City of Westminster

Cabinet

Decision Maker:	**Cabinet**
Date:	**15 February 2021**
Classification:	**General release**
Title:	**Business and Financial Planning 2021/22 to 2023/24**
Wards Affected:	**All**
Key Decision:	**Key Decision**
Financial Summary:	**This report sets out the Council's medium-term plan for the next three years and proposes a budget for the 2021/22 financial year**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1. This report brings together the Council's business and financial planning and looks forward over the next three years to set out how it will meet the Council's key objectives under the refreshed City for All strategy, supported by a medium-term financial plan. Cabinet are asked to consider the report and recommend its adoption to Full Council on 3 March 2021.

1.2. The revenue budget for 2021/22 is presented for agreement and also for recommendation to Full Council. This will meet the requirement in the Local Government Finance Act 1992 for the Council to set a budget for next year by 11 March in the preceding financial year. The report also recommends the level of council tax for 2021/22 including the Greater London Authority precept.

1.3. The report proposes a balanced budget for 2021/22, which includes a total council tax rise of 3.5% that consists of a general increase of 0.5% and a Social Care precept rise of the allowed 3%. At Band D this will result in an annual increase of £15.69 or an equivalent weekly amount of 30.2p per week. The total Westminster element of council tax will therefore rise from £448.21 to £463.90 at Band D.

1.4. The recommended General Fund budget of £182.745m is a net increase of £2.8m against last year. In broad terms this includes growth for service specific pressures of £29.1m (inclusive of changes to previously agreed savings) and other net changes of £5.8m, which is balanced with an increase in government funding of £15.9m (including additional Covid 19 core grant), new savings of £16.9m and a recommended increase in council tax which is expected to raise £2.1m of income

1.5. After a balanced budget in 2021/22 (including the proposed increases to 2021/22 Band D council tax) the medium-term financial plan forecasts a net budget gap, after proposed savings from the current budget process, of £22.4m in 2022/23 and a further £20.7m in 2023/24. Over the three-year period to 2023/24 this amounts to a gap of £43.1m. This includes indicative assumptions of a negative outcome from future funding settlements, additional expenditure pressures and reduced income due to the long term impact from Covid-19. This will continue to be kept under review and will form part of the planning process in the year ahead.

2. Recommendations

2.1. That Cabinet be recommended to approve the following recommendations to Full Council for consideration at its meeting on 3rd March 2021:

Council Tax

1 that the council tax for a Band D property be agreed at £463.90 for 2021/22, an increase of £13.45 (3%) for the Social Care precept and £2.24 (0.5%) for general purposes;

2 that, subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2022, be as specified in the Council Tax Resolution in Appendix 6.

3 That the Precepts and Special Expenses be as also specified in Appendix 6 for properties in Montpelier Square and the Queen's Park Community Council;

4 that the formal resolution for 2021/22 attached at Appendix 6 including the council tax requirement of £62.078m be agreed;

5 note the proposed Greater London Authority precept (Band D) of £363.66, an increase of £31.59 rise in the adjusted Band D Precept;

6 that the Council continues the Westminster Community Contribution to allow the most expensive (Band H) properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and supporting people who are lonely and isolated;

Revenue Budget

7 to note the views of the Budget Task Group set out in Appendix 7;

8 that the proposed General Fund net budget requirement of £182.745m summarised in Appendix 4.

9 that the savings and growth proposals for 2021/22 to 2023/24 set out in Appendix 1, 2 and 3 is approved;

10 that the Equality Impact Assessments included in Appendix 5 be received and noted to inform the consideration of the budget;

11 note the Housing Revenue Account Business Plan 2021/22 and 30-Year Housing Investment Plan presented concurrently to Cabinet on 15 February 2021 that recommends the HRA budget and rent levels for 2021/22;

Capital Programme

12 note the Capital Strategy 2021/22 to 2025/26, forecast position for 2020/21 and future years' forecasts summarised up to 2034/35 report also presented to Cabinet on 15 February 2021 that recommends the Council's capital programme and financing;

Reserves, Balances and Budget Estimates

13 note the reserves policy as set out in section 13;

14 note the views of the Section 151 Officer with regards to estimates underpinning the proposed budget changes and reserves levels in section 13;

Treasury Management and Investment Framework

15 note the Treasury Management Strategy for 2021/22 including the annual investment strategy, borrowing limits and prudential indicators summarised in this report and set out detail in a concurrent report on this agenda;

16 note the 2021/22 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

3. Reasons for Decision

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

4. Medium Term Outlook: Covid-19

Macro-Economic Impact

4.1. The coronavirus/Covid-19 pandemic has led to the largest peacetime shock to the global and British economy on record. It has led to the imposition of restrictions on economic and social activity, whilst the government is also providing a large amount of financial support to individuals, businesses and other public bodies. These factors combined have had a huge impact on the economy and public finances.

4.2. The economic shock has been unusual in its differential impact across sectors. Sectors most reliant on face to face contact such as hospitality, leisure, entertainment and transport have seen the biggest falls in output.

4.3. The Office for Budget Responsibility (OBR) has forecast that GDP will fall by 11.3% in 2020 and is unlikely to reach pre Covid-19 levels until the end of 2022 at least. The fall in GDP this year represents the greatest reduction in any one year since the early 1700's.

4.4. The OBR's central forecast estimates that government receipts this year will be £57bn lower, and spending £281bn higher than last year. This combines to push the budget deficit to nearly £400bn and cumulative debt to 105% of GDP.

4.5. Year on year borrowing has increased by £338bn, however due to the current low interest rate environment the cost of servicing the debt is not as significant as it would be if interest rates were higher, although this does leave the UK economy at risk in the future unless debt is reduced.

4.6. There has also been a reduction in CPI inflation from 1.3% last year at this point to 0.5% at December 2020.

Spending Review 2020

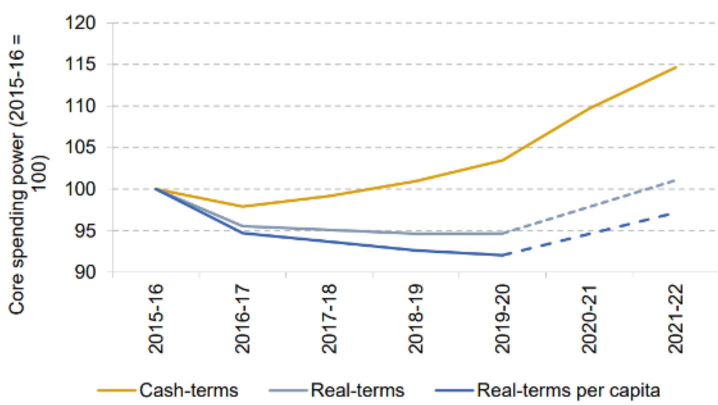
4.7. The government had originally proposed a multi-year settlement for local government from 2021/22 onwards. However, following the impact of Covid-19 a one year Spending Review was announced by the Chancellor on 25 November 2020 and detailed a £2.2bn (4.5%) increase in core funding for local government. Approximately 75% of this is assumed from council tax increases through expected growth in the tax base and through an increase in the level of tax by the maximum 5% allowed.

4.8. Analysis from the Institute of Fiscal Studies (IFS) indicates that council tax will be 61% of overall core funding in 2020/21. The comparative figures were 49% in 2015/16 and 40% in 2009/10. This illustrates the shift of government policy to an increasing reliance for local authorities to be funded by council tax and reducing direct grant funding over the last decade. This has also coincided with threshold referendum limits on council tax increases and therefore the ability of councils to increase funding has been restricted over the period and this continues to be the case for the foreseeable future.

4.9. An additional £3bn in funding was also announced for Covid-19 related support for local authorities (in various forms) which means a £5.5bn increase in funding for local government in 2021/22 compared to the 2020/21. However, the Covid-19 support will be one off and cannot therefore be built into local authority budgets from 2022/23 onwards.

4.10. In real terms core funding will be 1% higher than in 2015/16 and 15% higher in cash terms. However, when considering national population growth this represents a 3% cut in core funding per head over the last 6 years.

Core Funding in Cash, Real and Real per Capita Terms



Source: Institute of Fiscal Studies: Assessing England's 2021/22 Local Government Finance Settlement, December 2020

4.11. Some of the key announcements, which were confirmed via the final local government finance settlement on 4th February 2021 were:

- indexation of the revenue support grant of 0.55% - an additional £13m nationally;
- £300m extra for the social care grant – although only £150m of this is new money as £150m has been top sliced from the New Homes Bonus retained surplus;
- Better Care Fund to continue at current cash levels;
- New Homes Bonus – government to honour legacy payments in years 8 and 9 and a new round of one-off payments in year 11 (2021/22);

- £111m in Lower Tier Services grant for unitary and district councils.

4.12. The government have also announced specific financial support in 2021/22 to help authorities deal with the continued impact of Covid-19 this includes:

- a further £1.55bn of funding for local authorities in general Covid-19 grant funding support;
- the continuation of the income compensation scheme for sales, fees and charges for the first three months of 2021/22, and;
- additional funding of £670m for the local council tax support scheme, intended to compensate local authorities for the expected increase in CTS claimants in 2021/22;
- confirmation that the government will compensate local authorities for 75% of irrecoverable losses in business rates and council tax.

