



**City of Westminster**

# Cabinet

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>17 February 2022</b>
<b>Classification:</b>	<b>General release</b>
<b>Title:</b>	<b>Business and Financial Planning 2022/23 to 2024/25</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Key Decision:</b>	<b>Key Decision</b>
<b>Financial Summary:</b>	<b>This report sets out the Council's medium-term plan for the next three years and proposes a budget for the 2022/23 financial year</b>
<b>Report of:</b>	<b>Gerald Almeroth, Executive Director – Finance and Resources</b>

## 1. Executive Summary

- 1.1. This report brings together the Council's business and financial planning and looks forward over the next three years to set out how it will meet the Council's key objectives under the City for All strategy, supported by a medium-term financial plan. Cabinet is asked to consider the report and recommend its adoption to Full Council on 2 March 2022.
- 1.2. The update of the City for All strategy and financial plans are set in the context of it being the final budget of the current four-year administration. The last two years have seen significant challenges for the Council and its resident and business communities through the pandemic.
- 1.3. These challenges and uncertainties are set to continue at both a national and local level so it is important to recognise that planning for the medium term will be subject to change. The ability to be flexible and identify and manage risks early on will be essential in the delivery of the Council's objectives.
- 1.4. In October 2021 the Government set out its spending plans for the next three years in the Spending Review 2021. This was followed by the Local Government Finance Settlement in December, which was for one year only. The settlement represents a 6.9% increase in Core Spending Power for local government, but this assumes that councils increase council tax by 3% (including the adult social care precept). The increase in funding is welcome, particularly the funding that has been made available for social care and the (new) services grant, however this doesn't cover all the income shortfalls from reduced economic activity in the city.
- 1.5. This report proposes a balanced budget for 2022/23. Recognising the inflationary pressures that residents are under, Members propose that the budget includes a freeze in the general element of council tax and an increase of 1% for the Adult Social Care precept element. At Band D this will result in an annual increase of £4.64 or an equivalent weekly amount of 9p per week. The total Westminster element of council tax will therefore rise from £463.90 to £468.54 at Band D.
- 1.6. The recommended General Fund budget of £184.861m is a net increase of £2.102m against last year. In broad terms this includes service specific changes of £9.9m (inclusive of £16.7m of new savings and £6.8m of service pressures), offset by other government funding of £5.1m and other changes and variations of £5.4m. The balance is funded from the increase in the social care precept of council tax of £0.6m.

## 2. Recommendations

- 2.1. That Cabinet approve the following recommendations to Full Council for consideration at its meeting on 2 March 2022:

### Council Tax

- 1 that the council tax for a Band D property be agreed at £468.54 for 2022/23, an increase of £4.64 (1%) for the social care precept and a freeze in the council tax for general purposes;
- 2 that, subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2023, be as specified in the Council Tax Resolution in Appendix 5.
- 3 That the Precepts and Special Expenses be as also specified in Appendix 5 for properties in Montpelier Square and the Queen's Park Community Council;
- 4 that the formal resolution for 2022/23 attached at Appendix 5 including the council tax requirement of £63.279m be agreed;
- 5 note the proposed Greater London Authority precept (Band D) of £395.59, an increase of £31.93 (8.8%) in the adjusted Band D Precept;
- 6 that the Council continues the Westminster Community Contribution scheme to allow the most expensive properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and supporting people who are lonely and isolated;

### Revenue Budget

- 7 to note the views of the Scrutiny Budget Task Group set out in Appendix 7;
- 8 that the proposed General Fund net budget requirement of £184.861m summarised in Appendix 4.
- 9 that the savings and investment proposals for 2022/23 to 2024/25 set out in Appendix 1, 2 and 3 are approved;
- 10 that the Equality Impact Assessments included in Appendix 6 are noted to inform the consideration of the budget;
- 11 note the Housing Revenue Account (HRA) Business Plan 2022/23 and 30-Year Housing Investment Plan presented concurrently to Cabinet on 15 February 2021 that recommends the HRA budget and rent levels for 2022/23;

## Capital Programme

- 12 note the Capital Strategy 2022/23 to 2026/27, forecast position for 2021/22 and future years' forecasts summarised up to 2035/36 report also presented to Cabinet on 17 February 2022 that recommends the Council's capital programme and financing;

## Reserves, Balances and Budget Estimates

- 13 agree the reserves policy as set out in section 10;
- 14 note the opinion of the Section 151 Officer with regards to the robustness of the budget process, the estimates underpinning the budget and the adequacy of the reserves in section 10;

## Treasury Management and Investment Framework

- 15 note the Treasury Management Strategy for 2022/23 including the annual investment strategy, borrowing limits and prudential indicators summarised in this report and set out detail in a concurrent report on this agenda;
- 16 note the 2022/23 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

### **3. Reasons for Decision**

- 3.1. The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit a budget return to central government. Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

### **4. Economic Outlook and Public Sector Finances**

#### Macro-Economic Impact

- 4.1. After an extremely challenging year for the economy, 2021 saw the rapid roll-out of the covid vaccination programme and the subsequent relaxation of restrictions on economic and social activity in July.
- 4.2. This has meant that at a national level there has been a strong economic recovery, culminating in GDP reaching pre-pandemic (February 2020) levels for the first time in November (by 0.7%)<sup>1</sup>. This has improved the Government's short-term fiscal position, with official forecasts suggesting that borrowing will be £5bn lower than in March 2021.

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<sup>1</sup> UK Economy Latest, Office of National Statistics (17<sup>th</sup> January 2021)

- 4.3. However, there remains some significant challenges. London has seen a weaker economic recovery than many parts of the country, and ‘hybrid working’ has meant that that we have not seen commuting traffic returning to pre-pandemic levels (workplace footfall in early December was down 37% compared with February 2020<sup>2</sup>). This, combined with restrictions on international travel, means that it remains a challenging environment for businesses, particularly in the hospitality, leisure and retail sectors, and the more recent Plan B restrictions are expected to make a dent in the economic recovery.
- 4.4. Furthermore, the recovery has not been even across all sectors, and a large growth in demand for goods (over services) during the pandemic has created supply-chain issues and labour shortages, which, combined with extremely high international gas prices, has created rates of inflation not seen since the 2008-09 credit crunch (where it peaked at 4.7%). As a result, the Bank of England expects Consumer Price Inflation (CPI) to go beyond its current ten-year high figure of 5.4% and peak at 6% in April<sup>3</sup>. While this has, for some households, been matched by high earnings growth, this growth has been concentrated in certain sectors and is starting to slow; annual growth in regular pay hit 7.3% in the second quarter of 2021 it fell back to 3.8% at the end of the year<sup>4</sup>. As a result, many of Westminster’s residents will be seeing increases in the cost of living without the accompanying increase in wages.
- 4.5. Finally, while at the time of the October 2021 Budget and Spending Review official forecasters were predicting that the high levels of economic growth would continue into 2022, they do not expect these levels of growth to continue into 2023 and 2024, which, when put alongside the huge spending commitments, will put pressure on the public finances.

#### [Spending Review 2021 \(SR21\)](#)

- 4.6. On 27 October 2021 the Chancellor published the Spending Review. SR21 sets out the Government’s spending plans up to 2024/25. The key announcements from a local government perspective were:
- every departmental budget will increase in real terms as a result of SR21. This includes local government and the additional funding is intended to cover additional pressures, such as the National Insurance increase, Adult Social Care Reform and increases in the national/London living wage as well as general inflationary pressures
  - confirmation of the employee and employer National Insurance increases by 1.25% from 1 April 2022

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<sup>2</sup> Google Mobility Data (at 8<sup>th</sup> Dec 2021)

<sup>3</sup> Bank of England [Will inflation in the UK keep rising? | Bank of England](#)

<sup>4</sup> Average Weekly Earnings (January 2022),

- Universal Credit taper rate would be reduced from 63% to 55% and a £500 per annum increase in work allowances.
- the National Living Wage to increase for those aged 23, by 6.6%
- Business Rates multiplier to be frozen in 2022/23
- more frequent business rates revaluations with the next one due in 2023
- temporary 50% business rates relief for hospitality, leisure and retail for 2022/23
- 100% business rates relief from April 2023 to support investment in property improvements
- 100% business rates relief from April 2023 for low carbon heat networks.

