

Report of the Cabinet Meeting held on Monday 20 February 2017

Present: Councillors Nickie Aiken (Chairman), Heather Acton, Danny Chalkley, Antonia Cox, Robert Davis, MBE, DL, David Harvey, Richard Holloway, Tim Mitchell and Rachael Robathan

Also Present: Councillors Richard Beddoe, David Boothroyd, Brian Connell and Angela Harvey

1. 2017 – 18 Budget and Council Tax Report

- (a) We have considered the detailed report from the City Treasurer which set out proposals for the 2017-18 Budget and Council Tax. The report we considered, which is attached as Appendix A, sets out financial savings of £46.175 million in 2017-18. These are set out in Schedule 4 of the report. The Strategy which we have endorsed and accordingly recommend to the Council builds on strong foundations. Since 2010 the Council has 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, and remaining within budget.
- (b) As well as dealing with funding restrictions caused by the continuing national austerity measures, the Council has had to respond to ever growing demands and other pressures on its services. Consequently, the Council continues to examine every area of operation to identify opportunities to reduce costs and generate additional income. There are two especially significant changes which will impact but the extent of which is unknown. Firstly the withdrawal from the European Union and secondly the gradual move to fully localised business rates. The true impact on the Council of both of these issues is not fully clear and brings potential risks and also opportunities. In addition to these two particular challenges we will continue to face pressures arising through commercial, legislative, demographic and operational issues across the whole range of its services. These include contractual and salary inflation, pension cost increases, changes in national insurance and apprenticeship levy and capital financing.
- (c) In order to meet the funding challenges in 2017/18, the Council has had to meet a total net savings requirement of £35.446 million. This includes savings due to reduced government grants and cross cutting pressures and a further £10.729 million to finance the net additional impact of direct service pressures resulting in total savings in 2017/18 of £46.175 million as referred to above. Following the offer of a four year funding allocation in the 2016/17 finance settlement the Council opted to accept this in order to gain some level of certainty on future funding. The funding allocation included a further cash

reduction due to two changes in the way the New Houses Bonus grant will be allocated from 2017/18. The Council will receive a one-off new grant for 2017/18 to assist with Adult Social care pressures. Current indications are that there will be a closing underspend of around £14.714 million. This will assist in tackling the historic pension fund deficit and in meeting any emerging financial risks whilst also strengthening the balance sheet.

- (d) In respect to Council Tax 2016/17 marked a change to previous years whereby authorities were previously offered an incentive in the form of a Council Tax freeze grant to those Councils not increasing their element of the Council Tax. However this freeze grant has now been removed. For 2017/18 councils, like in 2016/17, are able to charge an additional adults social care precept in addition to any normal rise in Council Tax. An overall 6% cap applies for the next three years, with the previous 2% maximum increased to 3% for 2017/18 and 2018/19. We are recommending that the Council opt to increase this element by 2% in 2017/18 in order to make the changes more manageable to our taxpayers. This precept is included within the Council's proposed budget for 2017/18. For 2017/18 the Cabinet are recommending an increase in the general Council Tax requirement by 1.9%.
- (e) Despite the challenges outlined the Council continues to excel and provide high quality services focusing on meeting the needs of its residents and clients. The Council is rightly proud of its track record in rising to the financial challenges but it is clear that strong financial discipline must be at the core of its approach to budget setting.
- (f) As part of the Council's commitment to high performance it tracks and monitors its finances on a monthly basis. Management reports are produced setting out progress against targets. A balanced budget will be set for 2017/18 which will be robust and ensure the Council is well placed to meet its future financial challenges. Throughout the process of budget setting we have been very mindful of the impact of service changes or reductions as set out in the Equality Impact Assessments and have considered and heard from Councillor Brian Connell on behalf of the Budget Scrutiny Task Group.
- (g) We were advised that confirmation of the outstanding precepts had been received which resulted in further minor savings. Also the final local government finance settlement we were advised was expected on 22 February and we authorised the Leader to make any changes necessary in the light of significant changes or unexpected variations to the final settlement and for the City Treasurer to amend, if necessary, the formal Council Tax resolution accordingly. **Note by City Treasurer:** The final settlement has been received and as a result no changes are required.