4.13. The government are still working on the detail of the CTS support scheme and Local Tax Guarantee Scheme, the last two bullet points above, with no further information in the final settlement. The Council will continue to monitor the impact of reduced local tax collection as a result of the pandemic and report this to members along with details on government support.

Spending Review 2020: Westminster Context

4.14. The provisional local government settlement published in December shows an increase in core funding for the Council, resulting in increases in the following grants in line with national increases for local government:

- Revenue support grant – increase of £0.660m
- Social Care Support grant – increase of £3.8m
- New Homes Bonus – increase of £0.200m
- Lower Tier Services grant – a new grant of £1.6m

4.15. Further details are outlined in section 12 of the report.

Beyond 2021/22

4.16. The government made a number of multi-year commitments, particularly for the NHS, schools and defence. Based on the IFS's analysis approximately 60% of spending decisions in future years have already been committed. This is primarily for the NHS, schools and defence.

4.17. Overall, Departmental Expenditure Limits (DEL) for non-Covid resources over the next two years is estimated to increase by 2%. However, protected budgets have seen an increase of 2.8% which would mean a reduction for unprotected budgets, which includes local government.

4.18. Therefore, the longer-term picture for local government continues to look uncertain and material increases in funding are unlikely. This will potentially coincide with an increase demand for Council services, resulting from the long-term impact from the pandemic on the economy. Previous recessions have also led to increased demand for council services such as housing and social care and these will have to be delivered with increasing pressure on budgets.

5. Medium Term Outlook: Exit from the European Union

5.1. On 1 January 2020 Britain officially left the European Union (EU) with a one year transition period in place to agree a trade deal and other arrangements with the EU.

5.2. On 24 December 2020 the government agreed a trade deal with the EU with a particular focus on goods and services without tariffs. This has minimised the economic risks of a no deal exit, but there is still some uncertainty going forward.

6. Financial Performance – 2020/21 and impact of Covid-19

6.1. The Council's financial performance in 2020/21 has been severely impacted by the pandemic. The main reasons for these are two-fold:

- the reduced footfall in Westminster reducing economic activity and therefore income for the Council, and;
- additional expenditure incurred for the Council to support the most vulnerable residents and businesses who have been impacted by the pandemic.

6.2. The latest estimated gross variance to budget as at P9 is £60-70m. This is primarily due to the factors outlined above. However, once government funding through the general Covid grant is taken into account, together with the sales, fees and charges income reimbursement scheme, then the net variance is estimated to be between £10-20m, based on continued restrictions until the end of March 2021. This will be funded by a drawdown from the general fund balance reserve.

6.3. The main areas contributing towards the variance this year are:

- reduced parking income;
- reduced net commercial waste income;

- reduced income from the leisure and highways services;
- additional expenditure on rough sleeping, and;
- additional expenditure on PPE and direct pandemic response to the community.

6.4. The government has provided a number of specific grants to assist Councils in funding the efforts being made locally to respond to the pandemic, these include:

- support for test and trace activity and outbreak management plans;
- local enforcement support;
- funding for rough sleeping, and;
- support for the shielding and the clinically vulnerable.

7. Covid-19: The Council's Response

7.1. Covid-19 has resulted in numerous challenges for the Council. As an organisation, responding to Covid-19 has required changes to the way the Council works internally and with partners.

Adult Social Care

7.2. Supporting care homes and care home providers through the pandemic has been a key focus and we continue to ensure all staff working in care homes are fully supported in tackling the impact of the pandemic. This includes ensuring all care homes have adequate testing and PPE provisions, supporting care home providers to implement government guidance, and providing mental health and wellbeing support for residents and staff.

7.3. To support with infection control in care homes, the Council funded testing for all Care Home residents and staff in July, when testing was difficult to access through the national portal. The Council has also supported care homes with the purchase and supply of iPads to enable video calling, so that care home residents can maintain relationships with friends and family.

Schools

7.4. Supporting Westminster's schools through the various government Covid-19 restrictions has been a key priority. The outbreak control process has worked well and all schools have a process in place to support children continuing to learn remotely should they need to self-isolate.

7.5. The various lockdown measures have meant an increased reliance on technology. To help keep children digitally connected, the Council purchased 750 laptops and notebooks for vulnerable families and children in need.

7.6. The Council has continued to work with schools to ensure children have access to devices should they need to access on-line learning platforms when self-isolating and have established a project, ‘digital futures’, to continue to supply schools with devices.

Westminster Connects

7.7. Since the Government announced its shielding scheme, local authorities have been asked to ensure that those deemed as clinically vulnerable were supported in their self-isolation. To meet this need the Council created Westminster Connects which has been incredibly successful in enthusing and directing the efforts of volunteers in Westminster to meet the needs of the most vulnerable residents.

7.8. With the help of volunteers, community groups and businesses, Westminster Connects has supported more than 6,000 residents, and has offered support to the most vulnerable in Westminster’s communities. Part of the growth in the budget includes investment in the base to continue with this service going forward.

Rough Sleeping

7.9. In April and May, the Council had a record number of rough sleepers - housing up to 266 rough sleepers in commercial accommodation (hotels and serviced apartments) and 400 in hostels and other council supported accommodation.

7.10. Finding a sustainable medium and long-term solution to avoid these individuals returning to the street and to return those with no Westminster connection to their home local authority continues to be a challenge.

7.11. Over the winter the winter, the focus continues to be on supporting those who are sleeping rough on our streets into the appropriate pathways to have their needs met.

Engaging with the Community

7.12. At a time when government advice changed rapidly, the Council established new forums to engage with key stakeholders. The aim of these forums is to give updates, discuss challenges and collaborate on solutions so that the Council can best support the City, its businesses and its residents.

7.13. Separate forums have been established with Great Estate & Landowners, Business Improvement Districts, Amenity Societies, Cultural Institutions and Faith Leaders.

Economy and Business

7.14. There were a number of financial support and relief schemes for businesses that were made available in response to Covid-19, which the Council facilitated. The Council was the first local authority in the country to utilise 100% of its initial Government funding allocation of grants for businesses. By mid-September, the Council paid out 5,570 grants totalling £98million, which were fully funded by Government.

7.15. A Discretionary Grant scheme was also devised to align with the Government's priority areas. This scheme offered 492 grants of £10,000 that were fully funded by Government. The Council received nearly 1,500 applications, and paid out all of the 492 available grants to business across Westminster totalling £5m.

7.16. In April, the Council offered an initial 3 month rent-free period to businesses in our commercially owned property who were unable to trade and had no income as a result of Covid-19. The position continued to be monitored during the year on a case by case basis for all tenants.

7.17. To help support businesses through these times, after the first lockdown, the Council established the Movement Strategy. This focused on how to give greater flexibility to businesses to use their outdoor space for tables and chairs, in order to meet the social distancing requirements and help keep businesses running whilst also balancing the needs of residents.

7.18. A supplier resilience forum was instigated to ensure the Council effectively monitored and supported its contractors and suppliers so that key services to the community could continue to be delivered.

Disproportionate Impact on BAME Community

7.19. As it became evident that the pandemic was having a disproportionate impact on Black, Asian and other minority ethnic communities, the Council in partnership the BAME Staff Network lobbied Government to ensure that ethnicity data is recorded as part of death certification so that the true impact of Covid-19, and the disparities are recorded at a local and national level.

7.20. Work continues on these impacts at a local and national level with the Council taking a lead on promoting vaccinations and working against the anti-vaccination publicity.

Working with Other Local Authorities and Agencies

7.21. Throughout the pandemic, pan-London structures have been established to help ensure coordination across London local authorities and key stakeholders.

7.22. Westminster City Council has participated in a variety of these structures, to ensure that Westminster is represented at a pan-London level and is able to collaborate with key partners. This has taken the form of convening and chairing sub-regional meetings.

7.23. In preparation for the second wave of COVID-19, Westminster City Council has taken a leadership role to help coordinate across London. The Council's Chief Executive chairs the London Delivery Coordination Group, which was established on 12 October. This group focuses on identifying system-wide risks for London and coordinating partners to work in collaboration to mitigate these risks.

7.24. Since September the Council in conjunction with the London Borough of Camden has taken the lead on the Mortality Management Group for Wave 2 of Covid-19. This group is responsible for the management of temporary mortuary capacity on a London-wide level.

8. City for All

8.1. The Council's strategic ambitions and programmes are organised by the four City for All pillars which will be:

- **Greener and Cleaner:** tackling the climate emergency to deliver a thriving zero carbon city, resilient to climate impacts and safeguarded for future generations

- **Vibrant Communities:** making the most of the incredible opportunities in our City and building much needed housing for our residents

- **Thriving Economy:** in response to Covid-19 impacts, this pillar will focus on supporting the recovery of the economic wellbeing of our residents and businesses and a renewal of Westminster's economy in support of the national economy

- **Smart City:** using cutting edge technology to transform council services and improving people's lives

8.2. All these pillars are interlinked and are underpinned by the core principles of tackling the climate emergency, addressing inequalities, ensuring inclusion and continuously innovating.

City for All - Covid-19

8.3. The Council's City for All Strategy was published in March 2020, just before the onset of the pandemic. However, over the last year the world has changed markedly, and the Council has had to rise to a number of challenges.

