City of Westminster

Cabinet Report

Decision Maker:	**Cabinet**
Date:	**10 February 2020**
Classification:	**General Release**
Title:	**Business and Financial Planning 2020/21 to 2022/23**
Wards Affected:	**All**
Policy Context:	**To manage the Council's finances prudently and efficiently and to ensure resources support the Council's policy objectives**
Finance Summary:	**This report sets out the Council's medium-term plan for the next three years and proposes a budget for the 2020/21 financial year**
The Report of:	**Gerald Almeroth, Executive Director of Finance Resources** **Tel: 0207 641 2904** **Email: galmeroth@westminster.gov.uk**

1 Executive Summary

1.1 This report brings together the Council's business and financial planning and looks forward over the next three years to set out how it will meet the Council's key objectives under the refreshed City for All strategy, supported by a medium-term financial plan. Cabinet are asked to consider this report and recommend it adoption to Full Council on 4 March 2020.

1.2 The revenue budget for 2020/21 is presented for agreement and for recommendation to Full Council. This will meet the requirement in the Local Government Finance Act 1992 for the Council to set a budget for next year by 11 March in the preceding financial year. The report also recommends the level of council tax for 2020/21 including the Greater London Authority precept.

1.3 The report proposes a balanced budget for 2020/21, which includes a total council tax rise of 3.43% that consists of a general increase of 1.43% and an Adult Social Care precept rise of the allowed 2.00%. At Band D this will result in an annual increase of £6.20 and £8.67 respectively or an equivalent weekly amount of 14.2p and 16.7p per week. The total Westminster element of council tax will therefore rise from £433.34 to £448.21 at Band D.

1.4 The recommended net General Fund budget of £179.977m in broad terms includes a net core funding loss of £4.809m, growth for service specific pressures of £7.972m and other net changes totalling £9.122m, which is proposed to be balanced by savings of £18.899m and a recommended increase in council tax which along with growth in the tax-base is expected to raise £3.004m of income.

1.5 After a balanced budget in 2020/21 (including the proposed increases to 2020/21 Band D council tax) the medium-term financial strategy forecasts a net budget gap after proposed savings from the current budget process of £24.843m in 2021/22 and a further £38.609m in 2022/23. Over the three-year period to 2022/23, this totals £63.452m. This includes indicative assumptions of a negative outcome from the Government's Spending Review and the Fair Funding Review for the distribution of resources across Local Government, the outcome of which will become clearer later in the year.

2 Recommendations

2.1 That Cabinet be recommended to approve the following recommendations to Full Council for consideration at its meeting on 4 March 2020:

City for All

1 that the City for All plan priorities set out in Section 4 are noted and approved;

Council Tax

2 that the council tax for a Band D property be agreed at £448.21 for 2020/21, an increase of £8.67 (2.00%) for the Adult Social Care precept and £6.20 (1.43%) for general purposes;

3 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 2020, be as specified in the Council Tax Resolution in Appendix H. That the Precepts and Special Expenses be as also specified in Appendix H for properties in Montpelier Square and the Queen's Park Community Council;

4 that the formal resolution for 2020/21 attached at appendix H including the council tax requirement of £59.477m be agreed;

5 note the proposed Greater London Authority precept (Band D) of £332.07, an increase of £10.00 for the Police element and a further £1.56 for the non-Police element;

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

Revenue Budget

7 to note the views of the Budget and Performance Scrutiny Task Group set out in Appendix J;

8 that the proposed General Fund net budget requirement of £179.977m summarised at Appendix C and shown by service (Executive Leadership Team) in Appendix G be agreed;

9 that the savings and growth proposals for 2020/21 to 2022/23 set out in appendix G is approved;

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

11 note the Housing Revenue Account Business Plan 2020/21 and 30-Year Housing Investment Plan also presented to Cabinet on 10 February 2020 that recommends the HRA budget and rent levels for 2020/21

Capital Programme

12 note the Capital Strategy 2020/21 to 2024/25, forecast position for 2019/20 and future years' forecasts summarised up to 2033/34 report also presented to Cabinet on 10 February 2020 that recommends the Council's capital programme and financing

Reserves, Balances and Budget Estimates

13 note the reserves policy as set out in section 10

14 note the views of the Section 151 Officer with regards to estimates underpinning the proposed budget changes and reserves levels in paragraph 10.21;

15 that £5m is earmarked in reserves for investment in green initiatives to support the Climate Emergency declaration;

Treasury Management and Investment Framework

16 note the Treasury Management Strategy report for 2020/21 including the annual investment strategy, borrowing limits and prudential indicators as set out in appendix H of that report.

17 note the 2020/21 Integrated Investment Framework report also presented to Cabinet on 10 February 2020 which sets out future investment decisions.

3 Reasons for Decision

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

4 Local Policy Context

4.1 The City for All continues to be the Council's strategic approach to planning its key objectives and policy aims. A full refresh of the key themes and deliverables has taken place as well as a review of the achievements in current year. The medium-term financial strategy is key to supporting the delivery of the City for All objectives and outcomes.

City for All: The Council's strategy and priorities

4.2 Westminster City Council's refreshed strategy, City for All, will set out the Council's ambitions for the future and the plans to achieve them. It will demonstrate a clear set of objectives and outcomes against which residents, businesses and visitors can hold the Council to account.

4.3 Our City for All vision for 2020/2023 will meet post-Brexit challenges head on and will drive forward a relentlessly optimistic programme to make Westminster the best place to live, raise a family, and prosper. Three distinct themes will shape our approach to deliver our promises. We want Westminster to:

- Be a Smart City – using technology to transform council services and how people live and work in our city
- Be Cleaner, Greener and Safer – tackling the climate emergency, and where people feel proud and safe to live and work
- Have Thriving Communities – able to make the most of the incredible opportunities in our city

4.4 Over the last year we have made a substantial progress towards our goal of creating a City for All.

We have created opportunities

- We have delivered 641 modern affordable homes built to the highest standards and continue at pace to deliver 1,850 affordable homes by 2023 in Westminster.

- We supported over 1,000 unemployed residents into work through the Westminster Employment Service. And created 110 apprenticeship opportunities with Westminster based employers.
- We published our most ambitious new City Plan for 2019-2040 to create more affordable homes, more jobs and a greener city. It was submitted to the Secretary of State on 19 November 2019.

We have maintained excellent local services

- Our Children's Services were judged "outstanding" for a second year by Ofsted, one of only two in the country.
- We launched a new housing management service, taking back ownership of the housing stock that CityWest Homes had managed previously since 2002. Westminster residents will now get their chance to help shape the future of housing services.
- We launched our Housing Standards Task Force which has the dedicated job of making sure private renters are protected from rogue landlords.

Caring and supporting the most vulnerable has remained our most important priority

- Our ambitious Homelessness Strategy 2019 to 2024 is open for consultation. It sets out how we plan to prevent and respond to those at risk of losing their home or made homeless in Westminster.
- The Community Contribution Fund, which gives Westminster residents living in high value properties the chance to make a greater contribution to their community, has raised £900k to date.
- Our construction of a new state of the art elderly care home with 84 residences and an additional 31 private apartments is on-track to be completed in June 2020.
- We announced £500,000 of investment in Youth Services across Westminster to help our young people to develop into productive members of society have a massive role to play in the future of the city.

We have made our city healthier and greener

- We have launched a new healthier schools programme, bringing together action on air quality, oral health and obesity to make sure the 42,600 children who live, learn and grow up here get the best start in life.
- We launched the new Recycling Information Hub and rolled out five neighbourhood pilots including the expansion of our 'In It To Win It' campaign, working with local neighbourhoods to achieve a step change in recycling rates across the city.

- We are leading the way with a number of environmental campaigns having introduced the first diesel surcharge, a school's clean air fund and more electric vehicle infrastructure than any other London borough.

We have celebrated the city's diversity and made sure local people are at the heart of every decisions we make

- We have introduced public speaking for the first time at our Planning Committee meetings as part of our initiative to reform the planning system.
- 5,000 people attended the third #MyWestminster Day and the #MyWestminster Programme has granted funding to 106 local organisations for the development of community projects promoting air quality, neighbourhoods, community cohesion and more.

5 Financial Context

National Background

5.1 The last ten years have resulted in many changes for the environment that Local Government operates in. The economic downturn was a key driver for this and presented significant financial challenges for the Council, including:

- grant funding reductions from Central Government;
- demand led pressures impacting services e.g. due to demographic or legislative changes;
- other external factors e.g. Government policy changes as part of managing austerity;
- more recently, wider uncertainty related to the UK's withdrawal from the European Union.

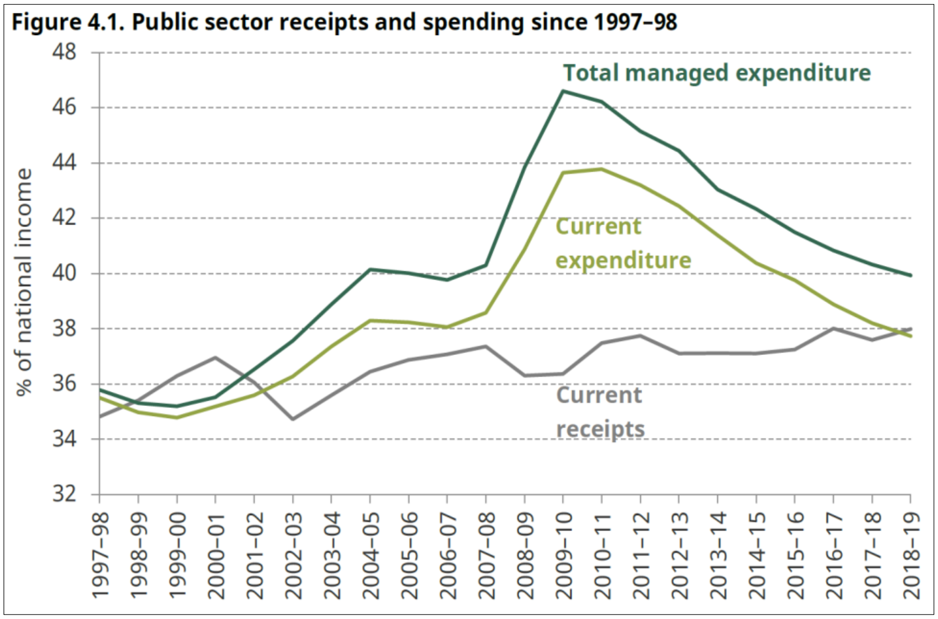
5.2 Reforms to the Local Government funding system and gradual removal of grants have presented additional complexities. The introduction of the Business Rates retention mechanism from 50% retention in 2013/14 intended to incentivise authorities but meant that individual councils would also bear more risk too e.g. from the impact of appeals, wider changes in the local economy outside of the Council's control. Funding was also earmarked from existing grant for New Homes Bonus to further incentivise local authorities to support house building.

5.3 These economic challenges discussed below and reforms to funding have contributed to uncertainty for authorities and this has been reflected in the way in which authorities have set medium-term plans and planned for the delivery of services.

Public Finances

5.4 The Institute of Fiscal Studies (IFS) report that public sector net borrowing or the deficit which is defined as when total government expenditure exceeds receipts over the period 1997/98 to 2018/19 peaked during the height of the economic downturn, but has improved in recent years, specifically:

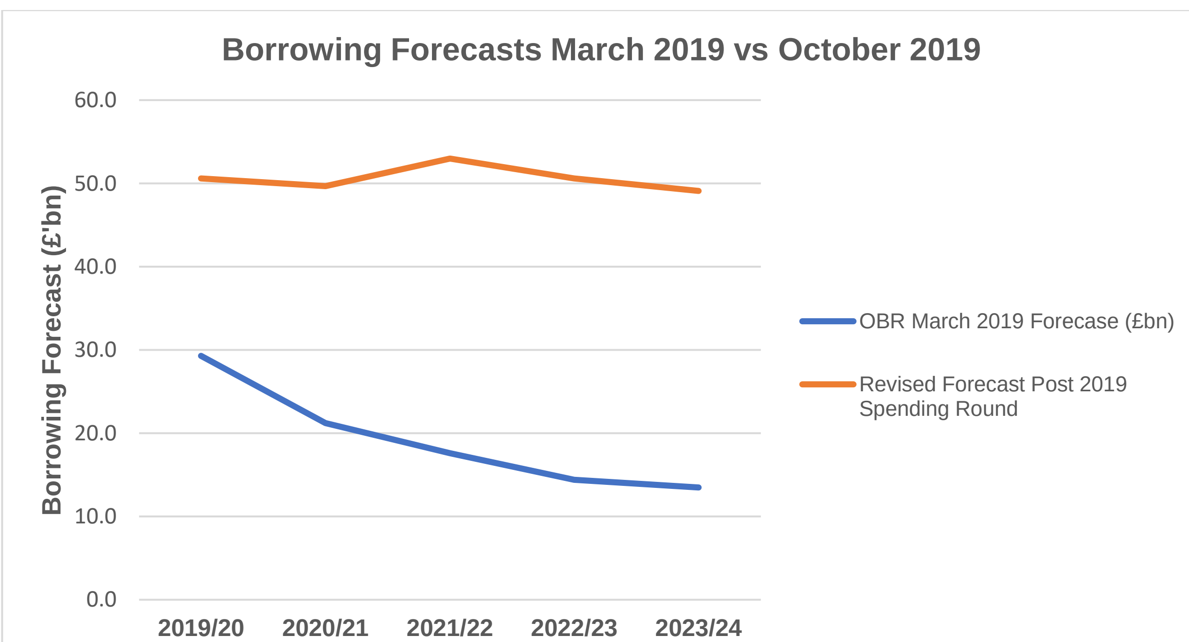
- Government receipts from tax and non-tax have remained broadly stable;
- by 2018/19 the deficit has gradually returned to the levels from before the economic downturn;
- also, in 2018/19 receipts exceeded current spending (i.e. revenue spending).



Source: Institute for Fiscal Studies and Office of Budget Responsibility, "Public Finances Databank" (30 September 2019)

5.5 As a result of the above, Public Sector Net Debt which is the total amount of Government debt owed at a point in time increased as a proportion of national income from c40% in 2008/09 to a peak of c84% in 2016/17.

5.6 The March 2019 Spring Statement reported that public sector borrowing had fallen, however since March 2019 several developments have occurred which will likely reverse the falling level of borrowing. The IFS estimate the movement in borrowing levels from these developments to be as follows:



*Note: Much of the increase in borrowing is due to a restatement of how Student Loan debt is now recognised.

5.7 Part of the increased borrowing is due to commitments from the 2019 Spending Round which will increase departmental revenue spending in 2020/21 by £13.4bn to £18.4bn by 2023/24 over and above the assumptions in March 2019. It should be noted that while the actual departmental spending limits are yet to be determined, the additional funding commitments to the NHS, Schools, Policing etc will very likely mean reductions elsewhere to unprotected services.

5.8 The level of borrowing will also depend upon economic growth meeting forecasts and the stability of the economy once the UK leaves the EU. In August 2019, the Bank of England revised down their projections of growth in the economy due to uncertainties related to the withdrawal from the EU from 1.5% to 1.3% for 2019 and from 1.6% to 1.3% in 2020.

5.9 The IFS concluded in October 2019 that although the deficit is lower than the years of the economic downturn, actual debt as a share of national income is higher than before. To manage this over the long-term would require continued growth in the economy and tax increases or spending reductions in the public sector.

Austerity Measures and London Landscape

5.10 Despite the increased borrowing over the past decade, the austerity measures employed by the Government have meant that Local Government has experienced year on year funding reductions between 2010/11 and 2019/20.

5.11 London Councils' analysis of the Government's funding reductions over this period estimated that:

- English local authorities (excluding the GLA and Fire Authorities) will have lost 60.9% of their core funding;
- London Boroughs will have lost on average 57.4% of their core funding.

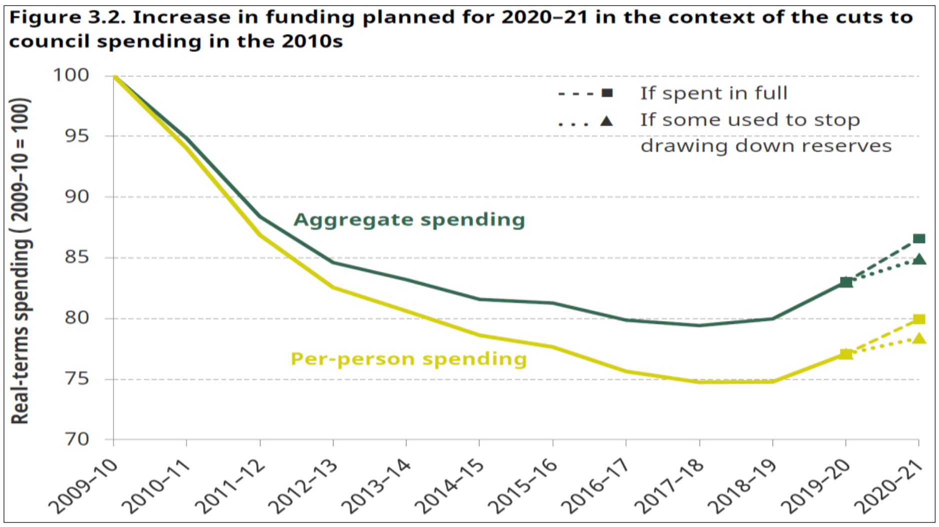
5.12 The Council's own analysis on funding losses using settlement data from MHCLG, measured solely on Revenue Support Grant shows significant reductions and is in line with the above:

WCC Allocation	2013/14 (£'m)	2014/15 (£'m)	2015/16 (£'m)	2016/17 (£'m)	2017/18 (£'m)	2018/19 (£'m)	2019/20 (£'m)
Revenue Support Grant*	**119.176**	**97.835**	**72.078**	**57.851**	**46.166**	**38.098**	**29.636**
Loss since 2013/14							
Year on Year Reduction	-	(21.341)	(25.757)	(14.226)	(11.686)	(8.068)	(8.462)
Cumulative Reduction							**(89.540)**
% Reduction							**-75.1%**
Loss since SR2015							
Year on Year Reduction				(14.226)	(11.686)	(8.068)	(8.462)
Cumulative Reduction							**(42.442)**
% Reduction							**-58.9%**
*RSG for 2013/14 to 2015/16 has been restated to account for rolled in grants and other changes							

Note: Between 13/14 and 17/18, Business Rates increased for inflation, but the Council had losses due to appeals from valuations that were not eligible for compensation from the Safety Net. However, the London Business Rates Pilot Pool in 2018/19 resulted in a share of growth in Business Rates for the Council.

5.13 The funding reductions have inevitably meant that authorities have had to rely more on increases to council tax, generate income through other means, find efficiencies or reduce the scope of some services.

5.14 The IFS estimate that total Local Government spending fell by c20% and spending per person by c25% up to the period 2017/18 (see below). The increased funding from the Spending Round whilst welcome does not mitigate for the cumulative funding losses and reductions to service spending since 2009/10.



