting

Prudential Indicators for capital finance and treasury management, setting limits for budget virements, and approving the Council's treasury management and investment strategies.

- b. **The Cabinet**, which is responsible for proposing the policy framework and budget to the Council and for discharging executive functions in accordance with it. Executive decisions can be delegated to a committee of the Cabinet, or by the Leader to an individual Cabinet Member or an officer.
- c. **Audit and Performance Committee**, which is responsible for maintaining a continuous review of the Council's regulatory framework, approving the Annual Statement of Accounts for publication, and oversight of audit and anti-fraud activity.
- d. **Policy and Scrutiny Committees**, which oversee the budget process including its implementation.
- e. **Pension Fund Committee**, which is responsible for the management of the Council's Pension Fund.

### **3. *The Executive Director of Finance & Resources***

3.1 The Executive Director of Finance & Resources has statutory and delegated duties in relation to the financial administration and stewardship of the Council. The statutory responsibilities cannot be overridden and arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 2015
- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme Regulations (Management and Investment of Funds) 2016
- Public Service Pensions Act 2013
- The Local Authorities Goods and Services Acts 1970
- The Local Government Acts 2000 and 2003
- The Localism Act 2011

3.2 Responsibilities of the Executive Director of Finance & Resources include:

- a. The proper administration of the Council's financial affairs including all arrangements concerning financial planning, financial control, accounting, taxation, income, debt management, insurance, investments, banking, bonds, loans, leasing, borrowing, trust and pension funds, and the payment of creditors, salaries, wages and pensions.
- b. Determining the contents of Financial Procedures and ensuring compliance with these and Financial Regulations.
- c. Preparing the annual Revenue Budget, and reporting to the Council on the robustness of the estimates and the adequacy of reserves.
- d. Preparing the annual Capital Programme, ensuring effective forward planning and sound financial management in its compilation.

- e. Ensuring that accurate and timely financial information is available to enable effective budget monitoring and reporting, and taking action if overspends or shortfalls in income emerge.
- f. Reporting to full Council if it is likely that any proposed action or decision will lead to unbudgeted or unlawful expenditure or activity.
- g. Advising on the systems of internal control necessary for sound financial management and decision making, and to ensure that public funds are properly safeguarded and used economically, efficiently, and effectively.
- h. Maintaining an adequate and effective internal audit function and an effective anti-fraud and corruption strategy.
- i. Preparing the Council's risk management strategy and advising on the management of strategic, financial and operational risks.
- j. Determining the accounting procedures and records for the Council and ensuring that they are applied consistently.
- k. Preparing the Council's annual statement of accounts and governance statement in accordance with all applicable codes of practice on local authority accounting.
- l. Preparing and implementing an effective treasury management strategy, and effecting all investments and borrowings within the limits imposed by the Council.
- m. Advising on, monitoring and reporting on performance in relation to Prudential Indicators set by the Council for capital expenditure, external debt and treasury management.
- n. Management of pension fund investments and preparing and submitting a triennial Funding Strategy Statement and Investment Strategy Statement to the Pension Fund Committee for approval.
- o. Ensuring that effective asset management arrangements are in place.
- p. Advising on the risks and financial implications associated with joint working, external funding and trading opportunities.

3.3 The Executive Director of Finance & Resources may allocate his/her day-to-day responsibilities to an appropriate representative in accordance with the Scheme of Delegated Authority to Officers and the Schedule of Financial Authority to Officers.

#### **4. Budget Managers**

4.1 Whilst the Executive Director of Finance & Resources has overall responsibility for the finances of the Council, budget managers are responsible for the day-to-day management of their respective Unit's finances. Their responsibilities in relation to financial management include:

- a. Promoting and ensuring compliance with these Regulations and associated Financial Procedures, and taking corrective action in the event of any non-compliance.
- b. Preparing annual Revenue Budget estimates and Capital Programme estimates in accordance with the guidance issued by Cabinet and the Executive Director of Finance & Resources.



- c. Ensuring that the financial implications of all proposals are properly reflected within all decision making reports and that these have been agreed with the Executive Director of Finance & Resources or his/her nominated representative.
- d. Managing service delivery and containing expenditure within the agreed revenue and capital budgets.
- e. Maintaining sound systems of internal control and implementing agreed internal and external audit recommendations.
- f. Complying with the Council's anti-fraud and corruption strategy and reporting suspected fraud and financial irregularities to internal audit for investigation.
- g. Complying with the Council's risk management strategy and notifying the Executive Director of Finance & Resources immediately of significant risks to the Council's financial position.
- h. Ensuring that all financial transactions are recorded through the main accounting system.
- i. Ensuring that the controls framework of the Council's ERP system is followed at all times and necessary steps are taken to ensure their unit complies with this framework
- j. Assisting cash flow through timely billing of income due, monitoring income received and taking appropriate action in the event of non-payment.
- k. Assisting cash flow through minimising advance payments wherever possible.
- l. Ensuring that all expenditure incurred complies with the requirements of the procurement code and has the necessary budgetary approval.
- m. Controlling resources and containing staff numbers within approved establishment and budget levels and ensuring that all employee appointments and payments are properly authorised in compliance with the Council's policies.
- n. Ensuring the proper security and safe custody of all assets under their control.
- o. Ensuring that the risks and financial implications associated with joint working, external funding and trading opportunities are properly evaluated, and that no such arrangements are entered into without the necessary approvals.
- p. Ensuring that financial authorities are operated in accordance with the limits contained within the Schedule of Financial Authority to Officers, and that a written record of authorised officers is maintained.

## **5. All Officers**

5.1 In addition to the specific responsibilities set out above the Council expects all officers to:

- a. Act in good faith, impartially and in accordance with their positions of trust.
- b. Exercise due care in relation to all resources, assets, income and expenditure within their care or control.

- c. Ensure that proper records and documentation are maintained of the Council's assets and financial transactions.
- d. Comply with these Regulations, the associated Financial Procedures and any additional guidance issued to ensure the effective control of the Council's resources.
- e. Co-operate in audits of the Council's financial systems.
- f. Report any suspected financial irregularities for investigation.
- g. Ensure they comply with the Council's ERP system control framework and policies.

