City of Westminster **Cabinet**

Decision Maker:	Cabinet
Date:	15 July 2024
Classification:	General Release
Title:	Medium Term Financial Planning 2025/26 to 2027/28
Wards Affected:	All
Cabinet Member/Lead Member:	Councillor Boothroyd, Cabinet Member for Finance and Council Reform
Key Decision:	No
Financial Summary:	This report sets out the financial framework for the budget setting cycle and medium-term financial planning for this year.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources

1. Executive Summary

1.1. This report outlines the Council's updated financial position over the next three years and provides the financial framework for the Council to deliver its key policy objectives as outlined in its Fairer Westminster strategy.

1.2. This report updates the budget assumptions approved at Full Council in March 2024 and extends the financial plan for a further year to 2027/28. The funding position for local government is still undetermined at this point and will be impacted by several central government policy initiatives due over the coming years including the Fair Funding Review, impact of the 2021 Census, Adult Social Care reform and Business Rates reset as well as a new Government Comprehensive Spending Review post the general election this year.

1.3. The financial position over the planning period has been updated and provides an indicative budget gap of £15.312m in 2025/26, rising to £54.8m by 2027/28. This is an increased gap of £6.8m from the previously reported position in March, which is largely due to the financial plan being rolled forward one year to 2027/28.

2. Recommendation

2.1. That Cabinet note the revised medium term financial planning forecast to 2027/28 and to agree the budget process approach as set out in the report.

3. Reasons for Decision

3.1. The preparation of the budget and three-year medium term financial plan is the first stage of the annual business planning cycle for the forthcoming financial year 2025/26. There is a statutory requirement to set an annual balanced budget and submit budget returns to the Department of Levelling Up, Housing and Communities (DLUHC). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies. It is considered good practice to produce medium term financial plans.

4. National Context

4.1. Following a period of high inflation, annual increases in the Consumer Price Index (CPI) have been falling over the last year with a recent further drop to 2% in May 2024. The Bank of England expects inflation to remain at 2% over the coming months due to energy prices being lower than they were a year ago. They expect inflation to rise to 2.5% towards the end of 2024 before falling again after that. This is an important factor for the Council as it is used to estimate the likely increased cost of services over the planning period.

4.2. The interest rate environment changed dramatically during 2022 and the first half of 2023 with the Bank of England increasing interest rates from 0.1% to 5.25% by August 2023. The base rate remains unchanged at 5.25%. Markets remain keenly focused on data releases, with continued uncertainty in inflation indicators resulting in volatility in sentiment. As such, markets have moved away from expectations of an August rate cut, considering September now be more likely, followed by a second cut in December. Rates are expected to trend down over the coming year, before settling at 3.25% in September 2025.

4.3. A general election has been called for 4 July 2024 and at the time of writing this report the outcome of that is unknown. The new government will need to set out new spending and tax plans with a spending review to follow. However, it is expected to be some time before any significant changes such as those from the Fair Funding review and updated population estimates from Census 2021 could be practically implemented.

5. Local Government Finance

5.1. On 22 November 2023 the Chancellor announced the Autumn Statement which set out updated government spending plans over the medium term. There was very little new information for local government in this statement with no new funding announced for local authorities. However, it did reaffirm additional funding for Social Care and Education announced in Autumn 2022.

5.2. Government announced the one-year finance settlement on 5 February 2024 for 2024/25. This did include an additional £600m support package for local government to help with the financial challenges that the sector is facing. This additional funding increased overall funding for 2024/25 to £64.7bn or a 7.5% increase in cash terms. This followed concerns raised by local authorities through the provisional settlement consultation process.

5.3. The Spring Budget announced on 6 March 2024 set out Government's future spending plans. This showed an average 1% real terms increase in public spending for 24/25 to 28/29. The Institute of Fiscal Studies (IFS) are suggesting that if protected departments increase by 1% real terms (or 2.36% cash increase) this would mean that unprotected departments such as local authority spending would need to decrease by 1.9 to 3.5% in real terms (or 0.7 - 2.2% cash decrease). A new Government could result in changes to some of these assumptions, however the overall fiscal rules are likely to be similar.

5.4. The general election is set to take place on 4 July so it is likely that a spending review will then follow in the Autumn. Pending any further information at that point, the current budget refresh assumes a broadly cash flat funding position for 2025/26 onwards.

5.5. The Spring Budget did not make any announcements regarding future Council Tax referendum limits. Each 1% increase in council tax raises additional income of approximately £0.7m. The current budget refresh does not allow for any council tax increases over the period.

