AGENDA ITEM: X

City of Westminster Cabinet Report

Decision Maker:	**Cabinet**
Date:	**20th February 2017**
Classification:	**For General Release**
Title:	**2017/18 Budget and Council Tax Report**
Wards Affected:	**All**
Policy Context	**To manage the Council's finances prudently and efficiently**
Finance Summary:	**This report sets out the Council's financial framework for the 2017/18 financial year and Medium Term Future Funding Outlook**
The Report of:	**Steven Mair, City Treasurer Tel: 0207 641 2904 Email: smair@westminster.gov.uk**

Executive Summary

1.1 The City of Westminster is the UK's cultural and entertainment centre; the unrivalled destination for tourists and overseas visitors; a strong local economy; the home of retail; and the custodian of our country's national heritage as well as the home of government and the Royal Family.

1.2 The Council's core offer remains our guarantee of clean streets, low council tax, excellent value for money local services and support for the most vulnerable.

1.3 City for All is the Council's strategy for delivering this guarantee and making Westminster a city with global standards and the Council providing exceptional services.

1.4 To deliver this strategy, the Council has three clear priorities for 2017/18, each of which are underpinned by robust delivery programmes:

- The Council will place a renewed focus on how it supports the interests of residents whilst also recognising the very important role the city's businesses play in creating economic prosperity;
- The Council will place a particular focus on supporting the aspirations of families in the city; and
- As a global city with 24 hour demands that place particular pressures on our residents and businesses the Council will lead by example, setting the standard and working closely with partners to help deliver a world class city.

1.5 To support the delivery of these priorities and the underpinning delivery programmes, we will continue to embed the Council's values and behaviours for staff which underpin how it delivers services to its communities and how it operates as an organisation. They have been carefully defined to illustrate what is needed to enable Westminster to move forward and are summarised below:

- **Productive** – to show initiative, drive and determination and help others to be productive and make informed decisions;
- **Ambitious** – to constantly challenge, create new solutions and work as a team;
- **Collaborative** – to work with partners and show local leadership, we treat everyone with courtesy and fairness and challenge one another respectfully; and

- **Enterprising** – to constantly seek better Value for Money and to reduce cost, we seek to generate growth and take managed risks to achieve the best outcomes.

1.6 Our strategy for 2017/18 builds on strong foundations. Since 2010 we have continued to deliver a wide range of world class essential services despite unprecedented financial challenges and a rapidly changing environment, receiving consistently high resident and customer satisfaction ratings, as well as managing our services within budget.

1.7 These services include:

- Adult's Services e.g. adult social care integrated care services;

- Children's Services e.g. schools, family services, children's service commissioning and improvement and special education needs and disabled children;

- Public Health e.g. families and children's, substance misuse, health commissioning and sexual health services;

- Housing Operations e.g. homelessness and temporary accommodation;

- Housing Benefits e.g. administration of housing benefit payments to residents and housing providers;

- Housing Revenue Account e.g. the provision of affordable social housing;

- Development and Strategic Planning e.g. planning applications and enforcement, as well as developing the overall City Plan;

- Waste and Parks e.g. street cleansing, waste collection and provision of parks and amenities;

- Parking Services e.g. residential parking and paid for parking and enforcement;

- Public Protection and Licensing e.g. community safety, licensing and West End and city operations; and

- Libraries and Archives which also includes registrar services.

1.8 As well as dealing with funding reductions caused by the national austerity measures, the Council has had to respond to ever growing demands and other pressures on its services. Consequently, the Council has examined every area of operation to identify opportunities to reduce costs and generate additional income. The Council is also investing through its capital programme to ensure its property portfolio remains fit for purpose to deliver first class services and generate commercial income. This climate of austerity and increasing demands will continue for the foreseeable future but with our track record of continued leadership and management action the Council can deliver a balanced budget for 2017/18 and beyond.

1.9 There are two especially significant changes in the Council's current operating environment. Firstly, the withdrawal from the European Union (EU) following the referendum in June 2016 and secondly, the gradual move to fully localised business rates by the end of decade. The true impact on the Council of both these issues is not yet fully clear and brings both potential risks and opportunities.

1.10 The impact of the implementation of Article 50 will not be known for some time however the uncertainty over the outcome of the negotiations and timescales involved brings with it challenges in drawing up financial estimates and a long term strategic plan.

1.11 In particular, the future economic outlook and uncertainty caused by Brexit has the potential to impact on, amongst other things, interest rates (both for capital borrowing and investment of working cash balances), general inflation rates as well as specific issues such as labour costs in Adult Social Care and property values or rents. All of these factors, as well as the general performance of the economy and thus Central Government's potential ability to fund future public expenditure, could be affected by Brexit and this has the potential to impact on the Council's future financial outlook – either positively or negatively.

1.12 Within the existing Business Rates system, the Council must contend with the impacts of on-going issues, the decisions for which are beyond its control e.g. outstanding appeals which include those from prior revaluations. DCLG's spending power assumptions take inadequate account of original NNDR valuation errors when the 2010 List was first compiled and thus, despite real underlying growth in the Council's business rate taxbase, the Council has found itself with consistently and substantially lower NNDR yields than required to meet its DCLG-assumed Baseline Funding levels. This has meant that in each year since the introduction of localised business rates, the Council has been underfunded by the maximum 7.5% of Baseline Funding before the NNDR Safety Net applies. Until the system for dealing with valuation errors is corrected (currently believed to not be before 2022), it is expected to remain in this safety net position – for 2017/18, this shortfall in funding is calculated to be £6.33m. The total losses borne by the Council since the start of the localised Business Rates retention scheme, and not protected by the Safety Net threshold, will have totalled £30.64m by 2017/18.

1.13 Council officers are actively working with officials in the formal Systems Design Working Group (consisting of various local government representative bodies and others including: the Local Government Association; the Valuation Office; CIPFA; and DCLG) to engage with Central Government. The group is working to highlight on-going problems with Business Rate localisation arrangements and to propose viable, long-term solutions ahead of the full planned national localisation of Business Rates in 2020.

1.14 In addition to these two particular cross cutting significant changes, the Council will continue to face pressures arising through commercial, legislative, demographic and operational issues across the whole range of its services. Combined with these factors, the Council also has to finance contractual and salary inflation, pension cost increases, changes in national insurance and apprenticeship levy, capital financing and other pressures.

1.15 Despite these challenges, the Council continues to excel and deliver high-quality services focussing on meeting the needs of its residents and clients. This is as a consequence of long term planning and a transformational approach to service delivery. The Council is proud of its track record in rising to this financial challenge but is clear that financial discipline and prudence must continue to be at the core of its approach to budget setting.

Overview of the Financial Challenge and Environment

1.16 To meet the funding challenges in 2017/18, the Council has had to meet a total net savings requirement of £35.446m. This encompasses savings due to reduced government grants and cross cutting pressures and a further £10.729m to finance the net additional impact of direct service pressures resulting in total savings for 2017/18 of £46.175m. The proposals identified through the medium term financial planning (MTP) process to meet these challenges are set out in Schedule 4 to this report.

1.17 Following the offer of a four year funding allocation in the 2016/17 Local Government Finance Settlement (LGFS), the Council opted to accept this offer in order to gain some level of certainty on future funding and assist in service planning and collaboration with partner organisations. This gave the Council a Settlement Funding Assessment (SFA) reducing from £140.57m in 2016/17 down to £119.86m in 2019/20. The Council is assured by DCLG that by accepting this four-year deal it will not be worse off than if it had not taken up the offer. In line with Central Government conditions, in October 2016, an Efficiency Plan was approved by Cabinet, this was submitted to DCLG and approved by them and which has resulted in the Council receiving a four year funding settlement.

1.18 The savings challenge discussed above has arisen from reductions to the Settlement Funding Assessment (SFA) announced in the December 2016 Provisional LGFS for 2017/18 (still provisional at the time of drafting this report).

The SFA is comprised of Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR). Overall, RSG and NNDR fell from £140.568m to £130.571m, a reduction of £9.997m for 2017/18.

1.19 A more detailed examination of the December 2016 Provisional LGFS identified a further cash reduction discussed further in this report to the Council due to two changes in the way the New Homes Bonus (NHB) grant will be allocated from 2017/18. The Council did however receive a one-off new grant for 2017/18 to assist with Adult Social Care pressures.

1.20 The Council's forecast for its current year outturn has been improving over recent months and as at December 2016 indicates a closing position with an underspend against service budgets of £14.714m. The best estimate for the remainder of the year, taking into consideration all known risks and opportunities, will be for this position to marginally continue to improve. This will assist the Council in tackling its historic pension fund deficit and in meeting any emerging financial risks it carries whilst also strengthening its balance sheet both in terms of reducing liabilities and increasing its ability to absorb future potential financial shocks.

1.21 In respect to Council Tax, 2016/17 marked a change to previous years whereby authorities were previously offered an incentive in the form of the Council Tax Freeze Grant to not increase their element of Council Tax, however this is no longer the case. From 2016/17 those upper-tier local authorities who are responsible for Adult Social Care were also able to apply a new precept for Adult Social Care of up to 2% on their share of Council Tax bills for 2016/17. As part this flexibility local authorities must complete a declaration to DCLG within 21 days of their annual budget being approved by Council. This declaration will compare budget changes in adult social care to the rest of the general fund to demonstrate that the Council has spent the funds raised from the precept on the purpose for which it was intended.

1.22 DCLG confirmed in the December 2016 LGFS that authorities would be able to apply this precept again but would have the option of increasing the level of the precept by up to 6% over the next 3 years subject to a maximum 3% in 2017/18 and 2018/19 and 2% in 1919/20. It is recommended the Council opts to increase this element by 2% in 2017/18 to make the changes more manageable to our taxpayers.

1.23 This precept is included within the Council's proposed budget for 2017/18 and would raise £0.997m of additional revenue for Adult Social Care pressures based on a 2% increase. For 2017/18, Cabinet are asked to consider whether to recommend to Council an increase in the general Council Tax requirement by 1.90% (as set out throughout this report by way of illustration) - this would be below the referendum limit of 2%.

1.24 Central Government calculate the increases in Council Tax for the purposes of holding a referendum and include in that calculation the impact of the Montpelier Square Special Expenses. Since this element is rising by 38.5% in 2017/18, the maximum that the Council's share of Council Tax can increase is 1.90% before the need for a referendum to be held is triggered rather than the headline 2%.

1.25 As well as the revenue budget, the Council is in the early stages of an ambitious capital programme which is directly linked to the aims and objectives of City for All and PACE. The programme is set in detail over a five year period from 2017/18 to 2021/22 at a gross budget of £1.235bn (excluding the HRA) and is fully funded through the use of external funding, capital receipts and borrowing. Including the HRA, the gross programme for this five year period is £1.935m. Capital investment is targeted to deliver the aims of City for All, delivering affordable homes, improved facilities and well-maintained infrastructure and public realm. This will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism and continue to provide first class services for our residents. The Capital Strategy contains further details on the capital schemes and is reported separately on this agenda.

1.26 The Council tracks and monitors performance monthly and any risks are reported through routine management reporting along with the progress being made against the savings and growth targeted for the year. Westminster adopts a robust and pro-active approach to budget management, with a focus on strategic (corporate) and operational (service area) risks and opportunities.

1.27 A balanced budget will be set for 2017/18. Taking all these factors together the Council is well placed to meet its future financial challenges. On this basis the Council's 2017/18 budget is considered by the City Treasurer to be robust.

1.28 Throughout the process of setting the budget the Council has been very mindful of the impact of service changes or reductions on residents and the Equalities Impact Assessments (EIAs) are included in Annex C which decision makers will take into account when considering this budget report.

2 Recommendations

2.1 That Cabinet be recommended to approve the following:

- the 2017/18 budget, as set out in this report, and recommend to the Council the Tax levels (subject to their consideration of options around the potential to adopt any increase in the standard Band D amount) as set out in the Council Tax resolution at Annex B;

- that local element of Council tax is increased by 2% in respect of the Adult Social Care Precept as permitted by Government and anticipated in their Core Spending Power assumptions;

- that as a consequence of the general rise in Council Tax and the Adult Social Care precept the local element for Band D properties be confirmed for 2017/18 as £408.12 (subject to consideration of adopting any change to the standard Band D amount);

- that subject to their 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 2018, be as specified in the Council Tax Resolution in Annex B (as may be amended). That the Precepts and Special Expenses be as also specified in Annex B for properties in the Montpelier Square and Queen's Park Community Council areas as summarised in paragraph 6 of Annex B. That the Council Tax be levied accordingly and that officers be authorised to alter the Council Tax Resolution as necessary following the final announcement of the Greater London Authority precept;

- that the views of the Budget and Performance Task Group set out in Annex A be noted, considered and incorporated into the Cabinet's report to Council in accordance with the Budget and Policy Framework Procedure Rules in the Constitution;

- that the cash limited budgets for each service with overall net expenditure for 2017/18 of £173.850m (as set out in Schedule 3) be approved;

- that the City Treasurer be required to submit regular reports as necessary on the implementation of the savings proposals and on the realisation of pressures and mitigations as part of the regular budget monitoring reports;

- that the City Treasurer be delegated responsibility for any technical adjustments required to be made to the budget;

- that the cost of inflation, pressures and contingency be issued to service budgets if and when the need materialises, to the limits as contained within schedule 4;

- the changes in pension fund deficit contributions as set out in paragraph 5.34;

- that the views of consultees and consultation approach, as set out in section 21, be considered by Council;

- that the Council carries forward an unspent contribution from reserves balance of £1.0m into 2017/18 to support payments while options to absorb the expected reduction in Discretionary Housing Benefit payment from government are considered;

- that the proposed use of new capital receipts be used under the freedoms of the Flexible Capital Receipts regulations be used to fund revenue spend on City Hall, Digital Programme and Pension Deficit Recovery and leading to future on-going savings (and subject to review at year end to determine the actual costs, savings and financing by the City Treasurer) be recommended to Council for approval;

- that the Equality Impact Assessments included in Annex C be received and noted to inform the consideration and approval of this report; and

- that the Cabinet recommend that this report be submitted to the meeting of the Council on 1st March 2017 and Council be recommended to receive a speech by the Leader of the Council on Council priorities and financial aims.

2.2 That Cabinet consider recommending to Council that the local element of Council Tax be increased for Band D properties by 1.90% as exemplified throughout this report for illustrative purposes and propose substituted adjustments to the schedule of illustrative savings and growth items (as set out in Schedule 4) should they determine not to increase the Band D amount by this illustrative amount.

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 Department of Communities and Local Government (CLG). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

4 City for All 2016/17 Update

4.1 A selection of the Council's achievements and outcomes for the second year of the City for All programme includes:

Reputation of the Council

- 87% of residents are satisfied with the way the Council runs the City (up from 83% in 2012, and 19 percentage points higher than the national average);

- Westminster has consistently been a top performing Council in terms of customer satisfaction, but it has reached its highest levels in the last few years. It currently is at the highest level recorded since 2003;

- average satisfaction over the five years from 2012 to 2016 stands at 85% compared to 81% between the five years from 2007 and 2011; and

- 73% of residents in 2016 thought that the Council was efficient and well run, up from 62% in 2012 and the highest score ever recorded by the Council.

Council Tax

- Westminster has the lowest Band D Council Tax of any local authority in the country and is 45% lower than the Inner London average; and

- 66% of residents think the Council offers good value for money; this is 16% higher than the national average (50%).

Clean Streets

- despite the huge demands placed on services by the quadrupling of the Boroughs daytime population from workers, shoppers and tourists – and a flourishing night-time economy, 85% of Westminster residents are satisfied or very satisfied with street cleaning in the Borough – this is 14% higher than the national average.

Community Events and Participation

- over 13,000 time credits provided to volunteers across Westminster to spend on things they enjoy (March 2015 – October 2016);

- over 5,000 people took part in the 2016 Westminster Mile, the largest yet (5% higher than 2015); and

- over 25 shows took to Trafalgar Square to entertain the half million people watching the West End Live event. West End Live took place over the weekend of 18 and 19 June 2016.

5 <u>Financial Context</u>

Central Government: Funding Landscape

5.1 As noted earlier in this report, since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost and demand pressures within services. This process is on-going and will last for the foreseeable future and needs to be flexed as the Council develops a stronger understanding of future developments e.g. fully localised business rates retention and implications of Brexit. In November 2015 the Comprehensive Spending Review (CSR) set out the strategic direction for public expenditure. This confirmed significant reductions in the funding for Local Authorities. The Autumn Statement saw the focus move away from balanced public sector spending by 2020 – but has seen no reduction to previously planned reductions to local government funding up to 2020.

5.2 The Local Government Finance system is at a pivotal point, the previous system was highly centralised and allocated funding on the basis of relative needs and resources. By the end of the decade, this will be replaced with a fully localised system that is designed to make Local Government as a whole self-funding but consequently means that individual Councils will bear more risk than ever before.

5.3 This shift in risk has occurred since 2010, in the gradual move away from centralisation to that of localisation and greater emphasis on the provision of financial incentives in the funding system. The most visible examples were the introduction of the Business Rates Retention scheme, New Homes Bonus grant and abolition of Council Tax Benefit Subsidy. Projected national flat real growth in business rates poses real risks to the adequacy of long term local government funding.

Spending Review Updates

5.4 The Spending Review announced on the 25th of November 2015 outlined a number of significant changes to the Local Government funding regime, since when the following has occurred:

- the Council responded to a consultation from DCLG in October 2016 which included input into pilot schemes which commence in April 2017 ahead of the full localisation of Business Rates in 2020. As part of the full localisation, local authorities will be given the freedom to set a local business rate at any amount lower than the nationally determined uniform business rate (subject to the cost being borne by that council) in order to win new jobs and generate wealth. It is intended that this measure will strengthen incentives to boost growth, help attract business and create jobs.

- reforms to the New Homes Bonus (NHB) were announced and included the means of "sharpening the incentive to reward communities for additional homes" and reducing the length the grant would be paid (six years to four). The December 2016 settlement stated that in 2017/18, payments would taper down from six to five years and in 2018/19 would taper down from five to four years. Also, an annual national house-building baseline target of 0.4% is to be set before Local Authorities reach entitlement to NHB payments. New Homes constructed after initially being refused planning permission, by subsequently being approved on appeal may also in the future fail to qualify for NHB payments. The Council's expected allocation for 2017/18 for the NHB grant is £9.7m which is a reduction of £3.5m over 2016/17.

- the Apprenticeship Levy will commence from April 2017 and will involve the Council making a payment of 0.5% of relevant employee costs into a digital account which will then be used to fund the training and assessment costs of apprentices across the Council. The value of this could be up to £800k p.a. Funds paid into the digital account must be spent on approved training providers or will be repaid to the Exchequer if unspent for these purposes.

  This will not apply to apprentices who enter the Council's employment before May 2017. Apprentices currently working for the Council are employed by the London Apprenticeship Company but from May 2017 apprentices will be directly employed by the Council. Whilst this may result in additional costs, it offers more flexibility in how apprentices are managed. Furthermore, the Council could benefit from the increased range of apprentice training-providers who will need to be more flexible and competitive.

- the Government announced real-terms Public Health savings of 3.9% over the period 2015/16 to 2019/20. The government will also consult on options to fully fund local government's Public Health spending from their retained business rates receipts, as part of the move towards 100% business rate retention. The ring-fence on public health spending will be maintained for 2017/18.

- the 2015 Spending Review indicated that social care funds of £1.5 billion would be made available by 2019/20 (beginning from 2017/18) for local government, to be included in an Improved Better Care Fund. As part of the 2017/18 Technical Consultation on the Local Government Settlement, the Council reviewed and responded to DCLG on the proposals for distributing the Improved Better Care Fund monies annually to individual Councils between 2017/18 and 2019/20.

- the 2017/18 financial year will be the final year of the current funding arrangements for the Dedicated Schools Grant (DSG), prior to the introduction of the National Funding Formula from 2018/19. Modelling is being undertaken for the financial impact of the new National Funding Formula on Westminster's schools. Initial estimates suggest a significant reduction in funding due to an anticipated shift of funding away from London. The Finance team will work closely with maintained schools to assist them achieve a balanced budget under the new funding arrangements

Autumn Statement 2016 Update Including Economic Outlook

5.5 On 23rd November 2016, Chancellor Philip Hammond delivered his first Autumn Statement. In it he made a number of policy announcements including confirmation that the Autumn Statement will be abolished and the Budget will be moved to the autumn. The 2017 Budget (in March) will therefore be the last spring Budget, and there will be a further Budget in the autumn of 2017. A new "Spring Statement" will replace the Autumn Statement from 2018.