## ***Part C: Financial Planning and Budgeting***

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### **1. Principles**

- 1.1 The purpose of financial planning is to set out and communicate the Council's objectives, resource allocations and related performance targets, and to provide an agreed basis for subsequent management control, accountability and reporting.
- 1.2 Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is unlawful for the Council to budget for a deficit.
- 1.3 The Council's budget sets agreed parameters around the annual activities and functions of Units and their services and is constructed within the context of a medium term financial plan. It reflects the priorities of the Council.
- 1.4 The Capital Programme sets out the resource allocations to be made to capital schemes that have the approval of Council. Capital expenditure involves acquiring or enhancing fixed assets with a long term value to the organisation, such as land, buildings, major items of plant, equipment and vehicles.
- 1.5 To enable members to make informed decisions, all Cabinet and Committee reports must incorporate a separate section on 'financial implications', which will be prepared by the Executive Director of Finance & Resources's Department. Reports must show the costs or savings of proposals, together with any approved budget provision, future commitments, potential risks, tax implications, and any other financial consequences which may arise from the options and recommendations.

### **2. Revenue Budget**

- 2.1 The Executive Director of Finance & Resources is responsible for:
  - a. Ensuring that an annual Revenue Budget and Council Tax Report is prepared in the context of a medium term financial plan for consideration by Cabinet and approval by Council.
  - b. Maintaining a financial planning and resource allocation process that properly reflects the Council's policy framework and strategic objectives.

- c. Advising the Cabinet on the format of the budget and its responsibility for issuing guidance on budget preparation taking due account of:
  - legal requirements
  - medium-term planning prospects
  - the corporate strategy and Council priorities
  - available resources
  - spending pressures
  - government initiatives and public policy requirements
  - internal policy directives
- d. Advising the Council on the budget proposals in accordance with his/her responsibilities under S151 of the Local Government Act 1972.
- e. Advising the Cabinet and Council on a prudent level of reserves for budget purposes, and ensuring any appropriate contingency provisions are maintained.
- f. Considering and approving or rejecting requests for the creation of earmarked reserves.
- g. Approving or rejecting transfers to or from reserves, or the re-designation of existing reserves.
- h. Undertaking the statutory consultation with NNDR payers.
- i. Issuing detailed procedures on the preparation of Revenue Budget estimates.

2.2 Budget managers are responsible for:

- a. Preparing annual Revenue Budget estimates in accordance with the guidance issued by Cabinet and the detailed procedures issued by the Executive Director of Finance & Resources, ensuring that these reflect agreed priorities, and advising Cabinet Members on service implications.
- b. Establishing detailed budgets for each service area in advance of the financial year and requiring such budgets to be managed by responsible named budget managers.
- c. Integrating financial and budget plans with service planning.
- d. Ensuring that any approved withdrawals from reserves are applied for their intended purposes.

### **3. Capital Programme**

- 3.1 No expenditure may be incurred on a capital project unless it has been approved by the Cabinet Member, other than in accordance with any exceptions set out in the Schedule of Financial Authority to Officers. Any slippage between years must be reported at the monthly Capital Review Group meeting and approved by the relevant Cabinet Member. Any forecasted overspends must be contained within the overall Capital Programme and reported to the Capital Review Group. Variations to the approved budgets for capital schemes must be approved by the Cabinet Member in accordance with the limits set out in the Schedule of Financial Authority to Officers.

3.2 The Capital Review Group is chaired by the Cabinet Member for Finance, Property and Regeneration supported by the Executive Director of Finance & Resources. The Executive Director of Finance & Resources is responsible for producing the agenda for the Capital Review Group meeting and co-ordinating attendees. The meeting is attended by relevant Cabinet members and Executive Directors or their representative where projects fall within their portfolio. This group meets monthly and is responsible for:

- a. The strategic development of the Council's capital programme and capital strategy in accordance with the Council's Objectives as set out in City for All.
- b. To consider any proposal for the use of capital against Council's priorities.
- c. To review potential risk and Value for Money issues on any proposal for the use of capital.
- d. To agree any programme of capital spend within the confines of Council agreed financing.
- e. To provide a forum for establishing and providing robust challenge and debate around the capital programme.
- f. To monitor the performance of projects and programmes within the Council's Capital Programme.
- g. To set out a programme of annual capital receipts and to monitor progress in achieving those receipts.
- h. To ensure that investments in projects are backed up with a rigorous business case that is updated and developed at key stages over the project life.

3.2 All Development (as per the General Fund Capital Programme) and regeneration (as per the HRA business plan) projects of £10m and over will have to produce the following three business cases:

- a. Strategic Outline Case
- b. Outline Business Case
- c. Full Business Case

3.3 If appropriate, projects under £10m may submit a Business Justification Case only, however, this will be dependent on the other criteria and factors (see below). The list below is not exhaustive and whether a project can just submit a Business Justification Case will be reviewed on a case by case basis and agreed by senior officers, members and the Project Management Office (PMO). The factors include:

- a. Level of Resident engagement required
- b. Political sensitivities
- c. Strategic aims of the project
- d. Historical context of the project

3.4 As part of the capital budget setting process, all schemes in the capital programme have to have a Capital Programme Submission Request Form (CPSR). The purpose of the CPSR forms are to justify individual schemes requiring a capital budget and ensuring that they are in line with the Council's aims and objectives. The CPSR forms are based on the PMO's prioritisation framework:

- a. Strategic fit
- b. Financial
- c. Legislative and Compliance
- d. Indirect Need
- c. Risks

Each section is scored by the budget manager and scores are then moderated by a panel which is led by the PMO. The Prioritisation Panel will make the final decision on which projects should be included in the capital programme.

3.3 The Executive Director of Finance & Resources is responsible for:

- a. Ensuring that a five-year rolling Capital Programme is prepared on an annual basis for consideration by the Capital Review Group, and approved by Cabinet and Council. This is supported by a further indicative ten-year plan.
- b. Issuing strategic guidance on budget preparation, and issuing detailed guidelines which take account of legal, regulatory and code of practice requirements, medium-term planning prospects, affordability and whole life costing.
- c. Ensuring that the revenue implications of the programme are contained within the Revenue Budget and medium term financial plan.
- d. Ensuring that all schemes relying on the use of Prudential borrowing powers are properly appraised and provide value for money.
- e. Reporting to Cabinet on the overall position and the availability of resources to support the Capital Programme.
- f. Issuing procedures on the preparation of capital budget estimates.
- g. Ensuring that sources of funding (general fund, capital grants, self-financing etc) are identified for the entire programme.
- h. Ensuring that any schemes requiring in year approval (outside of the annual capital programme) are reviewed by the Capital Review Group and approved by the relevant cabinet member – in line with the Scheme of Financial Authority.
- i. Ensuring the Capital Programme includes a contingency for in year approval of schemes and the Capital Review Group approves the use of any contingency. This is so to ensure that the overall affordability of the programme is maintained, in line with the scheme of delegation.
- j. Maintaining a record of the current capital budget and expenditure on the Council's financial systems, and ensuring compliance with financial reporting standards.
- k. Reporting to Cabinet and the Capital Review Group on the performance

against the Capital Programme and budget as well as reporting to the Audit and Performance Committee and Policy and Scrutiny Committee as required.

