

Appendix 7 – Report and Minutes from the Budget Task Group Sessions

Budget Task Group – Summary Report on 2021/22 Budget Scrutiny

1. Executive Summary - The Scrutiny Process

The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and 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.”

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.

The Task Group examined five key themes:

- the potential impact of savings proposals on affected groups
- whether or not the budget proposals would affect the Council’s ability to fulfil its legal obligations
- the need to identify and address potential optimism bias (overconfidence about the ability to secure third party income)
- the need to examine the Capital Programme as closely as the revenue budget
- the potential impact of any external factors.

The minutes of the Task Group’s meetings are attached to this summary. These include the Task Group members questions and comments on the budget.

The Task Group would like to offer its thanks to the officers of all directorates for the rigour and commitment that went into preparing papers and Equality Impact Assessments for the Task Group’s meetings, answering members’ questions and following up on requests.

2. Overall Budget

The overall 2022/23 draft budget appears robust. Officers provided assurances on a number of points raised by members across all directorates, including managing the impact of changing service demand priorities, the deliverability of a number of projects, and how external economic factors will continue to put pressure on the Council’s finances.

3. Risks

There are a number of risks which the task group wishes to highlight:

- The COVID-19 pandemic continues to impact the local and national economy. Furthermore, the Government's support over the pandemic will continue to have a long-term impact on public finances. This is being seen in rising inflation and interest rates. Members noted that these factors would present on going challenges for the Council's finances.
- Members noted that uncertainty around income streams, like that from parking, commercial waste and advertising sites, presents an ongoing risk and understand the Council's budgetary estimates for economic recovery.
- The Government has indicated the Fair Funding Review will go ahead. While further delays are possible, it is expected this will have a sizeable impact on Westminster.
- Members noted that reprofiled savings were largely as a result of the continuing impact of COVID-19 but that it is important that they are achieved alongside new savings in order to maintain strong financial control ahead of the Fair Funding Review

4. Positive Observations

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

- The council's reserve policy mitigated the impact of the pandemic on council finances. Furthermore, the 2022/23 budget has flexibility built into it which will mitigate against continued uncertainty around COVID-19 and the local and national economy.
- Members commented on the strong record of budgetary control at Westminster City Council



CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Thursday 20th January 2022**.

Members Present: Cllr Gotz Mohindra (Chairman), Cllr David Boothroyd, Cllr Iain Bott, Cllr Jim Glen, Cllr Adam Hug and Cllr Karen Scarborough

Also Present: Gerald Almeroth (Executive Director, Finance and Resources), Jake Bacchus (Director of Corporate Finance), Adam Coates (SFM, GPH), Joginder Chana (SFM City Management and Communities), Luke Chiverton (Financial Consultant, HRA), Lyndsey Gamble (SFM Strategic Projects + Commercial Lead, F&R), James Green (Director of Development, GPH), Debbie Jackson (Executive Director, Growth, Planning and Housing), Raj Mistry (Executive Director, Environment and City Management), Artemis Kassi (Lead Scrutiny Advisor), Stephen Muldoon (Director of Commercial and Financial Management, F&R), Georgina Nash (SFM Commercial, F&R), Sarah Newman (Executive Director, Bi-Borough Children's Services), Anita Stokes (Lead SFM, Childrens, F&R), Rikin Tailor (Head of Corporate Finance, F&R), Gareth Wall (Bi-Borough Director of Integrated Commissioning), Ryan Whitaker (FM City Management, Communities, Highways, F&R) and Kim Wreford (SFM Corporate Services, F&R).

1. Welcome and Apologies

- 1.1 The Chairman welcomed those present.
- 1.2 No apologies received from members.

2. Declarations of Interest

- 2.1 No declarations of interest were received from members and officers.

3. CAPITAL PROGRAMME

3.1 Capital Programme Overview and Financial Summary

- 3.1.1 Gerald Almeroth presented the Capital Budget Overview 2022/23 and the Financial Summary for the General Fund and Housing Revenue Account. He explained how the capital strategy aligned with the City for All objectives. Gerald Almeroth also outlined how the Capital Budget included budget for the delivery of the Council's housing ambitions, investment in the public realm and

highways, the emerging green initiatives and efforts to embed carbon reduction initiatives, budget for maintaining and improving operational property, and investment in capital IT.

