

Budget Scrutiny Task Group

Date:	19 February 2024
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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 2024/25 draft Budget
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1. Foreword from the Chair

1.1. In my capacity as the Chair of the Budget Scrutiny Task Group ("BSTG"), I would like to express my appreciation to every Member and officer who participated in this round of draft Budget scrutiny. The BSTG memberships' comprehensive array of professional skills and experience in local government lends itself to varied cross-party inquiries and an effective examination of some of the key principles and decision-making behind the draft Budget.

1.2. I would also like to put my thanks on record to the Cabinet Members who have, for the first time in recent years, accepted the invitation to attend the BSTG sessions to answer questions in relation to their respective portfolios. This was a recommendation at the end of the last budget cycle, which I am glad to see implemented.

1.3. During the last cycle of draft Budget scrutiny, Members noted opportunities for the future of the BSTG to ensure it is as effective a tool as it can be. The opportunities which were raised were reinforced by the Scrutiny Improvement Review undertaken by the Centre for Governance and Scrutiny (CfGS) in spring 2023 which referred to strengthening finance scrutiny through Member

development and rigorous and early involvement of budget scrutiny activity. Taking into account the observations from the BSTG as well as the recommendation of CfGS, the BSTG:

- Increased the number of sessions;
- Brought the first three sessions of scrutiny earlier from January to November;
- Held a briefing session on the Medium-Term Financial Plan;
- Undertook budget scrutiny training; and
- Worked with the Communications team to ensure the meetings were transparent and accessible.

A significant amount of time has been invested in a short in-year period to achieve the changes to the process.

1.4. This report demonstrates that the draft Budget is financially robust and has the capacity to fulfil the strategic goals of the administration. The BSTG has identified areas of risk, opportunities and positive observations regarding the draft Budget that Cabinet Members may wish to take into consideration before the draft Budget is submitted to Cabinet and then Full Council. It might be prudent for the risk areas to be subject to ongoing monitoring. In certain cases, it might be essential for Cabinet Members and officers to carefully consider concerns raised by Members throughout the next financial year as well as provide updates to the relevant Policy and Scrutiny committees in the coming year.

2. Background

2.1. Established in 2007, the BSTG is a standing task group of the Overview and Scrutiny Committee (formerly the Westminster Scrutiny Commission) and leads Policy and Scrutiny activity relating to the draft Budget assumptions and options, draft business plans, and estimates at the appropriate stages in the business planning cycle.

2.2. The BSTG publishes a summary of its findings after each round of scrutiny activity and provides a copy of this to the Executive for their consideration when drawing up firm Budget proposals for submission to the Council. The BSTG should expect to receive a response from the Executive within two months of the publishing date.

2.3. The BSTG is chaired by Councillor Fisher, and the membership of each meeting is made up of four Majority Group representatives and three Opposition Group representatives, chosen by the Group Whips. The following Members participated in at least one meeting in this round:

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|-----------------------|------------------|
| • Cllr Fisher (Chair) | • Cllr Piddock |
| • Cllr Dean | • Cllr Pitt Ford |
| • Cllr Hassan | • Cllr Robathan |
| • Cllr Mendoza | • Cllr Rowley |
| • Cllr Mitchell | • Cllr Swaddle |
| • Cllr Ormsby | • Cllr Williams |

2.4. Scrutiny of the draft Budget was held over the following four meetings and the minutes of the meetings are attached to this report which include the topics of discussion.

21 November 2023

- Adult Social Care and Public Health
- Children's Services

23 November 2023

- Environment, Climate and Public Protection
- Housing Services

27 November 2023

- Innovation and Change
- Regeneration, Economy and Planning
- Finance and Resources

25 January 2024

- Financial Planning 2024/25
- Proposed Capital Programme 2024/25
- Housing Revenue Account 2024/25

3. Risks

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

3.2. **Temporary Accommodation (TA)**

The BSTG noted that TA is a long-term issue which has been compounded by the cost-of-living crisis and the complexity of housing needs rising. TA places a £28.1m pressure on the Council, which reflects a 15 percent increase on placements since the beginning of 2022/23 and an existing trajectory of 44 percent across four years (33 percent by the end of 2024/25). While the Council has implemented various mitigation measures, and is positioned more favourably than other local authorities, the overall TA climate remains challenging both in the City and across the local government sector.

The BSTG was pleased to note that recent TA acquisitions have provided additional capacity yet wishes to emphasise that the Council should ensure this expansion is both cost-effective and sufficiently staffed to be impactful. The BSTG also notes however that planned investments will be funded as one-offs from reserves and considered whether this should be built into the base budget. Additionally, a critical focus should remain on averting the necessity for TA in the first place. TA will be presented to the Housing and Regeneration Policy and Scrutiny and Committee on 4 March 2024, and Members can consider establishing a task group to delve into the specific issues of TA in greater detail.

