



City of Westminster

Committee Agenda

Title: **Cabinet**

Meeting Date: **Monday 22nd February, 2016**

Time: **7.00 pm**

Venue: **Rooms 5, 6 & 7 - 17th Floor, City Hall, 64 Victoria Street, London, SW1P 6QP**

Members: **Councillors:**

Philippa Roe (Chairman)	Danny Chalkley
Heather Acton	Robert Davis
Nickie Aiken	David Harvey
Daniel Astaire	Tim Mitchell
Melvyn Caplan	Rachael Robathan

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Mick Steward, Head of Committee and Governance Services.

**Tel: 7641 3134; Email: msteward@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. WELCOME

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES (11.1.16)

To approve the minutes of the meeting held on 11 January 2016 including those of the Part II meeting circulated separately.

(Pages 1 - 4)

4. 2016-2017 TO 2019-2020 BUDGET AND COUNCIL TAX REPORT

Report of the City Treasurer.

(Pages 5 - 82)

5. 2015-2016 TO 2020-2021 CAPITAL STRATEGY AND CAPITAL PROGRAMME

Report of the City Treasurer.

(Pages 83 - 132)

6. TREASURY MANAGEMENT STRATEGY FOR 2016-17 TO 2020-2021

Report of the City Treasurer.

(Pages 133 - 152)

7. COUNCIL'S PAY POLICY 2016-2017

Report of the Director of Human Resources.

(Pages 153 - 160)

8. EXPANSION OF SECONDARY SCHOOLS - PROGRESS REPORT

Report of the Director of Schools.

(Pages 161 - 166)

**9. ANY OTHER BUSINESS WHICH THE CHAIRMAN
CONSIDERS URGENT**

**Charlie Parker
Chief Executive
12 February 2016**

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CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held on **Monday 11th January, 2016**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

Members Present: Councillors Philippa Roe (Chairman), Heather Acton, Melvyn Caplan, Tim Mitchell, Rachael Robathan and Steve Summers

Apologies for Absence: Councillor Nickie Aiken, Councillor Daniel Astaire, Councillor Danny Chalkley and Councillor Robert Davis MBE DL

1 WELCOME

Councillor Philippa Roe (Leader of the Council) welcomed those present

2 DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3 MINUTES (14.12.2015)

3.1 The Leader, with the consent of the Members present, signed the minutes of the meeting held on 14 December 2015 as a true and correct record of the proceedings.

4 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

Resolved:

That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item of business because it involved the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Grounds:

Information relating to the financial and business affairs of an individual including the Authority holding the information and legal advice.

5 THE COUNCIL'S APPROACH TO TENANTS RIGHTS TO LIGHT: USE OF WESTMINSTER CITY COUNCIL'S POWERS TO OVERRIDE RIGHTS TO LIGHT TO FACILITATE THE DEVELOPMENT OF LAND TO FACILITATE AN EDUCATION FACILITY AND RESIDENTIAL DEVELOPMENT ON THE SITE AT SUTHERLAND STREET (SEE REPORT OF HEAD OF MAJOR PROJECTS)

5.1 The Director of Law updated Cabinet and referred to the advice from leading Counsel which had been circulated to all Cabinet Members. The Director of Law referred to a further conference with Counsel and confirmed that the proposals were seen as reasonable and in the circumstances justifiable and not too generous or small. She also confirmed that different levels of compensation would apply depending on the degree of inquiry incurred.

5.2 Members asked that a framework of possible levels of compensation, given the number of sizeable developments which are currently under consideration, be drawn up for future use.

5.3 Cabinet Members asked that no correspondence be issued unless a right to light existed and then the injured party should be asked to ascertain that they had such a claim. In such cases every care was needed to ensure that the correspondence issued was correct.

Resolved:

5.4 That assuming the Council is likely to be supportive of the development and should a stalemate ever exist, that it was probable that the Cabinet would consider using its powers to support development, as a last resort.

5.5 That assuming officers would first establish if a legal right to light existed for tenants and having done so would assess the extent of the injury. Noting that typically a freeholder (as a sole owner and occupier) would receive a total compensation payment of between 3 and 5 times book value. This sets the parameters for a reasonable total settlement of the injury.

5.6 That in view of the fact that typically a freeholder (as a sole owner and occupier) could receive a total compensation payment of between 3 & 5 times book value and this should set the parameters for a reasonable total settlement of the injury, officers would open negotiations with both parties within these parameters and would be encouraged to offer circa 66% to the freeholder and circa 33% to the tenant where the tenant is a secure tenant. In the case of assured short hold tenancies and fixed term tenancies the percentage offered to the tenants should be reduced and as such the freeholder's percentage will be increased.

- 5.7 That where the total compensation per property, remains below £10k it is considered reasonable for the Council to increase the multiplier.
- 5.8 That Appendices A, B, C, D and E to this report be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A, Part 1, paragraph 3 (as amended) in that these documents contain information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 5.9 That the Cabinet notes the content of the report and agreed as follows:
1. That the land in yellow in Appendix F to the report appropriated from Education and Investment purposes in compliance with Section 122 of the Local Government Act and the subsequent use of the City Council's powers under Section 237 of the Town and Country Planning Act 1990 to override rights to light of neighbouring properties infringed by this development.
 2. That power be delegated to the Head of Development in consultation with the Tri-borough Director of Law be authorised to agree the settlement of the four tenanted and four leaseholder properties rights of light claims, together with the any associated fees and thereafter to formalise the agreements by Deed.
 3. That it be noted that the proposed settlement of rights of light compensation payments and associated fees for leaseholders affected by this scheme will be made by the developer within a pre-agreed budget. Should these budgets be exceeded officers would seek authorisation for a budget provision.

Reason for Decision

As outlined previously, the risk of injunction arising from the "rights to light" held by neighbouring owners potentially interfered with by the development, means that the approved scheme may not proceed unless the City Council resolves to exercise its powers to override these rights through appropriation and subsequently through the use of Section 237 of the 1990 Act to facilitate the development.

There is a compelling case in the public interest to facilitate this development and as demonstrated by the Council securing planning permission and the procuring of a delivery partner to deliver this education and community facility, there is a reasonable expectation that the scheme will proceed with a developer procured and willing to commence work subject to the injunction risk being mitigated. Although as outlined above, this cannot be delivered simply through the granting of planning permission. In balancing the benefits of the development and the concerns of those whose rights it is proposed to override, there is clear evidence that the public benefit outweighs the private loss.

Accordingly, Cabinet took the decision that the land at Sutherland Street, as set out in the report, be appropriated from its existing purposes (which are thought to be Education and Investment Purposes) to planning purposes under Section 122 of the 1972 Act so as to engage the provisions of Section 237 and thereby authorise the development to be carried out notwithstanding the fact that it involves an infringement of rights to light. A previous report in September 2014 authorised the appropriation of this land to housing purposes but this was never implemented. The land was previously used for a school and later for Adult Education purposes and more recently has been a cleared site without buildings and held therefore for investment purposes.