- 3.1.2 Members queried why the proposed General Fund Capital Programme for 2022/23 projected a borrowing requirement of £187,893 million whereas the programme approved in March 2021 projected a borrowing requirement for 2022/23 of £399,237 million. Members observed that excessive underspend on capital projects should be avoided. Members heard that there was often understandable slippage in Council schemes and programmes and there was often “optimism” about how quickly things could be completed or brought forward for approval to spend. Officers were aware of unrealistic profiling of spend and were trying to be realistic whilst ensuring deliverability.

3.3 EXECUTIVE LEADERSHIP TEAM SUMMARIES

3.3.A Growth, Planning and Housing GF

Debbie Jackson presented the Growth, Planning and Housing Capital Budget, highlighting key projects for the next five years. These key projects included: Lisson Grove, the Oxford Street District, Church Street, 291 and 300 Harrow Road, Strand Aldwych and Temporary Accommodation Acquisitions.

Members queried:

- the spend for the Oxford Street District programme, as the overall spend was lower than had been projected in last year’s five-year projection, and when the bulk of the spend would come in the five-year period, as the Capital Programme approval for this programme was for the bulk of the spend in 2022/23. Members heard that spend would peak in 2024/25, and that figures were being regularly reviewed and would be subject to change.
- the phrasing concerning 300 Harrow Road where it was stated that the scheme was “assumed to be delivered” by Westminster Builds. Members heard that this reflected pending decision-making processes and that this delivery route would continue to be assumed until the Council formally took the decision.
- why the total spending on the five-year Development profile had increased substantially whilst the income was much lower and what should be concluded about residential property crisis and the sales likely to be reached. Members heard that the five-year analysis was a limited view of the programme and that the changes in spend and income related more to changes in the profiling of receipts, phasing of works and cashflow timing issues.
- the five-year net budget of £104m and the income expectations
- the sufficiency of the Temporary Accommodation (TA) budget (of £76.5m) and how this differed from previous years
- the risks of buying in TA from other boroughs
- how £1.5bn of borrowing compared historically with borrowing and how much was currently being borrowed. Members heard that Council had an ambitious capital programme which had been in gestation for five years with regeneration development delivering more homes. This required expansion

of the capital spend but the financing strategy had not changed. Officers highlighted that as schemes are developed, and more assets are developed, the value of the Council's assets increased.

- the current projections for private sector contributions to the Oxford Street District programme alongside the council's £122m spend and whether it was still on track to hit projections of £82m. Members heard that the Council was in active discussions with the private sector though no firm commitments currently existed. Members were assured that all projects would have to meet four clear tests on a project-by-project basis but that as of today it was not possible to say that funding of this level had been secured. Members were assured that projects would be reviewed by the Council's Capital Review Board. (Note: clarification of £1.095m of external funding identified for Manchester Square has subsequently been shared with the panel members.)
- what proportion of the temporary accommodation (TA) funding was from the General Fund and Affordable Housing in addition to how much money towards TA was coming from the Mayor's Right to Buy Back (RTBB) Fund
- where the dividing line was between a public realm/place shaping scheme and when such a scheme would be categorised as an ECM scheme
- the savings over five years from TA purchases (£2.4m in cumulative savings by Year 5)

Members noted that, whilst the information presented to the task group had been investigated by Cabinet Members and Cllr Ian Rowley (Chair of the Audit and Performance Committee), there was a view that this was insufficient. It was very hard, without more information, examples and evidence, to see what was included in the overall capital programme. Members acknowledged that there was so much involved, concerning so much money and noted the difficulty of reviewing so much information in three task group sessions.

ACTIONS

- Officers to provide cumulative total of savings following discussion of the estimate of incremental savings from TA purchases over five years (£2.4m in Year 5)
- Officers to provide more information about the Mayor's Right to Buy Back funding
- Standing update to be provided every six months to the members concerning the status of the private funding for the OSD/West End programme

3.3.B Growth, Planning and Housing Growth HRA

Debbie Jackson presented the Growth, Planning and Housing 2022/23 capital budget for the Housing Revenue Account (HRA). She explained that the HRA covered three areas of expenditure: Housing Planned Maintenance (£1.208m), Regeneration (£856m) and the Self-Financing Acquisition Scheme (£151m).

