



# City of Westminster Cabinet

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	17 February 2025
<b>Classification:</b>	General Release
<b>Title:</b>	Business and Financial Planning 2025/26 to 2027/28
<b>Wards Affected:</b>	All
<b>Key Decision:</b>	Key Decision
<b>Financial Summary:</b>	This report sets out the Council's medium-term plan for the next four years and proposes the budget for the 2025/26 financial year
<b>Report of:</b>	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 support the Council's objectives under the Fairer Westminster strategy, supported by a medium-term financial plan and balanced budget for 2025/26. Cabinet is asked to consider the report and recommend its adoption to Full Council on 5 March 2025.
- 1.2. The new government issued its first Autumn Budget on 30 October 2024 which was followed on 28 November 2024 by the Government's Policy Statement for Local Government. This was the third pre-settlement policy statement to be released in the lead up to the announcement on grant funding. The Local Government Provisional Financial Settlement was released on the 18 December 2024. The settlement represented an increase in Core Spending Power for local government of £3.9bn or 6% in cash terms which includes Government assumption that authorities will take the maximum 5% council tax increase for 2025/26.
- 1.3. The final settlement announced on 4<sup>th</sup> February saw overall Core Spending Power increase to £4.4bn (a 6.8% cash increase) through the inclusion of grant

funding for the increase in employer's national insurance contributions of £515m. Westminster will receive £2.7m.

- 1.4. This report outlines a balanced budget for 2025/26 but still forecasts a gap of £41.2m over the following two years. The budget includes a 2.99% increase in the general element of council tax and an increase of 2% for the Adults Social Care precept element. At Band D this will result in an annual increase of £25.04 or an equivalent weekly amount of 48p per week. When combined, the general element of council tax and adults social care precept, for Westminster, will rise from £501.76 to £526.80 at Band D.
- 1.5. The recommended General Fund budget for 2025/26 of £213.426m is a net increase of £7.881m against last year. In broad terms this includes Fairer Westminster investments of £14.4m, service cost and income pressures including inflation of £16.9m, additional resources for Adults Social Care of £5.9m, increased capital financing costs of £3.5m per annum, decreased interest earnings of £13m and other changes of £7.4m, offset by net increased government funding of £22m and new and existing savings proposals of £31.9m. The balance is funded from the increase in council tax income of £5.7m including second homes premium and £1.5m from earmarked reserves.

## **2. Recommendations**

- 2.1. That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 5 March 2025.

### Council Tax

1. That the Council Tax for a Band D be agreed at £526.80 for 2025/26
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 2026, be as specified in the Council Tax Resolution in Appendix 1
3. That the Precepts and Special Expenses be as also specified in Appendix 1 for properties in Montpelier Square and the Queen's Park Community Council
4. That the formal resolution for 2025/26 attached at Appendix 1 including the council tax requirement of £74.578m be agreed
5. Note the proposed Greater London Authority precept (Band D) of £490.38, an increase of £18.98 in the adjusted Band D precept
6. That the Council continues the Westminster Community Contribution scheme to allow residents in the City to voluntarily contribute towards supporting discretionary services that support the four priorities helping young people reach

their full potential, including staying safe, contributing positively to their community and developing longer term skills; providing extra support for people who find themselves sleeping on Westminster's street; tackling social isolation and loneliness and promoting social inclusion.

### Revenue Budget

7. To note the views of the Scrutiny Budget Task Group set out in Appendix 2
8. That the proposed General Fund net budget requirement of £213.426m summarised in Appendix 3 is approved
9. That the savings, pressures and investments for 2025/26 to 2027/28 set out in Appendix 4, 5 and 6, are approved
10. That the Equality Impact Assessments included in Appendix 7 are noted to inform the consideration of the budget
11. Note the Housing Revenue Account (HRA) Business Plan 2025/26 and 30 Year Housing Investment Plan presented concurrently to Cabinet on 17 February 2025 that recommends the HRA budget and rent levels for 2025/26
12. To note the Dedicated Schools Grant (DSG) allocations totalling £202.405m and agree that the schools block of £137.587m is allocated to schools using the local formula agreed by Westminster Schools Forum which moves 30% closer to the National Funding Formula factor values and meets DfE requirements
13. That the Executive Director of Finance and Resources be delegated responsibility for any technical adjustments required to be made to the budget.
14. That the cost of inflation, pressures and contingencies be issued to service budgets if and when the need materialises, to the limits contained within the budget gap calculations.
15. That the views of consultees and consultation approach, as set out in the relevant section be considered by Council.

### Capital Programme

16. Note the Capital Strategy 2025/26 to 2029/30, forecast position for 2024/25 and future years' forecasts summarised up to 2038/39 report also presented to Cabinet on 17 February 2025 that recommends the Council's capital programme and financing

## Reserves, Balances and Budget Estimates

17. Agree the reserves policy as set out in section 9
18. Note the opinion of the Section 151 Officer with regards to the robustness of the budget process, the estimates underpinning the budget and the adequacy of the reserves as set out in Appendix 8 as required by S25 of the Local Government Act 2003

## Treasury Management and Investment Framework

19. Note the Treasury Management Strategy for 2025/26 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.
20. Note the 2025/26 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 for the council tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit a budget return to central government. Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

### **4. Delivering the Fairer Westminster Strategy**

- 4.1. The Council committed to delivering its four-year [Fairer Westminster strategy](#), guided by its annual [Fairer Westminster Delivery Plan](#). The strategy focuses on addressing key priorities through five pillars: Fairer Communities, Fairer Environment, Fairer Housing, Fairer Economy and Fairer Council.
- 4.2. The development of the 2025/26 Fairer Westminster Delivery Plan is fully aligned with the Medium-Term Financial Plan. This ensures that the Council's resources are allocated efficiently and sustainably to support its ambitions and priorities. Some of the key highlights in the 2025/26 Delivery Plan include:
  - £1.25m in Anti-Social Behaviour (ASB) and rough sleeping. In addition £2m of capital investment in CCTV cameras.
  - £2.6m in improving pay for social care personal assistants and increasing the threshold at which homecare users have to start paying for their care.
  - £1m allocated to Cost of Living fund to support residents who are continuing to find things difficult financially.
- 4.3. The Council is dedicated to being open and transparent, keeping residents well-informed and involved. Progress on the Fairer Westminster Delivery Plan will be

regularly shared through the Council's website, social media, and newsletters. Through ongoing communication and engagement campaigns, residents will have clear ways to engage, offer feedback, and help shape future actions. This ensures that the voices of Westminster's residents are heard and reflected in the Council's ongoing efforts to create a Fairer Westminster.

4.4. Key deliverables for the year from the Delivery Plan are highlighted below, which includes capital programmes. The full approved version of the 2025/26 Delivery Plan will be published in mid-March.

### **Fairer Communities**

- Build on the Council's strong response to the cost-of-living crisis to bring about longer-term change to address poverty and inequality through the delivery of a Poverty Review and a plan to improve the local food system to combat food insecurity and increase sustainability.
- Offer grants to small and medium-sized community groups, including delivering the North Paddington Third Party Capital Grants Project to allow Community Organisations to apply for funding to redevelop and improve their community assets, and enhance community provisions for local people.
- Work with partners and residents to reduce health inequalities and enhance wellbeing, particularly for vulnerable communities, through the #2035 programme and the Health and Wellbeing Strategy action plan.
- Provide more cultural opportunities to Westminster's communities by continuing to invest in free arts and cultural activities to widen access and offering more opportunities for schoolchildren to experience Westminster's cultural offer.
- Strengthen the Council's family and children's services by delivering a new Queen's Park Family Hub, expanding the School Navigator programme to connect pupils and families with relevant support services, and investing in SEND provision to enhance support for disabled children and families across Westminster.

### **Fairer Housing**

- Deliver a £10 million match-funding programme to improve the energy efficiency of tenants' homes, focusing on those with the poorest performance to reduce energy bills to improve comfort, and lower carbon emissions.
- Roll out a Private Renters Charter to improve renters' understanding of their rights, and work towards a Selective Licensing Scheme to ensure our private renters live in safe, legally compliant, high-quality homes.
- Ramp up our Temporary Accommodation acquisitions by investing another £140m to secure properties for homeless people and reduce our reliance on expensive nightly accommodation.
- Tackle rough sleeping and help people into safety and off the streets with an additional £2m in Council funding, alongside the launch of the Council's refreshed Homelessness and Rough Sleeping Strategy which focuses on prevention.
- Increase satisfaction with our repairs service by driving forward the repairs improvement plan, focussing on resident feedback.

## **Fairer Economy**

- Progress our £10m High Streets programme across North Paddington, Paddington-Bayswater, and Pimlico to make local high streets more welcoming and better able to adapt to future challenges.
- Deliver a Sustainability Skills programme that will support up to 300 residents improve their green skills and advance their careers over three years, as part of our Climate Action priorities.
- Create a vibrant, safe, and inclusive evening and night-time for everyone through the Westminster After Dark 2025-2040 strategy, including exploring the use of £500k in Section 106 funding to double the number of CCTV cameras in the city, from 100 to 200.
- Increase the number of Business Improvement Districts (BIDs) in Westminster by balloting to renew seven existing BIDs and creating up to five new ones. BIDs allow local businesses to work together to improve their local areas and reduce crime, helping to attract investment and create jobs.
- Carry out a full review of the City Plan to ensure it aligns with the ambitions of creating a Fairer Westminster and complies with new planning laws.

## **Fairer Environment**

- Protect homes, business and schools from flooding and extreme weather with a £3 million investment in Sustainable Drainage Systems (SuDS).
- Designate more School Streets with resident support to restrict vehicle access, create safer routes for children and improve air quality.
- Convert all waste and street cleansing vehicles to electric, reducing carbon emissions and air pollution.
- Invest a further £200k in enforcing and monitoring dockless bike bays to keep Westminster streets tidy and keep the pressure on the Government and Transport for London (TfL) to regulate e-bikes, e-scooters and pedicabs.
- Implement key initiatives outlined in the Sustainable Transport Strategy to make Westminster streets safer, healthier, greener and more inclusive by promoting safe, affordable and eco-friendly travel.

## **Fairer Council**

- Increase active resident participation to 800 by 2025 and providing more opportunities for residents to shape local decision-making by continuing to roll-out the resident consultation platform Commonplace.
- Improve the customer service experience by using new technologies like chatbots and Artificial Intelligence (AI), alongside redesigning our processes to offer faster, smarter, and more personalised services.
- Enhance transparency around decision-making by publishing an AI register that clearly sets out how the Council is using AI, and publishing more of the Council's data to make it easier for communities to stay informed and engaged
- Improve digital connectivity for communities and visitors by implementing Open Roaming to offer seamless, free Wi-Fi across Westminster, and crucially address

mobile signal issues by installing 50 new telecom sites in high footfall areas, improving connectivity for all.

- Improve access to Westminster's libraries and archives, by extending membership and awareness of the offer for communities across the borough and improving service accessibility for people that are neurodiverse or have hidden disabilities.