The Meeting ended at 6.58 pm

CHAIRMAN: _____

DATE _____



City of Westminster Cabinet Report

Decision Maker:	Cabinet
Date:	22nd February 2016
Classification:	For General Release
Title:	2016/17 to 2019/20 Budget and Council Tax Report
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently
Financial Summary:	This report sets out the Council's financial framework for the 2016/17 to 2019/20 financial years
The Report of:	Steven Mair, City Treasurer Tel: 020 7641 2904 Email: smair@westminster.gov.uk

1 Executive Summary

- 1.1 Since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services. Consequently the Council has examined every area of operation to identify opportunities to reduce costs and generate additional income. This process is on-going and will last until at least 2019/20 but with appropriate management action the Council can deliver a balanced budget for 2016/17 and beyond. This will only happen as a consequence of robust medium and long term planning and requires a transformational approach. The Council is proud of its track record in rising to this financial challenge but it is clear that financial discipline and prudence must be at the core of its approach to budget setting
- 1.2 To meet these funding challenges in 2016/17, the Council has had to meet a total savings requirement of £45.876m. This encompasses savings due to reduced government grant and cross cutting pressures of £33.458m and £12.418m to finance the net additional impact of direct service pressures. The proposals identified through the medium term financial planning (Medium Term Plan) process are set out in Schedule 4 to this report
- 1.3 This savings challenge arose from the February 2016 Local Government Finance Settlement (LGFS) which indicated a further reduction in our headline Settlement Funding Assessment (Revenue Support Grant (Revenue Support Grant) and National Non-Domestic Rates (National Non-Domestic Rates)) of £11.5m for 2016/17. Overall, Revenue Support Grant and National Non-Domestic Rates fall from £152.1m to £140.6m. A more detailed examination of the headline announcement identified a further £1.2m cash cut to the Settlement Funding Assessment level as previously specific grants had been rolled-in to the 2016/17 Revenue Support Grant quantum. In addition, it should be noted that the Council's National Non-Domestic Rates yield is £6m lower due to the impact of appeals. This broadly aligned with our Medium Term Plan modelling. This was subsequently confirmed in the Final Settlement on 8th February 2016
- 1.4 In addition to these funding changes the Council will continue to face pressures arising through commercial, legislative, demographic and operational pressures, offset by mitigating actions by service areas. There is also contractual and salary inflation, pension cost increases, changes in national insurance and other issues
- 1.5 No Council Tax Freeze Grant has been offered for 2016/17 and all previous grants have been rolled in to Revenue Support Grant. Westminster has availed itself of all such freeze grants from 2011/12 to 2015/16. For 2016/17 those local authorities who are responsible for adult social care are able to levy a new social care increase of up to 2% on Council Tax. This is included within the Council's budget for 2016/17 and will raise £0.946m of additional revenue

- 1.6 The Council is dealing with a large number of complex demand-led, legislative, policy and financial initiatives which will present new operational challenges to adapt to, as well as delivering financial benefits and new ways of working. These are set out in Section 11 of the report
- 1.7 The Council forecast for its current year budget has been improving over recent months and currently indicates a closing position with an underspend against budget. Our best estimate for the remainder of the year, taking into consideration all known risks and opportunities will be for this position to continue to improve, with the year-end closing position finishing better than budgeted. This will assist the Council in meeting any emerging financial risks it carries
- 1.8 Westminster adopts a very robust, comprehensive and active approach to budget management, with a focus on strategic (corporate) and operational (service areas) risks and opportunities. The Council tracks and monitors performance monthly and any risks are reported through routine management reporting along with the progress being made against the savings targeted for the year
- 1.9 A balanced budget will be set for 2016/17 with reserves strengthened. Taking these together the Council is well placed to deliver its future financial challenges. On this basis the Council's 2016/17 budget is considered to be robust
- 1.10 For the first time in 2015/16 the Council has started to develop a 10 year view of its financial position. While there are a great deal of unknowns going forward, longer term projections of demographic changes suggest a growth in the demand for services as they are currently delivered. Further work is on-going in respect of this exercise with the intention to contribute to and help develop the Council's strategic, transformational approach to delivering services
- 1.11 As part of the settlement for 2016/17, the Government announced that they would offer authorities an opportunity to accept a provisional four year funding settlement to 2019/20. This projects Council funding cuts through to 2019/20. However, this promises to provide authorities with more certainty on future funding and so to enable improved planning for services and collaboration e.g. with partner organisations
- 1.12 This report also sets out the direction of travel for 2018/19. Given the challenges facing Local Government over recent years, the funding reduction announced in the recent Local Government Settlement and the continued need for the national deficit to be reduced, the Council is targeting savings of £117m over the next three years up to 2018/19. The requirement up to 2016/17 has been identified, and detailed work has commenced up to 2017/18 and 2018/19. Efforts will continue to identify further opportunities to bridge the full estimated £117m for the period to 2018/19
- 1.13 The Council is embarking on an ambitious capital programme which is directly linked to the aims and objectives of City for All and PACE. The programme is

set over a five year period from 2016/17 to 2020/21 at a gross budget of £1.720bn (excluding the Housing Revenue Account) and is fully funded. Including the Housing Revenue Account the total is £2.080m. The capital programme through the ethos of City for All will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism

- 1.14 The Council's consistent, but evolving, core offer is a direct response to our residents' wishes and lies at the heart of everything we do: Clean streets, excellent services, low tax, working with residents, investing in the city, helping those that need it most, generating opportunities for employment and making it easier to do business with us. Our priority remains to give people, families and businesses the confidence and opportunities to thrive in our dynamic, creative and world leading city. We also aim to strengthen connections amongst residents, businesses and visitors as everyone plays their part in, and benefits from, the city's success
- 1.15 The Council has continued to embed its values and behaviours for the organisation during 2015/16. These values and behaviours underpin how the Council delivers services to its communities, how it operates as an organisation and how it works together. They have been carefully defined to illustrate what is needed to enable Westminster to move forward in the difficult times ahead and are summarised below:
- Productive – we show initiative, drive and determination and help others to be productive and make informed decisions
 - Ambitious – we constantly challenge, create new solutions and work as a team
 - Collaborative – we work with partners and show local leadership, we treat everyone with courtesy and fairness and challenge one another respectfully
 - Enterprising – we constantly seek better FM and to reduce cost, we seek to generate growth and take managed risks to achieve the best outcomes
- 1.16 Throughout the process of setting the budget the Council has been very mindful of the impact of service changes or reductions on residents and the Equalities Impact Assessments are dealt with in **Annex C** which decision makers will take into account when considering this budget report.

2 Recommendations

2.1 That the Cabinet recommend to Council the following:

- the 2016/17 budget, as set out in this report, and recommend to the Council the Tax levels as set out in the Council Tax resolution at Annex B;
- the estimated level and use of Earmarked Reserves in Schedule 5, as at the budget monitoring position for month 9, 2015/16;
- that the local element of Council Tax is increased for Band D properties by 1.99%
- that local element of Council Tax is increased by 2% in respect of Adult Social Care;
- that as a consequence of the general rise in Council Tax and Adult Social Care the local element for Band D properties be confirmed for 2016/17 as £392.81;
- That the Council Tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2017, be as specified in the Council Tax Resolution in Annex B and as summarised in Schedule 7 of Annex B. That the Precepts and Special Expenses be as also specified in Annex B for properties in the Montpelier Square and Queen's Park Community Council areas as summarised in paragraph 6 of Annex B. That the Council Tax be levied accordingly and that officers be authorised to alter the Council Tax Resolution as necessary following the final announcement of the Greater London Authority precept;
- that the views of the Budget and Performance Task Group set out in Annex A be noted, considered and incorporated into the Cabinet's report to Council in accordance with the Budget and Policy Framework Procedure Rules in the Constitution;
- that the cash limited budgets for each service with overall net expenditure for 2016/17 of £183,804k (as set out in Schedule 3) be approved;
- that the members of Executive Management Team be responsible for managing their respective budgets including ensuring the implementation of savings;
- that the City Treasurer be required to submit regular reports as necessary on the implementation of the savings proposals and on the realisation of pressures and mitigations as part of the regular budget monitoring reports;