Members queried:

- the money being spent on planned maintenance being pushed towards the end of the planned period and how this was being worked out in terms of the age of the buildings concerned

- the administrative or other risks of having the housing regeneration schemes dealt with under three different funding mechanisms and management structures (i.e. HRA, general fund and Westminster Builds) and whether the same teams were involved but accounted for in different ways
- the sale of properties deemed “not fit for purpose” (to finance the self-financing acquisition scheme), including whether expert advice was received, or the aim was for a quick sale
- whether the maintenance of the PDHU was for maintenance of the existing system or decarbonisation
- government grant contributions to the business plan, including estimates from the GLA about their future funding
- the metrics used by the Council when doing regeneration projects, including IRR
- whether the gross budget spend on Regeneration (£856m) was all spent on delivering social housing

Members requested:

- more information on the Self-Financing Acquisition Scheme, including clarification that this was not the disposal of social housing units for replacement with units of other (non-social housing) types
- more detailed information on plans for the disposal of housing stock under the Self-Financing Acquisition Scheme, given the history of Westminster in the context of social housing sales

ACTIONS

- Officers to check whether money is spent on renovation of properties not fit for purpose prior to sale as a way to realise greater sale value
- Officers to clarify the Regeneration spend of £856m and what this delivers

3.3.C Westminster Builds

Debbie Jackson presented the Westminster Builds 2022/23 capital budget, with a five-year plan totalling £368.961m, including key schemes such as Ebury, Westmead and Luton Street.

Members queried:

- the governance arrangements of Westminster Builds and external scrutiny of the finances
- Shareholder Committee composition for Westminster Builds
- the delivery of Beachcroft, Moberly and Farm Street and whether the receipts were as expected
- whether external funding from the Climate Action/Lottery funding was still being received

Members noted:

- that the Brunel site featured in the key projects, though there had been no meeting with members since March last year, and that before Christmas the advice was that no decision had been made. Its inclusion in the “firm” category was of particular relevance for task group members who were also ward members

- they were of the view that more P&S oversight was needed of Westminster Builds, and a presentation to a P&S Committee required

ACTIONS

- Officers to provide members with a briefing on the Brunel site
- Officers to provide members with a briefing on Westminster Builds (including structure, governance architecture, Shareholder Committee composition, decision-makers, budgets)
- Task group members to discuss at the next task group session
- Officers to provide clarification concerning the Climate Action Fund

3.3.D Finance and Resources

Gerald Almeroth presented the Finance and Resources 2022/23 capital budget, including key projects of Property Investments, Huguenot House, Leisure Review Development, Digital Transformation and also the central capital contingency (gross total £379.664m).

Members queried:

- why the five-year net expenditure was the same as the gross for Huguenot House if it was going to be a commercial opportunity and generate income
- Huguenot House as a hotel-led scheme, given concerns about the travel market
- the timing of and capacity for all the regeneration work being undertaken by the Council
- how return on investment for Smart City was being measured

3.3.E Environment and City Management

Raj Mistry presented the Environment and City Management 2022/23 capital budget, highlighting the Waste Fleet Procurement, Planned Preventative Maintenance for Highways and Lighting, the Electric Vehicle Infrastructure and the Disabled Facilities Grant (DFG).

Members queried:

- the procurement of the new electric waste fleet, including the cost per electric street cleansing vehicle
- the capital income on the parking capital project
- the trajectory of spend
- whether the cost of all material recycled resulted in any capital cost or if it constituted revenue cost
- Why the control of the DFG sat with ECM and not Adult Social Care

ACTIONS

- Officers to provide members with details of the cost per electric street cleansing vehicle versus a non-electric street cleansing vehicle
- Officers to provide details of parking capital income budget of £66k

3.3.F Children's Services

Sarah Newman presented the Children's Services 2022/23 capital budget, highlighting key projects such as SEN High Needs and Family Support, School Development Capital, Social Care System Procurement, King Solomon Academy ramp, and Safeguarding for Community Primary Schools.