- l. Ensuring that governance arrangements are in place via the Capital Review Group meeting to review proposed changes to the Capital Programme for approval by the Cabinet Member.
- m. Ensuring the Council's annual disposals programme is approved by Cabinet.
- n. Ensuring the Capital Review Group is updated on the progress of the disposals programme.

### 3.3 Budget managers are responsible for:

- a. Complying with the guidance issued by the Executive Director of Finance & Resources regarding preparation of the Capital Programme.
- b. Ensuring all General Fund capital schemes and schemes included in the Housing Revenue Account asset management are properly appraised with rigorous business cases documented in line with HM Treasury Green Book guidance and in line with the requirements set out in the capital strategy. In addition projects should be supported by project plans, funding strategies, risk register and benefit realisation plans as appropriate.
- c. Undertaking robust financial management of schemes on a day to day basis and ensuring the scheme constitutes value for money.
- d. Undertaking an annual review of their schemes within the Capital Programme and consequential revenue expenditure, for inclusion in the medium term financial plan.
- e. With the exception of approved spend within the Housing Revenue Account, ensuring that no expenditure is incurred on a capital project prior to its agreed inclusion within the Capital Programme and until a financial report has been approved by the Cabinet Member in accordance with the limits set out in the Scheme of Delegated Authority to Officers.
- f. Monitoring and reporting on a monthly basis on capital expenditure and receipts against approved capital budgets, on project slippage and variations, on additions/deletions, and on any changes in projected expenditure, for the Capital Review Group, or for the Cabinet Member in the case of the Housing Revenue Account.
- g. Ensuring that all allocated spend is authorised via in accordance with the Schedule of Financial Authority to Officers
- h. Reporting to the Cabinet if proposed sources of funding are not secured.
- i. Ensuring that adequate records and audit trails are maintained in respect of all capital contracts.
- j. Complying with the requirements of Capital Review Group for business case sign off, progress updates and providing specific information in relation to a scheme when requested. As only Cabinet Member and Cabinet reports can be approved formally, all business cases must be submitted with a cover report and CRG should recommend approval to members who can sign off the report.

- k. Submitting contingency draw down reports. All projects will include a capital contingency of 20%. The Executive Director of Finance & Resources will hold 15% of this centrally. Should centrally held contingency need to be drawn down, a Cabinet Member or Cabinet Report will need to be submitted and reviewed by CRG.

3.6 The council's Project Management Office will have the responsibility of managing the progress individual projects and ensuring the quality assurance of reports and business cases. Further information can be found in the programme management handbook.

#### **4. 4. *Financial Implications of Decisions***

- 4.1 The Executive Director of Finance & Resources is responsible for:
  - a. Issuing guidance in relation to the presentation of financial implications within the Council's decision making processes.
  - b. Ensuring the adequacy of the financial implications information presented within individual decision making reports and appropriate sign-off.
- 4.2 Managers are responsible for:
  - a. Ensuring that all decision making reports properly set out the financial implications of the proposed actions, through the provision of adequate information to Finance to allow this section to be prepared.
  - b. Ensuring they act in accordance with guidance issued by the Executive Director of Finance & Resources.
  - c. Arranging for all financial implications to be validated and formally signed off by the Executive Director of Finance & Resources, or his/her nominated representative, prior to their progression through the approval process.
  - d. Consulting with relevant parties where there may be financial implications for other Cabinet Members, Committees or Units

### ***Part D: Financial Monitoring and Control***

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#### **1. *Principles***

- 1.1 To ensure the Council does not exceed its overall budget, each service area is required to manage its own income and expenditure within the cash limited budgets allocated to them to be spent on agreed service activities and functions. The Council's approval of the revenue estimates constitutes authority to incur expenditure, subject to compliance with the approved policies and regulations of the Council and any other limitation that may be imposed.
- 1.2 Any forecasted revenue overspends or income shortfalls should be mitigated through a compensating underspend or overachievement of income elsewhere. Any underspend cannot be carried forward from one year to the next without the approval of the Executive Director of Finance & Resources, and should generally

be restricted to specific items of a 'one off' nature where monies will be spent for an identified purpose in the following financial year.

- 1.3 The term virement refers to transfers of budgets between or within cost centres. Virements may only be used in the very specific circumstances set out in the Regulations and the Schedule of Financial Authority to Officers.

## **2. Control of Revenue Budgets**

2.1 The Executive Director of Finance & Resources is responsible for:

- a. Maintaining a robust framework of budget management and control that ensures that:
  - Budget management is exercised within annual cash limits and the medium term financial plan.
  - Revenue expenditure is recorded on the Council's financial systems in accordance with legal, regulatory and code of practice requirements.
  - Accurate and timely information is available to managers and budget holders that enables budgets to be monitored and controlled effectively.
  - All officers responsible for committing expenditure comply with these Regulations.
  - Each cost centre is allocated to a named budget manager determined by the relevant service manager.
  - Significant variances from budget are investigated and reported by budget managers on a regular basis.
- b. Monitoring and controlling income and expenditure against budget allocations at a Council-wide level.
- c. Reporting regularly to the Cabinet, Audit and Performance Committee and Policy and Scrutiny Committee on performance against budget, delivery of savings programmes and available reserves.

2.2 Budget managers are responsible for:

- a. Ensuring that effective budgetary control arrangements exist and are observed within their respective Units in compliance with these Regulations.
- b. Ensuring spending remains within the relevant cash limits by controlling income and expenditure, monitoring performance and taking corrective action where variations from budget are forecast.
- c. Ensuring that expenditure is coded correctly and committed only against approved budget lines.
- d. Forecasting accurately on a monthly basis throughout the financial year; regularly reporting performance, variances, and forecasts to the Executive Director of Finance & Resources, Cabinet, and as required to the Policy and Scrutiny Committee, and Audit and Performance Committee.
- e. Ensuring any risks or issues relating to over or underspends within their areas are escalated to Finance on a timely basis.



### **3. Virements**

- 3.1 The Executive Director of Finance & Resources is responsible for:
- a. Controlling and administering the virement mechanism in accordance with guidance and limits set by Council. As a general rule, revenue virement is only permissible in the following circumstances:
    - to correct any errors made in the initial loading of the budget onto the main accounting system
    - to reflect a structural reorganisation
    - to distribute centrally held budgets, e.g. savings targets and inflation provisions to reflect major changes in policy, subject to appropriate approval
    - to reflect receipt of additional grant or other funding
    - to reflect technical adjustments at the discretion of the Executive Director of Finance & Resources
    - to reflect any changes in corporate priorities
    - to reflect adjustments required in the use of earmarked reserves
  - b. Recording approved virements in the Council's financial systems and reflecting the impact of these in regular monitoring reports to Cabinet and the Audit and Performance Committee.
- 3.2 Budget Managers are responsible for:
- a. Ensuring all proposed virements comply with the limits and approval requirements set out in the Schedule of Financial Authority to Officers.
  - b. Notifying all proposed virements in writing to the Executive Director of Finance & Resources or his/her representative.
  - c. Ensuring that virements are correctly identified as either permanent or temporary (in year) adjustments.