#### [Local Government Finance Settlement 2022/23](#)

- 4.7. The provisional local government finance settlement sets out funding for the Council for one year only. The impact of settlement figures for 2022/23 on the Council's budget and the key elements are set out below.

#### Core Spending Power (CSP)

- 4.8. Core Spending Power is a measure of the total revenue funding available to authorities and includes government assumptions on a maximum increase in council tax and business rates income (including compensation for under indexing) as well as growth in the council tax base. Nationally council tax is around 60% of the total Core Spending Power.
- 4.9. The Department of Levelling Up, Housing and Communities (DLUHC) measure for 2022/23 is that CSP will increase by 6.9% nationally. Westminster has a 6.3% increase in CSP. This includes an expectation of a maximum 3% increase in council tax plus an assumption of the tax base increasing. Given the current inflation rate this is real terms decrease.
- 4.10. A summary of the Council's funding settlement in comparison to 2021/22 is provided below:

	CSP	CSP	Change	Change
	2022/23	2021/22		
	£m	£m	£m	%
Settlement Fund Assessment	121.6	120.7	(0.9)	0.7
Improved Better Care Fund	17.6	17.1	(0.5)	2.9
Social Care Grant	17.2	13	(4.2)	32.3
Lower Tier Services Grant	1.7	1.6	(0.1)	6.3
Services Grant (New)	6.2	0	(6.2)	n/a
Fair Cost of Care & Market Sustainability	0.9	0	(0.9)	n/a
New Homes Bonus	2.3	6.4	4	(65.6)
*Compensation for Business Rates Relief	7.4	4.7	(2.7)	57.4
<b>Sub-total</b>	<b>174.8</b>	<b>163.5</b>	<b>(11.4)</b>	<b>7.0</b>
Council Tax max rise govt assumption	64.9	62.1	(2.8)	
<b>Total Core Spending Power</b>	<b>239.7</b>	<b>225.6</b>	<b>(14.2)</b>	<b>6.3</b>

*\*The Council will be fully compensated for business rates relief introduced by government. However, the figure is an estimate and will change depending on the level of reliefs given by the Government over the course of the year.*

#### Settlement Funding Assessment (SFA) - £0.9m increase for Westminster

- 4.11. The settlement funding assessment is the core government funding for local authorities and includes a national redistribution of locally collected business rates and incorporates the previous formula revenue support grant funding. The Government has confirmed total SFA nationally will increase by £75m (0.5%) from £16.2bn to £16.3bn. The Council's SFA has increased from £120.7m to £121.6m, representing an increase of £0.9m (0.75%).

#### Improved Better Care Fund (iBCF) - £0.5m increase for Westminster

- 4.12. The iBCF grant has been rolled forward and an allowance added for inflation – increasing by £62.8m nationally (3%). The Council had assumed that this would be at the same level of funding as this year, therefore, there is a gain of £0.5m and will be used to address some of the pressures within the service.

#### Social Care Grant - £4.2m increase for Westminster

- 4.13. Social Care Grant allocations have increased by £636m, bringing the total value of the grant to £2.35bn nationally. The Council's allocation has increased from £13m to £17.2m and will go towards funding the demand and cost pressures with Adults and Children's social care services locally.

#### Lower Tier Service Grant - £0.1m increase for Westminster

- 4.14. The un-ringfenced Lower Tier Services Grant (introduced in 2021/22) will continue in 2022/23. Nationally, £111m has been allocated for lower tier authorities. The Council will receive £1.7m representing an increase of £0.1m.

#### Services Grant - £6.2m new allocation for Westminster

- 4.15. A new 'one off' services grant of £822m is proposed for England for 2022/23. This is new funding to support local government costs including for the increase in employer National Insurance contributions. Although the Government have said this is a one-off grant, the total allocation will continue to form part of the overall pot for local authorities in future years, however, the distribution methodology will change as it will be used as transitional funding to assist with the implementation of the fair funding review.

#### Social Care Reform Grant - £0.9m new allocation for Westminster

- 4.16. As part of the Government's plan to reform Adult Social Care, the government announced £162m initial funding nationally in 2022/23 translating to £0.9m for Westminster. This funding pot is known as the Market Sustainability and Fair Cost of Care Fund - funded from the Health and Social Care Levy – and is intended to support local authorities prepare markets for reform and move to paying providers a fairer cost of care. Early indication suggests that there is a risk for local authorities that the overall allocation distribution for the social care reforms might be insufficient to meet the actual costs.
- 4.17. Further tranches of funding for the continuation of this and the new social care charging reforms (cap on cost of care for individuals) are included in the government Spending Review plans that amount to £3.6bn over the next two years. Significant work will be required across the sector as well as locally to work through the implementation of the new reforms and to ensure that there is a fair distribution of funding to align with actual costs.

#### New Homes Bonus (NHB) - £4.7m reduction for Westminster

- 4.18. As part of the national £554m allocation of NHB the Council will receive £2.3m in 2022/23, a reduction of £4.7m. The government is phasing out this grant over time and the Council's reduced allocation is in line with this policy.

#### Council Tax Referendum Limits

- 4.19. In line with the announcement in SR2021, the Council Tax referendum thresholds are:
- Up to 2.00% maximum "core" increase, the general element of council tax for all services
  - 1.00% adult social care precept.



4.20. For every 1% increase to Band D Council Tax, the Council generates approximately £0.627m of funding.

### Other Funding

#### Dedicated Schools Grant (DSG)

4.21. The Department for Education (DfE) announced that by 2024/25, an additional £4.7bn will be provided to the core schools budget in England compared to 2019/20. This is broadly an increase of £1,500 per pupil by 2024/25.

4.22. The table below shows the 2022/23 DSG funding allocations for Westminster. The provisional 2022/23 DSG (before the deductions for payments to academies) has increased by £3.749m (2.2%) from 2021/22 to £174.461m.

<b>Block</b>	<b>2022/23 £m</b>	<b>2021/22 £m</b>	<b>Change £m</b>	<b>Change %</b>
Schools *	123.538	122.028	1.510	1.2%
High Needs **	35.987	32.982	3.005	
High Needs supplementary funding	1.358	0.000	1.358	13.2%
Central School Services	0.997	1.055	(0.058)	(5.5%)
Early Years ***	12.581	14.647	(2.066)	(14.1%)
<b>Total</b>	<b>174.461</b>	<b>170.712</b>	<b>3.749</b>	<b>2.2%</b>
*/ **Allocations are before deduction for academies including for High Needs Places. ***Early Years allocation is provisional at this time.				

4.23. The schools block allocation is mainly driven by pupil numbers which have reduced by 241 to 17,877.5 and the block has increased by 2.5% per pupil which is above the minimum DfE guaranteed increase of 2%. After specific funding agreed to support high needs pupils and a secondary school with falling rolls the total budget delegated to schools is showing an average 2.1% per pupil increase. Every school has an increase of at least 1% per pupil compared to 2021/22 funding. Schools with falling rolls continue to be in a challenging budget position are being supported. A statutory notice is currently open for the public to make representations on the proposal to amalgamate Westminster Cathedral and St Vincent de Paul Catholic schools. The representation window ends on 3rd February.