Members queried:

- if the SEN/High Needs project was across all schools (academies, grant maintained, faith schools). Members heard that this was theoretically the case and the ambition was to encourage creative thinking.
- The cost of the ramp (£500,000). Members heard that the last part of this project to improve accessibility had been approved in 2018, was a large project and had had to consider fitting around the environment (trees).

3.3.G Adult Social Care and Public Health

Gareth Wall presented the Adult Social Care and Public Health 2022/23 Capital Budget, highlighting the Framework-I upgrade to MOSAIC and the remodelling of Lupus Street.

Members queried:

- the existence of capital to spend for adaptations. Members heard that this did not sit within ASC, though social workers advised on the adaptations needed to enable people to continue living in their homes.
- The inclusion of Lupus Street. Members heard that it had been included because it was partly NHS partnership work and partly a refurbishment of something new.

ACTIONS

- Officers to provide members with information on when the adaptation budget moved.

4. MEETING CLOSE

4.1 The Meeting ended at 20:56.



CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Tuesday 25th January 2022**.

Members Present: Cllr Gotz Mohindra (Chairman); Cllr David Boothroyd; Cllr Iain Bott; Cllr Jim Glen; and Cllr Adam Hug.

Also Present: Gerald Almeroth (Executive Director, Finance and Resources), Amanda Anerville (Strategic Finance Manager, Children's Services) Jake Bacchus (Director of Corporate Finance), Adam Coates (Strategic Finance Manager, Growth, Planning and Housing), Luke Chiverton (Financial Consultant, HRA), Michael Edley (Policy and Scrutiny Co-ordinator) Bernie Flaherty (Bi-Borough Executive Director of Adults), Debbie Jackson (Executive Director, Growth, Planning and Housing), Artemis Kassi (Lead Scrutiny Advisor), Stephen Muldoon (Director Commercial and Financial Management), Sarah Newman (Executive Director, Bi-Borough Children's Services), Zohaib Nizami (Strategic Finance Manager, Adults and Public Health), Anna Raleigh (Director of Public Health); Anita Stokes (Lead Strategic Finance Manager, Children's Services), Rikin Tailor (Head of Corporate Finance), Neil Wightman (Director of Housing)

1. Welcome and Apologies

1.3 The Chairman welcomed those present.

1.4 Apologies were received from Cllr Karen Scarborough.

2. Declarations of Interest

2.1 No declarations of interest were received from members and officers.

3. Medium Term Financial Plan (MTFP) 2022/23

3.1 Overview 2022/23

3.1.1 Gerald Almeroth provided an overview of the MTFP and explained that in 2021/22, the financial impact of Covid19 amounted to approximately £5 million overspend. Much of this had been reimbursed by government grants. Looking forward, he explained that the one-year Local Government Settlement had been announced just before the festive break. Westminster City Council's

(WCC) settlement allowed for a 6.3% increase in spending (assuming a 3% increase in Council Tax). The Council would receive a per pupil increase in the Dedicated Schools Grant. However, the total grant would only increase by 2.2% due to a demographic decline in student numbers. Gerald Almeroth said he was expecting business rates to return to pre-pandemic levels from 2023/24 onwards.

Gerald Almeroth noted that the delayed Fair Funding Review was expected to be consulted on during 2022 and be implemented into the 2023/24 budgets. The expectation was that WCC would experience a reduction in resources as a consequence of the review.

Gerald Almeroth was of the view that the main external pressure on the budget for 2022/23 would be inflation which is already causing budget pressures and for this reason an increase in contingency was proposed to account for the higher inflation. However, in line with Government forecasts he expected inflation to have dropped by 2023/24.

- 3.1.2** In response to members' queries, Gerald Almeroth acknowledged that the higher Interest rates at the current level provided an overall benefit to the Council but if these were to be sustained over a longer time-period then they would have a negative effect.

Members were also concerned that it might be prudent to predict inflation remaining higher and that for budgeting purposes a rate of 3% rather than official prediction of 2% should be adopted. In response Gerald Almeroth that this was the case for 2022/23 and that inflation rates were the subject of constant review and adjustments made accordingly.

