

Housing, Finance and Customer Service Policy and Scrutiny Committee

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Classification:	General release
Title:	Budget and Performance Task Group – Report on 2015/16 Budget Scrutiny
Report of:	Policy and Scrutiny Manager
Cabinet Member Portfolio	All
Wards Involved:	All
Policy context	Better City Better Lives
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1. Executive Summary

1.1 The Budget and Performance Task Group met on 2 and 5 February and considered the budget proposals for 2015/16. The following sets out the discussion, conclusions and recommendations of the Task Group, as submitted to Cabinet.

1.2 The Scrutiny Process

1.2.1 The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Performance Task Group as a standing group, with the following Terms of Reference:

“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.”

1.2.2 These Terms of Reference were agreed by the current Budget and Performance Task Group at its first meeting on 2 February 2015.

1.2.3 Cabinet must *take into account* and *give due regard* of any views and recommendations from the Budget and Performance Task Group in drawing

up firm budget proposals for submission to the Council , and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet's response.

2. Key Matters for Members' Consideration - *Summary of Response*

2.1 Overall Budget

2.1.1 The overall 2015/16 draft budget appears robust, and officers provided assurances on a number of point to members across all Directorates, including that there had been no double counting in terms of the Public Health budget, that the 20% decrease in the Education Services Budget would be mitigated against, in terms of the level of reserves held by the Council, in relation to the financing of redundancy payments, and around the deliverability of a number of projects.

2.2 Risks Highlighted

2.2.1 *Finance*

The uncertainty around forthcoming changes to Business Rates appeals, and that this may cause a short term rise in appeals until the point that the changes are implemented, at which point officers project a fall in appeals.

2.2.2 *Corporate and Commercial Services*

Negotiations were underway with tri borough colleagues on the legal services project, and until this is resolved, the Council faces a degree of uncertainty.

2.2.3 *City Management and Communities*

The Hemmings decision is being appealed and the outcome of that may have further implications in other areas of enforcement and assumptions on future levels of income.

2.2.4 *Growth, Planning and Housing*

The levels of private sector rents remains the same , leading to continuing high levels of homelessness and loss of temporary accommodation properties available to be leased from the private sector.

The reduction of the Discretionary Housing Payment funding reduces capacity to prevent homelessness.

The impact of benefits caps on 3,000+ private sector tenants claiming Local Housing Allowance limits their ability to keep tenancies, leading to increased homelessness approaches to the Council, with fewer alternative affordable properties available across London.

In terms of the investment portfolio, there would be a short term loss of rent when the Council is in the process of redeveloping properties.

3. **First Budget and Performance Task Group Meeting – Monday 2 February 2015**

- 3.1 The first meeting of the Budget and Performance Task Group on Monday 2 February 2015 appointed Councillor Tim Mitchell as Chairman, confirmed the group's membership and agreed its programme of work and corresponding timetable.
- 3.2 The City Treasurer provided a summary of the **finance settlement** which he explained was largely as anticipated, and continued that it was his view that the Council should be planning for this type of austerity to continue until around 2020. He advised that his team was working on bringing together the revenue and capital budgets so these are not dealt with in isolation.
- 3.3 Concerns were raised in relation to the 20% fall in the Education Services Grant, which had not been anticipated, but the City Treasurer advised that officers were working to mitigate against this reduction in funding.
- 3.4 After examining the overarching budget context, the **City Treasurer** presented Members with the planned budget for the Finance service, and advised that it was planning to deliver £4.6m savings and drive up the quality of service benchmarked against both public and private sectors. The team would deliver a balanced budget this year and next year, and strive to continually improve the budget process, and officers were looking to accelerate the annual accounts process again this year. He concluded that in terms of his team, it was not solely about delivering accounts, but about driving ambition and transformation, and providing a service of excellence.
- 3.5 The Director of **Policy, Performance and Communications** provided a synopsis of the Directorate and its services and ambitions. She provided a breakdown of key controllable service area budgets for 2014/15 and savings for 2015/16, explaining that the budget change was principally around income and efficiencies, and highlighted that the service was raising around 25% of its budget from income.
- 3.6 The Tri-Borough Executive Director of **Finance and Corporate Services** explained that the majority of savings as presented were coming from Tri Borough projects. She advised that the legal services project was on track as per the business plan, and with officers in discussions with tri-borough colleagues on this project. In relation to revenue and benefits, officers were currently negotiating with the incumbent supplier on a contract extension. Regarding agency staff, Ms West stated that it was difficult to attribute these savings, as agency staff were held across the entire Council, not just in HR.
- 3.7 The Executive Director for **City Management and Communities** drew members' attention to key issues section and highlighted the waste disposal contract re-let as a risk, and stated that this could be a challenge for officers going forward, as the cost could be significantly higher than current costs.

