

Public Document Pack

AGENDA

PART 1 (IN PUBLIC)

7. BUSINESS AND FINANCIAL PLANNING 2023/24 TO 2026/27

Updated Budget Scrutiny Task Groups Summary Report.
Following a meeting of the Cabinet on 13 February 2023, this is an updated Task Group summary report reflecting comments received during the meeting.

(Pages 3 - 28)

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Budget Scrutiny Task Group

Date:	13 February 2023
Classification:	General Release
Title:	Budget Scrutiny Task Group Summary Report
Report of:	Councillor Paul Fisher, Chair of the Budget Scrutiny Task Group
Wards Involved:	All
Policy Context:	Fairer Westminster and the 2023/24 draft Budget

1. Foreword from the Chair

As the Chair of the Budget Scrutiny Task Group (BSTG), I would like to extend my thanks to all Members and officers who were involved in the Budget scrutiny process this year. This is a particularly important process as it is the first draft Budget since the local elections in May 2022, reflecting the priorities of a new administration.

I recognise the significant investment of time and energy by officers from all directorates that went into compiling the reports and Equality Impact Assessments, answering Members' questions and following up on requests. I am particularly pleased that Councillors were able to bring their full range of professional expertise and local government experience to the deliberations: this enabled a diverse range of cross-party questions, which facilitated a robust interrogation of the draft Budget.

I am also delighted that we increased the transparency of the scrutiny process by choosing to livestream all the sessions on the Council website and by inviting members of the public to sit in the public gallery. Additionally, with help from the Council's Communications team, I commissioned a video which explained what the BSTG is and how residents can view the proceedings. I am keen that the Council builds on these efforts in future years as we take forward commitments to involve the public more in what we do as a council, including in the budget setting process.

As you will see from this report, the proposed Budget is financially robust with the potential to deliver on the strategic ambitions being pursued by the new administration. As is its function, the BSTG has raised a number of risk areas for monitoring. In some instances, it may be necessary for officers to report back to the relevant scrutiny committees in the year ahead on those risk areas and for officers to have acute regard to concerns raised by Members over the course of the next financial year. However,

we have also highlighted a number of positive features of the Council's overall financial strategy.

2. Executive Summary

The BSTG is the standing task group that meets every year to scrutinise the Budget. The Westminster Scrutiny Commission agreed in July 2007 to set up the group as a standing group, with the following Terms of Reference:

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

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

It is technically a task group of the Finance, Planning and Economic Development Policy and Scrutiny Committee and is, usually, chaired by that Committee's chair, albeit the membership does not automatically dovetail with the FPED P&S Committee and is chosen by the Group whips. The membership of the Group in January 2023 was made up of four Majority Group representatives and three Opposition Group representatives. Members were substituted in for different sessions and the following Members participated in at least one Task Group meeting:

- Cllr Fisher (Chair)
- Cllr Caplan
- Cllr Harvey
- Cllr Mendoza
- Cllr Mitchell
- Cllr Ormsby
- Cllr Piddock
- Cllr Robathan
- Cllr Rowley
- Cllr Swaddle
- Cllr Toki

Scrutiny of the draft Budget was held over the following three sessions and the minutes of the meeting are attached to this report which include the topics of discussion.

17 January – Capital session

- All directorates

19 January – Revenue I session

- Children's Services
- Adult Social Care and Public Health
- Growth, Planning and Housing (including HRA)

23 January – Revenue II session

- Finance and Resources
- Innovation and Change
- Environment and City Management

3. Risks

There are a number of risk areas in the draft Budget that the BSTG wishes to highlight for future monitoring and which the Cabinet may wish to consider. Some of these risks may also be issues the relevant Policy and Scrutiny Committees wish to consider in greater depth in due course.

Pimlico District Heating Unit (PDHU)

Concerns were raised that there was no provisioning for a major overhaul of the PDHU in the Housing Revenue Account Capital Budget, especially considering the scale of the work that needs to be undertaken and the associated costs. Whilst there is a total of £13.331m allocated to PDHU for urgent works over the next five years of the Capital programme, there is no reference to a major overhaul. This is due to the fact that the Strategic Outline Case (SOC) has just been approved and further policy, cost and funding analysis needs to be undertaken before budgets can be formally included. However, officers acknowledged that they were both mindful of the need for extensive future work on PDHU and welcomed the BSTG's legitimate comments regarding the need for future provisioning.

Subsequent to the BSTG meetings, the following response was received from officers, which it is only fair to include here:

"The Council is committed to decarbonising the Pimlico District Heating Undertaking (PDHU), which is the Council's largest district heat network and largest emitter of carbon, and renovation of the wider ageing network. A Strategic Outline Case (SOC) was approved in January 2023 to take forward the development of four options for the future of the PDHU. The development of these options will consider a range of factors, including carbon reduction, energy costs for residents and levels of disruption. This is expected to require significant capital investment in the region of £175m to £225m. The current phasing of works and expenditure is not yet determined but is likely to be phased over several years with an aim to deliver the benefits to contribute to meeting the 2030 Council target to be carbon neutral. The full funding for the scheme is yet to be finalised, but will likely be a mixture of government grant, leaseholder contributions and Council funding as the main sources of financing for the scheme. The current budget includes a £13m allowance to support emergency network upgrades to the PDHU and progression of the business case for the scheme."

Council Tax Freeze

The BSTG was provided with information on the cumulative Budget gap if Council Tax is frozen for the coming financial year. The 3% general Council Tax rise for 23/24 which the Council is entitled to adopt, would, if approved by Full Council, cover the anticipated budget shortfall of £2m per annum.