## **Key areas of consideration for the MTFP**

### Macro-Economic Outlook

- 4.5. The latest inflation statistics show that the Consumer Prices Index (CPI) rose by 2.5% in the 12 months to December 2024, down from 2.6% in November.<sup>1</sup> Looking ahead, the Bank of England Monetary Policy Committee Report (November 2024) forecasts inflation around 2.7% in the fourth quarter of 2025.<sup>2</sup> Similarly, the Office for Budget Responsibility (OBR) expect CPI inflation to average 2.6% in 2025.<sup>3</sup> Given the inflationary outlook, the Bank of England forecast the bank rate to reduce to 3.7% by the end of 2025.
- 4.6. Real GDP is estimated to have increased by 1.1% in the three months to October 2024, compared with the three months to October 2023. Economic growth is expected to pick up as the Bank of England forecast real annual growth in GDP to achieve 1.7% in the fourth quarter of 2025.
- 4.7. In the labour market, the UK unemployment rate (for people aged 16 years and over) was 4.3% in July to September 2024, 0.1% above estimates of a year ago.<sup>4</sup> Within Westminster, the unemployment rate stood at 5.5% for Q4 of 2024 – similar to the unemployment rate of the typical London Local Authority (5.4%).<sup>5</sup> Looking ahead nationally, the OBR and the Bank of England expect unemployment rate to remain broadly around 4.3% level over the next three years.

### Cost of Living Support

- 4.8. The cost-of-living crisis is expected to continue to ease with declining inflation and lower interest rate outlook (as set out above). The OBR forecasts that real household disposable income per person will recover to its pre-pandemic peak by 2025/26. However, vulnerable households continue to face cost of living challenges in London. The Trust for London estimates that households in London with the second lowest incomes would be expected to spend an additional 29% if they were to buy the same goods and services as they did in the three years to March 2020.<sup>6</sup>

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<sup>1</sup> [Consumer price inflation, UK - Office for National Statistics](#)

<sup>2</sup> <https://www.bankofengland.co.uk/monetary-policy-report/2024/november-2024>

<sup>3</sup> [Economic and fiscal outlook – October 2024 - Office for Budget Responsibility](#)

<sup>4</sup> [Employment in the UK - Office for National Statistics](#)

<sup>5</sup> [Overall unemployment rate \(aged 16 and over\) in Westminster | LG Inform](#)

<sup>6</sup> [London's Cost of Living Tracker | Trust for London](#)

- 4.9. In response to cost-of-living crisis, Westminster City Council launched a Cost-of-Living Strategy (July 2022), setting out a plan to help tackle the crisis. This was followed by the Council declaring the cost-of-living crisis an emergency in September 2022. As identified in the strategy, people on lower incomes are most impacted by higher rates of inflation, as more money is spent on fuel and food; an estimated 31,000 households across the City are particularly exposed by these rises in living costs. Particular vulnerable groups include those on low incomes, families with children, pensioners and those with disabilities and tend to be concentrated in Church Street, Queens Park and Harrow Road.

#### Autumn Budget – 30 October 2024

- 4.10. The Chancellor announced the Autumn Budget 2024 on 30 October 2024. This budget represented the start of the first Labour Government in 14 years and revealed the choices that the new government had started to make about public spending and taxation for the remainder of the parliament. However, these choices are being made against a backdrop of enormous fiscal challenges resulting from low economic growth and growing pressures on public services.
- 4.11. Overall, the outcomes for local government were better than expected with an announcement of a real terms increase of 3.2% in Core Spending Power (CSP). This included £1.3bn additional core spending grant funding including £600m extra for social care. The Chancellor also announced a further £1bn for SEND and £230m for homelessness. Government signaled that the additional funding will be targeted to those with the greatest need, outside of the normal formula allocation system.
- 4.12. Funding available for 26/27 onwards was less clear, although indications suggest that future funding increases will be significantly reduced. A full comprehensive spending review will happen in the Spring 2025 to inform the following three years. MHCLG also suggested that the distribution of full Local Government funding will be reviewed in 2025.
- 4.13. The budget announced an uplift in all employers' national insurance from 13.8% to 15% which would have an impact on the Council's overall costs. Funding will be provided by the Government to go towards Council's direct employees only.
- 4.14. On business rates the budget announced an increase to the standard business rate multiplier and the small business rate multiplier being frozen. It also announced the extension of the Retail, Hospitality and Leisure relief with compensation continued to be provided for local authorities. Government have also indicated a wider review of business rates to create a system that is fairer, protects the high street, supports investment and is fit for the 21st century.
- 4.15. The Autumn Statement also indicated some changes to the Housing Revenue Account (HRA) and a consultation on a new long term social housing rent settlement of CPI+1% for five years. Discounts would be reduced on Right to Buy



(RtB) schemes, enabling Councils to keep all receipts generated by sales. It is expected that there will be a reduction in applications too.

#### Policy Statement – 28 November 2024

4.16. A policy statement was issued on the 28 November, the key elements of this were:

- Additional £80m allocated to adult social care in addition to the £600m which was previously announced in 2024/25.
- Local government finance set to see multi-year settlements from 2026/27 as well as significant funding reforms which will see a full business rates baseline reset.
- The core council tax referendum principles remain the same, i.e. that local authorities are given the option to raise core council tax by up to 2.99% without a referendum. Additionally, there is the ability to increase the Adult Social Care (ASC) precept element of council tax by 2%. For context, a 1% council tax increase in Westminster would raise £0.710m per annum.
- It was announced that the New Homes Bonus would continue in 2025/26 for a final year, however replacement funding was not identified.
- The policy statement also announced the abolition of the rural services delivery grant, and the service grant, as well as scaling back the Minimum Funding Guarantee.

#### Provisional Local Government Finance Settlement 2025/26

4.17. The provisional 2025/26 Local Government Finance Settlement was published on 18 December 2024, in a Written Ministerial Statement to the House of Commons by the Rt Hon Angela Rayner MP, Secretary of State for Housing, Communities and Local Government (MHCLG). It outlined provisional funding allocations for local authorities for 2025/26. The headlines were as follows:

- £2bn increase in funding nationally for local authorities in 2025/26. This includes the £1.3bn additional funding announced as part of the Autumn Budget and the subsequent Local Government Policy Statement and a further £0.7bn announced as part of the provisional settlement
- The additional £0.7bn included an extra £200m for Social Care than the £680m previously announced and £515m provided nationally as support for Councils with the cost of the increase in employers National Insurance contributions. At that time Individual allocations for NI support were yet to be announced.

- Grant increases for 25/26 are focused across three priority areas within the settlement; new Recovery Fund (£600m), increase in Social Care Grant (£880m) and new Children's Prevention Grant (£250m). Westminster did not benefit from the new Recovery grant but has received an additional £6.8m for Social Care and £1m for Children's Prevention.
- Increased funding for Homelessness with additional grant funding of £233m being provided nationally. Westminster will receive an increase of £6.4m. Restrictions apply on how the Housing Prevention Grant (HPG) could be spent, with 49% to be spent on prevention.
- Core Spending Power as a measure of the total revenue funding available within local government will increase by 6% cash (or 3.5% in real terms). This includes government assumptions on a maximum 5% increase in council tax as well as growth in the council tax base.
- The settlement confirms that Government will allow councils to raise their core council tax by up to 3% without a local referendum and will allow a further adult's social care precept of 2%. This is no change from 2024/25.
- A consultation paper on funding reform in 2026/27 was also published as part of the settlement

#### Final Local Government Settlement 2025/26

- 4.18. The final settlement was announced on 4<sup>th</sup> February. Core Spending Power increased to £4.4bn, which represents an overall cash increase of 6.8%. This is higher than the 6% increase announced in the provisional settlement. However, the higher increase relates to the inclusion of grant funding for the increase in employer's national insurance contributions of £515m nationally. In addition, there was an increase made to the national amount being distributed as part of the Children's Social Care Prevention grant from £250m to £270m.

### **Westminster's Funding**

#### Core Spending Power (CSP)

- 4.19. Core Spending Power is a measure of the total revenue funding available to authorities and includes government assumptions on a maximum increase in council tax and business rates income (including compensation for under indexing) as well as growth in the council tax base. Nationally council tax is around 60% of the total Core Spending Power (but only 26% in Westminster). Nationally MHCLG calculate that CSP has increased by 6.8% in cash terms. In Westminster the increase is 5.3%.

4.20. The Government has distributed CSP across the sector with a proportion focused on those areas which have higher levels of deprivation. This has been achieved through the introduction of the new recovery grant which is weighted towards high deprivation authorities and the removal or reduction of some grants which were weighted to those authorities with lower levels of deprivation.

4.21. A summary of the Council's funding settlement in comparison to 2024/25 is provided below:

	CSP	CSP	Change	Change
	2024/25	2025/26		
	£m	£m	£m	%
SFA -Revenue Support Grant	37.183	37.864	0.681	1.8
SFA -Redistributed Business Rates	99.473	100.984	1.511	1.5
Local Authority Better Care Fund*	17.649	21.773	4.124	23.4
Discharge Fund	4.124	0.000	(4.124)	(100.0)
Social Care Grant	34.761	41.593	6.833	19.7
Service Grant	0.631	0.000	(0.631)	(100.0)
New Homes Bonus	2.441	0.996	(1.446)	(59.2)
Market Sustainability and Improvement Fund	5.789	5.789	0.000	0.0
Children's Social Care Prevention	0.000	1.072	1.072	100.0
Employer National Insurance Contributions Grant	0.000	2.742	2.742	100.0
Other	0.112	0.052	(0.060)	(53.5)
<b>Sub total</b>	<b>202.163</b>	<b>212.865</b>	<b>10.702</b>	<b>5.3</b>
Council Tax max rise Gov assumption 5% plus increased tax base	68.951	73.018	4.067	5.9
Compensation for Business Rate Relief	17.217	17.709	0.492	2.9
<b>Total Core Spending Power</b>	<b>288.332</b>	<b>303.592</b>	<b>15.261</b>	<b>5.3</b>

\* LA Better Care Grant now includes the ASC Discharge grant (£4.2m)

#### Settlement Funding Assessment (SFA) - £2.2m increase for Westminster

4.22. The settlement funding assessment is the core government funding for local authorities and includes a national redistribution of locally collected business rates and incorporates the previous formula revenue support grant funding. The Government has confirmed that total SFA nationally will increase by £278m from £16.563bn to £16.841bn. The Councils SFA has increased from £136.7m to

£138.8m, representing an increase of 1.6%, this is slightly lower than the national increase of 1.7%.

