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Report of:	Councillor Paul Swaddle OBE
Cabinet Member Portfolio	Cabinet Member for Finance and Smart City
Report Author and Contact Details:	Veronica Christopher, Portfolio Advisor (vchristopher@westminster.gov.uk or 07929 664101)

CITY FOR ALL VISION AND STRATEGY (2021 – 2022) – FINANCE AND SMART CITY PRIORITIES

Summary

This report provides the Scrutiny Committee with an update on key aspects relating to Finance and Smart City.

Medium Term Financial Planning (MTFP) and Budget Setting

The £43.080m gap as approved by Full Council in March 2021 comprises the following key items:

- An estimated reduction in core funding arising from the Fair Funding Review that was initially earmarked for implementation in April 2021. This anticipates a c£9m year-on-year loss of core grant funding.
- Government policy changes around New Homes Bonus will reduce the number of years of legacy payments leading to an estimated £6m fall in funding to 2023/24.
- Social care grants announced as one-off in the last local government financial settlement cease from 2022/23.
- Additional corporate pressures are accounted for each year to take into account inflationary increases on salaries and contracts.
- Annual capital financing costs of £3m per annum are included in the MTFP to allow the Council to deliver its capital programme
- Corporate pressures and contingency budgets are annually built into the MTFP to allow the Council to mitigate any unforeseen pressures that may arise. This was increased in 2021/22 to ensure the impact of Covid on the Council's finances could be minimised as far as possible
- Departmental savings and pressures approved at March 2021 Full Council are also factored in

Subsequent changes to the Medium-Term Financial Plan were reported to Cabinet in July outlining a total budget gap of £51.283m up to 2024/25. The increase from £43.080m to £51.283m is outlined in the table below:

	2022/23 over 2021/22 £'m	2023/24 over 2022/23 £'m	2024/25 over 2023/24 £'m	Total
Funding Gap - as agreed by Full Council	22.374	20.706	0.000	43.080
Core Funding Losses	0.100	0.800	9.100	10.000
New Homes Bonus - continuation of scheme	0.000	(1.440)	(1.440)	(2.880)
Council Tax Prior Year Deficit	0.160	0.000	0.000	0.160
Council Tax Base Growth	0.000	0.000	(0.876)	(0.876)
Corporate and Service Pressures additional year	0.000	0.000	13.500	13.500
Total	22.633	20.066	20.284	62.983
Other Adjustments				
Concessionary fares	(1.700)	0.000	0.000	(1.700)
Final pension deficit payment	(10.000)	0.000	0.000	(10.000)
Total	(11.700)	0.000	0.000	(11.700)
Grand Total	10.933	20.066	20.284	51.283
Annual Gross Budget (£m)				658.00
Total gap as a % of annual gross budget				7.8%

Table 1: Medium-Term Financial Plan – July 2021 Cabinet

At the time of writing, the expectation was that Government would implement the funding changes expected from the Fair Funding Review from April 2022, from which Westminster City Council anticipates a significant fall in core funding. Following October's Spending Review announcements; no statement was made about the Fair Funding Review, so the impact has been moved back to 2023/24.

Further changes to the MTFP have been made since July as more information has become available from the finance monitor and from October's Spending Review. The updated MTFP will be reported at the annual Budget Scrutiny Committees in January when Members will provide an overview of savings and pressures in their portfolios.

Further details of the MTFP and budget setting process are outlined in the sections below:

- Spending Review (SR21)

The Spending Review was announced on 27 October and headlines given on the changes to Local Government funding. SR21 is a three-year settlement which we welcome as it gives more certainty on funding levels over the MTFP timeframe. The details of Westminster's specific allocation will be known in December at the time of the Provisional Settlement. At that point the MTFP will be updated.