4.24. The high needs block includes supplementary funding of £1.358m in 2022/23, this extra resource will be used to help manage their cost pressures in this area. The significant increase of 13.2% recognises the continuing high demand for SEND that has arisen since the Children and Families Act was implemented in 2015.

- 4.25. Reduction in early years block funding corresponds with a reduction in eligible 2 and 3-4 year olds based on the change in the early years census (January 2020 to January 2021). The funding for 2021/22 and 2022/23 will be updated to reflect later early years census data. Funding for 2021/22 will reduce to reflect the January 2021 census and the funding for 2022/23 may increase slightly as provisional data showed a small increase in numbers. The majority of the funding is passed to providers both in maintained schools and private, voluntary and independent settings. The DfE have not increased the hourly rate for 3 and 4 year olds and payments will remain at £6.80 per hour for providers. The hourly funding rates for eligible 2 year olds has increased from £6.66 to £6.87. Children's Services retains a 5% element of overall funding to support the coordination of central services, and the impact of any reductions on these budgets is expected to be small. This will be further quantified along with details of the final settlement once figures are confirmed in July 2022.
- 4.26. In addition to the DSG, mainstream schools will receive a supplementary grant in 2022/23. For primary and secondary schools, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures, giving schools additional resources to raise attainment, increase teacher pay and continue to rise to the challenges of Covid response and recovery. The Indicative allocation of the SSG for Westminster is £3.690m. Final allocations for the SSG will be confirmed in spring 2022.

#### Homelessness Prevention Grant

- 4.27. On 21 December 2021 the Government announced £315m of funding for the Homelessness Prevention Grant. This was an increase of £5.8m (1.8%) on the previous year. Additional funding has been provided to meet new burdens following expansion to the priority need to those who are homeless as a result of domestic abuse. Westminster have received an allocation of £6.9m (0.5%) – a slight increase to recognise the new burdens.

#### Public Health Grant – still to be announced

- 4.28. An announcement on the Council's Public Health grant for 2022/23 is due to March 2022.

### **5. Budget Gap**

- 5.1. The estimated budget gap as reported to Cabinet in July 2021 was £51.3m from 2022/23 to 2024/25. The 2022/23 gap was reported as £10.9m.
- 5.2. Work has continued through this financial year to prepare savings proposals, manage the various cost pressures including the continued impact of Covid, and to prepare investment proposals to inform the medium-term financial plans. In October the Government's three-year Spending Review was published and then the announcement of the local government finance settlement followed on 16 December. This report proposes a balanced budget for 2022/23 and shows a remaining forecast gap of

£30.0m over the following two years. The overall changes in the budget are summarised below:

Change Since July 2021	2022/23 £'m	2023/24 £'m	2024/25 £'m	Total £'m
<b>Budget Gap - July 2021</b>	<b>10.933</b>	<b>20.066</b>	<b>20.284</b>	<b>51.283</b>
<b>Service Specific Items:</b>				
New Savings	(7.282)	(2.150)	(3.485)	(12.917)
New Pressures & Investments	5.789	(0.520)	0.000	5.269
Changes to Existing Savings	7.597	(1.418)	(0.430)	5.749
<b>Sub Total: Service Changes</b>	<b>6.104</b>	<b>(4.088)</b>	<b>(3.915)</b>	<b>(1.899)</b>
<b>Funding:</b>				
Delay to Fair Funding Review	(9.098)	0.000	(0.005)	(9.103)
Changes since the provisional LG settlement - December 2021	(14.884)	0.579	0.000	(14.305)
<b>Corporate Items:</b>				
Corporate Changes	7.572	(2.254)	(0.699)	4.619
<b>Budget Gap</b>	<b>0.627</b>	<b>14.304</b>	<b>15.665</b>	<b>30.596</b>
Social Care Precept (1%)	(0.627)	0.000	0.000	(0.627)
<b>Net</b>	<b>0.000</b>	<b>14.304</b>	<b>15.665</b>	<b>29.969</b>

- 5.3. New savings of £12.9m are being proposed over the planning period. Each proposal is listed in appendix 1.
- 5.4. Pre-covid the Council generated a significant amount of income from sales, fees and charges (SFC). Westminster has always been in a unique position, with a daily transient population far more than the resident population and the economic activity that brings. However, the pandemic has had a significant impact on this, the latest data illustrates this with Westminster having the second highest fall for in-person shopping in the country (only the City of London has had a larger fall). The consequence of this in terms of the Council's own fees and charges income was a £50m reduction last year (compared to pre-covid levels) and estimated to be £25m for 2021/22.
- 5.5. During the budget process there has been a focus on reviewing expenditure to find efficiency **savings** to offset the impact of reducing income. Therefore, saving proposals have focussed on reviewing service models, demand prevention, staffing and contracts. For example:
- Property Rationalisation
  - Contract and procurement efficiencies
  - Delivering short breaks differently in Children's Services
  - Utilising grants more effectively

- 5.6. Where income proposals have been put forward it has been for increased fees where there is still a reasonable level of demand or where new charges can be introduced, although a prudent view of this has been taken in terms of forecasts being modelled. For example:
- Annual increase in parking charges and new charges for SMS message service
  - Expansion of existing highways measures to improve traffic flows
  - Introduction of crane licences.
- 5.7. New **pressures and investments** total £5.3m over the next three years. This is a combination of demographic pressures, additional demand and investments in line with the Council's City for All strategy. These are set out in full in appendix 2. Some examples include:
- Increased demand for client and care packages in Adults Social Care
  - SEND home to school transport for increasing numbers of children with support plans
  - Investment in the Smart City and Digital Programme
  - Continued investment in supporting the Climate Emergency Action Strategy
- 5.8. Further investment of in Vibrant Communities through a specific function and programme to enhancement the quality of engagement and leading to improved outcomes.
- 5.9. Changes to existing savings: a net pressure of £5.7m is included for previously agreed savings that have now been reprofiled or are considered undeliverable for various reasons. These are set out in appendix 3.
- 5.10. The July Cabinet figures included an assumption that the Council's core funding would reduce by £9m. This was based on the Government's announcement earlier in the year that the **Fair Funding Review** would be implemented by April 2022. However, this has been delayed again and this is reflected in the £9m movement for 2022/23. The government have signalled that they still intend to implement the funding reforms for April 2023.
- 5.11. The Council have received an additional £14.8m in funding from the 2022/23 Local Government Finance Settlement. This is primarily due to increases in the social care grant, and the (new) services grant, with only £0.9m being part of the core funding settlement assessment (revenue support grant and redistribution of business rates).

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

- **Inflation pressures**: a further £4.8m of pressures for inflation have been included. This is in recognition of the higher rate of CPI (5.4% in December 21) and expected significant increases in utility prices and the impact this will have in 2022/23. The Council will look at different indices and negotiate appropriate inflationary increases on contracts rather than just apply the general inflation index. Provision for next year's pay award has been made at 2%. Over the medium term it is assumed that inflation will come back to the government target of 2%.
- **Income pressures**: originally the MTFP had estimated that the Council's income would recover by £8.5m for 2022/23 in line with OBR's expectations on economic recovery this time last year. However, some income streams have been behind expectation this year and with government predictions of a slower economic recovery going forward this is creating an additional pressure £1.8m. This means that the Council will still have an income deficit from sales, fees and charges of £16m compared to pre-covid budget levels.