### Social Care Funding

- 4.23. The government announced an additional £600m in social care funding in the Autumn Budget, £80m in the Policy Statement and a further £200m in the provisional Finance Settlement which included a maximum increase of 2% in the Adult Social Care precept. Government fully expects Local Authorities to take the precept to assist in paying for adult social care pressures. Four separate grants have been given for social care alongside the precept:
- **Social Care Grant** – is grant can be used to meet both adults and children’s social care needs. The allocation for Westminster has increased by £6.8m (or 19.7%) to £41.6m in 2025/26.
  - **Market Sustainability and Improvement Fund** – this has remained cash flat at £5.8m
  - **LA Better Care Grant** - the Social Care Discharge Fund has been merged into the Improved Better Care Fund and renamed the local authority Better Care Grant. No additional funding has been received. Each Integrated Care Board (ICB) will receive separate discharge funding, the amount of which is currently unknown. The board will then decide on how that funding is distributed including whether Westminster will receive an allocation.
  - **Children’s Social Care Prevention Grant** - A new Children’s Social Care Prevention Grant will be distributed worth £270m nationally. The Grant will be allocated using a children’s needs-based formula, distributing funds based on the estimated need for children’s social care services, with Westminster due to receive £1.1m. The Children’s Social Care Prevention Grant was uplifted from £250m at the final local government finance settlement. This will go towards rolling out mandatory Family Group Decision Making. The Children’s Social Care Prevention Grant and the Children and Families Grant will operate as separate funding streams as part of a transitional arrangement. In 2026/27, MHCLG will combine these grants and explore opportunities for further consolidation in children’s services.

### Services Grant - £0.6m decrease for Westminster

- 4.24. The services grant has been abolished in 2025/26, so a reduction in grant for Westminster of £0.6m

### New Homes Bonus (NHB) – £1.4m decrease for Westminster

- 4.25. The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. The national amount allocated is £291m which is broadly the same as 2024/25. Each Council receives an amount based on the increase in the number of Band D equivalent homes above a baseline of 0.4%. In addition, new affordable homes receive a premium of £350 each. For 2025/26 the Council will receive £1m in grant which is less than received in 2024/25 due to both a lower number of units and a lower number of those being affordable. The Government have announced that this will be the final year of the NHB.

### Local Taxation

#### Council Tax

- 4.26. Westminster City Council's council tax charge, in 2024/25, is £501.76 per annum for a Band D property. Any increases to council tax are capped at the following levels (as announced in the Policy Statement 2024):
- Up to 2.99% maximum "core" increase, the general element of council tax for all services
  - 2.00% adult social care precept
- 4.27. The purpose of this cap is to ensure that 'excessive' council tax increases occur only where authorities have a clear mandate from local people through a referendum.
- 4.28. For every 1% increase to Band D council tax, the Council generates approximately £0.710m funding. For 2025/26, the Council proposes an increase on the core element of council tax of 2.99% which equates to £15.00 per annum or 29p per week; and an increase on the Adult Social Care Precept of 2.0% on a Band D property which equates to a £10.04 per annum increase or 19p per week. Cumulatively this is £25.04 per annum or 48p per week.
- 4.29. Additionally, the Council has retained the council tax support scheme at a maximum 100% funded for working age residents. Further details of this scheme are set out later in this report.

#### Other Funding

##### Household Support Fund (HSF)

- 4.30. In 2021, the government announced the vulnerable households across the country would be able to access a new support fund to help them with essentials over the winter. Initially expected to run to 31 March 2022, HSF has since been extended six monthly. The total HSF allocated to Westminster during 2024/25 was £3.9m which must be spent by March 2025. This is being used locally to

support the wider cost of living strategy locally. In 2024/25 it has been utilised on the following key support mechanisms:

- Food for free school meals eligible pupils during school holidays
- Supermarket food vouchers for residents on low incomes but no longer eligible for the Winter Fuel Payment.
- Other support through a Cost of Living support fund and to food charities.

4.31. The autumn budget allocated £1bn for the HSF together with Discretionary Housing Payments (DHP) in 2025/26. Approximately £100m for DHP and £900m for HSF – which is a slight reduction on 2024/25. When funding allocations are announced, the Council will review the available funds and reshape the wider cost the support package to ensure help is targeted to those most in need.

GLA Funding for Free School Meals

4.32. The Mayor of London has announced continuation of universal free school meals programme for school children in the 2025/26 academic year. Westminster is expected to receive c£1.4m.

Dedicated Schools Grant (DSG)

4.33. The table below shows the provisional 2025/26 DSG funding allocations for Westminster. The allocation (before the deductions for payments to academies) has increased by £7.009m (3.6%) from 2024/25 to £202.405m including funding for the continuing rollout of early years entitlements for working families in receipt of benefits.

**Table 1 – Comparison of 2025/26 and 2024/25 DSG block allocations**

Block	2025/26	2024/25	Change	Change
	£m	£m	£m	%
Schools - including pay and pension grants added to 2024/25 baseline (CSBG,TPAG and TPECG)*	137.595	137.020	0.575	0.42%
High Needs **	44.583	41.458	3.125	7.54%
Central School Services	0.954	0.948	0.006	0.63%
Early Years ***	19.272	15.969	3.303	20.68%
<b>Total</b>	<b>202.405</b>	<b>195.395</b>	<b>7.009</b>	<b>3.59%</b>

\*Allocation before deduction for academies and including the core schools additional grant (CSBG), Teachers' Pay Additional Grant (TPAG) and Teachers' Pension Employer Contribution Grant (TPECG) in 2024/25, which are included in the Schools Block from 2025/26.

\*\*Allocation before deduction for academies high needs places. The provisional High Needs allocation will be updated by March 2025.

\*\*\*Early Years allocation is provisional at this time for both years and includes funding for the continuing rollout of new entitlements.

- 4.34. The schools block allocation is mainly driven by pupil numbers which have reduced by 359 to 16,386 and the block has increased by 2.6% per pupil. Schools with falling rolls continue to be in a challenging budget position and the number and size of schools in a deficit position is increasing. Schools in deficit are required to set a deficit recovery plan over 3 years and of the 13 schools currently in deficit, 3 are still working on their deficit recovery plans and 2 plans are under review. The net school balances are forecast to be £0.605m deficit which cannot be covered by the cumulative DSG reserve. This will have to be offset with General Fund reserves.
- 4.35. The net increase early years block funding mainly relates to the continuing rollout of new entitlements for working families in receipt of benefits, partly offset by a reduction in the maintained nursery school (MNS) supplement rate of approximately 9%. The funding for 2024/25 and 2025/26 will be updated to reflect later early years census data. The majority of the funding is passed to providers both in maintained schools and private, voluntary and independent settings. The DfE have increased the hourly rate for 3 and 4 year olds and the pass-through rate will increase from £7.46 to £7.67 (+2.8% hourly rate) per hour for providers. The hourly funding rates for eligible 2 year olds has increased from £10.28 to £10.87 (+5.7%). Children's Services retains a 4% element of early years funding to support the coordination of central services this was previously 5% and will reduce to 3% once the new entitlements are sufficiently embedded.

#### VFM Financial Sustainability - DSG

- 4.36. The DSG reserve balance was £4.238m at the end of March 2023. Westminster Schools Forum review the DSG forecast position at each meeting as well as impacts on medium term planning. The DSG has an in year agreed forecast overspend in 2024/25 of £0.834m which was agreed by Schools Forum as use of part of the reserve at the meeting on 17 June 2024. The Council's annual SEN Commissioning Plan identifies the SEN provision needed over the medium term which is taken account of in the capital expenditure plans for SEN provision in order to reduce the risk of the high needs block and DSG moving into deficit. The high needs block review group made up of headteacher representatives on the Schools Forum provides an opportunity for officers and schools/settings to consider the ongoing use of High Needs Block funding and any new developments as well as ensuring value for money. Overall, the DSG is expected to remain in a surplus position over the three years.

### Homelessness Prevention Grant (HPG)

- 4.37. In 2024/25 Westminster received an allocation of £7.0m through the Homelessness Prevention Grant (HPG) and a further £1.9m via the Ukraine Homelessness Prevention Grant top-up. The HPG allocation for 2025/26 has been confirmed at £13.2m (88.6% increase) but with restrictions on how the funding can be spent. A new ringfence has been introduced within the grant to maintain prevention activities. This ringfence requires councils to spend 49% of their grant allocation on prevention, relief and staffing activity. It may not be spent on temporary accommodation.

### Extended Producer Responsibility for Packing

- 4.38. Additional income of £1.1bn has been announced nationally for local authorities in 2025/26. Each Authority will be assessed for its collection and disposal effectiveness, which will be heavily weighted towards higher recycling rates; Westminster will receive £4.7m in 2025/26, however this will likely reduce in further years as increased efficiencies are required. The MTFP assumes that funding will reduce by half in 2026/27.

### Employers' National Insurance Contributions Funding

- 4.39. Additional funding of £2.7m has been received in Westminster to fund the increase in direct NI costs in Westminster. This has been calculated based on Westminster's share of Net Current Expenditure and it is estimated that the additional funding will only cover approximately 75% of the additional costs incurred by Local Authorities.

### Public Health Grant

- 4.40. An announcement on the Council's Public Health grant for 2025/26 is expected in March 2025.

## **5. Budget Gap**

- 5.1. The estimated budget gap in the Medium Term Financial Plan as reported to Cabinet in July 2024 was £54.8m from 2025/26 to 2027/28. The 2025/26 gap was reported as £15.3m.
- 5.2. Work has continued through this financial year to prepare savings proposals, manage the various cost pressures including the ongoing impact from inflation, and to prepare investment proposals to inform the medium-term financial plans. In October the government's Autumn Budget was published and then the policy statement, followed by the announcement of the provisional local government finance settlement on 18 December 2024. Notification of the final settlement was received on 4<sup>th</sup> February.



5.3. This report proposes a balanced budget for 2025/26 and shows a remaining forecast gap of £41.170m over the following two years. The changes made to the budget since July are shown in the table below.

Changes Since July 2024	2025/26 over 2024/25	2026/27 over 2025/26	2027/28 over 2026/27	Total
	£m	£m	£m	£m
Budget Gap - July 2024	<b>15.312</b>	<b>19.832</b>	<b>19.701</b>	<b>54.845</b>
<b>Service Specific Items:</b>				
New Savings	(20.180)	(5.319)	(3.636)	<b>(29.135)</b>
New Pressures	6.805	3.168	(0.370)	<b>9.603</b>
New Fairer Westminster Investments	16.392	1.638	(1.389)	<b>16.641</b>
Cost of Living	1.000	(1.000)	0	<b>0.000</b>
<b>Subtotal</b>	<b>4.017</b>	<b>(1.513)</b>	<b>(5.395)</b>	<b>(2.891)</b>
<b>Funding:</b>				
Changes to Settlement Funding Assessment	(8.338)	0.011	0.017	<b>(8.310)</b>
Other Grant Changes	(11.131)	3.362	0.000	<b>(7.770)</b>
Second Homes Premium	(1.489)	(0.047)	(0.048)	<b>(1.584)</b>
Council Tax Increase	(3.544)	0.000	0.000	<b>(3.544)</b>
Council Tax Deficit	0.247	(0.247)	0.000	(0.000)
Sub total	<b>(27.070)</b>	<b>3.078</b>	<b>(0.031)</b>	<b>(24.023)</b>
<b>Corporate Changes:</b>				
Contingency Employers NI & LLW	4.292	0.000	0.000	<b>4.292</b>
Additional Inflation	4.800	0.650	0.651	<b>6.101</b>
Capital Financing	0.500	0.500	0.500	<b>1.500</b>
Other	0.954	(0.975)	1.367	<b>1.345</b>
<b>Subtotal</b>	<b>10.546</b>	<b>0.175</b>	<b>2.518</b>	<b>13.238</b>
<b>Budget Gap Before Use of reserves</b>	<b>2.805</b>	<b>21.572</b>	<b>16.793</b>	<b>41.170</b>
Use of Reserves	(2.805)	1.611	1.194	<b>0.000</b>
<b>Budget Gap</b>	<b>(0.000)</b>	<b>23.183</b>	<b>17.987</b>	<b>41.170</b>

5.4. The further table below summarises the overall movement in the net budget for 2025/26 (including changes made up to and after July 2024). Further details are shown at Appendix 10.