- (h) The formal Council Tax resolution which is recommended for adoption is attached as Annex 1. The full detailed report is attached as Appendix A which includes the budget we commend to the Council.

We recommend:

1. That the Council approve the following:
 - (i) the 2017/18 budget, as set out at Appendix A, and recommend to the Council the Tax levels as set out in the Council Tax resolution at Annex B of that report (Annex 1 to this report);
 - (ii) 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;
 - (iii) 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;
 - (iv) that 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 1 of this report. That the Precepts and Special Expenses be as also specified in Annex 1 of this report for properties in the Montpelier Square and Queen's Park Community Council areas as summarised in paragraph 5 and 6 which has been updated as Annex 1 of this report and the Council Tax be levied accordingly;
 - (v) that the views of the Budget and Performance Task Group set out in Annex A to the report Appendix A be noted, considered in accordance with the Budget and Policy Framework Procedure Rules in the Constitution;
 - (vi) that the cash limited budgets for each service with overall net expenditure for 2017/18 of £173.850m (as set out in Schedule 3 of Appendix A) be approved;
 - (vii) 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;
 - (viii) that the City Treasurer be delegated responsibility, consulting where appropriate relevant Cabinet Members, for any technical adjustments required to be made to the budget;

- (ix) 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 of Appendix A;
 - (x) the changes in pension fund deficit contributions as set out in paragraph 5.34 of the report at Appendix A be approved;
 - (xi) that the views of consultees and consultation approach, as set out in section 21 of Appendix A, be noted by the Council;
 - (xii) 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 approved;
 - (xiii) 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 approved;
 - (xiv) that the Equality Impact Assessments included in Annex C of the report Appendix A be received and noted to inform the consideration and approval of these recommendations; and
 - (xv) Council be recommended to receive a speech by the Leader of the Council on Council priorities and financial aims.
2. That the Council approve that the local element of Council Tax be increased for Band D properties by 1.90%.

2. Capital Strategy 2017/18 to 2021/22 Forecast Position for 2016/17 and Future Years Forecasts Summarised Up To 2030/31

- (a) 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 £1.235 bn (excluding the HRA) and fully funded through the use of external funding, capital receipts and borrowing. Including the HRA the programme is £1.936 bn. In addition to the five year programme the report also includes summary information up to 2030/31 in order to clearly show the full quantum of benefits the Council intends to deliver through the programme are financially viable in the long term.
- (b) The Council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). This supports the strategic aims of the Council, as defined in its *City for All* programme, with its vision for a city of choice, aspiration and heritage. Capital proposals are

considered within the Council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

- (c) The General Fund capital programme covers three areas of expenditure. These are:
- (i) **development** – these schemes will help the Council achieve strategic aims and generate income (£925.22m);
 - (ii) **investment** – schemes within this category will 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 (£50.00m)
 - (iii) **operational** – these schemes are related to day to day activities that will ensure the Council meets its statutory requirements (£1,155.20m).
- (d) These categories are explained in more detail in section 5 of the report we considered which is attached as Appendix B.

We recommend:

That the Council agrees

- (i) the capital strategy as set out in the report attached as Appendix B;
- (ii) As follows:
 - a) the capital expenditure for the General Fund as set out in Appendix A1 and A2 of the report (Appendix B) for 2017/18 to 2021/22;
 - b) the capital expenditure for the General Fund as set out in Appendix A1 and A2 (Appendix B) of the report for Future Years;
 - c) The revised capital expenditure budgets for the General Fund as set out in Appendix A1 and A2 of the report (Appendix B) for 2016/17 forecasts; and
 - d) The expenditure forecast for 2016/17 for the HRA as set out in paragraph 10.6.5 of the report (Appendix B).
- (iii) the capital expenditure for the HRA for 2017/18 to 2021/22 as approved in the 30 year HRA Business Plan and as included in paragraph 10.6.5 of the report.