- that the City Treasurer be delegated responsibility for any technical adjustments required to be made to the budget and any technical changes to this report before it is issued to Council;
- that the cost of inflation be issued to service budgets if and when it materialises, to the limits as contained within schedule 4;
- that the views of consultees and consultation approach, as set out in section 19, be considered by Council;
- the Council agrees to consider the offer of a four year settlement from government in return for publishing an efficiency statement demonstrating how the spending certainty from a multi-year settlement will be of benefit to residents once any final guidance has been received;
- that the Council carries forward an unspent contribution from reserves balance originally agreed as £1.1M for 2015/16 to 2016/17 to support a forecast increased number of Discretionary Housing Benefit claims;
- that the Equality Impact Assessments included in Annex C be received and noted to inform the consideration and approval of this report;
- that the Material Changes to the Council's Financial Regulations as included in Annex 4 are noted and approved;
- That the Council sets aside £200k to support the Children's directorate in transitioning towards external funding for the Youth Service

2.2 That the Cabinet recommend that this report be submitted to the meeting of the Council on 2nd March 2016 and Council be recommended to receive a speech by the Leader of the Council on Council priorities and financial aims

3. Reasons for Decision

3.1 The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit budget returns to the Department of Communities and Local Government. Approval of the revenue estimates constitutes authority for incurring of expenditure in accordance with approved policies

4. Achievements from 2015/16: City for All

4.1 The Council's vision is for Westminster to be a City for All, an unrivalled City of choice and aspiration where everyone plays their part to ensure the City's continued success. City for All is a three year plan to support a City that is confident, tolerant and where everybody is able to share in the benefits of economic success

- City of Aspiration – We are enabling all our communities to share in the economic prosperity of our City by being ambitious and enterprising in the way we work;
- City of Choice – We are being collaborative in the way we work to create a City of Choice where residents, businesses and visitors can make responsible decisions for themselves, their families and their neighbourhoods;
- City of Heritage – We are being productive in protecting and enhancing Westminster's unique heritage so that every neighbourhood is a great place to live, work and visit, both now and in the future

4.2 Achievements against each of these areas of focus are set out below

Aspiration

- to date 524 residents have been supported to secure a range of paid employment opportunities. It is projected that the programme will support between 756 and 804 job starts by 1 April 2016;
- agreed with BT Openreach to make fibre optic broadband available to an additional 38,874 homes and businesses in Westminster;
- in partnership with Central London Forward, the Working Capital programme has launched which will work with 400 people claiming employment allowance to provide tailored, individual support;
- through the West End Partnership, launched a 15 year vision for the West End that will enhance its unique character and help it grow and prosper through a £500 million investment by partners

Choice

- over 90% of clients now have a personal budget as part of our City for All commitment is to ensure that adults and older people are given more choice and control over their care and support. Personal budgets and direct payments allow residents to understand how much their resource allocation for support is and gives them opportunities to directly buy services with it;
- we have successfully rolled out and development of the Community Independent Service and Hospital Discharge service models helping up to 10,000 residents stay independent for longer;
- organised the most successful Silver Sunday providing over 800 older people with opportunities for to participate in 47 events across the city;
- as part of Time Credits programme the Council has committed to rewarding those who help their neighbours and play an active role in their communities with up to 50,000 'credits' over three years, which they can spend on a range of activities such as cinema visits and sport. The requirement to positively engage in the programme has been included as part of the 'Promoting Social Value' requirements in the specification for the new leisure management contract which commences in 2016 which will ensure longer term sustainability

Heritage

- delivered the biggest West End LIVE to date with a record number of attendees and performances;
- street cleansing performance continues to improve. Results from the City Survey show that customer satisfaction with the service continues to remain high:
 - Satisfaction with refuse collection - cited by largest number of residents (68%) as an important service – remains high: 88% of residents are satisfied with this service
 - Concerns about vandalism, teenagers loitering on streets, drunkenness, drug dealing and use in public places all at their lowest level since City Survey began in 2003
 - Improvement observed in street cleansing performance in comparison with last year: 27% reduction in complaints and 16% in litter levels
- the annual flagship 'Active Westminster Awards' event took place on Friday 27th November 2015 at Lords Cricket Ground. The event attracted in excess of 150 guests and feedback from attendees was extremely positive.

England International footballer Sue Smith and Sky Sports TV presenter David Garrido presented the awards with the Lord Mayor;

- launched the Greener City Action Plan, providing a 10 year plan for establishing us as a leading authority in the sustainability agenda;
- developed a Community Infrastructure Levy (CIL) for Westminster. Full Council approved the charging schedule on 20th January 2016 and charging of CIL is due to commence on the 1st May. Project receipts of a Westminster CIL are in the order of an average of £17.5m per annum;
- introduced a new basements policy

5. Financial Situation and Strategy

5.1 As noted above, since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services. This process is on-going and will last until at least 2019/20 and needs to be flexed as the Council develops a stronger understanding of the financial challenges it faces. In November 2015 the Comprehensive Spending Review set out the strategic direction for public expenditure. This confirmed significant reductions in the funding for Local Authorities

5.2 The Comprehensive Spending Review 2015 also outlined a number of significant changes to the local government funding regime which may have a significant impact on the Council's finances over time. These included:

- Councils responsible for social care able to levy a 2% increase on Council Tax. This power to be used on top of authorities' existing ability to raise the tax by up to the existing 1.99%% limit without holding a referendum. The increase has the potential to raise £2 billion a year nationally by the end of the Parliament and in Westminster this would equate to £946k to the City Council's revenue income;
- by the end of the Parliament local government will retain 100% of business rate revenues to fund local services, giving them control of £13 billion of "additional" local tax revenues, and £26 billion in total business rate revenues. The system of top-ups and tariffs which redistributes revenues between local authorities will be retained. This change is intended to be fiscally neutral – with additional National Non-Domestic Rates retention being offset by additional burdens being devolved to local government or cuts to other grants;

- the Uniform Business Rate will be abolished and any local area will be able to cut business rates as much as they like although at the expense of the local council itself, to win new jobs and generate wealth. It is intended that this measure will strengthen incentives to boost growth, help attract business and create jobs. The business rate retention changes may have significant implications for Westminster, though the full impact of these is still not completely clear. The earliest these reforms are likely to be implemented is 2020;
- potential reforms to the New Homes Bonus to be subject to consultation including the means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. Potential changes will have implications for the City Council's projected future revenues and also for Economic Development funding, where there is currently a dedicated pool of funding top sliced from New Homes Bonus receipts and allocated competitively to boroughs by the London Enterprise Panel. This arrangement has been confirmed as now not being continued;
- the government will allow local authorities to spend up to 100% of their fixed asset receipts (excluding Right To Buy receipts) on the revenue costs of reform projects;
- the government announced real-terms public health savings of 3.9% over the next 5 years. The government will also consult on options to fully fund local government's Public Health spending from their retained business rates receipts, as part of the move towards business rate retention. The ring-fence on public health spending will be maintained in 2016/17 and 2017/18;
- the Spending Review indicated that social care funds of £1.5 billion would be made available by 2019/20 (beginning from 2017/18) for local government, to be included in an improved Better Care Fund. Together with social care, this indicates that local government has access to the funding it needs to increase adult social care spending in real terms by the end of the Parliament;
- the Better Care Fund will be frozen in real terms for 2016/17. After 2016/17, the BCF will be the minimum mandatory amount to be pooled in areas, allowing for greater flexibility for local area to be ambitious and pool greater amounts and render the minimum irrelevant in the future;
- following the Chancellor's Autumn Statement, a National Funding Formula for Schools Funding will be introduced in 2017/18. A full consultation is expected to take place in advance of the implementation. The consultation will provide detail supporting the proposed methodology and implementation

process including any transitional support packages for Local Authorities that may be affected with reduced funding levels;