Members also asked about levels of reserves and Gerald Almeroth explained that whilst they had dropped slightly, the decrease was not as bad as previously expected.

He also confirmed that the total net budget for 2022/23 is c£184 million (£850million Gross) with a third being raised through council tax and the remainder from government grants and business rates. He also acknowledged that the predicted General Fund overspend would be 5% of the overall net budget but that officers were working hard to reduce this further by year-end.

Members also asked for confirmation that all of the Council's monies, deposited in Icelandic banks, had been recovered. Gerald Almeroth confirmed that this was the case.

Members asked about the total savings for 2022/23 and levels of reserves: Gerald Almeroth explained that over the MTFP period, savings of £13 million in 2022/23 were expected with pressures and investments budgeted to be £6 million. He noted that reserves would be c£5 million lower at the end of 2021/22 and that the pension deficit would be paid off next year resulting in savings of £10million, as reported to Cabinet in July 2021.

4. Budget, Key Issues, Proposed Initiatives and Pressures:

4.1 Adult Social Care and Public Health

4.1.1 Overview

Bernie Flaherty provided an overview of the gross £100 million budget for Adult Social Care however, with various income such as BCF and iBCF, the net budget is circa £50m. She explained that for 2021/22 they are predicting an underspend mainly due to less people coming forward to access services as a result of the pandemic, although numbers are now returning back to pre-pandemic levels and additional COVID related grants that in the main will cease in March 22. The overall savings ASC is committed to achieving is £5m over the next 3 years of which, £3m are new savings that are detailed in the slides presented and £2m are savings that were approved as part of last year's budget planning. She confirmed that all these savings were efficiencies and do not represent cuts in ASC services.

4.1.2 Members asked about implications of the savings for residents. Bernie Flaherty provided examples of how the savings will be achieved such as:

- Promoting independence through Direct Payments (about 100 new DP accounts);
- Adopting digital technology to reduce the need for some residents having two carers each day to having one carer each day. In dialogue, this will empower users, offering a less intrusive service, more choice, leading to an enhanced quality of life.
- Enabling residents, currently housed outside of the City, to come back into City suitable accommodation stock which will result in a better experience for residents and closer to their loved ones and community that they belong to and, allow the directorate to realise efficiencies through lower costs and better outcome for the service user.

In response to members' questions about the need to continue to use agency and risk of saving not being realised. Bernie Flaherty explained that staffing levels had never gone below 85% capacity during COVID and that whilst agency contingency was always necessary the saving could be realised as a result of fewer senior managers being agency sourced. There is no focus on reducing frontline staff and we have been successful in moving our agency staff to permanent or fixed term contracts.

She also explained that the pandemic had resulted in an increase in the numbers of older people that are tech-savvy. Furthermore, the co-location of Mental Health staff would generate £100k for WCC which will be paid by Central North West London NHS.

Bernie Flaherty also explained that the process of contract reviews was being done in partnership with a diverse range of providers and was conscious of the need not put undue pressure on providers. Maintaining a diverse/mixed economy was important.

Discussing the Commissioning restructure, she mentioned that the savings in staffing were more about making roles more fit-for-purpose than any significant reduction in numbers.

4.1.3 ACTION

Bernie Flaherty agreed to provide members with more information on the commissioning restructure as soon as this was available.

4.2 Public Health

4.2.1 Overview

Anna Raleigh provided an overview of the budget for Public Health which is ring-fenced through Government grant. The budget amounted for 2021/22 is £31.993 million and the budgeted amount for 2022/23 is £32.412 million. An announcement on Public Health grant is expected in March 2022.

- 4.2.2** In response to members questions Anna Raleigh explained that some savings will be achieved in areas such as Health Visiting and Sexual Health services. In the case of the former, recommissioning has brought efficiencies without reduction in service and in the case of the latter, where residents are more willing to access services via digital technology, there is significant opportunity to make some savings. Anna Raleigh also pointed out that some services did not naturally lend themselves to tech solutions such as those designed to get people to socialise more, get more exercise or access open spaces.

4.3 Children's Services

4.3.1 Overview

Sarah Newman provided an overview of the budget for Children's Services and explained they were predicting an overspend of £1.4 million (excl. Covid pressures) against a backdrop of increased demand. Nonetheless new savings of £658k had been identified which would total £1.2 million after 3 years. She is currently seeking investment to address the pressures.