- (iv) to note the financial implications of the HRA capital programme including the references to the debt cap and the level of reserves as detailed in paragraph 10.6 of the report.
- (v) that in the event that any additional expenditure is required by a capital scheme over and above this approved programme the revenue consequences of this will be financed by revenue savings or income generation from relevant service areas
- (vi) the revised terms of reference of the Capital Review Group (CRG) as included in Appendix B of the report. The changes are outlined in paragraph 4.2 of the report.
- (vii) that all General Fund projects follow the business case governance process as set out in section 4 of this report and in Appendix C of the report (Appendix B).
- (viii) to approve the roll forward of the unspent balance of £12.5m for investment schemes into 2017/18 and the drawdown of the second £25m tranche of funding for investment schemes. This will be available subject to a full assessment of all proposed investments to ensure they have a business case and provide value for money for the Council, and approval by the City Treasurer and CRG.
- (ix) to approve that no financing sources unless stipulated in regulations or necessary agreements are ring fenced
- (x) to approve that a sum of £12m is held for schemes not yet identified which are fully funded by external grants and/or contributions by a minimum of £10m leaving the Council to potentially fund a net £2m, as described further in paragraphs 8.2.50 – 8.2.51 of the report (Appendix B).
- (xi) to approve that contingency is held corporately, with projects required to bid for them in the event they are required to fund capital project costs. Bids would be reviewed and approved or rejected by the Capital Review Group. The value of these contingencies is £105.1m
- (xii) to note the proposed use of new capital receipts under the freedoms of the Flexible Capital Receipts regulations to fund revenue spend on City Hall, Digital Programme and Pension Deficit Recovery, and leading to future on-going savings. This proposal is being recommended for approval in the Budget Setting and Council Tax Report.
- (xiii) to approve that the financing of the capital programme be delegated to the City Treasurer as part of routine quarterly closure of accounts process.

3. Treasury Management Strategy Statement for 2017/18 to 2021/22

- (a) The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.
- (b) The Act also requires the Council to set out a statement of its treasury management strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Treasury Management Strategy Statement and Annual Investment Strategy must both have regard to guidance issued by CLG and must be agreed by the full Council.
- (c) The report we considered which is attached as Appendix C which sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2017/18 to 2021/22, and Annual Investment Strategy (AIS) for the year ended 31 March 2018, together with supporting information.

We recommend:

That the Council approve:

- (i) The Treasury Management Strategy Statement set out in sections 5 to 7 of the report (Appendix C);
- (ii) The Prudential Indicators set out in section 8 of Appendix C;
- (iii) The overall borrowing strategy and borrowing limits for 2017/18 to 2021/22 as detailed in section 6 of the report Appendix C;
- (iv) Investment strategy and approved investments set out in Appendix 1 of Appendix C;
- (v) The Minimum Revenue Provision Policy set out in Appendix 2 of Appendix C.

4. Council's Pay Policy

- (a) The Council is required to publish its Pay Policy by 31st March every year. It must be approved formally by full Council before publication. The Council is already transparent in its approach to senior pay and publishes detailed information about senior officer pay to meet its duties under the Local Government Transparency Code.
- (b) The Council's Pay Policy meets the statutory requirements of the Localism Act 2011. It brings together all the Council's existing policies on pay, which have been subject to consultation. The Pay Policy must detail Chief Officer's remuneration, increases and additions to pay, bonuses, termination payments and remuneration on recruitment. It must also

include information about the relationship between the remuneration of its highest paid officer (The Chief Executive) and the median total salary of all employees (the “pay multiple”).

- (c) The Pay Policy is attached to the report we considered which is Appendix D to this report and is recommended for approval.

We recommend:

That the Council’s Pay Policy for 2017/18 be approved for publication.

Nickie Aiken
Leader of the Council

Background Papers:

Local Government (Access to Information) Act 1972 – Background Papers
The Minutes and Agenda for the Cabinet held on 20 February 2017

Annex 1 - 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.

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.