- an Apprenticeship Levy is to commence in 2017 which will affect only 2% of employers with the largest pay bills. This is expected to raise £2.5bn for England by end of the Parliament with a new independent employer-led standards body to be established for apprenticeships. It is expected that this announcement will add around £500,000 to Westminster City Council's non-schools salary costs

5.3 The provisional 2016/17 Finance Settlement was announced on 17th of December, and confirmed in the final settlement announced 8th February 2016, and brought with it the following changes/issues for 2016/17:

- the most significant element of the Settlement announcement is our Settlement Funding Assessment which falls from £152.1m to £140.6m, a drop of £11.5m;
- the Department of Communities and Local Government have compared the changes in Settlement Funding Assessment for local authorities to their "Core Spending Power" – the income they receive from Council Tax, Business Rates, Revenue Support Grant and the Better Care Fund. Westminster will see a 4.1% reduction in its core spending power next year – the 28th largest percentage reduction out of the 383 English local authorities receiving Revenue Support Grant;
- within the above headline change are a number of previously separate specific grants that have been incorporated into Revenue Support Grant. Excluding these rolled-in grants, the real cut in Settlement Funding Assessment is £12.7m;
- no Council Tax freeze grant is being offered for 2016/17 with all previous grants now being fully rolled-in to Revenue Support Grant;
- the potential to increase the Council Tax by an additional 2% to fund additional adults social care costs was also announced as part of the Settlement. Such an increase would raise approximately an additional £946k in income, which the council be required to separately disclose on the Council Tax Bill and demonstrate how these funds had been targeted on additional adult social care spending;
- the Council Tax Referendum threshold was also announced as part of the Settlement and remains at 2% (meaning any rise without a referendum must be 1.99% or below)

- 5.4 As part of the provisional settlement for 2016/17, the Government announced that they would offer authorities an opportunity to accept a provisional four year funding settlement to 2019/20. The objective being to provide authorities with more certainty on future funding and so to enable improved planning for services and collaboration e.g. with partner organisations
- 5.5 Accepting a four year settlement will allow the Council to improve strategic decision making such as for maximising value for money with suppliers, use of reserves and prioritising funding for service levels
- 5.6 To receive a four year settlement, the Council will need to publish an “efficiency plan.” The Council is in the process of clarifying the Government’s expectations of what this will need to contain and how it will be reviewed over time. In early January 2016, the Secretary of State for Communities and Local Government outlined that authorities would need to demonstrate how the “spending certainty” from a multi-year settlement would be of benefit to residents. In practice, this means that the Council will need to demonstrate what efficiencies it could deliver that would benefit residents through the certainty of a provisional four year settlement
- 5.7 The Council already has a balanced budget so will produce an efficiency plan which has a broad perspective over the Council’s operation with a link to strategic transformation projects. It will also link into:
- finance and the use of cash balances;
 - procurement;
 - improved use of Human Resources;
 - use of IT and digitisation;
 - customer service transformation;
 - asset management;
 - long term financial planning;
 - lean reviews;
 - benchmarking;
 - highest standards of financial management;
 - capital management;
 - business planning;
 - cost reduction;
 - identification and exploitation of commercial opportunities;
 - income generation; and
 - a range of other areas of Council business
- 5.8 It should be noted though that any annual settlement is dependent on several variables. Before finalising an authority’s annual settlement, the Government would need to update the Business Rates multiplier which is inflated annually by the retail price index in September. Also, future events such as the transfer of responsibilities to local authorities and transfers between authorities would

impact an annual settlement. Furthermore, should any of the recent economic forecasts (e.g. borrowing levels, welfare savings etc) slip or fail to be delivered, more savings from unprotected services such as Local Government would be required and so be reflected in final settlements for a year

- 5.9 The Council derived an overall Budget gap for the Council in 2015/16 of £33m and has managed its budget very closely to the impact of that sum. For the years over the medium-term 2016/17 to 2018/19 budget savings of £117m are estimated
- 5.10 For 2016/17, the threshold beyond which a referendum is required is a 2% increase in the tax amount. Any increase at or above this threshold would require a referendum to be held to allow residents to choose whether they wished to pay this higher Council Tax amount or not (a rejection would require us to implement an alternative lower budget). The costs of holding the referendum would have to be met from Council's resources
- 5.11 The proposed option to increase next year's Council Tax by 1.99% for general expenditure is expected to raise around £946k in that year. This additional funding is set aside in the budget proposals contained in this report pending business case proposals to be put forward for its allocation. Proposals that will be considered include services where demand pressures could require additional support eg Childrens Services or the one-off costs of transforming services to implement savings proposals; provision to mitigate any unforeseen short term delay in delivering approved 2016/17 savings whilst implementation takes change; or mitigating savings / pressures
- 5.12 The Council's financial strategy is to:
- balance recurrent expenditure with estimated income in order that the Council has a sustainable financial position, is able to deliver on its key objectives and successfully operate in a radically changed financial environment;
 - maintain an appropriate level of reserves to protect the Council against future budgetary impacts and the continuing financial pressures which the Council faces;
 - risk manage its budget estimates to ensure that they are robust and in year to ensure that the budgets agreed are managed and delivered as required;

- operate to the highest standards of financial management in all areas in order that the Council's finances are robustly secured, value for money is obtained, all professional standards are properly maintained, step change improvements in finance are brought about at pace and rigorous review and quality assurance of all financial matters is undertaken
- investigate funding opportunities that are appropriate for the Council;
- plan over a medium term of 10 years in order that the Council is fully informed as to future scenarios and can prepare appropriate action;
- challenge and improve all financial management practices seeking to by way of example minimise cost, maximise working capital opportunities, pro-actively manage its balance sheet, operate rigorous financial modelling and budget management, ensure financial advice is of the highest quality and bring about step changes improvement in its accounts

5.13 The Council will deliver a balanced budget for 2016/17, as it has done in previous years, despite the considerable reductions that have already been addressed over the last four years. The Council's finances have been on a strengthening trajectory in recent months and continue to be so as the year-end approaches. As part of year-end planning it is intended to strengthen Earmarked and General Reserves in line with the Reserves policy and also in line with Council policy, any further reductions in specific grants will be matched by reductions in associated expenditure.