5.6. The core schools' budget in England received £2.3bn of additional funding in 2024/25. Westminster Schools per pupil funding increased by about 3.5% in 2024/25, which may not cover the full cost of pay awards and price increases. It also does not remove the pressure on schools with falling or low pupil numbers, which is now at 13 schools in deficit (totalling £3.328m) at March 2024 in Westminster.

5.7. There is no indication from government regarding the future thresholds for housing social rents. Rent increases for 2024/25 were at the maximum cap of 7.7%, which reflects the national rent policy that sets a ceiling of CPI+1% (based on September CPI). The current rent policy expires at the end of 2024/25 and authorities await consultation on the rent regime that will be implemented from 2025/26 onwards.

5.8. It is currently unclear when the Department for Levelling Up, Housing and Communities (DLUHC) is expected to implement its core funding changes from the Fair Funding Review alongside any changes arising from the 2021 Census population data and updating of mid-year estimates. The current budget refresh has assumed implementation from 2026/27 onwards which is one year later than assumed in the March 24 budget.

6. Local Policy Context

6.1. The Council launched its new Fairer Westminster strategy on 4 October 2022 to set out the outcomes it wants to deliver for the City across five Fairer Westminster themes. These include:

- **Fairer Communities** – Inequality is reduced, everyone feels safe, adults can stay healthy, community and voluntary sector organisations prosper, and Westminster remains a great place for children to grow up.

- **Fairer Environment** – Westminster is a net zero council by 2030 and a net zero city by 2040, air quality meets World Health Organisation guidelines, streets are clean, recycling is increased, people are enabled to travel more sustainably, and people have access to high-quality services within 15 minutes from their homes.

- **Fairer Housing** – The housing needs of people are met through greener and more genuinely affordable housing, homelessness is reduced, private rented sector properties are well managed, and tenants and lessees are consistently satisfied with Westminster housing services and the quality and energy efficiency of its housing stock.

- **Fairer Economy** – Westminster remains economically successful, Oxford Street and the West End are revived and retain their position in the national economy, small businesses are supported to grow and remain, and residents have the right skills to take advantage of the city’s employment opportunities.

- **Fairer Council** – People can more easily find the information and services they need, the Council makes decisions more transparently, the Council is financially sustainable, and it’s procurement is responsible.

6.2. In 2023/24 the Council budgeted for investment of £6.8m to support the delivery of priorities identified as part of the Fairer Westminster delivery plan. A total of £4.6m was spent in year delivering those priorities. In 2024/25 further investment of £8.5m is budgeted for across a range of priorities.

6.3. The Council's processes to develop its medium-term financial plans will continue to ensure resources are applied in a way that most effectively and efficiently achieves the Council's Fairer Westminster ambitions.

7. Medium Term Financial Plan 2023/24 to 2026/27

7.1. The MTFP approved at Full Council on 8th March 2024 outlined a total residual budget gap up to 2026/27 of £48m. This is summarised in the table below:

	2024/25 £m	**2025/26 £m**	**2026/27 £m**	**Total £m**
Annual Budget Gap	0.000	27.712	20.332	**48.044**

7.2. The total budget gap is inclusive of £41.7m agreed savings to 2026/27 which were approved by Full Council in March 2024. The updated budget gap assumes that these savings will be delivered in full.

8. Current Financial Position

8.1. The General Fund outturn position for 2023/24 was a net outturn overspend of £0.7m or 0.4% against an approved budget of £194m. Included within this position is a significant pressure on temporary accommodation costs offset by increased income from interest earnings due to higher than expected interest rates. There are further smaller cost pressures from Childrens Services.

8.2. The Council transferred £0.7m from general fund balances to meet the outturn shortfall. This was a more favourable position compared to earlier forecasts mainly due to increased income from treasury investments, property and some other service areas, offset slightly by some additional inflationary pressures.

8.3. The current forecast for 2024/25 is a balanced position against the budget. However, there are risks around temporary accommodation and social care which will need to be carefully monitored in year. Additional provision totalling £38m was built into the 24/25 budget to manage cost pressures within temporary accommodation. There is a risk that during the year demand and the cost of provision is higher than anticipated and that the mitigation measures being put in place take longer to impact.