The key headlines are:

- Local Government's core spending power will increase by £8.5bn over the three-year spending review period. This assumes councils implement the 3% increase in Council Tax (general Council Tax and the social care precept) and £4.8bn from additional grant funding (averaging £1.6bn per annum).
- The majority of the £4.8bn increase in core funding over the next three years will be used to fund the impact of Social Care Reform and to support the local care market by moving towards a fairer cost for care. Further details will be set out by Government in due course.
- Council Tax thresholds announced allow authorities to increase general Council Tax by up to 2%, and the Adult Social Care precept by up to 1%. The precept funds annual demographic growth in demand, which is separate from the grant funding announced at SR21.
- The most pertinent announcements for the Council include the funding allocated to rough sleeping, which was requested in Westminster's Spending Review Representation, as Westminster has the highest rate of rough sleeping across the country. It's currently unclear as to how the allocated fund will tackle rough sleeping and therefore how this funding will play out on the ground in Westminster.
- Government announced new temporary reliefs for eligible retail, hospitality and leisure businesses for 2022/23. Eligible businesses can claim 50% relief up to a cash cap of £110k per business. The Council will be fully compensated for these reliefs.

- Budget 2022/2023 (including Council Tax Setting)

Next year's budget setting process is fully underway, and the Council is considering options to address the budget gap outlined in Table 1 above.

The impact of COVID-19 on the Council's finances has been significant – to date the top commercial income lines have reduced by circa £20m when comparing the forecast variance against the 2020/21 (i.e. pre-pandemic) budgets.

At the time of setting the 2021/22 budget, much of the expected loss was built into financial planning estimates; key income budget lines were adjusted to reflect the expectation of lower income levels from 2021/22. Throughout this year, those income lines, in particular, Commercial Waste and Planning, remain under pressure. These pressures are reflected in the Period 6 Budget Monitor forecast below.

Savings and pressures are currently being considered in light of the external factors (such as income levels outlined above) that have impacted the Council's finances and these will be taken to the annual Budget Scrutiny Committee sessions in January 2022.

The details of Westminster's government funding allocations will be known in December 2021 when the Provisional Settlement is announced. The level of any Council Tax required to balance the budget will be decided at that point. It should be noted that Westminster's Council Tax is the lowest in the country. We are committed to ensuring that any rises are only done so when absolutely necessary.

The Council offers Council Tax Support for those individuals who are experiencing financial difficulties, whereby support may cover up to 100% of Council Tax bills depending on individual circumstances.

Disaggregation of Bi-Borough IT Shared Services

Following the decision by Cabinet to disaggregate the IT function from the existing shared service, the review team have been developing the future sovereign capability. There have been a range of engagements with staff to gather their input, and a Due Diligence exercise has been undertaken and is due to report in November. This will provide a baseline audit of all aspects of the service and enable planning for a safe transition while also providing key information upon which to build a robust future Westminster service. Joint governance has been established for the programme, and a recruitment campaign launched for five key leadership roles in the Council's future Digital and Innovation service, which has gathered a lot of interest.

Period Six Budget Monitor Forecast

At period 6 the Council forecasts a gross variance of £7.0m against the budget (£6.4m in period4). After taking into account the final Sales, Fees and Charges compensation round (up to Quarter 1), the net overspend reduces to £4.6m. This overspend continues to be driven by a reduction in demand driven income levels which comprises £3.9m of the £4.6m overspend. Against, pre-pandemic income levels (i.e. 2020/21 budgets), the true budget loss is approximately £24m. While there are improvements across some income levels, the impact on the Council's Medium Term Financial Planning has been significant and is not expected to reach pre-pandemic levels for at least another financial year.

The General Fund shows a potential upper range variance of £12.150m which is inclusive of further identified risks and opportunities, but once the Sales Fees and Charges income compensation (SFC) is taking into account the net variance reduces to £9.750m. The position is set out in the table below.

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P6 YTD Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	52.122	52.022	(0.100)	-	0.300	-	0.200
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	25.379	27.864	2.500	(17.800)	3.500	(2.200)	3.800
Finance and Resources	44.291	44.268	-	(0.100)	-	(0.400)	(0.400)
Environment and City Management	6.377	9.287	2.900	0.500	0.500	-	3.400
Children's	41.156	43.157	2.000	-	0.600	-	2.600