5.6 In addition to the policy announcements, the Chancellor also provided updates on public finances, and the overall national economic outlook. The key headlines for Westminster are summarised below:

Financial Implications for the Council

- Business Rates – The Autumn Statement confirmed announcements previously made in the 2016 Budget to provide £6.7bn of savings to businesses over a five year period against their business rates bills. This is expected to benefit up to 600,000 business rate payers by the permanent doubling of small business rate relief (50% to 100%) and increasing the threshold at which the standard business rates applies to £51,000 (impacting 250,000 businesses). The cost to local authorities of this reduced localised business rate income is expected to be met by an additional section 31 grant.

- the lowering of the originally proposed transitional relief cap in respect of NNDR increases caused by the 2017 Revaluation from 45% to 43% is marginally better news for Westminster businesses but is not the 33% reduction the Council or New West End Company (NWEC) had lobbied. The change has no effect on the Business Rates Retention Scheme, as the transitional relief scheme is designed to be overall fiscally neutral, and there is therefore no effective income impact to the Council but will impact on local businesses NNDR bills.

- the National living wage will rise from £7.20 to £7.50 in April 2017. The increase has the potential to increase costs of services for the Council within the Council's supply chain e.g. Adult Social Care and cleansing

- the increase in the Insurance Premium tax from 10% to 12% from June 2016 will result in additional costs for the General Fund of approximately £25k and £45k for the HRA.

- the Autumn Statement forecasted a rate of CPI of 2.3% in 2017, 2.5% in 2018 and 2.1% in 2019, this compares to 0.7% for 2016. The impact of an additional 1% increase of inflation on the Council's cost base is approximately £6m.

- National Insurance thresholds for employer and employees will be simplified by aligning the two. There will be no additional cost to the employee but employers will incur an extra cost per employee. This is not expected to be significant for the Council.

Efficiency Plan and Multi-Year Settlement

5.7 On 17 December 2015, DCLG announced their intention to offer Councils four-year funding settlements. The intention of this was to enable better forward planning by providing greater long term funding certainty.

5.8 The offer of a four-year funding settlement was optional, but required any Council which wished to accept the offer to strengthen their financial management and make efficiency savings. As such, the requirement to accept the offer was to produce and publish an Efficiency Plan detailing planned savings and showing how the certainty of a four-year funding settlement could be used to bring about the opportunities for further savings.

5.9 The Council reviewed the offer along with the opportunities afforded by it and decided to accept – along with 97% of all other local authorities. As required, it produced an efficiency plan, which also included proposals to utilise capital receipts to generate further revenue savings, as directed by the Statutory Guidance on the Flexible Use of Capital Receipts issued by DCLG in March 2016. The efficiency plan was approved by Cabinet on the 10th October 2016 and subsequently endorsed by DCLG.

5.10 The four year settlement will allow the Council to improve strategic decision making such as by maximising value for money with suppliers, use of reserves and prioritising funding for service levels.

5.11 It should be noted though that the four-year annual settlement for an authority is dependent on several variables. For instance, the Government will update the Business Rates multiplier which is inflated annually by the RPI rate in September of every year (changing to CPI in 2020). Also, future events such as the transfer of responsibilities to local authorities and transfers between authorities would impact an annual settlement. Furthermore, should any of the recent economic forecasts (e.g. borrowing levels, welfare savings etc.) slip or fail to be delivered, more savings from unprotected services such as Local Government may be required and so be reflected in future settlements.

5.12 The above was demonstrated in the December 2016 Settlement which included changes to the NHB grant which adversely impacted the Council's budget for 2017/18 and beyond.

Flexible Use of Capital Receipts

5.13 The Council plans to utilise the flexibility offered by Central Government on the application of capital receipts to fund certain revenue-related change costs. Included in the Council's approved Efficiency Plan from October 2016, was a strategy on the use of capital receipts under this provision.

5.14 The Council intends to apply capital receipts to fund the revenue expenditure of three projects which meet the criteria set out by DCLG. These projects are the City Hall Refurbishment which is expected to make flexible use of capital receipts to fund revenue to the value of £19m and the Digital Transformation project which seeks to achieve efficiencies in services by fully exploiting digital resources. The Council is also planning to utilise capital receipts to reduce the historic deficit on the Pension Fund and thus make future ongoing net savings of the annual deficit recovery payments. This has involved discussions with the Council's legal service, external audit and also colleagues from DCLG who have confirmed the acceptability of these proposals.

Adult Social Care Precept

5.15 The offer by the Secretary of State for Communities and Local Government to Adult Social Care authorities, effective from 2016/17, gave upper-tier authorities with ASC responsibilities the option to charge an additional precept on its Core Council Tax without the need to hold a referendum, to thus assist those authorities in meeting expenditure pressures in Adult Social Care.

5.16 There are on-going pressures on Adult Social Care budgets due to particular market cost pressures and forecast demand growth for care services as a result of increasing numbers of older people, people with disabilities and people with long term health conditions needing care. These demographic pressures are exacerbated by increasing pressure from hospitals to discharge patients in a timely fashion, particularly during the winter months. 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 – potentially exacerbated by changes to the Living Wage.

5.17 The state of the market and unavoidable cost pressures will continue to be a major challenge. Activity and level of complexity is increasing alongside demographic changes, workforce pressures from the London Living Wage and National Living Wage and the driving down of price are all major dynamics that are impacting on the availability and quality of services.

5.18 The Adult Social Care Precept, recommended to increase by 2% for 2017/18, will support the Council in affording the increasing cost of these pressures.

Sustainability Transformation Programme

5.19 The Sustainability Transformation Programme (STP) describes shared ambition across the NHS and local government to create an integrated health and care system that enables people to live well and be healthy. The Council lies within the NW London region with 7 other local authorities and 8 Clinical Commissioning Groups (CCGs). It is an NHS led process and a draft plan of NW London's STP vision was developed with involvement from commissioner, provider, local government and patient representative groups. The plan recognises funding pressures in both health and social care, and plans for transformational investment in community, prevention and social care services, in order to reduce cost and activity in the acute system and deliver better outcomes for service users.

5.20 Feedback from NHS England (NHSE) indicates that they were "*very impressed*" by the commitment to system-wide working and noted that the proposals have great potential to deliver the Five Year Forward View as well as provide a route to sustainably improve services for patients. The latest submission of the STP was made on 21st October 2016 with refined financial and activity data covering all 5 delivery areas.

5.21 To reinforce the joint approach across health and local government a new governing body, The Joint Health and Care Transformation Group, has been established to oversee the STP plan and allocation of transformation funding. This will help to support joint decision making and an exchange of good practice across NW London with strong local government involvement.

5.22 A Finance and Estates group has been established to develop a single unified financial plan for health and social care linked to the STP. Work is underway to support discussions about the allocation of transformation funding and improvements to the capital and estates strategy to support out of hospital care. The group is focussed on ensuring that:

- the impact of plans for shifting care from acute hospital settings to out of hospital and home care is understood and taken in to account in planning social care activity levels; and

- the local authority projections of the social care funding gap are prepared on a consistent basis.

5.23 At this stage, there is insufficient detail to determine what the full impact and risks and opportunities on local authorities will be from the STP plans. Indicatively, there will be an increased burden on social care services provided by local authorities but offset by funding to be devolved from the NHS. Projections indicate that the delivery of plans will take until at least 2020/21 to fully work through.

5.24 There is estimated to be £110m in total cash allocated to the 8 LA’s to support transformation programmes which deliver savings in the health and social care space. This will be split across the four years 2017/18 – 2020/21 and an indicative phasing of this has been given with £22m available for 2017/18, rising to £34m in 2020/21. This money is one-off and non-recurrent. It will need to be justified through the provision of business cases which demonstrate that value for money will be delivered through the investment of this funding.

Better Care Fund

5.25 Westminster has not yet received the funding allocation for the 2017/18 mainstream Better Care Fund (BCF). The latest position is as follows:

- guidance is expected to be available in February but may be later that month. There will be around 12 weeks (Stage 1 draft at 6 weeks and final signed off version at 12 weeks) to submit the plan;

- the plan is expected to cover two years and needs to include the local authority’s Joint Integration Plan;

- the extra money for adult social care for 2017/18 is expected to be branded iBCF (i for improvement) and will be reflected in the BCF total and will be ring-fenced to social care; and

- lobbying has taken place to support the grant going directly to local authorities and this is the case in the latest draft guidance (although not yet formally published). The grant will be attached with conditions that it should be pooled into the Better Care Fund.

5.26 The draft guidance outlines that the funding will be paid as a direct grant under Section 31 of the Local Government Act 2003. The Policy Framework sets out that the following conditions will be applied 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; and

- this funding does not replace, and should not be offset against, the NHS minimum contribution to adult social care.

Pension Fund

5.27 The overall Westminster Pension Fund includes the City Council's requirements as well as a number of other admitted and scheduled bodies – for example City West Homes. The Council's attributable share of the Pension Fund has assets totalling £671m.

Triennial Valuation

5.28 The triennial valuation of the Pension Fund has just been completed by the Council's actuary. The latest report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years 2017/18 to 2019/20.

5.29 The actuary reports that the employer's contribution rate is required to rise from the current 12.50% to around 15.83% in order to fully fund the cost of active members. The impact on the Council's on-going revenue budget of this revision is expected to cost an additional £2.5m over 2016/17 contribution rates.

5.30 As well as needing to make contributions into the Pension Fund for active members, the Council has to make contributions to address an historic funding deficit. The latest triennial valuation values the Pension Fund deficit at £285m as at 31st March 2016 compared to £320m at 31st March 2013. Despite the reduction, this positions the council as having one of lowest funded local government pension schemes in the country.

5.31 While the Pension Fund 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.

5.32 Strategies to reduce this deficit and the consequent interest costs have been explored with the actuary. A model has been produced whereby three one-off injections of £10.0m are made over the next three years together with three increases of £4.0m in the on-going annual contributions, followed by more measured increases thereafter to account for the impact of inflation. This allows the repayment period to fall to 18 years and delivers a significant reduction in the total interest to be paid. This has been determined to provide an optimal mix of maintaining annual affordability whilst also offering the greatest saving in overall cost. This scenario is estimated to reduce the total repayments to £453m with a fully funded position by 2033/34. It also enables the on-going contribution rate in respect of existing employees to be increased to 15.83% as outlined above.

5.33 This compares to a previous scenario whereby contributions increased at £1.5m per annum, no one-off contributions were made, and the repayment period extended to 2047/48.

5.34 The total saving to the Council in cash paid out compared to that previous scenario would be £335m. To recap, this is achieved as follows:

- Increasing the annual contribution rate by £4m per year over the next three years (£2.5m in the first year going towards increasing the existing employees contribution rate to 15.83%)
- making three one-off contributions of £10m;
- reducing the recovery period to 17 years from March 2017;
- thereby significantly improving the Pension Fund's position nationally as this moves towards a fully funded position by 2034.

5.35 The potential to make the three one-off contributions of £10m will be subject to the availability of either annual revenue resources (potentially from in-year under-spends) or capital receipts under the Flexible Use of Capital Receipts guidance published by DCLG. The City Treasurer will review the scope to use such resources as part of the year-end closure procedures. The performance of the scheme and deficit reduction strategy outlined above will be reviewed on a periodic basis to assess whether the strategy remains on track or whether further adjustments to payments or projections are required.

Government Actuaries Department Review

5.36 The Government Actuaries Department (GAD) undertook a review of all Council pension schemes during 2016, although it did not publicly release the findings as this first review was a fact finding and methodology testing exercise. We have, however, been given details of their last review, which found that in terms of deficit position the Westminster Fund was in the lowest (i.e. worst) decile across all schemes.

5.37 The Council's actuaries advise that should we opt to make the additional contributions outlined above, the Pension Fund's GAD-assessed rating and position would improve significantly. It is understood that GAD are looking to enforce remedial action on the worst-performing pension funds, which (unless our position can be improved) could result in the Council being publicly required to alter its deficit recovery plans without having the freedom to choose the timing or rate of such changes.

Governance

5.38 The Local Pension Board has just completed its first year and reported on its activities to the Pension 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.

The major governance development in the year was the issue of the Government's Criteria for Pooling (November 2015) that requires all local government pension schemes in England and Wales 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 Councils are members of the London Collective Investment Vehicle (CIV), set up to facilitate joint procurement of investment managers, with the objective of savings costs. One of the Westminster fund's existing investment mandates has already been transferred to the London CIV, another two are expected to transfer within months and a fourth was subject to a London wide fee arrangement that substantially reduced costs.

Wider Environment - "Brexit"

5.39 On the 23rd June 2016, the majority of voters elected for the Country to withdraw from the European Union (EU). In the period afterwards:

- the economy experienced adverse consequences through falling values in currency and the stock-market; and
- both public and private sector organisations were left facing uncertainty on a range of issues including impacts on workforces, interest and inflation projections and macro-economic outlook

5.40 The exact details and implications for the UK and the Council from exiting the EU cannot be fully determined until there is more clarity on:

- exactly what is being negotiated and therefore the extent of any withdrawal i.e. the future relationship between the UK and European and non-European nations; and

- the timeframe for negotiations and implementing the outcome of these negotiations.

5.41 Some commentators, such as the Institute for Fiscal Studies, have considered the potential implications of a withdrawal on the UK's public finances. Some of these may have more of a direct impact on the Council than others. Also, some of these may be short term whilst others have longer term implications.

5.42 For instance, one of the most visible examples of a short term effect following the referendum has been the fall in value of Sterling as a result of the reduction in demand for Sterling-based assets. Consequently, in theory this could lead to higher inflation due to the rising price of imported goods which could also erode spending power and therefore result in lower demand. Higher inflation impacts the Council two-fold in that the Council's contracts will be indexed annually based on this higher inflation value and because the Council may have to pay more for general goods and services. Additionally it could impact on future local government pay settlements.

5.43 Over the medium to long-term, a withdrawal from the EU may potentially have implications on trade costs between the UK and European nations, foreign direct investment into the UK, regulatory changes and net migration.

Brexit Impacts on Treasury Management

5.44 The Council's Treasury advisors advised that "Brexit" could have both indirect and direct impacts on the Council and its investment counterparties. For instance, the decision by the Bank of England after the referendum to reduce the Bank Rate to 0.25% directly impacts on the Council as returns on investments are likely to reduce. The Government's long-term approach to monetary and fiscal policy and therefore the impact on the Council will be influenced by a potential withdrawal from the European Union and the path this takes.

5.45 The indirect impacts of withdrawing from the European Union are harder to identify at this stage but one such example cited by the Council's Treasury advisor is that of "passporting" rights for financial institutions. For example, the Council currently invests with financial institutions based in London who possess "passporting" rights which enable them to sell their products and services across the European Union. If any company or financial institution did relocate to Europe away from the UK (as some sector commentators have suggested may occur) due to the UK withdrawing the European Union, their domicile status would change and so could mean they fall outside of the Council's sovereign rating criteria and thus lead to a required change in the investment portfolio mix.

Impact of Brexit on Capital Programmes and Property

5.46 The general uncertainty of Brexit has implications for a number of factors within the Council's capital programme including, but not exclusively, borrowing rates, inflation, property prices and rental markets.

5.47 Initial expectations were that the referendum decision would see a decline in the property market which was reflected by property firms introducing uncertainty clauses within their valuations. These uncertainty clauses were designed to reflect the reduced probability that valuers' assessments of a property's worth would actually be realised if sold. The capital programme is also significantly reliant on capital receipts from sales funding the programme. Any fall in the property market may impact upon the affordability of certain schemes. Consequential changes to rates of return would also impact on commercial rental streams.

5.48 By September 2016 however, property firms had removed these uncertainty clauses to reflect the current position within the market. This however does not remove the risk that previous valuations may now be overstated, although it does suggest the initial concern around the referendum decision has subsided, at least in the short term.

5.49 The Council will continue to review and plan for developments related to the above as matters arise, these include:

- how negotiations on withdrawing from the EU could impact the retention and wage costs of certain sectors and therefore the Council such as in the case of social care e.g. care homes. According to one estimate, three out of five care workers in London were born outside of the UK and of this 28% in the EU;
- modelling how unexpected "spikes" in inflation could impact the Council's gross expenditure e.g. contract costs, utilities and supplies and services;
- examining potential risks and ensuring that there are adequate resources set aside to mitigate or manage these in the short term; and
- utilising all possible means such as: the offer of a multi-year finance settlement; flexibility on using new capital receipts to generate efficiencies; and regular project monitoring.

Business Rates

5.50 The current Business Rates Localisation Scheme whereby local authorities retain 50% of their NNDR tax yield (30% Westminster and 20% GLA) was introduced from the start of 2013/14. A series of top-ups and tariffs was applied to re-distribute these locally retained shares back to a starting baseline position – after which local authorities would benefit from subsequent growth, or bear their share of the losses (down to a capped level of loss at 7.5% below Baseline levels). As part of a pilot arrangement the GLA will retain 37% of the yield from 2017/18 – offset by a lowering of the DCLG share.

5.51 Government intends to amend this system by 2020 so that all business rates are retained by local authorities. At the same time, they will revise the data and formulae used to determine the SFA and re-baseline local authority needs assessments. This system reset has the potential to see further changes to the Council's funding assessment and lead to further reductions beyond 2020/21 (subject to any damping arrangements that apply).

5.52 Westminster would have seen real growth in its NNDR yield since 2013 had it not been for the impact of back-dated appeals against the original 2010 rating assessments. The Council has experienced a very high number of appeals (over 40,000 by the end of November 2016) of which around 30% have been successful. Of these, 71% by value have been back-dated to 2010/11.

5.53 The Council is protected from losses caused by these back-dated appeals where net retained yield falls below 92.5% of Baseline funding levels.

5.54 Westminster has been below this level in every year since 2013/14 and the operation of the local NNDR retention scheme. As a consequence it has seen combined losses of over £30.64m so far when compared to DCLG's available spending power assumptions. Without such back-dated appeals the Council calculates it would in fact have experienced real growth above Baseline rather than suffered these losses. Officers are working with DCLG to resolve this issue, but fear a fair resolution might not be seen until at least 2022.

6 <u>Key Legislative and Policy Initiatives</u>

6.1 A number of financial uncertainties which could have material impacts on the Council's activities with potentially significant financial consequences have been identified as the result of legislative and policy changes. These are outlined below.

6.2 New Policy Initiatives

a) Devolution to London: health, employment and skills

As in previous years, London Councils and the Greater London Authority (GLA) put forward a Spending Review submission setting out proposals for devolution and reform in relation to employment, skills, business support, crime and justice, health and housing.

The core proposition was that London, like other cities, should have significant responsibilities devolved from the national level, allowing us to stimulate growth, boost housing supply and deliver more effective outcomes within a tight public spending settlement. Tackling these issues locally, through integrated working, would allow us to focus on avoiding the costs of failure and to manage services sustainably in the face of rising demand and continuing fiscal restraint.

b) Work and Health Programme

Government announced in the Autumn Statement the devolution of the Work and Health Programme (WHP) to London. The agreement is that London, via its four sub-regions, will lead and own a devolved programme that will be qualitatively different to the national Work and Health Programme and will provide greater opportunity for local investment, integration and innovation. The Council will have a role in commissioning the Work and Health Programme across the central London sub region.

WHP is the national programme that will replace the previous employment support programmes, Work Programme and Work Choice. The new programme will last for four years with a two year tail off period. The funding envelope for WHP is significantly smaller than previous programmes; this means that many residents with a health condition or disability may not have access to an intensive, specialised, employment support offer. However, devolved Work and Health Programme offers sub-regions the opportunity to unlock future funding, access to local brokerage and public services, driving co-investment and opportunities to locally test what works with cohorts that have 'high costs and offer high savings' to public services.

c) Skills

The skills system in England has been widely criticised for being too complex and insufficiently responsive to the needs of businesses and the local economy. In London (and central London in particular), this problem has been particularly acute. The Government has sought to respond to this problem in two ways. Firstly, by launching an Area Based Review in London (and elsewhere) to look at whether the skills system was financially viable and had the capacity to meet the needs of learners and employers. More recently, it has signalled a willingness to devolve aspect of the skills systems to London as part of the London devolution deal.