## 6. 2021/22 Forecast Outturn Position

- 6.1. The budget monitoring position for at the end of December 2021 is forecasting an overspend of £7.3m (4%) against the approved net budget. This is largely the impact of reduced income that have been affected by the reduction in economic activity in the City as a result of Covid. In the main it is for service areas such as commercial waste, planning, leisure and parking. There are also cost pressures that have arisen in Children Services.
- 6.2. The estimated ongoing impacts of these variations, aligned to the government's economic growth forecasts, have been considered in the budget for next year.
- 6.3. Work is continuing to review the current year position and consider actions to reduce the overspend. The final position will be covered from the Council's general fund reserve.

## 7. Westminster policy context and service updates

### [City for All](#)

- 7.1. The Council's strategic ambitions and programmes are organised by the four City for All pillars which will be:
  - **Greener and Cleaner**: tackling the climate emergency to deliver a thriving zero carbon city, resilient to climate impacts and safeguarded for future generations

- **Vibrant Communities:** making the most of the incredible opportunities in our City and building much needed housing for our residents
- **Thriving Economy:** in response to Covid-19 impacts, this pillar will focus on supporting the recovery of the economic wellbeing of our residents and businesses and a renewal of Westminster's economy in support of the national economy
- **Smart City:** using cutting edge technology to transform council services and improving people's lives

7.2. All these pillars are interlinked and are underpinned by the core principles of tackling the climate emergency, addressing inequalities, ensuring inclusion and continuously innovating.

## Greener and Cleaner

### Climate Emergency

- 7.3. The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Despite the challenges of the last year the programme has continued to gather pace.
- 7.4. The Council has now created the Climate Action Group (CAG) which is chaired by the Leader of the Council which sets the strategic framework for achieving the Council's commitments to be carbon neutral as an organisation by 2030 and as a City by 2040 and be carbon zero by 2050.
- 7.5. A baseline exercise for the Council's emissions shows that the majority is through energy used to power and heat buildings, followed by road transport and waste. The Council's emissions account for just 2% of the total emissions within the City but Westminster has an active role to play in showing leadership in this space.
- 7.6. As outlined in the budget report last year the Council has set aside £5m in earmarked reserves to fund investment into this programme and is continually reviewing its revenue and capital budgets and priorities to ensure funding is available to meet this important strategic objective in everything that we do.

### Electric Vehicle (EV) Charging Points

- 7.7. The Council's EV Strategy has set targets for the increase in charging infrastructure. This is to both keep pace with the growing numbers of electric vehicles on the City's streets and to further encourage the transition to greener alternatives. It is recognised that this market is still in its infancy. The strategy recommends the use of an annual review, or action plan, to determine the extent of the rollouts to both satisfy demand and acknowledge changes to technology. During 2021/22 there was a target of

installing 500 charge points. A further 200 will be installed in 2022/23. Charge points will be a combination of rapid chargers, stand alone and lamppost chargers.

- 7.8. There are approximately 820 resident charge points retrofitted into lamp columns and the procurement of a new contract will see an increase this number by more than 50%. The additional roll out will focus on areas that have proved difficult to install previously. This will ensure a more equitable balance of charge points to resident owned EVs.

### Domestic Energy Efficiency

- 7.9. Westminster has secured £1m funding from Government to support residents' domestic energy efficiency improvements such as cavity wall insulation, internal wall insulation and electric storage heater upgrades. A further application for £3.1m to the Social Housing Decarbonisation Fund for our Social Housing Retrofit Accelerator scheme has also been submitted.

## **Vibrant Communities**

### Adults

- 7.10. Adult Social Care and Public Health are supporting a range of projects across the City for All programme. These are:

#### Addressing the Impact of Covid-19 on Residents

- 7.11. The pandemic has impacted some communities disproportionately and could increase health disparities in Westminster. A total of £3.75m from the Public Health grant reserve is proposed to be invested in short to medium term projects.

#### Mental Health and Wellbeing in a post Covid World

- 7.12. Mental Wellness Training and a digital platform to bring together resources will be provided to the community. Stakeholders will be alerted to activities and develop a menu of mental health training for community organisations, businesses, and statutory sector partners.

#### The Dementia Plan

- 7.13. The Dementia Plan commits to four areas of action:
- Raising awareness and reducing the risk
  - Providing personalised, timely and high-quality services
  - Creating a community that is dementia-friendly
  - Giving unpaid carers good support

### Trialling Smart City Assistive Technology

- 7.14. The Virtual Wallet pilot project has been updated following a series of interviews with services user who receive direct payments. Participants were shown example screens from a potential virtual wallet provider as well as an explanation of the concept. The feedback and learning from these interviews will inform the design and next steps for the pilot.

### Children's Services

#### Keep Children at the Centre of Everything We Do

- 7.15. The Council has a strong emphasis on improving the wellbeing and mental health of young people. Educational activities are available across the length and breadth of the City. This is complemented by enhanced cultural offers to young people – through the Holiday and Activity Food Fund as well as the City Lions programme. deliver and as part of this we are refreshing how we engage with young people to ensure that we capture what is most important to them.

#### Supporting Young People with Special Educational Needs and Disabilities (SEND)

- 7.16. The updated SEND strategy is in place until 2024 and sets out a number of priority areas. This includes early transition planning in SEND provision, an action plan to reduce autism diagnosis waiting times and access to face-to-face speech and language therapy support. SEND provision for nursery aged children has expanded following the opening of specialist nursery provision at Hallfield Primary, the expansion of Portman Early Childhood Centre and increased offer at Dorothy Gardner Nursery.

#### Support to Afghanistan families and children

- 7.17. All school aged Afghan children placed in the borough have been enrolled in school. The Council are working with head teachers to identify emerging needs and offering support. Early years and college placements for the younger and older children have also been provided. A range of activities, including English for Speakers of Other Languages (ESOL) and family-based activities have been delivered, by our voluntary sector partners and community services and library services.



## Thriving Economy

- 7.18. The Council have a number of programmes in place to help the recovery of the West End.

### [West End Pop-up Project](#)

- 7.19. The Council's pop-up programme prioritises local entrepreneurs, providing them with free space in vacant units across some of the world's busiest shopping destinations. We are also providing funding to help fit out these spaces. The programme has been delivered by the Council with partners. This includes the Business Improvement Districts in order to support the West End and other prominent high streets following the impact COVID-19 has had on businesses.

### [Westminster Investment Service](#)

- 7.20. The Westminster Investment Service (WIS) continues to support both new and established businesses grow. The Council supported US Fintech company, Tipalti, with their search for permanent office space. They have now opened their European headquarters in the West End. They expect to recruit heavily over the next three years and the Council plan to work closely with them during this period. In October we also welcomed new diplomatic arrivals to London and introduce them to WIS's offer. New connections were made with Trade Attaches with a plan to host business delegations to support expansion in London.

### [Westminster Reveals](#)

- 7.21. Westminster Reveals is the Council's first destination campaign. It has attracted footfall and showcased a diverse and exciting array of entertainment, hospitality, arts, and culture unique to London. Another campaign is due to take place next year.
- 7.22. In total, our Inside Out Festival, which finished at the end of October, attracted 250,000 visitors. Our Underbelly Festival, which finished at the end of September, also attracted 150,000 visitors and sold 25,000 tickets.

### [Westminster Markets](#)

- 7.23. Westminster Markets have been trialling a number of interventions to revitalise and increase footfall across Westminster. Alongside this, new concepts to encourage a greater selection of traders to choose Westminster have also been tested. £1.2 million from the European Regional Development Fund to run the Digital Street Markets programme has been secured which will see Wi-Fi deployed to each of the markets run by the council. Wi-Fi networks will be free for all market traders to access and will provide a fast and reliable internet connection. This will be alongside

training that will upskill businesses and help with the benefits of social media and promotional activity.