	2025/26	2026/27	2027/28
	£m	£m	£m
<b>General Fund Budget b/f</b>	<b>205.545</b>	<b>213.426</b>	<b>216.949</b>
Inflation (pay and non-pay)	13.046	8.958	9.020
Reduced Interest Earnings	13.000	6.000	0.000
Corporate Changes	8.689	5.266	7.753
Fairer Westminster & Cost of Living Investments	15.382	(1.001)	(1.389)
Pressures	9.710	2.398	(0.370)
Savings	(31.925)	(38.347)	(21.623)
Use of Reserves	1.057	8.135	1.194
Funding Changes	(21.078)	12.115	9.000
Subtotal	7.881	3.523	3.586
<b>Net Budget c/f</b>	<b>213.426</b>	<b>216.949</b>	<b>220.535</b>
<b>Funded via:</b>			
Settlement Funding Assessment	(138.848)	(141.625)	(144.457)
Council Tax	(74.578)	(75.324)	(76.077)
<b>Total Funding</b>	<b>(213.426)</b>	<b>(216.949)</b>	<b>(220.535)</b>
<b>Budget Gap</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### Fairer Westminster Policy Investments

- 5.5. The 2025/26 budget includes continued policy investment to help achieve Fairer Westminster objectives. New **investments** of £16.4m are proposed for 2025/26, of which £1.5m have been identified as one off or for a fixed period and have therefore been funded from earmarked reserves. The remainder will be funded from the base budget.
- 5.6. Investments are focussed on a number of initiatives or programmes across the Council. This includes Adult Social Care, North Paddington Programme, Pimlico District Heating Network, Community Hubs, Changing Futures Programme and Temporary Accommodation.

5.7. Details of investments can be found in Appendix 5. The key areas include:

- Adult Social Care (£2.650m from 2025/26) – investment in the Minimum Income Guarantee (MIG) in Homecare (£1.2m) to standardise the MIG for all adult social care users in receipt of homecare. Further investment of £1.450m to review and update the rate for personal assistants paid through a direct payment.
- Anti Social Behaviour (ASB) (£1.25m in 2025/26) - increasing the council's response to noise, anti-social behaviour and the fear of crime, ensuring we improve our response to the issues that matter most to residents, and protecting services to those who are vulnerable to crime and exploitation.
- Housing Solution Service (£1.8m) – investment in an enhanced prevention offer to reduce the number of households requiring Temporary Accommodation provision, as well as additional costs linked to the insourcing of the Housing Solutions Service.
- Changing Futures Programme (£0.920m) – supporting the delivery of the homeless strategy.
- District Heat Network (£0.700m) – increasing the Council's capacity and capability to support District Heat Networks programmes.
- Cyber Security (£0.400m) – increasing resources and measures to support and enhance cyber security for the Council.

5.8. Policy investments fall into two broad categories. Those that are ongoing and funded by the base revenue budget and those that are time limited and funded by reserves. Investments will be reviewed annually to ensure alignment to Fairer Westminster. The Council will need to continue reviewing investments within the context of the Council's wider financial position, particularly when considering funding reform that the Government is proposing to implement from 2026/27.

5.9. New **savings** of £29.1m are proposed over the planning period to 2027/28. Each proposal is listed in Appendix 4. Most of the new saving proposals fall in 2025/26. Further savings will require identification as the medium term planning period progresses to close the £41m budget gap.

5.10. Savings from cost reductions have been identified and come from a variety of sources, for example:

- procurement efficiencies as contracts come up for renewal
- efficiency savings through service model reviews and demand prevention

- reduced revenue costs through asset renewal, for example, new electric waste vehicles and electrification of cleansing service
- digital transformation savings through improved systems.

5.11. Fees and charges have been reviewed and have largely increased in line with the Consumer Price Index to ensure that cost recovery is maintained on the delivery of those services. Cabinet agreed all proposed fees and charges for 2025/26 in December 2024. Some examples where income will support the 2025/26 budget position are:

- income arising from corporate property commercial portfolio
- improved activity on commercial waste
- additional parking income.

5.12. New **service pressures** total £17.6m over the next three years. This is £9.6m more than the £8m provision for pressures set aside as part of the July budget position. Service pressures arise from a combination of increased demand, reduced income levels in certain commercial income streams and external factors affecting costs. These pressures are set out in full in Appendix 5. The key items are:

- Children's Services – (pressure of £1.4m ongoing) funding for new placements with a health requirement have not been agreed by the Health Service Integrated Care Board. This decision is still subject to a court action.
- Adults Social Care – (additional £5.9m ongoing) increased pressure relating to changing demographics, rising demand in case numbers, increasing complexity and unit costs.
- Housing and Commercial Partnerships – (ongoing pressures on £3.2m plus an additional £4.9m for TA risk) homelessness and temporary accommodation remain a significant pressure across the Council.
  - Rough Sleeping is forecast to see an additional £1m pressure. Westminster has seen a 30% increase in rough sleepers from 2023/24. The funding will deliver 125 additional bed spaces for rough sleepers and will include provision for women who are rough sleeping.
  - As a result of the additional homelessness demand further investment is required in additional staff to meet the ongoing demand for Housing Solution Services as well as additional maintenance costs for purchased temporary accommodation.

5.13. **Corporate budget changes and variations:** several corporate pressures have been recognised in the budget process during this year. These are mainly:

- Inflation - Provision for estimated additional contract and pay inflation of £13m, this is £6.1m higher than the amount previously built in as part of the July position given that inflation is due to remain higher for longer. Unprecedented inflation levels have been seen over recent years and whilst the current OBR forecasts suggest more stable inflation levels going forward, the Council has experienced above inflation increases linked to the London Living Wage rate, and the negotiated pay award settlements.

A provision has been made following a review of the Council's key service contracts; the Council will continue to review different indices and negotiate appropriate inflationary increases in contracts rather than just apply the appropriate inflationary index across the board. The London Living Wage has increased by 5.3% and will be applied to all contracts appropriately from April 2025. Furthermore, the recent changes to Employer National Insurance contributions announced in the October Budget is likely to increase the inflationary pressure on some contracts.

Provision for next year's Local Government pay award has been made at 2.8% which follows the latest projections for average inflationary increases for 2025/26 and reflects recent awards that are structured in a beneficial way for the lowest paid

- Interest Earnings - Interest rates remained elevated throughout 2024/25, with Bank Rate starting the year at 5.25% before gradually falling to 4.75% at financial year end. This means that the Council's investment earnings potential has remained strong, and with cash balances remaining more buoyant than expected throughout the year, has led to a forecast favourable variance against the interest receivable budget of £1.4m. This additional income is expected to decline after 2024/25 as cash balances reduce from expenditure related to the capital programme and interest rates continue to fall.
- Business rates - The Council forecasts that its business rates collection position in 2025/26 will be at safety net as a result of generating less business rate income than expected by government. This has been the position since 2021/22. The maximum loss that the Council can incur is 7.5% of the baseline position which is £7.6m in 2025/26. The government underwrite any losses beyond that so is not a financial risk for the authority. This £7.6m loss will be funded from the business rates risk reserve. The reserve will be boosted in 2024/25 by the realisation of a one-off surplus which was generated in 2023/24, due to the release of provisions held to offset the impact of appeals against the 2017 rating list. Appeals against the 2017 list are now closed, and the financial loss from the outcome of outstanding appeals was less than estimated.

## **6. 2024/25 Forecast Outturn Position**

- 6.1. The budget monitoring position at the end of December 2024 is forecasting an overspend of £14.3m against the approved net budget. This is largely the impact of significant temporary accommodation pressures whilst further pressures continue to be experienced in Children's Services, and Digital and Innovation.
- 6.2. The estimated ongoing impacts of these variations, have been considered in the budget for next year.
- 6.3. Work is continuing to review the current position and consider actions to reduce the overspend. The most significant area of overspend is in relation to temporary accommodation. The current proposal is to fund this from earmarked risk reserves at year end with any residual overspend to be funded from the General Fund balances in the normal way.

## **7. Pension Fund**

- 7.1. The City of Westminster Pension Fund includes the City Council's pension obligations as well as those for several other admitted and scheduled bodies, including academies.
- 7.2. The interim valuation of the Westminster City Council Pension Fund as of 30 September 2024 was £2.080bn. The Fund returned 16.70% in the year to 30 September outperforming its benchmark by 0.3% net of fees, this was largely due to the Fund's overweight allocation to equities which have delivered strong positive returns.
- 7.3. As per the Pensions and Investment Research Consultants (PIRC) Local Authority Fund Statistics for 2023/24, the City of Westminster was ranked in the upper quartile (top 7%) of fund performance, returning 13.3% in the year to 31 March 2024, compared to the average of 9.2%. The high diversification of assets protected against volatility within global markets and the impacts of inflation and base rate rises.
- 7.4. The triennial valuation of the Westminster Pension Fund was completed by the Council's actuary, Hymans Robertson, as at 31 March 2022. The actuarial report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years from 2023/24 to 2025/26. The whole Fund's funding level rose to 128% from the 99% level in 2019, which is broadly due to the excellent investment returns over the period, as well as the Council's additional deficit recovery payments.
- 7.5. The estimated funding level for the City of Westminster Pension Fund has increased by 43% to 171% as at 30 September 2024 (128% at 31 March 2022). The funding level for Westminster City Council as an employer has also increased, with an

estimated funding level of 147% as at 30 September 2024 (111% at 31 March 2022), this is largely as a result of an increase in the expected discount rate, which is linked to gilts.

- 7.6. The next actuarial valuation will be carried out as at 31 March 2025, with final results scheduled to be delivered in late 2025. . It is anticipated that LGPS funds will see their funding levels increase from the 2022 valuation, with excellent performance over the 3-year period since.

### **Pension Fund Governance**

- 7.7. The Pension Fund Committee acts as trustees for the whole Pension Fund and takes decisions on behalf of all employers and pensioners. 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.

- 7.8. 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 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.

- 7.9. As at 30 September 2024, the London CIV had £32.5bn of assets under management of which £17.7bn are directly managed by the London CIV. The Council is one of the biggest London Borough supporters of the London CIV LGPS pool, with over £1.4bn of pension fund investments procured through this vehicle, including £518m invested passively in the Legal & General (LGIM) passive equities fund.