- Area Based Review. London's Area Based Review has been carried out over the summer and early Autumn and has consisted of 6 meetings of sub-regional steering groups that include all the further education (FE) College Principals and Chairs, with input from the FE Commission, Joint Area Review Delivery Unit (JARDU) and the funding agencies. Each sub regional steering group is producing a report with recommendations both on mergers and on how the implementation of the recommendations will be governed

- Devolved budgets. The government confirmed in the Autumn Statement its intention to devolve the budget for 19+ adult skills (£400m per year across London) in 2018.

d) A New London Plan: A City for All Londoners

The Mayor of London has published a document entitled "A City for All Londoners" which sets out his "vision for a better city for all Londoners". It is intended to set the tone for the London Plan and other Mayoral strategies and the direction of travel for his Mayoralty. Although there are clear changes in emphasis and language, the document does not presage any radical changes in policy direction. The London Plan and other strategies are likely to focus on the spatial, environmental and social consequences of population growth and how it can be accommodated; the challenges of Brexit; and delivery of infrastructure as resources (particularly for transport) are increasingly constrained.

e) Housing White Paper

On the 8th of February 2017, the Government published its Housing White paper. The paper set out proposals on the delivery of end to end housing which included:

- planning for the right homes in the right places;
- building homes faster;
- diversifying the housing market; and
- helping people now.

The implications of the proposals as set out in the White Paper are currently being evaluated in order to ascertain how they might benefit the Council's delivery of services and financial position. This evaluation will address, amongst other things:

- how the proposals may impact on the Council's ability to support the provision of more, and affordable homes, within the area;
- the impact of potential flexibility on possible changes to the HRA borrowing cap;
- the provision of utility infrastructure within the area;
- the implications on the Council's overall planning strategy;
- potential financial impact on CIL / s106 agreement income (and its use); and
- future social housing rents and overall funding they deliver to the HRA

f) Mayor's Supplementary Planning Guidance on Affordable Housing

The Mayor has set out a number of measures that will contribute to achieving his manifesto pledge of delivering 50% of new homes as affordable across London. This includes:

- publishing draft supplementary planning guidance (SPG) that sets a new 35% threshold to influence what viability evidence developers need to provide for affordable housing;

- introducing new mechanisms for the Mayor to review completed developments and require developers to make a greater contribution towards affordable housing if the viability is more favourable than estimated at the time the permission was granted;

- changing the tenure mix from 60% social housing and 40% intermediate housing to 30% social housing, 30% intermediate housing with the remaining 40% to be determined by boroughs. The SPG prescribes which intermediate products should be developed (London Living Rent or shared ownership);

- creating new conditions on development sites that benefit from grant to fund affordable housing to increase the amount of affordable housing that is expected to be provided; and

- creating new conditions to require developments on public land that provide affordable housing not to result in a subsequent uplift in land value.

The Council has responded to the mayor’s consultation on the proposed changes and there will continue to be on-going engagement as these are shaped and decisions are taken by the Mayor on the extent to which these will be incorporated as part of the new London Plan.

g) West End Partnership

Formed in 2013, the West End Partnership (WEP) brings together senior public service and private sector leaders, academic experts and resident representatives.

All key stakeholders have come together in the WEP to design, implement and fund a £1 billion (real terms) strategic investment programme for the West End over the next 15 years. The investment programme comprises more than 40 projects to transform the West End’s infrastructure, competitiveness and productivity and includes a range of projects to improve the area's public realm; energy, broadband and waste infrastructure; traffic management; employment, skills and enterprise; freight and traffic reduction; security and safety; and inward investment promotion.

As part of this programme, a "Case for the West End" funding plan was submitted by the West End Partnership to the government during this financial year and was widely supported by partners in the West End. The funding mechanism will be confirmed as part of these discussions. One of the options with a strong rationale is a mechanism linked to Business Rates, if Westminster City Council retained locally 6.5% rather than 4% of the £2.1 billion Business Rates collected by the authority, this would provide over £400m of new public funding over fifteen years. This would be invested in infrastructure improvements and encourage inward investment which, from initial estimates could create £12.3 billion in additional economic output and generate at least £2.5 billion in additional tax, as well as over 100,000 new jobs and productivity gains in the UK economy.

The Council's original intention was to secure approval for the proposals in the Autumn Statement but following changes in the government it became clear that this year's statement was to work differently – less of a set piece setting out of funding plans and not all funding announcements made in either the statement or the Budget.

The economic and fiscal case for the West End has been well received by officials and now has good political support. It is believed that Ministers will be considering it shortly in the light of the macro-economic priorities the Chancellor began to outline in the Autumn Statement.

h) Local Government Finance Bill

The Local Government Finance Bill was introduced in the House of Commons on 13 January 2017. The overarching purpose for this is to provide the framework for the move to 100% local retention of Business Rates; specifically, this bill also sets out arrangements for:

- the ability for local authorities to reduce the national business rates multiplier in their local area to provide an incentive to boost growth in local areas;

- the GLA and other mayoral combined authorities to be able to raise a levy on business rates to help deliver infrastructure spend that promotes economic development;

- HM Treasury to be able to specify the measure of inflation to be used in determining the multiplier (currently it is the retail prices index). This will allow the Government to fulfil the commitment made in 2016 to move indexation of Business Rates to the generally lower CPI;

- a new relief for Business Rates for five years for the installation of new optical fibre;

- measures allowing billing authorities in England to make property owner arrangements and impose levies in Business Improvement Districts to support local regeneration. This will only occur if the majority of property owners in the proposed area have voted to do so;

- measures giving HMRC power to incur expenditure on digital services with the purpose of facilitating the administration or payment of Business Rates in England;

- the power to require billing authorities to provide online billing services where a ratepayer requests this;

- amendments to the current local government finance settlement process and the related approach to the setting of Council Tax referendum principles. This should give the Council greater financial certainty in between business rate reset periods;

- Local Government being able to keep 100% of growth in business rate income between reset periods. This is not the case at present due to the Levy and its removal is intended to further incentivise growth; and

- the Bill makes no specific mention regarding the problems caused by loss of yield relating to appeals caused by initial valuation errors which is a particular issue facing the Council as discussed previously in this report.

7 Local Government Finance Settlement 2017/18

7.1 The Provisional 2017/18 LGFS was announced on the 15th of December, and set out the following:

- the most significant element of the LGFS announcement for the Council is the Settlement Funding Assessment (SFA) which has fallen from £140.568m to £130.571m in 2017/18, a net reduction of £9.997m. This was in line with the Council's MTP assumptions based on provisional settlement information released in the December 2015 four-year LGFS;

- however, in addition to the reduction in the SFA, the Council incurs a further loss in 2017/18 due to a change in methodology for allocating the New Homes Bonus (NHB) grant;

  - the first change, the "tapering" of the grant payments from the earlier years of the NHB scheme had been anticipated and modelled in the Council's MTP assumptions based on earlier announcements; however this change was more severe than expected in that it has been retrospectively applied to prior year allocations rather than being applied solely to new grants;

  - the second change, the introduction of a national 0.4% housing growth target was new and so could not have been reasonably foreseen in the Council's financial modelling. This new 0.4% threshold has to be met first before NHB can be earned and so effectively reduces what the Council would have previously received as NHB grant; and

  - the total changes above equate to a £3.5m cash reduction over and above what had been modelled in the 2017/18 MTP process.

- the Government's rationale for the changes and reduction in NHB has been to re-direct this funding towards Adult Social Care pressures. Therefore as part of the 2017/18 LGFS, a new "one-off" 17/18 Adult Social Care Support grant will be distributed to authorities based on the 2013 Relative Needs Formula. The Council's share of this new one-off grant is £1.3m and whilst this partially compensates for the overall effects of the above £3.5m loss in NHB grant, out of the 21 authorities in London who lose more in NHB grant than gain from this new Adult Social Care Support grant, the Council ranks as losing the second highest amount.

- as part of the Settlement, DCLG calculate the "Core Spending Power" for each authority to compare year-on-year changes in total revenue resources. The headline reduction for the Council in 2017/18 compared to 2016/17 is a 3.5% reduction in Core Spending Power. The average reduction across England was 1.1%.

- it should be noted that the Core Spending Power assessment by DCLG makes a number of assumptions around decisions by local authorities such as increases to their Council Tax by maximum levels and being able to generate NNDR income at the assumed levels (something particularly problematic for Councils such as Westminster who are suffering the impact of historic ratings appeals decisions). The Council again projects a loss of £6.33m due to Business Rates appeals and losses which is not included in the Government's Spending Power assessment calculation. Since the introduction of the 50% Localised Business Rates Retention scheme, the losses predominantly caused by back-dated appeals has cost the Council at least £30.6m in losses to the Safety Net. Indeed, without the impact of fully back-dated appeals, real underlying growth might have seen an actual surplus above SFA levels. Also, the Core Spending Power calculation includes revenue streams such as the Improved Better Care Fund and new Adult Social Care Support grant which are effectively already "earmarked" for Social Care activity and accompanies additional spending pressures.

- the option to increase Council Tax by an additional amount, i.e. the Adult Social Care precept, without a referendum has been amended to allow a maximum 3% increase for 2017/18. The Adult Social Care precept has to be used to fund pressures in Adult Social Care.

- an additional 2% for the precept would raise approximately £997k in income, which the Council would be required to separately disclose on the Council Tax Bill and demonstrate how these funds had been targeted on additional adult social care spending

7.2 The Final Local Government Finance Settlement has not been released at the time of circulating this report and is expected on or around the 22 February. The City Treasurer will provide an update on any announcements made by Ministers subsequent to despatch at the meeting.

8 Financial Context

Underlying Financial Strategy

8.1 The Council's financial strategy is to:

- balance recurrent expenditure with estimated income in order that the Council has a sustainable financial position, is able to deliver on its key objectives and successfully operate in a radically changed financial environment;

- maintain an appropriate level of reserves to protect the Council against future budgetary impacts and the continuing financial pressures which the Council faces;

- where opportunities arise, reduce liabilities to strengthen the Council's balance sheet to provide long term financial benefits. Specifically the long term benefit of investment in the Council's Pension Fund will be considered where possible in the event of one off underspends over the course of the next 3 financial years by up to £10m per annum – this could include the flexible use of capital receipts;

- continue to proactively explore with partners possibilities of pooling resources to achieve joint outcomes e.g. STP and BCF;

- risk manage its budget estimates to ensure that they are robust and, to ensure that the budgets agreed are managed and delivered in year as required;

- operate to the highest standards of financial management in all areas in order that the Council's finances are robustly secured, value for money is obtained, all professional standards are properly maintained, step change improvements in finance are brought about at pace and rigorous review and quality assurance of all financial matters is undertaken;
- investigate and pursue external funding opportunities that are appropriate for the Council;

- plan over a medium term of 10 years in order that the Council is fully informed as to future scenarios and can prepare appropriate action; and

- challenge and improve all financial management practices seeking to (by way of example) minimise cost, maximise working capital opportunities, pro-actively manage its balance sheet, operate rigorous financial modelling and budget management, ensure financial advice is of the highest quality and bring about step changes improvement in its accounts.

8.2 The Council will deliver a balanced budget for 2017/18, as it has done in previous years, despite the considerable reductions that have already been addressed over the last four years and are likely to be faced over the foreseeable future. The Council's finances have been on a strengthening trajectory in recent months and continue to be so as the year-end approaches. As part of year-end planning it is intended to strengthen Earmarked and General Reserves in line with the Reserves policy. In line with Council practice, any further reductions in specific grants will be matched by reductions in associated expenditure.

9 Financial Performance – Revenue 2016/17

9.1 As at December 2016 (Period 9) the Council is forecasting a favourable variance to budget and over recent months has seen service departments generally under spending with some additional positive income variances. The expectation for the remainder of the year will be for this position to marginally improve, however the Council is also reporting as at Period 9 net risks (unfavourable) of £2.529m.

9.2 The reported favourable balance as at Period 9 of £14.714m is largely due to:

- City Management and Communities who are projecting a surplus of £12.245m of which £9.5m is from additional income from parking bay suspensions, including unauthorised suspensions. A further £1.25m is due to increased income in Public Protection and Licensing (e.g. licensing and enforcement of penalty charge notices);

- Growth, Planning and Housing who are projecting a surplus of £713k of which £303k originates from the Westminster Adult Education Service due to savings on staffing following an internal restructure in the service and a further £300k relates to over-delivery of planning application fees in the Planning service;

- Children's Services who are projecting a surplus of £401k due to underspends in Children's Services Commissioning of £816k largely from early delivery of savings in legal, youth and early years. There is a further surplus in Children's Finance and Resources of £714k but is offset by overspends of £672k in Family Services and £494k in Education and Disability; and

- Corporate Services are who are projecting a surplus of £215k; this is largely due to savings on salaries (e.g. £200k from part year vacancies Procurement Development and Category Management).

9.3 Fundamental to any well managed organisation is a strong finance service. In times of unprecedented pressure on public sector finances this becomes all the more pertinent. Within Westminster City Council the finance service has been developed to lead the industry in its innovation, quality and value added to the organisation.

9.4 An illustrative list of the activities the service has undertaken during 2016/17 to raise standards are as follows:

- business planning processes which placed the achievement of City for All objectives and staff engagement at the heart of everything they do;

- implementation of the CIPFA FM model of self-assessment to review the organisation's financial management arrangements against best practice;

- a continued focus on working capital management and specifically the reduction of outstanding debtor balances;

- a comprehensive training and development programme putting staff at the heart of our business;

- working to embed best practice project management within the department;

- systematic programme of staff engagement and communication;

- culture change with the promotion of an enhanced positive creative attitude and ambition for instance through piloting Agile Ways of Working;

- a review of a wide range of strategies and processes to reflect a best in class service;

- introduction of a coaching mentality across the finance team to further drive culture change and staff empowerment;

- improved capital processes by embedding a more rigorous check on capital schemes, ensuring they fit strategically with City For All;

- quarterly full close down of accounts; and

- completion of a continuous programme of improvement for the Statement of Accounts.

9.5 Together with the work undertaken during 2015/16 to establish a firm foundation to underpin performance, these actions are now providing outstanding levels of performance. During 2016/17 the service was highly commended in the Municipal Journal Awards. In addition the department won team of the year in the Council's Westminster Way awards, evidencing the value placed in the service by colleagues across the organisation.

9.6 The finance service is seeking to achieve further improvements, efficiencies and achievements in 2017/18 in line with the department's drive for continuous improvement. This will be achieved through the motivation and empowerment of a workforce which is now industry leading across many of its functions.

10 <u>**Revenue Budget 2017/18**</u>

Funding Gap

10.1 As noted in Section 1 to meet the funding challenges in 2017/18, the Council has had to meet a total net savings requirement of £35.446m. This encompasses savings due to reduced government grant, capital financing costs, inflation (contractual and employee), pension deficit contribution, impact of national insurance changes and NNDR shortfall caused by back-dated appeals totalling £46.175m and £10.729m to finance the net additional impact of direct service pressures.

10.2 The savings agreed in the MTP process are summarised as follows:

Table 1: MTP Budget Change Classification

Budget Change Category	£'000	%
Financing	6,885	14.9
Commercial	16,261	35.2
Transformation	9,100	19.7
Efficiency	13,327	28.9
Service Reduction	601	1.3
Total	**46,175**	**100.0**

Approach to Meeting the Funding Gap in 2017/18

10.3 The process for identifying the 2017/18 savings proposals was begun internally in May 2016. A number of proposals approved in the 2016/17 budget will deliver further full year benefits which then deliver additional savings for 2017/18; and a number of savings for 2017/18 had been identified in the previous year's medium term planning rounds.

10.4 These proposals were therefore revisited to assess their viability and the scale of saving that could be delivered in 2017/18. As the totality of these proposals brought forward from the previous year's process would not deliver the full amount of efficiencies required, officers were asked to make further proposals for savings and these were considered at a series of monthly "Star Chamber" meetings up until September 2016, along with the updated position on the projected budget.

10.5 Regular liaison and leadership by Cabinet continued throughout the process. The position was refined when the provisional LGFS was announced at the end of December 2016. Presentations for the Budget and Performance Task Group were drafted in December and finalised in January 2017.

10.6 The above process enabled substantial consideration and discussion both by officers and members to clarify achievability and acceptability of the savings being proposed. EIAs were prepared in respect of all proposals and made available for members to review in advance of the decision on the 2017/18 budget, with all of the full EIAs additionally going to the scrutiny meetings in February along with the budget presentations made by senior executives on each directorate's proposals.

10.7 As far as possible, the Council has targeted commercial revenues, efficiency and transformation as being the main sources of the budget savings in order to minimise the impact on the end service received by service users. As per the analysis in Table 1 (para 10.2), only 1.3% of the savings has resulted from service reductions.

11 <u>2017/18 Risks and Budget Robustness</u>

11.1 In light of the challenging financial climate and events from previous years discussed in this report, the Council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (risks by their nature can never be completely removed). The Council has long had processes built into its Medium Term Planning (MTP) process to address this.

11.2 For example, a Corporate Budget Group consisting of representatives from the City Treasurer, People Services, Policy, Communications, Legal Services and Procurement hold regular meetings to review budget options. These reviews cover requirements on Equalities Impact Assessments, Stakeholder Consultations, staff restructures and Trade Union liaison (where budget options involve staffing changes), legal implications and deliverability etc.

11.3 The 2017/18 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 City Treasurer's department 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 any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.

Overleaf is a summary of selected key, strategic risks / weaknesses and mitigating actions:

Table 4: MTP Risk Analysis

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
1. Financial Management				
Significantly reduced funding levels pose a high risk for the Council. Reshaping and improving Council services requires strong financial management skills across the organisation.	Decisions may be taken which have potentially adverse consequences for the Council in later years.		1) Robust Budget preparation, budget setting, and a Budget Accountability Framework are key elements in ultimately eliminating this risk. 2) Regularly reviewing balances, and forecasting income and expenditure against budgets can assist in reducing the underfunding risk. 3) Implementation of the CIPFA Financial Management Model which is a diagnostic tool to enable the Council to identify strengths and weaknesses in financial management.	All
2. Localising Business Rates				
Increased risk from appeals and also the impact on collection rates as following the implementation of localising business rates, 100% of outcome will fall on Local Government.	Adverse financial outcome for the Council in future years		1) Continuing efforts to collaborate and interact with DCLG, Valuation Office, London Councils, etc. 2) Leading on responses to consultations. 3) Lobbying "Central Government" (i.e. Valuation Office, DCLG)	All
3. Business Rates Appeals				
Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 100% for Local Authorities. The related opportunity is from consultations on dealing with Business Rates appeals process - checking and challenging might reduce the number of live appeals.	Adverse financial outcome(s) for the Council in future years		1) Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals 2) Continuing discussions with DCLG and the Valuation Office on measures to resolve outstanding appeals	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
4. Pension Fund Assets / Pension Fund Deficit				
Pension Fund assets failing to deliver returns in line with the anticipated returns underpinning valuation of Pension Fund Liabilities over the long-term.	The Council's Pension Fund being under-funded.		1) Exercising prudence when anticipating long-term returns, analysing progress, providing quarterly comparisons, regularly benchmarking assets to re-valued liabilities, roll-forward of liabilities between formal valuations at whole fund level. The deficit is being addressed as part of the budget process.	All
5. Reliance on Commercial Income				
Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents	A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
6. Parking Income				
The Council's Parking Service is in high demand due to the Council's central location.	Uncontrollable reductions in income could leave the service under-funded or exposed to large losses in income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Service
7. Inflation				
The Council's expenditure (pay and non-pay) is subject to annual inflation based on indexation that is determined by external stakeholders e.g. Central Government for pay and suppliers through agreed contracts for other service expenditure	Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment		1) Monitoring actual inflation and forecast projection (e.g. at key milestones such as HM Treasury's Budget announcement) and modelling the impact of incremental increases on the Council's applicable expenditure. 2) Exploring all opportunities during the tendering process for all service contracts to minimise indexation clauses, negotiate for favourable fees etc.	All
8. Delivery of Budgeted Savings				
Agreed MTP Savings are not fully achieved or slip into future years.	Potential for in-year overspends and funding gaps		1) Robust challenge of all proposed MTP Savings during the MTP process (e.g. through Corporate Budget Group) 2) In-year monitoring of agreed MTP Savings	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
9. Planned Use of Capital Receipts				
Capital receipts are generated when an asset is disposed of and are source of financing capital expenditure. However there can be delays in completing the disposal of an asset which then delays the inflow of a capital receipt.	Shortfalls in financing of capital expenditure, possibly resulting in higher borrowing costs.		1) In-depth analysis and challenge of capital project cash flow projections. 2) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
10. Review of needs and resource allocations				
A review of the funding allocation formulas used by Central Government could mean that the Council's share of funding is proportionately reduced in favour of other Local Authorities post 2019/20.	Whilst there could be gains and losses which will alter the business rates top up / tariff adjustment for individual authorities, the Council may experience a larger loss in funding than expected in shorter space of time		1) Responding to consultations. 2) Engaging and lobbying DCLG.	All
11. Interest Rate changes				
Changes to the Bank Base Rate and returns on investments.	The Council earns an amount of income from its Treasury function. A decrease in the interest rate could mean returns on investment are lower, reducing the amount of income earned e.g. from Government Bonds		The Council has a number of options available to it to mitigate these risks. These include: placing fixed term deposits as opposed to instant access, limiting deposits in money market funds and closely monitoring interest rate forecasts and available market rates.	Specific Service
12. Public Health Grant Funding				
The Government is proposing reductions to Public Health grant funding, along with possible removal of the ring-fence for the grant/potential changes to the Public Health grant conditions.	The proposed changes to the grant would cause a funding pressure for the service and have the potential to cause short-medium term disruptions to the service and on-going projects.		Budget savings proposals, in line with outcome of a national consultation process which was initiated by Public Health England at end of July 2015 on the four possible options proposed for the budget reductions. An implementation plan with proposed efficiencies to ensure that the budget commitments are met.	Specific Service

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
13. Strategic Transformation Partnerships				
Failure to secure appropriate monies towards an increase in demand for social care services due to a shift in activities from acute to community setting.	Increase demand on social care services which may result in financial pressures and impact on the quality of care offered.		An Out of Hospital (OOH) strategy has been developed which is expected to be reflected in the transformational business cases for the STP. A financial model has been created to capture various interventions presented in STP business cases and to calculate their financial implications. WCC sits on the Health and Care Transformation Board (HCTB) and the Finance and Estate Group (FEG). All financial implications for local authorities are presented at both these groups.	Specific Service

12 **Medium-Term Financial Outlook 2017/18 to 2018/19**

12.1 The Council's medium term modelling has been updated to reflect the provisional multi-year funding settlement announced in December 2016. This also takes into account inflation (both pay and contract), superannuation costs, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The net funding gap is £35.446m in 2017/18 and has been addressed as shown in Annex 4, however a budget gap will continue to exist into future years.