## ***Part E: Internal Control and Audit***

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### **1. Principles**

- 1.1 Sound systems of internal control are essential to the proper economic, efficient and effective use of resources, the achievement of objectives, and the safeguarding of public funds.
- 1.2 Legislation requires that the Council provides for both internal and external audit. External audit provides an independent assessment of the Council's financial statements and the adequacy of its arrangements for securing value for money. Internal audit evaluates and reports on the adequacy of the Council's internal control systems in securing the proper, economic, efficient and effective use of resources.

- 1.3 There is a basic expectation that members and all officers will act with integrity and with due regard to matters of probity and propriety, and comply with all relevant rules, regulations, procedures and codes of conduct, including those in relation to receipt of gifts and hospitality and declaration of conflicts of interest.
- 1.4 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it, or other agencies or individuals with which it has any business dealings.
- 1.5 Risk management is an integral part of effective management and planning. It is concerned with identifying and managing key obstacles to the achievement of objectives.

## **2. *Internal Control***

- 2.1 The Executive Director of Finance & Resources is responsible for:
  - a. Advising on effective systems of internal control to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statutory and other authorities that govern their use.
  - b. Conducting an annual review of the effectiveness of the system of internal control and publishing the results of this within the Council's Annual Governance Statement.
- 2.2 Budget Managers are responsible for:
  - a. Complying with the controls set down in these Regulations and the Financial Procedures.
  - b. Taking corrective action in respect of any non-compliance by staff with relevant rules, regulations, procedures and codes of conduct.
  - c. Implementing effective systems of internal control including adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring.
  - d. Planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their objectives, standards and targets.

## **3. *Internal and External Audit***

- 3.1 The Executive Director of Finance & Resources is responsible for:
  - a. Maintaining an adequate and effective internal audit service in accordance with the Accounts and Audit Regulations.
  - b. Ensuring that the statutory requirements for external audit are complied with and that the external auditor is able to effectively scrutinise the Council's records.
  - c. Ensuring that audit plans and results are reported to the Audit and Performance Committee.

- 3.2 Budget Managers are responsible for:
- a. Ensuring that the appointed auditors have access to all documents and records for the purposes of the audit and are afforded all facilities, cooperation and explanation deemed necessary.
  - b. Cooperating in the production of annual audit plans by highlighting any areas of risk that may benefit from audit review.
  - c. Implementing audit recommendations within agreed timescales.

#### **4. Preventing Fraud and Corruption**

- 4.1 The Executive Director of Finance & Resources is responsible for:
- a. Developing and maintaining an anti-fraud and corruption strategy that stipulates the arrangements to be followed for preventing, detecting, reporting and investigating suspected fraud and irregularity.
  - b. Advising on the controls required for fraud prevention and detection.
  - c. Appointing a Money Laundering Reporting Officer and Deputy to ensure that systems are in place to counter opportunities for money laundering and that appropriate reports are made.
- 4.2 Budget Managers are responsible for:
- a. Complying with the Council's anti-fraud and corruption strategy.
  - b. Ensuring that there are sound systems of internal control within their Units for fraud prevention and detection.
  - c. Ensuring they follow all controls policies and regulations to minimise fraud and taking all necessary action with their staff if fraud is suspected.
  - d. Reporting cases of suspected fraud or irregularity to internal audit for investigation, and complying with the Council's whistleblowing policy.
  - e. Implementing audit recommendations within agreed timescales.
  - f. Reporting any vulnerabilities or suspicions of money laundering in accordance with guidance issued by the Money Laundering Reporting Officer.

#### **5. Risk Management**

- 5.1 The Executive Director of Finance & Resources is responsible for preparing the Council's risk management strategy and advising on the management of strategic, financial and operational risks.
- 5.2 Budget Managers are responsible for:
- a. Implementing the Council's risk management strategy.
  - b. Integrating risk management within business planning and performance management arrangements.
  - c. Mitigating, monitoring and reporting on risks.
  - d. Maintaining and testing business continuity plans.

### 1. Principles

1.1 Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This includes:

- **Accounting:** The main accounting system provides the prime source of financial data for management accounts, statutory accounts and government returns. It is essential that this system complies with legislation and proper accounting practice and that all information is recorded accurately, completely and in a timely manner, and that any errors are detected promptly and rectified.
- **Income:** Effective systems are necessary to ensure that all income due is collected, receipted, recorded and banked properly. Where possible income should be collected in advance to improve cash flow and avoid costs of debt collection. Debts should only be written off once all reasonable avenues have been exhausted or where it would prove uneconomical to pursue.
- **Expenditure:** Expenditure may only be incurred where budgetary provision is available and must comply with the Council's procurement rules and approved payment processes. Purchase orders must be raised to ensure that the expenditure is recorded as a commitment in the Council's main accounting system.
- **Banking:** All transactions through the Council's bank accounts must be properly processed, recorded and reconciled.
- **Treasury management:** Proper processes must be maintained for the investment of cash balances and for borrowing to fund the Capital Programme, ensuring compliance with the authorised annual Treasury Management Strategy Statement.
- **Taxation:** Effective systems must be in place to ensure that all tax liabilities and obligations are properly reported and accounted for and that losses, fines and penalties avoided.
- **Asset management:** The Council's assets must be properly recorded, safeguarded from loss/harm and utilised effectively, and any disposals undertaken in a controlled manner.
- **Insurance:** Appropriate insurance cover is necessary to protect the Council from financial claims arising from unforeseen events such as damage to property or injury to employees or to the public.
- **Recharges and internal trading accounts:** The Council is required to allocate all of its back-office costs to service areas in compliance with accounting codes of practice

### 2. Principles

2.1 The Executive Director of Finance & Resources is responsible for:

- a. Determining the Council's main accounting system for the preparation of the Council's accounts and for monitoring all income and expenditure.

- b. Determining any financial systems which may sit outside of the main accounting system, and ensuring that these are sound and properly integrated and interfaced.
- c. Issuing guidance on the use and maintenance of the main accounting system and related financial systems, and ensuring that supporting records and documents are retained.
- d. Ensuring that regular balance sheet and holding account reconciliations are undertaken.
- e. Preparing the Council's consolidated accounts, balance sheet and governance statement for audit and publication, and issuing guidance (including a detailed timetable and plan) to ensure achievement of statutory deadline.