Services							
Innovation and Change	10.171	9.916	(0.300)	(1.000)	0.400	(0.100)	-
Other Corporate Directorates	4.278	4.278	-	0.100	-	-	-
Collaborative Savings	-	-	-	-	2.550	-	2.550
NET CONTROLLABLE BUDGET	182.745	189.763	7.000	(18.300)	7.850	(2.700)	12.150
Council Tax	(62.078)	(62.078)	-				-
Business Rates - WCC retained budget	(120.667)	(120.667)	-				-
CORPORATE FINANCING	(182.745)	(182.745)	-				-
SFC Compensation			(2.400)				(2.400)
Net (Surplus) / Deficit*			4.600		7.850	(2.700)	9.750

Table 2: Summary of General Fund position at Period 6

Smart City

My Westminster and Digital Card

Work has been completed to review the strategy and approach on the MyWestminster and Digital Card product including a formal assessment of the plan and review of outcomes. Every London Borough needs a way for customers and businesses to easily carry out and track transactions with the council. MyWestminster is our preferred way of meeting this need, and it is integral to support the customer experience that we aspire to. The Digital Card is a way of digitising previously analogue cards to join up the offer(s) and enable audience growth.

Several workshops have been held to review and re-evaluate the MyWestminster and Digital Card roadmap alongside the work required for online customer experience, through which outcomes will complement the work of the product. These workshops have contributed to creating the future roadmap for the product with Public Protection and Licensing, food waste licensing as well as Growth, Planning and Housing supported by IT strategic partners. These have helped the team to understand customers, problems, challenges, desired outcomes, and goals that are feasible and viable to jointly advance opportunities that underpin the Customer Experience and Digital strategy to deliver greater customer experiences. In parallel, we have also carried out a pre-discovery work with MadeTech, looking at our technical landscape, to review the opportunities for future releases and work is in progress to review the releases for remaining go live activities and go live readiness.

A set of clear outcomes and vision was re-established, and clear expectation set for delivery. Other online workstreams in progress include.

- Online mystery shopping ensuring users help shape the services;
- Establishment of a customer testing panel which will be a valuable resource to quickly engage relevant users to shape and test services;
- All new online services will be assessed against the Government Service Standard;
- Improved design changes to the website to improve end to end customer journeys;
- Continued improvements to accessibility will make the online presence more accessible;
- Enhancements to measuring performance using online analytics tools.

The development costs of the MyWestminster & Digital Card – MVP are as follows:

Development of the MyWestminster Portal	£186,830
Costs of additional functionality	
Development of View and update personal details	£5,850
Development of MyWestminster Digital card	£14,625
Development of the User profile the connection between the application and the Dynamics record	£21,060
Digital card rule engine	£23,400
Development of the Portal dashboard	£8775
Development of Single Sign On	£6435
Customer Feedback tool	£2340

Additional development costs	£82,485
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Westminster Innovation Challenge

The Westminster Innovation Challenge has been launched, to staff on the 28th of October and to the public on the 4th of November, and runs until the 5th December.

The Innovation Challenge is seeking input from across our communities – residents, schools, businesses, universities, staff etc. for suggestions to improve how the city runs and makes life in Westminster better. The team are carrying out a huge amount of in-person engagement work and have had a lot of interest in the challenge. Ideas will be assessed in the New Year by the team and our strategic partners such as Microsoft and Google, with leading ideas being taken forward in collaboration with those who suggested them.

Broadband/Full Fibre/5G

- **Connected Nations**

The new data shows that 62.5% of premises in the borough can now access Full Fibre, an increase of 6.4% since the last report. Westminster is significantly above the average Full Fibre availability for London which currently sits at 27% and for the UK at 20%. Westminster remains the most connected London local authority and the 16th most connected in the UK.

The top 5 most connected London local authorities are:

Rank	Local Authority	Percentage
1	Westminster City Council	62.5%
2	Tower Hamlets	55.9%
3	Newham	55.0%
4	Barking & Dagenham	51.3%
5	Southwark	49.5%

- **Open Market Review (OMR)**

The OMR final analysis is currently being undertaken by our data analysis partners, Point Topic. Four of the most prominent full fibre networks in Westminster submitted responses allowing for a clear picture of full fibre availability up to and including Summer 2024. Initial analysis shows that at the end of the three-year period, 93% of residential premises in Westminster will have full fibre availability, 5% will have no full fibre but will be able to access superfast broadband, and 2% will remain in not-spots.