Housing Revenue Account

The BSTG's attention was drawn to the £3.930m of pressures and investments within the Housing Revenue Account Budget and where they are accounted for. These pressures include: repairs service inflation (£2m), increased Health and Safety

requirements (£680k), the need to undertake targeted stock condition surveys (not added to HRA base budget as funded from HRA reserve) (£600k), expanding the number of local housing officers (not added to HRA base budget as funded from HRA reserve) (£550k) to tackle things like damp and mould in aged accommodation and the creation of new estate offices/contact points (£100k).

Oxford Street Programme (OSP)

The OSP and the issue of external funding in the Adult Social Care, Public Health and Deputy Chief Executive Capital Budget. Whilst gross expenditure for the OSP is set at £120m over the next five years, there are currently no assumptions on external funding of the project while the OSP business case is being developed.

Borrowing Requirements

The BSTG generally commented on the use of borrowing to tackle an ambitious programme of works and queried the assumptions made on these loans. The borrowing requirement in the Budget's General Fund amount to £234.829m in 2023/24 and the Council has set aside £3m a year budget increase for capital financing costs over the course of the Medium-Term Financial Plan.

Minimum Income Guarantee

Questions were raised regarding the minimum income guarantee as part of the leisure contract re-negotiation and the changed risk profile of the leisure service; it was posited that this could become a major cost rather than a major benefit. However, officers were keen to stress that the Council have entered into a profit share arrangement with Sport and Leisure Management (SLM) from February 2023 to June 2026 and, as part of the negotiations, SLM have confirmed they will guarantee the Council income amounting to £400k.

Parking Charges

All members of the BSTG raised the concern regarding how to "square the circle" of reducing car usage on the one hand but recognising the significance of parking fees to revenue in the Environment and City Management Budget on the other. Pressures relating to parking for 2023/24 amount to £2.680m and include: Paid for Parking income declines, residents permit numbers dropping and car clubs income declining in activity. The uncertainty around projects which are dependent on income generation: in 2022/23, the Environment and City Management had a gross controllable expenditure budget of £125.423m and a gross income budget of £128.201m.

Future of Westminster Commission

Members are acutely aware of the work around the Fairer Westminster Commission which could lead to policy changes. The BSTG raised the concern that any potential spending implications of the Future of Westminster Commission recommendations which have not yet been decided on would not of course be included in this year's budget for scrutiny. However, officers underscored the fact that the Fairer Westminster Commission had no decision-making authority with respect either to policy or the

budget. It would be for Cabinet members to consider and adopt the recommendations in the eventuating Fairer Westminster report. Budget implications resulting from the adoption of the same (if any) would then become clear.

Fall in Major Planning Applications

Officers noted that there had been a 60% fall in Major Planning Applications compared to pre-pandemic activity. The downward trend in Major Planning Applications had started prior to the outbreak of the COVID-19 pandemic in 2020 but was a trend exhibited in many other London Boroughs. However, the drop in these applications is significant to the Planning Fees income budgets. The 2022/23 Growth, Planning and Housing General Fund Revenue Budget for the Planning Service area shows a net budget loss of £1.187m. The 2023/24 includes a £2m budget pressure correction to account for the loss of planning income.

Temporary Accommodation (TA)

The £9.717m of pressures on Temporary Accommodation noted by officers results from a combination of market cost pressures and increases in demand. Risks attached to this are intimately linked to the availability of appropriate supply of units, especially regarding the policy of buying homes in-borough or very close to the borough. It was noted that although the unit costs of buying homes in-borough was obviously higher than those units bought out of borough, the projected capital budget for the supply of additional TA homes was higher than previously planned. Officers acknowledged that the increased purchasing programme would not mitigate cost pressures due to the forementioned external market and demand factors.

Funding Grants for Schools

The £185m allocated to the Council through the Dedicated Schools Grant and supplementary funding in 2023/24 remains significantly below current inflation and schools continue to face financial challenges. In the 2023/24 Budget, there are £1.440m of new pressures which include: Short Breaks staffing (£80k), Short Break care packages (£600k) and Special Education Needs transport (£310k). The projected outturn variance for 2022/23 is an overspend of £1.834m.

Westminster Builds

Officers were asked questions regarding the corporate structure of Westminster Builds and whether it was subject to adequate scrutiny. Westminster Builds is in fact comprised of two private limited companies on which various officers sit as Directors. The companies are subject to scrutiny in the form of the Shareholder Committee (which includes Cabinet members), but it was noted that Westminster Builds should be under further scrutiny by Members. This was a comment made in the 2021/22 BSTG process but it is not clear that appropriate scrutiny was implemented during the previous financial year. It is recommended that Westminster Builds and its functions are subject to greater scrutiny by the appropriate committee during the course of the next year. The Capital Budget proposals for Westminster Builds projects over the next five years total £215.075m which is funded by the Growth, Planning and Housing General Fund via a loan to Westminster Builds. The loan financing to Westminster Builds for 2023/24

is projected to amount to £31.866m for the following schemes: Ebury Phase 2, Luxborough, 300 Harrow Road and Westmead.

4. Positive Observations

There are a number of positive observations which the BSTG wish to highlight:

- (1) **Digital Innovation:** The Council's budget evidences a significant commitment to digital investment and innovation;
- (2) **Contingencies:** Officers have consistently confirmed that there are significant contingencies built into the Budget to mitigate against the uncertain inflationary and external pressures facing the Council over the MTFP. The Council is prudently using the Office for Budget Responsibility forecasts for inflation and interest rates to plan for such eventualities on a contingent basis;
- (3) **Returns:** The expectation of positive returns from the significant borrowing amounts especially in relation to the Finance and Resources Capital Budget. In the usual way, the Council is borrowing in order to invest in significant Capital projects, which are ambitious for Westminster;
- (4) **PPM:** The clear and positive effects of the Planned Preventative Maintenance work in Westminster under the Environment and City Management directorate. PPM works are integral to ensuring the proper functioning of roads and highways in Westminster and the borough has long had a good record of maintaining its public infrastructure;
- (5) **Regent Street funding:** The BSTG notes the positive news that the Council is likely to secure Crown Estate contributions to the Regent Street scheme under the Environment and City Management Capital Budget;
- (6) **City Hall rent:** The reduced City Hall rental uplift is noted. The negotiation of the rent review for City Hall resulted in a lower increase than budgeted for and a saving of £683k;
- (7) **“Electrification”:** The BSTG is encouraged by the pioneering electric vehicle charging infrastructure, Westminster's commitment to competitive pricing for use of the infrastructure and the anticipated move to an electrified street cleansing service;
- (8) **Children's Services:** Members are very much aware of the acute financial pressures that face Children's Services including the increasing demand on those services. It is all the more worthy of praise that the department continues to provide an outstanding service especially in regard to the Short Breaks Programme;
- (9) **Additional Stock Condition Surveys:** Members welcome the £600k of HRA funding allocated to targeted additional stock condition surveys planned in the Housing Service;

- (10) **Savings:** The fact that savings have been made from staff restructures and reductions that do not affect is also to be welcomed for front-line services. The BSTG notes that these savings are driven by efficiencies rather than service reduction which would be detrimental to front-line services and the positive working culture for which the Council is well known.

5. The Future of the Budget Scrutiny Task Group

There are ongoing discussions about the future of the BSTG and what improvements can be made to ensure it is an effective tool to scrutinise the draft Budget each year. There are a number of opportunities which can be examined as part of this, which include:

- **Transparency:** A wider communication campaign to ensure that the process is as transparent as possible and offers maximum opportunity for public engagement.
- **Participatory Budgeting:** Linked to the above, ensuring that the role of the BSTG is considered as part of the administration's commitment to public consultation in budget setting.
- **Cabinet Member Participation:** Inviting Cabinet Members to the sessions in order to answer policy questions relating to the Budgets within their respective portfolios. It is understood that Cabinet Members have not historically attended BSTG and there is certainly no criticism of the fact that this practice was continued in 2023. However, the involvement of Cabinet Members would potentially allow for more detailed policy debate as part of the scrutiny process.
- **More Sessions:** The possibility of increasing the number of sessions held to scrutinise the Budgets in appropriate depth.
- **Presentation of Material:** Breaking down the asymmetry of information between officers and Members is critical to the process of scrutiny. It would be helpful if officers could submit a written commentary alongside the presentations to build on the content provided, using clear language and understandable diagrams and tables. The detail within the budget and MTFP is obviously *complex*. For example, it would benefit from the use of detailed defined terms/glossaries etc. This explanatory work would not necessarily need to be repeated as it would pertain to future budgeting years. Part of the abovementioned process might also involve holding informal, cross-party 'walk-through' sessions prior to the scrutiny sessions to make sure the content of the Budgets is clear.
- **Suspension of Policy and Scrutiny Committees:** There is an open question for debate as to whether it is really necessary for the Policy and Scrutiny Committees to effectively be suspended during the budgeting process. The amount of time involved in being a member of the BSTG should not be underestimated, but the timetable could probably be accommodated. In addition, given that the BSTG is a sub-group of the FPED, the Majority and Opposition Whips should consider the extent to which members of the FPED

should automatically be opted-in to the BSTG. At present, there is a half-way house in which FPED members may not be on the BSTG but (understandably) consider themselves responsible to some degree for scrutinising the budget. This is not ideal.

APPENDICES:

- A. Minutes from a meeting of the Budget Scrutiny Task Group on 17 January 2023.
- B. Minutes from a meeting of the Budget Scrutiny Task Group on 19 January 2023.
- C. Minutes from a meeting of the Budget Scrutiny Task Group on 23 January 2023.



CITY OF WESTMINSTER

MINUTES

Budget Scrutiny Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Scrutiny Task Group** held on **Tuesday 17th January, 2023**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Paul Fisher (Chair), David Harvey, Alan Mendoza, Angela Piddock, Paul Swaddle and Aziz Toki.

Also Present: Gerald Almeroth (Executive Director of Finance and Resources), Jake Bacchus (Director of Finance), Mark Banks (Head of Waste and Cleansing), Claire Barrett (Director of Corporate Property), Joginder Chana (SFM City Management and Communities), Luke Chiverton (Financial Consultant – HRA), Adam Coates (SFM Growth Planning and Housing), Bernie Flaherty (Deputy Chief Executive and Executive Director of Adult Social Care and Public Health), Lyndsey Gamble (SFM Strategic Projects and Commercial Lead), James Green (Director of Development), Claudia Hemsley (Head of I.P.D), Bethany Llewellyn (FM Corporate Finance), Debbie Jackson (Executive Director of Growth, Planning and Housing), Georgina Nash (SFM Commercial), Sarah Newman (Executive Director of Children’s Services), Manisha Patel (Director ASC Gov Ops Oxford St), Phil Robson (Head of Operations), Jonathan Rowing (Head of Parking), Rikin Tailor (SFM Head of Corporate Finance), Ryan Whitaker (FM City Management and Communities Highways), Kim Wreford (SFM Corporate Services), and Clare O’Keefe (Lead Policy and Scrutiny Advisor).

1 WELCOME

1.1 The Chair welcomed those present to the Budget Scrutiny Task Group (BSTG).

1.2 The Chair noted that there had been no apologies given.

2 DECLARATIONS OF INTEREST

2.1 Councillor Piddock declared an interest in respect of Item 3.2.G as she is a school Governor at Westminster Academy and Queen’s Park Foundation.

3 2023/2024 CAPITAL BUDGET

3.1 Capital Budget Overview 2023/24 and Financial Summary

3.1.1 The Chair stated that in order to allow maximum time for questions, once the session moves on to Item 3.2, the BSTG will not receive individual presentations by Directorates and will instead go straight into questions as all BSTG Members

had read the papers thoroughly.