### Smart City & Digital

- 7.24. The Council will invest significantly in its Smart City and Digital programme to enable the Council to create an inclusive Smart City for All, with an emphasis on Digital by Choice, using innovation, technology, and partnerships to deliver quality services and world-leading experiences for our residents, businesses and visitors. The investment is focused on areas that will benefit residents the most and attract people back to the city to support the local economy.
- 7.25. Key projects within the four key themes include:
- Empowering people
  - Clean Tech City
  - Extraordinary Experiences
  - Innovative Ecosystem
- 7.26. To help bring these themes together there will also be investment in the underlying infrastructure to develop a Smart City operating system. This will increase intelligence, transparency, and effectiveness of digital and smart city initiatives, as well as provide broader benefits around data across the Council.
- 7.27. In addition, there are broader initiatives in:
- **Customer experience** – the Council’s wants its online experience to be good enough that customers will always use digital by choice. To achieve this, we will develop existing in-house capability and capacity to improve the website, the online experience and truly put the customer at the heart of what we do. Specific requirements include website improvements, microsites migration, My Westminster and Digital Card smartphone app, single sign on, user experience design and accessibility compliance to improve the experience of customers.
  - **Broadband and WiFi for residents** - investment will lead to productivity improvements through delivering digital connectivity within Westminster. The investment will be targeted at locations in the City where we know the commercial providers are not looking to put in sufficient broadband provision – informed by the recent Open Market Review. In addition, support will be given to traders to increase income through enabling street market WiFi and delivering training so they can optimise their use of digital technology to increase business.

- **IT infrastructure** - Focused investment to ensure staff within the Council have up to date corporate devices, implementation of priority security actions following external assessment, upgrades to key systems to support efficient working, new integrations between systems to improve the customer experience, improved data analytics capability to inform customer improvements and better decision making, improvements to the website and online forms to deliver a better customer journey, consolidating our telephony systems and upgrading the audio visual equipment in our meeting rooms to support on-site and hybrid meetings.

7.28. All of this can only be delivered if it is underpinned by integrated data systems and digital infrastructure.

## **8. Pension Fund**

8.1. The City of Westminster Pension Fund includes the City Council's pension obligations as well as those for several other admitted and scheduled bodies, including academies.

### [Triennial Valuation](#)

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

8.3. The actuary reported that the employer's contribution rate for the Council was required to rise from 15.7% to 16.8% with effect from 1 April 2020 in order to fully fund the cost of active members. The impact of this change on the Council's ongoing revenue budget was an additional £1m per annum in 2020/21 over the previous year.

8.4. As well as needing to make contributions into the Pension Fund for active members, the Council is required to make contributions to address an historic funding deficit. The latest triennial valuation has shown that the overall Pension Fund had a small deficit of £1.5m compared to a previous triennial valuation deficit of £285m in March 2016.

8.5. The next triennial valuation is March 2022. There is no additional provision for an increase in employer contributions in current forward financial plans at this time.

### [Westminster's Employer Deficit](#)

8.6. As previously agreed at Full Council, the Council will be making a payment of £80m by 31 March 2022 (with four scheduled payments) to fully pay off the Westminster City Council element of the Pension Fund deficit. This is based on the Council using cash balances and amortising the remaining balance. The approach taken has been agreed

with the external auditors and supported by formal legal advice. The impact of this is a £10m revenue budget saving as reported to Cabinet in July 2021.

### Pension Fund Governance

- 8.7. The Pension Fund Committee acts as trustees for the whole Pension Fund and takes decisions on behalf of all employers and pensioners. The Local Pension Board continues to operate alongside the Pension Fund Committee as a scrutiny function and reports on its activities to the Pension Fund Committee and Full Council. The Board, comprised of both employer and employee representatives, is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.
- 8.8. The Pension Fund continues to work with the London Collective Investment Vehicle (LCIV). All local government pension schemes in England and Wales are required to form investment pools of at least £25bn with investment manager appointment and monitoring decisions undertaken at pool level. Westminster and all the other London Boroughs are members of the LCIV, set up to facilitate joint procurement of investment managers, with the objective of achieving significant savings and enhancing net of fees returns. Originally two of the Westminster fund's existing investment mandates were transferred to the LCIV and a third was subject to a London wide fee arrangement that substantially reduced manager fees.
- 8.9. The Council is one of the biggest London Borough supporters of the London CIV LGPS pool, with over £1.216bn of pension fund investments procured through this vehicle, including £365m invested passively in the Legal & General (LGIM) passive equities future world fund. Following continued underperformance within the Majedie UK equity mandate, a decision was taken to transition assets totalling £284m into the LGIM passive fund. This transfer took place during December 2019. The decision was ultimately taken not to reinvest directly into UK equities, with Morgan Stanley selected to run an additional global active equity mandate, with the value of the portfolio now at £332m.
- 8.10. The Pension Fund has a target asset allocation of 5% (approximately £70m) allocated to global infrastructure assets. This is in response to the Ministerial letter asking all Pension Funds in the LGPS to set out their approach with regard to infrastructure investing. The Fund appointed Pantheon as an infrastructure manager in December 2018, with the intention of transitioning assets from the Longview global equity mandate into the Pantheon global infrastructure fund. Approximately one third of the infrastructure fund is drawn down with further capital calls expected during 2021.
- 8.11. The Pension Fund Committee is actively reviewing its investment strategy in light of climate change and is exploring ways of making the fund greener without reducing value. The Pension Fund has reduced the underlying carbon emissions to value invested of its investments by over 50% since the start of 2020, placed fossil fuel exclusions on all active equity mandates, along with committing 6% of the portfolio to renewable energy infrastructure investments in December 2020. Officers have

produced a new Responsible Investment Strategy which illustrates the progress made in this area.

## **9. Other Budget Reports**

- 9.1. As part of the budget setting process each year there is also a statutory requirement to present the Capital Strategy, HRA Business Plan and Treasury Management Strategy to Cabinet and Full Council.

### [Capital Strategy](#)

- 9.2. The Capital Strategy sets out the Council's long term capital investment plans over the next 15 years – up to 2035/36 and proposes a gross budget of £2.750bn with a net borrowing requirement of £1.491bn.
- 9.3. The Council's long-term capital investment is underpinned by the objectives of City for All. Capital investment is considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications and the Council has set aside a significant revenue budget to cover capital financing costs as part of the Medium-Term Financial Plan and over the longer term. The affordability of these plans will be kept under annual review.

### [Treasury Management Strategy](#)

- 9.4. The annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process. TMSS sets the strategy framework, criteria, boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years to ensure security of capital, liquidity and yield.
- 9.5. As anticipated in the 2021/22 TMSS, the Council took no additional borrowing for this financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA). The monitoring process includes the setting of various trigger points, the breaking of which will require officer consideration of borrowing requirements and market conditions.
- 9.6. During the financial year 2019/20, the Council arranged forward borrowing loans totalling £400m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the "cost of carry", i.e., the difference between loan interest cost and the rate of return on cash investments. The first £200m of this is due to be drawn down during 2022/23. The average rate achieved for the forward loans is 2.6% and this assists with certainty of planning particularly on the Councils housing development schemes.

- 9.7. The annual investment strategy was set in the current continuing environment of low interest rates that has significantly reduced the capacity to generate investment yield from short-term cash balances. Various opportunities to diversify the treasury portfolio, ensure further the security of cash balances, ensure appropriate liquidity to meet Council obligations as and when required, and enhance yield within acceptable risk parameters continue to be investigated. Investment returns are expected to increase in 2022/23. However, whilst markets are pricing in a series of Bank Rate increases, actual economic circumstances may see the MPC fall short of these elevated expectations. The Council will take advantage of favourable market pricing in its time deposit investments whilst anticipating that there could be further potential rate rises and keeping an optimal level of liquidity in the portfolio.