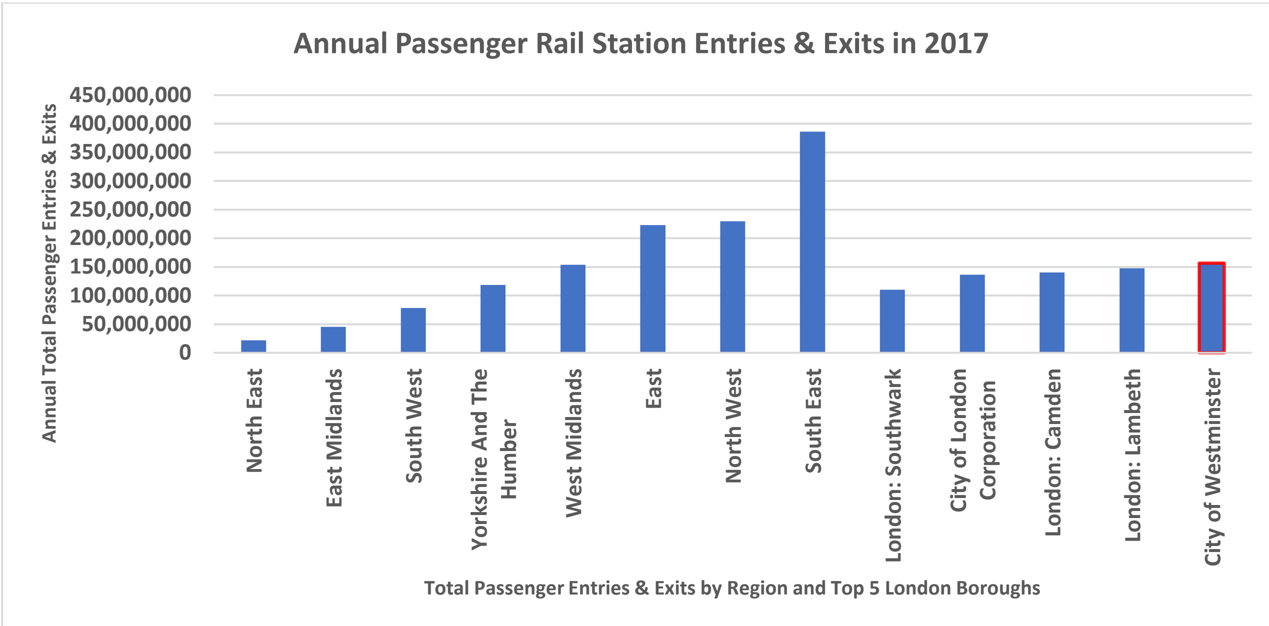
Source: Institute for Fiscal Studies: The Outlook for Councils' Funding: Is Austerity Over?

5.15 London and in particular Westminster, provide services in a unique and challenging environment. Based on research from London Councils, London continues to contend with an increase in population since 2010 of c900k people or 11.2%. This growth is more than double that across the rest of England. Since the current funding assessment of needs was last calculated in 2013/14, effectively London has continued to provide services to a larger population without any additional funding. The Fair Funding Review was expected to update this but has been delayed until at least 2021/22.

5.16 The analysis also reveals that of this population growth, there has been:

- a 14% increase in the child population and 18% increase in the over 65's population;
- a 15% (or 480k) increase in the number of households but accompanied by a 52% increase in the number of people in temporary accommodation (c19k households);

5.17 Westminster also has a high daytime ("transient") population estimated to be c1.1m visitors, tourists and workers a day. To exemplify this further, the four mainline rail stations in the borough; Charing Cross, Victoria, Waterloo and Paddington alone accounted for 5.8% (or 157m) of all passenger entries and exits for rail stations in England in 2017. This was greater than the total of that for all stations within the North-East, East Midlands, South West, Yorkshire and the Humber and the West Midlands:



Source: Office for Rail Regulation

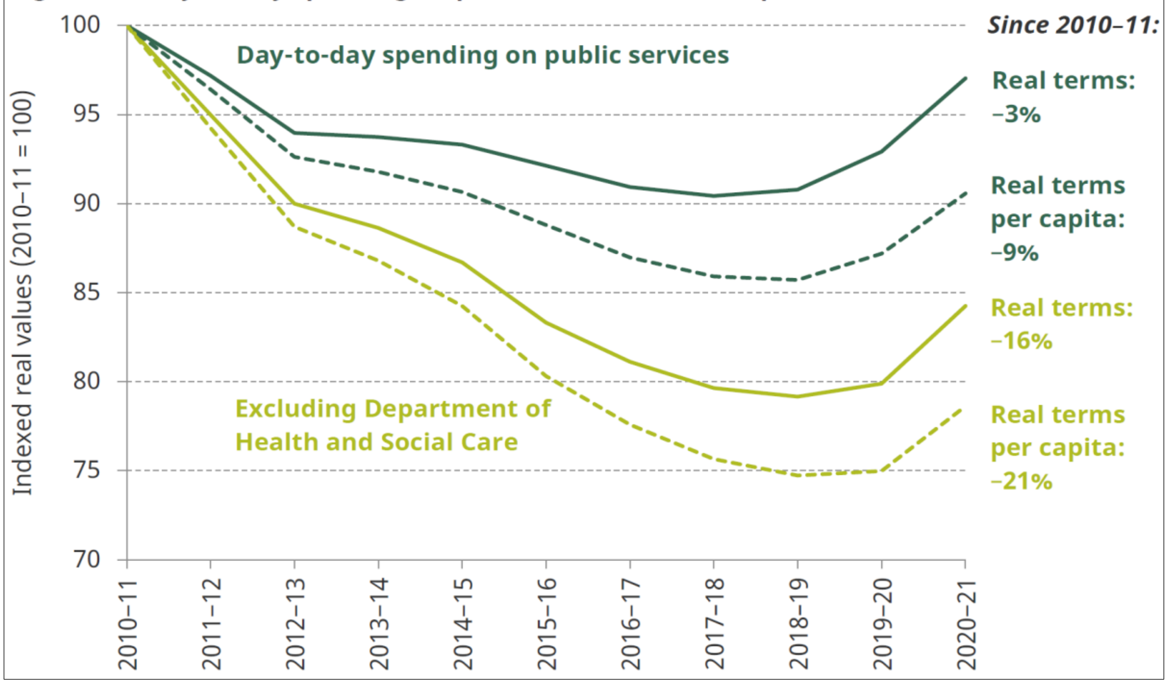
5.18 There is an accepted correlation between growth in population and service demand, but the type of population also has implications on an authority. For instance, a high transient population of tourists and workers generates demand and costs for waste collection and disposal, highways maintenance and community safety, but they are not contributing to the funding of these services as residents of the borough will be. The added complexities from the other demographic changes further increases demands and cost for the Council.

Spending Round and Future Trends

5.19 The increased funding in the Spending Round provided welcome relief to authorities for 2020/21 and suggested an end to austerity, however, this spending increase does little to undo the effects of the prior austerity measures. The higher commitment to public spending will likely mean continued higher borrowing and/or increases to taxation particularly if economic growth fails to meet set targets.

5.20 The IFS estimate that after allowing for the effects of inflation, real terms spending on all public services overall is 3% lower in 2020/21 compared to 2010/11. In fact, spending outside of health is estimated to be 16% lower over this period. However, when the growth in population is factored in, spending per person on all public service is estimated to be 9% lower in 2020/21 compared to 2010/11. The Spending Round increases meant that no Government department had a reduction to their revenue budget for 2020/21. However, the increased spending ability differs greatly across the public sector. This can be attributed to how some areas of the public sector e.g. Health, Defence, Education and Overseas Aid have either been protected from spending reductions or had capped reductions compared to unprotected areas such as Local Government. Stripping out the increases for Health results in spending in 2020/21 to be 16% below that of 2020/11 (or 21% if the growth in population is factored in):

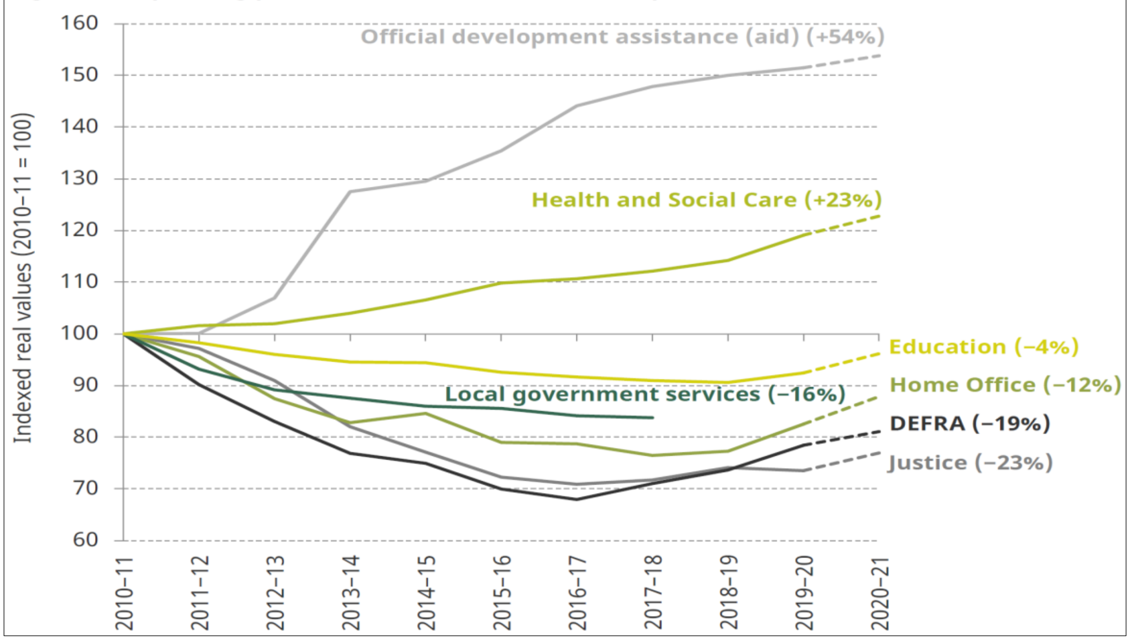
Figure 6.3. Day-to-day spending on public services over the past decade



Source: Institute for Fiscal Studies: IFS Green Budget: October 2019

5.21 The spending cuts and protections levied across specific parts of the public sector over the past ten years results in differing positions following the Spending Round increase. The Department of Health and Social Care and Overseas Aid will continue to see a real-terms increase to their budget compared to 2010/11 but Local Government, Education and others will still have lower budgets compared to 2010/11:

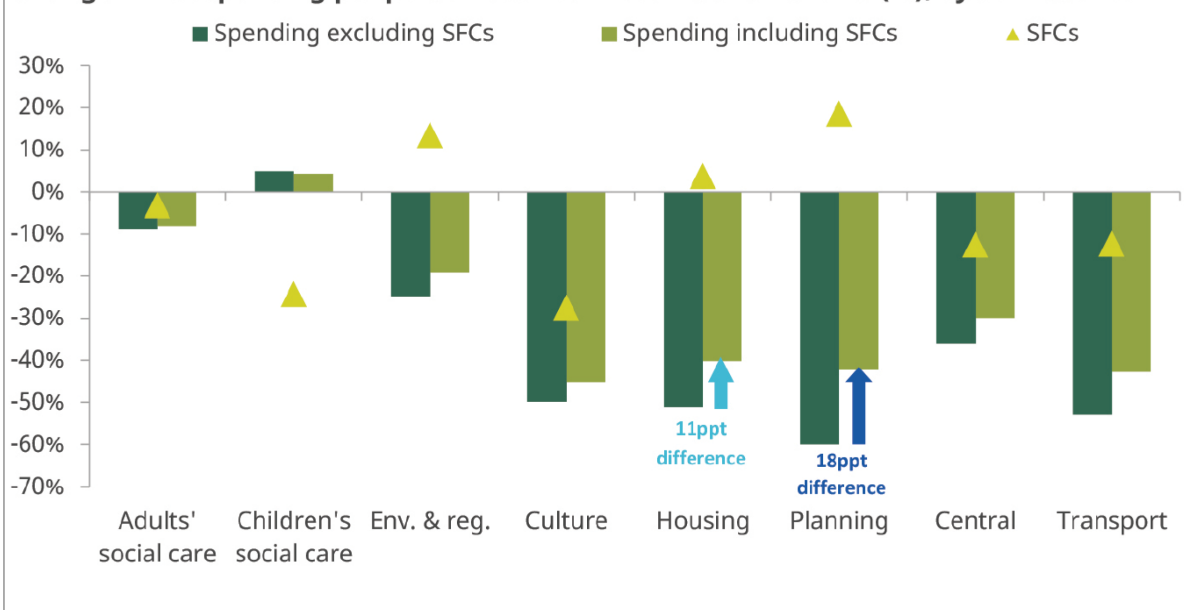
Figure 6.4. Spending paths for selected areas over the past decade



Source: Institute for Fiscal Studies: IFS Green Budget: October 2019

5.22 Within Local Government, authorities have managed the reduction in funding and protected certain services by reducing spend in discretionary areas, increased fees and charges where possible Council Tax. The chart below shows the changes in spending within Local Government both including and excluding income from sales, fees and charges (SFC). Unsurprisingly Adult Social Care shows the smallest reduction in spending and Children's Social Care shows a small increase:

Change in net spending per person between 2009–10 and 2018–19 (%), by service area



Source: Figure 2.10 in Harris, Hodge and Phillips (2019). Env. & reg. stands for environmental and regulatory services.

Source: Institute for Fiscal Studies: English Local Government Funding: Trends and Challenges in 2019 and Beyond

5.23 Authorities are relying increasingly on income from Retained Business Rates and locally determined council tax to fund services overall. The Government's calculated increase of Core Spending Power assumes growth in council tax base and maximum increases to council tax rates as well as increases to business rates income for inflation.

5.24 The Spending Round for 2020/21 appears to affirm the end to the austerity measures from the past decade, however, public sector spending levels will be determined by economic growth and future policy on whether to increase taxation and/or taxation levels. The outlook appears uncertain at best given that announcements and existing policy appears to:

- favour reducing taxation;
- target a year on year reduction to national debt;
- assume stable economic growth and a smooth withdrawal process from the EU.

5.25 In addition to the increased risks on authorities described above, there are also more service responsibilities and expectations on authorities, but without sufficient additional funding e.g.

- Public Health responsibilities transferred to Local Government in 2013/14 but funding is estimated to be have reduced since then by 5%. However, over the same period, NHS funding has risen by c20% and continues to increase, and;

- authorities also incur cost pressures from supporting people with No Recourse to Public Funds (NRPF) and also from Unaccompanied Asylum - Seeking Children (UASC) up to the age of 25. This is a particular pressure for the Council as there are number of embassies, high commissions and major transport hubs in the borough which attract NRPF and UASC clients, and;

- Homelessness Reduction Act – new policy introduced in 2017 without sufficient funding; the service demand and costs are particularly acute in Westminster and continue to rise under this new legislation. It was estimated to cost c£80m a year in London, but only £14m of new burdens funding was allocated to London boroughs. Based on statistics from the Land Registry, the Council has the 2nd highest average price of housing in London (based average sales price between September 2018 and September 2019). Furthermore, based on ONS data, the Council has the 2nd highest levels of average private monthly rent measured across all property types in the 12 months to quarter 1 of 2019.

Underlying Economic Challenges

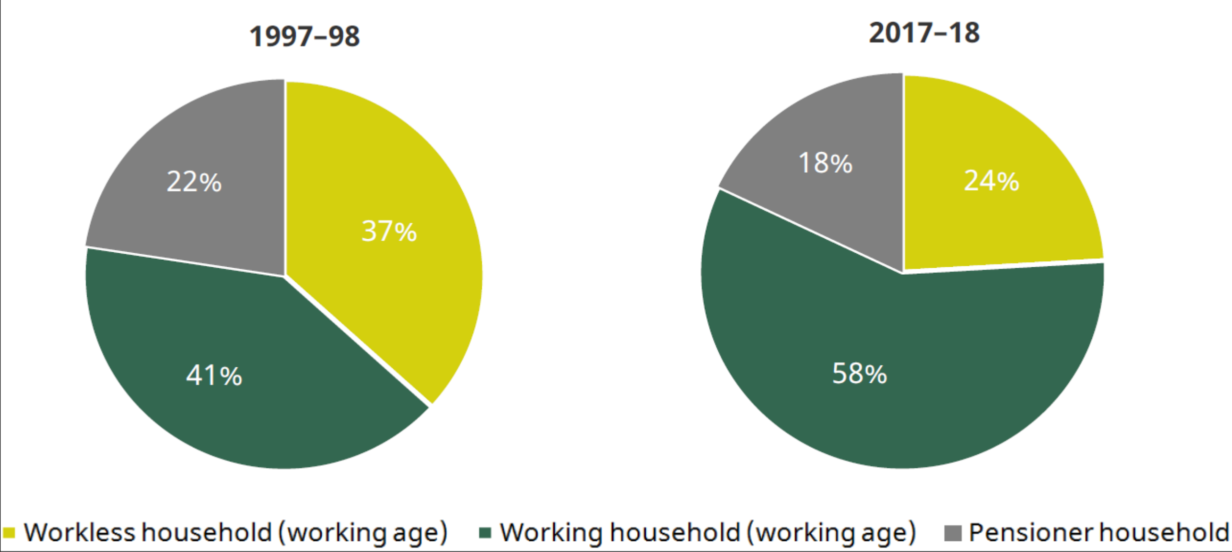
5.26 There are underlying economic challenges unrelated from the withdrawal from the EU and partly related to austerity that could have both direct and indirect implications for Local Government funding and service demands. These include:

a. Productivity and Wage Earnings: since the economic downturn in 2008, productivity growth has been poor. Using ONS data, the IFS calculate that output per hour worked has only grown by 2.9% since 2008 compared to 19% had the growth trend prior to the downturn continued. This lack of growth is critical as average living standards (e.g. wage levels) grow in line with productivity, should living standards stagnate or fall, certain Council services could see more demand.

b. Generational Living Standards: the tougher living standards from a) are a particular concern for younger residents (those in their 20s and 30s) who are less able to accumulate wealth than in previous generations. This is exemplified by falling rate of home ownership amongst younger individuals compared to previous decades. The changes in living standards do impact demands for Council services e.g. Temporary Accommodation and the "place-shaping" of boroughs.

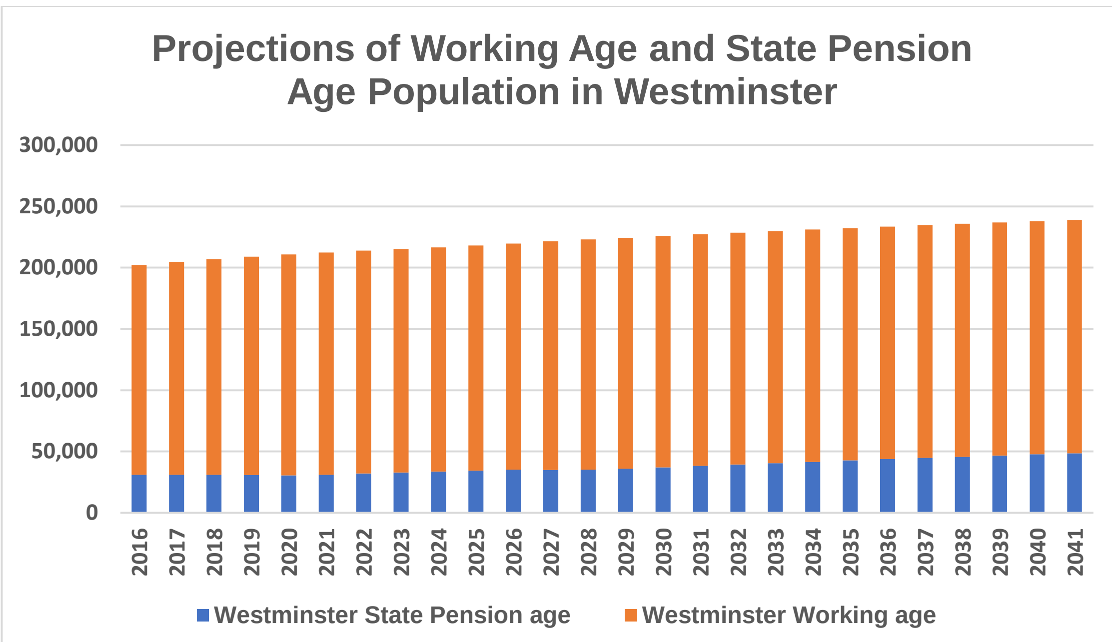
c. "Working Poverty": the challenges to living standards and earning potential has also led to a change in the nature of poverty with more working households now experiencing this in addition to pensioners and the unemployed. Whilst the proportions of pensioners and unemployed experiencing poverty appear to have fallen, low-income working households that struggle to earn a level of income above the "poverty line" have increased (see below). The reasons for this increase maybe numerous and the solutions will require policy direction and input from both Central and Local Government.