Savings proposals include increased income through the Registrars Service, efficiencies in travel arrangements with a focus on maximising independence and alternative travel options for short distance, low needs pupils with SEND, and savings in Family Services linked to Placements. Members noted the excellent service and increased income being delivered by Registrars.

- 4.3.2** In response to members seeking further detail, Sarah Newman explained that savings in home-school transport were achievable by supporting young people to be more independent by walking or using public transport where this was appropriate. She reassured members that any changes would be carried out in full consultation with the young people and their carers/families.

Further savings were possible by using local resources for overnight respite provision and reducing pressures by purchasing more efficiently.

Members expressed concern about the impact of the demographic drop in numbers of school-aged children moving through the education system, and the impact in future years. Sarah Newman explained that the Falling Pupil Number Grant helps to soften the impact; they have continued to reduce forms of entry through the system and other options were being evaluated (such as school mergers) to address the 22% surplus placements across primary education.

4.3.3 ACTION

Sarah Newman agreed to provide a breakdown of the Education budget together with a short briefing explaining in more detail planned savings in Short Breaks and the impact on families receiving the service.

4.4 Growth Planning and Housing (GF)

4.4.1 Overview

Debbie Jackson provided a brief overview of the proposals for 2022/23, before opening up to questions from Members.

4.4.2 Members sought further detail regarding possible income from planning. Debbie Jackson explained that opportunities are under constant review and this had revealed the income stream relating to planning approvals for listed buildings.

With respect to the Homelessness Prevention Grant, the figures represent best estimates in the absence of certainty from government on the size of the annual settlement. The Rough Sleeping commissioning savings would be achieved through consolidating contracts in consultation with partners.

Debbie Jackson also noted that the pandemic had resulted in a reduction in homeless sleepers and learning in the Council about possible ways to address the issue. She reassured members that she was confident of achieving the predicted £500k savings based on prior experience of the efficiencies that could be achieved with similar exercises elsewhere.

Debbie Jackson also explained that savings in the Church St Regeneration Fund was the result of this being phased out slowly as planned so that historical costs of services that are no longer needed have been removed from the budget.

Debbie Jackson also explained that the recharge of costs to the HRA was the result of creating resources to manage mixed tenure developments that are due to come online. This reflects an accurate allocation of costs (as some properties within the developments will be owned by the HRA).

4.5 Growth Planning and Housing (HRA)

4.5.1 Overview

Debbie Jackson invited members questions.

4.5.2 Debbie explained that the Neighbourhood Keepers Grant was designed to support communities access micro grants to improve their areas. After two years of support there is now decreasing demand. It was confirmed that the proposal is to halve the size of the fund.

In relation to the long-expected increase in estate managers, Debbie Jackson explained that there will soon be a third more estate managers which is finally being realised as a result of the recent restructure. There will also be a 10% increase in surveyors and an increase in the number of income and leasehold advisors. She also clarified the Depreciation line listed in the HRA budget as being a statutory obligation to ensure there is a minimum level of investment in maintaining existing stock (this budget is a compulsory revenue contribution to fund the capital Planned Maintenance programme).

Luke Chiverton responded to members queries about the basis for rent increases which is based on the Consumer Price Index level taken in September + 1% so that the current rent ceiling is set at 4.1% - 1% higher than the September CPI of 3.1%

4.5.3 ACTION

Luke Chiverton agreed to circulate information regarding the £2.2million savings from re-basing budget streams. The proposed savings reflect actual levels of spend over the last 2-3 financial years (based on efficiencies from bringing CityWest Homes in house). They were not formally removed from budgets due to volatility during Covid (and provided a contingency). These have now been removed from the 2022/23 budget to reflect actual resource requirements.

MEETING CLOSE

5. The Meeting ended at 20:58.



CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of the third meeting of the **Budget Task Group** held on **Thursday 27th January 2022**.

Members Present: Cllr Jim Glen (Chairman); Cllr David Boothroyd; Cllr Iain Bott; Cllr Lindsey Hall and Cllr Adam Hug.