- 7.10. A rebalancing exercise for the Fund took place during the year, with the Committee agreeing the following actions at the Committee meeting on 17 October 2024:

- Liquidating 3.0% (circa £60m) of the overweight global equities holdings from the LGIM Future World Passive Fund.
- Topping up the London CIV Multi Asset Credit underweight balance using cash held at custody.
- Topping up the Pantheon and Quinbrook infrastructure mandates by committing to the latest vintages of the two funds.

- 7.11. The Fund's illiquid mandates, which account for circa 30% of the portfolio, continued to drawdown during the year and repay capital for those funds closer to maturity.

- 7.12. The City of Westminster Pension Fund was successful in retaining its accreditation to the UK Stewardship Code. The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. As per the most recent update to the signatories, the Westminster Pension Fund is amongst only a handful of LGPS funds in London to achieve signatory status. To become a signatory of the Code, applicants must submit a Stewardship Report to the Financial Reporting Council demonstrating how the principles of the Code have been applied during the previous 12 months.
- 7.13. At the Mansion House Speech on 14 November 2024, the Chancellor proposed a number of reforms to the Local Government Pension Scheme (LGPS). Proposed reforms for the LGPS include legislation to require the 86 LGPS administering authorities to consolidate their assets into fewer, larger pools of capital. Following this, the Ministry of Housing, Communities and Local Government (MHCLG) released a consultation for the LGPS, which focuses on the areas of asset pooling, UK and local investment and governance. Officers will draft a response to the consultation and circulate this to Pension Fund Committee members for comment, with a view to submitting by the deadline, 16 January 2025.

## **8. Other Budget Reports**

- 8.1. 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

- 8.2. The Capital Strategy sets out the Council's long term capital investment plans over the next 15 years. The Capital Strategy is being reported separately on the agenda for this committee meeting.
- 8.3. The Council's long-term capital investment is underpinned by the objectives of Fairer Westminster. 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 of the plans. The capital programme overall has increased and so the level of revenue budget needed to be set aside to fund the programme has been reviewed. From 2025/26 an additional £0.5m per annum has been provided which increases the capital financing budget to £3.5m each additional year. The affordability of these plans will be kept under annual review.

### Housing Revenue Account Business Plan

- 8.4. The HRA 30-year Business Plan is set out separately on this agenda. The proposed rent increase is at the maximum cap of 2.7%, which reflects the national rent policy that sets a ceiling of CPI+1% (based on September CPI). The current rent policy has been extended to the end of 2025/26 and authorities await consultation on the rent regime that will be implemented from 2026/27 onwards.



- 8.5. The Council is proposing to extend the Rent Support Fund for a further 12 months to continue to provide support for households in 2025/26. An additional £1.0m has been earmarked within the plan.
- 8.6. The business plan includes a series of revenue growth items that reflect statutory requirements and Fairer Westminster policy objectives. It also presents a balanced capital programme that delivers additional social rented homes, investment for improving the condition of existing stock and capital headroom for the proposed renewal of the Pimlico District Heating Network (PDHU).

### Treasury Management Strategy

- 8.7. The annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process. The TMSS sets the strategy framework, criteria, boundaries, and limitations for borrowing and investment decisions over the next year and the three subsequent years to ensure security of capital, liquidity, and yield.
- 8.8. As anticipated in the 2024/25 TMSS, the Council took no additional long-term borrowing for the financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow in future years if a requirement is identified for either the General Fund or Housing Revenue Account (HRA).
- 8.9. The current 2024/25 annual investment strategy was set in an environment of relatively high interest rates, with expectations that rate rises had peaked in 2023/24. CPI inflation was 2.3% in April 2024, gradually falling to 1.7% in September, before rising back up to 2.6% in November. The Bank of England cut the bank base rate in August to 5.0%, followed by another cut in November to 4.75%. With CPI inflation past its peak and expected to have mostly stabilised, the UK economy has gone through the cost of living crisis without recession. However, even though the worst of the falls in real household disposable incomes are in the past, the continued phasing out of financial support packages provided by the government means real incomes are unlikely to grow strongly.
- 8.10. The overall longer-term trend is for gilt yields to fall back over the coming years as inflation further stabilises throughout 2025. Investment yields for the year have been high and this is expected to continue into next year before starting to reduce as the Bank of England reduces the base rate further. CPI is expected to remain somewhat volatile, and the supply of gilts is expected to increase off the back of the Chancellor's Autumn Budget, leading to revised forecasts on the pace of rate cuts. This will likely result in yields remaining buoyant for longer.
- 8.11. 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.

## 9. Financial Resilience

9.1. The UK's economic outlook remains uncertain over the medium-term with several risks and uncertainties over inflation, interest rates and economic growth. The government's overall funding position is tight leading into a Comprehensive Spending Review in the Spring this year, and the new government's indication of a multi-year settlement from 2026/7 combined with local government funding reform could have a significant impact on the Council's finances. 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.

### Risks and Uncertainties

9.2. The key risks in the medium-term financial plan have been identified and assessed as:

- Future of government funding – the new government have confirmed that there will be a full package of funding reforms from 2026/27 and that this will also be the start of a multi-year financial settlement. The recent policy statement suggests this will build on the previous government's Fair Funding Review. In this instance previous modelling has suggested that Westminster could see a reduction in funding level once these reforms are implemented. Estimated sums have been included in the MTFP forecasts
- English Devolution White Paper – In December 2024 the government published its White Paper on devolution in England which set out plans to move power from Whitehall back into local communities with a view to drive change and growth. The arrangements will be based on Strategic Authorities and will encompass existing combined authorities such as the GLA to enable more coordinated decisions and better outcomes. These proposals will also impact how local government is funded and the local government finance settlement.
- Business rates reform - business rates reform and reset remains on the new government's agenda with a consultation on the baseline reset due in Spring 2025. A reset means that any business rate growth is redistributed across the Country according to need. However, the Policy Statement suggests that the government could implement some transition arrangements so this redistribution could happen gradually.
- Business rate volatility - Westminster has significant risk with such a high level of business rates collected in borough, mitigated partly with the safety net system, but risk on appeals and bad debts remain – sufficient provision in earmarked reserves is made for this.
- Adult social care reform - In January 2025 the Government announced a Commission on Adult Social Care reform. It is due to issue its final report in

2028. Therefore, over the medium term there is unlikely to be any structural changes to the way social care is delivered. This will continue to create pressures for Westminster, as the Council sees increasing demand for placements, complexity of care and market factors leading to higher unit costs.

- Other legislative changes – the Emissions Trading Scheme for waste disposal will be extended to energy recovery facilities where waste is incinerated, and electricity is produced. From 2028 Council's will have to buy and trade credits for these emissions, it is expected that Westminster will incur significant costs unless these waste levels are reduced.
- Housing and homelessness – Temporary accommodation has been the most significant pressure on the Council's finances over the last two years. Westminster has seen a 40% increase in households approaching the Council for assistance, and a 50% increase in placements. With multiple reasons for this including – the high rent levels in Westminster, limited social housing in the City, impact of welfare reforms such as the benefits cap and landlords leaving the private market and/or increasing rents.

An additional cost pressure is that Local Housing Allowance subsidy rates are set at 90% of 2011 rents. It means the Council is limited in the amount of rent it can recover (usually through housing benefits). Furthermore, the lack of locally sourced properties (either through the private rented sector and the Council's own stock) means that many more residents are placed in overnight accommodation. This is significantly more expensive and to reduce the reliance on overnight accommodation the Council is pursuing an extensive acquisition programme. This includes £140m of additional capital investment in this budget process.

- Inflation - inflation remains one of the key risks on the 2025/26 budget and beyond due to the tight financial envelope which the Council operates in. Each 1% increase in inflation creates a pressure across pay and contract budgets of c£3.5m. September CPI was 1.7%, before increasing to 2.6% in November 2024. There is still significant uncertainty following the recent October 2024 budget and given continuing global events. Staff pay, which is negotiated nationally has increased by 3.5% in the current year, and a further 2.8% is assumed in 2025/6. Whilst CPI is expected to remain stable over the next year the Council must also consider changes to Employer's NI, both direct and indirect costs. These may present through supplier contracts as well as above inflation increases in the London Living Wage which for 2025/26 is 5.3%.
- Interest rates – the Bank of England has started to cut interest rates as inflation has reduced to the target 2%, however these rates have remained higher for longer. The Council sees a significant benefit from treasury management interest earnings on its cash deposits, however as rates fall

over the medium term then these earnings will fall. Higher rates will impact on the Council's borrowing for capital purposes. The forward borrowing deals have protected the Council from high rates in the medium term, it is expected further longer term borrowing will be required from 2027/28 and this will be at higher rates.

- Capital programme - Westminster has a significant capital programme with planned gross expenditure of £2.5bn over the next 15 years. This results in a significant Capital Financing Requirement (CFR) (the need to borrow). The Council's capacity to fund capital expenditure is dependent on external capital income (e.g. capital receipts and developer contributions) and the level of debt financing it can set aside in the revenue budget. Capital projects are always subject to external risks impacting delivery, costs and proposed income – such as capital receipts and income from external bodies.
- Other service demands - pressures can arise from additional service demand in areas of higher volatility. Other areas of recent rising demand are in Children's social care. These services are monitored carefully during the year to be able to respond with management actions and / or additional capacity where required.
- Income – The Council is dependent on a number of key income streams and so a prudent view of future forecasts are built into the MTFP. There is a risk that income levels could reduce over the period so this is carefully monitored.

### Reserves Policy

- 9.3. A key financial tool for the Council to manage the risks set out above is reserves - an important part of financial planning. They are held for two purposes; to mitigate risks or to invest in the Council's priorities.
- 9.4. 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, and;
  - *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.
- 9.5. 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 investments, or as a means to build up funds for known risks or contingencies, e.g. the capital financing reserve or 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 or homeless prevention grant;
- *Capital Reserves* – amounts held to finance capital expenditure, e.g. receipts from asset disposals and capital grants.

9.6. The use of general and earmarked revenue reserves cannot be regarded as a sustainable long-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. However, reserves are a useful to manage issues over the short and medium term to allow time for proper consideration of any significant service reconfiguration and structural adjustments to the base budget that are needed.