3.1.2 Gerald Almeroth (Executive Director Finance and Resources) presented the Capital Budget Overview 2023/24 and the Financial Summary for the General Fund and Housing Revenue Account (HRA).

3.1.3 The BSTG Members understood how the capital strategy aligned with the Fairer Westminster objectives, which includes maximising the amount of truly affordable homes and active travel schemes for instance. Members were advised that alongside the delivery of policy objectives, the Capital Budget allows for the continuation of asset maintenance. The BSTG noted that whilst the Capital Budget focuses on the next five years, the long-term view of a further ten years is also taken into consideration.

3.1.4 Jake Bacchus (Director of Finance) provided an overview of key funding streams, including the Affordable Housing Fund, Community Infrastructure Levy (CIL) and Section 106 (S106).

3.1.5 Members queried:

- Capital receipts and the proportion of this which relates to sales and material impacts.
- The level of sensitivity which has been predicted for, and the assumptions on, the sales of residential properties.
- Whether the assumptions made on CIL and S106 by looking at past activity as a guide are prudent enough, or whether assumptions need to change because of market movement between the years.
- The income produced from S106 compared to that produced from CIL.
- The increased borrowing alongside the 'smoothing fund' and it being a function of when spend happens and capital receipts come in.
- The reduction of borrowing requirement in future years due to sizable increase in external funding and use of CIL in schemes.
- The lack of expenditure noted in the Capital Budget for the Adults and Deputy Chief Executive Directorate in year 2026/27 and onwards.

3.2 EXECUTIVE LEADERSHIP TEAM SUMMARIES

3.2.A Adult Social Care, Public Health and Deputy Chief Executive 2023/24 Capital Budget

BSTG Members noted from the written report the Adult Social Care, Public Health and Deputy Chief Executive 2023/24 Capital Budget, with a five-year plan totalling £120.119m. Bernie Flaherty (Deputy Chief Executive and Executive Director of Adult Social Care and Public Health) responded to queries.

Members queried:

- The Oxford Street Programme (OSP) and the absence of reference to external funding in the Capital Budget.
- The changes made to the OSP between administrations, the schemes within the OSP scope, and the financing of the altered Programme.

- Factors that would be deemed too much of a risk to keep the OSP going, and the stages of this.
- The results of the de-scoping exercise for the OSP and whether potential savings in the Programme would come through to the Budget.
- The ambitions for borrowing in regard to the OSP.
- Challenge that there is no investment in new technology presented in the Adult Social Care and Public Health Capital Budget that would see improvement in services and deferment of revenue costs in the future.

3.2.B Growth, Planning and Housing HRA 2023/24 Capital Budget

BSTG Members noted from the written report the Growth, Planning and Housing 2023/24 Capital Budget for the Housing Revenue Account (HRA). The HRA five-year Capital Budget covers two main areas of expenditure: Housing Planned Maintenance (£304.55m), and Development and Regeneration (£461.35m). Debbie Jackson (Executive Director of Growth, Planning and Housing) responded to queries.

Members queried:

- The assumptions made in the HRA Capital Budget, the effect of inflation on these and how contingencies are built in.
- The gathering of intelligence regarding: materials, contingencies, understanding supply lines and restrictions, reviewing programmes, risks, innovations, and impact on the public.
- The profile of the Major Repairs Allowance and the asset planning process resulting in the fluctuation of figures over the next five years.
- The Pimlico District Heating Unit (PDHU) being not simply a heating unit but a network and other priorities being pushed ahead of this despite the issue growing each year.
- There being no allocation, or placeholder, in the Capital Budget for PDHU regeneration in the next five years or future years which was viewed irregular considering the OSP has an allocation despite being a fledgling project.
- The scale of the funding required for the PDHU overhaul.
- The timeline for the PDHU and where it fits in with the five-year or fifteen-year plan. Despite being outside the purview of this Capital Budget, the benefits the programme would deliver are important.
- The Planned Maintenance programme, the profile of associated costs and the drivers of the profile.
- The allowance for major repairs and the profile major repairs follows.
- Relations with contractors on major works and regeneration projects and engagement with residents on these projects.
- The funding inputs into the HRA account and the key products of the next five years.
- The reasons behind the assumptions made for Planned Preventative Maintenance and the major repairs allowances.

ACTIONS

1. The BSTG will receive a written response to the question of why there is no provision for PDHU in the Capital Budget.
2. The BSTG will be provided reasons behind the Planned Preventative Maintenance and major repairs allowances.

3.2.C Growth, Planning and Housing GF 2023/24 Capital Budget

Debbie Jackson (Executive Director of Growth, Planning and Housing) presented the Growth, Planning and Housing General Fund Capital Budget, with a five-year plan totalling £656.5m.

Members queried:

- The Strand Aldwych improvements and obtaining funds from private sector partners.
- Whether the uplift of £85m will go towards the Temporary Accommodation policy of buying homes in-borough or very close to the borough, and potentially buy less given the cost of homes in Westminster, or whether the costs allocated to Temporary Accommodation will rise to achieve the policy.
- The projected unit costs for Temporary Accommodation both in-borough and out-of-borough and the benchmark of the scheme becoming unaffordable.
- The significant acquisitions in the North of the borough and if the costs were already in the regeneration programme pipeline, and whether the Climate Action, Housing and Regeneration Policy and Scrutiny Committee would be considering any of the regeneration projects in the future.

ACTIONS

1. The BSTG will receive a written response regarding the allocations for in-borough and out-of-borough Temporary Accommodation.

3.2.D Growth, Planning and Housing Westminster Builds 2023/24 Capital Budget

Debbie Jackson (Executive Director of Growth, Planning and Housing) presented the Westminster Builds 2023/24 Capital Budget, with a five-year plan totalling £215.075m.