- 3.8 The Executive Director provided further information in relation to a number of projects outlined in the papers:
- 3.8.1 Transformation and Commercial Opportunity (£1.4m) There were three main components to this: (1) saving on highways budgets were a mix of capitalisation, (2) £210k saving from contracts, neither was likely to have a significant customer impact, and (3) £660k saving from the running of CCTV: Westminster City Council was in the process of commissioning a new CCTV system. Earmarked funds had been identified to run the system for the next two years, and officers would use this time to attempt to secure external funding as others should be contributing to upkeep and operation of system. There would be discussions with MOPAC and stakeholders (including BIDs). Other savings within built environment area were generally small adjustments. In conclusion, The Executive Director reinforced that in his opinion, nothing in the overall £1.4m would have significant customer impact.
- 3.8.2 Area Based Working – There were two main components. It brought together street management and premises management units to create a single Public Protection and Licensing function. There would be management savings and savings in administrative staff and there would be new, more broadly based, frontline enforcement officers. In terms of the HR impact, the Executive Director advised that the total directorate reduction would be in the region of 80 staff, although 30 posts were not currently permanent staff, and 24 had applied for voluntary redundancy; so he believed that the number of staff being made compulsorily redundant would be around a quarter of the total figure. Officers performing an ‘area warden’ function would remain although officers would look at needs of business and individuals so he could not say that the same people will remain in each ward. The new roles would have a broader range, with more capable staff who would be trained to deliver in these new roles.
- 3.8.3 Discretionary Services Reduction – there would be a review of charges levied on utilities for digging up roads as this had not been looked at for a number of years, officers believed that £0.5m could be generated. In relation to grounds maintenance, Westminster City Council has more Green Flags than any other Borough. It was proposed that frontline staff reduce from 80 to 68. It was recognised that this was a flagship service and officers would keep a close eye on standards. In relation to premises management unit, savings were proposed for a number of non-statutory services. Officers had successfully bid for Public Health funding or some services which deliver Public Health outcomes, and would also be more selective in prioritising work on planning and licensing consultations, and noise monitoring on construction sites etc. to save £150k.
- 3.8.4 Parking Transformation Programme – the saving of £1.3m was a net figure in which contract savings would be set against a reduced income from penalties. No rise in parking charges is assumed. Further to a question, the Executive Director advised that the last tariff increase in inner zones was in 2009, and outer zones was 2011.

- 3.8.5 Sport and Leisure – these proposals envisaged fine tuning of the sports continuing to develop customer offers at sports centres and ring centres towards cost neutrality.
- 3.8.6 Freedom Passes – The current spend is £15m, of which £12m was mandatory, with £3m discretionary for those who would not meet criteria for a disabled person's Freedom Pass. The proposal was not to change eligibility criteria. Some features of the administration of the scheme merit closer investigation, for example, there were more passes than eligible people in some wards; and no independent health assessments are undertaken, just a signature from a doctor. The Royal Borough of Kensington and Chelsea (RBKC) insist on an Occupational Health assessment as does Westminster City Council for disabled parking badge applicants. The Council issues twice as many discretionary passes as RBKC and this number may suggest that if the Council introduces a more rigorous process to ensure only those genuinely eligible received passes, savings could materialise.
- 3.9 Members underlined the importance of any work undertaken on assessing members of the public for Freedom Passes having to be done very sensitively, particularly for those who may have mental health conditions, perhaps involving community groups.
- 3.10 Members queried as to how redundancy payments were being financed and the City Treasurer advised that the Council's approach was to ensure a maximum individual pay back of no more than three years; the aim was to secure as an average one year. There was a small fund set aside for redundancies and the current estimated figure is £700k, although this may change.

4. Second Budget and Performance Task Group

- 4.1 The second Task Group meeting took place on Thursday 5 February 2015.
- 4.2 The Tri Borough Director of Finance and Resources, **Adult Social Care** and Health provided a synopsis of the challenges facing the Adult Social Care Team, and advised that officers were looking to continually improve services with less funding. She outlined the approach the Directorate were taking going forward as alignment, "upstream" prevention, integration and personalisation of services, with a priority being to do as much as possible to streamline and use technology whilst protecting vulnerable citizens. She noted that although there was a reduction in the budget of £20m, around £15m of it was attributed to the transfer of the Freedom Pass budget to City Management and Communities.
- 4.3 In relation to the "Operations Integration/ Customer Journey" project, the Director advised that officers were working with NHS colleagues to make a wrap-around service possible for when patients are still at home, and trying to achieve a seamless service between the local authority and NHS. There are currently the same information systems in use across the three boroughs and officers were looking to share information with the NHS, where possible. Ms

Wigley advised that the department was launching a mobile application for staff which officers believed could save £0.5 m this year. It was noted that this was at design stage and new ways of working may result in changes to the way staff work. There were also legislative changes to consider (i.e. phase 1 of The Care Act), which would result in the Council having to manage the increase in what it is required to do at the same time as implementing the customer journey project; it would be very important to maintain then redesign staffing.