#### General Reserves

9.7. 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 2024 was £59.7m. The Council holds this general reserve to:

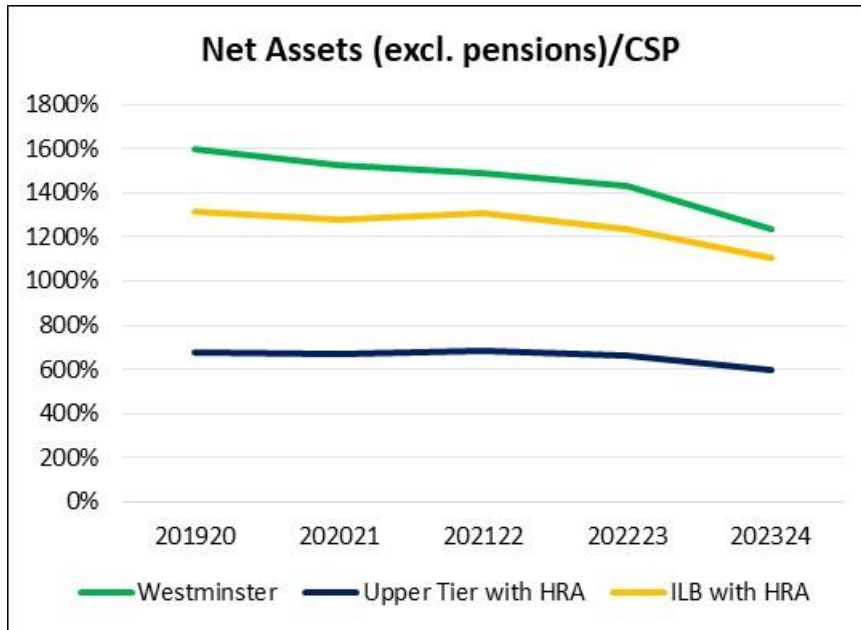
- comply with the law;
- provide funds for emergencies or other unexpected requirements for funds;
- mitigate against risks faced in day-to-day operations;
- provide a balance to insulate it from the need to borrow on a short-term basis due to uneven cashflows.

#### Balance Sheet Analysis

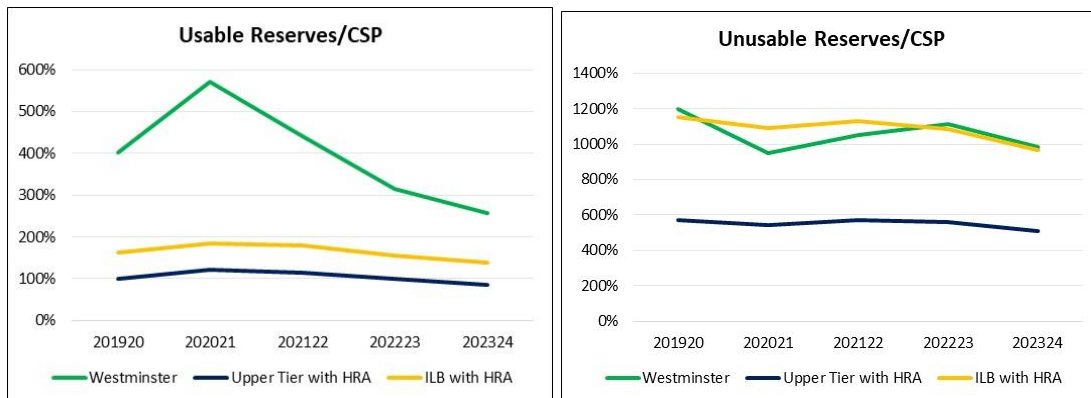
9.8. Balance Sheet reviews provide an indication of an organisation’s long term financial health and sustainability. While the income and expenditure statement shows performance on an annual basis, the balance sheet illustrates the impact of longer term decisions.

Net Assets/Net Reserves

9.9. Net assets measures provide a high-level overview of balance sheet health. The graphs below, benchmarked against national and London comparable authorities, provide more information:



9.10. Net assets measure is a combination of usable and unusable reserves:



9.11. The graphs above show that relative to other Inner London Boroughs and upper tier authorities with a HRA that Westminster has a high level of net assets, usable and unusable reserves. However, the gap between Westminster and those

benchmarks has reduced in recent years as net assets and reserves have declined.

9.12. Westminster has the second highest level of usable reserves as a proportion of Core Spending Power and highest level of capital receipts nationally. However, both have reduced by more than average over the last year. Mainly related to fluctuations in business rates risk reserve. Unusable reserves have reduced at a slower rate and are in line with the Inner London Borough benchmark.

9.13. The budgeted movement in reserves in the next three financial years is shown in the table below.

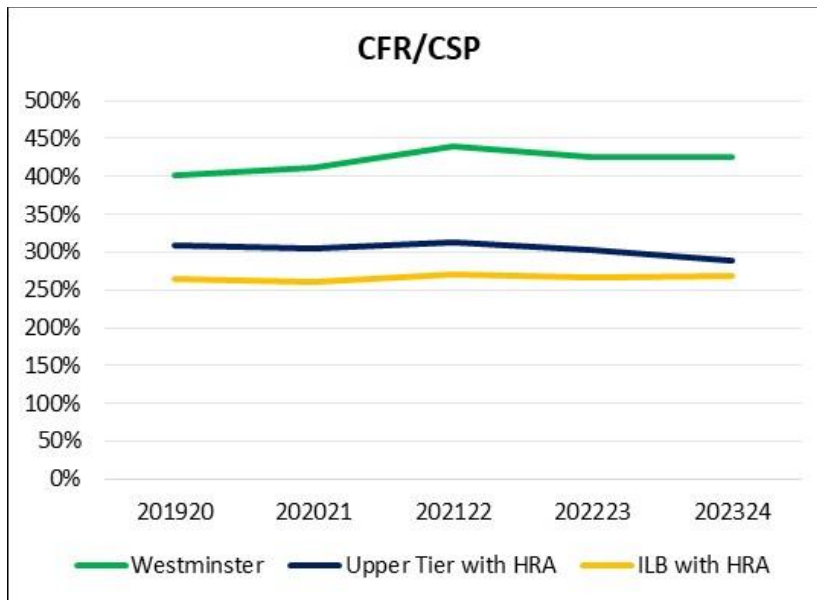
	25/26	26/27	27/28
	£m	£m	£m
Opening Earmarked Reserves	277.32	268.238	269.432
Application of Reserves in 25/26			
-Temp Accommodation Pressures	(4.370)	0.000	0.000
-25/26 New Investments	(1.486)	(1.194)	0.000
-25/26 Cost of Living	(1.000)	0.000	0.000
-Other	(0.072)	0.000	0.000
Previously Agreed Application of Reserves	(2.154)	0.000	0.000
Total use of reserves	(9.082)	(1.194)	0.000
Closing Reserves	268.238	269.432	269.432

9.14. Conclusions on usable reserves:

- Usable revenue reserves at 129% of CSP is three times the level of the upper tier with HRA benchmark.
- Usable reserves have reduced by more than average, but the main fluctuations are associated with fluctuating business rates income.
- Usable capital reserves are also at high relative levels. Unlike the many other upper tier authorities, Westminster does not have a DSG deficit.
- Taken together, Westminster has good levels of reserves health when compared to other upper tier authorities. However, the levels of depletion over the last three years would not be sustainable beyond the medium term.

## Capital Health

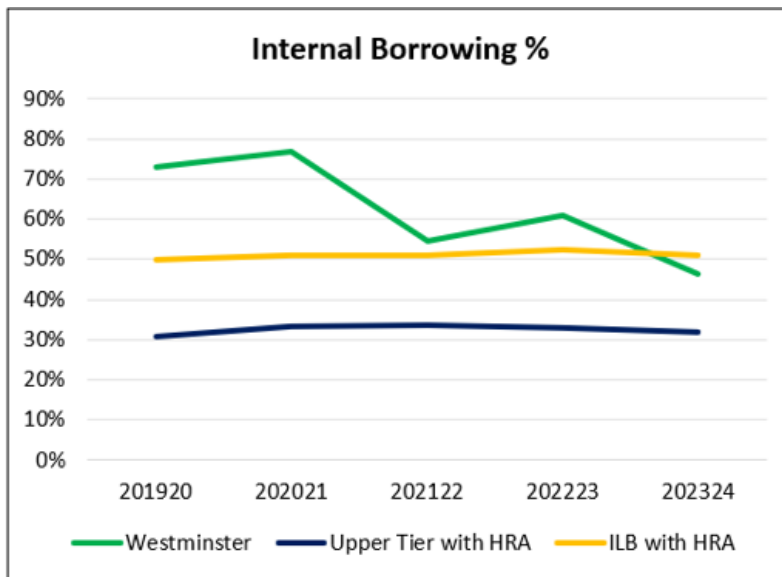
9.15. Westminster has a relatively high Capital Financing Requirement (the need to borrow to fund capital expenditure). This is particularly the case when measured as a proportion of Core Spending Power and shown in the graph below against upper tier and inner London Borough benchmarks:



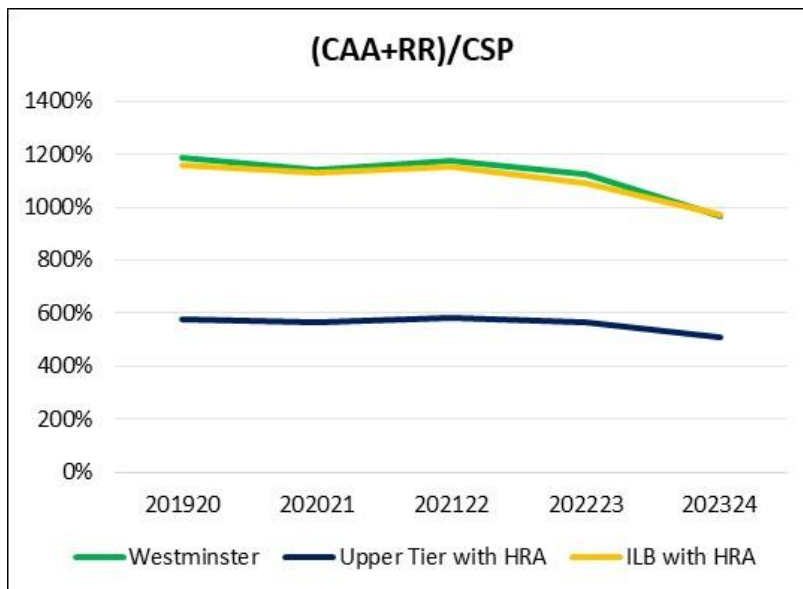
9.16. Westminster's Capital Financing Requirement is higher than the upper tier with HRA and ILB benchmarks and has remained at that level in recent years. This aligns with the Council's significant capital programme that includes development of new housing as well as sizable public realm investment. As the CFR considers the need to borrow, it does not represent actual borrowing. In that regard, the Council has always benefited from internal borrowing – i.e. use of cash balances.

