



City of Westminster

City
for
All

Budget & Performance Task Group

29 January 2019





Budget and Performance Task Group

Summary

Steve Muldoon,
Assistant City Treasurer



Financial Overview

Process for 2019/20 budget

- Original budget savings initiatives – signed off in November, no changes proposed following consultations, no new proposals added
- Financial Settlement update – no material changes of concern
- Significant pressures and risks evolving in Children's and Adults to address
- Further emerging risks in commercial income on Parking, Planning and Licensing income, being managed by the services and to consider for 2020/21 budget
- Capital programme reviewed and major projects rephased – GF & HRA
- Council Tax decision yet to be announced



2019/20 Provisional Financial Settlement

The provisional settlement for 2019/20 was announced on 13 December 2018.

The key points included:

- A reduction which had already been anticipated of **£8.500m** in core funding;
- New Homes Bonus (NHB) grant for 2019/20 totalling £8.370m which is a reduction of **£0.514m** against budget expectations therefore a pressure;
- Estimated National Business Rates growth of around £2.4bn in 2018/19 and due to this growth, £180m from the Business Rates Levy account will be shared out across authorities. The Council will receive **one-off non-ringfenced grant of £1.364m** for this;
- A continuation of the 2018/19 Council Tax referendum limit of 2.99% in 2019/20. If this option was applied, it would equate to **c£1.600m of core funding based on 2018/19 households levels.**



2019/20 Budget improvement

The number of dwellings for 2019/20 Council Tax billing was calculated and presented to Cabinet in December 2018. Using the 2018/19 Band D Council Tax rate, net growth of £0.144m in Council Tax income is expected in 2019/20:

| Council Tax | 2018/19 | 2019/20 | Change |
|---|-------------------|-------------------|--------------|
| No. of Band D Equivalent Dwellings | 128,833.30 | 130,319.70 | 1.15% |
| 2018/19 Band D Council Tax (£) | 416.27 | 416.27 | |
| 2019/20 Council Tax Income (£'m)* | 53.629 | 54.248 | 0.619 |
| Growth in Council Tax Dwellings - Already Assumed for 2019/20 MTP Savings (£'m) | | | 0.475 |
| Net Additional 2019/20 Council Tax Income from Growth in Dwellings (£'m) | | | 0.144 |



Residual 2019/20 Budget Gap

Based on the outcome of the 2019/20 settlement and calculation of Council Tax base (i.e. no of Band D equivalent dwellings), there is a net impact of £0.370m needed to finalise the 2019/20 budget position:

| | 2019/20 (£'m) |
|--|------------------|
| November 2018 Budget Gap | 26.300 |
| December 2018 Provisional Finance Settlement: | |
| New Homes Bonus loss | 0.514 |
| December 2018 Calculation of Council Tax Base: | |
| Net Additional 2019/10 Council Tax Income from Growth in Dwellings | (0.144) |
| Balancing Amount Needed for 2019/20 | 0.370 |

The above presents the position before additional emerging pressures relating to social care are considered – these will be laid out later in the presentation.





Budget and Performance Task Group

Children's Services

Melissa Caslake, Executive Director



Executive Summary

- In 2018/19 Children's Services was allocated a gross controllable expenditure budget of £134.985m and a gross income budget of £106.228m (net controllable budget £28.767m).
- The projected outturn variance for 2018/19 is a £0.789m overspend reflecting increased pressures borne in the service. This reflects recurring pressures which continue into 2019/20.
- The budget envelope for 2019/20 contains revised pressures of £2.342m
 - Social Care Support Grant advised in November 2018 for 2019/20. Of the grant announced for Westminster, £0.904m will be allocated to Children's Services to offset the pressures.



2019/20 Revised Budget Pressures

| 2019/20 Pressures | £m |
|---|----------------|
| Unaccompanied Asylum Seeking Children: Demographics | 1.143 |
| Speech And Language Therapy: Contract disaggregation impact | 0.498 |
| Passenger Transport: Demographics & major reprocurement | 0.451 |
| Placements and Legislation: Complexity and New Burdens | 0.250 |
| | 2.342 |
| Funded by: | |
| Growth approved at November 2018 Council | (1.438) |
| Social Care Support Grant* | (0.904) |
| 2019/20 Unfunded Pressures | - |

*NB Social Care Support Grant has only been announced for 2019/20, so could represent a further pressure for 2020/21 if not continued.