Figure 3. Breakdown of people in poverty in Great Britain, by household type



Source: IFS "Why has in-work poverty risen in Britain?"

d. Demographic Challenges & Public Finance: the growth of an ageing population with more complex needs and the associated impact on public finances is well known within Local Government. Nationally, spending on healthcare and pensions as a proportion of national income has increased from a total of 8.5% to 13.1% over the past 30 years. This equates to £100bn more in spending on these two areas and has been managed by reductions to public spending elsewhere. The projections of Working Age and State Pension Age populations for Westminster are depicted below, the projected increase in State Pension Age residents is estimated to be c56% compared to c11% for Working Age residents (compared to 48% and 16% for England respectively). This level of growth will continue to place pressures on both national and local finances and a fundamental change in policy to either reduce spending elsewhere or reform the level of services delivered in these areas.



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Source: ONS 2016 Sub-National Population Projections

e. Climate Change Commitments: all the main political parties have committed to bring the UK's greenhouse gas emissions down to a net zero level by 2050. Aside from the challenges of developing an effective policy and strategy to support this, challenges arise from:

- road transport being the largest single source of greenhouse gas emissions but duty on petrol and diesel having been reduced by 17% over the past 10 years.
- similarly, reduced rates of VAT on household gas and electricity which effectively subsidise household spending. Statistically, poorer households spend a higher proportion of their overall household spending on gas, electricity and petrol or diesel so any increase to current duty or taxation levels on fuels and utilities would make things more difficult for those poorer households.

6 External Influences and Other Updates

Background to 2020/21 Budget Setting

6.1 The 2019/20 finance settlement was the last settlement of the 2015 Spending Review and multi-year settlement offer from MHCLG. A number of decisions were expected to be included in the 2020/21 settlement and were predicated on the following events:

- HM Treasury announcing a Spending Review covering 2020/21 to 2022/23;
- MHCLG completing the Fair Funding Review for 2020/21 and subsequently, and;
- implementing reforms to Business Rates and next phase of retention.

6.2 The underlying assumption for the above was a timely withdrawal from the European Union. However, this has not been the case with three separate extensions to the original withdrawal date of 31 March 2019.

6.3 These delays have meant that the expected three-year Spending Review could not be completed. Instead, this became a one-year Spending Round to set Government Departmental budgets and Local Government funding for 2020/21 only. Subsequently, the Fair Funding Review and Business Rates Reform have been deferred for implementation in 2021/22.

6.4 Also, the announcement of a General Election for 12 December 2019 caused additional complications for Local Government budget setting as the timing of the provisional settlement was originally delayed to an unspecified date. This was finally announced on 20 December 2019.

2020/21 Spending Round

6.5 The Spending Round was announced in early September 2019 and set the Government's budgets for 2020/21, the headline announcements included:

- increased revenue spending for Central Government departments by 4.1% or £13.8bn in 2020/21 compared to 2019/20.Therefore no reduction in revenue and Government departments will see an uplift by at least inflation;
- an announcement of a multi-year Spending Review in 2020 for 2021/22 to 2023/24;
- the reaffirmation of commitments to increase funding for the NHS over 2018/19 levels by £33.9bn by 2023/24, and;
- additional funding for the Home Office including support to recruit 20,000 police officers and for the Criminal Justice System including support to increase prison capacity by 10,000 spaces.

6.6 The key announcements for Local Government included the following:

- an uplift to baseline funding by September 2019 CPI (1.7%);
- an uplift for inflation to the Public Health grant;
- continuation of Better Care Funding streams;
- additional funds aimed at Social Care consisting of £1bn in grants and a continuation of the Adult Social Care Precept at 2.00%;
- additional funding of c£54m for rough sleeping and homelessness, and;
- a three-year commitment now for Schools including in 2020/21 £2.6bn additional funding for primary, secondary and special education needs services.

Office of Budget Responsibility's Statement

6.7 The Office of Budget Responsibility (OBR) is required to provide two five year forecasts a year to assess Government performance against current targets and policy. Legislation sets out that the Chancellor will set the dates for these forecasts with one of them accompanying the Budget announcement. Under current convention, the OBR are given at least 10 weeks' notice for this.

6.8 The Spending Round in September did not include any forecasts from the OBR. The OBR expects to incorporate the Spending Round announcements into its next forecast to accompany the formal Budget announcement. The annual Autumn budget was expected on 6 November 2019, but is now delayed until 11 March 2020.

6.9 The OBR have formally commented on the Spending Round announcements and the Government's fiscal targets to balance the headline budget deficit by the middle of the next decade. They concluded that depending on the type of withdrawal from the EU, the Government may need to revise their economic targets. This suggests a risk that public spending plans may need to be revised should economic projections e.g. growth fail to meet forecasts.

MHCLG Technical Consultation and 2020/21 Provisional Finance Settlement

6.10 In October 2019, MHCLG released a technical consultation on the 2020/21 provisional finance settlement that build on messages within the Spending Round. The expectation based on recommendations from the October 2018 Hudson Review was that provisional settlements should be announced annually no later than the 5 December and the final settlement by 31 January.

6.11 However, due to the delays discussed above, the timing of the 2020/21 finance settlement could not be confirmed until after the election and was finally announced as a written statement on 20 December 2019. The provisional settlement confirmed much of the announcements from the Spending Round and Technical Consultation, namely:

- *Settlement Funding Assessment* – the London Business Rates Pilot Pool ending in 2020/21 after two years. Therefore, the Council reverts to keeping a 30% share of Business Rates (with the GLA and Central Government retaining 37% and 33% respectively). MHCLG propose to uplift the baseline funding level and Revenue Support Grant (RSG) by the Small Business Rates multiplier of 1.63% (which is derived from September 2019 CPI of 1.70%);

- *Council Tax referendum principles* – a limit set at 1.99%, a reduction from the limit set in 2019/20 of 2.99% for the core, general element of Band D. The Council have reiterated concerns to MHCLG on the centrally imposed restrictions upon authorities on council tax, the fluctuating referendum limits and the late confirmation of limits;

- *Adult Social Care Precept* – this was anticipated to end in 2019/20 but has been continued at least until 2020/21 at the previous level of 2%. Whilst this provides an additional source of income, the Council has stated to MHCLG that it should not be a substitute for direct Central Government funding for the national pressures in Social Care;

- *Social Care grant* – additional grant funding totalling £1bn nationally. This grant is now confirmed as being non-ringfenced and so authorities have discretion on its use. Whilst this additional funding is welcomed, the Council has long been calling for more certainty on the longer-term position for Social Care funding e.g. publishing the Social Care Green Paper;

- *Improved Better Care Fund (iBCF)* –the iBCF grant will continue into 2020/21. The previously separate funding for Winter Pressures will roll into the iBCF grant. As with the Social Care grant, the Council welcomes the funding for 2020/21, but needs more certainty for beyond 2020/21;

- *New Homes Bonus (NHB)* – the NHB grant is proposed to continue for 2020/21 with payments tapered to four years as per 2019/20. The baseline threshold for payments remains at 0.4%. A consultation is proposed for Spring 2020 on the future of NHB.

6.12 The Council also highlighted the following concerns in its consultation response:

- *Negative RSG*, the expectation was that this would be resolved in the 2019 Spending Review. However, the delays to this now mean the Government are again proposing to incur c£160m of funding reductions directly against their own share of Business Rates. The Council queried how:
  a. this will now be accounted for in the implementation of the Fair Funding Review for 2021/22 and creation of a transitionary baseline position;

b. the use of the Government's Central Share of Business Rates to fund the costs of negative RSG reduces other Local Government funding streams elsewhere.

- For beyond 2020/21, the Council highlighted the outdated valuations for the existing Council Tax Bands (A to H) which have not been revalued since the early 1990s and:
  a. the need to extend the Bands to reflect the "premium," higher property values in London;
  b. flexibility in the ASC Precept towards Children's Social Care so in effect this becomes a Social Care Precept. This would be consistent with the new funding announced in 2019/20 and 2020/21.

6.13 Just after the election and prior to the provisional 2020/21 finance settlement, the Queen's Speech was given on 19 December 2020. This contained an overview of the new Government's priorities and manifesto pledges including:

- Business Rates: the government is committed to a fundamental review of business rates and the scope for this will emerge in 2020. Meanwhile a number of immediate changes will take place. The retail discount will increase from one-third to 50 per cent and extend to cinemas and music venues. The duration of the local newspapers discount will also extend and introducing an additional discount for pubs. Business Rates revaluations will be brought forward from 2022 to 2021 and then every three years afterwards, not five years. The more frequent revaluations will ensure that Business Rates bills will reflect properties' current rental values more closely. The Council supports reliefs to businesses to ensure the growth in both local and national economies and reiterates that these reliefs should be fully funded from Central Government. Additionally, the earlier revaluations are welcomed but the Council should be not adversely impacted by delays to decisions on appeals by the Valuation Office Agency.

- Devolution White Paper: for England that will set the strategy for continued local economic growth and increased productivity across the country. This was reiterated in the Budget announcement for 11 March 2020 which cited infrastructure investment across England to "rebalance regional inequalities." The Council welcomes this renewed ambition to enhance devolution across England and wants to ensure that this devolution doesn't just apply to the Metro Mayor level (including the Mayor of London), but also gives local authorities such as Westminster the opportunity to benefit. The Council believes that any additional capital investment for the North should be additional rather than by redistribution.

- Social Care Reforms: Following the additional £1bn of funding for social care announced in the Spending Round, the Government will continue this for every of this Parliament. Whilst there has been additional funding for social care in recent years through grants and the Adult Social Care Precept, these have been typically one-off grants with no guarantee of being received in future years or in the case of the precept is directly charging residents for a national pressure. Furthermore, cross-party consensus will be sought on the proposals for the longer-term future for social care. This is welcome news as the Social Care Green Paper has been delayed several times since April 2017.

- NHS Funding Bill: Legislation will be introduced to enable a multi-year funding settlement for the NHS for the first time which will see NHS funding increase to £33.9bn by 2023/24. This will provide certainty to NHS and enable stronger forward planning, local authorities benefitted from the multi-year settlement offer between 2016/17 to 2019/20 and again calls for confirmation of future settlements to enable the same benefits as the NHS will now receive.

- Environment Bill: this will establish new long term domestic environmental governance and improve air quality by increasing local powers to address sources of air pollution. The government will take steps to meet the net zero greenhouse gas emissions target by 2050. The Bill will also look at creating a comprehensive framework for legally-binding targets, a long-term plan to deliver environmental improvements and a new Office for Environmental Protection. This Bill supports the Council's own priorities as it was first in the country to recognise poor air quality as a serious issue and has long called for tougher environmental measures to improve air quality.

7 Council Service Updates

7.1 The Council is responsible for providing a range of services in the City of Westminster and there are inevitably issues that might impact these services at any given time. Some key updates are presented below for a selection of these services:

Adult Social Care (ASC) Precept

7.2 As per previous years, the Council is permitted to charge an additional precept on its Core Council Tax without the need to hold a referendum for 2020/21 to mitigate cost pressures in Adult Social Care.

7.3 These pressures include market cost pressures and forecast demand growth for care as a result of increasing numbers of older people, people with disabilities and people with long term health conditions that require complex care aligned. There is also added pressure from reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide, along with an increase in homecare costs e.g. through the adoption of the London Living Wage which is necessary to mitigate against the fragile state of the care market and to improve outcomes.

7.4 For 2020/21, the Council has the option to apply 2.00% for the ASC precept. This has been proposed as a recommendation for approval by Full Council as part of this report.

Better Care Fund (BCF)

7.5 The Department of Health and Social Care (DHSC) and MHCLG released the BCF Policy Framework in April 2019. This policy framework for the Fund covers the financial year 2019/20 and retains the same national conditions as before.

7.6 The Clinical Commissioning Groups (CCGs) and local authority officers have worked closely to draft a plan for 2019/20 with clear schedules of joint services, financial commitments, and monitoring arrangements. The plan agrees with our BCF NHS allocation and has benefited from scrutiny and advice from the NHS BCF Programme Team. The total value of the budget in Westminster is £38.7m.

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

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

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

Improved Better Care Fund (iBCF) and Winter Pressures Grant

7.8 The Improved Better Care Fund (iBCF) was introduced in 2017/18. It is paid as a MHCLG grant direct to local authorities and ring-fenced to social care; the grant comes with conditions that it should be pooled into the Better Care Fund. In 2019/20 an additional £3.490m was received taking the total allocation of iBCF to £15.807m.

7.9 The Policy Framework sets out that the following conditions apply to the grant:

- a requirement that local authorities include the funding in their contribution to the pooled Better Care Fund, unless an area has explicit Ministerial exemption from the Better Care Fund;
- a requirement that the funding is used to support adult social care to ensure it has the expected impact at the care front line and;
- that the funding does not replace and should not be offset against the NHS minimum contribution to adult social care.

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

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

7.11 For 2020/21, the allocation of iBCF is the same as 2019/20 (not increased for inflation though), but with the ASC Winter Pressures grant rolled into the overall iBCF grant. The ASC Winter Pressures grant in 2019/20 was £1.323m. No allocation of these funds beyond this has been announced but it is envisaged that this will be rolled into the iBCF going forward at a similar level for 2020/21. This funding is currently being used on a range of schemes to ensure capacity is available for people being discharged from hospital who require social care input.

Housing Services (General Fund)

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

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

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

7.14 The demand for social housing in Westminster continues to outstrip the supply of available accommodation to let, whether as a result of homelessness, overcrowding, priority needs or demand from vulnerable groups. This is particularly the case for units of two bedroom or larger, reflecting the make-up of Westminster's social housing stock. This has risen further since the introduction of the Homelessness Reduction Act 2017.

7.15 Westminster is facing an increasing demand in the numbers of households facing homelessness and requiring assistance, but it is most acute in the provision of TA. This is resulting in significant financial pressures where the Council is required to set aside more financial resources to pay for the costs of TA. The Council has a legal requirement to ensure that homeless households are accommodated in suitable provision in terms of size, cost and location. Properties are generally leased by the Council from the private sector, either directly or through contractors, such as Registered Providers (RP). The cost of leasing properties from landlords in Westminster is higher than the rent paid from tenants via Housing Benefits, which results in the financial pressure.

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

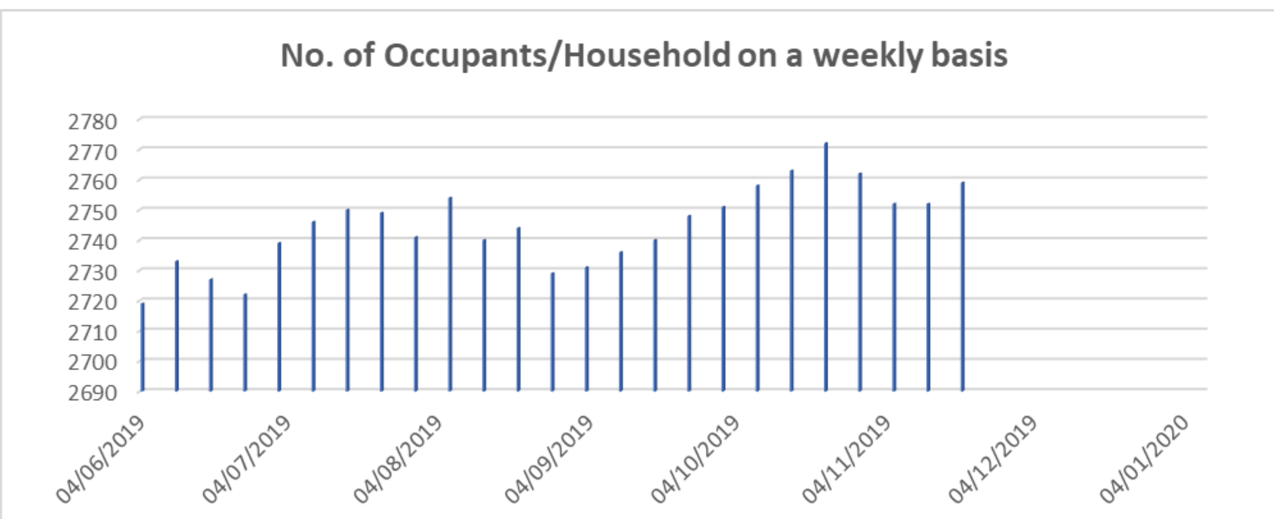
- homeless with no alternative accommodation that is reasonable to occupy;
- in priority need;
- has a local connection (or no local connection elsewhere).

7.17 The Council is required to offer suitable Temporary Accommodation (TA) to accepted homeless households pending allocation. The table below, summarises the numbers of homeless applications and acceptances over the last five years and the increase in the numbers of applicants occupying TA.

Demand Profile	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2019
Homelessness Applications (p.a.)	1,053	954	878	729	2255
Homelessness Acceptances (p.a.)	617	511	496	443	266
Households in Temporary Accommodation	2,397	2,423	2,518	2,521	2,744

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

7.19 The chart below provides an indicator of TA occupation from June 2019. The greatest demand is for 2 bed properties, followed by 3 bed, with just under half of TA located within Westminster, the remainder located across other London boroughs, with c. 80 properties outside of London:



7.20 Homelessness prevention is a priority for the Council, challenging illegal evictions, providing housing and debt advice and working with households to identify housing solutions including moving into the private rented sector. The Council's legal duties are set out within the recent Homelessness Reduction Act, all policies related to the procurement and allocation of housing are publicly available and the Council's

Housing Caseworkers lead the response to enquiries involving individual households.

7.21 The Council recently updated its policies regarding homelessness prevention and its placement policies to make best use of the private rented sector. As part of this, the Council ensures that:

- There are formal street counts of rough sleepers regularly and in November 2019 found 333 people. The Council commissions 415 specialist bed spaces that take people directly from the streets and one person moves on positively every four days. The Council also commissions upwards of 115 emergency bed spaces on top of hostel provision alongside 30 Housing First flats. There are two street outreach teams; one which focuses on new people arriving on the street and the other focuses on the most entrenched longer-term rough sleepers who either refuse to come indoors or those who are unable to maintain accommodation. Of those who were met for the first time, less than 3% identified Westminster as their last settled base and 75% of people encountered do not spend a second night out on the streets;

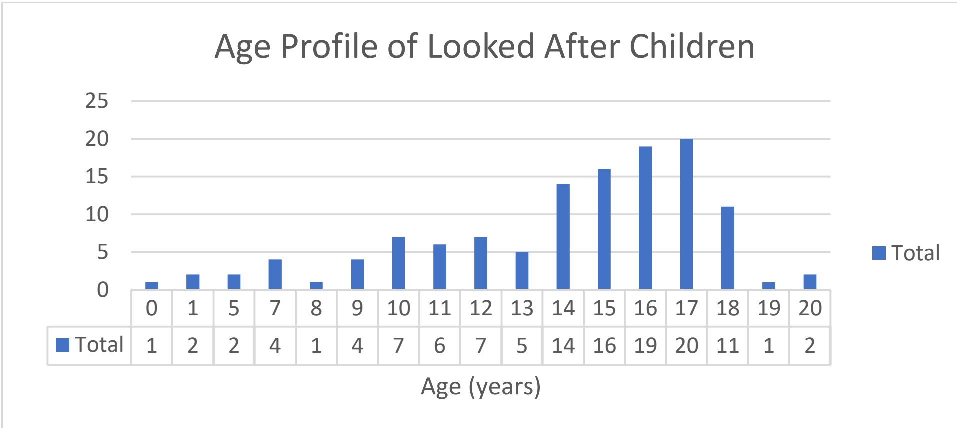
- In Westminster, there is a very wide variety of services commissioned to enable vulnerable people to maintain their independence in the community, preventing homelessness and tenancy breakdown. These include 24-hour hostels for rough sleepers, specialist housing for people with severe and enduring mental health issues and learning disabilities, young people (16-25), domestic violence refuges for women and their children, floating support in the community for people to sustain their tenancies and sheltered housing for older people.