6. Financial Performance – Revenue 2015/16

6.1 As at December 2016 (Period 9) the Council is showing a favourable variance to budget and over recent months has seen service departments generally under spending with some additional positive income variances. Our expectation for the remainder of the year will be for this position to continue to remain generally steady with the potential for the under position to grow slightly

6.2 The reported favourable balance of £3.497m is due to two main factors; firstly City Management and Communities are projecting a surplus of £3.347m. Secondly, higher cash balances along with improved interest earnings on investments and loans are contributing to a surplus of £0.4m within City Treasurers. This is partially offset by a projected overspend in Growth, Planning and Housing of £0.25m

6.3 Sound financial management is fundamental to this financial position and within the Finance service a number of first stage transformational changes have been

implemented throughout 2015/16 building on those from 2014/15. These include:

- a new service structure being implemented;
- a renewed focus on working capital management and specifically debtors;
- a comprehensive training and development programme being developed;
- working to embed best practice project management within the department;
- continuing to improve project support by introducing business case guidance and templates as well as formalising project governance and sign-off processes for major projects;
- a number of staff have become accredited in the Treasury's Better Business Case methodology;
- culture change with the promotion of an enhanced positive creative attitude and ambition;
- improved capital processes by embedding a more rigorous check on capital schemes, ensuring they fit strategically with City For All; and
- completion of a continuous programme of statement of accounts.

- 6.4 Further embedding and development of these initiatives will continue through 2016/17
- 6.5 As part of the improved programme of financial management a review of financial regulations has begun. Annex 4 sets out the material and non-material changes to the regulations which are proposed in order to ensure the Council's finances are robustly and properly managed

7. Revenue Budget 2016/17

- 7.1 The Council, along with all other local authorities, has faced significant funding reductions on an annual basis since 2010. To the current financial year, our adjusted core Settlement Funding Assessment has fallen by £92m in cash terms and obviously more if the effects of inflation are taken into account. Further cuts to the end of the decade have been already indicated as part of the four year settlement, but may rise as further specific grants are also rolled-in to the quantum
- 7.2 The Council has recognised these past and current pressures and has implemented a range of measures to mitigate these – including the ground-breaking development of sharing some services on a Tri-Borough basis. Planning ahead, our Medium Term Planning process has identified options to maintain a balanced budget over a three year future planning horizon and has

been updated from last year for this budget setting round to now include 2018/19 options and projections

- 7.3 The Local Government Finance Settlement provisionally announced in December and confirmed earlier this month sets out a fall in Settlement Funding Assessment of £11.5m in cash terms for 2016/17 and is broadly in line with our expectations included in the Medium Term Plan. This figure rises to £12.7m when specific grants rolled into Revenue Support Grant are taken into account. This represents a reduction of 17% against the 2015/16 equivalent figure and, when the income from business rates is included, will mean we have seen a 51% cash reduction in Formula Funding since the start of austerity in 2010/11 – an even higher percentage if the diminishing purchasing power caused by inflation were to be factored in
- 7.4 As noted in paragraph 1.2 to meet the funding challenges in 2016/17, the Council has had to meet a total savings requirement of £45.876m. This encompasses savings due to reduced government grant, capital financing costs, inflation (contractual and employee), pension deficit contribution, impact of national insurance changes and National Non-Domestic Rates reduction to safety net of £33.458m and £12.418m to finance the net additional impact of direct service pressures
- 7.5 These savings have been generated as follows:

	Budget Adjustment	
	£'000s	%
Financing	7,827	17.1%
Commercial	10,407	22.7%
Transformation	11,555	25.2%
Efficiency	15,855	34.6%
Service Reduction	232	0.5%
Total	<u>45,876</u>	

- 7.6 As part of the above, for 2016/17 it is proposed that £3.6m of Public Health grant money is switched to other directorates who can use the money to deliver public health outcomes through a variety of diversified means
- 7.7 To ensure that public health outcomes are achieved it is intended that related budgets are ring fenced. To ensure that there is appropriate governance and oversight of this it is intended that a Public Health Investment Board will be

established and attended by senior Council officers to ensure that the funds are used effectively in delivering outcomes and in accordance with the grant conditions

8. 2016/17 Risks and Budget Robustness

- 8.1 The Council is required to set a balanced budget that takes into account the potential for risk. The level of risk faced by the authority is significant given the uncertain nature and timing of future funding cuts, the overall world economic fragility and inflationary pressures, as well as facing challenging demand-led pressures and high levels of efficiency savings to be delivered to offset the central funding shortfalls
- 8.2 Robust officer and member challenge has been built into the Medium Term Plan process in order to identify and either eradicate or mitigate these potential risks – although they can never, nor should, be completely removed. Accordingly, the Council has built a number of factors into this budget setting process to deal with the potential for remaining risk which are listed below. This budget has been prepared on the basis that estimates are sufficiently robust for the purposes of budget projections and that the proposed financial balances and reserves over the medium term are adequate. Measures to ensure this include:
- regular programme and delivery review of budget options to ensure successful implementation of budget proposals;
 - monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances are being suitably identified and mitigated;
 - speeding up and automating back office finance functions (such as closing the accounts) together with up-skilling the entire finance function – freeing up time and skills of finance staff to concentrate on financial risks and opportunities;
 - continuing to replenish reserves towards their previous historic levels in order to provide an adequate buffer for any series of one-off pressures – or to provide sufficient time to identify on-going mitigations in a systematic way.
- 8.3 The finance team assesses risk as part of the general financial control framework and has been specifically updated for all the Medium Term Plan proposals being put forward for consideration. Amongst others, specific risks worthy of individual mention within this report include:

- funding reductions and potential for deficits within partner agencies – particular with regard to shared NHS budgets;
- potential changes to the Locally Retained Business Rates regime – including the 2017 Revaluation; the 2020 SFA re-set and changes to business rate retention;
- inflation, interest rates, and their joint relationship;
- levels of cash balances held – being affected not least by appeals provisions, the replacement of s106 funding by the Community Infrastructure Levy (and potential for further top-slicing of Community Infrastructure Level receipts or New Homes Bonus);
- short-term delivery risk around the implementation of budget options being adopted as part of the Medium Term Plan; and
- further demographic and legislative / demand-led pressures – for instance with regard to Temporary Accommodation costs; an ageing / growing population; and asylum seeker costs

8.4 Excluding the National Non-Domestic Rates Tariff payment, the Council has a net General Fund expenditure of £818m (matched by similar income for a balanced budget). A one percent margin of error in both of these could result in a £16m budget overspend if not mitigated. The projected level of General Reserves represents just 18 days gross expenditure of the Council

8.5 The Council has also completed an assessment of broad financial risks and completed a weighted risk analysis which supports reserves at their current levels. This includes the potential cost to the Council related to its responsibilities for a range of scenarios including, for example, emergency response situation

8.6 The table below outlines the risks to the revenue budget and the subsequent mitigations to these risks:

Risk	RAG: Potential Impact	Mitigation
Overspending against the agreed budget	Amber	Each service is subject to monthly budget monitoring with any issues being reported in the monthly revenue monitor. Any signs of