8.4. The pandemic has also had a detrimental impact on the local economy due to the lockdown measures to control the virus which has significantly reduced activity in the City. The local economy has had to navigate a great deal of uncertainty and the West End's iconic status as a centre for retail, art, leisure and culture is not guaranteed. Business's require long term funding support.

8.5. In order to respond effectively to the importance of Westminster's economic recovery an additional City for All pillar has been introduced – Thriving Economy.

8.6. The Thriving Economy pillar recognises that Westminster has always powered the London and national economy and the council is committed to meeting the economic challenges posed by the global pandemic to ensure the City's continued success. Additional resources are allocated within the budget to support this.

Climate Emergency

8.7. The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Despite the challenges of the last year the programme has continued to gather pace.

8.8. The Council has now created the Climate Action Group (CAG) which is chaired by the Leader of the Council which sets the strategic framework for achieving the Council's commitments to be carbon neutral as an organisation by 2030 and as a City by 2040 and be carbon zero by 2050.

8.9. A baseline exercise for the Council's emissions shows that the majority is through energy used to power and heat buildings, followed by road transport and waste. The Council's emissions account for just 2% of the total emissions within the City but Westminster has an active role to play in showing leadership in this space.

8.10. As outlined in the budget report last year the Council has set aside £5m in earmarked reserves to fund investment into this programme and is continually reviewing its revenue and capital budgets and priorities to ensure funding is available to meet this important strategic objective.

Smart City

8.11. The Smart City, Digital and Innovation portfolio of activity is ambitious and bold, designed to make the most of digital and new ways of working to enable residents to enhance their lives - using technology to enable and continually improve services to make a positive impact on the City and for it residents and communities.

8.12. The digital programme is taking a customer-focused approach to designing and delivering services, using digital as the option wherever possible whilst balancing the needs of diverse communities and ensuring no-one is left behind, and ensuring digital is a preferred choice when accessing council services

9. Service Updates

Adult Social Care (ASC) Precept

9.1. As per previous years, the Council is permitted to charge an additional precept on its Core Council Tax without the need to hold a referendum for 2021/22 to mitigate cost pressures in Adult Social Care.

9.2. These pressures include market cost pressures and forecast demand growth for care as a result of increasing numbers of older people, people with disabilities and people with long term health conditions that require complex care aligned. 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 e.g. through the adoption of the London Living Wage which is necessary to mitigate against the fragile state of the care market and to improve outcomes. In addition, there is still an unknown as to the long-term health implications from Covid and the added financial pressure this may generate.

9.3. For 2021/22, the Council has the option to apply 3.00% for the social care precept. This has been proposed as a recommendation for approval by Full Council as part of this report.

Better Care Fund (BCF)

9.4. The Better Care Fund (BCF) will provide financial support for councils and NHS organisations to jointly plan and deliver local services.

9.5. The Clinical Commissioning Groups (CCGs) and local authority officers have worked closely to draft a plan for 2021/22 with clear schedules of joint services, financial commitments, and monitoring arrangements. The plan agrees with our BCF NHS allocation and has benefited from scrutiny and advice from the NHS BCF Programme Team. The total value of the budget in Westminster is £12.833m.

9.6. Officers from the Council and the CCGs have agreed on the following joint work as priorities for the current financial year:

- high-quality care in the community, preventing unnecessary hospital admissions, and ensuring timely discharge;
- joint work on Mental Health Supported Accommodation and Homelessness;
- Advocacy, Carers Services, Advice and Guidance and Prevention;

- aligning the Boroughs and CCG Better Care Fund with Wider Strategic Plans, and;
- use of the iBCF, Winter Pressures, Disabled Facilities Grant funding as enablers for Better Care Fund Plans.

Improved Better Care Fund

9.7. The Improved Better Care Fund (iBCF) was introduced in 2017/18. It is 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. In 2020/21 the total allocation of iBCF was £17.130m, this is expected to continue in 2021/22 and maintained at the current level.

9.8. 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.

9.9. According to the iBCF grant determination, the funding can be spent on three purposes. There is, however, no requirement to spend across all three purposes, or to spend a set proportion on each:

- meeting adult social care needs;
- reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready, and;
- ensuring that the local social care provider market is supported.

9.10. This funding is currently being used on a range of schemes to ensure capacity is available for people being discharged from hospital who require social care input.

Public Health

9.11. 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.

9.12. The Public Health Grant is £31.593m and at present the grant allocation for WCC is not anticipated to increase and no announcement has been made by the government on future allocations of the Public Health Grant.

9.13. In 2021/22, £1.105m of savings on contract efficiencies and uplift in funding are being delivered without any adverse impact on the delivery of services.

Covid-19 Implications

9.14. Adult Social Care is facing unprecedented challenges impacted by Covid. The service is undertaking immense effort to ensure the care provider market remained resilience, support NHS's accelerated discharge pathway to improve capacity within acute setting, supporting measures for infection control particularly in care homes, outbreak management and community testing.

9.15. In 2020/21, the Government supported the Council with grants such as, Infection Control, Test and Trace, Community Testing and Workforce Capacity Fund. In addition, the Government is covering the cost of PPE until March 21. It is unclear if any further grants will be made available in financial year 2021/22.

9.16. There is a likelihood that in a post Covid world challenges will continue with increase demand for adult social care, long Covid/complexity issues and continuation to support infection controls and resilience support for care providers. There could be considerations required to adapt existing processes to meet possible new ways of working and support NHS discharge pathway. It is unknown how the coming challenges will impact Adult Social Care however, estimated financial pressures of £2.4m is reflected in the Council's medium-term financial planning for 2021/22. This is held centrally within Finance and will be made available if pressures materialise.

Children & Family Services

9.17. The vision of Children and Family Services is to deliver outstanding services that enable all children and young people to reach their full potential, including those who are most vulnerable. This is underpinned by the Children Act 2004, which sets out local authorities' responsibilities for ensuring and overseeing the effective delivery of services for children.

9.18. In September 2019, services for children who need help and protection, children in care and care leavers was rated as 'Outstanding' overall. The inspection was positive about the workforce and well-regarded centre for systemic practice and noted that excellent services and high-quality social work practice had been very well sustained. The Children's Social Care Innovation Programme Report published in September 2020 also highlighted the excellent work Bi-Borough Children's Services has achieved in its commitment to

Systemic Practice and sustainable improvement of outcomes for children and young people.

9.19. The Bi-Borough Children and Young People's Plan 2019 to 2022 sets out seven priorities for delivering better outcomes for children and young people, with success measured annually. Recent achievements include:

- A larger reduction in the rate of child protection plans (18.5 fewer per 10,000 children) compared similar local authorities.

- A reduction in the rate of child in need plans (of 75.8 fewer per 10,000 children). In similar local authorities the numbers are increasing;

- For every £1 spent, approximately £1.89 was saved due to the embedding of systemic practice, and evidence of transfer of learning from discussions in supervision to conversations with families.

- Ofsted and the Care Quality Commission (CQC) carried out an inspection in March 2020 and their inspection report outlines a number of strengths. It states that leaders from education, health and care are ambitious for children and young people with SEND, resulting in great outcomes for children 0-25 with SEND.

9.20. The total Children in Need (CIN) number – which includes Looked After Children, Care Leavers and those with a Child Protection Plan, has fallen by 17% as at December 2020 when compared to the 2019/20 outturn.

9.21. At this date, the council was supporting 192 Looked After Children and 272 Care Leavers.

9.22. Looked After Children numbers include 75 unaccompanied asylum-seeking children (UASC), whose care is funded in part by the Home Office Grant for UASC. This is a reduction of 14 when compared to numbers at the end of 2019/20. Grant funding is received at the higher rate of £143 per person per night for each eligible child or young person.

9.23. Care Leaver numbers increased by 14%, from 224 at the end of 2019/20 to 272. Of this number, 154 are former UASC – an increase of 36. Funding for Former UASC Care Leavers is received from the Home Office at £240 per person per week for each eligible young person.

9.24. At December 2020, Children's Services reported a pressure of £0.389m against budgets for UASC and Former UASC Care Leavers, after taking account of the Home Office funding.

9.25. Support was provided to 154 former UASC Looked After Children who have now turned 18. Many will have no recourse to public funds (NRPF) if they are unable to secure leave to remain. NRPF Care Leavers can remain under the care of the local authority up to the age of 25 and no additional financial support is received for this cohort. NRPF placement pressures were upwards of £0.200m at the end of December 2020.

9.26. 508 children and families were being supported through Early Help multi-agency services. These services aim to help manage emerging difficult circumstances before they develop into more serious issues.

9.27. The number of children with increased complexity of care needs continues to increase and this has brought additional pressures. Currently 826 children are supported with Education, Health and Care Plans and the cost of children's passenger transport, which supported 330 children in December 2020, is increasing.

9.28. Costs for demand-led services across children's social care continue to increase at a rate disparate to the numbers of children and young people accessing services and this represents an ongoing challenge. The 2021/22 budget includes £1.5m to mitigate the impact of increasing demand for statutory services including placements for Looked After Children, Short Breaks provision, and Passenger Transport for those with special educational needs and/or disabilities (SEND) requiring assistance to travel to and from school.