8.4. Within Adult Social Care, whilst the 23/24 outturn expenditure was largely to budget, there were some late demand pressures associated with an increase in the demand for services and the growing complexity of care. In 2023/24, the number of service users increased by approximately 87 compared to the beginning of the year, and this trend is anticipated to continue in the coming years, primarily in homecare and placement care settings. In recent years, complexity pressures have been further exacerbated by service users leaving hospital settings, requiring greater care support. ASC is also experiencing more complex cases in older people with complex needs, mental health and learning disabilities, and providers are establishing higher rates. Inflation requests from care providers are likely to above the inflation due to national living wage increasing at a higher rate.

8.5. In addition, the Childrens Services outturn position was a £3.6m overspend against budget. This reflects increased costs for Looked After Children placements and reduced joint funding from the Health Service. These current pressures will be monitored to understand whether this is a continuing trend and needs to be considered as part of the forward financial planning.

Reserves

8.6. Reserves form an important part of financial planning. Unallocated reserves and earmarked reserves are maintained for two primary reasons:

- to mitigate any uncertainties and risks facing the Council; and
- to enable investment into the Council's priorities over multiple years in a sustainable manner.

8.7. The current unallocated reserves balance is £59.7m (or 10% of the adjusted gross budget) which is considered a robust level of reserves to manage in year pressures that may arise, particularly in a Council with a high level of income related to economic activity. It will also help manage the positive delivery of savings over the medium term and cover one-off shortfalls in between years in the budget process.

8.8. There are earmarked reserves for other specific risks, invest to save funds and capital financing. These will be reviewed to ensure that they are being used affectively and where appropriate released for investment in achieving the Council's policy objectives or supporting ongoing savings delivery. The use of earmarked reserves is one off in nature and so cannot be used to supplement the medium-term financial plan in an ongoing manner.

9. Medium Term Financial Plan: 2025/26 to 2027/28

9.1. The assumptions in the medium-term financial plans have been reviewed up to 2026/27 and rolled forward by one year to 2027/28 to provide a full three-year projection. The revised position is outlined in the table below. There is uncertainty in forecasting over this period, but it is good practice to set a financial framework within which the Council can effectively plan.

9.2. The budget gap is estimated to be £54.8m up to 2027/28 which is an £6.8m increase on March 2024 and represents 9% of the Council's adjusted gross 2024/25 budget, the equivalent of 3% per annum.

	2025/26 over 2024/25	2026/27 over 2025/26	2027/28 over 2026/27	Total
	£m	£m	£m	£m
Funding:				
Core funding and grants	0.339	(2.788)	(2.850)	**(5.299)**
Estimated loss from Fair Funding Review and Census impact	0.000	9.000	9.000	**18.000**
Corporate Provisions:				
Capital financing	3.000	3.000	3.000	**9.000**
Pay & contract inflation	8.246	8.308	8.370	**24.924**
Corporate pressures and policy investments provision	8.000	3.000	3.000	**14.000**
Reduction in interest earnings	13.000	6.000	0.000	**19.000**
Reduced business rate risk provision	(7.900)	0.000	0.000	**(7.900)**
Fees & charges inflation increases	(2.500)	(2.500)	(2.500)	**(7.500)**
Concessionary fares additional costs	2.443	2.205	2.350	**6.998**
Council tax deficit reversal & tax base growth	(2.228)	(0.663)	(0.669)	**(4.230)**
Temporary accommodation cost reduction actions	(5.095)	(0.770)	0.000	**(5.865)**
Approved Savings:				
Net Savings approved	(11.745)	(9.845)	0.000	**(21.590)**
Fairer Westminster investments:				
Investments (one-off items reversed out of base)	(2.010)	(1.639)	0.000	**(3.649)**
Reserves				
Application of reserves reversal	11.762	6.524	0.000	**18.286**
Budget Gap	**15.312**	**19.832**	**19.701**	**54.845**
2024/25 adjusted Gross Budget				**£610m**
% of adjusted gross budget				**c9%**

9.3. The changes since the March 2024 position taken to Full Council are shown in the table below and are broadly as follows:

- an assumption that there is a delay in the Fair Funding Review and the introduction of the Census population data into the Local Government Funding Formula reduces the budget gap in 2025/26 by £9m;
- the reduction in annual £7.9m contribution to the business rate risk provision reduces budget gap in 2025/26 onwards;
- additional provision included for service demand risk from 25/26 onwards – specific risks on temporary accommodation and social care; and,
- rolling the budget forward by one year increases the budget gap by £19.7m.