7.22 In 2019/20, the Council expects to complete over 710 lettings of social housing into the Councils own stock that becomes vacant, nominations into registered provider accommodation and newly developed housing. The Council is required to have a public Housing Allocations scheme that sets out how these units are allocated to meet the Council's statutory obligations, meet the varying demands for social housing and to reduce the numbers of people living in Temporary Accommodation. There are currently 4,167 households on the Council's Housing waiting list, of which 2,729 were applicants occupying temporary accommodation. Waiting times vary according to property size but are typically longer for larger units.

7.23 Available properties are generally let through Choice Based lettings where households bid for available properties based on their individual priorities, with additional priority given for homeless households who are working and those with established local connections.

Children's Services – Growth in Care Leavers

7.24 The current age profile of looked after children shows that a large number will be turning 18 in the next financial year, with 43% of the cohort being over 16. This will put additional pressure on the care leaver budget, the level of which depends on the type and complexity of ongoing support that may be required.



7.25 Regular reviews of young people over 18 has mitigated some of this pressure, with many being moved into their own housing. Whilst the ageing out could also shift costs from looked after children to care leavers, though that depends on the numbers entering, the looked after children population (excluding UASC) has stayed broadly constant in recent years:

	31/03/2017	31/03/2018	31/03/2019
Number of Looked after Children	135	137	134

Unaccompanied Asylum-Seeking Children (UASC) Demographic Demand

7.26 The numbers of UASC presenting in the borough have traditionally been higher than other London Boroughs, due to the borough having Victoria International Coach Station and the majority of embassies located within its boundaries. UASC are subject to a National Transfer Scheme (NTS), with numbers per authority determined on a national basis. A child becomes the responsibility of the Local Authority in which they present as UASC, and they are eligible for the same services and interventions as a resident child when they become looked after. This is demanded under statute by the Children's Act (1989).

7.27 Under the NTS for UASC, the Council has an expected allocation of up to 28 UASC in its care, with any further children above this threshold presenting in the borough transferred to other local authorities. Owing to issues with the NTS, London Boroughs agreed a pan-London Transfer Scheme (LTS) where all boroughs agreed to transfer children internally, up to 0.7% of the local population. As at December 2018, the LTS closed as all 32 London Boroughs were at, or over, capacity.

7.28 Delays in transfers have meant a larger number have remained under the care of the authority. At the end of 2018/19, there were 81 UASC looked after. The number is continuing to grow, and as at the end of October 2019 was 129.

7.29 From April 2019, the Home Office changed the rates local authorities received to fund UASC. The new flat rate of £114 per night is sufficient to fund the cost of the child's accommodation. However, it does not cover the cost of the social work resource required. Additional social workers have been recruited to manage the growth in UASC numbers and the cost for 2020/21 of this will be £0.532m, based on an average caseload of 15 per social worker (caseloads expected under systemic practice). In 2019/20, the practitioner cost has been funded from the Social Care Support Grant.

7.30 WCC has a number of care leavers supported by Children's Services with no recourse to public funds (NRPF) as they were previously UASC in receipt of services from the authority. Under the Children and Social Work Act 2017 they will remain NRPF care leavers up to the age of 25. This number is also increasing, due to the age profile of UASC when they enter – with the majority being over 14. By 2021/22, 50 of the current cohort will be over 18 and move into the care leaver support.

7.31 The grant funding for care leavers is insufficient to cover the cost of their support. The shortfall in 2019/20 is forecast to be £0.355m. This shortfall is modelled to grow to £0.705m by April 2021.

Discretionary Housing Payments

7.32 Tenants receiving either housing benefit or the housing element of Universal Credit (see below) with an entitlement that is less than their rent can apply to the Council for a Discretionary Housing Payment (DHP). Claims are decided after considering the circumstances of the case and in line with the Council's policy.

7.33 National DHP funding for the period April 2016 to March 2021 was set at £800m as part of Summer Budget 2015. The table below shows the annual breakdown over the 5-year period:

Year	National DHP Funding £m
2016/17	150
2017/18	185
2018/19	170
2019/20	155
2020/21	180

7.34 Due to a change in allocation methodology by the DWP, despite the national pot increasing in 2017/18, Westminster and most other London boroughs experienced a reduction in funding at that time. The overall sums then reduced in the following two years. In the Spending Round 2019, the DWP settlement included £40 million additional DHP funding “to tackle affordability pressures in the private rented sector in England and Wales”. As a result, the total government contribution for England and Wales has increased from £140 to £180 million. Final allocations for 2020/21 are expected in early February 2020, however based on indicative allocations which are open for consultation, there are grounds for anticipating the Government contribution for Westminster could be increasing for 2020/21. An increase is expected because market rents in Westminster are significantly higher than the restricted rents used to calculate housing benefit and the new money government is contributing is intended to address this issue.

7.35 The reduction in central government funding in recent years has required the Council to “top-up” the DHP pot from within its own resources. In 2017/18 the top-up was £532,730 and in 2018/19, £257,530. The Cabinet Member for Finance, Property & Regeneration has agreed to the principle of a further top-up if needed in 2019/20. Quarterly monitoring is in place and at the end of Quarter 3, a straight-line projection indicates a further top-up of £141,170 could be necessary

7.36 Given the possibility the government contribution to DHP could increase for 2020/21, a further review of the DHP policy will be undertaken in the spring of 2020. The review will consider if the Council should continue to assist with the transition into employment and with emergency support to prevent homelessness. Additionally, it will consider if more can be done to proactively assist residents to compliment City for All priorities.

Universal Credit

7.37 The introduction of Universal Credit (UC) was the main element of the Welfare Reform Act 2012. Government has designed UC to improve work incentives by removing the need to claim different benefits depending on whether a person is in work or unemployed. UC also simplifies the welfare system by replacing six existing benefits with a single payment. The Department for Work and Pensions (DWP) administers UC and one of the six benefits it replaces is housing benefit.

7.38 UC is a working age benefit so does not apply to pensioners. From 16 January 2019 a temporary exemption has been put in place for applicants who qualify for the severe disability premium in the benefits UC replaces. This temporary exclusion from UC will remain in place until January 2021.

7.39 For most applicants who pay rent, the housing element of UC replaces housing benefit. However, there are two significant exceptions to this: tenants of supported housing and temporary accommodation provided by a local authority under a homelessness duty will continue to claim housing benefit for assistance with rent whilst receiving UC for day-to-day living costs. DWP has stated the exception for supported accommodation will apply long term, but has not given any indication of how rent for temporary accommodation will be funded in the future. There remains a possibility that some types of temporary accommodation will eventually be brought into UC.

7.40 The DWP began implementing UC in April 2013 and have adopted a gradual “test and learn” approach. The DWP implement UC through Jobcentre districts rather than local authority boundaries. The national rollout of UC for customers making a new claim for one of the six benefits UC replaces was completed in December 2018.

7.41 The final process for moving existing customers who experience no changes requiring a new claim from their old benefits to UC is still to be decided. Government has, however, stated the transfer of all existing customers will be completed by the end of 2023. DWP estimate this will involve moving 2.09 million customers onto UC and recognise a large number (36%) will be receiving an existing benefit awarded because of disability. Caseload data in July 2019 indicates there are 14,744 existing claims that will eventually move to UC and of these 51% are considered to have a disability. DWP estimate 610 claims in Westminster will move to UC because of a change in circumstances during 2020/21 and the caseload of 14.744 will also reduce over time as households stop claiming housing benefit for other reasons. However, this will still leave a significant number of cases for the managed moved to UC with a greater proportion of households having a disability than the national average.

7.42 In July 2019, DWP commenced a pilot project to move 10,000 existing claimants to UC. The pilot is being undertaken in the Harrogate area and will look at the effectiveness of different agencies, including local authorities, assisting with the transition to UC. The pilot is expected to run for one year and new legislation will have to be passed confirming any practices and procedures DWP intend to implement as a result of the pilot.

7.43 The Council will monitor its housing benefit caseload to establish the effect UC implementation has. As noted above, this will reduce the caseload, but it is too soon to predict whether UC implementation will result in any changes to the demand on the DHP budget. However, the current policy on whether a DHP will be agreed for a UC recipient is the same as for a housing benefit claimant. It should also be noted that local authorities continue to administer claims for Council Tax Support from UC customers. It is likely the Government will implement future changes to UC following the Harrogate pilot. The resulting budgetary effects for the Council will be considered as part of future years’ budget cycles.

8 **Non-General Fund Services, Pension Fund and Treasury**

8.1 The Council also provides services which are ring-fenced from the General Fund as well as being non-revenue based. Whilst these are not funded by Council Tax or Business Rates, they may have some impact on General Fund services or budget setting itself. These services are discussed below.

Housing Revenue Account (HRA)

8.2 The HRA is a statutory ring-fenced Landlord Account within the Council's overall General Fund, established under the 1989 Local Government and Housing Act. It accounts for the management and maintenance of c.12,000 units of social housing and c.9,000 leaseholders within Westminster. The HRA itself is required to set a balanced budget and must not go into deficit, after taking into account HRA Reserves.

8.3 The management of the Council's Housing Stock has now been brought under the management of the Council as of April 2019. It was previously managed by City West Homes, a Council Arm Length Management Organisation (ALMO) and the decision was made during 2018/19 to bring the service in house. This has provided the Council with direct control over the management of its Housing Stock and to seek to improve the service provision to Council Tenants.

8.4 The HRA will now begin to benefit from the removal of the rent reduction policy where previously the HRA was required to reduce rent by 1% per annum from April 2016 for four years, as stipulated under the Welfare Reform and Work Act 2016. In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from April 2020, for a period of at least five years.

8.5 The HRA continues to invest in its Housing Stock and New social and affordable Housing. The capital programme has provision for £1.75bn worth of investment over the next 30 years. Approximately half of this is earmarked to be spent over the next five years to deliver the Council's Housing aspirations.

8.6 The Housing Investment Strategy and HRA 30-year Business Plan report is being presented to Cabinet concurrently in February and Full Council in March to approve the five-year (2020/21 to 2024/25) capital and revenue budget for the HRA. The proposals will continue to see the capacity of the HRA applied to help deliver the Council's objectives of City for All.

8.7 The Housing Management service will also begin to seek efficiencies now that City West Homes has been brought into the Council. The integration will allow for support services efficiencies along with more controlled management of expenditure. The Government has released a new policy statement on rents for social housing which the Council will review and consider its rents policy to ensure it is in line with regulations and maximise the ability to charge the most appropriate rent. This will allow for re-investment into the Housing stock and ensure homes are maintained to an appropriate standard expected within the Westminster.

8.8 The cost of maintaining the housing stock is likely to increase as we see a reduction in capacity within the market due to shortage of labour and increasing material costs, which is a result of the current uncertainty of the impact of Brexit. Furthermore, the ambitious housing investment strategy will require increased borrowing as a source of financing the investment in regeneration, which will then result in increased borrowing costs within the housing revenue account. This will be proactively managed through generating efficiencies across the revenue account and planned management of the HRA reserves. In the short-medium term HRA reserves will reduce, but these will rise again in years 5-10 as newly constructed social housing schemes are completed.

Public Health

8.9 The Public Health Grant contains a condition to ring-fence the grant to the delivery of the Public Health outcomes that were transferred to local authorities under the Health and Social Care Act 2012. The grant conditions direct the spending of the grant by the Council towards mandated and non-mandated Public Health services.

8.10 The 2019 Spending Round indicated that there will be an increase to the Public Health grant received by local authorities, but the amount is yet to be confirmed. This is estimated to be c£0.8m and will reduce the reliance on the use of reserves for funding Public Health expenditure for at least 2020/21. The impact of this does not affect the level of general fund savings required due to the ring-fenced nature of the grant and earmarked Public Health reserve.

8.11 In 2020/21, £0.7m of savings on contract efficiencies are being delivered without any adverse impact on the delivery of services, with these savings being made from the reduction of surplus capacity within wider Public Health services.

Schools

Dedicated Schools Grant

8.12 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure supporting the schools' budget. The grant also covers wider support to fund pupils with special educational needs, through an element in the DSG known as the High Needs block, and for two, three and four-year olds in nursery and associated provision, through the Early Years element. Schools are funded through the DSG, not the General Fund. The National Funding Formula (NFF), which allocates DSG funds to local authorities, was introduced in 2018/19.

8.13 The DSG consists of four separate blocks: schools, central schools services (introduced in 2018/19), high needs and early years. The overall value of the DSG is ring-fenced; however, the four blocks that make up the DSG are not separately ring-fenced. Therefore, movement between blocks is possible subject to specific conditions and limits. Subject to agreement with Schools' Forum, the authority has the ability to transfer funds from the Schools block – this transfer can be up to 0.5% of the total value of the block. Any transfers higher than the 0.5% require Secretary of State approval.

8.14 The Council does not contribute any of its own resources to fund schools but is required to fund the management and administration of education services from Council Tax and funding settlement resources.

8.15 The DSG carry forward from 2018/19 was £2.581m, which included an in year overspend of £1.499m mainly in relation to early years funding adjustments relating to 2017/18. £0.350m of the carry forward is expected to be needed for school restructures, £0.300m for the final 2019/20 early years adjustment and £0.238m for high needs growth. £0.200m will be allocated in total to schools and early years providers.

Implementation of the National Funding Formula (NFF)

Schools and high needs block

8.16 The Department for Education (DfE) introduced the NFF for schools, high needs and central school services from 2018/19 to distribute resources to Local Authorities (LAs). The NFF may be fully implemented in 2021/22, however it is more likely to be implemented in 2022/23, subject to primary legislation by Central Government. The introduction of the NFF represents a significant change and is likely to lead to some schools benefiting from an increase in funding and others having funding which is protected at a historical level.

8.17 LAs will continue to set local funding formula to determine individual schools' budgets in 2020/21 and the Secretary of State confirmed on 3 September 2019 the government's intention to move to a 'hard' NFF for schools – where budgets will be set by a single, national formula. The Education and Skills Funding Agency (ESFA) recognises that this will represent a significant change and will work closely with LAs, schools and others to make this transition as smoothly as possible. As a first step towards hardening the formula, from 2020/21 the government will make the use of the national minimum per pupil funding levels, at the values in the school NFF, compulsory for local authorities to use in their own funding formulae. The minimum per pupil funding levels within the NFF for 2020/21 is £5,000 for secondary schools and £3,750 for primary schools. All Westminster Schools will receive per pupil funding above this level in the locally agreed formula for 2020/21.

Central school services block in 2020/21

8.18 The central school services block within the DSG will continue to provide funding for LAs to carry out central functions on behalf of compulsory school age pupils in state-funded and maintained schools and academies in England. Westminster's funding shows a reduction of £0.058m.

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

Westminster Dedicated Schools Grant (DSG) Funding Allocations 2020/21

Block	2019/20	2020/21	Change	% Change
Schools	£112.171m	£115.665m	+£3.494m	+3.1%
High Needs	£26.413m	£29.062m	+£2.649m	+10.0%
Central School Services	£1.086m	£1.026m	-£0.060m	-5.5%
Early Years*	£13.491m	£14.658m	£1.167m	+8.6%
Total	**£153.161m**	**£160.410m**	**£7.249m**	**+4.7%**
Allocations are before deduction for academies including for High Needs Places *Early years 2020/21 allocation is the initial allocation and the per pupil rate for 3 and 4 year olds remains unchanged from 2019/20				

8.20 The DSG allocations show an overall increase of funding of 4.7% equivalent to £7.249m in 2020/21.

8.21 Individual schools will see an increase in funding in 2020/21of 3.5% on average, providing there is no decrease in pupil numbers. The Minimum Funding Guarantee (MFG) will ensure that all schools have an increase of at least 1.84% per pupil.

8.22 The 2018/19 year-end closing position for the LA-maintained primary and secondary schools was a collective balance of £3.289m. For 2019/20 ten schools are projecting a year end deficit. Any school in this situation is given officer support to set a sustainable budget commensurate with their resource levels and to operate within this.

8.23 The schools block funding is £115.665m based on the October 2019 pupil count. Pupil numbers from the maintained sector and nine academies indicate a total reduction of 61 pupils, made up of minus 272 in primaries and plus 211 in secondaries. As school funding is pupil-based this represents a cost pressure for schools with falling rolls.

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

Early Years Block

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

8.26 Funding for early years pupil premium (EYPP), the disability access fund (DAF) and supplementary funding for the borough's maintained nurseries is also provided through the Early Years Block.

8.27 The initial funding allocation announced each December is based on census numbers, and revised budgets for 2019/20 rose from £13.396m in 2018/19 to £14.637m in recognition of increased take up of the entitlement for three and four-year olds.

8.28 The Government announced an additional £66m of funding for Early Years nationally from 2020/21 in the recent Spending Round. Some of the additional investment will go to ensuring early years providers can support some of the most disadvantaged children and Westminster's hourly rate of funding for two-year olds will increase by 8p to £6.58 as a result. This represents a direct increase for all providers with this cohort of children. Westminster's Early Years National Funding Formula (EYNFF) rate for three and four-year olds remains at £7.86 per hour for 2020/21. This rate is subject to deductions for deprivation, special educational needs and central services budgets, which are administered at source, and the new rate is therefore not expected to differ significantly from this year's hourly funding rate of £6.54.

8.29 Aside from the increase to the rate for two-year olds and the commitment to fund the maintained nursery supplement for a further year, any further financial gains are unlikely despite the government's investment.

8.30 Officers will consult with School’s Forum in the new year once budgets for 2020/21 have been announced and providers will receive the new funding rates in March 2020.

Pupil Premium

8.31 The 2020/21 pupil premium funding rates have not yet been announced. This funding is for each child registered as eligible for free school meals at any point in the last six years. The per pupil figures for 2019/20 are £1,320 per primary school pupil and £935 per secondary school pupil.

8.32 For Pupil Premium Plus, in 2019/20 for each pupil identified in the spring school census as having left local authority care because of adoption, a special guardianship order, a child arrangement order or a residence order, schools receive £2,300 per eligible pupil.

8.33 Pupil premium for three and four year old children is at a rate of £300 in 2019/20 per eligible child. Schools can decide how they use the pupil premium and have to report on use each September on their individual school’s website. There is no onus on the Council to monitor or capture this information, it is a school’s responsibility.

Academies and Free Schools

8.34 Westminster schools that convert to academy status or newly established free schools obtain their funding directly from the Education and Skills Funding Agency (ESFA). These schools receive a school budget share equivalent to the budget they would have received if they were a Westminster school. This is funded in most cases by an adjustment to the DSG received by the Council and deducted from the School’s block. There are no further academy conversions in the pipeline in WCC.

Pension Fund

8.35 The City of Westminster Pension Fund includes the City Council’s pension obligations as well as those for a number of other admitted and scheduled bodies, including academies.

Triennial Valuation

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

8.37 The actuary reported that the employer's contribution rate was required to rise from 15.7% to 16.8% with effect from 1 April 2020 in order to fully fund the cost of active members. The impact of this change on the Council's ongoing revenue budget will cost £1m per annum more than 2019/20 contribution rates

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

8.39 It should be noted however that the Council as an employer within the overall fund is expected to still be in deficit of £132m as at March 2020. While the Council is in deficit, it incurs an interest cost which it would not if it were fully funded. The cost of this interest increases the total contributions required to be made by the Council throughout the period until the deficit is repaid.