Risk	RAG: Potential Impact	Mitigation
		budget overspends will be reported and action will be taken to ensure budgets are brought back into line and risks and opportunities are monitored.
Revenue income below expectation	Amber	Income is subject to a variety of influences including the prevailing economic conditions. Variances against budget will be investigated and controlled through the monthly revenue monitoring process.
Unexpected calls on revenue due to unforeseen events	Amber	Unexpected calls on revenue monitored monthly through a range of reporting mechanisms. Financial consequences dealt with through management of reserves and provisions.
Government grants are less than anticipated due to reductions in year or in future years e.g. because of economic problems at a national level leading to fiscal tightening	Amber	Unexpected calls on revenue monitored monthly through a range of reporting mechanisms. Financial consequences dealt with through management of reserves and provisions.
Interest rate movements make borrowing more costly than anticipated	Amber	The Council receives regular advice from the Treasury Advisors in respect of the timing in external and internal borrowing. Financing costs included in the Medium Term Plan are at a prudent level, which takes account of potential movements in interest rates.
Unexpected and unbudgeted inflation impacts on budgets creating financial pressure	Green	Inflation is budgeted for at a prudent level. Variations to budget monitored through the monthly revenue monitor
Inadequate management action in respect of managing budget	Green	Monthly reporting includes performance monitoring. Appropriate governance includes

Risk	RAG: Potential Impact	Mitigation
reductions or otherwise controlling the budget		reporting to Executive Management Team and Cabinet.
Changes in legislation or regulations create a revenue pressure	Green	This is monitored at a service level with the impact being reported and managed through the monthly monitor.

9. Medium-Term Financial Outlook 2016/17 to 2018/19

- 9.1 The Council has seen unprecedented cuts to its core funding since 2010 and the working assumption is that this scale of reduction will continue to the end of the decade by which time the proposed full localisation of business rates will likely see Revenue Support Grant disappear completely. It is expected the implementation of this new funding model to be fiscally neutral at least for the start of the arrangements – believed to be in 2020/21 and thus it cannot at this stage be envisaged that additional funding will be derived from this source until around this time
- 9.2 The Council's medium term modelling has been updated to reflect the provisional four-year Funding Settlement announced in December. This also takes into account Inflation (both pay and contract), superannuation, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The current estimated overall funding gap is £33m in year 2016/17, £34m in 2017/18 and to £50m in 2018/19. While the provisional four year settlement also covers 2019/20 the overall savings target has not yet been formally quantified because pressures and new burdens are not sufficiently clear to issue a formal forecast of reductions that will need to be made

10. Capital Programme to 2020/21

- 10.1 The Council is embarking on an ambitious capital programme which is directly linked to the aims and objectives of City for All and PACE. The programme is set over a five year period from 2016/17 to 2020/21 at a gross budget of £1.720bn and is fully funded. The capital programme through the ethos of City for All will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism

- 10.2 The most ambitious schemes in the capital programme are development projects which will generate capital receipts or on-going revenue income, which will help to fund these projects and then provide an on-going benefit to the Council. In addition to this, projects will help the Council to generate savings and support more effective ways of working. The general fund programme is funded via capital receipts, grants, other external contributions and borrowing. The on-going revenue implications are included within the Medium Term Plan
- 10.3 The Housing Revenue Account capital programme is £360m, therefore the general fund and Housing Revenue Account capital programmes together are approximately £2.080bn. The vast majority of the Housing Revenue Account programme is to be funded via capital receipts and reserves
- 10.4 In order to manage the capital investment, the capital strategy has detailed the governance processes and procedures to support capital project delivery

11. Key Legislative and Policy Initiatives

- 11.1 In line with previous budget reports a number of financial uncertainties which could have material impacts on the Council's activities with potentially significant financial consequences have been identified
- 11.2 Section 11.3 identifies and assesses the impact of new policy/legislative initiatives which could have a cost or income impact from 2016/17 onwards

11.3 New Policy Initiatives

a) Devolution to London: health, employment and skills

London Councils and the Greater London Authority put forward a Spending Review submission on 4 September 2015 setting out proposals for devolution and reform in relation to employment, skills, business support, crime and justice, health and housing

The core proposition was that London, like other cities, should have significant responsibilities devolved from the national level, allowing us to stimulate growth, boost housing delivery and deliver more effective outcomes within a tight public spending settlement. Tackling these issues locally, through integrated working, would allow us to focus on avoiding the costs of failure and to manage services sustainably in the face of rising demand and continuing fiscal restraint

Health and care

Two agreements were signed on 15th December 2015 to transform health and wellbeing outcomes, inequalities and services in London through new ways of working. These were:

- A London Health and Care Collaboration Agreement was reached between London Partners; Clinical Commissioning Groups, London boroughs, the Mayor, NHS England in London and Public Health England in London;
- A London Health Devolution Agreement between the Chancellor, Mayor of London, Chief Executive of the NHS, Chair of London Councils, Secretary of State for Health, Chair of London Clinical Commissioning Council and the Chief Executive of Public Health England

The collaboration agreement described aspirations and objectives for better care in London shaped by the work of the London Health Commission. The agreement highlights the importance of collaboration to transform care at three levels, borough, sub-regional and pan-London and emphasises the principle of subsidiarity between these spatial levels. It also announced five pilots that will test the principles of collaboration and inform whether there is a business case to scale-up or replicate these ways of working across the rest of London

The agreement with national government and the NHS at national level includes agreements to jointly explore reform and devolution across six areas: capital and estates, system finances, provider regulation and inspection, workforce and skills, transformation funding, public health and employment and health. Detailed and specific changes to the existing regime are expected to emerge from the work developed during 2016

In parallel, NHS England published guidance in January 2016 asking that local health systems develop 'Sustainability and Transformation Plans' spanning providers and commissioners, that set out the mixture of demand moderation, allocative efficiency, provider productivity, and income generation required for the NHS locally to balance its books

The agreements signal a step-change in the collective ambition of Government, London's 32 Clinical Commissioning Groups, all 33 local authority members of London Councils, the Greater London Authority, NHS England and Public Health England to transform health and wellbeing outcomes, inequalities and services in London through new ways of working together and with the public. While the focus will now be on the pilot areas to

make the fastest progress, there remains a lot which can be done locally to move towards greater devolution of integrated budgets and commissioning. This provides an opportunity particularly for the Westminster Health and Wellbeing Board to consider how it can further develop its systems leadership role and develop areas for joint working beyond health and care on areas such as on estates and workforce

Employment

The Spending Review announced the creation of a new Health and Work Programme¹ that will effectively replace the Work Programme and Work Choice from 2017 onwards. It contained a specific commitment that the 'The Mayor of London and the boroughs will jointly commission employment support (outside the Jobcentre Plus regime), to assist the very long-term unemployed and those with health conditions and disabilities to (re)-enter work. The government, the Mayor of London and the boroughs will commence detailed discussions on how they can jointly shape every element of the commissioning process: from strategy to service design, managing provider relationships and reviewing service provision'. There was also a commitment to expand the number of jobcentres co-located with local authorities

Skills

The Spending Review announced protected funding for the core adult skills participation budgets in cash terms, at £1.5 billion. Savings will be made from nonparticipation budgets and efficiencies will be delivered through locally-led area reviews. The London approach to area reviews has now been agreed with government and the FE Commissioner and borough Leaders will chair the sub-regional area review steering groups in London, representing all Leaders and Mayors in that sub-region. The area review process in London started in February 2016 and will be an important test of boroughs working collaboratively and strategically at a sub-regional level across all of London. Westminster is part of the review being led at the geography of Central London Forward

b) Housing and Planning Bill

The changes in the Housing and Planning Bill are aimed at supporting housing growth and to simplify and speeding up the planning system, with the aim of delivering more housing. There is a clear focus on home ownership, with measures to: facilitate the building of Starter Homes available at sub-market prices to first time buyers; self/custom build housing; the extension of

the Right to Buy to housing association tenants following voluntary agreement with the National Housing Federation; and the mandatory sale of high value local authority voids to fund the Right to Buy discounts for housing association tenants with the proceeds being paid to the Exchequer. Most recently, Government agreed an amendment to allow London local authorities to negotiate agreements to reduce the amount that they would have to pay to Government in respect of sale of high value voids. To do this, the agreements “must require the authority to ensure that at least two new affordable homes are provided for each old dwelling”