2.2 Budget Managers are responsible for:

- a. Ensuring that the main accounting system is used to accurately record financial transactions in accordance with guidance issued by the Executive Director of Finance & Resources.
- b. Ensuring an adequate audit trail of financial information and compliance with the Council's policies in respect of the retention of documents.
- c. Ensuring that the implementation of any Unit financial system has the express approval of the Executive Director of Finance & Resources, and is adequately documented, tested and interfaced with the main accounting system.
- d. Complying with the timetables required by the Executive Director of Finance & Resources to enable the production of consolidated accounts, budgets and statutory information.

**3. Income**

3.1 The Executive Director of Finance & Resources is responsible for:

- a. Administering all invoicing, credit notes, income collection and debt recovery or, where local arrangements for such have been agreed, approving all procedures, systems and documentation used.
- b. Ensuring that claims for Government grants and other monies are made properly and promptly.
- c. Ensuring that all monies received are properly receipted and recorded and banked promptly.
- d. Administering the process for writing off irrecoverable debts, and monitoring and reporting on write off levels.
- e. Recommending and implementing the Council's debt management policy.

3.2 Budget Managers are responsible for:

- a. Ensuring that fees and charges for services are reviewed at least annually, consulting with the Executive Director of Finance & Resources and Cabinet Members on the financial effect of the review, and obtaining Cabinet Member approval to any proposal to introduce new charges.
- b. Collecting payment at point of sale wherever possible to improve cash flow.

- c. Timely initiation of 'sales orders' in respect of all fees and charges due.
- d. Administering any local systems for invoicing, income collection and debt recovery as directed by the Executive Director of Finance & Resources.
- e. Providing operational data and information to ensure that claims for Government grants and other monies are made properly and promptly.
- f. Authorising the write off of irrecoverable debts on the recommendation of the Executive Director of Finance & Resources and subject to the requirements set out in the Schedule of Financial Authority to Officers.

#### **4. Expenditure - Procurement**

4.1 The Executive Director of Finance & Resources is responsible for:

- a. Issuing guidance on the ordering, certification and payment for all works, goods and services, subject to the provisions of the procurement code.
- b. Processing all payments due on receipt of a valid invoice or contract certificate which satisfies VAT regulations, and confirmation that works, goods and services have been received.
- c. Agreeing any exceptions to the requirement to raise purchase orders for all works, goods and services.
- d. Administering procurement cards and credit cards and processing payments.
- e. Agreeing the use of any pre-loaded payment cards.
- f. Ensuring that an effective procurement code is in place.

4.2 Budget Managers are responsible for:

- a. Ensuring that all purchase orders are raised using the Council's financial system, for all works, goods and services other than:
  - purchases appropriately made through petty cash, procurement card or credit card
  - continuous charges for utilities supplies, or periodic payments such as rents or rates, and treasury management payments
  - expenditure incurred on the Housing Revenue Account
- b. any other exceptions agreed with the Executive Director of Finance & Resources Ensuring that no purchase orders are placed without the proper approvals and financial authorities set out in the Schedule of Financial Authority to Officers and the procurement code.
- c. Receipting all works, goods and services on the financial system.
- d. Ensuring the proper completion and authorisation of payment certification vouchers, including confirming that the invoice has not previously been paid.
- e. Ensuring that payments are made only where works, goods and services have been received to the correct price, quantity and quality standards.
- f. Complying with the requirements of the Council's procurement code.
- g. Ensuring that all procurement and credit cards are appropriately controlled, and that all expenses and other transactions are reviewed and authorised by the relevant line manager, are for proper business purposes, are supported by receipts, and are compliant with any other restrictions in force.

- h. Ensuring that the transactions recorded on procurement or pre-paid cards is properly recorded on the Council's primary finance system.
- i. Complying with approval limits set out in the Schedule of Financial Authority to Officers and any further limitations set out within the procurement code.

4.3 Other responsibilities:

- a. Chief Officers are empowered to expend from within their allocated service budget expenditure up to the amount set out in the Schedule of Financial Authority to Officers in any single case where the Chief Officer is of the view that a finding of maladministration with injustice is likely to be found by the Local Government Ombudsman.
- b. In circumstances where compensation is above the amount set out in the Schedule of Financial Authority to Officers, the committee authority is required.

**5. Expenditure - Payroll**

5.1 The Executive Director of Finance & Resources is responsible for making emergency payments to staff in extremis and where practicable, such as in the case of payroll failure.

5.2 The Director of Human Resources is responsible for:

- a. Operating sound arrangements for the payment of salaries, pensions and expenses to officers and in accordance with the Members Allowances Scheme administered by the Head of Legal and Democratic Services.
- b. Providing a corporate payroll system for recording all payroll data and generating payments to employees and members, including payment of pensions and expenses.
- c. The proper calculation of all pay and allowances, National Insurance and pension contributions, income tax and other deductions.
- d. Completing all HMRC returns regarding PAYE and providing advice and guidance on employment related taxation.
- e. Maintaining an accurate and up to date record of the Council's establishment.

5.3 Budget Managers are responsible for:

- a. Controlling resources and containing staff numbers within approved establishment and budget levels.
- b. Ensuring that all employee appointments, including temporary staff, are made in compliance with the Council's policies.
- c. Ensuring that the Hampshire Integrated Business Centre is notified promptly of starters and leavers, and all information relating to employees' pay and expenses.
- d. Ensuring that all payments made to employees are properly authorised in compliance with the requirements and financial limits set out in Council's human resources policies.

- e. Ensuring that for expenses, managers review their audit samples of expense claims, validate that there are appropriate receipts in place, and make these available for audit as and when required.
- f. Ensuring that all persons employed by the Council are paid through the Council's payroll, other than where the Director of Human Resources has agreed that the individual is bona fide self-employed or employed by a recognised agency.
- g. Ensuring that all temporary employees are appropriately recorded as per IR35 regulations.

## **6. Expenditure - Banking**

6.1 The Executive Director of Finance & Resources is responsible for:

- a. Managing and operating all the Council's bank accounts and ensuring that all payment methods, whether physical (e.g. cheques) or electronic, have the appropriate authorisations, approvals and signatures.
- b. Ensuring that adequate controls are in place for the control of payment methods (including cheques) covering access, ordering, custody, preparation, signing and despatch as appropriate.
- c. Ensuring regular reconciliations are carried out between all bank accounts and the financial records of the Council.
- d. Approving the operation of any local cash or bank imprest accounts.