#### [Housing Investment Plan & Housing Revenue Account \(HRA\) Business Plan](#)

- 9.8. This report presents the updated 30-year Housing Revenue Account (HRA) Business Plan. It provides an overview of the financial planning that supports the management and operation of a portfolio of 20,814 homes and other commercial assets owned by the Council's HRA. It covers both revenue and capital spending plans and therefore incorporates the extensive Housing Investment Plan which is worth more than £2bn over the next 30 years.
- 9.9. The HRA Business Plan provides strategic financial planning over a period of 30 years and the report shows that the HRA continues to be financially viable over the long-term. The most important element of this assessment of viability concerns the ability of the HRA to fund the proposed capital programme, particularly in relation to the additional borrowing required. The 2022/23 business plan sets out a requirement to borrow a further £428.25m, an increase of £143m on the previous iteration of the business plan. This is considered achievable and therefore provides assurance that the HRA can support the level of ambition included in the Housing Investment Plan. Reserves are set at an appropriate level for the risk over the period.

### **10. Financial Resilience – Reserves and Risks**

- 10.1. Local authorities hold two categories of reserves, usable and unusable:

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

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

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

10.3. The use of general and earmarked revenue reserves cannot be regarded as a sustainable long-term strategy to fill the gap from core funding reductions and budget pressures. This is because a usable reserve is a finite cash balance, which can only be used once whereas the reduction in core funding and budget pressures is a permanent year-on-year loss to the Council's base budget. However, reserves are a useful tool to manage issues over the short and medium term in order to allow time for proper consideration of any structural adjustments to the base budget that are needed.

#### [General Reserves](#)

10.4. In line with other Local Authorities and the law, the Council holds a general reserve on its balance sheet. The balance of this reserve as at 31 March 2021 was £59.4m. The Council holds this general reserve to:

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

#### [Legislation, Role and Responsibility](#)

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

- *Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992* require billing authorities (i.e. the Council) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Specifically, sections 31A and 42A require local authorities to set a balance budget including an adequate level of reserves;
- *Section 25 of the Local Government Act 2003* requires the Chief Financial Officer or for WCC, the Section 151 officer to report on the adequacy (or otherwise) of reserves and the robustness of estimates supporting the budget;

- Section 26 of the Local Government Act 2003 requires that when setting the budget requirement, the reserves include a minimum level for controlled reserves – this minimum level is determined by the Section 151 officer, and;
- Section 27 of the local Government Act 2003 requires the Section 151 officer to report on the inadequacy of controlled reserves – i.e. when it appears to the Section 151 officer that the level of a controlled reserve is inadequate or likely to become inadequate.

10.6. In summary, primary legislation requires the Council to:

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

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

### Risks

10.8. Identifying and managing risks is a key element in delivering business and financial plans. This is done through the risk management strategy, the corporate risk register and directorate risk registers. Risks are reviewed quarterly as part of the Council's financial and performance report by Audit and Performance Committee. The consideration of key risks through the business and financial planning process and level of reserves are an important part of determining how well placed the Council is in being able to deal with those risks. The Council continue to face a challenging position in 2022/23 and beyond.

10.9. The key risks in the medium-term financial planning have been identified and assessed are:

- revenue grant funding – the potential reductions arising from the Fair Funding review are part of the planning process, however, these may be significantly higher than currently allowed for albeit there will be some damping arrangements over time;
- Adult Social Care reform – fragility of the market, fair cost of care and government charging reforms are all significant risks over the medium term. Local Government will be working closely with DHSC and DLUHC as the detailed reforms become clearer;
- Business Rate volatility – Westminster has significant risk with such a high level of business rates collected in borough, mitigated partly with the safety net system, but risk on appeals and bad debts remain – sufficient provision in earmarked reserves is made for this;



- Inflation and interest rates – inflation is a continued risk and this has put pressure on the budget for next year, interest rates rising would be beneficial in the short term (interest on cash deposits), but if long term rates rise then the affordability of Councils capital investment programme will be at risk – this will continue to be monitored carefully;
- Capital programme risk in terms of slippage, capital receipts and other external factors affecting delivery;
- Service demand – pressures can arise from additional service demand in areas of higher volatility such as temporary accommodation, SEN, social care etc. These services are monitored carefully during the year in order to be able to respond with management actions and / or additional capacity where required, and;
- Income – we have seen the impact of reduced economic activity through different parts of the pandemic period and have taken a prudent view of income expectations.

#### General Reserves Level

10.10. As part of S25 of the Local Government Act 2003 the S151 officer is required to report on the adequacy of reserves.

10.11. As at the end of the last financial year the Council held a general reserves balance of £59.4m. This represented approximately 10% of the Council's gross controllable expenditure.

10.12. The pandemic has highlighted the Council's reliance on income from sales, fees and charges, which has seen a considerable reduction in the last two years.

10.13. Based on the information contained within the paragraphs above the Section 151 officer's judgement is that general reserves are considered adequate at a level of £59.4m as at the date of this report.

10.14. This is based on the following considerations:

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

10.15. There are several other factors which suggest that it would be desirable to increase the level of the balance at the earliest opportunity as set out above. It is forecast that reserves will fall to approximately £55m at the end of this financial year, which represents 9% of gross controllable expenditure. This is considered by the s151 officer to be a prudent level of general reserves for the Council to hold and is recommended policy for the Council within an 8-10% range.

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

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

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

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

### [Council Tax](#)

11.1. The **council tax base** (the number of Band D equivalent properties estimated to be billable for the year 2022/23) was considered by Cabinet in December 2021 and approved by Full Council on 19 January 2022. The yield derived from the council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding. The Council's tax base has increased from 133,818 to 135,056, 0.93% raising an additional income of £0.575m due to increase in council tax base only.

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

11.3. The table below summarises the Council Tax Base position for Westminster in 2022/23. It also includes the Council Tax element for Queens Park Community Council and Montpellier Square Garden Committee:

Financial Year	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2021/22	3,514.63	100.40	130,202.95	133,817.98
Change	5.09	-8.72	1,241.97	1,238.34
2022/23	3,519.72	91.68	131,444.92	135,056.32

- 11.4. All other things being equal, the overall increase in the tax base has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Every 1% growth in the base generates c£0.621m of Council Tax income. As part of the MTFP process for 2022/23, additional income was estimated to be £0.575m due to an increase in base of 0.93%.
- 11.5. The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of more than a **council tax threshold** of 2.00% (excluding the Social Care precept) would constitute to an excessive increase for 2022/23 and would be subject to a referendum.
- 11.6. The table below sets out the additional income that would be generated by incremental increases up to the maximum level:

Table 2

Modelled Changes to Band D	0.00%	0.50%	1.00%	2.00%
Band D 2021/22 (£)	463.90	463.90	463.90	463.90
Increase	0.00	2.32	4.64	9.28
<b>Modelled Band D 2022/23 (£)</b>	<b>463.90</b>	<b>466.22</b>	<b>468.54</b>	<b>473.18</b>
<b>Weekly Cost of change</b>	<b>0.000</b>	<b>0.045</b>	<b>0.089</b>	<b>0.178</b>
<b>Additional Income (£m)</b>	<b>0.000</b>	<b>0.313</b>	<b>0.627</b>	<b>1.253</b>

- 11.7. The schedules accompanying this report set out the financial implications on the Council's overall budget of **freezing the general council tax** amount for 2022/23 at the same amount set for 2021/22 Band D council tax. Cabinet is asked to recommend no increase in general element of 2022/23 Band D council tax to Full Council.
- 11.8. The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA for final approval on Thursday 24 February 2022. Currently, the Mayor's proposed budget recommends an increase to the 2022/23 Band D equivalent charge from £363.66 to £395.59, an increase of £31.93 rise in the adjusted Band D Precept (8.8%); The proposed precept for council taxpayers in the City of London is £118.46 (an increase of £21.93 which excludes the £10 element for the Met Police). The precept proposal assumes that the government accedes to the Mayor's request to adjust the

council tax excessiveness principles for the GLA (i.e., referendum limits) to accommodate an additional £20 rise to fund transport services in the final local government settlement. If this is not agreed, then the final precept figure may change.