Members queried:

- The process of charges for Westminster Builds.
- How Westminster Builds is scrutinised, especially as this was requested at last year's BSTG.
- The delivery plan for Ebury phases 2 and 3 and ensuring that what is planned works for both the Council and Westminster Builds.
- The prices between units and developments of Ebury sites 2 and 3 and analysis that has been undertaken across the programme to deliver homes and comparisons to other areas.

ACTIONS

1. The BSTG will be provided an explanation of the figures assigned against Westminster Build's Ebury sites 2 and 3 as the table had incorrect descriptors.
2. Westminster Builds should be considered in more detail by the relevant Policy and Scrutiny Committees.

3.2.E Finance and Resources 2023/2024 Capital Budget

Gerald Almeroth (Executive Director Finance and Resources) presented the Finance and Resources 2023/24 Capital Budget, with a five-year plan totalling £389.607m.

Members queried:

- Reasons behind the costs for the Seymour Leisure Centre increasing from the original budget.
- The use of Huguenot House and whether costs associated around these plans are still based on a scheme of complete demolition and rebuild, or whether a different scheme is being considered.
- Whether the spend on digital innovation and infrastructure is enough, the outcomes this funding will produce and benchmarks against other local authorities.
- The drivers behind the Coroners Court Extension, the contributions from other boroughs and funds from external sources.
- The sizable amount of borrowing to fund the capital programme over the next five years and the reasons behind this.
- The amount of borrowing required and the returns expected to justify the burden of the borrowing levels.
- The composition of the costs under 'Property – Other' and how the five-year forecast has been formed.

ACTION

1. The BSTG will receive a written response regarding the five-year forecast of the 'Property – Other' figures.

3.2.F Environment and City Management 2023/24 Capital Budget

Phil Robson (Head of Operations) presented the Environment and City Management 2022/23 Capital Budget, with a five-year plan totalling £296.778m.

Members queried:

- The Regent Street scheme and the proposal to move this from a temporary scheme to permanent and whether the costings will remain the same as presented in the Budget.
- The prospect of funding from the Crown Estate contributing to the Regent Street scheme.
- The benefits and clear effect of the Planned Preventative Maintenance work.
- Whether funding can be sourced from other avenues for Security Schemes.

- Electric vehicle charging infrastructure and the appropriate size and scope of this, including a range of providers who manage the charging points which maintains competition.
- Projections regarding the waste fleet and innovation in its infrastructure beyond the next five years, especially asset positions.
- Highways Planned Preventative Maintenance and amount of contracts, including frequency of those going out to tender and corporate investment in this procurement.
- Public convenience renovation and the roll out; whether this will be in response to pressure and demand, including the proportion of funding allocated to areas outside of the West End and St James' wards.

ACTIONS

1. The BSTG will receive information on Highways Planned Preventative Maintenance and corporate investment in procurement.
2. Procurement and Highways Planned Preventative Maintenance will be raised as an option for the Member Training Programme.

3.2.G Children's Services 2023/24 Capital Budget

BSTG Members noted from the written report the Children's and Family Services 2023/24 Capital Budget, with a five-year plan totalling £15.021m. Sarah Newman (Executive Director of Children's Services) responded to queries.

Members queried:

- The allocation of funding from the Department of Education and the factors that feed into the amount allocated.
- The majority of the Capital Budget being spent on school buildings and ensuring places for children with Special Education Needs.
- The contribution to the Budget from Dioceses.
- The absence of projected expenditure and how uncertainties are built into a three-year forecast through population trends, consultations and trials of schemes.
- The likelihood of projects being unrealistic in terms of demographics, the relationships that are being built, communications around projects and whether funding is being repurposed to accommodate for changing demographics.

3.2.H Innovation and Change 2023/24 Capital Budget

The BSTG noted that the Innovation and Change 2023/24 Capital Budget, has a five-year plan totalling £17.003m. Pedro Wrobel (Executive Director of Innovation and Change) was not in attendance, but questions were answered by Gerald Almeroth (Executive Director Finance and Resources) on his behalf.

Members queried:

- The source of the funding for Community Hubs and the necessity of a breakdown of the £10m allocated to this.

- The Paddington Recreation Works programme, and the need to improve green spaces in the South, despite Paddington Recreation being classed under leisure rather than parks.
- Active Westminster and what this comprises of.

ACTIONS

1. The BSTG will be provided with a breakdown of the funding allocated to Community Hubs.
2. The BSTG will receive an overview of Active Westminster.

The meeting ended at 20:32.



CITY OF WESTMINSTER

MINUTES

Budget Scrutiny Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Scrutiny Task Group** held on **Thursday 19th January, 2023**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Paul Fisher (Chair), David Harvey, Tim Mitchell, Angela Piddock, Ian Rowley, Aziz Toki and Jason Williams.

Also Present: Gerald Almeroth (Executive Director of Finance and Resources), Jake Bacchus (Director of Finance), Luke Chiverton (Financial Consultant – HRA), Adam Coates (SFM Growth Planning and Housing), Bernie Flaherty (Deputy Chief Executive and Executive Director of Adult Social Care and Public Health), Lindsey Gamble (SFM Strategic Projects + Commercial Lead), Stuart Love (Chief Executive), Debbie Jackson (Executive Director of Growth, Planning and Housing), Amit Mehta (Strategic Finance Manager), Sarah Newman (Executive Director of Children’s Services), Zohaib Nizami (SFM Adults and Public Health), Anna Raleigh (Director of Public Health), Anita Stokes (Lead SFM Children’s), Rikin Tailor (SFM Head of Corporate Finance), Neil Wightman (Director of Housing), and Clare O’Keefe (Lead Policy and Scrutiny Advisor).