9.29. The financial challenges are coupled with the need to achieve savings, and £2.6m of budget reductions are planned within Children and Family Services. This includes the impact of savings approved as part of the 2020/21 budget, and newly proposed savings including reductions in staffing and spend on agency staff. A review of jointly funded placements is also expected to reduce the Council's budget contribution by £0.350m.

9.30. Additional Government funding is being made available into 2021/22. In the recent Spending Review, an additional £98m was announced to deliver support to victims of domestic abuse and their children in safe accommodation. Details of allocations are not known yet, but it is hoped this will enable further investment for organisations providing domestic abuse support in the borough. The Council will continue to receive funding for the Troubled Families Programme enabling the continuation of much needed services for children and their families.

9.31. The pandemic is likely to have a continued impact in 2021/22 and there is evidence that it disproportionately impacts disadvantaged children and young people. The full impact of the hardship and long-term social and economic impact for children and young people is not yet known but there will be additional costs over the next few years in addressing the impacts arising from the disruption to education, safeguarding and emotional wellbeing of children, young people and their families.

Schools

Dedicated Schools Grant (DSG)

9.32. 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.

9.33. The Council does not contribute any of its own revenue resources to fund schools, but it is required to fund the management and administration of education services from council tax and funding settlement resources.

9.34. The DSG surplus carried forward from 2019/20 was £2.382m, which included an in year overspend of £0.199m mainly in relation to school restructure costs. £0.500m of the carry forward is expected to be needed for further school restructure and £0.200m has been allocated in total to schools and early years providers.

Implementation of National Funding Formula

Schools & High Needs Block

9.35. Local Authorities will continue to set local funding formula to determine individual schools' budgets in 2021/22. The Government will, later this year, put forward its proposals to move to a 'hard' NFF in future, which will determine schools' budgets on the basis of a single national formula rather than through local formulae set independently by each local authority. This will level up the school funding system so that all schools across the country are funded on a comparable basis. The DfE will consult widely with local authorities, schools and others to make this transition carefully. 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 which is protected at a historical level.

9.36. As the first step towards hardening the National Funding Formula (NFF), the government continues the use of the national minimum per pupil funding levels, at the values in the school NFF, as compulsory for local authorities to use in their own funding formulae. The minimum per pupil funding levels within the NFF for 2021/22 is £5,415 for secondary schools and £4,180 for primary schools. All Westminster Schools will receive per pupil funding above this level in the locally agreed formula for 2021/22.

Central Schools Services block in 2021/22

9.37. 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 funding shows an increase of £0.029m.

9.38. The block will continue to cover the two distinct elements of ongoing responsibilities and historic commitments. The DfE continues to reduce the historic commitments element of the central school services funding block where authorities' expenditure has not reduced. This is likely to reduce WCCs allocation in future years.

Westminster DSG Funding Allocations for 2021/22

Block	2020/21 £m	2021/22 £m	Change £m	% Change
Schools *	115.665	122.028	6.363	5.5%
High Needs **	26.896	30.020	3.124	11.6%
Central School Services	1.026	1.055	0.029	2.8%
Early Years***	14.632	14.647	0.015	0.0%
Total	**158.219**	**167.750**	**£9.531**	**6.0%**
2021/22 includes estimated £4.972m for previous teachers' pay and pension grants */** Allocations are before deduction for academies places. The provisional High Needs allocation will be updated in March 2021. ***Early Years allocation is provisional at this time.				

9.39. The DSG allocations show an overall increase of funding of 6% equivalent to £9.531m in 2021/22. After taking account of the addition to the DSG of the previous teachers' pay and pension contributions grants (£4.972m) the comparable increase is 2.8%.

9.40. Individual schools will see an increase in funding in 2021/22 of 2.7% per pupil on average, and those with a decrease in pupil numbers are likely to have an overall decrease in funding. The Minimum Funding Guarantee (MFG) will ensure that all schools have an increase of at least 1% per pupil.

9.41. The 2019/20 year-end closing position for the LA-maintained primary and secondary schools was a collective balance of £1.839m. For 2020/21 15 schools are projecting a year end deficit. Any school in this situation is given officer support to set a sustainable budget commensurate with their resource levels and to operate within this.

9.42. The schools block funding is £122.028m based on the October 2021 pupil count. Pupil numbers from the maintained sector and nine academies indicate a total reduction of 282 pupils, made up of a reduction of 393 (4%) in primaries and an additional 111 (1%) in secondaries. As school funding is pupil-based this represents a cost pressure for schools with falling rolls.

9.43. Schools in England report that they are facing rising cost pressures, especially from increased staffing costs including the support for children with Special Educational Needs (SEN). The spending pressures that schools face, particularly those with falling pupil numbers, make it imperative for the service to work with schools to ensure that they are equipped to face the challenges ahead.

High Needs Block

9.44. The high needs block allocation has increased by 11.6%, which reflects the additional funding that the DfE have provided towards the significant national high needs pressures. Although the number of pupils with Education Health and Care Plans (EHCPs) and expenditure is increasing, Westminster's high needs block is being contained within the budget.

Early Years Block

9.45. The Early Years Block of the DSG funds the government's Free Early Education Entitlement. Through this scheme, the borough's early years providers are funded to deliver up to 30 years of free early years education and childcare to three and four-year olds, and up to 15 hours of free early years education and childcare to disadvantaged two-year olds.

9.46. Funding for early years pupil premium, the disability access fund and supplementary funding for the borough's maintained nurseries is also provided through the Early Years Block. These budgets are unchanged from 2020/21.

9.47. The initial funding allocation announced each December is based on census numbers, and revised budgets for 2021/22 rose from £14.632m in 2020/21 to £14.647m due to an 8p increase in the hourly rate for disadvantaged 2-year olds.

9.48. The hourly rates for 3-4 years are the same as 2020/21, so the initial budget is unchanged. Budgets will be adjusted following the census in January 2021 to reflect the number of children attending nurseries and childcare providers.

9.49. Officers consulted with School's Forum in January 2021 and providers will receive the new funding rates in March 2021.

Pupil Premium

9.50. Funding rates for pupil premium funding rates for 2021/22 will stay the same as for 2020/21. This funding is for each child registered as eligible for free school meals at any point in the last six years. The per pupil figures for 2021/22 are £1,345 per primary school pupil and £955 per secondary school pupil.

9.51. For Pupil Premium Plus, in 2019/20 for each pupil identified in the spring school census as being a looked after child or having left local authority care because of adoption, a special guardianship order, a child arrangement order or a residence order, schools receive £2,345 per eligible pupil.

9.52. Pupil premium for three- and four-year-old children is £302.10 per eligible child.

Coronavirus Funding Support

9.53. In addition to core funding, schools could apply for exceptional funding to cover specific unavoidable costs incurred by schools due to coronavirus (Covid-19) between March and July that could not be met from existing resources. There were windows for schools to apply at the end of both the summer and autumn terms. Claims from the December window are expected to be paid at the end of February.

9.54. There is also a £1bn ‘catch-up’ package for the 2020/21 academic year to directly tackle the impact of the disruption that COVID-19 has caused. This includes a ‘Catch-Up Premium’ worth £650m to support schools to make up for lost teaching time for all pupils, for which schools will be allocated £80 for each pupil in years reception through to 11. There is also a new £350m tutoring fund for disadvantaged pupils, allowing schools to access subsidised tutoring services.

9.55. A coronavirus workforce fund was announced in November to support schools with high levels of teacher and support staff absences. Schools can claim when they have had a short-term absence rate of over 20% (15% for special schools) or an absence rate over 10% for the period over 15 consecutive school days. This is for the period between 1st November 2020 and the end of the autumn term.

Housing Services – General Fund

9.56. The Council is involved in providing a wide range of housing related activity including:

- responding to housing need and rough sleeping;

- preventing homelessness and supporting the vulnerable;
- providing temporary housing to the homeless through leasing and acquiring residential units;
- allocating available social and affordable housing, and;
- working with Registered Providers (RPs) of affordable accommodation, developing new homes including new infill sites and delivering estate regeneration plans.

9.57. The Council makes proposals for the allocation of the supply of social housing to meet the Council's statutory obligations, meet the varying demands for social housing and to reduce numbers of people living in Temporary Accommodation (TA).

9.58. The Housing Solutions Service (HSS) provides the Council's statutory housing assessment and advice function. Local authorities have a statutory duty to provide housing under homelessness legislation, where the applicant's immigration status entitles them to this, and they are:

- homeless with no alternative accommodation that is reasonable to occupy;
- in priority need;
- has a local connection (or no local connection elsewhere).

9.59. The Council is required to offer suitable Temporary Accommodation (TA) to accepted homeless households pending allocation. The table below, summarises the demand for affordable housing in Westminster, with the largest number from homeless households (who are generally accommodated within TA)

Housing Demand	**Community Supportive Housing** (Sheltered)		**General Needs**						
	Studio	**1-Bed**	**Studio**	**1-Bed**	**2-Bed**	**3-Bed**	**4+ Bed**	**Total**	%
Existing WCC Tenants	18	52	32	275	487	462	134	1,460	34%
Homeless Households	11	1	160	23	1,090	845	243	2,373	55%
Housing Register	125	28	158	34	47	38	21	451	11%
Total	**154**	**81**	**350**	**332**	**1,624**	**1,345**	**398**	**4,284**	

9.60. Homeless households are placed in TA whilst applications are assessed and pending a move to more settled accommodation and are charged a rent set by a Central Government formula which has remained unchanged since 2011. TA now comprises c. 2,750 units of accommodation for homeless households provided through over 30 contractors and Council-owned properties purchased for use as TA, funded by the Affordable Housing Fund and borrowing.