2019/20 Budget Pressures

- Placements and UASC:
 - The majority of the pressure is seen through increased demographics owing to the closure of the pan-London Rota for sharing UASC service users across London. Westminster has a quota from the Home Office of 28 and is forecast to be caring for 104 UASC by March 2019, with an average of 86 per annum new presenting children.
 - The growth in the UASC population places pressure on the Looked After Children system, increasing the use of more expensive settings such as agency fostering and semi-independent places.
- Speech and Language Therapy Contract Disaggregation:
 - The Clinical Commissioning Group served notice on joint contractual arrangements for January 2019. Reprocuring on a sovereign basis for the statutory services under Speech and Language causes a growth in costs.
- Passenger Transport Demographics and Market Forces:
 - As at April 2018, the taxi contracts were reprocured and the prices awarded were higher than anticipated during the 2018/19 budget setting process.
 - Numbers of pupils accessing the service have continued to rise placing further pressure on this budget.



Children's Services Budget 2019/20

The key controllable service area budgets for 2019/20 are restated as follows:

| Service Area | Expenditure £m | Income £m | Net Budget £m |
|--|-------------------|------------------|------------------|
| Education | 22.866 | (17.856) | 5.010 |
| Family Services | 27.288 | (4.972) | 22.316 |
| Integrated Commissioning | 3.596 | (1.725) | 1.871 |
| Operations and Programmes | 16.481 | (15.102) | 1.379 |
| Safeguarding, Review and Quality Assurance | 1.113 | (0.087) | 1.026 |
| Schools | 65.705 | (65.705) | - |
| TOTAL Controllable Budget 2019/20 | 137.049 | (105.447) | 31.602 |

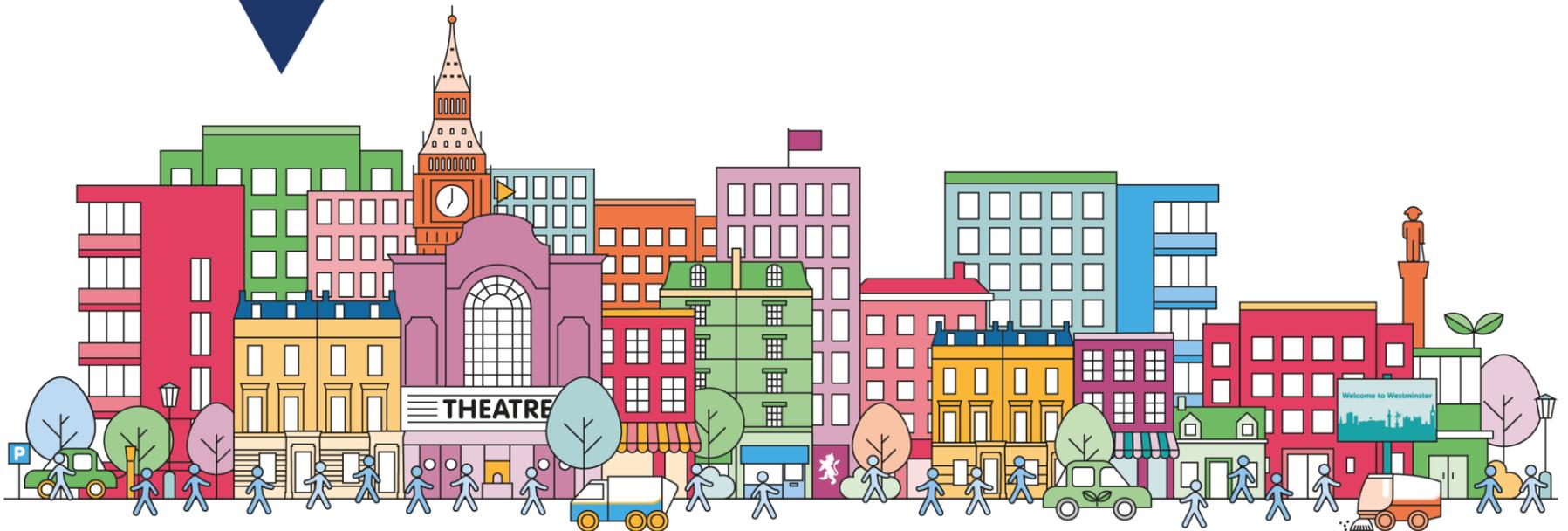




Budget and Performance Task Group

Adult Services

Bernie Flaherty, Executive Director



Better Care Fund – Context

- Established in 2013/14 the BCF is a mechanism to further integration between Health and Social Care.
- National drivers for integration were different at this time, as well as the financial climate and the pressures on both the CCG's and LA's budgets.
- Plans for further integration led to the local authority being the commissioner on many contracts that are funded from the BCF and are purely health funded services.
- Locally the BCF is managed at a Bi-Borough Level with the total BCF across WCC and RBKC being in excess of £140m.
- The CCG have indicated that they intend to reduce to the “Minimum Contribution” to the BCF which will result in changes to our Section 75 Pooled Budget arrangements and significant impacts on some contracts.