3.3. Parking

The most significant area of income in the Environment, Climate and Public Protection directorate is Fees and Charges, with parking contributing to 67 percent of the total Fees and Charges income of £108.524m. BSTG is aware of the work undertaken in the Council to try to balance the environmental agenda and modal shifts in transportation without critically impacting the revenue the Council receives from parking fees. Parking therefore remains a risk the BSTG would like to raise and place importance on identifying alternative ways of managing and compensating the loss of income. The BSTG noted that the Climate Action, Environment and Highways Policy and Scrutiny and Committee called-in the recent decision on the Parking Charges Review on 6 December 2023 for greater scrutiny; the Committee voted for no further action to be taken and so the decision stood.

3.4. Planning income stream

The BSTG notes that the Regeneration, Economy and Planning directorate is projecting a £2.200m budget pressure, primarily driven by a reduction in fee income for Planning and attributed to reduced activity for Major developments in particular. The Planning fee income shortfall represents a pressure of £1.600m and the existence of this pressure has been the case for several successive financial years. Although central government is set to increase the centrally set fees, this will only reduce the income shortfall by an estimated £380k. The BSTG was pleased to note that this sustained pressure has been built into the base budget but is keen that mitigations for the loss of income, and fall in demand for Major Planning applications, are pursued by the Council.

3.5. Digital and Innovation

The BSTG notes that Digital and Innovation is a key issue within the Finance and Resources directorate as the digital agenda will enable the delivery of savings which will be essential for the future. The BSTG however stated that across the Council there is an absence of urgency surrounding the digital and innovation agenda and it is not seen as being treated as a priority; the BSTG noted that the timeline of three years to see savings from digital and innovation materialise is a long time. The BSTG welcomed the creation of Adult Social Care's Digital Account but raised concern about the mitigations in place if it malfunctions and how the expectations of the consumer are addressed in general if Council digital systems fail. The BSTG recommended that the digitisation and innovation agenda should be investigated as part of a task group.

3.6. Home care workers' pay

The BSTG welcomed the £1.200m investment into home care workers' pay and lauded its inclusion. The BSTG noted however that this will be funded from the Market Sustainability Improvement Fund for 2023/24 and 2024/25 but that the grant's continuity has not been confirmed beyond 2024/25. If the administration

decides that the investment into home care workers' pay should continue, the BSTG noted this will need to be built into the base budget in future years if there is no access to grant funding.

3.7. Pimlico District Heating Undertaking (PDHU) and decarbonisation

The BSTG was pleased to note the inclusion of PHDU in the draft Budget as this was a major topic of discussion when scrutinising the 2023/24 draft Budget. The BSTG noted that the PHDU supplies heat to 3,300 homes and 50 commercial buildings and operating the PDHU network accounts for 39 percent of the Council's annual carbon emissions. If the Council is to achieve its net zero 2030 target, it needs to reduce the carbon emissions from PDHU and renew the energy supply provided by PDHU. The BSTG noted that the allocation of funds to enable the delivery of the renewal project is significant and that the Climate Action, Environment and Highways Policy and Scrutiny Committee will be scrutinising the Outline Business Case on 29 February 2024. The BSTG is also aware that decarbonising through the retrofitting programme requires the commitment of significant levels of capital investment and faces challenges where there could be access issues and potential business interruption claims especially relating to the decarbonisation of the commercial estate.

3.8. Falling school rolls

The BSTG noted that the provisional Dedicated Schools Grant (DSG) increased by 2.7 percent but that overall the schools block has reduced by 0.39 percent as a result of pupil numbers reducing. The BSTG remains concerned that the DSG is significantly below current inflation and schools in Westminster continue to face financial challenges. The BSTG noted that whilst Children's Services is doing the best job it can, schools with falling rolls continue to be in a challenging budget position.

3.9. Capital Programme

The BSTG noted that the potential slippage in budgets and delays to projects in the Capital Programme should be noted as a risk. The Capital Programme is a large and ambitious programme of work with significant spending and borrowing requirements totalling £57m. Projects must run to budget and to timetable and, if they do not, this poses a risk to the Budget. The BSTG noted the importance of adequately managing and monitoring projects.