Also Present: Gerald Almeroth (Executive Director of Finance and Resources); Jake Bacchus (Director of Corporate Finance); Joginder Chana (Strategic Finance Manager, ECM), Michael Edley (Policy and Scrutiny Co-ordinator); Richie Gibson (Head of Promotion, Events and Film); Aruj Haider (Chief Digital and Innovation Officer); Artemis Kassi (Lead Scrutiny Advisor); Raj Mistry (Executive Director of Environment & City Management); Stephen Muldoon (Director Commercial and Financial Management); Rikin Tailor (Head of Corporate Finance, F&R); Kim Wreford (Strategic Finance Manager, I&C and F&R) and Pedro Wrobel (Executive Director of Innovation and Change).

1. Welcome and Apologies

1.5 The Chairman welcomed those present.

1.6 Apologies were received from Cllr Karen Scarborough (Cllr Lindsey Hall substituting) and Cllr Gotz Mohindra

2. Declarations of Interest

2.1 No declarations of interest were received from members and officers.

3. Medium Term Financial Plan (MTFP) 2022/23

3.1 Overview

3.1.1 Gerald Almeroth provided an overview of the MTFP and explained that in 2021/22, the financial impact of Covid19 amounted to approximately £5 million overspend. Much of this had been reimbursed by government grants. Looking forward, he explained that the one-year Local Government Settlement had been announced just before the festive break. Westminster City Council's

(WCC) settlement allowed for a 6.3% increase in spending (assuming a 3% increase in Council Tax). The Council would receive a per pupil increase in the Dedicated Schools Grant. However, the total grant would only increase by 2.2% due to a demographic decline in student numbers. Gerald Almeroth said he was expecting business rates to return to pre-pandemic levels from 2023/24 onwards.

Gerald Almeroth noted that the delayed Fair Funding Review was expected to be consulted on during 2022 and be implemented into the 2023/24 budgets. The expectation was that WCC would experience a reduction in resources as a consequence of the review.

Gerald Almeroth was of the view that the main external pressure on the budget for 2022/23 would be inflation which is already causing budget pressures and for this reason an increase in contingency was proposed to account for the higher inflation. However, in line with Government forecasts he expected inflation to have dropped by 2023/24.

Gerald Almeroth explained that the budget focused on WCCs City for All priorities, including the following aspects:

- Investment in a new cross-cutting Communities function to support the Council's Vibrant Communities priorities;
- Continued investment into the Council's delivery of its 2030 and 2040 net zero targets; and
- Digital and Innovation investment.

4. Budget, Key Issues, Proposed Initiatives and Pressures:

4.1 Innovation and Change

4.1.1 Overview

Pedro Wrobel introduced Kim Wreford and Richie Gibson and then provided an overview of the budget explaining that 2022/23 would build on the achievements of 2021/22. He noted that £904,000 cost had been removed from the business by taking out unnecessary posts that had been vacant for some time and through efficiencies achieved following a review of Communications. He also predicted £1.054 million further savings in the period 2022- 2025.

Pedro Wrobel explained that the "service efficiencies" line would deliver savings of £300,000 with £169,000 of income. The budget also included investment in an Analytical team, (4 employees) now in place, that would ensure sound evidenced based business cases for over £1 billion of capital expenditure and provide intelligence to better align serves to the issues affecting residents.

- ###### **4.1.2**
- Members expressed concern that the council might be asking too much of it's officers by driving through further efficiencies when there might be more

attractive (less stressful) roles elsewhere in an employee led job market. Pedro Wrobel reassured members that the efficiencies were more about being pragmatic about vacant posts and how they are re-purposed to meet the needs of the organisation. In this way the natural churn-rate of staff creates opportunities to redesign teams to be fit-for-purpose as needs change.

In relation to the savings associated with the Neighbourhood Keepers Grant, Pedro Wrobel confirmed that these were in addition to those previously identified in the GPH budget and that the savings reflected a drop in demand for local grants. Reduced demand was also the basis for the savings related to the Church Street regeneration.

With respect to questions about the new analytical team and the New Director of Communities, Pedro Wrobel explained that the new analytical team would focus on both business and resident-related issues such as understanding the pressures of the increase in the cost of living, to help inform an optimally effective response.

