



City of Westminster

Housing, Finance & Corporate Services Policy and Scrutiny Committee Briefing

Date: Monday, 12th June 2017

Author: Cllr Tim Mitchell

Portfolio: Cabinet Member for Finance & Corporate Services

Please contact: Lucy Hoyte x 5729
lhoyte@westminster.gov.uk

1 Corporate Finance

Final Accounts 2016/17

- 1.1 The Council's 2016/17 accounts were closed and sent for audit in 4 working days – 3 days earlier than last year. The external auditors provided a draft opinion on these accounts for the 9th May, also 3 days ahead of the prior year performance. The setting of such a challenging timeframe not only sets the Council apart from all other public bodies (and 95% of the FTSE-100), but allows financial management resources to be quickly focussed on supporting services in concentrating on the future rather than the past. A significant service transformational benefit also accrues through the setting of aspirational closure timeframes in so far as it enforces fundamental review of process and procedures and drives best practice. We will therefore be looking to improve on this timeframe next year.
- 1.2 The 2016/17 General Fund revenue position saw a net outturn of £17.201m underspend against the approved budget. This compares to a Period 10 (January 2017) forecast underspend of £15.273m.
- 1.3 As set out in the 2017/18 Budget Setting and Council Tax Report approved by Full Council in March 2017, £10.000m of the overall General Fund net underspend has been earmarked as a contribution towards the Pension Fund deficit recovery. Approval for such a lump sum contribution was contingent on the finalisation of the outturn position being broadly as then forecast – this being the case.
- 1.4 Net of the lump sum contribution to the pension fund, the remaining revenue underspend for the General Fund is thus £7.201m and represents 0.8% of the approved gross 2016/17 budget. This amount has been added to the Council's

general reserves – rising from £41.575m to £48.777m, again as broadly anticipated and approved in the 2017/18 Budget Setting and Council Tax Report.

1.5 The Housing Revenue Account (HRA) revenue outturn position shows a net surplus of £9.980m and compares to a budgeted surplus of £7.340m – a variance of £2.640m (2.6% of the approved gross expenditure). This surplus increases HRA general reserves from £31.606m to £41.586m.

1.6 The net general fund capital outturn variance of £23.513m represents 15.6% of the approved and re-profiled gross budget. It should be noted that the capital programme at the start of the year was £351.288m.

1.7 The HRA capital programme gross expenditure was £57.559m compared to an approved budget of £64.907m – a gross underspend of £7.348m (11.3%). On a net basis after income budgets of £28.652m and income outturn of £29.043m are taken into account the net variance is £7.739m before borrowing and capital receipts are applied.

1.8 The table below summarises the above headline outturn positions:

	Expenditure Budget (£m's)	Income Budget (£m's)	Net Budget (£m's)	Outturn (£m's)	Variance (£m's)	(%)age
Revenue						
General Fund	851.304	(851.304)	0.000	(17.201)	(17.201)	(2.0%)
Housing Revenue Account	101.656	(108.996)	(7.340)	(9.980)	(2.640)	(2.6%)
Capital						
General Fund	151.193	(74.794)	76.399	52.886	(23.513)	(15.6%)
Housing Revenue Account	64.907	(28.652)	36.255	28.516	(7.739)	(11.9%)

1.9 The Council's balance sheet net asset position reduced by £15.345m from £1.898bn in 2015/16 to £1.883bn in 2016/17.

1.10 The net assets of the Council's Pension Fund increased by £191.382m over the course of the year – rising from £1.066bn to £1.258bn.

1.11 All objections relating to prior years have now been cleared. There were no objections to the 2015/16 accounts.

1.12 The public inspection period for the accounts is now set nationally and will take place between 5th June and 14th July 2017 as per the Accounts and Audit Regulations 2015. The Accounts and Audit Regulations 2015 require all local authorities to standardise at least a part of the thirty day period during which their accounts are open for public inspection. For the financial year ended 31st March 2017 that period is between the 3rd and 14th July 2017. Therefore, until after 14th July the Council's external auditors are unable to formally certify the annual accounts.