9.61. The greatest demand is for 2 bed properties, followed by 3 bed, with just under half of TA located within Westminster, the remainder located across other London boroughs, with c. 80 properties outside of London.

9.62. Homelessness 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 Homelessness Reduction Act, all policies related to the procurement and allocation of housing are publicly available and the Council's Housing Caseworkers lead the response to enquiries involving individual households.

9.63. In 2020/21, the Council expects to complete over 570 lettings of social housing into the Councils own 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.

9.64. 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.

Housing Services – General Fund: The Impact of Covid-19

9.65. Due to the pandemic and lockdown, the Council suspended most social lettings on 23 March 2020. These resumed on 18 May 2020 in line with an Interim Allocations Statement and Government Guidance using safe lettings practices.

9.66. Direct offers were made in line with the following priorities, focusing on those needing to move for urgent reasons relating to the pandemic;

	Priority
1	Those fleeing domestic abuse/violence
2	Those with a medical need to move (and are not on the Government's vulnerable list with recommendations to remain at home) or to eligible applicants to free up accommodation for those with a medical need to move
3	Where a property is uninhabitable and requires urgent repairs
4	Those that are statutorily overcrowded

9.67. Choice Based Lettings (CBL) was reintroduced on 18 May 2020 for homeless families, with an aim for it to be phased in for wider groups. On 13 July 2020[1] Choice Based Lettings was extended to single homeless people and from 20 July[2] to: overcrowded households living in council housing; households that need to move to enable the council's housing renewal programme to go ahead; and households that needed to move for medical reasons.

9.68. Between 1 April and 23 August 2020, 178 lettings were made, with the largest proportion being made to homeless households.

9.69. The impact of the interim lettings approach, which focused on moving those with the highest needs, resulted in some groups not being able to move when in normal circumstances they may have done, and the aim has been to balance lettings for the remainder of the year.

Discretionary Housing Payments (DHP)

9.70. 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 considering the circumstances of the case and in line with the Council's policy.

9.71. Spending on DHP has increased in 2020/21 because of the effects of Covid-19. In particular, this has seen an increase in DHP awards made to tenants in the private rented sector. This is significant because rents in the private sector are expensive and consequently DHP awards made to sustain a tenancy tend to be of high value. Successful DHP claims made because the private sector rent used to decide either housing benefit or universal credit is restricted have increased by just over 75% in 2020/21. From 1 April 2020 to 31 December 2020, the number of DHP awards made for this reason was 102 whilst only 58 awards were made for the same period in 2019/20.

9.72. There is currently no indication from central government either as to the amount of funding that will be allocated to DHP for 2021/22 or the formula that will be used to distribute allocations. Although it appears likely the public health impact of Covid-19 will diminish during 2021/22; the economic effect is less certain. It is possible the ending of furlough scheme at the end of April 2021 could lead to an increase in unemployment and therefore demand for DHP. In addition, households currently receiving support from DHP because of Covid-19 may need help for longer than anticipated if there is a delayed economic recovery.

9.73. A proposed review of the Council's policy on deciding DHP claims scheduled for the spring of 2020 was postponed because of the pandemic. The review will now take place as soon as practical after the government contribution for 2021/22 is known. The review will focus on how DHP can be used most effectively to prevent new cases of homelessness that would otherwise occur because of the longer-term impacts of Covid-19. The review will also consider if the existing policy of using DHP to assist with the transition into employment is sustainable. Finally, it will consider if more can be done to proactively assist residents to compliment City for All priorities.

Universal Credit

9.74. 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. The national rollout of UC for customers making a new claim for one of the six benefits UC replaces was completed in December 2018.

9.75. The final process for moving existing customers who experience no changes requiring a new claim from their old benefits (referred to as "legacy benefits") to UC is still to be decided. Government had previously stated the transfer of all existing customers will be completed by the end of 2023 although it is possible Covid-19 will cause this date to be pushed back. This is because the pilot DWP began in July 2019 to test the effectiveness of different types of support to aid the move from legacy benefits to UC has been suspended. The pilot is being undertaken in the Harrogate area and was to have run for one year. Based on the findings of the pilot, new legislation will have to be passed confirming any practices and procedures DWP intend to implement. There is currently no timetable for when this will happen.

9.76. In 2019, DWP estimated that nationally 2.09 million customers will have to be moved from their legacy benefits onto UC but as time passes more customers will move to UC naturally because a change in circumstances will often trigger a new claim for UC. In December 2019, there were 19,956 households receiving housing benefit in Westminster. By December 2020, this number had reduced to 18,403 (a reduction of almost 8%).

9.77. The Covid-19 pandemic has resulted in a significant increase to the number of Westminster residents claiming UC. Marylebone Jobcentre Plus which covers most of the borough were handling 7,387 UC claims in March 2020. By the start of November, this number had increased to 17,916. Although this is an increase of over 10,500 it should be noted that the number will include those who have moved from legacy benefits to UC. The number also represents the number of individuals claiming and not households (i.e. the number includes young adults claiming UC who live in the family home). Those receiving support with rent through UC are eligible to apply for DHP if extra financial assistance is needed. The Council has seen a significant increase in DHP applications from UC recipients. In 2019/20 a total of 308 DHP claims were made by UC recipients. In the period 1 April 2020 to 31 December 2020, the Council had already received 509 DHP applications from this group. In addition, UC recipients who are liable for Council Tax are eligible to claim council tax support (CTS) from the Council. In the 12-month period from December 2019 to December 2020, the number of households claiming CTS had increased by 445.

9.78. The Council will continue to monitor its housing benefit and CTS caseloads to establish the effect UC implementation has. It is likely the Government will implement future changes to UC following the Harrogate pilot. The resulting budgetary effects for the Council will be considered as part of future years' budget cycles.

10. Pension Fund

10.1. 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, including academies.

Triennial Valuation

10.2. The triennial valuation of the Pension Fund was completed by the Council's actuary as at 31 March 2019. The latest actuarial report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years 2020/21 to 2022/23. A final version was agreed by the Pension Fund Committee in March 2020.

10.3. The actuary reported that the employer's contribution rate for the Council was required to rise from 15.7% to 16.8% with effect from 1 April 2020 in order to fully fund the cost of active members. The impact of this change on the Council's ongoing revenue budget cost and additional £1m per annum in 2020/21 over the previous year.

10.4. As well as needing to make contributions into the Pension Fund for active members, the Council is required to make contributions to address an historic funding deficit. The latest triennial valuation has shown that the Pension Fund as a whole is now almost in surplus, with a deficit of just £1.5m compared with a £285m deficit at 31 March 2016.

10.5. It should be noted however that the Council as an employer within the overall fund is expected to still be in deficit of £102m as at March 2020. While the Council 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.

10.6. 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.

10.7. This strategy provided 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 funding level has increased to 100% for the Pension Fund as a whole.

Future Deficit Reduction Strategy

10.8. Building on the above work, it was agreed previously at Council the second stage of paying off the Council's deficit would be made with a one off estimated £150m cash injection post 2019 to pay off the remaining deficit in full. This would be funded as a prepayment and amortised at £11m per year over 14 years, saving £11m per annum from the Council's £22m per annum deficit recovery budget. With the updated 2019 valuation figures now, the strategy can be slightly amended to the following:

- a £22m deficit repayment during 2020/21 funded from existing budgeted resources, and;
- a £80m one-off cash payment in 2021/22 to be amortised over 10 years.

This will be reviewed as the year progresses and will be built into the financial plans at the appropriate time once final due diligence is confirmed.

Pension Fund Governance

10.9. 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.

10.10. 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 Boroughs 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. Originally two of the Westminster fund's existing investment mandates were transferred to the LCIV and a third was subject to a London wide fee arrangement that substantially reduced manager fees.

10.11. The Council is one of the biggest London Borough supporters of the London CIV LGPS pool, with over £1.216bn of pension fund investments procured through this vehicle, including £365m invested passively in the Legal & General (LGIM) passive equities future world fund. Following continued underperformance within the Majedie UK equity mandate, a decision was taken to transition assets totalling £284m into the LGIM passive fund. This transfer took place during December 2019. The decision was ultimately taken not to reinvest directly into UK equities, with Morgan Stanley selected to run an additional global active equity mandate, with the value of the portfolio now at £332m.

10.12. The Pension Fund has a target asset allocation of 5% (approximately £70m) allocated to global infrastructure assets. This is in response to the Ministerial letter asking all Pension Funds in the LGPS to set out their approach with regard to infrastructure investing. The Fund appointed Pantheon as an infrastructure manager in December 2018, with the intention of transitioning assets from the Longview global equity mandate into the Pantheon global infrastructure fund. Approximately one third of the infrastructure fund is drawn down with further capital calls expected during 2021.