- 4.4 Members queried as to whether there would be any one off costs associated with the implementation of this project, and were advised that there would be, and that any costs would be shared between the three boroughs.
- 4.5 The Tri Borough Director of Finance, Adult Social Care advised that the **Public Health Service** was projecting a balanced budget for 2014/15, and that the draft budget for 2015/16 comprised a ring fenced Department of Health grant of £31.2 million which was expected to be fully allocated; and additional funds of £2.1m were expected from October 2015 to cover additional services for 0-5 year olds healthy child programme. It was noted that £1.2m would be returned as dietetics services would not be provided by the local authority.
- 4.6 The Director advised that the team were undertaking a rolling programme of contract reviews for the services it provides, with the aim of delivering efficiencies, improving health and delivering value for money and improving inequalities. Members raised concerns about the future of Public Health funding.
- 4.7 In relation to **Children's Services**, the Tri Borough Director for Commissioning and the Tri Borough Director of Finance and Resources, Children's Services explained that the vision of the department was to keep children safe, keep them from harm, improve their life opportunities and deliver a high quality education. Members were advised that the flagship project for the team was "Focus and Practice", where the focus would be on longer more intensive time with families in trouble to prevent expensive on-going costs over future years, or to take early action to keep children safe from harm.
- 4.8 The Task Group was advised that the net budget excluding schools was £40m and of this £25m was allocated to family services (including, for example, child protection services, social work, looked after children).
- 4.9 Officers highlighted that there may be opportunities to substitute funds, for example where officers can demonstrate improving Public Health outcomes for children, particularly for those under the age of five.
- 4.10 Members asked a number of questions around the children's centres, youth services and play services, and the demand management of taking children into care.

- 4.11 Councillor Dimoldenberg asked that it be reflected in the record that he did not support the children's centre, youth services, and play services proposals and could see no merit in this proposal being pursued.
- 4.12 In relation to the **Housing General Fund**, the Supporting People and Homelessness Strategy Manager advised that the Council was still experiencing high numbers presenting as homeless – around 600 this year – and the Council was required to meet its statutory obligation to provide suitable housing. Challenge to find housing to meet needs in terms of cost and size. The Council had maintained the number of properties in Westminster but also increasing those outwith the Borough.
- 4.13 A number of risks were highlighted and noted –
- high private sector rental costs continue, leading to continuing high levels of homelessness and loss temporary accommodation properties leased from the private sector.
 - the reduction of Discretionary Housing Payment funding reduces capacity to prevent homelessness.
 - the impact of benefits caps on 3,000+ private sector tenants claiming Local Housing Allowance limits their ability to keep tenancies, leading to increased homelessness approaches to the Council, with fewer alternative affordable properties available across London.
- 4.14 In respect of the **Planning** portfolio, the Head of Strategic Projects advised that he expected planning applications to fall but this has not been the case, it continued to be in the region of 12,500 – 13,000 per annum.
- 4.15 Referring to the proposal on Development Planning Transformation (£0.3m), officers explained that the team was moving from paper to an electronic process; e-forms for online reporting etc. and staff will be able to interact faster and quicker.
- 4.15 Regarding the proposed saving against Built Environment Transformation, it was noted that this was a change relating to the trees budget; currently the Council was spending £160k per annum on tree planting and maintenance and the proposal was to capitalise an element of this.
- 4.16 In speaking to the **Growth** portfolio, the Executive Director for Growth, Planning and Housing advised that the Council now had a medium term plan for its investment portfolio. Whilst rents and rates were both increasing, officers were mitigating this through an increase in rents. The Executive Director continued that the Council was reducing its property footprint and growing income by using property efficiently and effectively. As an example, City Hall would contribute £3m per annum going forward. It was noted that in redeveloping properties, there would be a loss of rent in short terms and that officers were working to mitigate against this.
- 4.17 The Facilities Management contract (which was let on a tri borough basis) would see cost reductions on the tender price year on year.

4.18 The Executive Director concluded that the five key development projects in 2014/15 would contribute an additional £8m in revenue on delivery of pre financing.

5. Recommendations made to Cabinet

- 5.1 That this Task Group be provided with the **Capital Programme** papers in future years, to enable scrutiny to take place in a meaningful and timely manner.
- 5.2 To note that there may be one off costs associated with the **Operations Integration / Customer Journey** proposal ” (Adult Social Care Services) and to request that officers **scope these costs** at the earliest opportunity to enable members to understand the financial implications.
- 5.3 In relation to Public Health, to note that there was a risk that **the funding formula could be reconsidered** at a future date, and to therefore recommend that officers be instructed to **collate robust data** to enable the strongest possible case to be made for funding, should this situation arise.
- 5.4 In relation to the proposal discussed on 2 February on **Freedom Passes** (City Management and Communities), to note officers’ proposals in regards to implementing an independent assessment, and to request that should this be implemented, that it be done so with the **upmost sensitivity and concern** for those in particular who may have mental health conditions.

If you have any queries about this report or wish to inspect any of the background papers please contact: Rebecka Steven
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BACKGROUND PAPERS

[Budget and Performance Task Group 2 February 2015](#)

[Budget and Performance Task Group 5 February 2015](#)