9.4. Overall budget gap increases from £48m to £54.8m by 2027/28 as shown in the table below.

	2025/26 over 2024/25	2026/27 over 2025/26	2027/28 over 2026/27	Total
	£m	£m	£m	£m
Forecast Budget Gap as at March 24 Council	**27.712**	**20.332**	**0.000**	**48.044**
Changes & Variations				
Inflation	0.000	0.000	8.370	8.370
Corporate pressures / policy investments	0.000	0.000	3.000	3.000
Capital financing	0.000	0.000	3.000	3.000
Fees and charges	(0.500)	(0.500)	(2.500)	(3.500)
Business rate risk provision	(7.900)	0.000	0.000	(7.900)
Concessionary fares increase	0.000	0.000	2.350	2.350
Service demand risk	5.000	0.000	0.000	5.000
Funding Changes				
Later Implementation of Fair Funding Review / Census	(9.000)	0.000	9.000	0.000
Inflation increase on revenue support grant / core funding	0.000	0.000	(2.850)	(2.850)
Council tax base	0.000	0.000	(0.669)	(0.669)
Revised Budget Gap July 24	**15.312**	**19.832**	**19.701**	**54.845**
Movement in Gap since March	**(12.400)**	**(0.500)**	**19.701**	**6.801**

9.5. The current medium term financial plan includes an inflationary provision of 2% for pay and 2% for prices for 25/26 to 27/28 in line with government's target for CPI. The updated plan has held those inflationary assumptions for both pay and prices although this will be reviewed further during the MTFP review process with reference to inflationary pressures being experienced during 2024/25 and the changing economic backdrop affecting forecasts for future years inflation.

9.6. There is some level of uncertainty on future pay inflation given that the pay award for 2024/25 is yet to be agreed. The Local Government NJC pay award offer at a national average impact of 4% is being considered by the unions. Whilst CPI has now dropped to an annual increase of 2%, this does not necessarily mean that the Council's contract and energy inflationary costs will be at that level. This is because some contracts will measure inflation at points earlier in the year when inflation was higher. Also, many of the Council's contracts apply the London Living Wage where the increase for 2024/25 is 10%. As such contract inflation will be carefully monitored during 24/25 together with future inflation forecasts.

Budget Risks and Uncertainty

9.7. Whilst there are encouraging signs that the UK economic is gradually improving, there is still some uncertainty over the medium-term with several risks over economic growth, inflation and interest rates. Current government spending plans provide limited additional resources for the public sector, however the new government formed after the general election this month will work through a Comprehensive Spending Review to set out plans for taxation and spending. The Council will continue to monitor these issues alongside other risks and pressures and retaining reserves is a key mechanism to help mitigate against those risks impacting on the Council's front-line services.

<u>Local Government Finance</u>

9.8. The current Spending Review (SR21) lasts until March 2025. A new Spending Review will be required after the next General Election in July. Additional resources have been made available for social care recently, it is not expected that will be withdrawn. The implementation of the Fair Funding review, together with updating of population data from the Census, is likely to lead to reduced resources for Westminster. The ONS have accepted that the Census was done at a time (2021) that didn't reflect a 'normal' position as it was during the pandemic. The Council is leading Pan-London work to respond to the ONS to capture a more realistic position for the next mid-year population estimate.

<u>Service Pressures</u>

9.9. As reported in the budget monitoring and budget report for last year, the significant demand for **temporary accommodation** (TA) arising from higher levels of homelessness and the cost pressures arising from a lack of market are continuing to impact on the Council's financial planning. In a short space of time the numbers in TA have risen from 2,700 to 3,400, whilst at the same time the supply of rental properties has contracted with consequence prices rise of over 20% and reliance being placed on nightly rated accommodation at significantly higher cost.

9.10. There are also additional costs related to the partial insourcing of the housing solutions service. This will mainly be due to additional costs for staff pay and Local Government pension.

9.11. Additional cost pressures in both **adult's and children's social care** continue to impact arising from several reasons including higher complexity of provision, increases in overall demand and cost prices rises as well as contributions from the Health Service not fully materialising.

10. Approach to Identifying new savings

10.1. New savings of £41.7m were agreed as part of the March 2024 budget over the planning period to 2026/27. Around half of these new savings fall in 2024/25 and so it will be important to track the progress of their implementation as part of the current year monitoring arrangements. Further savings will need to be identified as the medium-term planning period progresses to close the updated three-year budget gap currently estimated at £55m.