The role of the Director of Communities would be responsible for community engagement, building capacity in and to work with services to ensure that their engagement with our communities was representative and meaningful, and to support the Council be better at targeting resources to residents' needs.

4.2 Environment and City Management

4.2.1 Overview

Raj Mistry provided an overview of the budget, highlighting £2.9 million overspend in 2021/22 dropping to £1.18 million in 2022/23. He believed that post-Covid, travel behaviours may have changed and coupled with the new ULEZ there would be reduced income in the future. Proposed savings in Future City Management were through efficiencies in back-office functions, opportunities for savings in contract renewal negotiations, and conversion of food waste treatment to anaerobic digestion.

Raj Mistry added that the Council would face pressures in tree maintenance, where tree planting schemes and disease management will require additional resources. The transition in food waste management will also require short term investment to ensure residents are informed and supported adequately to ensure a smooth transition. The greening of highways has also created the need for additional resources to ensure these are properly maintained. Finally, Raj Mistry pointed to the need to build capacity in the Legal team to accommodate an increase in court cases challenging fines etc.

- 4.2.2** In response to members' concern that £6 million savings might be unrealistic, Raj Mistry assured members that the bulk of the savings came from increased income from charges to utility companies and developers. The increase in income from parking charges was due primarily to increase in charges rather than the number of fines.

Members queried the large drop in the budget for PPL, Raj Mistry explained that these reflected savings realised from commitments made in 2021/22 regarding technology that reduced the need for back-office support and a related decrease in personnel. He also explained that the increase in income from traffic fines reflected increased capacity to identify moving vehicle offences although he also predicted a long-term decline in income from this area as travel behaviours changed due to air quality improvement measures and sustained behaviour change post-covid (increased cycling for example).

In response to members questions about contract renewals, Raj Mistry set out the status of key contracts as follows:

- Waste: Full, open procurement to come into effect in 2 years
- Highways: Due in 2026
- Parking IT: Tendering process close to award
- Enforcement: Procurement on-going for going live in 2023/24
- Leisure: Possibility of extending to 2026 pending Cabinet decision.
- Parks and Open Spaces and Housing: Moving towards option to merge these contracts.

Members cautioned against becoming overly reliable on traffic fines and maintained the priority outcome from CCTV should be safety, not income.

4.3 Finance and Resources

4.3.1 Overview

Gerald Almeroth provided an overview of the budget and pointed to a £600,000 underspend in 2021/22, partly due to additional income from the recent increase in interest rates.

In 2022/23 the budget set out proposed £2 million savings and £1.5 million investment against a backdrop of higher inflation, moving to a new IT Service, ongoing adaptation post-covid.

Key savings related to rationalisation of the Facilities Management contracts (where the aim was to save 10% of the current contract value), more efficient management of Adult Social Care properties and a review of the rateable value of WCC owned properties. Gerald Almeroth also pointed to savings through repurposing of some WCC properties, finding efficiencies in the Integrated Business Centre service and better risk management to bring down insurance premium costs. He gave the example of tree maintenance specialists also monitoring and managing root growth to reduce and repudiate trip claims.

- 4.3.2** In response to queries about the move of ASC, Gerald Almeroth explained that the benefits of co-location were now being achieved through tech solutions (Teams meetings etc) which therefore allowed us to bring ASC back into

Council property. He also assured members that community groups would not be affected by repurposing properties, which centred mainly on commercial properties, and that services were fully engaged in any moves affecting them. He also explained that the review of FM took account of the value of specialist FM contractors rather than generalists.

In response to members queries about the Digital and Innovation budget, Aruj Haider explained that the budget related to staff recruitment, and not the purchase of hardware. She also confirmed that a long-awaited improvement to the 'Report It' tool on the website would take place.

Gerald Almeroth explained the active engagement and support given to commercial tenants that had been struggling during the pandemic. This varied from practical support to assist in adapting the use of properties so tenants could continue to trade, to temporary rent holidays. In reality, income from the commercial sector had only been £1 million lower (of £30 million), with those located in districts faring better than those in the West End.

MEETING CLOSE

5. The meeting ended at 20:10.