8.40 Options to reduce this deficit and the consequent interest costs were explored with the actuary in 2017 and previously reported to Council. These being:

- a total of £30m cash injection;
- together with increases of £4.0m per annum for each of the years 2017/18 to 2019/20, followed by more measured increases thereafter to account for the impact of inflation.

8.41 This strategy provided an optimal mix of maintaining annual affordability whilst also offering the greatest saving in overall cost. As a result of this action, and with market increases in equity values, the funding level has increased to 100% for the Pension Fund as a whole.

Future deficit reduction strategy

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

- a £22m deficit repayment during 2020/21 funded from existing budgeted resources, and;
- a £110m one-off cash payment in 2021/22 to be amortised over 10 years.

Pension Fund Governance

8.43 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.

8.44 The Pension Fund continues to work with the London Collective Investment Vehicle (LCIV). All local government pension schemes in England and Wales are required to form investment pools of at least £25bn with investment manager appointment and monitoring decisions undertaken at pool level. Westminster and all the other London Boroughs are members of the LCIV, set up to facilitate joint procurement of investment managers, with the objective of achieving significant savings and enhancing net of fees returns. Originally two of the Westminster fund's existing investment mandates were transferred to the LCIV and a third was subject to a London wide fee arrangement that substantially reduced manager fees.

8.45 The Pension Fund has now transferred £91m to the London CIV to establish its first Multi Asset Credit fixed income allocation. This was made to diversify the Fund and reduce equity risk. The Pension Fund has also liquidated its active UK Equity portfolio with Majedie (approximately £290m in value) and transferred to a passive Global Equity portfolio with Legal and General. This is a temporary allocation, pending a future Pension Fund Committee decision on asset allocation that will flow from an investment strategy review, following the conclusion of the 2019 triennial actuarial valuation.

Cash and Financing

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

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

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

8.49 Monitoring of treasury activity is a key control to ensure that dealing accords with the approved TMSS. In addition to half yearly reports on activity to Full Council and Scrutiny Committee, weekly updates are provided to the Section 151 officer and monthly reviews of the investment portfolio are undertaken by the Council's treasury advisor, Link Asset Services, and the Council's investments are benchmarked against other local authority investments.

8.50 To support the TMSS, the Council has devised a holistic strategic investment framework in order to manage its investment portfolio as one, across investment properties and treasury management. The Investment Executive comprising of Members and officers was set up to implement, monitor and report on the investment strategy.

8.51 The investment framework sets out in detail the longer-term investment plan to manage investments in relation to long term capital spend and cash requirements, diversify to reduce risk, ensure security of capital and future-proof against possible economic downturns.

Treasury Management and Future Economic Outlook

8.52 The Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% in 2019 due to the ongoing uncertainty over the UK's exit from the EU. In its meeting on 1 August 2019, the MPC became concerned about the outlook for both the global and domestic economies. This uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year.

8.53 Investment returns are likely to remain low during 2020/21 with little increase in the following two years.

8.54 Borrowing interest rates were on a major falling trend during the first half of 2019/20 to historically low levels. The Public Works Loan Board subsequently increased the cost of all new loans by 1% in October 2019. This increase requires a rethink of local authority treasury management strategy and alternative sources of borrowing.

8.55 The September 2019 MPC meeting raised more concern about global growth and the effect that prolonged uncertainty is likely to have on growth. Impacts of Brexit and the general economic conditions will be monitored closely.

9 <u>2019/20 Financial Performance and Future Budget Gap</u>

2019/20 Financial Forecast

9.1 As at Period 8 (November), General Fund service area revenue budgets are projected to underspend by £0.761m by year-end. All variances are subject to continued active management throughout the financial year.

9.2 The main areas contributing to the period 8 net underspend are as follows:

- Finance and Resources: net underspend of £1.660m which is largely due to over recovery of interest earnings of due to average cash balances being higher than budgeted for and savings on the revenue and benefits contract;
- Adult Services: underspend of £0.320m due to demand for placements and packages being lower than anticipated;
- Policy, Performance and Communications: net underspend of £0.119m which is largely due to the careful management of staffing vacancies;
- City Management and Communities: net overspend of £0.400m which is mostly due to a shortfall in income on parking;
- Children's Services: net overspend of £0.838m, which is related to an increase in demand from carers for short breaks and respite placements activity, salaries and passenger transport costs.
- Growth, Planning and Housing: net overspend of £0.100m which relates to additional costs charged within Rough Sleeping and Commissioned Support, an overspend on TA in the current year is being covered by utilising flexibility within homelessness grant funding.

9.3 The Housing Revenue Account is forecasting an overall surplus of £4.057m. However, this is an adverse variance of £5.736m compared to budget. This is mostly due to a shortfall in leaseholder services income and lessee charges for the year, which is mainly a profiling issue.

General Fund Revenue Budget Gap

9.4 The Council's modelling for the forecast of the Medium-Term Financial Plan (MTFP) is informed by a number of factors:

- estimated losses to the Settlement Funding Assessment level and other government grants through the Fair Funding Review in 2020;
- additional income from council tax from growth in the tax-base, improvement in recovery % and a recommended increase to Band D in 2020/21;
- estimates of inflation (both pay and contract);
- unavoidable service cost pressures and investment in policy areas;
- Council-wide cost-cutting pressures and an allowance for risks, and;
- capital financing revenue impacts.

9.5 Arising from this then sets the gross savings requirement needed to balance the budget for future years. The estimated budget gaps particularly for beyond 2020/21 will be subject to change depending on the outcomes of Government decisions e.g. the Spending Review, Fair Funding Review, finance settlements and other policy related decisions.

9.6 The proposed budget changes for approval in this report i.e. budget gap, service specific pressures and savings for 2020/21 to 2022/23 and their impact on overall service budgets are presented in Appendices A to G in more detail.

9.7 For 2020/21 to 2022/23, the Council has determined that savings will be required due to the following budget gaps, and these are discussed further below.

Reference	Budget Gap	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
A	**Net Loss in Retained Business Rates**	4.809	4.809	4.809	14.427
B	**Council Tax Income**	(3.004)	(0.570)	(0.576)	(4.150)
C	**Other Grants and Funding Changes**	(2.393)	13.256	9.918	20.781
D	**Inflation**	7.672	7.986	8.404	24.062
	Capital Financing	2.500	2.600	2.700	7.800
E	**Corporate Pressures**	7.343	2.063	7.434	16.840
F	**Service Specific Pressures**	7.972	3.876	10.000	21.848
G	**Review of Budget Contingencies**	(6.000)	0.000	0.000	(6.000)
	Estimated Budget Gap	**18.899**	**34.020**	**42.689**	**95.607**
	Savings Proposed to Date	(18.899)	(9.177)	(4.080)	(32.156)
	Savings to be Identified	0.000	(24.843)	(38.609)	(63.452)
	Balanced General Fund	**0.000**	**0.000**	**0.000**	**0.000**

- **Estimated Core Funding Losses (Ref A):** the three-year Spending Review and the Fair Funding Review (which have been delayed until at least 2021/22) were anticipated to result in further core funding losses for 2020/21 and have been reflected in the budget gap.

- **Council Tax Income (Ref B):** The Council's share of council tax income is based on three variables:

  a. rate of council tax for the year e.g. Band D payable by residents;
  b. the tax base i.e. number of Band D equivalent dwellings;
  c. the % collection rate.

  Based on the final tax-base and assumption that the changes to Band D for 2020/21 included in the recommendations to this report and discussed in Section 11 are approved the total additional funding from council tax income is calculated as £1.066m from tax-base growth and £1.937m from the change in Band D

- **Other Grants and Funding Changes (Ref C):** an estimate of grants outside of the core settlement funding and other losses has been made. This includes the gain from the new Social Care grant and net loss in the New Homes Bonus grant for 2020/21.

- **Inflation (Ref D):** inflation for staff pay and against service contracts result in unavoidable cost pressures for services but the exact amount is often unknown until later in the financial year. An allowance for these has been estimated as follows:

Breakdown	2020/21 £'m	2021/22 £'m	2022/23 £'m
Pay Inflation	2.397	2.445	2.494
Contract Inflation	5.275	5.541	5.910
Total Inflation	**7.672**	**7.986**	**8.404**

- **Corporate Pressures (Ref E):** in previous years, the budget gap has included an estimate of emerging Council wide pressures, examples have included:

  - grant losses e.g. Housing Benefit and Council Tax Administration grants;
  - business Rate pressures on Council owned buildings;
  - uncontrollable increases in utilities costs;
  - potential increases against levies e.g. LPFA, Environment Agency and Lee Valley Regional Parks Authority.

- **Service Specific Pressures (Ref F):** these are growth for unavoidable service pressures and are listed in more detail in Appendices G

  Review of Budget Contingencies (Ref G):the 2015 Spending Review set out Central Government budgets and Local Government funding levels for 2016/17 to 2019/20. Annually, internal estimates and decisions were also made on resources needed to manage potential cost pressures and service demands. This included budgets for Council-wide risks and centrally provided pressures. A review of central budget contingencies approved in previous years' budget setting identified £6m that is being offered up as savings for 2020/21

9.8 The table below summarises the net change in the General Fund budget and is presented in more detail in appendices A to C. Appendices D and G list the individual budget changes for 2020/21 from the budget gap, service specific pressures and proposed savings.

Summary Change in General Fund Budget	£'m
2019/20 Net GF Service Budgets	**181.782**
Less Changes in 2020/21 Core Funding:	
Settlement Funding Assessment	4.809
Council Tax Income	(3.004)
Net Reduction in Core Funding	**1.805**
2020/21 Proposed Net GF Service Budgets	**179.977**
Funded By:	
Settlement Funding Assessment	(120.501)
Council Tax Income	(59.477)
2020/21 Total Core Funding	**(179.977)**
2020/21 Balanced GF Budget	**0.000**

Approach to Meeting the Budget Gap

9.9 Previously, the Council set its budget using an incremental budget setting process based around "star chamber" meetings. Reports have been produced with budget options being worked up on an iterative basis. A revised approach to the MTFP has been taken for 2020/21 which has led to the Council putting forward a three-year financial strategy covering 2020/21 to 2022/23

9.10 The process for 2020/21 to 2022/23 began in early Summer 2019 and involved a review of all Council services. Members recognised that no service could be out of scope and that difficult decisions would be needed on the future shape of services. Furthermore, a new strategic approach focussed on the prioritisation of key services and outcomes has been adopted which builds on the achievements of City for All.

9.11 The review of savings proposals and pressures for the three-year period have undergone a thorough internal review process including reviews held between Cabinet portfolio holders, Executive Directors, the S151 Officer and finance officers, and the Chief Executive. There have been discussions between members of the Corporate Budget Group and representatives of each of the Directorates and Equality Impact Assessments have been undertaken for all savings proposals (see Appendix I). This work has then culminated in a formal scrutiny process conducted by the Budget & Performance Task Group on 16, 20 and 21 January 2020, for which the summary report and minutes of the three sessions held are incorporated into this report in Appendix J. The proposals put forward for approval in this report therefore help to deliver a balanced budget for 2020/21 and reduce the gap for the subsequent two years of 2021/22 and 2022/23. Work will continue during 2020/21 in order to reduce the residual gap further and subsequent savings identified will be brought back for approval in next year's budget setting report.

10 Risks and Budget Robustness

General Risks

10.1 The Council is a large, complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the Council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (many risks by their nature can never be completely removed). Sections 7 and 8 in this report provide background to some of the issues and hence risks being faced by the Council's services.

10.2 The Council's revenue related risks include:

- general risks;
- funding related risks e.g. Fair Funding;
- interest rate risk;
- inflation risk;
- change in law risk;
- commercial values risk, e.g. income rental values;
- contract failure risk and step-in obligations for the Council.

10.3 The Council has built processes into the MTFP to risk assess each budget proposal. For example, as per previous years, a Corporate Budget Group consisting of representatives from the Finance & Resources, People Services, Policy, Communications, Legal Services, Procurement representatives have met to review the budget proposals.

10.4 While the Corporate Budget Group meets to ensure the over-arching issues are robustly considered, a full suite of meetings is arranged at various levels to ensure all stakeholders fully understand the MTFP process and their savings proposals. Various meetings take place including Members, Executive Directors and finance officers.

10.5 These reviews are to enable this cross section of officers to ensure all budget proposals are:

- fully evaluated for any legal, people service and procurement issues;
- assessed thoroughly to ensure if stakeholder consultations are needed and if so to make sure these are completed in time;
- appropriately challenged to ensure they are feasible.

10.6 Risks related to the capital programme and pensions and treasury are specifically addressed and discussed separately e.g. in the Capital Strategy Report and the Treasury Management Strategy Statement.

10.7 The 2020/21 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the Finance & Resources directorate leads on:

- Monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and

- continuing to replenish reserves and balances towards an appropriate level in order to provide an adequate buffer for one-off pressures, downturns in the economy or to provide sufficient time to identify on-going mitigations in a systematic way. This is discussed further in Section 10.

Reserves and Balances

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

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

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

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

10.10 The use of general and earmarked revenue reserves cannot be regarded as a sustainable medium-term strategy to fill the gap from core funding reductions. This is because a usable reserve is a finite, cash balance which can only be used once whereas the reduction in core funding is a permanent year-on-year loss to the Council's base budget.

General Reserves

10.11 In line with other Local Authorities and the law, the Council holds a general reserve on its balance sheet. The balance of this reserve as at 31 March 2019 was £62.782m. The Council holds this general reserve to:

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

Legislation, Role and Responsibility

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

- *Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992* require billing authorities (i.e. the Council) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Specifically, *sections 31A and 42A* require local authorities to set a balance budget including an adequate level of reserves;
- *Section 25 of the Local Government Act 2003* requires the Chief Financial Officer or for WCC, the Section 151 officer to report on the adequacy (or otherwise) of reserves and the robustness of estimates supporting the budget;
- *Section 26 of the Local Government Act 2003* requires that when setting the budget requirement the reserves include a minimum level for controlled reserves – this minimum level is determined by the Section 151 officer;
- *Section 27 of the local Government Act 2003* requires the Section 151 officer to report on the inadequacy of controlled reserves – i.e. when it appears to the Section 151 officer that the level of a controlled reserve is inadequate or likely to become inadequate.

10.13 In summary, primary legislation requires the Council to:

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

The Council's Section 151 officer is charged with determining the overall level of general reserves. This position is reviewed annually and is a key part of the formal budget setting process.

10.14 This responsibility is set out in paragraph 2.1 of the Council's Financial Regulations which state that the Section 151 officer is responsible for:

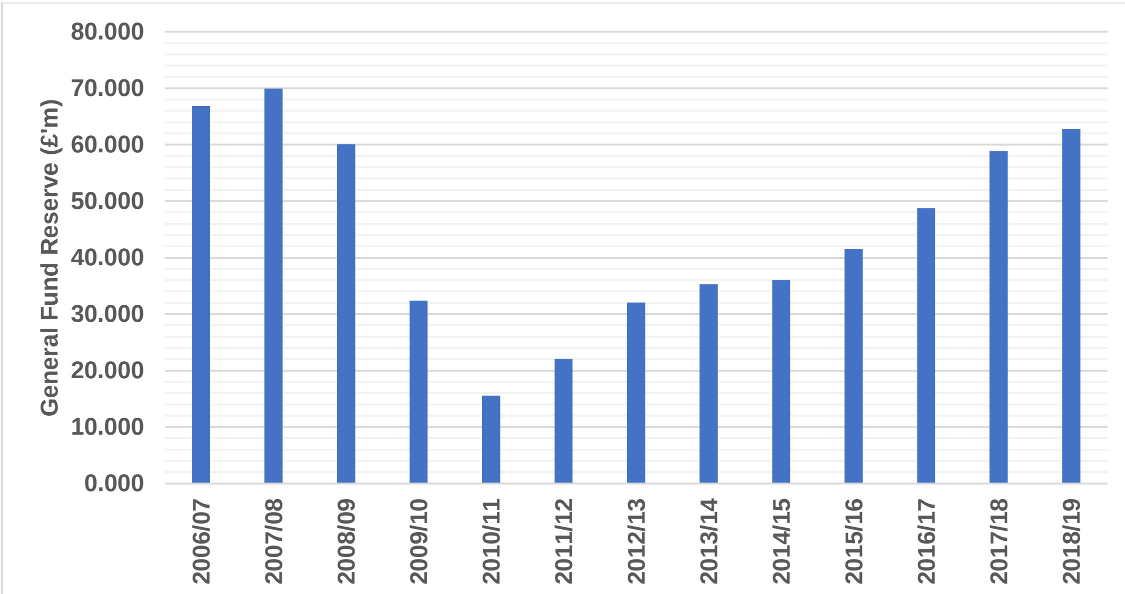
- *"Advising the Cabinet and Council on a prudent level of reserves for budget purposes, and ensuring any appropriate contingency provisions are maintained"*

10.15 Paragraph 3.2 also states that:

- *"Responsibilities of the Section 151 officer include preparing the Revenue Budget, and reporting to the Council on the robustness of the estimates and the adequacy of reserves"*

General Reserve Movements

10.16 The graph below illustrates the movement of general reserve since 2006/07. The Council has faced a number of challenges during this time including significant turbulence in the wider economy.



10.17 Between 2008/09 to 2010/11 the general reserve balanced decreased by £54.352m. If this had occurred again over a three-year period starting from 2017/18, the Council would have a general reserve balance of just £8.430m. This would be an undesirable position for the Council placing it in financial vulnerable position where its position to withstand any further unexpected financial shocks would be severely constrained.

General Reserves Level

10.18 Based on the information contained within the paragraphs above the Section 151 officer's judgement is that general reserves are considered adequate at a level of £62.782m as at the date of this report.

10.19 This is based on the following considerations:

- it allows the Council to mitigate any macro-factors which cannot necessarily be forecasted or influenced but will impact the Council, e.g. inflation levels.
- the wider economy which appears currently to be stable although significant uncertainties remain;
- the Council's framework of governance and controls has been assessed by the Auditor as being satisfactory;

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

10.21 It is not considered at this point that further budget reductions should be made to accommodate an increase in reserves. However, any available resources which become available from the following sources should be added to the general reserve where possible:

- in year revenue underspends as reported through the monthly revenue monitor to Cabinet;
- one off revenue funds which become available e.g. one-off unbudgeted income;
- any other available resources which become available on an unforeseen or unbudgeted basis.

To summarise, the assessment of risks in the budget setting process and the paragraphs above discuss the level of reserves. The Section 151 Officer considers the estimates underpinning the proposed budget changes and reserves level to be robust and compliant with the legislation and Council's Financial Regulations to set a balanced budget for 2020/21.

Climate Emergency

10.22 The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Whilst there are a number of green actions that the Council is already taking, there is a need to work these through over the medium term and to develop other initiatives to tackle this. Therefore, there is a recommendation to set aside £5m from reserves to form a green investment fund. This will sit alongside the carbon offset fund, which currently has a balance of £1m in and is expected to rise to £2m in the near future through the development planning process. The Council will look to other green external funding arrangements to lever in further resources to add to maximise the impact. It is envisaged that actions to meet net zero carbon emissions in the future will require significant levels of funding.

11 Council Tax, Business Rates and Levies & Precepts

Council Tax

11.1 The Council Tax Base (the number of Band D equivalent properties estimated to be billable for the year 2020/21) was considered by Cabinet in December 2019 and approved by Full Council on the 22 January 2020. The yield derived from the Council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.

11.2 The Welfare Reform Act 2012 replaced the previous Council Tax Benefits scheme with a locally determined Council Tax Reduction scheme. In setting the tax base for 2020/21, Council also approved the continuation of the existing Local Council Tax Reduction Scheme which ensures those eligible have their Council tax liability fully funded.