6.2 Budget Managers are responsible for:

- a. Ensuring that no bank accounts are opened in the name of the Council other than with the express written authority of the Executive Director of Finance & Resources.
- b. Reporting to the Executive Director of Finance & Resources on the nature and state of any bank accounts for which they are responsible.
- c. The proper administration of any local cash or bank imprest accounts including record keeping, document retention, paying in income, reconciliation and control of cheques including ordering, custody, preparation, signing and despatch.

## **7. Treasury Management**

7.1 The Executive Director of Finance & Resources is responsible for:

- a. Preparing and presenting an annual Treasury Management Strategy Statement to Cabinet prior to submission to the Council for approval.
- b. Implementing, reviewing and reporting on the progress and outturn performance of the strategy and recommending any changes.
- c. Preparing and maintaining a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- d. Preparing and maintaining suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage



and control those activities.

The content of the Treasury Management Policy Statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management in the Public Services Code of Practice (the Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- e. Ensuring that the organisation (i.e. Full Council) receives reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual outturn report after its close, in the form prescribed in its TMPs.
- f. Effecting all investments and arranging borrowings within the limits imposed by the Council and reporting on the funding methods used.
- g. Approving the use of any finance leases.
- h. Ensuring that the use of any financial derivatives is intra vires and properly risk assessed and monitored.
- i. Ensuring compliance with all applicable laws, regulations and codes of practice relating to treasury management and capital finance.
- j. Ensuring that cash flow forecasting and monitoring systems are in place.
- k. Maintaining and authorising any amendments to the approved counterparty list.

## 7.2 Budget Managers are responsible for:

- a. Assisting cash flow through timely billing of income owing, due consideration of contracts payment terms and minimising advance payments wherever possible.
- b. Supporting cash flow forecasting and notifying the Treasury Team in advance of any high value receipts or payments that may impact on investments and borrowings.
- c. Ensuring that no finance leases or borrowings are entered into without the approval of the Executive Director of Finance & Resources.

## 7.3 Other responsibilities:

- a. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies, strategies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Executive Director of Finance & Resources, who will act in accordance with the organisation's policy statement, strategy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- b. This organisation nominates the Housing, Finance and Customer Services Committee to be responsible for ensuring the effective scrutiny of the treasury management strategy and policies.

## **8. Taxation**

- 8.1 The Executive Director of Finance & Resources is responsible for:
- a. Ensuring that transactions comply with relevant statutory requirements and authorities.
  - b. Completing a monthly return of VAT inputs and outputs to HMRC, ensuring prompt recovery of sums due, and reconciliation of tax records to the main accounting system.
  - c. Making monthly Construction Industry Scheme (CIS) returns to HMRC.
  - d. Managing the Council's partial exemption position.
  - e. Preparing and submitting Voluntary Disclosure Notices to HMRC and recovery of any revenues due.
  - f. Providing advice and guidance on taxation issues.
  - g. Maintaining and updating the Council's VAT manual.
- 8.2 Budget Managers are responsible for:
- a. Ensuring that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
  - b. Seeking advice on the potential tax implication of any new initiatives for the delivery of Council activity and services.
  - c. Ensuring that the taxation implications of proposed land and building acquisitions and sales are properly identified and considered at the planning stage.
  - d. Where construction and maintenance works are undertaken, ensuring that the contractor fulfils the necessary construction industry scheme deduction requirements.
  - e. Adhering to all aspects of the Council's VAT manual.

## **9. Asset Management**

- 9.1 The Executive Director of Finance & Resources is responsible for:
- a. Ensuring that asset registers are maintained in the appropriate format for accounting purposes for all fixed assets valued in excess of the limit set out in the Schedule of Financial Authority to Officers, and that valuations are made in accordance with the local authority accounting code of practice.
  - b. Ensuring that the Executive Director for Growth, Planning and Housing puts in place an asset management plan that details short, medium and long term use of assets, and establishes arrangements for monitoring and reporting asset performance.
  - c. Ensuring that all asset acquisitions and disposals are properly recorded and comply with the disposal policy and investment strategy.
  - d. Prescribing the records to be maintained for any stocks and stores and for inventories of moveable assets.
  - e. Approving the write off of deficiencies in any stocks, stores and inventory items subject to the limits set out in the Schedule of Financial Authority to Officers.

- 9.2 The Executive Director for Growth, Planning and Housing is responsible for:
- a. Maintaining up to date records of all land and buildings, including values, for inclusion in the corporate fixed asset register, and of the Council's housing stock in the format prescribed by the Executive Director of Finance & Resources.
  - b. Arranging for the regular valuation of assets for accounting purposes to meet the requirements specified by the Executive Director of Finance & Resources.
  - c. Establishing an asset management plan that details short, medium and long term use of assets, and monitoring and reporting on performance.
  - d. Arranging the disposal of surplus assets in compliance with the disposal policy, or approved Housing Revenue Account asset management strategy, and subject to the necessary approvals.
  - e. The acquisition of land and buildings on behalf of the Council in accordance with the asset management plan, Capital Programme and medium term financial plan, and subject to the necessary approvals.
  - f. Notifying the Executive Director of Finance & Resources of acquisitions and disposals so that the accounting records can be updated.

- 9.3 Budget Managers are responsible for:
- a. Providing the Executive Director for Growth, Planning and Housing with all relevant information and documentation for the purposes of maintaining an up to date and complete fixed asset register.
  - b. Maintaining local inventories of moveable assets as directed by the Executive Director of Finance & Resources.
  - c. Ensuring that any stocks and stores are properly recorded and that unnecessarily high levels do not accumulate.
  - d. Ensuring that any cash holdings are kept to a minimum, within insurance limits and held securely.
  - e. Ensuring the proper security and safe custody of assets and reporting any assets that are lost, stolen or destroyed to the insurance team, facilities management and internal audit as appropriate.
  - f. Complying with guidance issued by the Executive Director of Finance & Resources on disposal of assets.
  - g. Seeking approval to write off deficiencies in any stocks, stores, or inventory items, subject to the limits set out in the Schedule of Financial Authority to Officers.
  - h. Ensuring that assets are used only in the course of the Council's business unless specific permission has been given otherwise

## **10. Insurance**

- 10.1 The Executive Director of Finance & Resources is responsible for:
- a. Determining the nature and level of insurance cover to be effected.
  - b. Effecting insurance cover and processing and settlement of all claims.

- 10.2 Budget Managers are responsible for:
- a. All new risks, properties or vehicles for which insurance is required.
  - b. Alterations affecting insurance arrangements.
  - c. Any loss, damage or claim.