Other measures in the Bill include provisions to: increase high income social tenants’ rents (known as ‘Pay to Stay’) to market or near market levels with the additional income paid to national government; phase out tenancies for life; new tools to tackle rogue landlords in the private rented sector; changes to speed up compulsory purchase, and a relaxing of regulation of housing associations. Numerous changes to the planning system are included, with the most significant being recent Government amendments which may enable planning fees to be set locally and will allow the piloting of a scheme whereby applicants can choose who processes their planning application – the local authority or another provider (for the processing and not the determination of planning applications)

Although much of the detail about how the various policies will operate will be set out in regulations, which have yet to appear, the initial impact of the changes on Westminster has been modelled, looking at these changes together with those being made by the Welfare Reform and Work Bill. Once the detail is available, further work will be done to identify impacts and prepare for implementation. We will continue to work to influence and shape the policy (in particular any secondary legislation or regulations) as it passes through Parliament

Depending on the detail of the scheme, the Starter Homes initiative may have a significant impact on the delivery of other forms of affordable housing as it could lead the Council to have less ability to prescribe the type of affordable housing that is developed to meet the Councils independent assessment of the types of housing needed in Westminster. The Council is lobbying to ensure that the requirement to secure Starter Homes through the planning system is set at a level that allows local authorities the flexibility to respond to a variety of needs

Other changes in the Bill such as the sale of local authority high value voids and their likely replacement outside of central London are likely to have an

impact on how we discharge our duties to homeless people in priority need. There may also be a loss of social stock from housing associations offering the right to buy. The agreement between them and government which enables them to offer the right to buy on a voluntary basis, does not require them to replace homes of the same kind or in the same area, which could have a significant impact in high value areas such as Westminster. We would like steps to be taken to ensure that links are kept between the places where housing associations sell homes and those where the homes are re-provided - with local authority nomination rights to the replacement home equivalent, wherever this is

These policy changes are likely to decrease the supply of social rented accommodation, making it more difficult for local authorities to meet their statutory duties in borough, while at the same time changes to the welfare benefit system may both increase homelessness levels in high rent areas like ours. The result is likely to be that more households are likely to remain in expensive temporary accommodation for longer periods of time

Although the Council does not hold data on the household income of tenants, it is estimated that 8% - 10% (960 to 1,200) tenants may be affected by the Pay to Stay provisions. Discussions are continuing with Government to ensure the council can cover the additional costs involved in collection from the additional rent collected. The scheme may have consequences for other housing priorities, such as extension of intermediate housing which is the main way in which those in work but on lower to average wages vital to Westminster's local economy and public services can be helped. Lobbying has emphasised this as a key issue to Government

Further details will be carefully considered by officers (with appropriate additional modelling) and any lobbying points to be taken forward as the legislation is prepared and taken forward will be identified

c) Childcare Bill

The Bill aims to provide families where all parents are working with an entitlement to 30 hours per week of free childcare (for 38 weeks of the year) for three and four year olds. It will also require local authorities to publish information about the provision of childcare in their area

The Bill delivers on the manifesto commitment around free childcare, which became was subject to debate during the general election. Critical to the

success of the policy will be the way in which the commitment is funded. The commitment has been costed at £350m, potentially to be funded through reductions in pension tax relief. However, the funding to local authorities to resource the existing 15 hour entitlement for 3 and 4 year olds (and some 2 year olds) has been at a relatively low level which has not covered the full cost to childcare providers of making the additional provision available. This has led to problems identified by industry bodies and parents, including the cross-subsidisation of 'free' places by 'paying' clients; a rise in fees more generally; the displacement of parents taking up 'free' places to childcare providers in less affluent areas; and in some cases childcare providers seeking to charge 'top-up' fees to parents taking up the free provision. The Pre-School Learning Alliance, representing 14,000 childcare providers, has been quoted as stating that the current 15 hour offer was underfunded by c.£206m, with 50% of providers breaking even or making a loss. It is not yet clear how these issues will be addressed in expanding the scope of the free childcare commitment and a failure to do so is likely to exacerbate these unintended consequences, possibly to the extent of reducing rather than increasing the supply of childcare

It is not yet clear how the additional requirements on local authorities to publish relevant information will differ from existing requirements

d) Education and Adoption Bill

The Bill aims to improve schools and give every child the best start in life through the following measures:

- Regional Schools Commissioners will be given powers to bring in leadership support to help failing maintained schools and speed up the process to turn schools into academies. Schools that receive inadequate Ofsted judgments will usually be converted to academies and schools that are classified under a new 'coasting' definition (mediocre performance and insufficient pupil progress) will be eligible for academisation
- The Education Secretary will have new powers to force local councils to hand over their responsibilities for adoption to another authority or agency. Regional adoption agencies will be introduced to increase the scale at which adoption services are delivered

The proportion of schools judged to be good or outstanding in Westminster is well above the published national average. As of December 2015, Westminster had no inadequate schools. The service priorities for maintaining high standards in Westminster include targeted school interventions based on

local knowledge and data, support for the Virtual School for looked after children and the building of school 'best practice' networks

Westminster City Council already shares its fostering and adoption service with the London Borough of Hammersmith and Fulham and Royal Borough of Kensington and Chelsea. The tri-borough service has enabled us to pool expertise and resources so that applications are processed more efficiently. Westminster is also part of a well-established regional consortium, the West London Consortium Adoption and Permanence Consortium

e) Welfare Reform and Work Bill

The Bill aims to:

- Freeze the majority of working-age benefits, tax credits and Child Benefit for 2016/17 and 2017/18 (protecting statutory payments, pensions and benefits relating to the additional costs of disability)
- Reduce the cap on total benefits received by a single household from £26,000 to £23,000, exempting households with a member eligible for Working Tax Credit
- Reduce social housing rents by 1% in each of the next four years
- Introduce a new Youth Allowance for 18-21 year olds with stronger conditionality on 'earning or learning', remove automatic entitlement to housing support for 18-21 year olds, and provide Jobcentre Plus adviser support in schools to supplement careers advice
- Introduce duties to report annually on progress towards achieving full employment (defined elsewhere as achieving the highest employment rate in the G7); achieving the Government's target of creating 3 million new apprenticeships; and the progress of the Troubled Families programme

It is important to consider these changes in conjunction with those in the Housing and Planning Bill. The one per cent reduction in social housing rents each year for four years proposed in the Bill is due to begin in April 2016. It will have a significant financial impact on the City Council, reducing Housing Revenue Account rent income by £32 million in cash terms over the first four years of the 30-year Housing Revenue Account – an anticipated loss of investment capacity of £237 million net present value. The Housing Revenue Account business plan and investment strategy have been reviewed in the

light of the likely impact of this reduction; as far as possible key initiatives and existing commitments to residents have been protected