11.3 The number of properties (and mix of properties within each banding) has increased over the current year's tax base as the result of a combination of new properties being brought into use; alterations to existing properties changing their valuation, and changes to the numbers of residents entitled to funding via the Local Council Tax Reduction Scheme. The tax base for the whole of the City of Westminster has increased from 130,319.70 to 132,698.31 Band D equivalent properties – an increase of 2,378.61 (a 1.83% increase).

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

Financial Year	Queen's Park Community Council (No.)	Montpelier Square Garden Committee (No.)	Rest of the City of Westminster (No.)	Whole of the City of Westminster (No.)
2019/20	3,496.10	97.61	126,725.99	130,319.70
Change	58.04	-0.53	2,321.10	2,378.61
2020/21	**3,554.14**	**97.08**	**129,047.09**	**132,698.31**

11.5 All other things being equal, the overall increase in the tax base has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Every 1% growth in the base generates c£0.565m of Council Tax income. As part of the MTP process for 2020/21, additional income was estimated for Council Tax base growth and from the increase in the collection rate from 96% to 97%.

11.6 The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of Council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of 2.00% (excluding the Adult Social Care precept) or more would constitute an excessive increase for 2020/21.

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

11.8 Rising inflation has the impact of eroding the real purchasing power of the Council Tax yield. The latest ONS official inflation rate for December 2019 report CPI at 1.30%.

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

	Modelled Changes to WCC Band D					
Modelled Changes to Band D (£)	**0.00%**	**1.00%**	**1.30%**	**1.50%**	**1.99%**	**2.00%**
2019/20 Approved Band D (£)	**433.34**	**433.34**	**433.34**	**433.34**	**433.34**	**433.34**
Increase (£)	0.00	4.33	5.63	6.50	8.62	8.67
2020/21 Modelled Band D (£)	**433.34**	**437.67**	**438.97**	**439.84**	**441.96**	**442.01**
Weekly Cost of Change over 2019/20 (£/week)	**0.00**	**0.08**	**0.11**	**0.13**	**0.17**	**0.17**
Additional Council Tax Income Change (£'m)	**0.000**	**0.564**	**0.734**	**0.847**	**1.123**	**1.130**

Note: The analysis above is calculated on the 2019/20 tax-base to show the impact of changes to Band D only

11.10 The schedules accompanying this report set out the financial implications on the Council's overall budget of increasing the general Council Tax amount for 2020/21 by 1.43% over that of 2019/20 Band D Council Tax. This is the average in CPI for Quarter 4 of 2019. Cabinet is therefore asked to recommend a 1.43% increase for the General Element of 2020/21 Band D Council Tax to fund GF services and emerging pressures.

11.11 The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA on 29 January 2020 and this will be finally approved by the Assembly on 24 February 2020. Currently, the Mayor's proposed budget recommends an increase to the 2020/21 Band D equivalent charge from £320.51 to £332.07. This consists of a £10.00 increase in the policing element and £1.56 increase in the non-police element of the precept. This is the maximum amount the Mayor can increase it by without holding a referendum. A verbal update will be provided regarding the outcome of the London Assembly decision as required.

11.12 Queen's Park Community Council notified the Council that their precept for 2020/21 would remain unchanged at £46.38 (Band D equivalent).

11.13 The Montpelier Square Garden Committee has notified the Council of their intention to increase the income for their special expense for residents in their area for 2020/21 to 642.77.

11.14 Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding from Council Tax to support spending on Adults Social Care activities which would otherwise have been unaffordable.

11.15 As set out in this report earlier there are continuing growing pressures in the Adult Social Care service and so to maximise the opportunity to provide essential funding for the service whilst keeping the increases to the taxpayer manageable and affordable, the spreading of this additional charge to an equal 2.00% per annum was considered to be the most appropriate.

11.16 The collective impact of the proposed changes discussed above to the WCC Band D amount from an increase of 1.43% for the Core Element and 2.00% for Adult Social Care) for 2020/21 is additional income of £3.004m i.e.:

	2019/20	2020/21
Approved Band D (£)	**433.34**	
1.43% Core Increase (£)		6.20
2.00% ASC Precept Increase (£)		8.67
Proposed Band D (£)		**448.21**
Tax Base: No. of Band D Equivalent Dwellings	**130,319.70**	**132,698.31**
Income from Council Tax (£)	**56,472,739**	**59,476,710**
Increase Income Due:		
Changes to Band D Rate (£)		1,937,854
Growth in the Tax-Base (£)		1,066,117
Total Additional Council Income (£)		**3,003,971**

11.17 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	Whole of the City of Westminster
WCC: General Element @1.43% increase (£)	439.54	439.54	439.54	
WCC: ASC Precept @2.00% (£)	8.67	8.67	8.67	
Sub-Total	**448.21**	**448.21**	**448.21**	
Greater London Authority Precept (£)	332.07	332.07	332.07	
Queen's Park Community Council (£)	46.38	0.00	0.00	
Montpelier Square Special Expense (£)	0.00	642.77	0.00	
Total Band D Amount (£)	**826.66**	**1,423.05**	**780.28**	
2020/21 Council Tax Base (No. of Band D Equivalents):	**3,554.14**	**97.08**	**129,047.09**	**132,698.31**
Westminster City Council (£)	1,593,001	43,512	57,840,196	59,476,710
Greater London Authority Precept (£)	1,180,223	32,237	42,852,667	44,065,128
Queen's Park Community Council Precept (£)	164,842	0	0	164,842
Montpelier Square Special Expense (£)	0	62,400	0	62,400
Total Council Tax Income Billable (£)	**2,938,066**	**138,150**	**100,692,863**	**103,769,079**

Long Term Empty Property Premium

11.18 The Local Government Finance Act 2012 allows local authorities to set a Long-Term Empty Property Premium for properties that have been empty for at least 2 years. The premium is currently (for 2019/20) set at 100% of the normal Council Tax, which means that the overall charge is double the standard Council Tax for the relevant Council Tax band.

11.19 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allows local authorities to increase the Premium between 2020/21 and 2021/22.

11.20 The current 100% premium on the Council's 166 properties that have been empty for over 2 years provides around £99K per annum in additional Council Tax income. The premium in 2020/21 will increase this figure by £46K. There are only 70 (out of the 166 properties which have been empty for 2 years or more) that have been empty for more than 5 years and as the Premium is currently (in 2019/20) already set at 100%, the increase in 2020/21 will only affect these 70 properties.

11.21 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 amends the maximum premium level for 2020/21 and for 2021/22 as below (a decision on the level of premium for 2021/22 is not required as part of this report):

2020/21
Properties empty between 2 years - 5 years: 100% Increase
Properties empty over 5 years: 200% Increase

2021/22
Properties empty between 2 years - 5 years: 100% Increase
Properties empty between 5 years – 10 years: 200% Increase
Properties empty over 10 years: 300% Increase

11.22 The Council considers that a decision to implement the maximum Premium aligns with the Council's current City for All agenda and the Council's aim of a fairer Council Tax system for all residents.

The Collection Fund

11.23 Statutory regulations require local authorities to account for annual Council Tax / Business Rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any variance between the originally estimated net Council Tax / Business Rates yield and what is actually 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 2020/21 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

Business Rates

11.24 The Council was part of the 2018/19 and 2019/20 business rates pilot scheme. However, the Government have announced that 2019/20 will be the final year of the pilot scheme. Therefore, Councils will return to the business rates shares as at 2017/18, highlighted in the table below.

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
London Boroughs	30%	30%	30%	30%	30%	64%	48%	30%
GLA	20%	20%	20%	20%	37%	36%	27%	37%
Central Government	50%	50%	50%	50%	33%	0%	25%	33%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

11.25 However as permitted since the introduction of business rates retention scheme in 2013/14, London councils will pool business rates and reduce the levy paid to central government, hence retaining more growth locally. The decision to pool business rates with other London councils was agreed by the Cabinet Member for Finance, Property and Regeneration on 21 January 2020. In 2020/21 London Borough Councils will have a 30% share of the business rates. The pool will pay a levy on growth of 19% compared to Westminster paying 50% if it went alone. In effect the difference of 31% gained from Westminster will be kept in the pool rather than paid over to central government and will be distributed between all London Councils. This will apply to all levy paying authorities within the pool.

11.26 The principle distribution mechanism will ensure that councils receive what they would have received outside the pool plus a share of the growth retained within the pool. Based on the latest forecast produced by London Councils the pool can retain approx. £25.4m. Westminster City Council's share of that gain will be approx. £0.6m

11.27 Other than the small financial benefit, there will be strategic benefits in continuing to pool business rates, London Councils commented that maintaining a collaborative arrangement for a further year would be likely to give London authorities a more influential voice about the eventual design of the full 75% scheme which is now due to be implemented in 2021/22.

11.28 There may be an opportunity to use the 2020/21 pool to influence growth measurement in the alternative business rates model due to be introduced in 2021/22. Detail on the alternative model is sparse at present but there may be insights we could gain to ensure London retains as much growth as possible in the new scheme.

11.29 The business rates pilot has already provided a platform for London authorities to work together and improve their understanding of how the technical business rates system works. This working relationship will continue in 2020/21.

Levies and Special Charges

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

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

11.31 At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2020/21 levies. Therefore, the 2019/20 levy charges are included in the budget options being recommended in this report. Should these organisations provide the notifications to the Council for the 2020/21 levy charges after the dispatch of this agenda item and before the meeting itself, a verbal update will be provided.

12 Legal Implications

12.1 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.

12.2 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.

12.3 The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account.

12.4 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.

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

12.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 13. 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.

12.7 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.

12.8 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.

12.9 The use of General Fund and HRA (non-Right to Buy) capital receipts funds to fund transformation projects detailed in this report is compliant with the Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued under section 15(1)(a) of the Local Government Act 2003 (which authorities are required to have regard to). The guidance applies with effect from 1 April 2016 to 31 March 2021.

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

12.11 In addition to the referendum threshold, the Government has also announced a threshold of an additional 2.00% for authorities with Adult Social Care responsibilities. The borough needs to raise Council Tax on this account for 2020/21 and is therefore proposing to implement the precept.

13 Equalities Implications

13.1 Under the Equalities Act 2010 the Council has a legal duty to pay “due regard” to the need to eliminate discrimination and promote equality with regard to the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation.

13.2 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.

13.3 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 I. 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.

Appendices

A. Illustrative Gross Income Budgets 2019/20 and 2020/21*
B. Illustrative Gross Expenditure Budgets 2019/20 and 2020/21*
C. Illustrative Net Budgets 2019/20 and 2020/21*
D. Summary of 2020/21 Budget Gap
E. Overview of Budget Changes by Cabinet Member and Executive Leadership Team*
F. Summary of 2020/21 Service Budget Changes by Cabinet Member*
G. Summary of 2020/21 Service Budget Changes by Executive Leadership Team
H. Council Tax Resolution
I. Equality Impact Assessment Summary
J. Budget and Performance Task Group Meeting Notes

Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.

Background Papers

2019/20 Budget and Council Tax Report – Council Meeting 06 March 2019

Capital Strategy 2019/20 to 2023/24, forecast position for 2018/19 and future years' forecasts summarised up to 2032/33 – Council Meeting 06 March 2019

Treasury Management Strategy Statement for 2019/20 to 2023/24 – Council Meeting 06 March 2019

Integrated Investment Framework 2019/20 – Council Meeting 06 March 2019

If you have any queries about this report or wish to inspect any of the background papers, please contact: Gerald Almeroth 0207 641 2904 or at galmeroth@westminster.gov.uk

Appendix A - Illustrative Gross Income Budgets and Proposed Changes 2019/20 to 2020/21

This presents the current and proposed gross income budgets by Cabinet Member* and Executive Leadership Team

Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.

Executive Leadership Team	2019/20 Budget £'m	Budget Gap £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2020/21 Budget £'m
Executive Director of Finance & Resources	(59.899)	(2.393)	0.000	(6.169)	(68.461)
Director of Policy, Performance and Communications	(8.011)	0.000	0.350	(0.097)	(7.758)
Executive Director Adult Services	(71.225)	0.000	0.000	0.000	(71.225)
Executive Director of Children's Services	(100.143)	0.000	0.115	(0.230)	(100.258)
Executive Director of City Management and Communities	(138.327)	0.000	2.200	(5.170)	(141.297)
Executive Director of Growth, Planning and Housing	(275.997)	0.000	0.000	(1.098)	(277.095)
Public Health	(32.316)	0.000	0.000	0.000	(32.316)
Sub-Total Gross Service Income	**(685.918)**	**(2.393)**	**2.665**	**(12.764)**	**(698.410)**
Core Funding:					
Settlement Funding Assessment	(125.310)	4.809	0.000	0.000	(120.501)
Council Tax Income	(56.473)	(3.004)	0.000	0.000	(59.477)
Sub-Total Core Funding Income	**(181.782)**	**1.805**	**0.000**	**0.000**	**(179.977)**
Total Gross Income	**(867.700)**	**(0.588)**	**2.665**	**(12.764)**	**(878.387)**

Appendix B - Illustrative Gross Expenditure Budgets and Proposed Changes 2019/20 to 2020/21

This presents the current and proposed gross expenditure budgets by Cabinet Member* and Executive Leadership Team

**Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Executive Leadership Team	2019/20 Budget £'m	Budget Gap £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2020/21 Budget £'m
Executive Director of Finance & Resources	120.011	11.515	3.098	(2.804)	131.820
Director of Policy, Performance and Communications	18.169	0.000	0.000	(0.320)	17.849
Executive Director Adult Services	125.481	0.000	0.000	(1.050)	124.431
Executive Director of Children's Services	132.144	0.000	1.209	(0.590)	132.763
Executive Director of City Management and Communities	138.532	0.000	1.000	(0.696)	138.836
Executive Director of Growth, Planning and Housing	302.076	0.000	0.000	(0.675)	301.401
Public Health	31.287	0.000	0.000	0.000	31.287
Sub-Total Gross Expenditure	**867.700**	**11.515**	**5.307**	**(6.135)**	**878.387**
Core Funding:					
Settlement Funding Assessment	0.000	0.000	0.000	0.000	0.000
Council Tax Income	0.000	0.000	0.000	0.000	0.000
Sub-Total Gross Expenditure	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Total Gross Expenditure	**867.700**	**11.515**	**5.307**	**(6.135)**	**878.387**

Appendix C - Illustrative Net Budgets and Proposed Changes2019/20 to 2020/21

This presents the resulting current and proposed net expenditure budgets based on Appendices A and B by Cabinet Member* and Executive Leadership Team

*** Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Executive Leadership Team	2019/20 Budget £'m	Budget Gap £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2020/21 Budget £'m
Executive Director of Finance & Resources	60.112	9.122	3.098	(8.973)	63.359
Director of Policy, Performance and Communications	10.158	0.000	0.350	(0.417)	10.091
Executive Director Adult Services	54.256	0.000	0.000	(1.050)	53.206
Executive Director of Children's Services	32.001	0.000	1.324	(0.820)	32.505
Executive Director of City Management and Communities	0.205	0.000	3.200	(5.866)	(2.461)
Executive Director of Growth, Planning and Housing	26.080	0.000	0.000	(1.773)	24.307
Public Health	(1.029)	0.000	0.000	0.000	(1.029)
Sub-Total Net Service Budget	**181.782**	**9.122**	**7.972**	**(18.899)**	**179.977**
Funded By:					
Settlement Funding Assessment	(125.310)	4.809	0.000	0.000	(120.501)
Council Tax Income	(56.473)	(3.004)	0.000	0.000	(59.477)
Sub-Total Core Funding	**(181.782)**	**1.805**	**0.000**	**0.000**	**(179.977)**
General Fund Balance Budget	**0.000**	**10.927**	**7.972**	**(18.899)**	**0.000**

Appendix D Budget Gap

This presents the calculated budget gap which is the driver for the proposed savings by services

Budget Gap	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Net Loss in Retained Business Rates	4.809	4.809	4.809	14.427
Council Tax Income	(3.004)	(0.570)	(0.576)	(4.150)
Sub-Total Core Funding Changes	**1.805**	**4.239**	**4.233**	**10.277**
Service Specific Pressures	7.972	3.876	10.000	21.848
Sub-Total Service Pressures	**7.972**	**3.876**	**10.000**	**21.848**
Other Grants and Funding Changes	(2.393)	13.256	9.918	20.781
Inflation	7.672	7.986	8.404	24.062
Capital Financing	2.500	2.600	2.700	7.800
Corporate Pressures	7.343	2.063	7.434	16.840
Review of Budget Contingencies	(6.000)	0.000	0.000	(6.000)
Sub-Total Other Budget Changes	**9.122**	**25.905**	**28.456**	**63.483**
Estimated Budget Gap	**18.899**	**34.020**	**42.689**	**95.607**
Savings Proposed to Date	(18.899)	(9.177)	(4.080)	(32.156)
Savings to be Identified	0.000	(24.843)	(38.609)	(63.452)
Balanced General Fund	**0.000**	**0.000**	**0.000**	**0.000**

Appendix E - Summary of 2020/21 Budget Changes by Cabinet Member* and Executive Leadership Team

**Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Appendix F - Summary of 2020/21 Service Budget Changes by Cabinet Member*

This details the budget changes by Cabinet Member for 2020/21

Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.