## **11. Recharges**

- 11.1 The Executive Director of Finance & Resources is responsible for:
- a. Maintaining an appropriate system of internal recharges which ensures that the full cost of each service is identified.
  - b. Processing all charges and recharges on a regular and timely basis.
  - c. Advising on the operation of internal trading accounts.
- 11.2 Budget Managers are responsible for:
- a. Agreeing the basis of internal charges/recharges in advance of the financial year as part of the budget setting process.
  - b. Maintaining appropriate systems to calculate recharges or justify their apportionment.
  - c. Providing data to enable recharges to be processed on a regular and timely basis and responding in the event of any disputed charges.
  - d. Complying with guidance issued by the Executive Director of Finance & Resources in relation to the operation of trading accounts.

## **Part G: External Arrangements**

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### **1. Principles**

- 1.1 All partnerships and joint working arrangements with outside bodies must be properly evaluated for risk before they are entered into, and be supported by clear governance, accounting and audit arrangements. Full Cabinet approval is required in order to set-up a new entity, such as a joint venture.
- 1.2 External funding can prove an important source of income but funding conditions must be carefully examined before any agreement is entered into to ensure they are compatible with the aims and objectives of Council.
- 1.3 Legislation enables the Council to trade and provide services to third parties. All such work must be intra vires and the respective risks and financial benefits associated with such work must be properly considered and a business case approved before any trading activities take place.

### **2. Partnerships and Joint Working**

- 2.1 The Executive Director of Finance & Resources is responsible for advising on the financing, accounting and control of partnership arrangements including:
- a. Financial viability in current and future years
  - b. Risk appraisal and risk management arrangements

- c. Resourcing and taxation
- d. Audit, security and control requirements
- e. Assessing any financial implications that may arise from these arrangements under IFRS9.

2.2 Budget Managers are responsible for:

- a. Ensuring that any arrangements do not impact adversely upon Council services, that risk assessments have been carried out, and that appropriate approvals have been obtained before entering into any agreements.
- b. Ensuring that agreements and arrangements are properly documented.
- c. Maintaining local registers of partnerships entered into.
- d. Providing appropriate information to the Executive Director of Finance & Resources to enable relevant entries to be made in the Council's accounts.
- e. Ensuring that appropriate mechanisms are in place to monitor and report on performance.

**3. External Funding**

3.1 The Executive Director of Finance & Resources is responsible for:

- a. Ensuring that any match funding requirements are considered prior to entering into any agreement, that future revenue budgets reflect these requirements, and that any longer term sustainability costs have been properly assessed.
- b. Ensuring that all external funding is received and properly recorded in the Council's accounts and in the name of the Council.
- c. Maintaining a central register of external funding/grant arrangements.
- d. Ensuring that all audit requirements are met.

3.2 Budget Managers are responsible for:

- a. Ensuring that the sustainability of funding is assessed for risk, any agreements entered into are consistent with and support the Council's service priorities, and necessary approvals have been obtained.
- b. All claims for funds are made by the due date.
- c. Work is progressed in accordance with the project plan and all expenditure is properly incurred and recorded.

**4. Trading**

4.1 The Executive Director of Finance & Resources is responsible for:

- a. Issuing guidance on the assessment of trading opportunities and options.
- b. Advising on and approving the financial implications of any proposed trading arrangements between the Council and third parties.
- c. Advising on the establishment and operation of trading accounts to ensure that the accounting and control processes comply with Council and statutory requirements and that the results of trading operations are properly recorded and reported.

4.2 Budget Managers are responsible for:

- a. Identifying potential trading opportunities, and evaluating the respective risks and financial benefits in accordance with the guidance issued by the Executive Director of Finance & Resources.
- b. Obtaining the approval of the Executive Director of Finance & Resources and the Cabinet Member before proceeding.
- c. Maintaining up to date details of all contracts on the corporate contracts register.
- d. Complying with guidance issued by the Executive Director of Finance & Resources in relation to the operation of trading accounts and the proper recording and reporting of trading results.

## SCHEDULE OF FINANCIAL AUTHORITY TO OFFICERS INTRODUCTION

1. The Scheme of Delegated Authority to Officers sets out the powers and duties delegated to members of the Corporate Leadership Team (CLT). CLT members may appoint appropriate “authorised officers” to act on their behalf. For the purposes of these Financial Regulations a member of CLT is defined as any post holder who is Band 6 or Band 7.
2. This Schedule sets out the approved financial limits within which CLT members, and authorised officers, may conduct the Council’s business. Changes to the limits/values contained within this Schedule may only be made with the approval of the Executive Director of Finance & Resources . Additionally, any changes to Members approval levels also require the approval of Council on recommendation of the Cabinet Member for Finance, Property and Regeneration.
3. For those items marked, the relevant CLT member has discretion to appoint appropriate authorised officers to act on his/her behalf. In all cases the member remains accountable for the effective operation of the financial authorities and must:
  - Maintain a written record of authorised officers.
  - Ensure that an appropriate segregation of duties is in operation, e.g., between ordering and paying for goods, between claiming and approving expenses.
  - Ensure compliance with the financial limits in this Schedule and any additional financial restrictions and limitations imposed by the Procurement Code (e.g., limits relating to waivers, extensions and variations) and HR policies (e.g., limits relating to overtime, allowances, honoraria and expenses).

### FINANCIAL MONITORING AND CONTROL (FINANCIAL REGULATIONS – PART D)

REF	DESCRIPTION	LIMIT/VALUE	APPROVER
Part D Sec 3	Individual Revenue Virements: <ul style="list-style-type: none"> <li>• Reallocation of approved budgets; system errors, technical accounting adjustments, coding changes within overall spending limits and reserves.</li> <li>• Virements with budget and policy changes.</li> </ul>	Unlimited  Up to £500k £500k to £1m  Over £1m	Executive Director of Finance & Resources  Executive Director of Finance & Resources in conjunction with appropriate Cabinet Member Relevant Cabinet Member in consultation with Cabinet Member for Finance, Property and Regeneration Leader or Cabinet

REF	DESCRIPTION	LIMIT/VALUE	APPROVER
	<p>Individual Capital Virements:</p> <ul style="list-style-type: none"> <li>• Reallocation of approved budgets; system errors, technical accounting adjustments, coding changes within overall spending limits and reserves.</li> <li>• Virements with budget and policy changes</li> </ul>	<p>Unlimited</p> <p>Up to £500k</p> <p>£500k to £1m</p> <p>Over £1m</p>	<p>Executive Director of Finance &amp; Resources</p> <p>Executive Director of Finance &amp; Resources in conjunction with appropriate Cabinet Member</p> <p>Relevant Cabinet Member in consultation with Cabinet Member for Finance, Property and Regeneration</p> <p>Leader or Cabinet</p>
	<p>A revenue virement is permissible only in the following circumstances:</p> <ul style="list-style-type: none"> <li>• To correct any errors made in the initial loading of the budget onto the accounting system</li> <li>• To reflect a structural reorganisation</li> <li>• To reflect a change in corporate priorities</li> <li>• The receipt of additional grant or other funding</li> <li>• The distribution of centrally held budgets</li> <li>• To reflect technical adjustments at the discretion of the Executive Director of Finance &amp; Resources</li> <li>• To make an adjustment for the use of earmarked reserves in revenue budgets</li> </ul>	<p>The following transfers are generally not permitted:</p> <ul style="list-style-type: none"> <li>• Transfers between capital and revenue</li> <li>• Transfers between employee related and non-employee budgets</li> <li>• Transfers between controllable and non-controllable (recharges and capital financing) codes</li> </ul>	