- 11.9. Queen’s Park Community Council notified the Council that their precept for 2022/23 would not change and stay at £47.31 (Band D equivalent).
- 11.10. The Montpelier Square Garden Committee has notified the Council of that their special expense for 2022/23 will not change and stay at £621.52 (Band D equivalent).
- 11.11. Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding (precept) from council tax to support spending on Adults and Children’s Social Care activities, which would otherwise have been unaffordable.
- 11.12. As set out in this report there are continuing growing pressures in social care services and so it is recommended that the council takes the opportunity to provide essential funding for these important services in line with the government thresholds. This report includes the recommendation of an increase of 1.00% per annum, the maximum allowed.
- 11.13. The collective impact of the proposed changes discussed above to the Westminster Band D amount from an increase of 1.00% for Social Care for 2022/23 is additional income of £0.627m as set out below:

<b>Approved Band D - 2021/22</b>	<b>463.90</b>
1% - increase	4.64
<b>Approved Band D - 2022/23</b>	<b>468.54</b>
<b>Council Tax Base - 2022/23</b>	<b>135,056</b>
Increase rate (£)	4.64
<b>Additional Income (£)</b>	<b>626,661</b>

- 11.14. The table below summarises all the proposed changes to Council Tax and impacts on residents:

<b>Band D Breakdown:</b>	<b>Queen's Park Community Council</b>	<b>Montpelier Square Garden Committee</b>	<b>Rest of the City of Westminster</b>
WCC: General Element @0% increase (£)	463.90	463.90	463.90
WCC: ASC Precept @1.00% (£)	4.64	4.64	4.64
<b>Sub-Total</b>	<b>468.54</b>	<b>468.54</b>	<b>468.54</b>
Greater London Authority Precept (£)	395.59	395.59	395.59
Queen's Park Community Council (£)	47.31	0.00	0.00
Montpelier Square Special Expense (£)	0.00	621.52	0.00
<b>Total Band D Amount (£)</b>	<b>911.44</b>	<b>1,485.65</b>	<b>864.13</b>

Band D Breakdown:	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
<b>2022/23 Council Tax Base (No. of Band D Equivalents):</b>	<b>3,519.72</b>	<b>91.68</b>	<b>131,444.92</b>	<b>135,056.32</b>
Westminster City Council (£)	1,649,130	42,956	61,587,203	63,279,288
Greater London Authority Precept (£)	1,392,366	36,268	51,998,296	53,426,930
Queen's Park Community Council Precept (£)	166,519	0	0	166,519
Montpelier Square Special Expense (£)	0	56,981	0	56,981
<b>Total Council Tax Income Billable (£)</b>	<b>3,208,015</b>	<b>136,204</b>	<b>113,585,499</b>	<b>116,929,718</b>

### Council Tax Reduction Scheme

- 11.15. The Local Government Finance Act 2012 replaced the previous national Council Tax Benefit scheme with a new locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support (CTS) scheme) from April 2013.
- 11.16. Each local authority is required to annually set a local Council Tax Reduction scheme for working age claimants. The government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme, but which has been adjusted by the government since its introduction to incorporate several welfare reform initiatives.
- 11.17. Since 2013/14, the Council has agreed a Council Tax Support scheme which mirrored the previous Council Tax Benefit scheme (i.e., a 100% scheme). This ensured the Council's working age claimants didn't have to pay more Council Tax. Technically this means that the original Council Tax Reduction Schemes (Default Scheme) Regulations are mirrored within the City Council's local scheme, with the addition that rates used to calculate the discount are updated each year, and War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments are disregarded in full when calculating a claimant's income.
- 11.18. The Council recently approved the retention of the "100%" Council Tax Reduction scheme for the 2022/23 financial year. Whilst most local authorities have reduced the level of their Council Tax Support (which means their CTS claimants have to contribute more to Council tax), Westminster's decision will protect claimants locally. It is believed that Westminster will be one of only 8 local authorities in London to continue to have a 100% CTS scheme in 2022/23.

### Energy Bills Rebate

- 11.19. The Chancellor recently announced a £150 Council Tax "rebate" for band A-D residents from April 2022. It recognises the growing cost of living pressures that

households are under as a result of increased energy bills. Although labelled as a rebate the Council understands that this will be a direct payment administered by billing authorities and funded by the Government.

11.20. Discretionary funding will also be provided to support vulnerable people and individuals on low incomes that do not pay Council Tax, or that pay Council Tax for properties in Bands E-H.

11.21. The “rebate” and discretionary funding will have no impact on future council tax bills.

### The Collection Fund

11.22. Statutory regulations require local authorities to account for annual council tax / business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any variance between the originally estimated net council tax / business rates yield and what is achieved in year is not immediately recognised and is held on the balance sheet to be distributed in subsequent years. The effect of these regulations is that for 2022/23 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

11.23. The council has reported a surplus in its business rates account since 2016-17. However following the pandemic the council reported a deficit in 2020-21 and is currently forecasting a deficit in 2021-22. This will result in a net loss in income of £6.7m in each year (maximum permitted under current rules). The council is also forecasting a deficit in 2022-23 and the council will again incur a net loss of £6.7m in business rates income loss which will all be covered from reserves for each of the relevant years.

11.24. The Council has reported surplus in its council tax account since 2015-16. However, following the pandemic the council has reported a deficit in 2020-21. Therefore 2021-22 was one of the first time, since 2015, where the council did not recognise a surplus in its account from previous year. The council's council tax income was reduced by £0.193m in 2021-22 and will also reduce by £0.161m in 2022-23.

### Business Rates

11.25. The government confirmed that the Expanded Retail Discount for businesses would continue to apply in 2021/22 at 100% for the first three months and at 66% for the remaining period from 1 July 2021 to 31 March 2022. The Council has to date provided £600m in relief. The Council is expected to collect £1.6bn of business rates in 2021/22. The Government have also announced the Covid-19 Additional Relief Fund (CARF). It is a discretionary relief scheme for 2021/22, which the Council are currently working through the details of.

- 11.26. Government have announced that in 2022/23 retail, hospital and leisure businesses will receive relief of 50% (up to a cash limit of £110k per business). It is not clear if any further reliefs will be given at this point.
- 11.27. All the reliefs announced by government will be covered via S31 grant funding in the council's general fund with no loss to the council for providing the retail relief. As the collection fund accounting doesn't allow application of the S31 grant in year the Councils ear-marked reserves are temporarily inflated by the £444m received in 2020/21.
- 11.28. The pandemic has had a significant impact on activity within the City which has impacted on businesses that rely on footfall from commuters and tourists. As a result, the Council has continued to see a reduction in the level of business rates it collects in comparison to prior years of approximately 10%. The council will be reviewing its bad debt provision again this year to reflect this.