Appendix G - Summary Service Budget Changes by ELT 2020/21 to 2022/23

This details the budget changes by Executive Leadership Team

Budget Change: Growth for Service Specific Pressures	2020/21 £'m	2021/22 £'m	2022/23 £'m*	Total £'m
Impact of demographic, complexity and acuity pressures	2.576	2.621	TBC	5.197
Transition pressures – children with learning disabilities eligible for social care support	0.292	0.315	TBC	0.607
Sub-Total Executive Director Adult Services	**2.868**	**2.936**	**0.000**	**5.804**
Passenger Transport: Demographics, Acuity and Market Forces	0.220	0.250	TBC	0.470
Short Breaks Respite Placement Demographics, Acuity and Market Forces	0.041	0.043	TBC	0.084
Joint Funded Placement Demographics, Acuity and Market Forces	0.043	0.044	TBC	0.087
LAC and Care Leaving Placements Complexity, Acuity and Market Forces	0.405	0.423	TBC	0.828
Regional Adoption - Loss of Adoption Traded Income	0.115	0.000	TBC	0.115
Youth Services Investment	0.500	0.000	TBC	0.500
Sub-Total Executive Director Children's Services	**1.324**	**0.760**	**0.000**	**2.084**
Procurement: commercial trading of procurement services	0.050	0.000	TBC	0.050
Property: increase in rents payable	0.180	0.180	TBC	0.360
Sub-Total Finance and Resources	**0.230**	**0.180**	**0.000**	**0.410**
Parking: paid for parking income shortfall	2.200	0.000	TBC	2.200
Waste and Parks: bringing public conveniences in house	0.400	0.000	TBC	0.400
Waste and Parks: reduced income from sale of recyclables due to changing global markets	0.600	0.000	TBC	0.600
Estimated Pressures*	0.000	0.000	10.000	10.000
Sub-Total Executive Director of City Management and Communities	**3.200**	**0.000**	**0.000**	**3.200**
City Promotions, Events and Filming: Downturn in the Events and Filming and Outdoor Media income	0.350	0.000	TBC	0.350
Sub-Total Director of Policy, Performance and Communications	**0.350**	**0.000**	**0.000**	**0.350**
Total Service Specific Pressures	**7.972**	**3.876**	**0.000**	**11.848**

*A projection of pressures has been made for 2022/23 and is being held centrally pending further review

Ref	Budget Change: Savings Proposed by Executive Leadership Team	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
1.40	Review of Contracts	(0.450)	(0.350)	0.000	**(0.800)**
1.60	Improved Market Management	(0.300)	(0.100)	0.000	**(0.400)**
1.70	Bi-Borough Process and Policy Review	(0.100)	0.000	0.000	**(0.100)**
1.80	Promoting Independence	(0.200)	(0.200)	0.000	**(0.400)**
	Sub-Total Executive Director Adult Services Savings	**(1.050)**	**(0.650)**	**0.000**	**(1.700)**

Ref	Budget Change: Savings Proposed by Executive Leadership Team	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
2.10	Education Funding and Efficiencies	(0.090)	(0.125)	(0.125)	**(0.340)**
2.20	EHCP / Joint Funding Strategy	(0.120)	(0.250)	(0.250)	**(0.620)**
2.30	Move on Accommodation	(0.200)	(0.400)	0.000	**(0.600)**
2.40	MASH/LSCB	(0.050)	(0.100)	0.000	**(0.150)**
2.50	Joint Working Opportunities	(0.110)	(0.130)	(0.050)	**(0.290)**
2.5a	Pre-Birth to Five Service Redesign	(0.150)	(0.350)	(0.250)	**(0.750)**
2.60	Strategic Approach to Legal Services	(0.050)	0.000	0.000	**(0.050)**
2.70	Passenger Transport Alternative Delivery Mechanisms	(0.050)	0.000	0.000	**(0.050)**
	Sub-Total Executive Director Children's Services Savings	**(0.820)**	**(1.355)**	**(0.675)**	**(2.850)**
3.10	Sports and Leisure Contract	(2.200)	(0.700)	(0.100)	**(3.000)**
3.17	Public Protection and Licensing Fees & Charges	(0.300)	0.000	0.000	**(0.300)**
3.18	Late Night Levy	0.000	(0.500)	0.000	**(0.500)**
3.31	Libraries Transformation	0.000	(0.300)	(0.450)	**(0.750)**
3.32	Future City Management	(0.215)	(0.980)	(1.250)	**(2.445)**
3.33	Sayers Croft Commercial Review	0.000	0.000	(0.020)	**(0.020)**
3.34	Highways Fees and Charges Review	(0.690)	(0.040)	0.000	**(0.730)**
3.35	Implementation of SMART Lighting	(0.280)	(0.060)	(0.060)	**(0.400)**
3.36	Car Club Income	(0.160)	0.000	0.000	**(0.160)**
3.36	Compliance Led Enforcement Protocols	(1.440)	0.000	0.000	**(1.440)**
3.37	Championing Innovation in Highways Maintenance and Management	0.000	(0.250)	0.000	**(0.250)**
3.38	Strategic Review of Household Waste Collection	(0.030)	(0.280)	(0.250)	**(0.560)**
3.39	Strategic Review of Street Cleansing Provision	(0.171)	(0.158)	(0.158)	**(0.487)**
3.40	Review of Registrars Service Offer and Delivery	(0.050)	(0.050)	0.000	**(0.100)**
3.41	Parks - Surrender Leasehold Sites	(0.030)	(0.030)	0.000	**(0.060)**
3.43	Commercial Waste Income Opportunities	(0.300)	0.000	0.000	**(0.300)**
	Sub-Total Executive Director of City Management and Communities Savings	**(5.866)**	**(3.348)**	**(2.288)**	**(11.502)**
4.10	Landlord Incentive Payments	(0.075)	(0.075)	0.000	**(0.150)**
4.20	Targeted Purchases for Vulnerable Households	(0.070)	(0.186)	(0.023)	**(0.279)**
4.30	Capital Letters - Pan London	(0.200)	(0.400)	0.000	**(0.600)**
4.50	Procurement efficiency savings	(0.250)	0.000	0.000	**(0.250)**
4.70	TA Purchase Programme	(0.094)	(0.188)	(0.094)	**(0.376)**
4.80	Planning Income	(0.750)	0.000	(0.500)	**(1.250)**
4.11	Rental income from Intermediate Housing	(0.184)	0.000	0.000	**(0.184)**
4.12	Place Shaping and Town Planning - Service Improvements	(0.150)	(0.150)	0.000	**(0.300)**
	Sub-Total Executive Director of Growth, Planning and Housing Savings	**(1.773)**	**(0.999)**	**(0.617)**	**(3.389)**
5.20	Outdoor Advertising	(0.097)	(0.550)	0.000	**(0.647)**
5.30	PPC - Non-pay Efficiencies	(0.320)	0.000	0.000	**(0.320)**
	Sub-Total Director of Policy, Performance and Communications Savings	**(0.417)**	**(0.550)**	**0.000**	**(0.967)**

Ref	Budget Change: Savings Proposed by Executive Leadership Team	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
6.10	Review of the Finance and Resources Budgets	(0.583)	0.000	0.000	**(0.583)**
6.20	Revenue & Benefits – Contract Re-procurement	(1.400)	0.000	0.000	**(1.400)**
6.30	Technology Refresh	0.000	(0.375)	0.000	**(0.375)**
6.40	Network and Telephony	(0.300)	(0.300)	0.000	**(0.600)**
6.60	Small Cell Revenues	(0.700)	0.000	0.000	**(0.700)**
6.70	Finance & Resources Workforce Review	(0.495)	0.000	0.000	**(0.495)**
6.80	Investment Property Growth	(0.650)	(1.500)	(0.500)	**(2.650)**
6.90	Bi-Borough Treasury Management Fees	(0.045)	0.000	0.000	**(0.045)**
6.11	Review of Debt Collection Process & Performance	(0.100)	(0.100)	0.000	**(0.200)**
6.12	Transformation Savings - Procurement Services	(0.200)	0.000	0.000	**(0.200)**
7.10	Continuing Grant not Budgeted	(4.500)	0.000	0.000	**(4.500)**
	Sub-Total Finance and Resources Savings	**(8.973)**	**(2.275)**	**(0.500)**	**(11.748)**
	Total Savings Proposed	**(18.899)**	**(9.177)**	**(4.080)**	**(32.156)**

Summary:				
Total Service Specific Pressures	7.972	3.876	10.000	**21.848**
Budget Gap - Core Funding Changes (See Appendix D)	1.805	4.239	4.233	**10.277**
Budget Gap - Other Changes (See Appendix D)	9.122	25.905	28.456	**63.483**
Total Savings Proposed	(18.899)	(9.177)	(4.080)	**(32.156)**
Savings to be Identified	0.000	(24.843)	(38.609)	**(63.452)**
Balanced General Fund Budget	**0.000**	**0.000**	**0.000**	**0.000**

Appendix H

<u>Council Tax Resolution</u>

The Council is recommended to resolve as follows:

1. It should be noted that on the 22 January 2020, the Council calculated the Council Tax Base for 2020/21:

    a) For the whole Council area as **132,698.31** [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"]; and

    b) For dwellings in the Montpelier Square area as **97.08**

    c) For dwellings in the Queen's Park Community Council area as **3,554.14**

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2020/21 (excluding Special Expenses) is **£59,476,710**

3. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:

    a) **£878,386,970.73** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it.

    b) **£818,847,861.20** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

    c) **£59,539,109.53** being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).

    d) **£448.68** being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the Basic Amount of its Council Tax for the year (<u>including Special Amounts</u>)

    e) **£62,400** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

f) **£448.21** being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of the Council Tax for the year for those dwellings in those parts of the area to which no special item relates.

4. To note that the Greater London Authority have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Council's area as indicated in the table below:

Band	Greater London Authority (£)
A	221.38
B	258.28
C	295.17
D	332.07
E	405.86
F	479.66
G	553.45
H	664.14

5. To note that the Queen's Park Community Council have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Queen's Park Community Council area as indicated in the table below:

Ratio	Band	Queen's Park Parish Council Precept (£)
6	A	30.92
7	B	36.07
8	C	41.23
9	D	46.38
11	E	56.69
13	F	66.99
15	G	77.30
18	H	92.76

6. To note that the Montpelier Square Garden Committee Special Expense for each category of dwelling as indicated in the table below:

Ratio	Band	Montpelier Square Garden Committee (£)
6	A	428.51
7	B	499.93
8	C	571.35
9	D	642.77
11	E	785.61
13	F	928.45
15	G	1,071.28
18	H	1,285.54

7. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2020/21 for each part of its area and for each category of dwellings:

Westminster Council Requirement, Special Expenses and Local Precept

Ratio	Band	Queen's Park Parish Council Precept (£)	Montpelier Square Garden Committee (£)	All Other Parts of Westminster City Council (£)
6	A	329.73	727.32	298.81
7	B	384.68	848.54	348.61
8	C	439.64	969.76	398.41
9	D	494.59	1,090.98	448.21
11	E	604.50	1,333.42	547.81
13	F	714.40	1,575.86	647.41
15	G	824.32	1,818.30	747.02
18	H	989.18	2,181.96	896.42

Westminster Council Requirement, Special Expenses and All Precepts

Ratio	Band	Queen's Park Parish Council Precept (£)	Montpelier Square Garden Committee (£)	All Other Parts of Westminster City Council (£)
6	A	551.11	948.70	520.19
7	B	642.96	1,106.82	606.89
8	C	734.81	1,264.93	693.58
9	D	826.66	1,423.05	780.28
11	E	1,010.36	1,739.28	953.67
13	F	1,194.06	2,055.52	1,127.07
15	G	1,377.77	2,371.75	1,300.47
18	H	1,653.32	2,846.10	1,560.56

8. That the Section 151 Officer be authorised to collect (and disperse from the relevant accounts) the Council Tax and the National Non-Domestic Rate and that whenever the office of the Section 151 Officer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised post-holder be authorised to act as before said in his stead.

9. That notice of amounts of Council Tax be published.

10. That the Council does not adopt a special instalment scheme for Council tenants.

11. That the Council offers as standard the following patterns for Council Tax and National Non-Domestic Rate: payment by 1, 2, 4, 10 or 12 instalments and that delegated officers have discretion to enter into other agreements that facilitate the collection of Council Tax and National Non-Domestic Rate.

12. That the Council does not offer payment discounts to Council Taxpayers.

13. That the Council resolve to charge owners for Council Tax in all classes of chargeable dwellings prescribed for the purposes of Section 8 of the Act.

Appendix I Equality Impact Assessments Summary

The Council has a duty to ensure that all policy decisions are considered to assess whether they have any equality impacts. All budget changes set out in this report have been screened to ensure impacts have been considered where appropriate.

An Equalities Impact Assessment (EIA) has been produced to review each of the savings initiatives of the 2020/21 budget, for either the initial assessment only if no equalities impact was determined, or a full EIA if an impact was detected. A series of additional appendices covering each of the service areas have been produced.

Additionally, a lever arch file containing the EIAs for all savings proposals was held by the Member Services team at 64 Victoria Street and was available for Councillors to review between 9am and 5pm, Monday to Friday, up until the date of the full Council meeting on the 4 March 2020.

Members are requested to ask anyone from the team for access to the file if they wish to see them. In order for all Members to have access to these, the file cannot be taken out of the building. All assessments were also made available at the Budget and Performance Task Group meetings held on the 16th, 20th and 21st of January 2020 and all Full EIAs are available on the Council's committees website alongside the agendas and papers for these meetings.

A summary of all the assessments is presented below:

		2020/21	2021/22	2022/23	Total	Assessment for Need of EIA Completed?	EIA Type Completed
Ref	**Description**	**£'m**	**£'m**	**£'m**	**£'m**		
	ADULTS SOCIAL CARE						
1.4	Review of Contracts	0.450	0.350	-	0.800	**Yes**	**Full**
1.6	Improved Market Management	0.300	0.100	-	0.400	**Yes**	**Part**
1.7	Bi-Borough Process and Policy Review	0.100	-	-	0.100	**Yes**	**Part**
1.8	Promoting Independence	0.200	0.200	-	0.400	**Yes**	**Part**
	Adults Total	**1.050**	**0.650**		**1.700**		
	PUBLIC HEALTH						
PH1	Increased public Health Grant Income	0.788	**-**	**-**	**-**	**Yes**	**Part**
PH2	Reduction in Commissioned Service Expenditure	0.656	**-**	**-**	**-**	**Yes**	**Full**
	Public Health Total	**1.444**	**-**	**-**	**1.444**		
	GROWTH, PLANNING & HOUSING						
4.1	Landlord incentive payments	0.075	0.075	-	0.150	**Yes**	**Part**
4.2	Targeted purchases for vulnerable households	0.070	0.186	0.023	0.279	**Yes**	**Part**
4.3	Capital Letters - pan London	0.200	0.400	-	0.600	**Yes**	**Part**

4.5	Procurement Efficiency Savings	0.250	-	-	0.250	**Yes**	**Part**
4.7	TA purchase programme	0.094	0.188	0.094	0.376	**Yes**	**Part**
4.8	Planning Income	0.750	-	0.500	1.250	**Yes**	**Part**
4.11	Rental income from Intermediate Housing	0.184	-	-	0.184	**Yes**	**Part**
4.12	Place Shaping and Town Planning - Service Improvements	0.150	0.150	-	0.300	**Yes**	**Full**
	GPH Total	**1.773**	**0.999**	**0.617**	**3.389**		
	CITY MANAGEMENT & COMMUNITIES						
3.1	Sports and leisure contract	2.200	0.700	0.100	3.000	**Yes**	**Part**
3.32	Future City Management	0.215	0.980	1.250	2.445	**Yes**	**Part**
3.36	Review of Parking	1.600	-	-	1.600	**Yes**	**Part**
3.31	Libraries transformation	-	0.300	0.450	0.750	**Yes**	**Part**
3.34	Highways Fees and Charges Review	0.690	0.040	-	0.730	**Yes**	**Part**
3.38	Strategic review of household waste collection	0.030	0.280	0.250	0.560	**Yes**	**Part**
3.18	Late Night Levy	-	0.500	-	0.500	**Yes**	**Part**
3.39	Strategic review of street cleansing provision	0.171	0.158	0.158	0.487	**Yes**	**Part**
3.35	Implementation of SMART Lighting	0.280	0.060	0.060	0.400	**Yes**	**Part**
3.43	Commercial waste income opportunities	0.300	-	-	0.300	**Yes**	**Part**
3.17	Public Protection and licensing fees and charges	0.300	-	-	0.300	**Yes**	**Part**
3.37	Championing Innovation in Highways Maintenance and Management	-	0.250	-	0.250	**Yes**	**Part**
3.4	Review of Registrars Service Offer and Delivery	0.050	0.050	-	0.100	**Yes**	**Part**
3.41	Parks - surrender leasehold sites	0.030	0.030	-	0.060	**Yes**	**Part**
3.33	Sayers Croft Commercial Review	-	-	0.200	0.200	**Yes**	**Part**
	CMC Total	**5.866**	**3.348**	**2.288**	**11.502**		
	POLICY, PERFORMANCE & COMMUNICATIONS						
5.2	Outdoor Media	0.097	0.550	-	0.647	**Yes**	**Part**
5.3	PPC - non-pay efficiencies	0.320	-	-	0.320	**Yes**	**Part**
	PPC Total	**0.417**	**0.550**	**-**	**0.967**		
	CHILDREN'S SERVICES						
2.1	Education Funding and Efficiencies	0.090	0.125	0.125	0.034	**Yes**	**Part**
2.2	EHCP / Joint Funding Strategy	0.120	0.250	0.250	0.620	**Yes**	**Part**
2.3	Unaccompanied Asylum Seekers' Pathway in Children's Services	0.200	0.400	-	0.600	**Yes**	**Full**
2.4	MASH/LSCB	0.050	0.100	-	0.150	**Yes**	**Part**
2.5	Joint Working Opportunities	0.110	0.130	0.50	0.290	**Yes**	**Part**
2.5a	Pre-Birth to 5 alignment	0.150	0.350	0.250	0.750	**Yes**	**Part**
2.6	Strategic Approach to Legal Services	0.050	-	-	0.050	**Yes**	**Part**
2.7	Passenger Transport Alternative Delivery Mechanisms	0.050	-	-	0.050	**Yes**	**Part**
	Children's Total	**0.820**	**1.355**	**0.675**	**2.850**		

	FINANCE & RESOURCES						
6.1	Review of the Finance and Resources budgets	0.583	-	-	0.583	**Yes**	**Part**
6.2	Revenue & Benefits – contract re-procurement	1.400	-	-	1.400	**Yes**	**Part**
6.3	Technology Refresh	-	0.375	-	0.375	**Yes**	**Part**
6.4	Network and Telephony	0.300	0.300	-	0.600	**Yes**	**Part**
6.6	Small Cell revenues	0.700	-	-	0.700	**Yes**	**Part**
6.7	Finance & Resources workforce review	0.495	-	-	0.495	**Yes**	**Part**
6.8	Investment property growth	0.650	1.500	0.500	2.650	**Yes**	**Part**
6.9	Tri-Borough Treasury Management Fees	0.045	-	-	0.045	**Yes**	**Part**
6.11	Review of Debt Collection Process & Performance	0.100	0.100	-	0.200	**Yes**	**Part**
6.12	Transformation Services-Procurement restructure	0.200	-	-	0.200	**Yes**	**Part**
7.1	Continuing grant not budgeted	4.500	-	-	4.500	**Yes**	**Part**
	Finance and Resources Total	**8.973**	**2.275**	**0.500**	**11.748**		

Appendix J Budget and Performance Task Group Summary Report and Meeting Minutes

Budget Task Group – Summary Report on 2020/21 Budget Scrutiny

1. Executive Summary - The Scrutiny Process

The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Performance Task Group as a standing group, with the following Terms of Reference:

"to consider, on behalf of the Policy and Scrutiny Committees, budget options and draft business plans and estimates at the appropriate stages in the business planning cycle and to submit recommendations / comments to the cabinet and/or cabinet members."

Cabinet must take into account and give due regard of any views and recommendations from the Budget and Performance Task Group in drawing up firm budget proposals for submission to the Council, and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet's response.

The Task Group examined five key themes:

- the potential impact of savings proposals on affected groups
- whether or not the budget proposals would affect the Council's ability to fulfil its legal obligations
- the need to identify and address potential optimism bias (over-confidence about the ability to secure third party income)
- the need to examine the Capital Programme as closely as the revenue budget
- the potential impact of any external factors.

The minutes of the Task Group's meetings are attached to this summary.

The Task Group would like to offer its thanks to the officers of all directorates for the rigour and commitment that went into preparing papers and Equality Impact Assessments for the Task Group's meetings, answering members' questions and following up on requests.

2. Overall Budget

The overall 2020/21 draft budget appears robust. Officers provided assurances on a number of points raised by members across all Directorates, including in relation to managing changing service demand priorities, and around the deliverability of a number of projects.

3. Risks

Despite the overall confidence in the draft budget there are a number of risks which the task group wishes to highlight. While the Fair Funding Review is still ongoing, there is uncertainty about how local government will be funded in future and what factors will be weighted when apportioning that funding.

Demographic factors will affect service demand. For example, Westminster has an aging population that will put increasing pressure on services in Adult Social Care.

4. General Observations

Westminster City Council has a large and ambitious capital programme that is vital to delivering some the council's key priorities. Given this commitment, the council decided it was important to secure a borrowing deal that secured borrowing at historic lows as there is always a danger that rates will increase. The council has signed up to a series of forward borrowing agreements for which it was able to secure an average rate of 2.6% which is cheaper than rates offered by the PWLB. The drawdowns of these facilities do not begin until 2022/23.

5. Positive Observations

The Task Group noted that the papers prepared for them presented the budget in a clear and accessible way.

The Task Group found clear examples of avoiding optimism bias and risk management. For example, the council annually reviews its estimates about how much money it will receive from both the Affordable Housing Fund and Section 106 contributions. In terms of risk management, for each of the council's key capital programmes there is a 5% project contingency budgeted. The council also has a further central contingency allowance of 10-15% for major schemes and a general corporate contingency of £10 million per annum.

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Thursday 16th January 2020**, in room 18.12, City Hall, 64 Victoria Street.