Financial Risks

- Section 75 contains commissioned services, funding arrangements and packages and placements across both Health and Social Care.
- The majority of activities funded by the CCGs under Section 75 are health activities that are arranged by the CCG and should not pose a financial risk to the council.
- However, analysis of the Section 75 spend has indicated that there are activities that Adult Social Care will need to continue on an ongoing basis and hence withdrawal of CCG funding would create a budget pressure.
- Work is planned to review the Section 75 spend with the CCGs to determine what they want to novate, continue, reduce or terminate.
- Recent discussions indicate the CCGs think it reasonable not to leave us with stranded costs in 2019/20 as services need to be reviewed before determining what to novate, reduce or cancel. This needs formalising to ensure commitment.



Financial Pressures and Risks – Mitigation

- In order to ensure that we can set a balanced council budget for 2019/20 we therefore propose to offset any risk (to the extent this materialises) from the following resources:
 - Use of the 2019/20 Social Care Support Grant
 - Use of the business rates grant levy (less £370k to offset funding settlement difference)
 - Balance from council reserves
- The ongoing pressure, once confirmed, will then be built into the 2020/21 budget process to ensure ongoing financial sustainability.





Budget & Performance Task Group

Capital Programme – *General Fund*



Capital Strategy – General Fund

The table below summarises the change from the Capital Strategy reported to Budget & Performance Task Group in September 2018 (approved by Full Council in November 2018) to now:

| Capital Strategy 2018/19 to 2032/33 | Reported Sep 2018 (£'m) | Reported Jan 2019 (£'m) | Change (£'m) |
|-------------------------------------|-------------------------|-------------------------|---------------|
| Gross Expenditure Budget | 2,520.8 | 2,643.1 | 122.3 |
| Income Budget | (734.7) | (878.0) | (143.3) |
| Net Budget | 1,786.1 | 1,765.1 | (21.0) |

Details of these changes are summarised on the next slide.



Capital Strategy – General Fund (2)

The changes in project budgets which total the £21.028m net reduction in the programme are summarised below:

| Scheme | Gross Change (£'m) | Income Change (£'m) | Net Change (£'m) |
|----------------------------------|--------------------|---------------------|------------------|
| Lisson Grove Programme | 119.226 | (130.100) | (10.874) |
| Church Street Acquisitions – NEW | 58.471 | (58.471) | - |
| Ebury – NEW | 11.475 | - | 11.475 |
| Future Education Needs | (35.650) | 36.600 | 0.950 |
| Placeshaping Schemes | (18.049) | 3.149 | (14.900) |
| Other GPH Schemes | (11.500) | - | (11.500) |
| Children's Schemes – NEW | 3.812 | (0.663) | 3.149 |
| Other Projects | (5.516) | 6.188 | 0.672 |
| Total | 122.269 | (143.297) | (21.028) |



Capital Strategy – General Fund (3)

Key Points:

- The £10.874 reduction in the net budget for the Lisson Grove Programme is due to updated assumptions and appraisals for the project, which now includes funding from capital receipts.
- The £58.471m included for Church Street Acquisitions relates to the purchase of leaseholder interests which will be held in the general fund as temporary accommodation units until the HRA buys these back upon commencement of the development.
- The £11.475m included for Ebury relates to funding for the Council's housing subsidiary company to buy the intermediate units as part of phase 1 of the project.
- The £3.812m included for new Children's schemes is related to health and safety and other minor works in schools.
- Changes in other projects are in line with the Council's priorities.
- The revenue costs of the capital programme are still within budget.



Capital Strategy – General Fund (4)

The changes in the 2019/20 gross expenditure budgets from September 2018 to January 2019 for each directorate are summarised below:

| Executive Directorate | 2019/20 Sep 2018 Gross Budget (£'m) | 2019/20 Jan 2019 Gross Budget (£'m) | 2019/20 Change Gross Budget (£'m) |
|-------------------------------|---|---|---|
| Adults Services | 1.068 | 1.068 | - |
| Children's Services | 11.956 | 13.071 | 1.115 |
| City Management & Communities | 66.752 | 83.018 | 16.266 |
| Finance & Resources | 41.057 | 21.093 | (19.964) |
| Growth, Planning and Housing | 205.589 | 137.487 | (68.102) |
| Flexible Capital Receipts | 3.250 | 2.923 | (0.327) |
| Housing Subsidiary Companies | 14.403 | 14.403 | - |
| Total | 344.075 | 273.063 | (71.012) |



Capital Strategy – General Fund (5)

Key Points:

- The £68.102m change in GPH budgets for 2019/20 is due to reprofiling of a number of large schemes in line with project expenditure forecasts.
- The £19.964m change in Finance and Resources is due to the reprofiling of centrally held contingency into future years.
- The £16.266m change in CMC is related to the reprofiling of a number of schemes.