**FINANCIAL SYSTEMS AND PROCEDURES (FINANCIAL REGULATIONS – PART F), AND FINANCIAL PLANNING AND BUDGETING  
(FINANCIAL REGULATIONS – PART C)**

REF	DESCRIPTION	LIMIT/VALUE	APPROVER
<b>INCOME</b>			
Part F Sec 3	Individual Sundry debtor accounts write offs (note this is the sum of debt on an account to be written off not individual invoices)	Up to £10k	CLT member on recommendation of Finance Manager
		£10k to £50k	CLT member on recommendation of Finance Manager – Corporate Finance and with the agreement of a Strategic Finance Manager – Corporate Finance and Tri-Borough Director of Law
		£50k to £100k	CLT member on recommendation of Strategic Finance Manager – Corporate Finance and with the agreement of Assistant Executive Director of Finance & Resources and Tri-Borough Director of Law
		Over £100k	Cabinet Member on recommendation of Executive Director of Finance & Resources and Tri-Borough Director of Law
	Individual Council Tax, NNDR, housing benefits overpayments and former client rent arrears write offs (per account / reference)	Up to £10k	Head of Shared Service Centre
		Up to £100k	Head of Shared Service Centre and Tri-Borough Director of Law
		Over £100k	Cabinet Member on recommendation of Chief Finance Officer and Tri-Borough Director of Law
	Individual Housing rent write offs (per account reference)	Up to £10k	Executive Director for Growth, Planning & Housing with the agreement of Strategic Finance Manager Growth, Planning & Housing
		Up to £100k	Executive Director of Growth, Planning & Housing with the agreement of the Strategic Finance Manager Growth, Planning & Housing and Head of Shared Service Centre.
		Over £100k	Cabinet Member on recommendation of Executive Director of Finance & Resources and Tri -Borough Director of Law

	Individual Council Tax and NNDR Refunds (per account / reference)	Unlimited	Head of Shared Service Centre
	Fees and Charges	Increase/decrease	ELT in consultation with Strategic Finance Manager and Cabinet Member
		New charges	Cabinet Member
<b>EXPENDITURE</b>			
Part F Sec 4	Approving placement of individual orders (commitments) with suppliers/contractors	Up to £10k	Budget Manager (designated by CLT member)
		£10k to £500k	Budget Manager designated by CLT member, following Procurement Code Peer (Procurement Gate Panel recommendation required for expenditure over £100k)
		£500k to £1.5m	Head of Service designated by CLT member
		Over £1.5m (£300k for consultancy agreements)	Cabinet Member
	Approving expenditure commitments on capital schemes	Up to £10k	Budget Manager (designated by CLT member)
		£10k to £500k	Budget Manager designated by CLT member, following Procurement Code Peer (Procurement Gate Panel recommendation required for expenditure over £100k)
		£500k to £1.5m	Head of Service (designated by CLT member) in consultation with CRG
		Over £1.5m	Cabinet Member
Part C Sec 3	Approving additional budget on capital schemes/new capital schemes	Up to £500k	Executive Director of Finance & Resources in conjunction with Lead Member
		Over £500k	Cabinet Member/Cabinet
Part F Sec 4	Authorising payment of invoices	Up to £500k	Budget Manager (designated by CLT member)
		Over £500k	Head of Service, in conjunction with CLT member
	Procurement card transactions/expenses	Up to £500	Approved Departmental Officer

		£500 to £1000	Budget Manager
		£1000 to £2000	Head of Service
	Approving compensatory payments	Up to £2000	ELT Member
		Over £2000	General Purposes Committee
	Corporate credit card transactions (emergency use)	Up to £20k	CLT member (essential that relevant Line Manager has agreed prior approval)
	Cash payments (exceptional use)	£100	CLT member
	Emergency expenditure	Up to £500k	Executive Director City Management and Communities in line with Scheme of Officer Delegations

<b>TREASURY MANAGEMENT</b>			
Part F Sec 7	Expenditure relating to treasury management and investments	Up to £500k	Tri-Borough Director for Treasury and Pensions
		Up to £1.5m	Executive Director of Finance & Resources
		Over £1.5m	Cabinet Member
	Placing of treasury investments	In line with TM Strategy and any operational lower limits	As authorised to transact in letters approved by Executive Director of Finance & Resources
	Expenditure relating to the operating of contracts for the pension fund	Up to £500k	Tri-Borough Director for Treasury and Pensions
		Over £500k	Executive Director of Finance & Resources
	Placing of pension fund investments	Up to £500k	Strategic Investment Manager
		Up to £750k	Tri-Borough Director for Treasury and Pensions
		Up to £1.5m	Executive Director of Finance & Resources
		Over £1.5m	Pension Fund Committee
	Transfers between, withdrawals from or additions to Pension Managers Funds	Up to £1m	Strategic Investment Manager
		Up to £5m	Tri-Borough Director for Treasury and Pensions
		Up to £10m	Executive Director of Finance & Resources
		Over £10m	Pension Fund Committee

<b>ASSET MANAGEMENT</b>			
Part F Sec 9	Writing off deficiencies in stocks, stores and inventories	Up to £10k	CLT member
		£10k to £100k	CLT member with the agreement of Strategic Finance Manager (on behalf of Executive Director of Finance & Resources and Tri-Borough Director of Law)
		Over £100k	Cabinet Member
	Disposal of freehold and leasehold land and property. Purchase, surrender, renewal, variation and re-gearing of property leases	Where premium does not exceed £500k or rental value does not exceed £125k Where premium exceeds £500k or rental value exceeds £125k	Chief Executive in line with Scheme of Officer Delegations  Cabinet
	Value for including items in fixed assets register	Over £10k	

### EXTERNAL ARRANGEMENTS (FINANCIAL REGULATIONS – PART G)

REF	DESCRIPTION	LIMIT/VALUE	APPROVER
Part G Sec 3	External trading – business case approval	Contracts up to £1.5m	ELT Member in consultation with Executive Director of Finance & Resources
		Contracts over £1.5m	Cabinet Member