Members Present: Cllr Melvyn Caplan (Chairman), Cllr David Boothroyd, Cllr Peter Freeman, Cllr David Harvey, Cllr Adam Hug and Cllr Karen Scarborough.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Barbara Brownlee (Executive Director of Growth, Planning and Housing), Neil Wightman (Director of Housing), Sarah Newman (Executive Director of Bi-Borough Children's Services), Ian Heggs (Bi-Borough Director of Education), James Partis (Programme Lead – Better Care Fund), Sara Sutton (Executive Director of City Management and Communities)

1. Welcome and Apologies

1.1 Cllr Tony Devenish sent his apologies.
1.2 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Capital Budget Overview 2020/21

3.1 Gerald Almeroth presented the capital budget overview:

- Members enquired about the process the council goes through to ensure it is comfortable with ongoing revenue commitments. Members heard there is a rigorous three step process for assessing capital schemes. An important part of this process is understanding the revenue implications of a scheme. Where appropriate, the council may look holistically at connected sites and group them into one business case.

- Members asked the council to provide them with assurance that the borrowing that has been locked in is appropriate. They heard that council has a significant capital programme. Given this commitment, the council decided it was important to secure some of the required borrowing in advance as there is always a danger that rates will increase. The council has signed up to a series of forward borrowing agreements for which it was able to secure an average rate of 2.6% which is cheaper than current rates since the PWLB rate increase. It does not plan to take the money for three or four years. However, it must draw the loans down by the agreed date (either three or four years depending on the agreement).
- Members asked for some more information about the flexible use of capital receipts. They heard that the Government has allowed councils to use capital receipts for revenue spending, but there are rules around what councils must use this money for. It must be for some sort of transformation that will ultimately reduce revenue spending over time. One of the things the council has used this for is paying down the pension deficit.
- Members heard the council annually reviews its estimates about how much money it will receive from both the Affordable Housing Fund and Section 106 contributions to avoid optimism bias.
- Members asked about how the council deals with miscalculations of capital project budgets. They heard the council uses industry standard project management contingency setting. For each of the key programmes there is a 5% contingency. The council also has a further central contingency allowance for major schemes and a general corporate contingency of £10 million per annum.

4. Adult Social Care and Public Health 2020/21 Capital Budget

4.1 James Partis presented the Adult Social Care and Public Health 2020/21 Capital Budget:

- Members asked about any investments being made in a new social care IT system. They heard that there is a two-year programme to explore the procurement of new social care management IT system. The timing has been deliberately staged to coincide with the corporate ICT programme.

5. Children's and Family Services 2020/21 Capital Budget

5.1 Sarah Newman presented the Children's and Family Services 2020/21 capital budget:

- Members noted there is pressure on secondary school places, but a surplus of primary school places. They heard that the council is profiling the numbers of children going through primary schools, so it understands the number of places that will be required in secondary schools. The council is working with schools about how it can creatively manage changing demographics.
- In terms of secondary and primary education, members asked whether the council would be able to access the grant funding it needs into the future. They

heard that while funding is tight, the council uses it creatively and looks for flexibility in the system. For example, primary schools increasingly have surplus space which could be used to meet the rising need for Special Education Needs (SEN) provision.

- Members enquired about secondary school places that were being filled by students from outside Westminster. Considering the pressure on secondary school places, they asked whether these should be filled by Westminster residents. They heard that under current law academies and free schools are able to offer more places if they choose to. The council receives basic need funding based on projections submitted to the Department for Education and must decide whether it works with an academy to invest space for more places.

6. City Management and Communities 2020/21 Capital Budget

6.1 Sara Sutton presented the City Management and Communities (CMC) capital budget:

- Members asked whether any investments were being made into technology to improve how the council manages waste. While not featured in this budget, the council would be looking at emerging green technology as part of a wider review of Smart Cities. This would cover waste and other areas like air quality. Members noted that, given the climate emergency, providing some of the figures for these potential schemes would help communicate what the council is doing in the environmental space. They heard the council was discussing a paper on green financing. There are also discussions with Cabinet about the potential of setting aside money in a reserve for a green investment fund.
- Members asked whether the public realm schemes posed any financial risk to the council. They heard that most of the public realm schemes are funded through either section 106 or 278 contributions. The schemes represent very little risk to the council as a contingency is generally factored in to them and the council undertakes an ongoing review of costs.
- Members asked whether changes in weather patterns, for example heavier rain which impacts on infrastructure, were factored into the council's projections. They heard that it affects the profile of work, particularly emergency and reactive work. The council hopes its new system LiDAR, which makes an assessment on the carriage-way using artificial intelligence, will help manage this. The council has also published its strategic flood risk assessment, which is part of the consideration for what the council might need to do in the future.
- Members asked about costing for the Seymour/Marylebone Library re-location project. They heard that based on the latest review, the costing looked about right. However, the council is also looking for external funding opportunities to bring this down.

7. Growth, Planning and Housing 2020/21 Capital Budget

7.1 Barbara Brownlee presented the Growth, Planning and Housing 2020/21 capital budget:

- Members noted the slippage of the Oxford Street programme and said the private sector may be reluctant to start making investments until it sees progress from the council. Members heard that the delay is partly due to the procurement period taking longer than expected. However, detailed costing for the programme has now being done and a programme director and contractor are now in place.
- Members asked whether there was a risk that private sector would not come through with expected investments for the Oxford Street Programme after the council had already started its planned investments. Members heard that all of the commitments the council has made would be funded by council funds. The funds from private sector are not yet assumed.
- Members asked for an update on the Huguenot House scheme. They heard it is a complicated scheme, but the council is in a better position now. It had previously looked at it from a purely property angle but is now approaching it from a wider development perspective. The figure of £60.124m is derived from an options appraisal. Members noted that this may not ultimately be the option the council goes ahead with, so this figure may change.
- Members asked how the council ensured it had the appropriate number of people resources. The council has expanded its development team, many of whom have learnt their trade at the council. The council also contracts people with particular experience as required.
- Members asked about rent levels for Targeted Housing for Vulnerable Households. The council said it would write to the task group with the information.

8. Westminster Housing Investments Limited 2020/21 Capital Budget

8.1 Barbara Brownlee presented the Westminster Housing Investments Limited 2020/21 capital budget:

- Members asked about the time period for loans to the WHIL. They heard the loans are not external borrowing—it is the council lending the money. The length depends on what the loan is for, with the development loans being about 3 – 5 years and the acquisition loans being longer.
- Members asked about transferring schemes between the Housing Revenue Account and the WHIL. The council does do this. Members heard the WHIL gives the council flexibility to fund schemes in the most appropriate way.

9 Growth, Planning and Housing – Housing Revenue Account 2020/21 Capital Budget

9.1 Barbara Brownlee presented the Housing Revenue Account (HRA) 2020/21 capital budget:

- Members asked how the council decides on the borrowing level for the HRA now that the borrowing cap has been removed. The council assesses affordability by making sure that financing costs over time are able to be covered whilst ensuring that there is no impact on other operational requirements of the HRA. The capital schemes are planned out over a period of time, are part of a 30-year business plan and are regularly reviewed.
- Members asked whether the council was comfortable that it has enough money to invest in major works to its existing housing stock. The council has an asset strategy which it reviews regularly. It also looks at the council's responsive repairs spend so it can invest money through the capital programme and save on an expensive repairs programme.
- In relation to the Infills programme, members noted that it seems to take a long time between identifying a site and work actually starting on the site. Members heard that the council has learnt a lot from the first round and now has a good internal process. The council has also built up relationships with good designers and contactors. This should contribute to a slicker process in future. There are about six sites with work happening and a number that have been completed.

10. Finance and Resources 2020/21 Capital Budget

10.1 Gerald Almeroth presented the Finance and Resources 2020/21 capital budget:

- Members asked how decisions are made around the property investment fund. They heard that all decisions go through a transparent process and if it was a significant scheme there would be a Cabinet Member report on it. The council needs to make sure the scheme is sound, and that it has thought about any risks within the scheme.
- Members asked about the timelines around the strategic purchasing of land for developments. The council generally takes a long view about purchasing land to unlock future developments. For example, it has recently put in an offer for a disused petrol station near the Ebury Bridge development.

11. MEETING CLOSE

11.1 The Meeting ended at 20:40

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Monday 20th January 2020**, in room 18.08, City Hall, 64 Victoria Street.

Members Present: Cllr Melvyn Caplan (Chairman), Cllr David Boothroyd, Cllr Tony Devenish, Cllr Murad Gassanly, Cllr Jonathan Glanz, Cllr Adam Hug, and Cllr Karen Scarborough.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Barbara Brownlee (Executive Director of Growth, Planning and Housing), Neil Wightman (Director of Housing), Bernie Flaherty (Bi-Borough Executive Director of Adult Social Care and Health), Houda Al-Sharifi (Interim Director of Public Health), James Partis (Programme Lead – Better Care Fund), Sara Sutton (Executive Director of City Management and Communities)

1. Welcome and Apologies

1.3 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Budget Overview 2020/21

3.1 Gerald Almeroth presented the budget overview:

- Members were advised about the financial outlook for local government, which had helped to inform the Council budget gap from 2020/21 to 2022/23, and the subsequent savings requirement over the next three financial years.

- The forecasted savings for years 2021/22 and 2022/23 are less than 2020/21. Members asked whether this was normal, given that all the potential savings for future years would not have been identified. They heard this is normal practice. Furthermore, the £2.5m gap for this year is fairly small. However, looking ahead, it is important to have a clear view of the medium-term position.
- Members heard that while the income from business rates has gone up in the last five years, income from the Revenue Support Grant (RSG) has gone down.
- Members asked about the impact of London Business Rates Pool ending. The council has received about an additional £5m from being in the pool and expects this figure to go down to about £0.6m.
- Members heard that the Government has not released modelling data for the Fair Funding Review. However, there are key factors that the council is aware of—for example, remoteness. Although at this stage, it is unclear what weighting these factors would receive.
- Some council wide issues are budgeted for centrally until required. Members asked whether the council was able to identify some of those issues now, for example, pressures from the London living wage. They heard that the estimate in the budget for the London living wage is £3.1m over two years. However, it could vary from that number.
- Members heard that the inflation rate of 2% is a general assumption. In making this assumption the council closely monitors real pressures. For example, changes in prices for social care and IT costs.
- Members asked whether a move to annual revaluations of business rates was good for the council in terms of income. Members heard this is a positive thing, as it keeps business rates in step with the economic situation.
- Members noted that some directorates had identified more savings than others. They sought assurance that all directorates were being challenged to come up with efficiencies. The council believes they are. Furthermore, the savings that have been put forward are a result of a single year process. Over the coming years the council will be looking to spread opportunities for savings across the directorates.

4. Adult Social Care and Public Health 2020/21 Budget

4.1 Bernie Flaherty and Houda Al-Sharifi presented the Adult Social Care and Public Health 2020/21 budget:

- Members heard that the number of residents in Westminster that are over 65 is increasing year on year.
- The council estimates that the number of clients known to Adult Social Care will lead to a 1.6 percent increase for the next few years.
- Members asked whether the council was thinking about how savings and efficiencies could be generated in future years. Members heard that a new social care system is being developed that would generate savings. The new system will involve elements such as strength-based practice.
- Members heard that there is ongoing work to assess further potential savings in the Adult Social Care budget over the next four years.

- Members noted that the Government has indicated its intention to remove ring fencing for public health budgets. Members heard it could end up as part of the Fair Funding Review.
- Members asked why the council was not using more of the public health reserve for investing in preventative health. They heard that, while at the beginning the reserve may have been set up as a contingency fund, it is now being used to supplement general public health spending. Consequently, the level of the reserve is on a downward trajectory.
- A sexual health screening contract will end in 2020/21. Members sought assurance that there would be sufficient alternative provision of the services that the contract covered. Members heard there would be a diversity of provision. Furthermore, the contract had performed poorly and the decision to end it was by mutual agreement with the provider. Members noted that many providers are at capacity.

5. Growth, Planning and Housing 2020/21 Budget

5.1 Barbara Brownlee presented the Growth, Planning and Housing 2020/21 budget:

- Members noted that the planning budget is in deficit because, under statute, the council cannot not charge fees at a level that fully recovers costs. Members heard that this has long been a lobbying issue for local government. However, the council is doing work to generate savings. This includes bringing Planning and Place Shaping together and reviewing two parts of the planning process where the council has control over what it charges.
- Members asked what proportion of the general fund budget is spent on temporary accommodation. They heard the net budget is about £4.5m. However, the council is contributing more from other sources such as the flexible homelessness support grant. All together it is about £8.8m.
- Members asked whether the profit from purchasing properties for Intermediate Housing and Temporary Accommodation purposes provided the Council with the optimal level of profit. Members heard that the Council is optimising income based on what the properties are intended to be used for. However, if more profit could be generated from the purchase programme then the Council would assess this.
- Members noted that the Westminster Adult Education Service (WAES) has to move premises in the coming years. However, they heard this would not impact on WAES's financial position.
- Members were interested in how the council deals with the rise and fall in numbers of planning applications. They heard that the council has a well-staffed department. In the past, it had not been caught out during busy times. It noted that the number of planning applications is hard to predict and there is not a strong correlation between the economy and the number of applications. Therefore, the council takes a prudent approach.

6. Housing Revenue Account 2020/21 Budget

6.1 Barbara Brownlee presented the Housing Revenue Account 2020/21 budget:

- The budget documents say that savings have not been identified yet as the Housing Team have been focused on incorporating the functions from CityWest Homes into the council, but that there will be a review to identify savings from 2021/22. However, members heard that savings from a restructure of top layer staff will actually lead to a saving of about £0.5m. A restructure of the next layer will be carried out next year.
- Members asked how the council deals with repair maintenance and skills shortages. The council is working with its term contractors. They have a strategy of trying to exit completely from the sub-contractor market, so they have much more control of their direct labour force. However, they still maintain some flexibility, particularly for specialist trades.

7. City Management and Communities 2020/21 Budget

7.1 Sara Sutton presented the City Management and Communities 2020/21 budget:

- Members asked about vacancy rates. They heard that a 5% vacancy rate was factored into the budget.
- Members heard the council has made a number of assumptions when coming up with the Late-night levy figure as there are likely to be a number of exemptions from the levy.
- Members asked what is driving the savings around sport centre contracts. They heard that it is mainly due to an increase in management fees which was already assumed on the basis of the contract signed.
- Members asked whether the council was considering emissions-based parking charges. The council is looking at options around this, but not for the coming year. Going forward, the council would be looking at its overall parking policy in the context of the climate emergency.
- There has been an increase in the charge for bulky waste. Members heard that there did not appear to be any unintended consequences from the increase. Westminster is about middle of the table in comparison to other boroughs in terms of the amount it is charging. Subject to review, the council is looking at a stepped increase to the charge.

11. MEETING CLOSE

11.1 The Meeting ended at 20:30

CITY OF WESTMINSTER **MINUTES**

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Tuesday 21st January 2020**, in room 18.08, City Hall, 64 Victoria Street.

Members Present: Cllr Melvyn Caplan (Chairman), Cllr David Boothroyd, Cllr Margot Bright, Cllr David Harvey, and Cllr Karen Scarborough.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Julia Corkey (Executive Director of Policy, Performance and Communications), Ezra Wallace (Director of Policy and Projects), Sarah Newman (Executive Director of Bi-Borough Children's Services)

1. Welcome and Apologies

1.4 Cllr Adam Hug and Cllr Tony Devenish sent their apologies.
1.5 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Policy, Performance and Communications 2020/21 budget

3.1 Julia Corkey presented the Policy, Performance and Communications 2020/21 budget:

- Members noted that in future budget documents it would be helpful to split the ward budgets and members expenses budget from the Cabinet Secretariat and Members and Committee Services budget.
- Members asked about the directorate's process for reviewing its budget. They heard that the senior management team had been through a review process over the past year which looked at all the staffing and non-pay budgets. The current budget reflects both the pressures and the underspend — in the past they had been recorded as off-setting each other, but members heard the way they will now be shown in the budget will be a more accurate reflection. The directorate was also reorganised last year and undertook a zero based budgeting exercise to agree the required level of staff to deliver the functions of the directorate.

- Members heard that advertising income from the council's outdoor sites is split across the directorate. It is used to off-set the cost of things like communications and events that the council funds. There are two prime generators of income from outdoor media sites — the Piccadilly Underpass and the Flame on the Westway.
- Members queried what the non-pay efficiencies were, as this was reflected against the "Policy and Projects" budget. They heard that this was related to expenditure on one off projects and research. They heard that the Policy and Projects category included expenditure on projects, campaigns and research. The saving may cover items of expenditure across the directorate.
- Members noted that sometimes the council may have to run a campaign on an unexpected issue; they asked where the money would come from in this situation, if a saving was being put forward by the directorate. They heard that going forward the process would involve the directorate having a conversation with the Finance department so that the required spend could be allocated to the appropriate directorate or given a one-off budget (as opposed to it being a part of PPC's ongoing budget).

2. Children's Services 2020/21 budget

2.1 Sarah Newman presented the Children's Services 2020/21 budget:

- Members asked where the risks were in the budget. They heard the directorate had tried to be sensible with its saving proposals. They have not sliced off small amounts from the various budgets, but instead have looked at how services can be delivered more effectively. For example, streamlining the pre-birth to 5 pathways to ensure there is no duplication.
- Members asked what the net cost is for the council is for Unaccompanied Asylum Seeking Children (UASC). They heard it is about £0.6m. Members then asked what discussions were happening with Central Government about apportioning cost in this area. The council is working with the hardest hit London authorities. It is also meeting regularly with the Home Office to highlight the pressures. The council is also making the point to government that it regionalised the adoption process, and therefore, it could also make sense to regionalise the processes around UASC.
- Members asked whether the council is looking at more money for youth services. They heard the council is looking at how it utilises what it has got in the best way so that the whole system is working. For example, the inclusion pilot which is working to keep children in schools.
- Members asked what efficiencies would drive savings in the education department. The council is looking at its offer to individual schools. It is developing a new SLA, whereas schools had previously bought their data packages from external providers that charged a lot. There has also been an increase of £2m for early years provision, and while that mostly goes direct to providers the council can retain 5% for delivery of services.
- Members noted some reduction in the spend on legal services. They heard that most of this was a result of practitioners representing themselves in tribunals as many had observed that legal support in these circumstances was not adding much value.
- Members asked where the council was in terms of its contractual position for passenger transport. The contract is tight in terms of performance, but it is the demand for the service that is driving the cost. The council is being strong on ensuring there is a robust eligibility policy.

3. Finance and Resources 2020/21 budget

3.1 Gerald Almeroth presented the Finance and Resources 2020/21 budget:

- Members asked about the assumptions the council has made around interest rates. The council's assumptions are based on its knowledge of what is happening in the present economic conditions. It does get advice from consulting professionals. Currently the council's average rate of return is about 1.1%. The council has to keep a lot of its money liquid as well as being very conscious of risk. Also, the recent PWLB rate rise of 1% has pushed up the rate of return in the local authority market which has resulted in the council being able to lend money to other councils at about 1.8%.
- Members noted that Property Services had been bought into the Finance and Resources Directorate. They asked what the directorate's process was around this? Members heard the fundamental job in Property is to make sure the council's assets are sufficient for what is needed and in the right condition to deliver what the council wants out of them. The council has developed a corporate landlord model. This is to help ensure the council as a whole is using its assets in the right way.
- Members asked about new the Capita contract for which the council is paying less than what it previously paid. Members heard that Capita wanted to keep the contract as it likely views the council as one of its flagship clients. It has also undergone a digital transformation to move processes to its own system, so it does not not have to pay a licence fee to an external company.
- Members were interested in the processes around the council's procurement service and how to make it successful. The council has implemented a business partner model that is aligned to the council's services and what they want to achieve. The council is also moving towards having the procurement team involved in major projects/programmes from the beginning. Members asked how the procurement team ensures that the client (the council) has enough expertise to properly define what it needs when procuring contracts. The procurement team has people working closely with the directorates from the start and who are part of the planning process.

11. MEETING CLOSE

11.1 The Meeting ended at 19:50pm.