12.2 The Council's latest working assumptions would suggest that further reductions in core funding plus inflation, demographic and other pressures are likely to require further significant savings to be identified for 2018/19. The quantum at this stage is not yet determined and will be tested and updated in Summer 2017 as the Council prepares the budget options for 2018/19.

12.3 In 2016/17, the Council began to develop a 10 year view of its financial position. While there are a great deal of unknowns going forward, longer term projections of demographic changes suggest a growth in the demand for services as they are currently delivered. As part of this work, services across the Council were approached to identify the significant cost drivers, opportunities and pressures impacting them to help better understand individual operating environments within the organisation.

13 **Capital Programme to 2021/22**

13.1 The Council has embarked on an ambitious long-term capital programme which will help deliver on the aims and objectives of its City for All strategy and maintain its status as a global centre for business, retail, entertainment and tourism. Full details are available in the Capital Strategy Report - 2017/18 to 2021/22 being considered on this same agenda which includes forecasts up to 2030/31.

13.2 The Council's General Fund Capital Programme is split into:

- Operational Schemes - these are related to day to day activities that will ensure the Council meets its statutory requirements £848.0m;
- Investment Schemes – these help to generate income and increase the diversification of the Council's property portfolio and will be self-funded by creating additional income and efficiency savings £50.0m; and
- Development Schemes - these help the Council achieve strategic aims and generate income £833.8m.

Further information on the above can be found in the Capital Strategy Report - 2017/18 to 2021/22.

13.3 The General Fund's Capital programme is fully funded via capital receipts, grants, other external contributions and borrowing. The on-going revenue implications are included within the MTP.

13.4 The HRA capital programme over the five year period is £701m, which is funded via capital receipts, reserves, grants and borrowing. Further information is set out in the Capital Strategy Report - 2017/18 to 2021/22.

14 **Reserves and Balances Policy**

14.1 Local authorities hold two categories of reserves in their balance sheet; "useable" and "unusable" reserves.

14.2 Useable reserves can be generally defined as those which contain resources that the Council could utilise to finance capital investments or fund revenue expenditure incurred in the running of services. Some of these reserves could be applied generally but others have conditions or restrictions attached on their use.

14.3 The Council's useable 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.

14.4 Conversely, unusable reserves are those that the Council would not be able to use to finance capital investment or fund revenue expenditure. This is because this category includes reserves which hold unrealised gains or losses for assets not yet disposed of and also adjustments which are required by statute and differ in basis from International Financial Reporting Standards.

14.5 This distinction between useable and unusable reserves and also between the different types of useable reserves themselves is important in being able to understand exactly what resources the Council holds and under what circumstances they can be used.

14.6 Whilst usable general and earmarked revenue reserves can be used to fund costs incurred in the provision of services, such use cannot be regarded as a sustainable medium-term strategy to fill the gap in on-going service provision from core funding reductions. This is because a useable reserve is a 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.

14.7 The Council's General Fund balance stood at just under £70m at the end of 2007/08 after which it had declined dramatically by the end of 2011/12. This was as the result of significant structural changes to the Council's income sources together with rising cost pressures – the mitigation and re-balancing of which took time to implement in a controlled and continuing way.

14.8 The November 2015 Spending Review reported improved economic forecasts which resulted in higher than expected levels of public spending by the Government. However, particularly in light the uncertainty from Brexit, should these forecasts slip or not be achieved, further savings to public spending can be expected. As local authorities fall into the category of "unprotected services", there is a heightened risk that a repeat of the pressures experienced before could deplete the Council's General Reserves significantly.

14.9 Accordingly, the Council has in recent years recognised the need to rebuild General Reserves to a level that will provide financial resilience to weather any such similar call on reserves. As a consequence General Reserves have slowly recovered to now stand at £41.575m. It is likely that when the Council closes its accounts for 2016/17 General Reserves will recover further to stand at around £46.7m by the end of 2016/17.

14.10 The Medium Term Plan makes no assumptions at this stage about further rises to General Reserves beyond 2017/18. However, given the nature of financial uncertainty into the future, the longer term opportunity to build general reserves beyond £50m will need to be actioned as the opportunity arises.

15 Cash and Financing

15.1 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 boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years so as to ensure security, liquidity and return.

15.2 The 2017/18 TMSS envisages no additional external borrowing in 2017/18 but the potential for additional borrowing in later years to meet the capital programme.

15.3 The investment strategy was set in the current environment of ultra-low interest rates that has significantly reduced the capacity to generate revenue from short-term cash balances. The July 2016 cut to the base rate further reduced income.

15.4 Over the summer various opportunities to diversify the treasury portfolio, ensure security of cash balances and increase the yield have been investigated. Potential opportunities have been explored and are currently undergoing due diligence review. A mid-year revision to the TMSS has been approved to facilitate these.

15.5 Monitoring of treasury activity is a key control to ensure that dealing accords with the agreed TMSS. In addition to half yearly reports on activity to Full Council and Scrutiny Committee, weekly updates are provided to the City Treasurer and monthly reviews of the investment portfolio are undertaken by the Council's treasury advisor. With the implementation of HRA Self-financing under the Localism Act, the borrowing and cash elements of the HRA and General Fund are managed on a separate basis.

15.6 Cash balances are expected to decline during 2017/18 as the enlarged capital programme starts to be financed. The extent of the decline is uncertain as possible delays to the capital programme may arise. Given the prevailing low level of interest rates, officers are keeping under review whether there is opportunity to borrow now in advance of future need.

15.7 An initial £50m drawdown facility for investment schemes to generate additional income towards future MTP savings and frontline services was approved as part of the previous year's Capital strategy. This comprised an initial allocation of £25m with further funds of £25m available if this proves to generate worthwhile additional income streams and should market conditions allow it.

15.8 During 2016/17 the Council made one purchase with these funds for £12.5m, which will return a net income of £500k per annum. The Council is continuing to investigate potential options to invest the remainder of these funds but to date no other suitable schemes have been found. There is therefore £12.5m of the initial allocation remaining with the £25m of further funds potentially available should suitable schemes be identified.

16 Council Tax, the Collection Fund, Business Rates and Discretionary Housing Payments

Council Tax

16.1 The Council Tax Base (the number of Band D equivalent properties estimated to be billable for the year 2017/18) was considered by Cabinet in December 2016 and approved by Full Council on the 25th of January 2017. The yield derived from the Council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.

16.2 The Welfare Reform Act 2012 replaced the previous Council Tax Benefits scheme with a locally determined Council Tax Reduction scheme. In setting the taxbase for 2017/18, Council also approved the continuation of the existing Local Council Tax Reduction Scheme which ensures those eligible have their Council tax liability fully funded (the changes from 2013/14 allowed Councils to charge up to 10% of the Council Tax liability to benefit claimants).

16.3 The number of properties (and mix of properties within each banding) has increased over the current year's taxbase 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 taxbase for the whole of the City of Westminster has increased from 125,181.13 to 126,975.59 Band D equivalent properties – an increase of 1,794.46 (1.43% increase).

16.4 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 taxbase for each body is set out in the table below:

Table 2: Council Tax Base Analysis:

	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.)*
2016/17	3,269.17	95.04	121,816.92	125,181.13
Change	77.09	(0.88)	1,718.25	1,794.46
2017/18	**3,346.26**	**94.16**	**123,535.17**	**126,975.59**
%age Change	*2.36%*	*-0.93%*	*1.41%*	*1.43%*

16.5 All other things being equal, the overall increase in the taxbase has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. At the 2016/17 Band D amount of £392.81, the increase in the taxbase will generate an additional £705k in the Council's own share of the Council tax yield.

16.6 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% or more would constitute an excessive increase for 2017/18.

16.7 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. Such a referendum would involve considerable cost in holding.

16.8 Inflation has the impact of eroding the real purchasing power of the Council Tax yield. The latest ONS official annual inflation rates for December 2016 indicate CPI to have been 1.6% over the previous twelve months; CPIH 1.7%; and RPI 2.5%.

16.9 Applying these three inflation rates to the 2016/17 basic Council Tax amount (£392.81) and using the new taxbase, the purchasing power of the yield will erode by the following amounts if the Band D amount remains unaltered:

Table 3: Change in Spending Power

	CPI *(£,000's)*	CPIH *(£,000's)*	RPI *(£,000's)*
Change in Spending power	**798**	**848**	**1,247**

16.10 Due to an increase in the Band D requirement for the Montpelier Square Garden Committee (and included in DCLG's of the Westminster overall increase), the maximum the Council's own element could increase without triggering a referendum would be 1.98%. The table below sets out the additional income that would be generated by incremental increases up to the maximum level.

Table 4: Illustrative Additional Council Tax Income

	Increase in Band D Amount				
	0.00% *(£'s)*	0.50% *(£'s)*	1.00% *(£'s)*	1.50% *(£'s)*	1.98% *(£'s)*
2016/17 Band D Amount	392.81	392.81	392.81	392.81	392.81
Increase of %age Change	0.00	1.96	3.93	5.89	7.78
Band D Amount after Change	**392.81**	**394.77**	**396.74**	**398.70**	**400.59**
Weekly cost of Change	**0.00p**	**0.04p**	**0.08p**	**0.11p**	**0.15p**
	(£,000's)	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*
Additional Yield from Change	**0**	**249**	**499**	**748**	**988**

16.11 For illustrative purposes only, the schedules throughout this report set out the financial implications on the Council's overall budget of increasing the general Council Tax amount by the maximum permissible level without exceeding the need to hold a referendum. Cabinet is asked to consider this option to increase general Council Tax amounts and to identify appropriate adjustments to other budgets if they choose to freeze or change the Band D amount by any other percentage.

16.12 The Greater London Authority (GLA) has published its draft budget for 2017/18, which contains proposals to see its basic tax amount increase from £276.00 to £280.02 – an increase of £4.02, and represents a 1.46% change.

16.13 The Queen's Park Community Council has determined their basic tax amount for 2017/18 to increase to £46.38 – an increase of £1.98. Their Band D amount for 2016/17 was £44.40.

16.14 The Montpelier Square Garden Committee has notified the Council of their intention to increase the amount they wish to raise from their special expense for residents in their area from £32,500 in 2016/17 to £45,000 in 2017/18 (an increase of 38.5%).

16.15 Local authorities have additionally been given the power (and recommended) by the Department for Government and Local Communities (DCLG) to raise additional funding from Council Tax to support spending on adults social care activities which would otherwise have been unaffordable. This Adults Social Care Precept was first introduced in 2016/17 and which the Council added an additional 2.00% in accordance with that year's recommendations.

16.16 The 2017/18 Local Government Finance Settlement extended this opportunity for the period 2017/18 to 2019/20. A limit of a maximum total 6.00% further increase for these three years applies, but allows some scope for the phasing of this additional charge to be applied (no more than 3.00% in either 2017/18 or 2018/19 and a maximum 2.00% in the final 2019/20 year).

16.17 The high and growing demographic and spending pressures, coupled with the particular vulnerability of this customer cohort are such that it is recommended that this additional funding opportunity is taken up. In order to keep the increases to the taxpayer manageable and affordable, the spreading of this additional charge to an equal 2.00% per annum is considered most appropriate in order to balance affordability to the taxpayer and the generation of much needed additional funding.

16.18 The additional revenues expected to be generated from the Adults Social Care Precept is as set out in the following table:

Table 5: Additional ASC Precept

	2016/17 (£'s)	2017/18 (£'s)
Prior Year Band D Amount	377.81	392.81
General Council Tax Increase	7.44	7.46
Adults Social Care Precept (2.00%)	7.56	7.85
	392.81	**408.12**
Taxbase	**125,181**	**126,976**
Total Raised by ASC Precept	**946,369**	**1,956,694**

16.19 The collective impact of the proposed changes to the Band D amounts for 2017/18 (as discussed in paragraphs 16.1 to 16.18 above) is summarised in the table below:

Table 6: Change in Band D

	Queen's Park Community Council (£'s)	Montpelier Square Garden Committee (£'s)	Rest of the City of Westminster (£'s)	Whole of the City of Westminster (£'s)
Westminster Council - Basic Element	400.27	400.27	400.27	
Westminster Council - ASC Precept	7.85	7.85	7.85	
Westminster City Council	408.12	408.12	408.12	
Greater London Authority	280.02	280.02	280.02	
Queens Park Community Council	46.38			
Montpelier Square		477.91		
Total Band D Amount in area	**734.52**	**1,166.05**	**688.14**	
2017/18 Taxbase	**3,346.26**	**94.16**	**123,535.17**	**126,975.59**
Westminster City Council	1,365,676	38,429	50,417,174	51,821,278
Greater London Authority	937,020	26,367	34,592,318	35,555,705
Queens Park Community Council	155,200			155,200
Montpelier Square		45,000		45,000
Total Band D Amount in area	**2,457,895**	**109,795**	**85,009,492**	**87,577,182**

(Note that the above table illustrates a scenario where the general Band D amount for Westminster City Council has been increased by 1.9% - Cabinet are asked to consider options for any change in the current Band D amount)

The Collection Fund

16.20 Statutory regulations require local authorities to account for annual Council Tax income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This statutory override necessitates that any variance between the originally estimated net Council Tax yield and that subsequently achieved in year is not immediately transferred to the Comprehensive Income and Expenditure Account, but is held on the Balance Sheet and instead distributed in a subsequent year. The effect of these regulations are that for 2017/18 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

16.21 Any variance between budget and actual for 2016/17 will however impact on 2017/18. Growth in the taxbase throughout the year and successful collection rates being slightly higher than expected has led to a forecast 2016/17 position £690k above budget.

Business Rates (NNDR)

16.22 Business Rates were partly localised from the start of 2013/14. Fifty percent of net business rate yield is currently retained and shared by local authorities with the remainder pooled by DCLG and returned in the form of Revenue Support Grant and other specific grants. A series of Tariffs and Top-ups operates to additionally redistribute retained income from those authorities with high yield to those with low NNDR receipts. Local authorities are potentially able to encourage the growth of local NNDR yield and keep fifty percent of the growth (being subject to a 50% levy on any surplus). The reverse however also operates in so far as local authorities bear 50% of the cost of any shortfall in business rate income if it is lower than the government's target level (Baseline). A Safety Net scheme operates to protect individual local authorities from losses should their retained yield fall below 92.50% of their anticipated Baseline Funding level (this is paid for from the 50% levy charged on those authorities exceeding their Baseline Funding level).

16.23 The Baseline Funding level for the following three years was set out in the Local Government Finance Settlement. For Westminster, it is calculated as follows:

Table 7: Baseline Funding Level

	2016/17	2017/18	2018/19	2019/20
Net NNDR Yield after Reliefs & Discounts	1,827,083	2,076,189	2,142,986	2,219,212
DCLG Nationally Pooled Share (50% 16/17 and 33% beyond)	(913,541)	(685,142)	(707,185)	(732,340)
Greater London Authority Share (20% 16/17 and 37% beyond)	(365,417)	(768,190)	(792,905)	(821,108)
Westminster Retained Share (30%)	548,125	622,857	642,896	665,764
Tariff	(465,408)	(538,452)	(555,775)	(575,544)
Assumed Baseline Funding Level	**82,716**	**84,405**	**87,121**	**90,220**
Threshold for Safety Net (92.5% Baseline)	76,513	78,075	80,587	83,453
Maximum Loss to Safety Net	**(6,204)**	**(6,330)**	**(6,534)**	**(6,766)**

16.24 Westminster is by far the biggest collector of business rates in the country, collecting around 8% of the national total. Westminster businesses are some of the most economically active and productive in the country and demand for business premises, and hence rent levels, continue to grow at rates well above the national average. This has seen significant increases in rateable values at both the 2010 Revaluation (63% increase) and the forthcoming 2017 Revaluation (25%). A consequence of the high revaluation increases has been to see record levels of appeals lodged against the Valuation Office Agency's rating assessments, which in turn has led to particularly high levels of subsequent rate refunds – the majority of which have been back-dated to the very start of the 2010 Valuation List.

16.25 This has led to a situation for Westminster whereby, after the impact of making refunds for successful appeals, the net amount collected has fallen below the Safety Net threshold for every year since the current scheme start in 2013/14. Had the impact of appeals caused by original errors in the VOA assessments been discounted, rather than being below the Safety Net level, the Council would have seen real growth and reward above Baseline. The scale of the increases in NNDR bills for local businesses caused by the 2017 Revaluation is such that we might expect a similar level of back-dated appeals to adversely affect the net yield and, until a national solution to the impact of appeals is found, will continue to remain in Safety Net – bearing a loss of £6.330m not factored into the Local Government Finance Settlement, and completely beyond the control of the Council.

Discretionary Housing Payments

16.26 The Council's Discretionary Housing Payment (DHP) funding allocation from Central Government has significantly reduced in since 2014/15:

- 2014/15 - £4.8M
- 2015/16 - £2.6M
- 2016/17 - £2.7M

16.27 The extent of the funding reductions resulted in the Council previously agreeing a revised DHP policy and a £1.1m contribution from reserves to support future DHP spend above the Government's funding allocation.

16.28 The successful implementation of the revised policy and general good management of the DHP process has meant that we are currently forecasting only a small spend in 2016/17 above our government DHP allocation.

16.29 The Government are yet to confirm the Council's 2017/18 DHP allocation; however there are indications that the Council is likely to be affected by a substantial cut in funding of approximately 50% (a reduction of around £1.3m). The Government calculates each authority's DHP allocation based on a number of factors. It is understood that the allocation reduction is primarily based on the Government revising the formula for distributing DHP funding specific to counteracting the reform of Local Housing Allowance (LHA) which affects tenants renting in the private sector. The new formula takes into account only the 1% freeze to LHA rates implemented in the current Parliament and disregards more radical reductions made during the previous Parliament. As a result funding is distributed more evenly throughout the country to the detriment of areas where private rents are high such as in Westminster.

16.30 Although allocations for 2017/18 are yet to be confirmed, it is expected that the vast majority of local authorities nationally will see increases in their DHP allocation. However, in London there is expected to be an overall reduction for the reason explained above. The Council expects to be one of the worst affected London boroughs. London Councils have lobbied Central Government requesting a reconsideration of the draft allocations for London, with specific reference to Westminster. At this stage, there is no indication that the Government will revise their allocation for 2017/18.