10.13. The Pension Fund Committee is actively reviewing its investment strategy in light of climate change and is exploring ways of making the fund greener without reducing value. The Pension Fund has reduced the underlying carbon emissions to value invested of its investments by over 50% since the start of 2020, placed fossil fuel exclusions on all active equity mandates, along with committing 6% of the portfolio to renewable energy infrastructure investments in

December 2020. Officers have produced a new Responsible Investment Strategy illustrate the progress made in this area.

11. Other Budget Reports

11.1. As part of the budget setting process each year there is also a statutory requirement to present the Capital Strategy, HRA Business Plan and Treasury Management Strategy to Cabinet and Full Council.

Capital Strategy

11.2. The Capital Strategy sets out the Council's long term capital investment plans over the next 15 years – up to 2034/35 and proposes a gross budget of £2.862bn with a net borrowing requirement of £1.629bn.

11.3. The Council's long-term capital investment is underpinned by the objectives of City for All. Capital investment is considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications and the Council has set aside a significant revenue budget to cover capital financing costs as part of the Medium Term Financial Plan.

Housing Investment Plan & Housing Revenue Account (HRA) Business Plan

11.4. The Housing Investment Plan and 30-year Housing Revenue Account (HRA) Business Plan sets out the Council's investment plans in the HRA. These are ambitious and will deliver a range of lasting benefits for the residents of Westminster and the wider community. The Council has large ambitions to provide additional social and intermediate homes whilst ensuring the current housing stock is maintained at decent levels. As of November 2020, the Council owns 20,703 social dwellings of which 11,754 were tenanted (57%) and 8,949 were leased (43%). The stock numbers are expected to grow to 20,941 units by the end of 2021/22 with further increases to stock numbers as new build properties are completed.

11.5. The HRA capital programme proposes a gross budget of £2.092bn over the next 30 years funded from various sources including the Affordable Housing Fund (AHF), capital receipts and borrowing.

11.6. In respect to revenue the HRA is estimated to generate £76m from dwelling rent and £110m in total with this income expected to be fully utilised for upkeep of housing stock and other business requirements.

Treasury Management Strategy Statement

11.7. An annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process each year. The purpose of the TMSS is to set the strategy framework, criteria, boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years to ensure security of capital, liquidity and yield.

11.8. There is currently no forecast for additional external borrowing in 2020/21 due to the current level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA). Looking to the longer term, the Council has arranged forward loans for a total of £400m to finance future capital financing commitments. The first of these loans will commence in March 2022 and the others are phased into 2023.

11.9. The annual investment strategy was set in the current continuing environment of low interest rates that has significantly reduced the capacity to generate investment yield from short-term cash balances. Various opportunities to diversify the treasury portfolio, ensure further the security of cash balances, ensure appropriate liquidity to meet Council obligations as and when required, and enhance yield within acceptable risk parameters continue to be investigated.

12. The General Fund Budget Position

Previous Updates to Cabinet

12.1. Cabinet have had two updates during the course of 2020/21 on the MTFP, firstly in July and then again in October 2020. The first report outlined the budget gap and savings approach, with the October report focusing on initial saving proposals.

12.2. In July 2020 Cabinet were presented with an estimated three budget gap of £91.4m. This is outlined in the following table:

	2021/22 over 2020/21 £'m	2022/23 over 2021/22 £'m	2023/24 over 2022/23 £'m	Total
Funding Gap - as agreed by Full Council	24.843	38.609	0.000	63.452
Core Funding Losses - Business Rates	(14.000)	(4.000)	8.300	(9.700)
London Business Rates Pool Gain / Growth	0.000	0.000	(0.500)	(0.500)
Council Tax Income	0.870	(0.300)	(0.876)	(0.306)
Other Grants: NHB Loss	(1.930)	0.611	1.727	0.408
Inflation: Pay	0.000	0.000	2.500	2.500
Inflation: Non Pay	(3.541)	(3.910)	2.000	(5.451)
Capital Financing	0.000	0.000	3.000	3.000
Corporate Pressures	0.000	0.000	5.000	5.000
COVID19 Pressures	20.000	0.000	0.000	20.000
Service Specific Pressures	3.000	(5.000)	5.000	3.000
Build back of unallocated reserves	0.000	5.000	5.000	10.000
Revised Funding Gap	**29.242**	**31.010**	**31.151**	**91.403**

12.3. Subsequently in October 2020 Cabinet were presented with an update on the MTFP and agreed saving proposals of £5.6m over the next three years. These are included in Appendix 1.

Overall Updated Budget Position 2021/22

12.4. Work has continued through this financial year to prepare savings proposals, manage the growth pressures and impact of Covid to inform the medium term financial plans. Further to the Cabinet report in October the Government’s one year Spending Review was published in November and then the announcement of the local government finance settlement followed on 17 December. This report proposes a balanced budget for 2021/22 and a gap of £43.1m over the following two years. The overall changes in the budget are summarised below:

Change Since July 2020	2021/22 £'m	2022/23 £'m	2023/24 £'m	Total £'m
Gap July 2020	**29.242**	**31.010**	**31.151**	**91.403**
Service Specific Items:				
Savings agreed by Cabinet in October	(4.696)	(0.465)	(0.470)	**(5.631)**
New savings	(12.210)	(10.412)	(3.580)	**(26.202)**
Sub Total: Service Savings	**(16.906)**	**(10.877)**	**(4.050)**	**(31.833)**
Changes to previously agreed savings (savings agreed by Council in March 2020)	9.635	(2.028)	(1.895)	**5.712**
Service Pressures (Covid and Non-Covid) - compared to original provision of £26.9m	1.870	(8.500)	0.000	**(6.630)**
Sub Total: Service Pressures	**11.505**	**(10.528)**	**(1.895)**	**(0.918)**
Funding:				
Government Funding - changes since July	(18.429)	17.769	0.000	(0.660)
Changes in funding from Council Tax and Business Rates - prior to any increase in council tax	0.015	0.000	0.500	0.515
Corporate Items:				
Changes in Corporate Items	(3.328)	(5.000)	(5.000)	(13.328)
Budget Gap (prior to Council Tax Increases)	**2.100**	**22.374**	**20.706**	**45.179**
Council Tax Increase - 0.5%	**(0.300)**	**0.000**	**0.000**	**(0.300)**
Social Care Precept - 3%	**(1.800)**	**0.000**	**0.000**	**(1.800)**
Final Budget Gap	**(0.000)**	**22.374**	**20.706**	**43.079**

12.5. A number of assumptions are built into the budget gap and these are outlined below:

12.5.1. **Funding:** this is inclusive of central government grant funding and income from Council tax. As part of the spending review the Council received £18.4m of funding over and above original estimates and are listed below:

- Core funding (RSG and retained business rates) – increase of £0.660m
- New Homes Bonus – increase of £0.229m
- Social Care Grant – increase of £3.848m
- General Covid-19 Grant – new grant for 2021/22 of £9.979m

12.5.2. However, most these funding sources have only been assumed as one offs and therefore fall out of the Council's base budget in years two and three of the MTFP.

12.5.3. **Inflation:** the budget gap assumes inflationary increases for both pay and non-pay inflation. The government have announced public sector pay freeze with the exception of frontline NHS staff. However, Local Government employer bodies are independent from the Government on pay decisions and therefore a pay increase for council employees could still be forthcoming therefore pay inflation is included at 2% in line with historic increases. Non-pay inflation is included a flat rate of £2m a year. This is approximately 1% of non-pay expenditure and reflects recent CPI ranges.

12.5.4. **Savings:** savings identified across the council, including savings agreed by Cabinet in October 2020 are included in Appendix 1 and the approach is set out in the paragraphs below.

12.5.5. **Service Pressures and investments:** this includes Covid-19 and non-Covid-19 pressures and is set out in Appendix 2. The majority of this is assumed to be through lower income due to the longer term impact the pandemic will have on activity in the City and changes in services, therefore reducing some of the Council's key income streams. This is particularly the case for income streams such as paid for parking, commercial waste, highways and leisure income. It also includes policy led investment such as ongoing base support for the Westminster Connects service.

12.5.6. **Corporate Pressures**: the budget gap assumes an estimate for emerging risks and pressures. An allowance is made for items such as:

- grant losses. E.g. housing benefit, council tax administration or specific grants in services;
- uncontrollable increases in costs for utilities or business rates for council owned buildings;
- potential increases in levies, e.g. the London Pension Fund Authority, Environment Agency and Lee Valley Regional Parks Authority, and;
- further risks due to the uncertain macro-economic environment as the country recovers from the pandemic and exits the EU. A provision of £1m has been made for the council to support actions in assisting with the economic recovery and the emerging Thriving Economy element of the City for All. This will be kept under review over the planning period and is described in the following paragraph.

12.5.7. The funding will support the overall priority to sustain and grow a thriving economy and will include the establishment of a dedicated business engagement function, working with Westminster's business organisations, sectors and individual businesses to align priorities and develop projects to support and sustain Westminster's unique economy. The funding will also scale up our investment, entrepreneurship and employment services, ensuring that businesses have a frictionless experience of investing in Westminster, that residents can develop skills for and access good work and entrepreneurs can access the support and space to establish and grow.