Once the full analysis is received, the recommendations will be reviewed and approved by the Cabinet Member, ensuring the vouchers are reaching the areas where they are truly needed, and achieving value for money from the scheme.

- **Residential Voucher Scheme**

The residential voucher scheme was proposed and approved to accurately target the worst connected residential premises in the city. Analysis of Ofcom Connected Nations data from the past few years showed that despite rapid growth in full fibre availability in Westminster, the number of not-spots were not decreasing at the same rate and therefore extra intervention was needed.

We engaged with stakeholders, including full fibre networks, and discovered that the main reason for the existence of not-spots in Westminster was extra cost of building in those areas due to the existence of various barriers. Therefore, the proposed vouchers aim to gap-fund build in these areas by providing up to £500 per resident towards the extra costs of getting their premises connected, delivered to the resident and redeemable by the networks.

Initial proposed eligibility was for residential premises that currently existed in not-spots (i.e. couldn't access superfast broadband [30Mbps download speed]) and wouldn't be covered by standard commercial rollout over the next few years.

Therefore, to ensure accurate targeting of the vouchers we carried out the above OMR to show future levels of connectivity, to bolster the open-source Ofcom Connected Nations data showing current levels of

connectivity. As mentioned above, the final eligibility criteria and intervention areas will be recommended and approved shortly following final analysis of the OMR.

Approved funding of £1.2m should in theory allow us to eradicate all remaining not-spots (i.e. the 2% from initial OMR analysis). The scheme is expected to launch before the end of 2021, and first vouchers are expected to be redeemed around March 2022. Applications for vouchers will cease in March 2023, at which point we will re-analyse connectivity data to evaluate the success of the scheme.

- **Connect Westminster**

The Connect Westminster Business voucher scheme is nearing its end. After the 31st of December vouchers will no longer be available and the project will fully end on the 31st of March 2022. Since its launch in August 2017 the project has made significant strides towards improving digital connectivity for businesses in the borough. So far just over 800 businesses have been supported equating to £1.6m of funding.

Ward	Vouchers Issued	No. of Businesses	Percentage receiving vouchers
Church Street	73	647	11.28%
West End	576	19,767	2.91%
Warwick	41	1,686	2.43%
Marylebone High Street	147	6,298	2.33%
Knightsbridge and Belgravia	21	1,888	1.11%
St James's	74	11,560	0.64%
Churchill	2	467	0.43%
Bryanston and Dorset Square	12	2,976	0.40%
Little Venice	2	665	0.30%
Vincent Square	3	1,180	0.25%
Lancaster Gate	3	1,306	0.23%
Queen's Park	1	467	0.21%
Maida Vale	1	576	0.17%
Harrow Road	1	618	0.16%
Hyde Park	3	1,917	0.16%
Abbey Road	1	694	0.14%
Regent's Park	1	832	0.12%
Bayswater	1	856	0.12%
Tachbrook	0	429	0.00%
Westbourne	0	569	0.00%

ADDITIONAL PORTFOLIO UPDATES

Cabinet Member Decisions

Since the last report, as Cabinet Member for Finance and Smart City the following decisions have been made:

- Virtual Discretionary Housing Payment Review
- Additional Restriction Grant (ARG) Scheme – Tranche 3 proposal (casino)
- Rating Advisory Panel - 21.09.21
- West End Gate Transfer of 37 Intermediate Rent Units to Westminster Builds & management Case
- Marble Arch Mound - Project & Financial update

Key Performance Indicators - quarter 2 (July 2021 – September 2021)

The table below illustrates the comparison in quarter 1 and quarter 2 during July and September 2020 and 2021.

	Quarter 1 April 2020 – June 2020	Quarter 1 April 2021 – June 2021	Quarter 2 July 2020 – September 2020	Quarter 2 July 2021 – September 2021

Percentage of Council Tax Collected	35.3%	35.58%	57.27%	57.61%
Percentage of Business Rates Collected	26.7%	25.52%	49.81%	49.18%
Incident attracting fines under the new GDPR legislation	0	0	0	0