4 WELCOME

- 1.1 The Chair welcomed those present to the Budget Scrutiny Task Group (BSTG).
- 1.2 The Chair noted that there had been no apologies given.

5 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

6 MEDIUM TERM FINANCIAL PLAN 2023/2024

- 3.1. Items 3.1 to 3.5 were taken together under Item 3.1.
 - 3.1.1 Gerald Almeroth (Executive Director Finance and Resources) introduced the report to the BSTG. Jake Bacchus (Director of Finance) presented an overview of the 2023/24 Budget, including background and context for setting the Budget.
 - 3.1.2 Gerald Almeroth informed the BSTG on Fairer Westminster, the 2022/23 Budget and the Medium Term Financial Plan (MTFP) Budget Gap to 2026/27.

3.1.3 Members queried:

- Assumptions about Council Tax policy going forward, how Council Tax maintains real value and ensure other services do not suffer.
- The reasons for drawdown and then payback into the reserves.
- Even though the Future of Westminster Commission cannot commit the Council to any spending, there is no provision in the Budget further than 2023/24 on what the spending implications of the Commission is, including potential trade-offs.
- The implications of inflation falling back and the effect of this on the Budgets; what forecasting is undertaken and what impact is anticipated from volatile external factors.
- The savings made from inflation falling but the loss on interest rates.
- The risks in the risk register; what are the things most concerning, what could stay a risk and what could go well despite the risk.
- Social care related grants, including ringfenced funding and the revenue implications of this, especially considering repurposed funding earmarked towards the 2023 Adult Social Care reform.
- The corporate provision in the Budget to absorb external shocks, especially when considering the projected savings such as reducing the valuation of new pressures in 2023-25 and moving them to nil in 2025-27.
- The benchmarks used by the Office of Budget Responsibility to make and test inflation projections.
- The decision to implement needs assessments and business rates reset reforms after 2025/26 due to the Department for Levelling Up, Housing and Communities.
- The degree of movement allowed within the Designated Schools Grant and Budget and Supplementary Schools Funding.
- The drop in Major Applications which the Council income relies heavily on and whether this is comparative across other local authorities, including neighbouring boroughs.

3.2 EXECUTIVE LEADERSHIP TEAM SUMMARIES

3.2.A Children's Services 2023/24 Budget

Sarah Newman (Executive Director of Children's Services) presented the Children's Services 2023/24 Budget.

Members queried:

- The Council's MTFP when anticipating inflationary pressures on budgets and the amount of government funding not increasing in line with inflation.
- The Council pursuing funding for Special Educational Needs (SEN) and disabled children, as well as children leaving care.
- The gross and net controllable expenditure budgets for years 2021 to 2023 and the difference in budget during these years.
- The income from service areas and where this is derived.
- The staff savings in Children's revenue and the Directorate's role to ensure that these relatively small savings will not impact on the service.

- Whether the Budget allows for increased numbers of children coming into the borough, especially unaccompanied asylum-seeking children from Ukraine for instance and the flexibility of the Budget to manage this.
- The increasing cost of early intervention for children with SEN who do not have a statutory educational health and care plan and whether the Council's significant investment is saving costs for the future.
- The savings made on staffing: whether this refers to frontline or back-office staff, whether wider staffing savings is projected over a number of years and whether the Equality Impact Assessments have been used as a guiding principle for the changes.
- The outstanding service provided by the Children's directorate was noted.
- The Short Breaks Programme, especially the pressure on the Tresham Centre, and detail on the exploration into services being delivered from a single location.

ACTIONS

1. The BSTG will be provided with the percentage of school population of children with educational, health and care plans.

3.2.B Growth, Planning and Housing HRA 2023/24 Budget

Debbie Jackson (Executive Director of Growth, Planning and Housing) presented the Growth, Planning and Housing 2023/24 Budget for the Housing Revenue Account (HRA).

Members queried:

- The £3.930m of pressures and investments within the HRA Budget and where they are accounted for.
- The drawing down from reserves to undertake targeted stock condition surveys.
- Measuring the impact of the 7% rent uplift and ensuring that those in Westminster who need particular help know how they can access this.
- The sensitivity estimates and reliability of the rent collection predictions; how residents will cope with the uplift in rent and how this information is collected.
- The risk inflation poses in relation to repairs and how this has been factored in costings.
- The number of additional stock condition surveys that the increased funding will provide.
- The evidence behind the decision to bring paralegal services in-house.
- The savings benefits of undertaking repairs in a more efficient way and the engagement undertaken with residents.
- The funding allocated to new estate offices and contact points, the breakdown of this and the identification of voids that could be converted into estate offices.
- The benefits to expanding the number of local housing officers, and the reasons behind it being only a pilot for 18-months rather than permanent.

ACTIONS

1. The BSTG will receive explicit information on the pressures and investments within the HRA Budget and where these are accounted.
2. The BSTG will be provided with figures relating to repairs engagement with residents.
3. The Director of Housing will liaise with Councillor Toki regarding a specific Estate Manager vacancy.

3.2.C Growth, Planning and Housing GF 2023/24 Budget

Debbie Jackson (Executive Director of Growth, Planning and Housing) presented the Growth, Planning and Housing General Fund Budget.

Members queried:

- Whether the Council is thinking ahead beyond the Homelessness Prevention Grant and becoming more self-sufficient, or whether there is confidence on relying on Government grants in the future.
- The impact on families, particularly large families, who need help regarding Temporary Accommodation and the extra funding in the Capital Budget and Revenue Budget for this.
- The predicted fall and then increase in planning fee income: how sustainable this is, does this focus on commercial or private and what industry consultation has been undertaken to predict this.
- The behavioural impact for planning applications, especially on smaller developers.
- The review of the Planning Service and what this will entail.
- The impact on services by merging the Regeneration and Development departments and detail on the savings.
- Financing proposals and the pressures and investments which accompany this.
- The planned cuts to the Westminster Adult Education Service and whether this will impact on services currently being provided.