16.31 The level of reduction in allocation for Westminster would be extremely difficult to manage in a normal year. However, in 2017/18 the Council faces an increased number of DHP claims due to the implementation of the new, reduced Benefit Cap threshold under the Government's on-going Welfare Reform programme. This has resulted in over 600 households in Westminster being affected by the Benefit Cap for the first time from January 2017. Of these new cases, 78% live in either private rented tenancies or temporary accommodation provided by the Council and presents a financial risk to the Council if sufficient DHP was no longer available.

16.32 The Council therefore intends to carry forward the unspent balance of the agreed £1.0m contribution from Reserves in 2016/17 to 2017/18.

17 Schools

Dedicated Schools Grant

17.1 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure to support the schools budget. The grant also covers wider support for High Needs and Early Years for funding of pupils with Special Educational Needs and for two, three and four year olds in nursery and associated provision. Schools are funded primarily by the DSG and not by council tax income. The 2017/18 financial year will be the final year of the current funding arrangements for the DSG, prior the introduction of National Funding Formula from 2018/19.

17.2 The DSG consists of three separate blocks, Schools, High Needs and Early Years. The overall distribution of the DSG is ring-fenced; however the three blocks that make up the DSG aren't separately ring-fenced.

17.3 Westminster City Council (WCC) is able to retain DSG funding to pay for the education of pupils who are the responsibility the Council but who are not being educated in a WCC school. 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.

17.4 Given the proposed changes to schools funding it is important to understand the overall impact on the balance of DSG during the transition period. An initial estimate of how pressures on the DSG will present themselves over the next three years is set out below:

Table 8: DSG Projections Over 3 Years

Description	2017/18 £000's	2018/19 £000's	2019/20 £000's
Brought Forward Reserves	**5,274**	**2,634**	**917**
Early Years			
Nursery Full Time Places	700	292	0
Nursery Schools Sustainability	600	400	200
Schools Block			
Minimum funding levels -Primary	440	350	0
High Needs			
EHCP Transition	250	150	0
Post 16 Unfunded Growth	250	125	0
Central Schools Block			
ESG Reduction	400	400	400
Total Expenditure	**2,640**	**1,717**	**600**
Projected Year End Reserves	**2,634**	**917**	**317**

Update on proposals for a National Funding Formula

Schools and High Needs Block

17.5 The second phase consultation for the NFF for schools and high needs was launched by the Department for Education (DfE) on the 14th December 2016, until 22nd March 2017. Set out within the consultation, the DfE has committed to allocating an additional £200m in 2018-19 and 2019-20 (a total of £400m over a two year period) on top of the current value of the schools block. This money has been made available to provide protections for schools facing reductions and rapid increases for those set to gain.

17.6 In addition, the consultation sets out restriction on gainers and losers to make the proposals more affordable.

- **Funding floor** – ensuring no school will see their per pupil funding amount decrease by more than 3%

- **Funding Gains** - schools that will see their per pupil funding amount increase will receive gains of up to 3% per-pupil in 2018-19, and then up to a further 2.5% in 2019-20. So a school could see it's per pupil amount increase by a maximum 5.5% compared to current levels within a two year period.

17.7 As outlined the first stage of consultation, London is worst affected with the majority of London boroughs facing a reduction in total funding for schools in their area. Westminster is again one of the exceptions. The indicative figures show an overall increase of funding of 0.7% equivalent to £761k by 2019-20. However, within the overall increase there are a number of winners and losers amongst individual schools. Overall, 22 schools in Westminster will gain through the NFF; the school that would benefit most would gain by approximately £252,000. In contrast, 26 schools would see a reduction in funding. The school that would be most affected could see a reduction of funding of up to £212,000. These changes are due to happen in a two year period from 2018/19.

17.8 The NFF consultation deals with a redistribution of resources however a recent National Audit Office report suggested that the total level of additional funding required to maintain school budgets at current levels was £2bn. At a recent schools forum meeting schools identified that if funding did not keep pace with spending pressures then it could compromise the educational attainment of children at WCC schools.

17.9 The collective balance of LA-maintained primary and secondary schools in 2015/16 was £5.5m. Assuming the same level of drawdown and the introduction of the National Funding Formula will be £3.5m in 2019. At that time 12 schools could be in deficit, 7 of which could have deficits in excess of £100,000. To prevent this from happening officers will support schools to ensure that they set sustainable budgets commensurate with their resource levels.

17.10 Whilst it is expected that the number of children in secondary schools will increase the current number of children in primary schools is unlikely to increase and there is current capacity in the system of approximately 15%. As school funding is pupil-based this represents a further cost pressure for schools.

17.11 The spending pressures that schools face 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

17.12 In December 2016, the government set out their funding proposal to introduce an early years' national funding formula from 2017/18. This national funding formula will cover the existing 15 hour free entitlement for three and four years' olds. It is intended that the early years' national funding formula will be extended to cover the new additional 15 hour entitlement for eligible families from September 2017.

17.13 Westminster City Council in consultation with the schools forum are currently developing plans to introduce the new funding formula from September 2017. A key element will be the transition from the current funding levels and the delivery of full time places to the new national funding formula. The government expects all authorities to have implemented the new funding model by 2019/20. Transitional funding has been allocated to enable the delivery of the new proposals without causing excessive turbulence within the current system.

Pupil Premium

17.14 In 2017/18 schools will receive pupil premium funding for each child registered as eligible for free school meals at any point in the last six years. The per pupil figure is £1,320 per primary school pupil and £935 per secondary school pupil.

17.15 For each pupil identified in the spring school census as having left local authority care because of one of adoption, a special guardianship order, a child arrangement order or a residence order, schools will receive £1900 per eligible pupil.

17.16 Pupil premium for three and four year old children is at a rate of £300 per eligible child. Schools can decide how they use the pupil premium. From 1 September 2016, schools maintained by the local authority must publish the strategy for use of the premium on their website.

Education Services Grant

17.17 The Education Services Grant (ESG), which funds spending on school improvement, management of school buildings and tackling non-attendance, was cut by £200 million (around 20 per cent) in 2015-16. For 2016-17 to 2019-20, the Chancellor has announced a further cut of £600 million.

17.18 School and Early Years Finance Regulations will be amended to allow local authorities to top-slice schools block funding in order to fund services previously provided by ESG.

17.19 ESG transitional grant allocation tables were published in December 2016, covering the period from April to August 2017. This will be paid at an effective rate of £27.50 per pupil for the financial year. The 2017/18 allocation is £335k, with an additional transitional grant of £275k totalling £610k for the financial year. The allocation in 2016/17 was £1,124k, therefore a reduction of £514k (45.8%).

Academies and Free Schools

17.20 WCC schools that convert to academy status or newly established free schools obtain their funding directly from the Education Funding Agency. These schools receive a school budget share equivalent to what they would have received if they were a WCC school. This is funded in most cases by an adjustment to the DSG received by the Council.

18 **Housing Revenue Account (HRA)**

18.1 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.

18.2 It accounts for the management and maintenance of circa 12,000 units of social housing and 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.

18.3 In 2012 the HRA moved from a national subsidy system of financing to one of self-financing. In order to facilitate this the Council was required to buy out of the subsidy system through taking on £68m of extra borrowing within the HRA, but in return gets to keep all future rental income.

18.4 The Council's Arm's Length Management Organisation, CityWest Homes Ltd (CWH), undertakes the housing management function on behalf of the Council and has responsibility for the long-term investment needs of the stock estimated at £1.5bn over 30 years.

18.5 The Government continues to control rent levels and rent increases through Rent Rebate Subsidy Limitation. A mechanism which limits the amount of eligible housing benefit payable if average rent increases by a Local Authority exceed Government determined limits. However, the previous presumption underlying self-financing that rents would increase by 1% above inflation annually for ten years has now been curtailed as the Government putting legislation in place to reduce HRA rents in real terms for 4 years by 1%. This is estimated to cost the HRA £32m over 4 years and over 30 years the NPV cost is £237m. This will lead to significant reduction in the HRA's financial capacity to undertake future investment in new Housing Supply.

18.6 In addition the Housing and Planning Act 2016 has now been passed but the detailed regulations on the high value voids levy and pay to stay have yet to be consulted upon and the details are still largely unknown. The HRA business Plan updated for 2017/18 contains assumptions about the levy and assumes that the Council will dispose of 250 dwellings over the next three years.

18.7 In addition self-financing presents the Local Authority with a number of uncertainties and risks that will need to be monitored and actively managed. These include the impact on cash flow of funding the Council's Regeneration programme, the impact of the Right to Buy, interest rate risk, and the impact of welfare reform on future changes to housing benefit collection/payment.

18.8 The proposed HRA budget for 2017/18 is contained and summarised in Schedule 10. The Housing Investment Strategy and HRA 30 year Business Plan report was presented to Cabinet in December 2016 to approve the five year (2017/18 to

2021/22) Capital budget for the HRA. The proposals will see much of the immediate capacity of the HRA applied to help deliver the Council's objectives of City for All. This means that the HRA reserves will fall to close to the minimum levels of £11m for 9 years.

19 **Levies and Special Charges**

19.1 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.

19.2 At present only the Environment Agency has submitted their charge for 2017/18. Accordingly the 2016/17 figures for the LPFA and the Lea Valley Regional Park Authority are included in the budget options being recommended in this report. Should these organisations notify the Council as to their required charge after despatch of this agenda item and before the meeting itself, a verbal update will be provided.

20 **Greater London Authority (GLA) Precept**

20.1 The Greater London Authority is due to meet to formally consider the Mayor's proposed budget for the GLA on the 20th February 2017. However, the Mayor's proposed budget recommends an increase to the 2017/18 Band D equivalent charge from £276.00 to £280.02, an increase of £4.02 or 1.46%. A verbal update will provided at the meeting regarding the outcome of the London Assembly decision.

20.2 The GLA precept will raise £35.6m from Westminster residents in 2017/18 if approved by the London Assembly as recommended.

21 2017/18 Consultation with the Community and Stakeholders

Budget consultation by Cabinet Member Portfolio

Adult Social Services and Public Health

21.1 None of the transformation, efficiency, financing and commercial proposals detailed elsewhere reflect a change to Adult Social Care statutory services. Accordingly no statutory public consultations are required or have been carried out.

21.2 The Department is organising its continuing transformation work and the associated underpinning consultation and communications across three main programmes that will run from 2017 – 2020. These programmes focus on the Front Door, Demand Management and Prevention Services, Commissioned Care and Support Services and Whole Systems Integration. The focus of all this work continues to be on improving value for money through service re-design. Re-structure and re-procurement frameworks will support good stakeholder consultation. As programmes develop detailed delivery plans beyond 2017/18 the need for statutory consultation will continue to be reviewed. Future re-prioritisation of prevention services (beyond 2017/18) may require a level of de-commissioning and as such associated statutory consultation. This will be determined in May/June 2017.

21.3 Savings proposals in Public Health arise from internal efficiency plans or contractual savings with no public consultation required.

Housing

21.4 Extensive consultations have taken place over the improvement of services delivered to users and agencies involved with supporting housing and rough sleeper services. These consultations are focussed on services to vulnerable people with histories of rough sleeping, people with mental health problems and learning disabilities, as well as young people in housing need and those at risk of losing their tenancies. Feedback from users means that future services will have more focus around improving access to safe and secure environments, helping people move-on in terms of housing and employment support.

21.5 A change to the way that the Housing Options service runs is on-going linked to the tendering of the new contract in 2017 and will focus on how to improve access to services, more preventative work and rounded assessments (taking into account all family needs).

Children, Families and Young People

21.6 The Children's Services department have undertaken extensive consultation and engagement in 2016/17 due to the nature of their proposals affecting service users.

21.7 Changes specifically to Children's Centres, Early Help and Youth Services were consulted broadly aiming to improve targeted support for the most vulnerable and to improve the way in which different agencies work together. Consultation with users and partners will continue across the service in 2017/18 in respect of savings in 2018/19 and beyond.

21.8 Consultation around travel arrangements (deployment of minibuses and taxis) that will impact users across both Adults and Children's Services, but particularly children with disabilities, special education needs, and adult users of day centres will be carried out in 2017/18 in respect of savings in 2018/19 and beyond.

Environment, Sports and Community

21.9 Savings proposals arise from internal efficiency plans or contractual savings with no public consultation required.

Public Protection and Licensing

21.10 Consultation for a change to fees with respect to Street Traders is planned for the end of 2016/17.

21.11 Savings proposals elsewhere arise mainly from internal efficiency plans so public consultation was not required.

City Transport, Highways and Parking

21.12 Savings proposals arise from internal efficiency plans or contractual savings with no public consultation required.

Finance, Property and Corporate Services

21.13 Savings proposals arise from internal efficiency plans so public consultation will not be required. There are no statutory requirements to consult on the plans.

Business Consultation

21.14 The Council has undertaken a consultation with local businesses in respect of the Council's proposed budget. No representations have been made in respect of this.

22 The Scrutiny Process

22.1 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:

22.2 "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."

22.3 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.

22.4 The minutes of both meetings are presented in Annex A to this report. Annex A also highlights a number of risks associated with the Council's budget for 2017/18 and makes a number of recommendations.

23 Legal implications

23.1 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.

23.2 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.

23.3 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.

23.4 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 City Treasurer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in [Sections 7, 8, 9, 10, and 12] above respectively and in particular paragraphs [1.9 and 12.10], 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, particularly in reference to risks and budget robustness as set out in paragraph [8.2].

23.5 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.

23.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 23. In developing 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.

23.7 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.

23.8 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.

23.9 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) 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 2019.

24 People Service's Comments

24.1 In accordance with statutory requirements, on 26th September 2016 an HR1 form was issued in order to inform the Department of Business, Innovation and Skills (BIS) of up to 49 potential redundancies.

24.2 On 1 July 2016 a consultation started on the transformation of Highways and Public Realm across two directorates. The new structure was in place by 1 October 2016 and resulted in 12 redundancies.

24.3 A staff consultation process was formally launched on 26th September 2016 proposing the restructure of Libraries Function. This was completed in December, with interviews and assessments for the new structure taking place in January. This is currently resulting in 24 redundancies. This will yield savings of £750k for Westminster. The assessment process is currently ongoing, and the numbers of those being made redundant may change.

24.4 On 1 December 2016 a consultation process was formally launched for the Change and Programme Management Unit. This will provide the Council with the resource and capability needed to drive the delivery of the Council's transformation priorities and provide effective challenge and detailed oversight of the entire portfolio of change and transformation across the organisation and with partners. This is expected to result in 9 redundancies and revenue savings of £200k.

24.5 On 3 November 2016 consultation commenced for Public Health. This is expected to affect 2.7 posts allocated to Westminster activity and produce savings of £100,000 per annum for Westminster.

25 **Equalities Implications**

25.1 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.

25.2 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.

25.3 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 Annex C. 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 formed part of the budget scrutiny process.

Schedules (Illustrative)

1 Gross Income

2 Gross Expenditure

3 Net Budget Requirement (by Cabinet Member and EMT)

4 Details of Budget Changes

5 Subjective Analysis

6 General and Earmarked Reserves

7 Levies, Special Expenses and Precepts

8 Localised Business Rates, Settlement Funding Assessment and Council Tax

9 Uses of Council Tax Income

10 Housing Revenue Account

Annexes

A Budget and Performance Task Group Meeting Notes

B Council Tax Resolution

C Equalities Impact Assessments

Background Papers

Budget and Council Tax Report 2016/17 - Council Meeting 2 March 2016

Treasury Management Statement 2016/17 20th February 2017- Council Meeting 2 March 2016

Capital Strategy 2017/18 to 2021/22 20th February 2017- Council Meeting 2 March 2016

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

Schedule 1 – Illustrative Gross Income* - 2016/17 to 2017/18

Cabinet Portfolio:

	2016/17 Budget *(£'000's)*	Budget Change *(£'000's)*	**2017/18 Budget *(£'000's)***
Leader of the Council	**(2,281)**	0	**(2,281)**
Deputy Leader and Business, Culture and Heritage	**(20,083)**	(2,546)	**(22,629)**
Finance, Property and Corporate Services	**(289,059)**	1,214	**(287,845)**
Adult Social Services and Public Health	**(79,940)**	(4,747)	**(84,687)**
City Transport	**(86,981)**	(11,493)	**(98,474)**
Children, Families and Young People	**(109,681)**	(1,338)	**(111,019)**
Planning and Public Realm	**(7,914)**	0	**(7,914)**
Environment, Sports and Community	**(22,764)**	(1,665)	**(24,429)**
Public Protection and Licensing	**(8,121)**	(437)	**(8,558)**
Housing	**(41,360)**	(1,552)	**(42,912)**
Sub-Total	**(668,184)**	**(22,564)**	**(690,748)**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Sub-Total	**(851,304)**	**(13,294)**	**(864,597)**

Executive Management Team:

Chief of Staff	**(2,651)**	0	**(2,651)**
City Treasurer	**(34,664)**	3,016	**(31,648)**
Director of Policy, Performance and Communications	**(7,791)**	(2,194)	**(9,985)**
Executive Director Adult Services	**(79,940)**	(4,747)	**(84,687)**
Executive Director of Childrens Services	**(109,681)**	(1,338)	**(111,019)**
Executive Director of City Management and Communities	**(121,418)**	(13,795)	**(135,213)**
Executive Director of Corporate Services	**(7,157)**	(600)	**(7,757)**
Executive Director of Growth, Housing and Planning	**(304,883)**	(2,906)	**(307,788)**
Sub-Total	**(668,184)**	**(22,564)**	**(690,748)**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Sub-Total	**(851,304)**	**(13,294)**	**(864,597)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 2 – Illustrative Gross Expenditure* - 2016/17 to 2017/18

Cabinet Portfolio:

	2016/17 Budget	Budget Change	**2017/18 Budget**
	(£'000's)	*(£'000's)*	***(£'000's)***
Leader of the Council	**8,873**	(493)	**8,380**
Deputy Leader and Business, Culture and Heritage	**17,959**	(33)	**17,926**
Finance, Property and Corporate Services	**326,113**	19,343	**345,455**
Adult Social Services and Public Health	**139,120**	2,041	**141,161**
City Transport	**44,705**	(1,504)	**43,201**
Children, Families and Young People	**145,534**	(3,730)	**141,804**
Planning and Public Realm	**9,641**	(50)	**9,591**
Environment, Sports and Community	**73,233**	(156)	**73,077**
Public Protection and Licensing	**19,899**	(691)	**19,208**
Housing	**66,227**	(1,433)	**64,795**
Sub-Total	**851,304**	**13,294**	**864,597**
Core Funding:			
Council Tax	**0**	0	**0**
Business Rates Tariff Increase	**0**	0	**0**
Revenue Support Grant	**0**	0	**0**
Total	**851,304**	**13,294**	**864,597**
Executive Management Team:			
Chief of Staff	**5,379**	(231)	**5,147**
City Treasurer	**54,291**	20,926	**75,217**
Director of Policy, Performance and Communications	**15,390**	(486)	**14,903**
Executive Director Adult Services	**139,120**	2,041	**141,161**
Executive Director of Childrens Services	**145,534**	(3,730)	**141,804**
Executive Director of City Management and Communities	**137,079**	(2,351)	**134,728**
Executive Director of Corporate Services	**20,879**	(1,272)	**19,607**
Executive Director of Growth, Housing and Planning	**333,632**	(1,603)	**332,029**
Net Cost of Service Provision	**851,304**	**13,294**	**864,597**
Core Funding:			
Council Tax	**0**	0	**0**
Business Rates (Net of Tariff)	**0**	0	**0**
Revenue Support Grant	**0**	0	**0**
Total	**851,304**	**13,294**	**864,597**

***The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes**

Schedule 3 - Net Budget Requirement *

Cabinet Portfolio:	**2016/17 Budget *(£'000's)***	Budget Change *(£'000's)*	**2017/18 Budget *(£'000's)***
Leader of the Council	**6,592**	(493)	**6,100**
Deputy Leader and Business, Culture and Heritage	**(2,125)**	(2,579)	**(4,703)**
Finance, Property and Corporate Services	**37,053**	20,556	**57,610**
Adult Social Services and Public Health	**59,180**	(2,706)	**56,474**
City Transport	**(42,276)**	(12,997)	**(55,273)**
Children, Families and Young People	**35,854**	(5,068)	**30,785**
Planning and Public Realm	**1,726**	(50)	**1,676**
Environment, Sports and Community	**50,469**	(1,821)	**48,648**
Public Protection and Licensing	**11,778**	(1,128)	**10,650**
Housing	**24,867**	(2,985)	**21,883**
Sub-Total	**183,120**	**(9,270)**	**173,850**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Total	**0**	**0**	**0**