Savings

12.6. As outlined in the report to Cabinet in July the Council have previously been very reliant on generating additional income in order to meet saving targets. However, due to the impact of the pandemic on the Council's income streams this is not an approach that can continue to be relied upon in the short to medium term.

12.7. The Council has taken a multi-faceted approach to identify savings proposals and this is summarised below:

- initial service efficiencies – proposals that are easy to deliver or based on change that is already significantly progressed. These were approved by Cabinet in October 2020 – this amounts to £5.6m of the total savings identified;

- Directorate efficiencies and transformation – projects and programmes to deliver efficiencies and redesign services that are specific to individual directorates, which do not require significant cross council integration – this totals £13.7m of the savings, and;

- collaborative savings – transformation projects that require more significant cross council working and possible integration of services, along with a review of cross-cutting council wide functions. These total £12.5m of the total savings.

12.8. Cross Council workshops were held during the year to focus on collaborative service reforms and efficiencies and to ensure they aligned to City for All priorities. The themes of these include:

- integration of some frontline services focussing on the customer perspective;

- joining up commissioning opportunities;

- a review of all operational property with a view to rationalising the overall asset base;

- investing in brokerage expertise for improved placements across Housing and Social Care services;

- review of consolidation opportunities to reduce cost via smarter contracting for common areas of spend across different services e.g. energy; supplies and services, etc.

- improved procurement outcomes through enhanced market engagement and insight;

- review customer journeys and pathways to services and examine preventative measures to reduce demand;

- delivering savings through an improved digital offer aligned to the Customer Experience and Digital strategy, and;

- reviewing organisational design and structure with a focus on the costs of middle and senior management as well as a review of business support functions across the Council.

12.9. Work on the collaborative savings will need to continue into the new financial year in order for the Council to meet the £43.1m budget gap in the latter two years of the MTFP.

12.10. The list of new savings is summarised in Appendix 1 and savings agreed by Full Council in March 2020 are listed in Appendix 3. The total quantum of new and previously agreed savings for 2021/22 is £22.4m.

13. Reserves

13.1. 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. 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 accounting adjustments, which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.

13.2. The Council's usable reserves can be grouped into the following sub-categories:

- General Reserves – working balances held to ensure long term solvency and to mitigate risks e.g. the General Fund balance and the Housing Revenue Account balance;
- Earmarked Reserves – to fund specific projects or as a means to build up funds for known contingencies. e.g. the Insurance reserve;
- Ring-fenced Reserves – carried forward balances or grant funding which have certain conditions or restrictions attached to them preventing their general use by the Council e.g. schools balances, and;
- Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants.

13.3. 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 and budget pressures. This is because a usable reserve is a finite, cash balance, which can only be used once whereas the reduction in core funding and budget pressures is a permanent year-on-year loss to the Council's base budget.

General Reserves

13.4. 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 2020 was £63.3m. 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

13.5. 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 Section 151 officer 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 Section 151 officer, and;
- *Section 27 of the local Government Act 2003* requires the Section 151 officer to report on the inadequacy of controlled reserves – i.e. when it appears to the Section 151 officer that the level of a controlled reserve is inadequate or likely to become inadequate.

13.6. In summary, primary legislation requires the Council to:

- empower the Section 151 officer to report on the adequacy of reserves and determine an appropriate minimum level, and;
- set a balanced budget with due regard to the level of reserves held.

13.7. 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 set out in the Council's Financial Regulations.

General Reserves Level

13.8. As at the end of the last financial year the Council held a general reserves balance of £63.3m. This represented approximately 10% of the Council's gross controllable expenditure.

13.9. The pandemic has highlighted the Council's reliance on income from sales, fees and charges, which has seen a considerable reduction in 2020/21.

13.10. The Government's funding received this year has been beneficial for the Council and has meant the drawdown from general reserves will be considerably less than anticipated in the early months of the pandemic. However, if the Council did not receive any funding for the impact of the pandemic then the majority of the general reserve would have been utilised.

13.11. Based on the information contained within the paragraphs above the Section 151 officer's judgement is that general reserves are considered adequate at a level of £63.3m as at the date of this report.

13.12. 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;

13.13. 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 above. It is forecast that reserves will fall to approximately £50-55m at the end of this financial year, which represents 8.5% of gross controllable expenditure. This is considered by the s151 officer to be the minimum level of general reserves for the Council to hold.

13.14. 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.

13.15. To summarise, the assessment of risks in the budget setting process and the paragraphs above discuss the level of reserves. **The Section 151 Officer considers the estimates underpinning the proposed budget and reserves level to be robust and compliant with the legislation and Council's Financial Regulations to set a balanced budget for 2021/22**.

14. Council Tax, Business Rates, Levies and Precepts

Council Tax

14.1. The council tax base (the number of Band D equivalent properties estimated to be billable for the year 2021/22) was considered by Cabinet in December 2020 and approved by Full Council on 20 January 2021. The yield derived from the council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.

14.2. The Welfare Reform Act 2012 replaced the previous council tax benefits scheme with a locally determined council tax reduction scheme. In setting the tax base for 2021/22, the council also approved the continuation of the existing local council tax reduction scheme which ensures those eligible have their council tax liability fully funded. This maintains the full original and more generous scheme when this was transferred from DWP.

14.3. The number of properties (and mix of properties within each banding) has increased over the current year's tax base as the result of a combination of new properties being brought into use; alterations to existing properties changing their valuation, and changes to the numbers of residents entitled to funding via the local council tax reduction scheme. The tax base for the whole of the City of Westminster has increased from 132,698.31 to 133,817.98 Band D equivalent properties – an increase of 1,119.67 (0.84%).

14.4. As well as collecting council tax for the Council's own purposes, the Council is responsible for collecting it for both major and minor preceptors. The change in the tax base for each body is set out in the following table:

Financial Year	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2020/21	3,554.14	97.08	129,047.09	132,698.31
Change	-39.51	3.32	1,155.86	1,119.67
2021/22	3,514.63	100.40	130,202.95	133,817.98

14.5. All other things being equal, the overall increase in the tax base has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Every 1% growth in the base generates c£0.595m of Council Tax income. As part of the MTFP process for 2021/22, additional income was estimated for council tax base growth even though the anticipated collection rate was reduced from 97% to 96%.

14.6. The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of 2.00% (excluding the Social Care precept) or more would constitute an excessive increase for 2021/22.

14.7. Should a local authority wish to propose a budget that increases the Band D amount by more than this threshold, it is additionally required to prepare an alternate budget that does not breach that limit and to hold a referendum of its residents who would be able to determine, which budget proposal they wished to be implemented. Holding such a referendum would involve considerable cost.

14.8. The maximum amount that the Council can increase on its own element without triggering a referendum is 1.99% (excluding the Social Care precept). The table below sets out the additional income that would be generated by incremental increases up to the maximum level:

Modelled Changes to Band D	0.00%	0.30%	0.50%	1.00%	1.37%	1.99%	2.00%
Band D 2020/21 (£)	448.21	448.21	448.21	448.21	448.21	448.21	448.21
Increase	0.00	1.34	2.24	4.48	6.14	8.92	8.96
Modelled Band D 2021/22 (£)	**448.21**	**449.55**	**450.45**	**452.69**	**454.35**	**457.13**	**457.17**
Weekly Cost of change	**0.00**	**0.03**	**0.04**	**0.09**	**0.12**	**0.17**	**0.17**
Additional Income (£m)	**0.00**	**0.18**	**0.30**	**0.60**	**0.82**	**1.19**	**1.20**

14.9. The schedules accompanying this report set out the financial implications on the Council's overall budget of increasing the general council tax amount for 2021/22 by 0.5% over that of 2020/21 Band D council tax. This rate is based on the recent CPI inflation index. Cabinet is asked to recommend a 0.5% increase for the general element of 2021/22 Band D council tax to fund GF services and emerging pressures.

14.10. The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA for final approval on Thursday 25 February 2021. Currently, the Mayor's proposed budget recommends an increase to the 2021/22 Band D equivalent charge from £332.07 to £363.66, an increase of £31.59 rise in the adjusted Band D Precept; there has been a 1.99% increase on the 2020-21 non police element (not the total) which is £1.59. A further £15 for police (a national PCC limit) and another £15 for under 18 and 60+ travel concessions. A verbal update will be provided regarding the outcome of the London Assembly decision as required.

14.11. Queen's Park Community Council notified the Council that their precept for 2021/22 would increase by 2% to £47.31 (Band D equivalent).

14.12. The Montpelier Square Garden Committee has notified the Council of their intention to decrease the income for their special expense for residents in their area for 2021/22 to £621.51.

14.13. Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding (precept) from council tax to support spending on Adults and Children's Social Care activities, which would otherwise have been unaffordable.

14.14. As set out in this report earlier there are continuing growing pressures in the social care services and so it is recommended that the council takes the opportunity to provide essential funding for these important services in line with the government thresholds. This report includes the additional charge of 3.00% per annum, the maximum allowed.