1.13 The auditors have issued their provisional report, subject to the remaining period for objection, the key highlights from this are:

- The Council will receive an unqualified audit opinion and also an unqualified VfM opinion;
- There are no material errors in the accounts and no changes to the Council's financial position as a result of the audit;
- They report that the accounts submitted were of very good quality;
- Responses to queries were generally within a day and working papers were of a good standard
- There are four assessments under accounting policies, estimates and policies all of which are "green";
- Internal control checking identified 6 transactions of low value that should have been accounted for differently (they are immaterial and by way of context our gross expenditure is circa £1bn);
- Two issues from last year were both resolved;
- There is one adjusted misstatement and 5 misclassifications – all of which we have corrected and none of which affect the bottom line;
- The pension fund accounts are largely as the main Council accounts i.e. of a high quality and unqualified opinion;
- There are two comments both concerning pensions administration which the Council is addressing.

Business Rates

1.14 In the Spring Budget the government announced several changes to Business Rates, including:

- A supporting Small Business Rate Relief scheme;
- A £1000 allowance for public houses with a rateable value below £100,000;
- A Discretionary Fund for local authorities to assist businesses adversely affected by the Revaluation rateable increases.

1.15 Local authorities had been awaiting the completion of government consultation exercises and/or further details from the government in each of these 3 areas. However, the recent announcement of the General Election has put a temporary hold on DCLG announcements. Nonetheless, the government has confirmed the previously announced provisional funding allocations for the Discretionary Fund. Officers have now commenced investigating options for allocation of the funding. It is also envisaged that consultation will take place with the city's Business Improvement Districts (BIDs).

1.16 London Councils Leaders group have previously endorsed a set of broad principles to develop a devolution proposal for London. On the day of the Spring Budget, the Government published a Memorandum of Understanding signed by the Mayor, the Chair of London Councils and by the Chancellor of Exchequer. The Memorandum stated that "the Government will explore options for granting London government greater powers and flexibilities over the administration of business rates. This includes supporting the voluntary pooling of business rates within London, subject to appropriate governance structures being agreed". The Treasury and DCLG see pooling in 2018/19 as a precondition for a London full devolution potentially from 2019/20. A pool is where a group of authorities come together under the scheme for

the purposes of calculating the scheme's tariffs, top-ups, levies and safety net. The announcement of a General Election has also put a hold on further progress by London Councils / DCLG.

- 1.17 The Council achieved "in year" collection rates of 98.4% for NNDR and 96.4% for Council Tax. In both cases this is only 0.1% below the highest ever Westminster collection rates.

Discretionary Housing Payment Funding

- 1.18 The Government has announced the Council's Discretionary Housing Payment Funding for 2017/18. The funding of £1.4M represents a 47% reduction on our 2016/17 funding. A revised version of the Council's Discretionary Housing payment policy is currently being drafted. The policy will be subject to Cabinet Member decision.

Sundry Debtors

- 1.19 The automated invoice reminder process continues to work well, with BT providing a daily report of reminders issued the previous day. The direct contact project has resumed whereby we are supporting service areas to follow-up unpaid invoices by contacting the largest value debtors (exceeding £50k). Centrally, the pilot exercise with a third party provider to take further action on a small number of unpaid debts is being finalised and expected to be underway in June. The results will inform our strategy on debt recovery.

Accounts Payable

- 1.20 Invoice processing has resumed following the annual accounts finalisation. Further to service areas' performance review, "No PO, No Pay" will become compulsory from 1st June 2017. This means that invoices without a valid purchase order number received in Agresso will not be processed and/ or returned with a few exceptions, such as utility bills, precept/ levy payments. Ongoing instructions to service areas and suppliers have been issued following receipt of each non-compliant invoices; and a general communication was issued w/c 15th May to all WCC suppliers and service areas.