Executive Management Team:	**2016/17 Budget *(£'000's)***	Budget Change *(£'000's)*	**2017/18 Budget *(£'000's)***
Chief of Staff	**2,728**	(231)	**2,496**
City Treasurer	**19,627**	23,942	**43,569**
Director of Policy, Performance and Communications	**7,598**	(2,680)	**4,918**
Executive Director Adult Services	**59,180**	(2,706)	**56,474**
Executive Director of Childrens Services	**35,854**	(5,068)	**30,785**
Executive Director of City Management and Communities	**15,661**	(16,146)	**(485)**
Executive Director of Corporate Services	**13,723**	(1,872)	**11,851**
Executive Director of Growth, Housing and Planning	**28,749**	(4,508)	**24,241**
Sub-Total	**183,120**	**(9,270)**	**173,850**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Total	**0**	**0**	**0**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes*

	2017/18 £'000's
Leader of the Council:	
Business Intelligence	(200)
Digital Transformation	(93)
Restructure of Change and Programme Management	(200)
Net Budget Change Leader of the Council	**(493)**
Deputy Leader and Business, Culture and Heritage:	
Change in Market Conditions	428
Westminster Adult Education Service	42
Sub-Total Growth	**470**
Outdoor Media	(2,250)
Street Trading Licensing Fees Income	(200)
Events and Films	(243)
Lord Mayor's Secretariat	(75)
Economy team - alternative funding	(110)
Westminster Adult Education Service	(42)
Public Health – Grant/Contract Reductions	(129)
Sub-Total Savings	**(3,049)**
Net Budget Change Deputy Leader and Business, Culture and Heritage	**(2,579)**
Finance, Property and Corporate Services:	
Impact of Business Rates	559
Change Controls in Corporate Property	97
Office 365 Software Licences	500
Digital Programme	1,494
Sub-Total Growth	**2,650**
Corporate Property Strategy	(76)
Property Rationalisation and Asset Management (including Hubs)	(1,257)
Major Projects - Income generation	(687)
Commercial operating model for procurement	(350)
IT staff structure	(250)
Transition to new Communication contract/model	(291)
Tri-Borough Corporate Services - Legal Services	(266)
ICT - CCTV contract on Parking	(1,386)
Recharging of Comensura contract	(250)
Review of vacancies within corporate services	(316)
Review of ICT budgets	(657)
Reduced spend on Legal Services	(100)
Increase in Council Tax Base	(472)
Council Tax increase	(944)
Revenue & Benefits – contract extension	(233)
Digital Transformation	(190)
City Treasurers - Treasury Management & Budget Review	(393)
Review of staffing, supplies and services - Chief of Staff	(100)
Review of the complaints process	(50)
Sub-Total Savings	**(8,270)**
Net Budget Change for Finance, Property and Corporate Services	**(5,620)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

<u>Adult Social Services and Public Health:</u>	
Demographic Pressures - Funded by Precept	997
Other Demographic pressures	38
National Living Wage - Funded by ASC Grant	624
Children with Learning Disabilities - Funded by ASC Grant	548
Inflation Pressures - Funded by ASC Grant	157
Other Inflation Pressures	743
Complexity and acuity growth	1,374
Other	700
Increased Pension Contributions	558
Sub-Total Growth	**5,739**
Commissioning Transformation and Contract Efficiencies	(380)
Well-being and prevention services – including Assistive Technology	(922)
High Cost, High Needs Packages Review	(150)
Better Care Fund - Health Integration Benefit Share	(500)
Public Health Funded Initiative – Improving Social Isolation	(200)
Mental Health Placements	(100)
Learning Disability Placements and Supplies/Services Review	(200)
Line by Line Supplies & Services /Contract Review	(200)
Adult Social Care Precept	(997)
Public Health – Grant/Contract Reductions	(1,393)
Improved Better Care Fund Grant	(2,074)
2017/18 Adult Social Care Support Grant	(1,329)
Sub-Total Savings	**(8,445)**
Net Budget Change for Adult Social Services and Public Health	**(2,706)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

City Transport:

Highways - Alternative Service Delivery Models	(140)
Highways - Compliance and audit contract - reduction in service	(25)
Highways - Expenditure Review	(1,060)
Highways - Service Level Changes	(260)
Code of Construction Practice	(700)
Parking Transformation Programme	(819)
Parking Suspensions Charges Review – Demand Management	(8,000)
Review of On Street Parking charges to manage demand	(350)
CCTV - Moving Traffic	(643)
Introduction of Minimum Stay Duration (Parking)	(1,000)
Sub-Total Savings	**(12,997)**
Net Budget Change City Transport	**(12,997)**

Children, Families and Young People:

Unaccompanied Asylum Seekers Children (UASC) over 18	335
UASC National Dispersal Scheme - Delays in Transfers to other Boroughs	93
Care Leavers aged 18 - 25 not in Education (from Queens Speech)	105
Increased packages funded from Family Services (e.g. Direct Payments and short breaks)	150
Youth Offending Service - reduction in Youth Justice Board grant.	42
Demand pressure due to legislative changes and increased parental awareness	465
Sub-Total Growth	**1,190**

Commissioning contracts (specialist services)	(587)
Commissioning team	(17)
Early Help - Children's Transformation	(3,135)
Education	(140)
Finance & Resources	(400)
Focus on Practice	(130)
Other family services savings	(540)
Virtual School Funding	(300)
Passenger Transport Mitigations	(50)
Public Health – Grant/Contract Reductions	(960)
Sub-Total Savings	**(6,258)**
Net Budget Change Children, Families and Young People	**(5,068)**

Planning and Public Realm:

Development Planning Transformation	(50)
Net Budget Change Planning and Public Realm	**(50)**

Environment, Sports and Community:

Waste Disposal and Increased Tonnage Costs	680
Sub-Total Growth	**680**

Commercial waste income	(1,250)
Further staffing and channel shift efficiencies	(86)
Sports & Leisure Contract Savings - Phase I	(265)
Libraries Service Delivery - Service Reform	(750)
Registration Service Income Growth - Commercialisation	(150)
Sub-Total Savings	**(2,501)**
Net Environment, Sports and Community	**(1,821)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

Public Protection and Licensing:

Commercial Opportunities in Private Rented Accommodation	(36)
Licensing Fees Income	(50)
Digital Transformation	(690)
Public Health – Grant/Contract Reductions	(352)
Net Public Protection and Licensing	**(1,128)**

Housing:

Review of Housing Options and Homeless Service costs	(500)
Temporary Accommodation homes purchase	(357)
Rough Sleeping and Supported Housing	(880)
Review of staffing, supplies & services	(844)
Digital Transformation	(52)
Public Health – Grant/Contract Reductions	(352)
Net Housing	**(2,985)**

Summary of Growth and Savings Change by Cabinet:	**Growth £'000**	**Savings £'000**	**Net £'000**
Leader of the Council	0	(493)	**(493)**
Deputy Leader and Business, Culture and Heritage	470	(3,049)	**(2,579)**
Finance, Property and Corporate Services	2,650	(8,270)	**(5,620)**
Adult Social Services and Public Health	5,739	(8,445)	**(2,706)**
City Transport	0	(12,997)	**(12,997)**
Children, Families and Young People	1,190	(6,258)	**(5,068)**
Planning and Public Realm	0	(50)	**(50)**
Environment, Sports and Community	680	(2,501)	**(1,821)**
Public Protection and Licensing	0	(1,128)	**(1,128)**
Housing	0	(2,985)	**(2,985)**
Total Budget Change	**10,729**	**(46,175)**	**(35,446)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

	2017/18
	£'000's
Total of Service Area Net Budget Changes	**(35,446)**
Financed by Budget Changes:	
Core Funding:	
Council Tax Changes	(259)
Net Business Rates Change	(2,161)
Revenue Support Grant	11,690
Sub-Total Core Funding Changes	**9,270**
Non-Core Funding Changes:	
New Homes Bonus	3,493
Inflation	4,800
Risks	5,235
Pension Fund Deficit Recovery	3,448
Pressures	5,000
Minimum Revenue Provision	4,200
Sub-Total Non-Core Funding Changes	**26,176**
Total Financed by Budget Changes	**35,446**
Change to Net Revenue Budget	**0**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 5 – Illustrative Subjective Analysis*

	2016/17		2017/18
	Approved	Budget	**Approved**
	Budget	Change	**Budget**
Subjective Analysis	***(£'000's)***	*(£'000's)*	***(£'000's)***
Employee Costs	**174,546**	(2,579)	**171,968**
Premises Costs	**32,197**	(1,497)	**30,700**
Transport Costs	**1,700**	(104)	**1,596**
Supplies & Services	**161,352**	15,013	**176,365**
Contract Costs	**244,966**	(2,418)	**242,548**
Traded & Transfer Payments	**301,035**	3,319	**304,354**
Income - Government Grants	**(448,203)**	1,138	**(447,065)**
Income - Non-Government Grant Funding	**(525)**	36	**(490)**
Income - Non-Government Grants	**(1,201)**	(467)	**(1,668)**
Income - Non-Grant Funding & Other Contributions	**(63,760)**	(3,707)	**(67,467)**
Income - Fees & Charges	**(218,986)**	(18,004)	**(236,991)**
Sub-Total	**183,120**	**(9,270)**	**173,850**
Funded By:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Total	**0**	**0**	**0**

Subjective Analysis Grouping	**Description**
Employee Costs	e.g. basic pay, national insurance, pension costs, employee training, recruitment costs etc.
Premises Costs	e.g. utilities bills, rents, rates and repairs and maintenance.
Transport Costs	e.g. vehicle lease hire and fuel costs.
Supplies and Services	e.g. equipment, stationary, professional fees, telephony and IT costs.
Contract Costs	e.g. the cost to the Council for services provided on our behalf by external entities.
Traded and Transfer Payments	Transfer Payment e.g. Housing Benefits – payments to individuals for which the Council receives no goods or services in return. Traded Services are services offered between different functions within the Council.
Income - Government Grants	All government grants credited to services or taxation and non-specific grant income in the CIES. This includes the Revenue Support Grant
Income - Non-Government Grant Funding	Core Funding from Council Tax Income and net Business Rates.
Income - Non-Grant Funding and Other Contributions	Other sources of funding through contributions e.g. NHS/residential care/other local authority contributions, costs/projects externally recharged to outside entities.
Income - Non-Government Grants	Other Grants from non-government bodies e.g. Big Lottery Grant.
Income - Fees and Charges	Fees and charges for the use of a service or council asset e.g. rent, service charges, planning application fees, penalty charges etc.

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 6 – General and Earmarked Reserves

General Fund Balance and Earmarked Reserves	**2016/17 Opening Balance £'000**	Projected In-Year Movements*	**2016/17 Projected Closing Balance £'000**
General Fund Balance	**(41,575)**	(5,100)	**(46,675)**
General Fund Earmarked Reserves**	**(96,379)**	(1,132)	**(97,511)**
Ring Fenced Earmarked Reserves	**(14,822)**	0	**(14,822)**
Total Grants Reserves (without conditions)	**(18,428)**	986	**(17,442)**
Total General Fund Reserves**	**(129,629)**	(146)	**(129,775)**
Safety Net Equalisation Reserve**	***(117,227)***	*0*	***(117,227)***

**Projected In-Year Movements are subject to both 2016/17 year-end outturn and the relevant authorisation.*

***Note: The Safety Net Equalisation Reserve has been separated from General Fund Earmarked Reserves as these relate to NNDR Safety Net payments received in advance of deficits on the Council's Collection Fund*

Schedule 7 – Levies, Special Expenses and Precepts

Levies

The Council is required to raise levies from its taxpayers on behalf of three separate bodies.
The following levies have so far been notified to the Council:

	Budget 2016/17 *(£'000's)*	**Budget Change *(£'000's)***	**Budget 2017/18 *(£'000's)***
London Pension Fund Authority *	1,967		1,967
Lee Valley Regional Park Authority *	358		358
Environment Agency	285	3	288
Total	**2,610**	**3**	**2,610**

* Details of the 2017/18 Levy from these bodies have yet to be received. Any details that are received subsequent to despatch of this report will be verbally reported at the meeting

Special Expenses

The Montpelier Square Garden Committee raise a charge (Special Expense) against the local residents who have access to this private garden. This charge is recovered as part of the Council Tax bill for those relevant residents as a specific and separate additional charge.

The Garden Square Committee have notified the Council of their desire to increase the annual charge to relevant residents from £32,500 to £45,000 for 2017/18 - a 38% increase. The Committee is not subject to the same rules regarding the need to hold a referendum as is the Council.

	Budget 2016/17 *(£'000's)*	Budget Change *(£'000's)*	Budget 2017/18 *(£'000's)*
Montpelier Square Garden Committee	**32,500**	**12,500**	**45,000**

Precepts

The Council, as the "Billing Authority", is responsible for billing for major or minor preceptors on behalf of the following organisations:

Greater London Authority

The GLA make a council tax charge to residents across all 32 London Boroughs (plus the City of London at a reduced rate which pays for its own policing). This charge is used to fund a number of subsidiary components within the overall GLA group. The average Band D charge across all 32 boroughs has been recommended to rise from £276.00 to £280.02 (a 1.46% increase). Details of the charge are set out below:

	Budget 2016/17 *(£'000's)*	**Budget Change *(£'000's)***	**Budget 2017/18 *(£'000's)***
GLA (Mayor)	60,800	4,200	65,000
GLA (Assembly)	2,600	0	2,600
Mayor's Office for Policing And Crime (MOPAC)	566,700	22,800	589,500
London Fire and Emergency Planning Authority (LFEPA)	138,200	0	138,200
Transport for London (TfL)	6,000	0	6,000
Greater London Authority Group	**774,300**	**27,000**	**801,300**
	(£'s)	*(£'s)*	*(£'s)*
Band D Amount - 32 Borough's	276.00	4.02	280.02
Band D Amount - Common Council City of London	73.89	0.00	73.89

Schedule 7 – Levies, Special Expenses and Precepts Continued

Queen's Park Community Council

The Queen's Park Community Council is the only Parish Council in London and was established in April 2014. They have yet to formally announce their charge for 2017/18. A verbal update will be provided to the Committee regarding any notifications received after despatch of this report.

The taxbase in the area has organically grown during the year as a result of new homes being built in the area and changes in bandings. The total amount raised is thus a combination of the Band D increase and organic growth in the taxbase.

	Budget 2016/17 *(£'000's)*	**Budget Change *(£'000's)***	**Budget 2017/18 *(£'000's)***
	(£'s)	*(£'s)*	*(£'s)*
Band D Amount	44.40	1.98	46.38

Schedule 8 – Localised Business Rates, Settlement Funding Assessment and Council Tax

Settlement Funding Assessment

A four-year settlement was offered by DCLG as part of the 2016/17 Local Government Finance Assessment. The Council along with 97% of local authorities has taken up this offer and submitted an Efficiency Plan in accordance with these requirements. The 2017/18 Draft Finance Settlement has thus been broadly in alignment with our expectations from the announcement in 2016 except for a modest change in the annual rate of inflation (RPI) that has affected the yield and tariff relating to localised business rates.

Business Rate Yield, and the associated Tariff, sees significant changes between the two years as the result of the 2017 Revaluation which has seen average rateable values increase across Westminster by 25% - this compares to a national average increase of just 12%.

Details of the changes for the Settlement Funding Assessment (comprising localised business rates and Revenue Support Grant) are summarised below:

	Budget 2016/17 *(£,000's)*	Budget Change *(£,000's)*	Budget 2017/18 *(£,000's)*
DCLG Assumed Net Total Business Rate Yield	1,827,083	249,107	2,076,189
Less DCLG Share (50% 16/17 and 33% 17/18) *	(913,541)	228,399	(685,142)
GLA Share (20% 16/17 and 37% 17/18) *	(365,417)	(402,774)	(768,190)
	548,125	**74,732**	**622,857**
Less Tariff	(465,408)	(73,043)	(538,452)
Baseline Funding	**82,716**	**1,689**	**84,405**
Revenue Support Grant	57,851	(11,686)	46,166
Settlement Funding Assessment	**140,568**	**(9,997)**	**130,571**

The Council is responsible for the cost of refunds following any successful rate payer appeals - a large number of successful appeals have been back-dated to the start of the 2010 Rating List (April 2010) and there are currently 9,400 still outstanding. The impact of the back-dated appeals has meant that we expect to generate less net income from business rates than DCLG assumptions.

A safety net scheme operates that protects our net position if retained business rate income falls below 92.5% of Baseline Funding. That threshold is £6.33m for 2017/18 (£6.20m for 2016/17). Since the start of the localised business rate scheme, the Council has received £30.64m less in funding than DCLG assumptions by being below the Safety Net threshold every year. We expect to be at the Safety Net threshold for 2017/18 and thus yield £78.07m from business rates rather than the DCLG-assumed £84.41m.

* The GLA share of localised business rates increases from 20% to 37% in 2017/18 as it moves towards 100% Business Rate Localisation.

Schedule 8 – Localised Business Rates, Settlement Funding Assessment and Council Tax Continued

Council Tax

The taxbase across the constituent parts of the Council area has changed due to organic growth in the taxbase and changes to the level of taxpayers eligible for the Council Tax Reduction scheme

Taxbase	2016/17 *(No.)*	Change *(No.)*	2017/18 *(No.)*
Queen's Park Community Council	3,269.17	77.09	3,346.26
Montpelier Square Garden Committee	95.04	(0.88)	94.16
Rest of the Westminster City Council Area	121,816.92	1,718.25	123,535.17
	125,181.13	1,794.46	126,975.59

The Council and other precepting bodies (including Special Expense) have indicated their Band D Council Tax amounts for the forthcoming year will change as per the table below:

Band D Amounts	*(£'s)*	*(£'s)*	*(£'s)*
Queen's Park Community Council	44.40	1.98	46.38
Montpelier Square Garden Committee	341.96	135.95	477.91
Westminster City Council	392.81	15.31	408.12
Greater London Authority	276.00	4.02	280.02

As a consequence of changes to the taxbase and Band D amounts, the total expected to be raised from Council Tax for each organisation is as shown below:

Total Yield	*(£,000's)*	*(£,000's)*	*(£,000's)*
Queen's Park Community Council	145	10	155
Montpelier Square Garden Committee	32	13	45
Westminster City Council	49,172	2,649	51,821
Greater London Authority	34,550	1,006	35,556

DCLG has allowed upper-tier authorities with Adults Social Care responsibilities to increase their council tax by up to an additional 2% in 2016/17 and 3% in 2017/18. The Council took advantage of this additional income source in 2016/17 and recommendations elsewhere in this report propose 2% is added to the 2017/18 charge

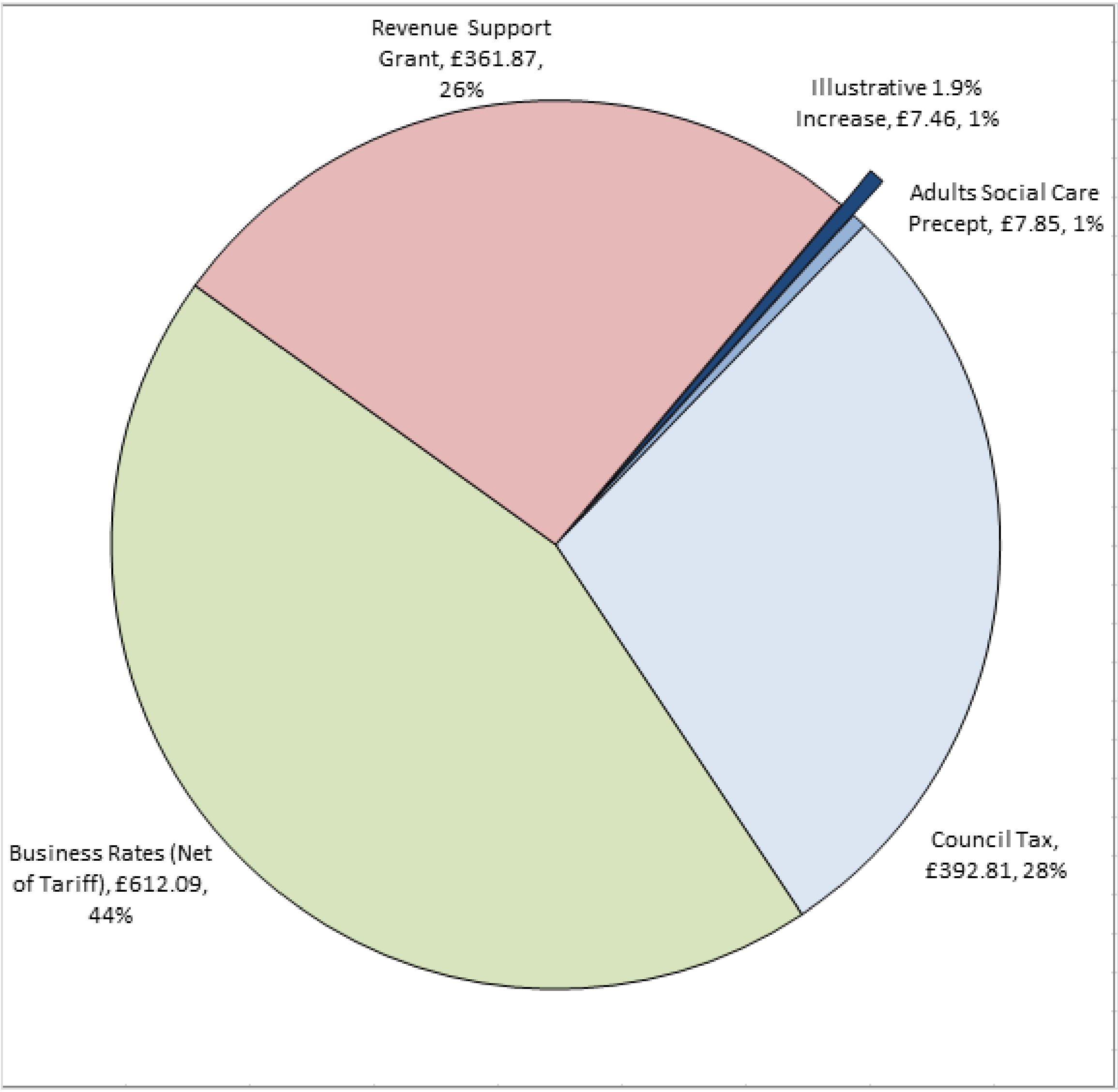
The amounts generated by these two additional increases are expected to generate a total of £2.649m in additional funding that has been fully used to support adult social care spending.