14.15. The collective impact of the proposed changes discussed above to the Westminster Band D amount from an increase of 0.5% for the core element and 3.00% for Social Care) for 2021/22 is additional income of £2.1m as set out below:

Approved Band D - 2020/21	448.21
0.50%	2.24
3.00%	13.45
Approved Band D - 2021/22	**463.90**

Council Tax Base - 2020/21	132,698
Council Tax Base - 2021/22	**133,818**
Change	**1,120**

General Council Increase (£m)	0.300
ASC Precept (£m)	1.800
Total (£m)	**2.100**

Additional income due to increase in rate and base	0.018
Growth due to increase in rate	2.082
Total (£m)	**2.100**

14.16. The table below summarises all the proposed changes to Council Tax and impacts on residents:

Band D Breakdown:	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster
WCC: General Element @0.5% increase (£)	450.45	450.45	450.45
WCC: Social Care Precept @3.00% (£)	13.45	13.45	13.45
Sub-Total	**463.90**	**463.90**	**463.90**
Greater London Authority Precept (£)	363.66	363.66	363.66
Queen's Park Community Council (£)	47.31	0.00	0.00
Montpelier Square Special Expense (£)	0.00	621.52	0.00
Total Band D Amount (£)	**874.87**	**1,449.08**	**827.56**

Band D Breakdown:	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2021/22 Council Tax Base (No. of Band D Equivalents):	**3,514.63**	**100.40**	**130,202.95**	**133,817.98**
Westminster City Council (£)	1,630,437	46,576	60,401,149	62,078,161
Greater London Authority Precept (£)	1,278,130	36,511	47,349,605	48,664,247
Queen's Park Community Council Precept (£)	166,278	0	0	166,278
Montpelier Square Special Expense (£)	0	62,401	0	62,401
Total Council Tax Income Billable (£)	**3,074,845**	**145,488**	**107,750,753**	**110,971,086**

Long Term Empty Property Premium

14.17. The Local Government Finance Act 2012 allows local authorities to set a Long-Term Empty Property Premium for properties that have been empty for at least 2 years. The premium is currently (for 2020/21) set at 100% of the normal council tax for properties that have been empty between 2 years – 5 years and

200% of the normal council tax for properties that have been empty over 5 years.

14.18. The Rating (Property in Common Occupation) and council tax (Empty Dwellings) Act 2018 allowed local authorities to increase the premium between 2020/21 and 2021/22 as outlined.

14.19. The current 100% premium on the council's 116 properties that have been empty between 2 years and 5 years provides around £65k per annum in additional council tax income. The current 200% premium on the council's 62 properties that have been empty over 5 years provides a further £85k per annum in additional council tax income.

14.20. The Rating (Property in Common Occupation) and council tax (Empty Dwellings) Act 2018 amends the maximum premium level for 2020/21 and for 2021/22 as below:

14.21. **2020/21 - implemented**

Properties empty between 2 years - 5 years:	100% Increase
Properties empty over 5 years:	200% Increase

2021/22 – agreed

Properties empty between 2 years - 5 years:	100% Increase
Properties empty between 5 years – 10 years:	200% Increase
Properties empty over 10 years:	300% Increase

14.22. There are only 17 (out of the 62 properties which have been empty for over 5 years) that have been empty for more than 10 years. The recommendation agreed at Full Council in January 2021 was to increase the premium for these properties in 2021/22 to the new maximum of 300%. This will deliver around £11k in additional income above the level that would have been raised under the 2020/21 maximum levels.

14.23. The council considers that a decision to implement the maximum premium aligns with the current City for All agenda and the Council's aim of a fairer council tax system for all residents.

The Collection Fund

14.24. Statutory regulations require local authorities to account for annual council tax / business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any variance between the originally estimated net council tax / business rates yield and what is achieved in year is not immediately recognised and is held on the balance sheet to be distributed in subsequent years. The effect of these regulations is that for 2021/22 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

Business Rates: Covid-19

14.25. The council originally expected to collect an estimated £2.4bn in 2020/21, around 9% of the national total. However, following the first set of lockdown measures announced in March 2020 the government offered a one-year business rates holiday for all businesses in the retail, hospital and leisure sectors. This equated to nearly £1bn of reliefs within the City.

14.26. Therefore, the net business rates collectable by the council for 2020/21 was £1.4bn, with the £1bn of reliefs covered via S31 grant funding in the council's general fund.

14.27. The lockdown measures and social distancing has had a significant impact on activity within the City which has impacted on businesses that rely on footfall from commuters and tourists. As a result, the Council has seen a 10% reduction in the level of business rates it collects in comparison to prior years and the council will be increasing its bad debt provision to reflect this. The government have recognised this issue and announced a Local Tax Income Guarantee scheme, which will compensate local authorities for 75% of all irrecoverable losses.

14.28. Nationally, businesses that were not given a rates holiday, but have been impacted by the pandemic have lodged appeals under the Major Change in Circumstance criteria. However, the Valuation Office Agency have not issued any guidance or statements on how this is progressing. The uncertainty of whether these will be agreed and at what level makes it difficult to estimate the impact and therefore this has not been taken into account at this stage. All London boroughs have adopted the same approach.

14.29. The current economic position will continue to have an adverse impact on the collection of businesses rates and there is uncertainty about what (if any) reliefs will be given in 2021/22. Should the government not offer any reliefs in 2021/22 then the Council's collection rates are likely to be impacted further.

Business Rates: The Collection Fund and Pooling

14.30. The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. 2020/21 will be the final year of the pool as councils in London have decided to discontinue the pool due to the volatility in business rates following the pandemic and possible reduction in business rates income. Therefore, Councils will return to the usual business rates shares for 2021/22 as highlighted in the table below.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
London Boroughs	30%	30%	64%	48%	30%	30%
GLA	20%	37%	36%	27%	37%	37%
Local Share	50%	67%	100%	75%	67%	67%

Local Share	50%	67%	100%	75%	67%	67%
Central Government	50%	33%	0%	25%	33%	33%
Total	100%	100%	100%	100%	100%	100%

14.31. Based on latest estimates it is forecast that the Council will go into the business rates safety net for 2020/21 and 2021/22. This means that the reduction in business rates income will be capped at 92.5% of the Council's business rates baseline. Therefore, the maximum exposure for Council is £6.8m per year. This can be covered by the business rates equalisation reserve set aside in previous years of growth. This will therefore not impact on the general fund revenue budget.

Levies and Special Charges

14.32. Three bodies recover their net cost by way of a levy on local authorities – this charge is thus separately identified within the council tax charged by those local authorities. The three bodies are:

- Environment Agency – recover the cost of flood defence works across the Thames region;
- Lee Valley Regional Park Authority – recover the cost of running the Lee Valley park facilities to the North West of London; and
- London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Authority.

14.33. At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2021/22 levies. Therefore, the 2020/21 levy charges are included in this report with an allowance for inflation. If the final amounts are different then this will be covered by the corporate items budget.

15. Financial Implications

15.1. The financial implications are as set out in the main body of this report.

16. Legal implications

16.1. 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.

16.2. 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.

16.3. 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.

16.4. 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 Section 151 Officer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Section 13 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.

16.5. 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.

16.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 17. 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.

16.7. 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.

16.8. 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.

16.9. In relation to the use of General Fund and HRA (non-right to buy) capital receipts funds to fund transformation projects detailed in this report, the Council complies with the statutory guidance issued under section 15(1)(a0 of the Local Government Act 2003.

16.10. Under powers contained in the Localism Act 2011, the Government can require compulsory referenda on Council Tax increases above limits it sets. For 2020/21, the referendum threshold is 2.00%. The proposal is within the threshold change: the Council will therefore not be required to hold a referendum.

16.11. In addition to the referendum threshold, the Government has also announced a threshold of an additional 3% for authorities with Social Care responsibilities. The borough needs to raise Council Tax on this account for 2020/21 and is therefore proposing to implement the precept.

17. Equalities Impact Assessment

17.1. 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.

17.2. 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.

17.3. 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 Appendix 5. 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.

18. Consultations

18.1. As part of the financial planning process the Council consulted with businesses and the responses have been considered as part of the proposed 2021/22 budget.

18.2. An assessment of whether individual saving proposals require consultations is set out in the papers presented to the Budget Task Group in January 2021.

Appendices

Appendix 1 – List of savings

Appendix 2 – Service Pressures

Appendix 3 – Changes to previously agreed savings

Appendix 4 – Summary of Gross, Income and Net budgets

Appendix 5 – EIA Summary

Appendix 6 – Council Tax resolution

Appendix 7 – Budget Task Group Papers

BACKGROUND PAPERS

Equality Impact Assessment Forms

<u>Cabinet – 15th February 2021:</u>

Capital Strategy 2021/22 to 2034/35

HRA Investment and 30 Year Business Plan

Treasury Management Strategy 2021/22

Integrated Investment Framework 2021/22

<u>Previous Cabinet Reports:</u>

Financial Planning 2021/22 to 2023/24 – Cabinet, 13th July 2020
https://committees.westminster.gov.uk/documents/s38103/Financial%20Planning%202021.22%20to%202023.24%20Cabinet%20Report%20FINAL.pdf

Medium Term Financial Plan 2021/22 to 2023/24 Update Report – Cabinet, 28th October 2020
https://committees.westminster.gov.uk/ieListDocuments.aspx?CId=130&MId=5522

<u>Government Publications:</u>

Local Government Finance Settlement – 4th February 2021
https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022

Spending Review 2020
https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020