3.10. Building Control

The BSTG notes that a key challenge in the future outlook for the Regeneration, Economy and Planning and Housing Services directorates is the anticipated uplift in demand in relation to the Building Safety Act. Whilst the work allocated to the Regeneration, Economy and Planning directorate's Building Control team is likely to create income opportunities, both directorates will see a financial pressure to scale up operations and enhance inspectors' certification

requirements. The BSTG was pleased to note that that teams are undertaking work to consider how this can best be met.

3.11. **Inflation, procurement, and interest**

The BSTG was pleased to see that there are contingencies built into the draft Budget but noted that inflation and interest rates still remain uncertain. The BSTG emphasised the importance of minimising the long-term inflationary effects on procuring contracts, building in interest rates forecasts into the MTFP and mitigating against pressures such as rent inflation which is driving up the average weekly cost of private rented sector supply.

4. Opportunities

- 4.1. The BSTG has identified the following opportunities that it would like to raise with the Cabinet.
- 4.2. **City Promotions, Events and Filming:** the overall proposals for the City Promotions, Events and Filming, and potentially including the long-term business plan, exhibit a deficiency of ambition as the BSTG is of the opinion that it could be a larger source of revenue.
- 4.3. **Digital and automation:** the application of AI should be explored across the Council to maximise the use of digital solutions. The BSTG noted that AI should be used in areas where there is the greatest potential for maximising efficiency.

5. Positive Observations

- 5.1. There are a number of positive observations which the BSTG wish to highlight in this summary report.
- 5.2. **Children's Services savings:** the savings relating to Children's Services do not impact Special Educational Needs and Disability (SEND) provisions. The BSTG was pleased to receive assurance that the services provided for SEND children, as well as vulnerable children and family hubs are not facing cuts and that the areas are been given adequate focus.
- 5.3. **Service efficiencies:** the BSTG welcomed the move towards service efficiencies, particularly when it relates to the Council paying less for the same service, seen by a number of the savings proposed by the Environment, Climate and Public Protection directorate. The BSTG also noted that the savings proposed in Adult Social Care focused on efficiency rather than impacting on residents.
- 5.4. **Equality Impact Assessments:** the BSTG noted the usefulness of receiving the Equality Impact Assessments when examining savings proposals as they set out the local impact of the savings.

- 5.5. **Mitigations:** the BSTG was pleased to be informed of the long-term relationships cultivated by the Council which has helped to mitigate the pressures of inflation on procurement and contracts.
- 5.6. **Tracking:** the BSTG noted that the tracking of deliverability and progress of projects is submitted quarterly to the Audit and Performance Committee.

6. The Future of the Budget Scrutiny Task Group

- 6.1. Whilst there have been many changes to the draft Budget scrutiny process this year, it is important to recognise that the process is malleable to ensure it is as effective as possible in providing effective scrutiny of the draft Budget. There are a number of considerations which can be examined as a part of this, which include:
- 6.2. **Transparency:** increasing the reach of the communications campaign to ensure that a wide cross-section of stakeholders is aware of the process and when the meetings are being held.
- 6.3. **Presentation of material:** addressing the information imbalance between officers and Members is vital for effective scrutiny. The material presented to the BSTG at present has been high level and Members would benefit from receiving the detail behind some of the figures and decisions, including Red-Amber-Green ratings, to ensure effective scrutiny. It would therefore be of value for officers to improve the presentations in the agendas by submitting written commentary, employing clear language, and incorporating understandable diagrams and tables. Given the inherent complexity within the draft Budget and Medium-Term Financial Plan, it would be useful to include detailed defined terms and glossaries for clarification; this explanatory effort need not be duplicated, as it would be relevant to subsequent budget scrutiny rounds.
- 6.4. **Medium-Term Financial Plan briefing:** refine how this briefing is undertaken by considering the different needs of Members, the timing of the briefings and consider opening the briefing to all backbench members who may find it useful.
- 6.5. **Timetabling:** ensure that the budget scrutiny timetable is drawn up well in advance to give advance notice of all sessions, for Cabinet Members and officers to have enough time to gather the requested detail of budget proposals and ensure that papers are published in good time before the sessions to allow enough time for the BSTG to digest the content.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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Scrutiny Officer, cokeefe@westminster.gov.uk.

APPENDICES:

- A. [Budget Scrutiny Task Group Terms of Reference.](#)
- B. [Minutes from the meeting of the BSTG on 21 November 2023.](#)
- C. [Minutes from the meeting of the BSTG on 23 November 2023.](#)
- D. [Minutes from the meeting of the BSTG on 27 November 2023.](#)
- E. [Minutes from the meeting of the BSTG on 25 January 2024.](#)

BACKGROUND PAPERS:

- [Budget Scrutiny Task Group 2023/24 report](#), Overview and Scrutiny, 5 October 2023.