Schedule 9 Use of the Council Tax Income

The cost of delivering services to residents and visitors equates to £1,383.13 for every Band D equivalent household in the borough – this equates to £26.60 per week.

This is financed by locally retained business rate income and Revenue Support Grant, leaving the remainder needing to be paid for by the council tax payers themselves. As per the chart below, the Band D charge at the illustrative level of £408.12 (based on a 1.90% increase in the general element) would be £408.12 - £7.85 per week

The increase, included throughout this report to exemplify the impact of any potential increase in the general Band D amount would be £7.46 per year – in itself representing a 14p per week change.



Schedule 10 Housing Revenue Account

	Budget 2016/17	Changes	Budget 2017/18
	£'000	£'000	£'000
Income			
Business Income			
Rent income - dwellings	(75,764)	1,290	(74,474)
Rent income - sheds & garages	(1,188)	130	(1,058)
Service Charge - Tenants	(2,728)	(268)	(2,996)
Service Charge - Lessee	(9,427)	(1,761)	(11,188)
Heating & Hot Water	(4,862)	2,702	(2,160)
Total Business Income	**(93,969)**	**2,094**	**(91,875)**
Other Income			
Corporate Property Income (net)	(6,692)	1,713	(4,979)
Major works lessees income	(4,741)	(5,051)	(9,792)
Miscellaneous Income	(1,325)	133	(1,192)
Interest on balances	(652)	0	(652)
Total Other Income	**(13,410)**	**(3,206)**	**(16,616)**
Total Income	**(107,378)**	**(1,112)**	**(108,491)**
Expenditure			
Management costs			
Housing Management Fee	22,646	(210)	22,436
Business Transformation	2,070	2,130	4,200
TMO Fees	1,619	(177)	1,442
Legal costs	1,024	236	1,260
Other management costs	1,592	(422)	1,170
IT Services	966	165	1,130
Total Management Costs	**29,917**	**1,722**	**31,639**
Total Special Services	**8,739**	**(2,803)**	**5,937**
Repairs			
Planned maintenance	5,107	0	5,107
Void Repairs	1,000	0	1,000
Responsive repairs	9,700	(481)	9,219
Corporate Property Repairs	460	0	460
Total Repairs & Maintenance	**16,267**	**(481)**	**15,786**
Total Directly Managed Costs	**54,923**	**(1,561)**	**53,362**
Central Support Service Overheads & Recharges	9,113	727	9,840
Miscellaneous expenditure/income	36,002	870	36,872
Total expenditure	**100,038**	**36**	**100,074**
Net in year deficit/(surplus)	**(7,340)**	**(1,077)**	**(8,417)**
HRA Reserves			
Opening HRA Balance Brought-Forward	(31,606)	(11,878)	(43,484)
Budgeted net in year deficit/(surplus)	(7,340)	(1,077)	(8,417)
Budgeted Capital expenditure funded from balances	8,948	28,364	37,312
Projected HRA Balance Carried Forward	**(29,999)**	**15,409**	**(14,589)**

Annex A

Budget and Performance Task Group – Report and Minutes on 2017/18 Budget Scrutiny

1. Introduction

The Budget and Performance Task Group is a standing task group established by the Westminster Scrutiny Commission in 2007, 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."

Unlike other scrutiny task groups Cabinet must *take into account* and give *due regard* to 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 the Cabinet's response.

Its membership is comprised of members from across the four policy and scrutiny committees. This year's task group members were Cllr Brian Connell (Chairman), Cllr Ian Adams, Cllr Barbara Arzymanow, Cllr Adam Hug, Cllr Andrew Smith, and Cllr David Boothroyd (who replaced Cllr Hug for the last session).

The task group met on three occasions between 1st and 3rd February to review and scrutinise the Council's draft budget for 2017/18. This report sets out the task group's approach to review as well as its key observations and recommendations.

2. Approach

The task group adopted a number of risk lenses with which to review and challenge the budget proposals presented to them:

Deliverability/achievability: Are the proposals deliverable within the time frame and to the amounts suggested? Is there an optimism bias at play or are the proposals lacking in ambition?

Legality: Do the proposed changes to services allow us to continue to meet our statutory obligations to service users?

Equality: Are any equality impacts arising from proposed changes fully assessed, understood and mitigated where necessary?

3. Key Matters for Members' Consideration

3.1 General Observations

Overall the task group is:

- impressed by the diligence and robustness of the options presented by the departments;
- reassured that the draft budget appears to be deliverable both in terms of the proposed savings and income generation;
- content that Equality Impact Assessments (EIAs) have been completed where necessary and appropriate mitigations put in place;
- satisfied that the proposed changes are compliant with the council's statutory obligations; and
- content that there is no double counting of money within the departmental budgets

The task group was particularly pleased to learn about the plans for improving and increasing the use of Assistive Technology in Adult Services, not only in relation to the good financial savings anticipated but also the greater independence it will provide for service users.

The cautious and methodical approach to treasury management is to be commended, though it is important to recognise that members might want to take the opportunity to review the trade-off between income and risk.

Building on the experience of last year the task group has welcomed the opportunity to again review the capital programme both in terms of the associated risks and opportunities as this is an increasingly important component of the Council's budget provision.

3.2 Risks and recommendations

Despite the overall confidence in the draft budget there are a number of risks which the task group wishes to highlight.

3.2.1 Market linked income streams

There a number of income generating streams contained within the proposed budget which are linked to the market and therefore exposed to fluctuations which could impact on the projected figures.

The proposal for phase 2 of the outdoor media project has an increased level of risk in that, whilst potential sites, with a commercial potential of £1m, have been identified they do not yet have all the necessary approvals in terms of political acceptability (local impacts will need consideration) or planning permission. If any sites do not meet the standards of acceptability for the above then there is a risk that the saving will not be met in full.

Recommendation: That the Cabinet Member for Finance, Property and Corporate Services ensures that there is effective project management, including planning consent, to ensure that the budget is de-risked.

Recommendation: That the Cabinet Member for Finance, Property and Corporate Services ensures that effective consultation is undertaken with Ward Members to ensure that they understand the impact of their decisions.

3.2.2 Public health funding of core council activity

The current model of public health provides approximately £6m of funding to council departments for activity to deliver health outcomes. This includes approximately £2.7m in Adult Services, £2.3m in Children's Services and £1.4m in City Management and Communities.

This funding is being met through a mixture of public health savings and draw down from the public health reserve. There is a risk that this funding will not be available to departments in full from 2019/20 as the public health reserves deplete, Department of Health funding reduces and savings in Public Health become harder to deliver.

Recommendation: Cabinet Members whose portfolios currently receive funding from public health should identify which activity is funded in this way and develop ways to, if necessary, replace this funding.

3.2.3 Capital Programme

The task group has continued to increase its scrutiny of the council's capital programme and will continue to do so as the scale of the programme across the council continues to grow.

Reflecting on the draft proposals for 2017/18, the task group suggests that both the size and density of the capital streams across the council present a risk to the deliverability of the programme.

This is of particular note for the **public realm works** planned by the City Management and Communities department. Whilst the net expenditure within the capital programme is not significantly higher compared to last year, the gross expenditure does show a significant increase and relies mainly on external funding, which could be at risk if there are any slippages in the programme. Deliverability of these projects also relies on the availability and capability of contractors to carry out the increased level of work.

Recommendation: That the Cabinet Members for City Highways and Finance, Property and Corporate Services ensure that the capital programme is regularly tracked so that any slippage can be addressed as quickly as possible.

Budget and Performance Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Wednesday 1st February 2017**, Rooms 1B&C- 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Andrew Smith, Adam Hug, and Barbara Arzymanow

Also Present: Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Ed Watson (Executive Director, Growth, Planning and Housing), Stuart Reilly (Head of Strategic Projects), Dick Johnson (Strategic Finance Manager), Daniel Peattie (Strategic Finance Manager) and Tara Murphy (Policy and Scrutiny Officer)

1 TERMS OF REFERENCE

1.1 Cllr Connell reminded members of the task group's terms of reference and noted that the observations and recommendations of the task group would be shared in a report to Cabinet Members and the Council.

2 APOLOGIES

2.1 No apologies were received.

3 DECLARATIONS OF INTEREST

3.1 Councillor Smith declared that he is Deputy Cabinet Member for Housing. Councillor Arzymanow declared that she is a Governor of Westminster Adult Education Service.

4 BUDGET OVERVIEW

4.1 Steve Mair, City Treasurer, provided members with a brief overview of the proposed budget for 2017/2018. Members noted that an additional £35m of net savings were initially identified for 2017/2018. In response to members' questions as to cause of the additional savings requirements the City Treasurer stated that approximately two thirds of the savings target are due to cost pressures, such as inflation, service operating pressures, capital costs, pension costs and other costs and pressures, and the remaining approximate third was due to the reduction in grants from central government.

4.2 The City Treasurer gave an overview of the significant capital programme both in terms of expenditure and income. The capital programme is key in helping the council achieve a number of its strategic aims. Members heard that the council has low debt levels due to the past use of capital receipts. The City Treasurer advised that the planned capital expenditure is split into three types of scheme: development, investment and operational.

4.3 In response to members' questions about the **achievability** of the proposed budget the City Treasurer informed members that the council has a statutory duty to certify that the budget is robust. The City Treasurer advised that the overall budget proposals are considered to be robust.

4.4 Members raised questions about the council's intended approach to and timing of reducing the deficit on the **pension** fund. The City Treasurer advised that there are varying levels of funding of schemes across local authorities as a result of contribution holidays taken in the past. Some have 100% funded pensions but the majority don't, Westminster is amongst this group and is one of the lowest funded funds. The council will consider reducing the pension fund deficit by increasing the amounts paid into the fund to reduce interest costs and the time taken to secure a balanced fund.

4.5 Members asked for further analysis on different rates of deficit reduction and whether purchasing temporary accommodation properties on behalf of the council would be a viable investment strategy, but were supportive of the proposed deficit reduction. They were advised that the council is now a member of the CIV.

Action: Members to be provided with information outlining the ability of local authorities to invest in local areas, specifically temporary accommodation, and the impact of differing levels of deficit contribution.

4.6 In response to members' questions about the level of **general reserves** the council holds, the City Treasurer stated that figure is currently circa £41m, down from approximately £70m in 2008 prior to the global economic crisis. In the three years after this, the reserves reduced by £47m as a result of changes in the economy impacting council finances. It was noted that were something similar in size to happen again, only representing some 2% of gross expenditure, the reserves could be reduced to nil. The City Treasurer advised that the intention therefore, is to raise the general reserves level by approximately £5m every year for the foreseeable future.

Action: To provide members with information as to where the council sits amongst other local authorities in terms of levels of general reserves.

4.7 The City Treasurer flagged the issue of the Sustainability and Transformation Plan (STP) for which there is a sub- regional planning process across North West London. Members were advised that no figures for the impact of this plan are included in the proposed budget as the analysis is not sufficiently detailed yet. The Council has taken a prudent approach to this.

4.8 Cllr Connell reminded members that there is a statutory duty on the council to complete an assessment as to whether a full equality impact assessment (EIA) is required for any policy and service changes. This had been undertaken in respect of all savings proposals forming the budget, a file had been completed with all such assessments and all full EIAs had been provided in the papers for the task group.

5 GROWTH, PLANNING AND HOUSING

5.1 Ed Watson, Executive Director of Growth, Planning and Housing, took members through the budget proposals for the directorate. The proposals representing departmental **savings** of £5.2m were outlined and discussed.

5.2 Members heard that the savings in relation to **property** would be achieved through a mixture of asset rationalisation and improved management as well as income generation through delivery of major projects. The department has taken a more realistic view of the savings that can be realised through rationalisation and improved management as a substantial proportion of the estate was in the form of schools and leisure facilities so would not form part of such an exercise.

5.3 Members noted that the City Hall Refurbishment project was not reflected within the revenue savings figures as the programme was not due to be delivered in 2017/18.

5.4 Regarding savings from major projects income and cost recovery, the Executive Director advised that full cost recovery was planned and that there was confidence that the savings could be delivered, particularly as some projects were already in year two.

5.5 The Executive Director advised that the housing related savings would be achieved through: reshaping the existing housing options service; acquiring more temporary accommodation properties and creating an income stream from them; and delivering some efficiencies in the rough sleeping service.

Action: Members to be provided with analysis of the rate of return on temporary accommodation properties acquired.

5.6 Members heard that the rough sleeping savings identified were the tail end of an on-going series of savings focused on procurement, service redesign and efficiencies. It was noted that the efficiencies will be made in the back office and through working more effectively with partners.

5.7 In response to questions from members on rough sleeping, the Executive Director advised that the rough sleeping costs were about the service the council provides in its hostels, there would be no impact on the current contractual arrangements in terms of the service provided. The savings involve working the contracts harder and finding new ways to work with other partners to deliver services.

5.8 Members were advised that the outcome of the Housing Reduction Bill and its associated impacts were not currently known but GPH and Finance were doing some modelling on the possible impacts.

5.9 Members heard that further savings were due to be realised through a mixture of:

- enhancing efficiencies at the Westminster Adult Education Service (WAES);
- recovering costs from work that WAES undertakes on behalf of external partners; and
- delivering the final phase of the digitisation of the planning application process

5.10 It was noted that the final savings proposals would be delivered through a reduction in the operating cost of the department.

5.11 In response to members' inquiries as to whether there were any challenges that may place pressure on the budget proposals – the Executive Director advised that the Housing and Planning White paper was due to be published in the near future but it was not clear as yet what the financial implications of this emerging legislation would be.

5.12 The Executive Director outlined the elements which make up the proposed departmental **capital expenditure** of £210.742m.

5.13 Members were informed that the **major projects** programme includes:

- the City Hall Refurbishment
- Dudley House and
- Moberly Sports Centre

Action: Members to be provided with rate of return on Dudley House.

5.14 The Executive Director also outlined a number of smaller capital projects such as the open spaces strategy, street trees planting programmes, air quality, broadband infrastructure and some work in relation to Oxford Street and the West End Partnership.

6 MEETING CLOSE

6.1 The Meeting ended at 8.25pm.

Budget and Performance Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Thursday 2nd February 2017**, Rooms 1B&C- 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Andrew Smith, Adam Hug, and Barbara Arzymanow

Also Present: Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Siobhan Coldwell (Chief of Staff), Julia Corkey (Director of Policy, Performance and Communications), Barry Smith (Head of City Policy and Strategy), Clare Chamberlain (Tri-borough Director for Children's Services), Melissa Caslake (Director of Family Services), Dave McNamara (Director of Finance, Children's Services) Stella Baillie (Tri-borough Director for Integrated Care), Prakash Daryanani (Interim Director of Finance, Adult Social Care), Ashley Hughes (Finance Manager), Mike Robinson (Tri-borough Director of Public Health) Richard Simpson (Finance Manager) and Tara Murphy (Scrutiny Officer)

1 WELCOME

Apologies

1.1.1 Cllr Connell noted that apologies had been received from Liz Bruce, Tri-borough Director of Adult Services and Social Care.

Declarations of Interest

1.2.1 Cllr Ian Adams declared that he is Vice-Chair of Age-UK Westminster and is Lord Mayor-elect so declined to participate in the discussions on the Lord Mayor's budget.

1.2.2 Cllr Barbara Arzymanow declared that she is a Governor at Mary Paterson and Dorothy Gardner Early Years Nursery Schools.

2 CHIEF OF STAFF

2.1 Cllr Connell invited Siobhan Coldwell, Chief of Staff to take members through the budget proposals for her portfolio. It was noted that the portfolio covers governance and committee services, the Lord Mayor's office, the complaints service, the election team, the coroner's office and land charges - the last three areas are the main sources of income in the portfolio.

2.2 It was noted that there were no anticipated pressures on the budget but a number of potential risks have been identified but with no significant financial impact. These areas included:

- the Coroner's Service, due to changes in the Coroners and Justice Act which will result in more inquests being required; and
- Land registry searches may face pressure if the property market dampens, but Westminster remains an attractive service provider due to it being cheaper and more efficient than other providers.

2.3 In terms of the proposed **savings**, Members heard that improvements would be made to the council's complaints service, with stricter criteria introduced to ensure that only those complaints that need to progress to stage two. Members raised concerns about the potential risk in relation to the actual customer experience.

2.4 The Chief of Staff advised that she was confident that the savings proposed for the Lord Mayor's Office could be delivered without undermining the reputation of the office, as the savings would be achieved through addressing operational inefficiencies.

Action: Chief of Staff to circulate information on land searches to members.

Recommendation: Cabinet Members make sure that they are assured by officers that there is no negative impact on customer experience as the complaints service is improved.

3 POLICY, PERFORMANCE AND COMMUNICATIONS

3.1 Councillor Connell invited Julia Corkey, Director of Policy, Performance and Communications to present the department's budget. It was highlighted that this department was a key income generating department for the council and that spend in the department was offset by this. It was noted that the deficit in the current year's budget was due to market changes in advertising outside the department's control.

3.2 The discussion focused on the key risks associated with the forthcoming budget proposals. These included:

- The Voluntary and Community Sector (VCS) - likely to see increasing demand on their services whilst their level of funding remains static.
- The Community Infrastructure Levy – which is anticipated to bring in significant amounts of money to the council CIL but has been reviewed by could be abolished reviewed by the Government and the outcome of the review may be known in the forthcoming in the upcoming Housing White Paper. As an external source of funding it is at risk of the vagaries of the market and Government intervention.
- Phase 2 of the outdoor media project – Sites have yet to be agreed and are dependent on political appetite and the market at the time. £1m of the projected £2.25m income target is therefore subject to political and planning decisions, but sites had been identified which would deliver this amount.

3.3 It was noted that the **capital expenditure** for phase 2 of the outdoor media programme would not be needed in full should sites for the project not be approved.

Action: Members to be sent information on both the phasing of the saving and the location of the 10 identified advertising sites for phase 2 of the outdoor media project.

4 CHILDREN'S SERVICES

4.1 Clare Chamberlain, Tri-borough Director of Children's Services provided members with a brief overview of the proposed budget for 2017/2018. It was noted that approximately two-thirds of the budget was uncontrolled as it is made up of a schools grant which goes straight to schools. The remaining controllable budget was approximately £35m.