#### [Business Rates: The Collection Fund and Pooling](#)

- 11.29. The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. All London Borough Councils agreed to discontinue the pool for 2021/22 due to the volatility in business rates following the pandemic and expected reduction in business rates income. Therefore, Councils have returned to the previous business rates share regime that allocated based on WCC 30%, GLA 20% and central government 50%. It has been agreed that London as a whole will not pool business rates in 2022/23 either, although some groups of boroughs have been exploring setting up smaller pools where this is beneficial to them.
- 11.30. Based on latest estimates it is forecast that the Council will go into the business rates safety net for 2021/22 and 2022/23, in the same way it did in 2020/21. This means that the reduction in business rates income will be capped through the national system at 92.5% of the Council's business rates baseline. Therefore, the maximum exposure for Council is £6.8m per year. This can be covered by the business rates equalisation reserve set aside in previous years of growth. This will therefore not impact on the general fund revenue budget.

#### [Levies and Special Charges](#)

- 11.31. Three bodies recover their net cost by way of a levy on local authorities – this charge is thus separately identified within the council tax charged by those local authorities. The three bodies are:
- Environment Agency – recover the cost of flood defence works across the Thames region;

- Lee Valley Regional Park Authority – recover the cost of running the Lee Valley Park facilities in the North West of London; and
- London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Council

11.32. At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2022/23 levies. Therefore, the 2021/22 levy charges are included in this report with an allowance for inflation. If the final amounts are different then this will be covered by the corporate budgets.

## **12. Stakeholder Engagement**

- 12.1. Engagement with communities forms an important part of the Council's business and financial planning process as part of an ongoing approach.
- 12.2. Westminster undertakes an annual face-to-face residents survey to provide the Council with a robust and representative insights of residents' views. The 2021 City Survey took place over September and October 2021 with 2,406 randomly selected households (respondents aged 16+) interviewed by an independent research company. The insights from this along with intelligence from newly formed resident panels, Westminster's Youth Council insights, engagement with BIDS, and customer contacts is used to inform the development of the council's strategy, City for All, budget setting process and medium-term financial plan.
- 12.3. Engagement is also ongoing with the City's communities to understand the issues that are most important to residents, businesses and visitors. Every quarter there is a public Open Forum meeting that sees the Cabinet and Executive Leadership Team discuss local issues with circa 200 people regularly attending. The Cabinet and Executive Leadership Team also meet regularly with key stakeholder groups, including amenity societies, neighbourhood forums, business improvement districts and landowners. The Council's Governance & Councillor Liaison team supports Members to resolve any issues raised by residents and channel these into service and policy development discussions where relevant.
- 12.4. To inform the development of a Climate Emergency action plan, the Council worked with engagement partner FutureGov to deliver a series of community engagement activities between June and August 2021. Activities included an online survey, pop-up street stalls, and workshops with the Voluntary and Community Sector and young people. In total 366 people took part in these activities. The outcomes of the engagement and results from the online survey were used to help formulate the final 67 actions included in the Climate Emergency Action Plan, published in November 2021.



12.5. In addition, over 2021/22 the Council consulted on a number of areas, including:

- Options for permanent alfresco
- Environment Supplementary Planning Document
- Code of Construction Practice
- Gambling Policy
- Autism Strategy
- Culture Strategy
- Covent Garden Neighbourhood Traffic Management scheme
- Initial stages of a cycle consultation
- Innovation Challenge
- Public Spaces Protection orders related to dog control, street drinking, street gambling and nuisance from loud vehicle.
- School streets

### **13. Financial Implications**

13.1. The financial implications are as set out in the main body of this report.

### **14. Legal implications**

14.1. 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.

14.2. 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.

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

14.4. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the report of the Section 151 Officer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Section 10 where it is stated that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial balances and reserves over the medium term are adequate.

14.5. 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.

14.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 15. In developing a final set of proposals for consideration, officers have had regard to how the equality duty can be fulfilled in relation to the proposals overall. However further detailed equality impact assessments may be required for specific proposals as identified by each directorate prior to final decisions being made.

14.7. 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.

14.8. 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.

14.9. In relation to the use of General Fund and HRA (non-right to buy) capital receipts funds to fund transformation projects detailed in this report, the Council complies with the statutory guidance issued under section 15(1)(a) of the Local Government Act 2003.

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

14.11. In addition to the referendum threshold, the Government has also announced a threshold of an additional 1% for authorities with Social Care responsibilities. The borough needs to raise Council Tax on this account for 2020/21 and is therefore proposing to implement the precept.

## **15. Carbon Implications**

15.1. The Council has a clear commitment to be a carbon neutral organisation by 2030 and as a City by 2040 and be carbon zero by 2050. The Climate Emergency Programme has an allocated £5m reserve to support the delivery of its 2030 and 2040 net zero targets. Use of this reserve is currently under review in light of the release of the Climate Emergency Action Plan (CEAP).

15.2. The council spends over £500million each year on third party services and contracts. The Procurement and Commercial Service is working with colleagues across the Council to develop a new Responsible Procurement Strategy to ensure that our procurement, commissioning and contract management activities are fully aligned with City for All and deliver maximum value for Westminster and its residents and partners.

This means that we will use our significant spend to influence and create positive action on tackling the climate emergency (as well as contributing to local and national recovery, leveraging community benefit and driving forward greater diversity and inclusion in our supply chain).

- 15.3. The Westminster Pension Fund continues to draw down on its Renewable Energy Infrastructure commitments, with £22m invested of the initial £100m allocated. On top of this, the Pension Fund has increased its commitment by a further £10m in Q4 2021. The Pension Fund continues to monitor and report on the underlying carbon footprint and will have an updated set of figures from the baseline available in Q1 2022.
- 15.4. After an initial gathering of basic carbon impact data, the Council is now further developing its carbon toolkit which will be used to analyse the carbon impact of its capital expenditure strategy, and is working with officers and consultants, GEP, to test this early in 2022. This will enable projects to be accurately and consistently evaluated across the council.

## **16. Equalities Impact Assessment**

- 16.1. 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.
- 16.2. 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.
- 16.3. A screening of all budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments (EIAs) are included in Appendix 6. Where it has been identified that a proposal may have an adverse impact on people who share a protected characteristic, an assessment of the impact has been undertaken to ensure that “due regard” is paid to the equality duties as required by statute. Where budget proposals required a full EIA to be undertaken, these have been published and shared with the Budget & Performance Task Group to ensure they form part of the budget scrutiny process.

## **17. Consultations**

- 17.1. As part of the financial planning process the Council consulted with businesses and the responses have been considered as part of the proposed 2021/22 budget.
- 17.2. An assessment of whether individual saving proposals require consultations is set out in the papers presented to the Budget Task Group in January 2022.

## **Appendices**

Appendix 1 – List of new savings

Appendix 2 – Service Pressures and Investments

Appendix 3 – Changes to previously agreed savings

Appendix 4 – Summary of Gross, Income and Net budgets

Appendix 5 – Council Tax Resolution

Appendix 6 – EIA Summary

Appendix 7 – Budget Task Group Papers

## **BACKGROUND PAPERS**

### **Cabinet – 17 February 2022:**

Capital Strategy 2022/23 to 2035/36

HRA Investment and 30 Year Business Plan

Treasury Management Strategy 2022/23

Integrated Investment Framework 2022/23

### **Previous Committee Reports:**

Financial Planning 2022/23 to 2024/25, Cabinet 12<sup>th</sup> July 2021:

<https://committees.westminster.gov.uk/documents/s42830/MTFP%20Update%20-%20Cabinet%20July%202021%20FINAL.pdf>

Budget Task Group Papers, 20<sup>th</sup>, 25<sup>th</sup> and 27<sup>th</sup> January 2022:

<https://committees.westminster.gov.uk/ieListMeetings.aspx?Committeeld=322>

### **Government Publications:**

Provisional Local Government Finance Settlement 2022/23:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023>

Spending Review 2021:

<https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>