10.2. This year's MTFP refresh has been undertaken earlier to identify the updated savings requirement and give Directorates more time to start the process of identifying savings proposals. It is proposed to adopt a similar approach to last year with internal Cabinet Member review meetings and a 'zero based' approach looking at all service budgets. There will also be a focus on using available comparative benchmarking data as part of that review process.

10.3. Services will look for savings that will deliver positive outcomes but at a lower net cost, including:

- digital transformation and other efficiencies;
- service reconfiguration and demand management;
- commissioning and procurement opportunities; and,
- additional income opportunities.

11. Housing Revenue Account

11.1. The Housing Revenue Account (HRA) is a statutory ring-fenced account that captures all transactions relating to the Council's duties as a social landlord and the operation of the Council's housing stock. Although it is separate to the General Fund, it is still required to undertake medium and long-term financial planning in much the same way. This is done via the HRA 30-Year Business Plan. It is a statutory requirement that this is updated at least annually and must demonstrate long-term financial viability whilst also delivering the Council's housing priorities.

11.2. The business plan considers all HRA revenue streams (principally tenant rents and leaseholder service charges, but also other sources of income) and sets these projections against anticipated expenditure on management and maintenance (both revenue and capital), staffing and other running costs, including a fair share of Council overheads recharged from the General Fund. The HRA holds its own reserves and can therefore operate a deficit in any single year where this can be covered by available reserve balances.

11.3. The following paragraphs detail the key considerations for the 2024 business plan refresh that will be delivered in conjunction with the Council's wider MTFP process. The new iteration of the business plan will consider the 30-year period from 2025/26 onwards.

HRA Capital

11.4. The HRA capital programme is the vehicle through which the Council identifies and prioritises funding to support two important areas of investment:

- improving the condition of its existing stock, and
- delivering new affordable housing.

11.5. In October 2018, restrictions on HRA borrowing (known as the Debt Cap) were eased to allow local authorities to set their own borrowing limits (in much the same way as they do for the General Fund). However, the HRA is still subject to the CIPFA Prudential Code and must therefore set borrowing limits that are sustainable within the context of the 30-year business plan. This means that all borrowing is ultimately underpinned by the affordability of interest on new debt within the HRA revenue budget.

11.6. The current approved HRA business plan sets two simple parameters to assess the sustainable borrowing capacity of the HRA:

- a minimum HRA reserve level of £17m for the first 5 years (reverting to 10% of turnover thereafter), this reflects the higher risks during intense development periods, and

- a minimum interest cover ratio of 1.20 to ensure that the operating surplus is not entirely committed to covering interest costs. This also ensures that the business plan can tolerate some volatility on interest rates, inflation, etc.

11.7. The MTFP process will involve a complete review and refresh of all assumptions that go into the business plan. This will focus on setting budgets that meet the specific objectives and priorities of the service, with a continued strategic commitment to maximise HRA borrowing capacity to support the delivery of new social and affordable housing. This will be set alongside the need to mitigate against the impact of inflation on costs. The outcome of this means that is likely that the HRA will need to identify savings in the same way as the General Fund to maintain a balanced 30-Year Business Plan.

Rent Setting

11.8. As social rents are the main source of income for the HRA Business Plan, a key consideration for the refresh is future rent levels. Rent increases are subject to central Government's policy on rents for social housing. The current policy, which was originally set for a five-year period, with 2024/25 being the final year, has been extended for a further year. This stipulates annual rent increases of CPI+1% (based on September CPI). There has currently been no update on what central Government intentions are for social rent policy from 2026/27 onwards, so this is a key area of consideration, as this could have a direct impact on HRA borrowing capacity if the revised rent setting policy for 2026/27 onwards is lower than the Council's current assumptions.

Risk Measures

11.9. Whilst national economic factors can create some financial challenges for the HRA business plan, each iteration of the plan contains a series of measures designed to help the HRA to manage such volatility. The capital programme continues to hold a contingency, the revenue budget has a set level of interest cover, and the HRA reserves exist to manage short-term shocks. These are all elements of the business plan that can be leveraged to keep the HRA on a robust and sustainable financial footing, and a thorough review of appropriate risk cover will form another integral part of the business plan refresh.

12. Capital Strategy Review

12.1. The approved capital programme has a gross spend of £2.4bn and a net spend of £1.2bn over the next fifteen years. This includes a significant housing development and regeneration programme that relies on GLA grant and capital receipts from private sales to help subsidise the affordable housing elements. The net capital cost is financed from revenue borrowing which is allowed for in the MTFP (General Fund and the HRA). The capital programme will be reviewed again this year as part of the medium-term financial planning process.