9.17. As usable reserves have reduced the Council's capacity to internally borrow has also reduced, with a corresponding increase in external borrowing. Increases in external borrowing is related to the Council's forward loans that were agreed at a comparatively low rate of 2.6%. The trend in internal borrowing (i.e. using cash balances to fund capital expenditure) is shown below:

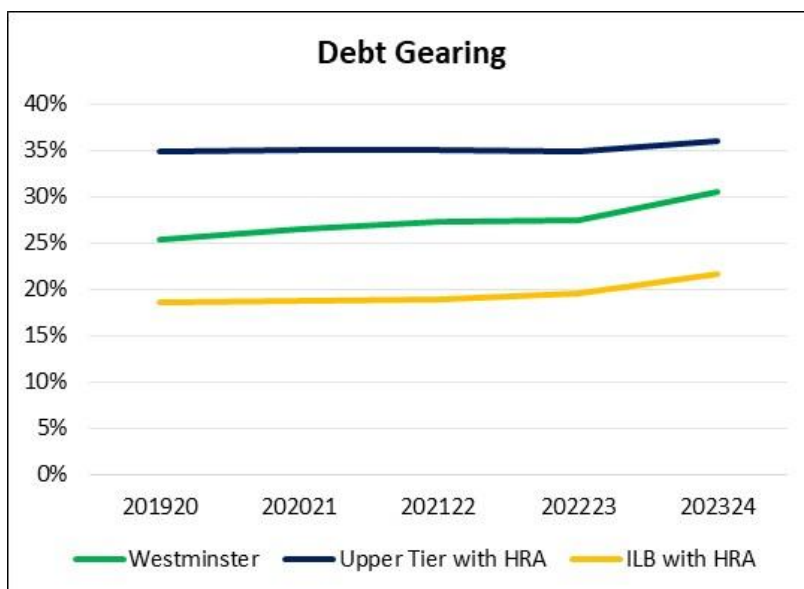




9.18. Linked to the above measures of capital health is the Council’s capital equity and debt gearing. On capital equity a key measure is the balance of the Capital Adjustment Account (which recognises the extent to which the capital programme is funded) and the revaluation reserve (which shows increases in the value of the Council’s assets). As a percentage of core spending power the combination of these two balance sheet items has reduced. But still significantly above sector benchmarks:



9.19. Debt gearing measures the percentage of capital assets against the capital financing requirement (the need to borrow). Westminster’s percentage is 31% - meaning one third of assets are financed via borrowing and two thirds through other funding sources. Which is below the unitary with HRA benchmark of 36%, but well above the Inner London benchmark – represented in the table below:



## 9.20. Conclusions on capital health:

- Levels of capital equity are similar to the ILB average which is higher than the average for upper tier authorities with HRAs.
- Taken together, debt gearing is lower than the upper tier with HRA average (though it is higher than the ILB average) but has increased slightly in recent years. This is anticipated due to the level of capital investment planned. Provision is being made for the financing of this increased borrowing via the revenue budget.
- Capital health at Westminster is reasonably stable albeit with higher levels of borrowing.

### Section Statement and General Reserves Level

9.21. As part of S25 of the Local Government Act 2003 the S151 officer is required to report on the adequacy of reserves as well as the robustness of the estimates used to compile the budget. This formal statement is included at appendix 8.

9.22. The Section 151 Officer considers that, through the financial planning process of the Council, the estimates are sufficiently robust for the purposes of the calculations of the budget and that the proposed financial balances and reserves over the medium term are adequate.

## 10. Council Tax, Business Rates, Levies and Precepts

### Council Tax

10.1. The council tax base (the number of Band D equivalent properties estimated to be billable for the year 2025/26) was considered by Cabinet in December 2024 and

approved by Full Council on 22 January 2025. The yield derived from the council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding. The Council's tax base has increased from 137,295 to 141,570 (3.1%) raising an additional income of £2.145m. This is significantly higher than the usual growth due to the introduction of the second homes premium.

10.2. Other changes in the base arise due to new properties being brought into use; alterations to existing properties changing their valuation; and changes to the number of residents entitled to funding via the local council tax support scheme.

10.3. The table below summarises the council tax base position for Westminster in 2025/26. It also includes the council tax element for Queens Park Community Council and Montpelier Square Garden Committee:

Financial Year	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2024/25	3,700.40	96.96	133,498.28	137,295.64
Change	39.24	4.80	4,230.15	4,274.19
2025/26	3,739.64	101.76	137,728.43	141,569.83

10.4. 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£0.700m of council tax income.

10.5. 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 more than a council tax threshold of 2.99% (excluding the Social Care precept) would constitute to an excessive increase for 2025/26 and would be subject to a referendum.

10.6. The schedules accompanying this report sets out the financial implications on the Council's overall budget of following the government assumption of a 2.99% increase for core services with 2% adult social care precept, totalling 4.99% for 2025/26. Cabinet is asked to recommend the proposed increase in the social care precept and general element of 2024/25 Band D council tax to Full Council.

10.7. The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA for final approval on Tuesday 25 February 2025. Currently, the Mayor's proposed budget recommends an increase to the 2025/26 Band D equivalent charge from £471.40 to £490.38, an increase of £18.98 rise in the adjusted Band D Precept (4%).

- 10.8. Queen’s Park Community Council notified the Council that their precept for 2025/26 will remain unchanged from 2024/25 at £52.31 (Band D equivalent).
- 10.9. The Montpelier Square Garden Committee has notified the Council that their special expense for 2025/26 will not change. The Band D equivalent for 2025/26 will reduce from £643.56 to £613.21 due to an increase in the council tax base.
- 10.10. The table below summarises the average council tax as will be reflected by MHCLG – with the Westminster band D rate including Montpelier Special Expense:

Average Band D Council Tax (£)	2024/25	2025/26
(a) Average Band D including Montpelier special expense	502.21	527.24
(b) Average Band D including Montpelier special expense and Queens Park local precept	503.62	528.62
(c) Average Band D including Montpelier special expense, Queens Park local precept and GLA precept	975.02	1,019.00

- 10.11. Local authorities have been granted additional powers from the Department for Levelling Up, Housing and Communities (DLUHC) now known as Ministry of Housing, Communities and Local Government (MHCLG) to raise additional funding via an additional precept to support spending on Adults and Children’s Social Care activities, which would otherwise have been unaffordable.
- 10.12. As set out in this report there are continuing growing pressures in 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 recommendation of an increase of 2.00% per annum, the maximum allowed. It should be noted that the proposed budget includes additional spending on social care which exceeds precept increase.
- 10.13. The collective impact of the proposed changes discussed above to the Westminster Band D amount from an increase of 2.00% for Social Care and 2.99% general increase for 2025/26 is additional income of £3.545m as set out below:

<b>Approved Band D 2024/25 (£)</b>	<b>501.76</b>
2.99% Increase (£)	15.00
2.00% Increase (£)	10.04
<b>Approved Band D 2025/26 (£)</b>	<b>526.80</b>
<b>Council Tax Base 2025/26</b>	<b>141,569.83</b>
Increased rate (£)	25.04
<b>Additional Income (£)</b>	<b>3,544,909</b>

10.14. 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
Precept	501.76	501.76	501.76
WCC: General Element @2.99% Increase (£)	15.00	15.00	15.00
WCC: ASC Precept @2.00% Increase (£)	10.04	10.04	10.04
<b>Sub-Total</b>	<b>526.80</b>	<b>526.80</b>	<b>526.80</b>
Greater London Authority Precept (£)	490.38	490.38	490.38
Queen's Park Community Council (£)	52.31	0.00	0.00
Montpelier Square Special Expense (£)	0.00	613.21	0.00
<b>Total Band D Amount (£)</b>	<b>1,069.49</b>	<b>1,630.39</b>	<b>1,017.18</b>

Band D Breakdown	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
<b>2025/26 Council Tax Base (No. of Band D Equivalentents)</b>	<b>3,739.64</b>	<b>101.76</b>	<b>137,728.43</b>	<b>141,569.83</b>
Westminster City Council	1,970,042	53,607	72,555,337	74,578,986
Greater London Authority Precept (£)	1,833,845	49,901	67,539,268	69,423,013
Queen's Park Community Council (£)	195,621	0.00	0.00	195,621
Montpelier Square Special Expense (£)	0.00	62,400	0.00	62,400
<b>Total Band D Amount (£)</b>	<b>3,999,508</b>	<b>165,908</b>	<b>140,094,604</b>	<b>144,260,020</b>

### Council Tax Reduction Scheme

10.15. The Local Government Finance Act 2012 replaced the previous national Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support (CTS) scheme) from 2013.

10.16. Each local authority is required to annually set a local Council Tax Reduction scheme for working age claimants. The government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme, but which has been adjusted by the government since its introduction to incorporate several welfare reform initiatives.

10.17. Since 2013/14, the Council has agreed a Council Tax Support scheme which mirrored the previous Council Tax Benefit scheme (i.e., a 100% scheme) despite resources from government being reduced by 10% at the time of transfer. This

ensured the Council's working age claimants didn't have to pay more Council Tax. Technically this means that the original Council Tax Reduction Schemes (Default Scheme) Regulations are mirrored within the City Council's local scheme, with the addition that rates used to calculate the discount are uprated each year, and War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments are disregarded in full when calculating a claimant's income.

- 10.18. The Council recently approved the retention of the "100%" Council Tax Reduction scheme for the 2025/26 financial year. Whilst many other local authorities have reduced the level of their Council Tax Support (which means their CTS claimants must contribute more to Council tax), Westminster's decision will protect claimants locally.

#### Second Home Premium

- 10.19. The Levelling-up and Regeneration Act 2023 became law on 26 October 2023. The legislation allows for a Second Home Premium (additional charge) on second homes of up to 100%. The ability to charge a Second Home Premium technically came into effect on 1 April 2024, although there is a legislative requirement to delay implementation for 12 months before the premium can be implemented. Central government have advised that this delay is to "give property owners a chance to respond, for example by selling or letting their properties". The Council had reaffirmed the determination made in 2024/25 and will implement a 100% Second Home Premium for the 2025/26 financial year. It is estimated that this premium will result in additional £1.8m additional income for the Council.

#### The Collection Fund

- 10.20. Statutory regulations require local authorities to account for annual council tax/business rates income in a different way 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 2025/26 the above estimates will represent the amount of income credited to the revenue account for that year regardless of the actual achieved.
- 10.21. The Council has been reporting a deficit in its business rates account since 2020/21. However, in 2023/24 there was a one-off surplus generated due to the release of funds previously held to finance the cost of business rate appeals on the 2017 rating list, which has now closed. The Council is currently forecasting a deficit in 2024/25 and therefore expects to revert to a below baseline position, in which it will lose 7.5% of its baseline funding, which amounts to £7.5m – and this will be covered by the Business Rates Risk Reserve. Any loss above this threshold activates the Government's safety net funding. The Council is also forecasting a deficit in 2025/26 and will again incur a loss of 7.5% of its baseline funding, which will amount to £7.6m.

10.22. The Council has also reported a deficit in its council tax account since 2020/21, until 2024/25 when it is now forecasted to return to a surplus position, for which the Council's share has been estimated at £0.247m. Looking forward, the Council expects to be in a surplus again for 2025/26.

### Business Rates

10.23. The government confirmed that the Retail, Hospitality and Leisure Relief for businesses would continue in 2025/26 at a reduced level of 40% relief up to a maximum of £110,000 per business.

10.24. All the reliefs announced by government will be covered via S31 grant funding in the general fund with no loss to the Council for providing the retail relief. As the collection fund accounting doesn't allow application of the S31 grant in year the Councils' reserves are used to smooth this.

### Business Rates: The Collection Fund and Pooling

10.25. The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. All London Borough Councils agreed to discontinue the London-wide pool for 2021/22 due to the volatility in business rates following the pandemic and expected reduction in business rates income. Therefore, Councils returned to the previous business rates share regime that allocated income based on the following proportions: WCC 30%, GLA 37% and central government 33%. In 2024/25 a smaller group of boroughs agreed to pool and this is likely to continue in 2025/26, but it is not beneficial for Westminster to be included because of the Council's continued deficits.