4.2 Members noted that most of the proposed savings have been delivered early by the department and it was confirmed that there would be no further planned changes to the structure of services in these areas during the next year. In response to members' queries about the areas of most risk for service users, the Director identified the Focus on Practice saving of £130,000. It was explained that this is a volatile area with changing demand which is why it is considered high risk.

4.3 The budget pressures for the coming year were explained and the following key areas discussed.

- Unaccompanied Asylum Seeking Children (UASC) – increased numbers and no additional funding from the Government.
- Care leaver support 18-25 - increased statutory responsibility as result of proposed changes to legislation currently going through parliament
- Youth Offending Service – there is a year on year reduction in grant money and although there is a decrease in the number of new entrants into the system, there has been an increase in gang related users
- Passenger Transport – due to a statutory responsibility to assist SEN young people aged 18-25 with transport requirements and increased take-up by parents.

4.4 Members commented on the significant reduction in budget for family services in the proposed budget for 2017/18. It was noted that this was due to the early help offer being more effectively redeveloped with children's centres and the success of the department in driving down the numbers of young people coming into high-cost care placements.

4.5 The proposed **capital programme** discussions focused on the secondary school expansion programme which is the main area of proposed spend. It was noted that as the Council has to ensure that all residents have a place at school in

Westminster, four schools were being expanded in order to meet the projected rise in demand.

Action: Members to be sent a breakdown of what is driving the passenger transport cost pressure.

5 ADULT SERVICES AND PUBLIC HEALTH

5.1 Stella Baillie, Tri-borough Director of Integrated Care, presented to the task group on the proposed budget for Adult Services. It was noted that the departmental categories within the 2016/17 budget have been revised as a way of making the budget easier to understand. These categories are used for 2017/18 and will continue to be utilised therefore making the changes easier to track each year.

5.2 A number of **key issues** were identified for the department for 2017/18, these included: increasing demographic growth and ageing population, reduced opportunities for commissioning and contract efficiencies, and an increase in acuity and complexity of needs. A key risk to the department was noted as being the fragility of the care market which could have an impact on the ability to deliver services and savings. Members heard that the department was working with existing providers in the market based on knowledge of what works, in order to mitigate some the risks.

5.3 Members noted that a number of **efficiencies** are planned in order to achieve the proposed budget and more discussion took place on the following areas.

- Wellbeing and prevention services – which will see a continuation of work to increase the use of Assistive Technology and other preventative services so as to reduce demand on home care.
- Health integration benefit – this will involve working with health to implement integrated services within the Better Care Fund.

5.4 The Director outlined a number of budgetary **pressures** facing the department, a number of which, such as an increase in the complexity and acuity of problems, were recognised as the result of an aging population. It was noted that the London Living Wage would create an increase in costs for the department but which is necessary in order to attract people to work in home care roles.

5.5 It was noted that a key component of the proposed **capital expenditure** is projects related to systems and technology improvements which are not only critical in allowing the department to meet its statutory responsibilities but are key to realising the assisted technology related savings identified. Members were also advised that a number of specialist housing projects would be delivered and of benefit to Adult Social Care but they would be managed within the Growth, Planning and Housing capital budget.

6 PUBLIC HEALTH

6.1 Mike Robinson, Director of Public Health presented an overview of the budget to task group members. It was noted that the proposed budget for 2017/18 is based on a ring-fenced grant from the Department of Health (DoH), which is expected to be fully spent. Members noted that the proposed 2017/18 budget is £800,000 less than received the previous year due to DoH plans to reduce the Public Health Grant by 2.5% per year until the end of this Parliament.

6.2 It was highlighted that if the service spends to budget this would involve a drawdown from the Public Health reserve in order to support commissioned services and to fund public health outcome initiatives across other council departments. The sustainability of the services utilising the Public Health funding will need addressing ahead of each year's reduction in the grant.

Action: Members to be provided with an analysis of where Public Health supports outcomes across the council.

6.3 It was noted that there were no capital projects planned by the department for 2017/18.

7 MEETING CLOSE

7.1 The Meeting ended at 9.10pm.

Budget and Performance Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Friday 3rd February 2017**, Rooms 1B&C- 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Andrew Smith, David Boothroyd, and Barbara Arzymanow

Also Present: Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Stuart Love (Director of City Management and Communities), Catherine Murphy (Strategic Finance Manager) John Quinn (Director of Corporate Services) and Tara Murphy (Policy and Scrutiny Officer).

1 WELCOME

Apologies

1.1.1 Cllr Connell noted that apologies had been received from Cllr Adam Hug who was replaced by Cllr David Boothroyd.

Declarations of Interest

1.2.1 There were no declarations of interest.

2 CITY MANAGEMENT AND COMMUNITIES

2.1 Stuart Love, Director of City Management and Communities provided members with an overview of the proposed budget for the department.

2.2 Members noted the range of areas identified for **savings and income generation** and there was discussion about the achievability and risks associated with the following areas:

- Although the digital transformation programme is ready to be delivered it is reliant on a number of technical elements and other departments before it can proceed, which is a risk to its deliverability.
- A number of the larger income generating proposals such as the Code of Construction, parking, and commercial waste services are linked to the economy and could be severely impacted with any negative change in the market. Members also noted the potential political risk associated with the introduction of the minimum stay duration for on-street parking.

2.3 The Director outlined the key components of the proposed **capital expenditure** programme to Members. It was noted that the transportation projects would be almost entirely funded by Transport for London (TfL) and the major projects outlined as part of the Public Realm Enhancements would be almost all externally funded. Members heard that the council's expenditure would mainly fund the asset maintenance projects which included structural work on bridges, carriageway maintenance and stone mastic asphalt improvement.

2.4 Members raised concerns about the deliverability risks of the projects - in terms of slippage and the associated risk of external funding remaining available - given that the proposed spend was more than double than the council had ever delivered before; and the amount of TfL-funded investment was also much greater than previous levels.

2.5 In response to members' queries about capital spending on CCTV, the Director explained that following the de-commissioning of the cameras the council had agreed to set aside money to replace the cameras should the police present a proposal which sees them cover the on-going revenue costs and future replacement.

3 CORPORATE SERVICES

3.1 John Quinn, Director of Corporate Services, provided members with an outline of the scope of the department, which covers: people's services, legal services, procurement, ICT, the Managed Services Programme and the digital programme. He then gave an overview of the proposed departmental budget stating that he was confident that the proposals were deliverable as many of the savings had already been achieved.

3.2 The following key issues for the department were noted, including: delivery of the digital transformation programme; optimising the Managed Services Programme; and end user co-operation in order to deliver ICT savings.

3.3 Members noted the range of areas in which savings were proposed, including: reducing spend on legal services; redesigning the IT staff structure; moving to a new communications contract and a review of vacancies within the department. In response to members' queries, the Director advised that the proposed CCTV saving was not a double count with City Management and Communities' savings as it relates to the turning off of the hardware which is used for CCTV enforcement.

3.4 Members heard that the biggest risk contained within the income generation proposals was the commercial operating model for procurement as this is a new venture and the timing of deals could fall outside this budget cycle.

4 CITY TREASURER

4.1 Steve Mair, the City Treasurer, provided an overview of the proposed budget for the City Treasurer's team. Members noted that Westminster's annual accounts are of the highest quality and delivered the fastest in the country exceeding the whole local government sector and 93% of the FTSE 100.

4.2 Members heard that the department will be:

- developing a talent management framework to ensure that business continuity is maintained in the event of key personnel leaving:
- continuing with the comprehensive staff training and development plan to ensure the highest professional and commercial standards; and
- leading on the differential services project which will support services to review options to set different charges depending on the level of service provided.

Members also noted that there could potentially be an impact on investment yields due to the adverse effects of Brexit.

4.3 Members noted that a significant proportion of the funding of the 2017/18 capital programme would come from capital receipts gained from Moxon Street. Members were pleased to note that a general contingency funding had been built into the capital programme and that capital contingency would be held centrally, with departments bidding from this central pot via the Capital Review Group.

5 MEETING CLOSE

5.1 The Meeting ended at 8.10pm.

Annex B - Council Tax Resolution

That the Council be recommended to resolve as follows:

1. It be noted that on the 25th of January 2017, the Council calculated the Council Tax Base 2017/18

   a) For the whole Council area as **126,975.59** [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 **94.16**

   c) For dwellings in the Queen's Park Community Council area as **3,346.26**

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2017/18 (excluding Special Expenses) is **£51,821,278**

3. That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Act:

   a) **£864,597,394** 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) **£812,731,116** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

   c) **£51,866,278** 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) **£408.47** 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 (including Special Amounts)

   e) **£45,000** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

   f) **£408.12** 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:

Ratio	Band	Greater London Authority
6	A	186.68
7	B	217.79
8	C	248.91
9	**D**	**280.02**
11	E	342.25
13	F	404.47
15	G	466.70
18	H	560.04

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 Community Council
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	318.61
7	B	371.71
8	C	424.81
9	**D**	**477.91**
11	E	584.11
13	F	690.31
15	G	796.52
18	H	955.82

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 2017/18 for each part of its area and for each category of dwellings:

Westminster Council Requirement & Special Expenses

Ratio	Band	Queen's Park Community Council	Montpelier Square Garden Committee	All Other Parts of Westminster City Council
6	A	303.00	590.69	272.08
7	B	353.50	689.14	317.43
8	C	404.00	787.58	362.77
9	**D**	**454.50**	**886.03**	**408.12**
11	E	555.50	1082.92	498.81
13	F	656.50	1279.82	589.51
15	G	757.50	1476.72	680.20
18	H	909.00	1772.06	816.24

Westminster Council Requirement, Special Expenses and Precepts

Ratio	Band	Queen's Park Community Council	Montpelier Square Garden Committee	All Other Parts of Westminster City Council
6	A	489.68	777.37	458.76
7	B	571.29	906.93	535.22
8	C	652.91	1036.49	611.68
9	**D**	**734.52**	**1166.05**	**688.14**
11	E	897.75	1425.17	841.06
13	F	1060.97	1684.29	993.98
15	G	1224.20	1943.42	1146.90
18	H	1469.04	2332.10	1376.28

8. That the City Treasurer 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 City Treasurer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised postholder be authorised to act as beforesaid 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.

Annex C

Equalities Impact Assessments

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 that equality impacts have been considered where appropriate.

An Equalities Impact Assessment (EIA) was produced for each of the savings initiatives for the 2017/18 budget. This Annex sets out all of the completed EIAs, grouped by Cabinet portfolio area. A separate electronic file for each portfolio area has been produced and is saved on the Westminster City Council external website, as follows:

Annex C Part a – Business, Culture and Heritage
Annex C Part b – Housing
Annex C Part c – Planning and Public Realm
Annex C Part d – Leader of the Council and Finance, Property and Corporate Services
Annex C Part e – Children, Families and Young People
Annex C Part f – Adult Social Services and Public Health
Annex C Part g – Environment, Sports and Community
Annex C Part h – City Highways
Annex C Part i – Public Protection and Licensing

Additionally, a lever arch file containing the EIAs for all savings proposals is held by the Member Services team on the 18th floor of City Hall and will be available for Councillors to review between 9am and 5pm, Monday to Friday, up until the date of the full Council meeting on 1st March 2017; Members are requested to ask any one of 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 full EIAs were also published as part of the papers issued for the Budget and Performance Task Group meetings held on 1st, 2nd and 3rd February 2017 and are available on the Council's website.

SCHEDULE OF BUDGET PROPOSALS AND EIA REFERENCE NUMBERS

The list of proposals set out below shows the savings being targeted for delivery in 2017/18.

Members are requested to review the list and the Equality Impact Assessment reports cross-referenced below, as part of the requirement to consider each saving proposed before the decision to recommend the budget is taken.

Proposal Reference Number	Proposal Description	EIA Reference Number	EIA Description	Cabinet Portfolio	Saving 2017/18 £000	Extent of EIA
	Business, Culture and Heritage					
1.2	Outdoor Media			Business, Culture and Heritage	2250	Part 1 only
2.5	Events and Filming fees			Business, Culture and Heritage	243	Part 1 only
2.6	Lord Mayor's Secretariat			Business, Culture and Heritage	75	Part 1 only
4.8	Economy team - alternative funding			Business, Culture and Heritage	110	Part 1 only
4.12	Street Trading Licensing Fees Income			Business, Culture and Heritage	200	Part 1 only
4.14	Westminster Adult Education Service			Business, Culture and Heritage	42	Part 1 only
4.15	Review of staffing, supplies & services (GPH)			Business, Culture and Heritage	843	Part 1 only
	Housing					
4.2	Review of Housing Options and Homeless Service costs			Housing	500	Part 1 only
4.10	Temporary Accommodation homes purchase			Housing	357	Part 1 only
4.13	Rough Sleeping and Supported Housing			Housing	880	Part 1 only
	Planning and Public Realm					
2.2	Development Planning Transformation			Planning and Public Realm	50	Part 1 only
6.7	Code of Construction Practice			Planning and Public Realm	700	Part 1 only
	Finance, Property and Corporate Services					
1.3	Digital Transformation			Finance, Property and Corporate Services	533	Part 1 only
1.4	Tri-Borough Corporate Services - Legal Services			Finance, Property and Corporate Services	266	Part 1 only
1.14	Business Intelligence			Finance, Property and Corporate Services	200	Part 1 only
1.16a	Reduced spend on Legal Services			Finance, Property and Corporate Services	100	Part 1 only
1.18	Increase in Council Tax Base			Finance, Property and Corporate Services	472	Part 1 only
1.20	Revenue & Benefits – contract extension			Finance, Property and Corporate Services	233	Part 1 only
1.24	Commercial operating model for procurement			Finance, Property and Corporate Services	350	Part 1 only
1.25	Corporate Property Strategy			Finance, Property and Corporate Services	76	Part 1 only
4.3	Major Projects - Income Generation			Finance, Property and Corporate Services	687	Part 1 only
1.36	IT Staff structure and trading			Finance, Property and Corporate Services	250	Part 1 only
1.37	Transition to new comms contract/model			Finance, Property and Corporate Services	291	Part 1 only
140	Property Rationalisation and Asset Management (including Hubs)			Finance, Property and Corporate Services	1257	Part 1 only
1.41	ICT - Cease CCTV services			Finance, Property and Corporate Services	1386	Part 1 only
1.44	Recharging of Comensura contract			Finance, Property and Corporate Services	250	Part 1 only
1.45	Restructure of CPMU			Finance, Property and Corporate Services	200	FULL
1.46	Review of staffing, supplies and services - Chief of Staff			Finance, Property and Corporate Services	100	Part 1 only
1.47	Council Tax increase			Finance, Property and Corporate Services	TBC	Part 1 only
1.48	Review of the complaints process			Finance, Property and Corporate Services	110	Part 1 only
1.52	City Treasurers Budget Reviews			Finance, Property and Corporate Services	393	Part 1 only
1.53	Review of vacancies within Corporate Services			Finance, Property and Corporate Services	316	Part 1 only
1.54	Review of ICT budgets			Finance, Property and Corporate Services	657	Part 1 only
	Children, Families and Young People					
8.1	Commissioning contracts	8.1A	Children With Disabilities	Children, Families and Young People	160	FULL
		8.1B	Marlborough & Tavistock	Children, Families and Young People	83	FULL
		8.1C	Specialist Legal Services	Children, Families and Young People	200	Part 1 only
		8.1D	Speech and Language Therapy Service	Children, Families and Young People	68	Part 1 only
		8.1E	Children in Need	Children, Families and Young People	16	Part 1 only
		8.1F	Tracking and Surveys Re -commissioning	Children, Families and Young People	60	Part 1 only
8.2	Commissioning team		Commissioning Team	Children, Families and Young People	16.5	Part 1 only
8.4	Early Help	8.4A	Play Service	Children, Families and Young People	30	FULL
		8.4B	Early Help reconfiguration	Children, Families and Young People	1104	FULL
		8.4C	Early Help - Children's Centre services	Children, Families and Young People	1425	FULL
		8.4D	Youth Service Decommission	Children, Families and Young People	576	FULL
8.5	Education	8.5A	Asset Strategy	Children, Families and Young People	10	Part 1 only
		8.5B	School Standards staffing	Children, Families and Young People	20	Part 1 only
		8.5C	Attendance of Children at School	Children, Families and Young People	20	Part 1 only

SCHEDULE OF BUDGET PROPOSALS AND EIA REFERENCE NUMBERS

The list of proposals set out below shows the savings being targeted for delivery in 2017/18.

Members are requested to review the list and the Equality Impact Assessment reports cross-referenced below, as part of the requirement to consider each saving proposed before the decision to recommend the budget is taken.

Proposal Reference Number	Proposal Description	EIA Reference Number	EIA Description	Cabinet Portfolio	Saving 2017/18 £000	Extent of EIA
8.7	Focus on Practice		Placements	Children, Families and Young People	250	Part 1 only
8.9	Family Services including edge of care	8.9A	Fostering & Adoption Services	Children, Families and Young People	100	Part 1 only
		8.9B	Children's Services Section 17 savings	Children, Families and Young People	30	Part 1 only
		8.9C	Safeguarding Staff Reduction	Children, Families and Young People	60	Part 1 only
		8.9D	Housing Officer post (£15k)	Children, Families and Young People	15	Part 1 only
		8.9E	Car allowance	Children, Families and Young People	10	Part 1 only
		8.9F	Youth Offending Service (YOS)	Children, Families and Young People	25	Part 1 only
		8.9G	Disabled Children Team Staff relocation	Children, Families and Young People	50	Part 1 only
8.15	Virtual School Funding		Virtual School Funding	Children, Families and Young People	300	Part 1 only
8.21	Passenger Transport Mitigations		Passenger Transport Mitigations	Children, Families and Young People	50	Part 1 only
	Adult Social Services and Public Health					
3.1	Commissioning Transformation and Contract Efficiencies			Adult Social Services and Public Health	383	Part 1 only
3.3ii	Well being and prevention services – including Assistive Technology			Adult Social Services and Public Health	922	Part 1 only
3.5	High Cost, High Needs Packages Review			Adult Social Services and Public Health	150	Part 1 only
3.6	Better Care Fund - Health Integration Benefit Share			Adult Social Services and Public Health	500	FULL
3.8	Public Health Funded Initiative – Improving Social Isolation			Adult Social Services and Public Health	200	Part 1 only
3.12	Mental Health Placements			Adult Social Services and Public Health	100	Part 1 only
3.14	Learning Disability Placements and Supplies/Services Review			Adult Social Services and Public Health	200	Part 1 only
3.23	Public Health	3.23i	Community and Reproductive Sexual Health Services	Adult Social Services and Public Health	3197	Part 1 only
		3.23ii	Substance Misuse Services	Adult Social Services and Public Health		Part 1 only
		3.23iii	Famalies and Children Services Equality Impact Assessment	Adult Social Services and Public Health		Part 1 only
3.34	Line by Line Supplies & Services /Contract Review			Adult Social Services and Public Health	200	Part 1 only
3.35	Adult Social Care Levy			Adult Social Services and Public Health	983	Part 1 only
	Environment, Sports and Community					
5.8	Commercial waste income			Environment, Sports and Leisure	1250	Part 1 only
7.3	Sports & Leisure - Phase I			Environment, Sports and Leisure	265	Part 1 only
7.6	Libraries Service Delivery - Service Reform			Environment, Sports and Leisure	750	Part 1 only
7.7	Registration Service Income Growth - Commercialisation			Environment, Sports and Leisure	150	FULL
7.14	Libraries supplies and services efficiencies			Environment, Sports and Leisure	86	Part 1 only
	City Highways					
5.1	Highways - Alternative Service Delivery Models			City Highways	140	Part 1 only
5.2	Highways - Service Level Changes			City Highways	260	Part 1 only
5.10	Compliance and Audit contract - reduction in service levels			City Highways	25	Part 1 only
5.13	Highways - Expenditure Review			City Highways	1060	Part 1 only
9.2	Parking Transformation Programme			City Highways	819	Part 1 only
9.4	Parking Suspensions Charges Review – Demand Management			City Highways	8000	Part 1 only
9.5	Review of On Street Parking charges to manage demand			City Highways	350	Part 1 only
9.6	CCTV - Moving Traffic			City Highways	643	Part 1 only
9.7	Introduction of Minimum Stay Duration			City Highways	1000	Part 1 only
	Public Protection and Licencing					
6.2	Commercial Opportunities in Private Rented Accommodation (Licensing)			Public Protection and Licencing	35	Part 1 only
6.6	Licensing Fees Income			Public Protection and Licencing	50	Part 1 only