12.2. The Council is committed to embedding climate action and sustainability into all areas of work and the Climate Emergency Action Plan includes work to incorporate carbon impact assessment into all capital funded project proposals, to maximise the climate benefit of council investments and limit new sources of emissions wherever possible.

13. Dedicated Schools Grant

13.1. The DSG has a cumulative surplus of £4.238m after an in-year underspend of £3.138m in 2023/24. The most significant underspends relate to additional DfE funding for schools in financial difficulty (£0.290m), school restructure costs (£0.266m), out of borough and post 16 placements mainly relating to 2022/23 special education placements (£2.005m) and delayed start dates for two independent special school placements (£0.500m). It is expected that £1.700m of the DSG surplus will be used in 2024/25 including allocating the additional funding provided for schools in financial difficulty and to support school staffing restructure costs.

13.2. There are 13 schools (out of 37) with deficit balances at 31st March 2024 compared to 15 last year (total deficit balances have increased by £0.721m to £3.328m). Of the 15 in deficit at 31 March 2023, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2023. Four of the schools require an amendment to their recovery plan to get back to a surplus position within the required 3-year period. A further 4 schools are yet to submit their deficit recovery plan to the LA (deadline was 1st May). Falling pupil rolls have played a significant part in schools having difficulty in managing their budgets and whilst the Council are working with and supporting deficit schools the size of school deficits is increasing. This is a risk to the Council as school deficits are chargeable to the general fund.

13.3. The Department for Education (DfE) previously confirmed the Government's ambition that all mainstream schools funding will be via the National Funding Formula (NFF) rather than through local formulae set independently by each local authority. This will fund all schools across the country on a comparable basis. The full move to the NFF is expected within three years (2027/28 funding year) and Westminster Schools' Forum have agreed the pace of change to move to the full NFF factor values in 2027/28. The move to the NFF is likely to lead to some schools benefiting from an increase in funding and others receiving minimal funding increases. The DfE will also review the central school services block which is expected to result in lower funding for central services such as admissions, leadership costs, finance, and the virtual school.

14. Timelines

14.1. The Medium-Term Financial Planning is coordinated with 25/26 delivery plan development to ensure it is framed around Council Fairer Westminster priorities, and that the delivery plan is realistic and achievable within the Council's budget and resources. The broad timeline of this year's budget setting cycle is outlined in the table below:

Group	Month	Comments
Cabinet	15th July 2024	Financial Planning report -review assumptions, set out three-year budget gap and agree savings approach. Note year-end 2024/25 Fairer Westminster delivery plan update.
Executive Leadership Team (ELT)	May to August 2024	ELT, Directors and officers to review service delivery plans, identify savings options, and any investment requirements (revenue and capital).
Budget & Performance Scrutiny Task Group	November 2024	Scrutiny of Council's savings and investment proposals. Alongside this, review of draft proposed deliverables put forward by directorates for the 2025/26 Delivery Plan.
Budget & Performance Scrutiny Task Group	January 2024	Final overview of Council's budget and capital strategy following Government settlement announcement in December. And alignment check with Fairer Westminster outcomes.
Cabinet	10 February 2025	Agree the 2025/26 budget and three-year MTFP & Capital Programme and the actions in the 2025/26 Fairer Westminster Delivery Plan.
Council	5 March 2024	Approve the 2025/26 budget and three-year MTFP & Capital Programme and the 2025/26 Fairer Westminster Delivery Plan.

15. Legal Implications

15.1. This report is submitted to the Cabinet in accordance with the Finance procedure rules. Cabinet is asked to note the revised medium term financial forecast to 2027/28 and to agree the budget process approach as set out in the report.

15.2. 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.

15.3. 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 reserve.

15.4. The Council has a statutory duty to have regard to the report of the Chief Finance Officer on these issues when making decisions about its budget calculations.

15.5. Some savings proposals may only be delivered after specific statutory or other legal procedures have been followed and/or consultation has taken place. Where consultation is required, the Council cannot rule out the possibility that they may change their minds on the proposal because of the responses to a consultation, and further reports to Cabinet or Cabinet Member (as appropriate) may be required.

15.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act.

15.7. If General Fund Reserves are used to support the budget, they will need to be reimbursed at the earliest opportunity to provide the necessary, margin of safety in future years.

16. Consultations

16.1. No specific consultations arise from the recommendations in this report, however individual savings proposals that come forward as part of the budget process may require specific consultation.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Rikin Tailor, Director of Finance