### Levies and Special Charges

10.26. 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 in the North West of London; and
- London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Council

10.27. At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2025/26 levies. Therefore, the 2024/25 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.

## 11. Stakeholder Engagement

11.1 Community engagement is central to how Westminster City Council plans and delivers its services. Continually listening to residents and involving them in decision-making processes is essential in shaping everything from the Council's priorities to budget decisions. This ensures that services provided genuinely reflect community needs and perspectives, allowing for more effective resource allocation.

11.2 Engaging with the community helps ensure services meet resident needs and resources are used efficiently, from planning to delivery, with a focus on delivering tangible benefits for residents.

11.3 The Council is committed to becoming a Fairer Council by delivering services that are effective, offer good value for many, and respond to the diverse needs of residents. This year, significant progress has been made in embedding community engagement into Council processes, with a strong emphasis on inclusion, transparency, and collaboration.

11.4 Through engagement with residents, the Council can better identify community needs and ensure resources are directed where they are most needed. This process informs service delivery and financial planning, ensuring that budget decisions and the actions taken align with community priorities. Some key actions this year include:

- Launching the Community Charter, which sets out principles for meaningful participation and decision-making with the community
- Expanding the Register of Active Residents, ensuring local voices remain central in shaping policies and services while encouraging civic engagement and skill development
- Using the Commonplace consultation platform to offer more opportunities for residents to influence local decisions and ensure that projects reflect community needs
- Launching the Resident Engagement Strategy and 'Your Voice Counts' campaign in May, raising awareness of opportunities for residents to influence housing services and other Council activities

11.5 Looking ahead, the Council will continue to strengthen engagement by:

- Launching the Community Researcher Programme to train residents to lead local conversations, ensuring their voices are heard in decision-making and helping guide service planning and delivery
- Embedding the Community Participation Charter to ensure all Council services are inclusive, accessible, and accountable to residents, and resources are used effectively
- Implementing the Community Equalities Strategy to improve access to services, promote community connections, and ensure equal opportunities for all



- Continuing resident engagement in Regeneration and Development programmes, ensuring their involvement in decisions about projects that impact their communities to reflect local needs
- Delivering the Communities Priorities Programme, a participatory budgeting initiative where residents determine which activities should be funded in their area, ensuring that financial planning reflects local priorities.
- Expanding opportunities for residents, particularly underrepresented groups, to influence service delivery, with a focus on housing.
- Collaborating with community and cultural organisations to encourage greater involvement in initiatives such as the Climate Action Committee, focused on reducing carbon emissions and promoting sustainability, and the Westminster Culture Network, which brings together cultural groups to support arts and heritage projects.

## **12. Financial Implications**

12.1. The financial implications are set out in the body of this report.

## **13. Legal Implications**

13.1. 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.

13.2. 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.

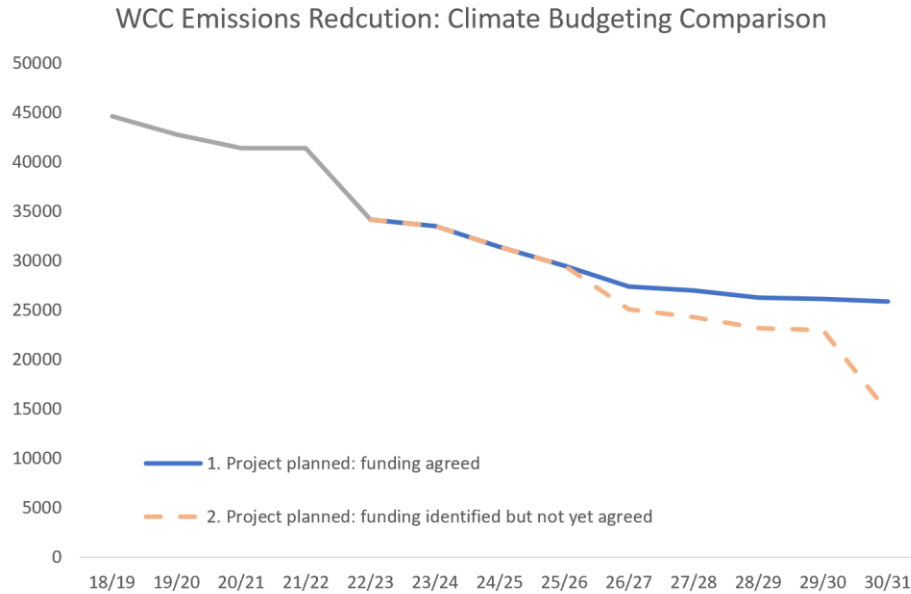
13.3. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both council taxpayers and ratepayers on the one hand and the users of Council services on the other are both considered.

13.4. 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 10 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.

- 13.5. 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 because of the responses to a consultation, and further reports to Cabinet or Cabinet Member (as appropriate) may be required.
- 13.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 16. 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.
- 13.7. 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.
- 13.8. 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.
- 13.9. 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)(a) of the Local Government Act 2003.
- 13.10. Under powers contained in the Localism Act 2011, the Government can require compulsory referendums on Council Tax increases above limits it sets. For 2025/6, the referendum threshold is 2.99%. The proposal is within the threshold change: the Council will therefore not be required to hold a referendum.
- 13.11. In addition to the referendum threshold, the Government has also announced a threshold of an additional 2% for authorities with Social Care responsibilities. The borough needs to raise funding on this account for 2025/26 and is therefore proposing to implement the precept.

## 14. Climate Implications

- 14.1. The Council is delivering an ambitious programme of climate action in line with meeting our dual 2030 (council operations) and 2040 (citywide) net zero targets. This ongoing commitment is supported by funding in the council budget for projects that - directly or indirectly - deliver climate benefits.
- 14.2. As part of the 24/25 budget report, a high-level assessment was undertaken to create the council's climate budget. A similar exercise has been carried out for the 25/26 report, providing first order estimates for the costs of delivering climate-related projects and their associated carbon saving contributions, based on key projects and measures identified through the climate emergency action plan.
- 14.3. The process of creating a climate budget helps to link organisational spend to the delivery of climate outcomes and increase accountability across the organisation by ensuring that climate is being properly considered in financial decision making. As well as identifying the current, budgeted pipeline of climate actions the council has committed to, the budget also highlights where further action is required and the potential funding gap that needs to be addressed in order for the council to reach our Net Zero 2030 target.
- 14.4. The climate budget will be a recurring process that will continue to identify challenges and opportunities for the council to deliver our net-zero ambition, and provides a transparent measure of how the council is progressing towards our targets.
- 14.5. The 25/26 assessment includes the following emission scenarios:
  - Scenario 1: Planned projects and measures scheduled for delivery with funding already approved. Approximately £83m of climate projects are included within capital budgets up to the 2025/26 budget period.
  - Scenario 2: Key projects and measures that are planned, with funding needs identified but not yet agreed. Delivery is dependent on funding being secured.
- 14.6. The Council continues to track emissions across its corporate estate and activities on an annual basis. In 2018-19, the Council produced 44,619 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e). As of 2023/24 reporting period, this has reduced by 25% to 33446 tCO<sub>2</sub>e.
- 14.7. The carbon reduction measures with funding already agreed (Scenario 1) are estimated to reduce the Council's emissions to 25911 tCO<sub>2</sub>e by 2030, a reduction of 42% from the 2018/19 baseline. If resources can be found to implement additional identified measures (Scenario 2), it is estimated the Council's overall emissions could be reduced to around 14718 tCO<sub>2</sub>e per year by 2030-31, a reduction of 67%.



- 14.8. Changes to the forecasted emissions scenarios within this year’s budget report, in comparison with 24/25, are the result of:
- Wider national action (e.g. decarbonisation of the national grid) that will further reduce our emissions and being factored into Scenario 1 and Scenario 2 forecasts
  - Funding being secured for planned projects, resulting in greater anticipated reductions within Scenario 1
  - The removal of a ‘high ambition’ Scenario 3, which had captured projects not yet planned and with no funding identified. Work is underway to understand the feasibility of projects such as the proactive replacement of heating systems rather than at end of life, before these can be meaningfully added as part of the council’s climate budget
  - Wider national action (e.g. decarbonisation of the national grid) that will further reduce our emissions and being factored into Scenario 1 and Scenario 2 forecasts
- 14.9. The Council continues to support officers across the organisation to improve assessments of the carbon impact of our activities. The Council already requires all capital projects to complete a bespoke Carbon Impact Evaluation Toolkit (CIET) as part of the annual budget review process. Further work is required to ensure that carbon and climate impacts are meaningfully influence funding decisions.
- 14.10. In preparation for the 2025/26 budget review, the Council will continue to increase the robustness of the data and outputs that feed our climate budget. Further work is being planned to:

- Improve our understanding of the true cost of delivery and better capture the associated benefits (including carbon and cost savings) derived from the identified projects and measures. This includes a comparison of the cost of delivery and the cost of offsetting as part of assessing return on investment.
- Continue to identify more projects that can contribute to the delivery of the net zero 2030 ambition across the Council's estate and activities. This includes both capital funded measures and revenue funded 'enabling' activities.
- Use the outputs of the climate budget to inform reviews of the council's spending priorities and help determine the funding sources for the climate programme project pipeline. This includes exploring joint venture partnerships or other commercial delivery models to leverage private capital where there are cashflow opportunities and there is sufficient scale.
- Strengthen how climate and carbon impacts influence council decision-making, particularly with regards to budget allocation and prioritisation.

## **15. Equalities Impact Assessment**

- 15.1. Under the Equalities Act 2010 the Council has a legal duty to pay "due regard" to the need to eliminate discrimination and promote equality about the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation.
- 15.2. 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.
- 15.3. 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 7. 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.

## **16. Consultations**

- 16.1. As part of the financial planning process the Council consulted with businesses and residents. The responses have been considered as part of the proposed 2025/26 budget.

16.2. An assessment of whether individual saving proposals require consultations is set out in the papers presented to the Scrutiny Budget Task Group in November 2024.

## **Appendices**

Appendix 1 – Council Tax Resolution

Appendix 2 – Scrutiny Budget Task Group Papers

Appendix 3 – Summary of Gross, Income and Net budgets

Appendix 4 – List of new savings

Appendix 5 – Service Pressures and Investments

Appendix 6 – Previously agreed savings

Appendix 7 – EIA Summary

Appendix 8 – S25 Report

Appendix 9 - CIPFA Financial Management Code 2025-25

Appendix 10 – Net Budget Trail

**If you have any queries about this report or wish to inspect any of the background papers please contact:**

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**For any queries on Appendix 7 and Individual EQIAs please contact Serena Simon ([ssimon@westminster.gov.uk](mailto:ssimon@westminster.gov.uk)) or Andre Johnsen ([ajohnsen@westminster.gov.uk](mailto:ajohnsen@westminster.gov.uk))**