Budget and Performance Task Group

Capital Programme - *Housing Revenue Account*

Barbara Brownlee
Executive Director



HRA – Summary

The HRA budgets in September were submitted in draft for noting due to the announcement of the borrowing cap being removed and a number of areas to be reviewed as follows:

- The borrowing cap has now formally been removed. This creates additional headroom which has been utilised whilst still ensuring the HRA remains viable in the medium to long term.
- This has allowed us to maintain delivery of our 1,850 affordable housing target and our regeneration plans in a very challenging market.
- The minimal headroom over the first 10 years of the previous plan has been mitigated by the removal of the borrowing cap.
- Feedback from the CityWest Homes review leading to the decision to bring the activity back in-house.
- Capital scheme phasing has been reviewed and 19/20 budgets updated to make best use of available resources.



HRA – Summary

- The new HRA business plan makes use of the additional borrowing capacity with a peak borrowing of £426m, being an increase of £93m from the previous plan.
- This additional borrowing allows the Council to remain committed to its delivery targets in a challenging market. Reduced interest in market sale housing has caused the Council to review and revise schemes in order to continue to drive delivery.
- Ebury Bridge scheme has now been revised to reflect the intention of the Council to self-deliver phase 1 in the HRA.
- Capital receipt assumptions have been reviewed and are more prudent in being pushed back to 2021. Our market intelligence tells us this is when prices will stabilise and confidence will return.



HRA - Capital Expenditure

The key projects over the next 5 years are outlined below:

Major Works – (£49.353m 2019/20; £198.204m 5 years):

This spend recognises the refurbishment works required on existing stock held including electrical works, external repairs and decorations, lifts, kitchens and bathrooms and works on void properties. The five year spend has increased by £9.2m due to reprofiling of works from 2018/19.

Regeneration – Ebury Bridge (£23.948m 2019/20; £136.633m 5 years):

This represents an increase of £79.616m over five years which reflects the intention for the HRA to self-develop phase 1 of the scheme. This update is a response to changes in the market which make the previous developer led approach untenable.

Regeneration – Church Street (£1.922m 2019/20; £91.141m 5 years):

The five year budget for Church Street has reduced by £28.256m. This reflects the movement of acquisition budget from the HRA to the General Fund in order for these properties to be used as Temporary Accommodation in advance of being required by the HRA as part of the regeneration scheme.

NB: The figures above are gross budgets and do not reflect the income that these schemes will receive or generate.



HRA - 5 and 30 Year Capital Programme

The capital expenditure proposed for the next 5 years is £743.3m and across 30 years £1,784.1m.

Summary details are set out below:

| Grouping | Sept-18 5yr Gross Expenditure £m | Sept-18 30yr Gross Expenditure £m | Jan-19 5yr Gross Expenditure £m | Jan-19 30yr Gross Expenditure £m | Sept-Jan 5yr Gross Expenditure Movement £m | Sept-Jan 30yr Gross Expenditure Movement £m |
|--|---|--|--|---|--|---|
| Major Works | 188.944 | 902.044 | 198.204 | 892.832 | 9.260 | (9.212) |
| Regeneration | 281.237 | 551.654 | 342.829 | 600.729 | 61.592 | 49.075 |
| Self Financing | 50.000 | 110.000 | 50.000 | 110.000 | - | - |
| Other | 141.962 | 153.530 | 152.296 | 180.519 | 10.334 | 26.988 |
| Total Capital Programme 2019/20 | 662.143 | 1,717.228 | 743.329 | 1,784.079 | 81.186 | 66.851 |



HRA - 2019/20 Capital Programme

The capital expenditure proposed for 2019/20 is £149.853m. Summary details are set out below:

| Grouping | Sept-18 2019/20 Gross Expenditure Budget £m | Jan-19 2019/20 Gross Expenditure Budget £m | 2018/19 Gross Expenditure Forecast £m |
|--|--|---|---|
| Major Works | 39.315 | 49.353 | 45.573 |
| Regeneration | 82.863 | 59.622 | 24.395 |
| Self Financing | 10.000 | 10.000 | 16.939 |
| Other | 49.633 | 30.878 | 22.701 |
| Total Capital Programme 2019/20 | 181.810 | 149.853 | 109.608 |



HRA – 2019/20 Revenue budget

- The current model shows that the plan is still affordable, minimum reserves are maintained at circa £11m or above for the life of the plan.
- The latest forecast outturn in 2018/19 is a variance of £0.344m. This represents a contribution to HRA reserves of £6.649m.
- Since October the Council formally took the decision to bring City West Homes back in house. The housing management function is being brought in without a restructure, however there are expected to be one off costs associated with the transition as well as increased pension contributions from staff from City West Homes and City West Services now being offered LGPS membership.
- Additional budget of £2m has been included in the 2019/20 revenue budgets to accommodate these additional costs.
- Increased income expected from leaseholder major works reaching practical completion is expected to bring the HRA's net contribution budget for 2019/20 to £9.8m (vs £6.4m reported in October 2018).