3.2.D Adult Social Care and Public Health 2023/24 Budget

Bernie Flaherty (Deputy Chief Executive and Executive Director of Adult Social Care and Public Health) presented the Adult Social Care 2023/24 Budget.

Members queried:

- The £200k allocated to mental health complexity and whether this is optimistic considering the percentage of residents that are assessed end up in secured psychiatry hospitals and the risk of this figure increasing.
- The increased pressure on primary care mental health services and whether this has not only come from residents but also is a reflection on the variable service levels provided by mental health colleagues.
- Direct Council representation on the Integrated Care Board, local authority partners and changes in North West London.

- Mental health coverage in the South of the borough, especially considering the future of the Gordon Hospital. This ties in with the South not getting enough support in general as the North.
- Brokerage and voids; what support is available to residents who need a service.
- The methods of forecasting learning and disability needs and whether resident's lives have become more difficult, or we simply now know more about resident's lives.
- The major underlying risks to accessing funding.

3.2.E Public Health 2023/24 Budget

Anna Raleigh (Director of Public Health) presented the Public Health 2023/24 Budget.

Members queried:

- Risk levels in the Public Health Budget if Government grant levels change and the length of time that reserves will be able to cope with a sustained fall in Government grants.
- Reserves for Public Health that are held separately in the Public Health Budget rather than in the General Fund.

The meeting ended at 20:25.



CITY OF WESTMINSTER

MINUTES

Budget Scrutiny Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Scrutiny Task Group** held on **Monday 23rd January, 2023**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Paul Fisher (Chair), Melvyn Caplan, Ellie Ormsby, Angela Piddock, Paul Swaddle, Rachael Robathan, and Aziz Toki.

Also Present: Gerald Almeroth (Executive Director of Finance and Resources), Jake Bacchus (Director of Finance), Mark Banks (Head of Waste and Cleansing), Joginder Chana (SFM City Management and Communities), Nicky Crouch (Director of Public Protection and Licensing), Damian Hemmings (Climate Emergency Programme Director), Amy Jones (Director of Environment), Stuart Love (Chief Executive), Phil Robson (Head of Operations), Jonathan Rowing (Head of Parking), Serena Simon (Director of Communities), Rikin Tailor (SFM Head of Corporate Finance), Lee Witham (Director of People Services), Kim Wreford (SFM Corporate Services), Pedro Wrobel (Executive Director of Innovation and Change), and Clare O’Keefe (Lead Policy and Scrutiny Advisor).

7 WELCOME

- 1.1 The Chair welcomed those present to the Budget Scrutiny Task Group (BSTG).
- 1.2 The Chair noted that there had been no apologies given.

8 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

9 MEDIUM TERM FINANCIAL PLAN 2023/2024

- 3.1. Items 3.1 to 3.5 were taken together under Item 3.1.
 - 3.1.1 Gerald Almeroth (Executive Director Finance and Resources) introduced the report to the BSTG. Jake Bacchus (Director of Finance) presented an overview of the 2023/24 Budget, including background and context for setting the Budget.
 - 3.1.2 Gerald Almeroth informed the BSTG on Fairer Westminster, the 2022/23 Budget and the Medium Term Financial Plan (MTFP) Budget Gap to 2026/27.

3.1.3 Members queried:

- The new savings and pressures in the MTFP which have been forecasted to tail off in year 2024/25 and whether this is a prudent forecast.
- The healthy interest figure in the MTFP and whether underlying assumptions regarding the net cash reserves of the Council reflect the projected shift of being a net interest earner to taking on more debt and drawing down on reserves.
- Whether the merging of two schools, and the prospect of needing to merge more, will impact on levels of Government funding because falling rolls and rising costs mean schools can't keep going with the number of pupils they have.
- The ringfenced funding that the schools receive and whether costs from merged schools can be redistributed within the school's service.
- Proposals to close the 2023/24 Budget gap, including Council Tax and the possibility of this rising, as well as whether using reserves to absorb the gap and balance the Budget is sustainable.
- The £5m net overspend and whether this will come from reserves or the General Fund.
- The assumptions given to interest rates and what has been assumed in the Budgets, and how.
- The assumption going forward relating to investing cash; whether cash will continue to be invested in short-term funds to gain high interest rates or whether officers will start thinking about longer investments to lock in a high rate before interest falls.
- Use of loans to tackle an ambitious programme of works and whether assumptions need to change, especially in relation to construction and what indices are being looked at to make those decisions.
- The decision behind using £5.6m from the reserves to pay for Fairer Westminster.
- How measurements of vulnerability are being made to target vulnerable residents to provide support during the Cost-of-Living Crisis.
- The number of residents who were eligible for the £150 Council Tax rebate and received these funds, acknowledging those residents who do not pay their Council Tax via direct debit and for whom the process was not automatic.

ACTIONS

1. The BSTG will be informed of the number of residents who were eligible for the £150 Council Tax rebate and received those funds.

3.2 EXECUTIVE LEADERSHIP TEAM SUMMARIES

3.2.A Finance and Resources, People Services 2023/24 Budget

Gerald Almeroth (Executive Director of Finance and Resources) presented the Finance and Resources, People Services 2023/24 Budget.

Members queried:

- The savings made from fees and charges increases and where these derive.
- The impact of lost income from businesses who have been forced to close from the Cost-of-Living Crisis.
- The good news regarding the reduced City Hall rental uplift.