2 Corporate Property

Investment

- 2.1 At the end of the financial year 2016/17 the investment portfolio generated £26.9m against £24.5m at close 2015/16, an increase of £2.4m. Asset management of the portfolio along with rent reviews and lease renewals added £550,000 of additional income to the portfolio during the year and new lettings accounted for £335,000 of new income. The acquisition of 10 Orange Street in August 2016 generates a further £500,000 p.a. all of which supports the Council's front line services and housing

programme. In April the London Business School began payment to the Council of £1.2m p.a. under the terms of their lease with the Council.

City Hall Refurbishment

- 2.2** By 27th May all Council staff and Members will have vacated City Hall to either Portland House or 5 Strand. Moves have been well managed and staff have reported positively on their experience. City Hall will be fully vacated on 27th June when the last of the Council's tenants move out. Refurbishment works will begin in July and the programme of works is due to be completed in November 2018.

3 Corporate Services

People Services

- 3.1** People Services have been working hard to manage any potential impact for staff, assessing potential structures, and working with Bi-borough colleagues to create principles for the dissolution of the Tri-borough arrangements.
- 3.2** The Westminster Way Staff Awards ceremony will take place on the 22nd June. 169 nominations have been received, an increase on 110 nominations received last year
- 3.3** Changes to the IR35 legislation came in to effect on 6th April. People Services have been working closely with managers to determine the status of all agency staff.
- 3.4** People Services have been working closely with Finance to determine the impact of the Apprenticeship Levy.
- 3.5** Communications for end of year performance reviews have been circulated with further reminders going out. The deadline to complete end of year reviews was 28th April.
- 3.6** The Council's new 'revamped' corporate induction received a satisfaction rating of 5.6 out of 6 with the Lord Mayor delivering the opening presentation, followed by a senior leader.
- 3.7** The first phase of the Working the Westminster Way programme concluded at the end of April and welcomed over 1,000 band 1-3 colleagues since its inception in June 2016.

Procurement

- 3.8** The new temporary resources contract with Matrix Supply Chain Management (SCM) went live on Tuesday 2nd May. All new recruits will now be appointed through the Matrix system and all current agency workers will be transitioned to Matrix by 3rd June when the Comensura contract expires. Initial feedback from hiring managers and from Matrix has all been positive with 5 new requirements already successfully processed.

- 3.9** City West Homes have completed the procurement of 5 term contracts for maintenance services for the next ten years. They are Mechanical Services, Domestic Heating, Voids, Responsive Repairs and Electrical Services. Cabinet Member approval has been received and the contract award process commenced on 22nd May 2017.

ICT

- 3.10** Major IT works to support the City Hall decant continue. Further departmental moves to 5 Strand and Portland House have gone smoothly over several weekends and the major ICT decommissioning exercise continues at pace - with only 32 out of the 100circa legacy servers remaining switched on. The remainder will be switched off in mid-June. There has been no user impact reported to our service-desk to date.
- 3.11** Real IT Awards (RITA) 2017 took place at a ceremony held at the Hilton Bankside on Thursday 11th May. LBHF, RBKC and WCC won the prestigious Collaborative Enterprise IT Award for implementing Office 365 across all three councils enabling staff in shared services to work from anywhere from any device.

Digital

- 3.12** The Digital Programme Reset is well underway with good progress being made in each of the four work-streams.
- 3.13** The Procurement stream is working closely with Revenue & Benefits to examine opportunities/ options for operating model enhancements.
- 3.14** The Web stream is gathering data and conducting analysis to understand the usage, behaviours and technical configuration of our web platform ahead of our need to host transactional services.

Legal Services

- 3.15** Legal Services have been shortlisted as a finalist for the MJ Awards 2017 under the submission "Making a difference to the community through innovation in shared Legal Services." This is down to all their hard work in their journey from creating the shared services, to achieving savings and efficiencies as well as leading the transformation around O365.
- 3.16** Legal Services continues to lead on the use of Office 365. Colleagues within Legal have visited directorates over the last quarter showcasing the O365 apps and sharing their experience of how they are transforming how Legal Services work.

Thursday, 25th May 2017