- The purchase of energy and the timeline of when the Council needs to secure 100% of all energy requirements before the end of this fiscal year for 2023/24.
- The improved reporting and control efficiencies in the finance department and what the savings mean.
- The procurement service review of staffing levels and whether this represents a shift of resource for new activity or reducing staff.
- The Fairer Westminster Responsible Procurement Strategy; whilst there is a reduction in procurement spend, there are funds being invested under Responsible Procurement and what these are.
- Whether the 2% growth target for Investment Property is realistic especially concerning voids, pressure on rental levels and the Cost-of-Living Crisis.
- The £2m in savings under Digital and Innovation and how this will be achieved.
- The revenue implications of the Fairer Westminster Responsible Procurement strategy.
- The Tech Lions 2.0 apprenticeship campaign, including how far along this is as well as where from and how apprentices have been recruited.
- Whether the Smart City and Digital Programme efficiency savings have had input from services when historically ideas have been difficult to obtain.
- Why the disaggregation of the Bi-Borough IT service savings are no longer achievable.
- Whether the procurement process is too onerous for Small and Medium-sized Enterprises who are at risk of becoming exempt from some of the rigours of the process.
- The risk of generating false economies in relation to reviewing external legal fees and ensuring that this is driven by a change in service rather than savings.

ACTIONS

1. The BSTG will receive a breakdown of the funds being invested under the Fairer Westminster Responsible Procurement Strategy.
2. All Councillors to have an opportunity to meet the Tech Lions 2.0 apprentices.
3. The Bi-Borough Director of Law to provide more information on the review of external legal fees.

3.2.B Innovation and Change 2023/24 Budget

Pedro Wrobel (Executive Director of Innovation and Change) presented the Innovation and Change 2023/24 Budget.

Members queried:

- The Policy and Scrutiny Committees responsible for Sport and Leisure and Communities as there are significant changes to these areas and it's important that proper scrutiny is undertaken.
- Details on the expansion of advertising screens, including proposed locations.
- The implications of parks not being locked or having staggered locking times, especially concerning Anti-Social Behaviour issues and the need for thorough consultation with Councillors and residents before decisions are made.

- The minimum income guarantee as part of the leisure contract re-negotiation and the changed risk profile of the leisure service where it could become a major cost rather than a major benefit.
- The £672k additional resource requirement under the Communities department and what this means in terms of staffing.
- The £200k spend on commissioning a review of the City Plan and what this will encompass.
- The Neighbourhood Keepers scheme and, now that it is coming to an end, whether the communities it served will suffer from the loss.
- The increased income garnered from cemeteries, which exceeded the Budget, and changes in behaviour.
- The nature of the savings proposals being residents-facing, rather than back-office reviews of the effectiveness of the directorate, and the impact of these proposals on residents.
- The reason for the £300k difference between income for 2022/23 and 2023/24 under communications.
- The Westminster Advice Service Partnership Contract and the impact of this contract as well as value for money.
- The resources shifted from the Ward Budget Programme as a result of two wards being removed and whether the decision not to split the savings between the remaining wards is fair to those wards who do allocate 100% of their funds each fiscal year.
- The fees and charges for leisure contracts in the current economic climate, and the service provided to users if services are cut.

ACTIONS

1. The BSTG will receive more information on the minimum income guarantee as part of the leisure contract re-negotiation as well as fees and charges.

3.2.C Environment and City Management 2023/24 Budget

Amy Jones (Director of Environment) and Phil Robson (Head of Operations) presented the Environment and City Management 2023/24 Budget.

Members queried:

- The internal approach to combat the issue of discouraging car use in the City but recognising the Budget's reliance on parking income.
- The consideration given to those who can least afford the impact of measures in regard to car use and parking and those who need to use cars especially outside of the central areas.
- Road safety initiatives and the income they generate as well as the introduction of additional cameras needing to be based on evidence.
- Parking being a significant figure set against a backdrop of falling car usage and the likelihood of electric vehicles coming within the charging remit to hit the set income targets: this needs to be understood to understand the assumptions in the forecast.
- Whilst delighted to have an electric street cleansing service, concerns were raised about whether moving to more waste collections a week means that this

will be a pressure on costs and where this is set out in both the Veolia contract as well as the Budget.

- The Environment and City Management Budget being a large risk to the general Budget due to its dependency on income and care should be placed not to onerously tax visitors to the City.
- The concern regarding the absence of pressures of revenue items in the Budget despite many changes being income driven.
- Ensuring that timetabling for the Parking Structure Review is correct and receives scrutiny from the relevant Policy and Scrutiny Committee before consultation starts.
- The consideration of what is termed as a reasonable parking permit cost, especially acknowledging that Driver and Vehicle Licensing Agency tiers are restrictive, and the wrong vehicles could be taxed.
- Road safety initiatives and what offences can be charged for, including moving traffic and school streets.
- The confidence regarding a lack of pressures or cost increases indicated in wide areas such as waste.
- The impact of the Future City Management Public Protection and Licensing review, the lack of savings made and change to frontline service.
- Optional SMS Charging and the decision to uplift the charge from its introduction last year in a market where parking is declining.
- The £600k investment in Fairer Westminster proposals and what specifically this is being spent on.
- The potential for a visitors parking scheme especially considering visitors such as carers who need to regularly drive into the City.

ACTIONS

1. Proportionality should be ensured when considering the impact of car use and parking measures.
2. The BSTG to receive a response on whether the increase in waste collections will be a pressure on costs or if this is set out in the contract.
3. The Communities, City Management and Air Quality Policy and Scrutiny Committee will scrutinise the Parking Structure Review prior to consultations.
4. The BSTG to receive a breakdown of the £600k investment in Fairer Westminster proposals.
5. Officers to investigate a targeted approach to a visitors parking scheme.

The Chair registered his thanks to all those who were involved in this year's Budget Scrutiny Task Group and recognised the significant investment in time and energy provided by officers and Members.

The meeting ended at 20:48.

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