The welfare changes within the Bill are likely to have a significant impact on some households in Westminster, many of these with complex needs – particularly the reduction in the benefit cap. This will affect a group of larger families within Westminster and will render a larger proportion of the local stock of rented accommodation within the City unaffordable for those subject to the cap (which in turn is likely to lead to an increase in numbers presenting themselves as homeless). The circumstances in which young people will still be able to receive housing support will be another major factor in determining the likely increase in households at risk of homelessness (the Institute for Fiscal Studies notes that over half of housing benefit expenditure on recipients aged under 25 currently goes to claimants who themselves have dependent children and so who might not reasonably be expected simply to live with their parents)

An increase in homelessness presentations is likely to lead to more placements in temporary accommodation, the costs of which are borne by the General Fund. Pressure is also likely to increase on the Housing Options Service, other homelessness-related services and employment-related services. Detailed work is being carried out across the Council to model the impact of the changes being made by the Bill (and the other changes to national housing policy) and to identify ways of mitigating them, including through reviewing policies such as those on procurement of temporary accommodation and discharge of homelessness duties and improved coordination between services, especially employment services

Separately, but linked, the Universal Credit (Work Allowance) Amendment Regulations 2015 reduce and in some cases remove completely the level of earnings that an individual or family can reach before Universal Credit begins to be withdrawn. This fulfils a similar function to the Tax Credit reductions which were not progressed in moving towards the Government's pledged £12bn in welfare reductions and raises similar concerns in terms of reducing incentives for people to move into and sustain employment

The proposed changes to youth arrangements will impact on the role which the Council takes on employability and skills for younger people, currently being refined following the recent restructure. The foregrounding of national reporting arrangements for the Troubled Families programme, and associated powers for the relevant Secretary of State to compel public bodies to provide certain information, may have reporting implications for Troubled Families

work within the City and may also support ongoing efforts across the Council and partners to resolve data sharing difficulties in order to coordinate and integrate people services more effectively

f) Enterprise Bill

The Bill aims to:

- Extend the Government's 'Red Tape Challenge' to a greater range of regulators, and require regulators to report on their performance in implementing more business-friendly regulation, as well as introducing smaller scale measures to support the Government's commitment to reducing the regulatory burden on businesses by at least £10bn in this Parliament
- Creating a Small Business Conciliation Service to resolve business-to-business disputes over issues such as late payment
- Improvements to business rates administration including reform of the ratepayer appeals process and better access to Valuation Office Agency information
- Introducing a cap on exit payments to public sector workers leaving their positions

The ambition to reduce red tape connects with similar work being carried out by the European Commission and also with the Government's Red Tape Challenge programme in the last Parliament, which culminated in the Deregulation Act and which estimated to have created £300m in annual savings to small businesses through reducing red tape. The renewed and expanded ambition is likely to give rise to a range of operational issues across the various business compliance regimes – including development management – operated by or involving the City Council, potentially reducing compliance-related duties but also potentially reducing the City Council's ability to impose high standards or take enforcement action on particular issues

The extension of the Primary Authority scheme, which enables businesses operating in several locations across the country to work within a single streamlined compliance and inspection regime for a range of regulatory issues, and on which the City Council already works with a significant number of businesses, potentially provides further income generation opportunities for

the City Council to consider. The business unit recently established within Growth, Planning and Housing may be able to advocate this route of regulatory compliance to businesses as well as signposting the proposed Small Business Conciliation Service where relevant. In order to make this more viable within the financial context, there may be scope to explore, as the LGA has begun to do, options for greater flexibility in how services aimed at assisting businesses to navigate regulation are funded

The business rates improvements are likely to have a significant impact on the Council particularly in view of the c10,800 outstanding business rate appeals within the City. The Council is working with partners to engage with the Government's significant reshaping of the business rates and local government finance systems following the Chancellor's announcement in October, as well as continuing to engage in working with Government to explore improvements to the appeals system. Notwithstanding this wider work, the Government's Review of business rates is still scheduled to report in time for Budget 2016 and may provide some additional impetus for these reforms

Relevant Human Resources policies will need to be updated to take account of the new rules on exit payments as and when they are finalised

g) Annual Pension Update

The Westminster Pension Fund was 74% funded as at the end of September 2015 which was similar to the position at March 2013 which was the date of the last Triennial Valuation. The position had improved to 81% at March 2014 following strong investment returns but over the past year the financial markets have been more challenging and the low interest rate position continues to create a high value for the Funds liabilities. Whilst the funding level remains at 74% the value of the deficit has increased from £297M to £361M. Investment returns have been good with an annualised return of 10% pa over the past three years which has exceeded the fund benchmark and more importantly the expected returns assumed by the Actuary to recover the deficit

Following the introduction of the Public Service Pensions Act 2013 the Council has now established a Local Pension Board. The Board is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund. The Westminster Pension Board held its first meeting on the 27th July and comprises 3 Employer representatives and 3 Employee representatives. It will meet

quarterly to discuss a range of governance and administration issues and the Board members are undertaking the necessary knowledge and skills training

2016 will see the Fund complete its last triennial valuation. This is where the Fund Actuary will assess all of the membership data for the Fund and apply assumptions to calculate the 'funding level' which is the ratio of assets to liabilities. This will then inform the employers' contribution rates for the 3 years from April 2017. The assumptions involved range from mortality, long term inflation, salary growth and expected investment returns. Westminster Pension Fund uses a smoothed approach to calculating its liabilities which ensures short term volatility is avoided and contribution rates are held as stable as possible

12. Reserves Policy

- 12.1 Under the current accounting regime, local authorities hold two categories of reserves in their balance sheet; "useable" and "unusable" reserves
- 12.2 Useable reserves can be generally defined as those which contain resources that the Council could utilise to finance capital investments or fund revenue expenditure incurred in the running of services. Some of these reserves could be applied generally but others will have conditions attached on their use
- 12.3 The Council's useable reserves can be grouped into the following sub-categories:
 - General Reserves – working balances held to ensure long term solvency and to mitigate risks e.g. the General Fund balance and the Housing Revenue Account balance
 - Earmarked Reserves – to fund specific projects or as a means to build up funds for known contingencies. e.g. the Insurance reserve
 - Ring-fenced Reserves – carried forward balances or grant funding which have certain conditions or restrictions attached to them preventing their general use by the Council e.g. Schools balances
 - Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants
- 12.4 Details of expected and budgeted movements in specific earmarked reserves are set out in full detail in Schedule 5 to this report

- 12.5 Conversely, unusable reserves are those that the Council would not be able to use to finance capital investment or fund revenue expenditure from. This is because this category includes reserves which hold unrealised gains or losses for assets not yet disposed of and also adjustments which are required by statute and differ in basis from accounting standards
- 12.6 This distinction between useable and unusable reserves and also between the different types of useable reserves themselves is important in being able to understand exactly what resources the Council holds and under what circumstances they can be used
- 12.7 Whilst general and earmarked reserves can be used to fund costs incurred in the provision of services, such use cannot be regarded as a sustainable medium-term strategy to fill the gap in on-going service provision from core funding reductions. This is because a useable reserve is a cash balance which can only be used once whereas the reduction in core funding is a permanent loss to the Council's base budget
- 12.8 The Council's General Fund balance stood at just under £70m at the end of 2007/08 after which it declined dramatically until it stood at under £16m by the end of 2011/12. This was as the result of significant structural changes to the Council's income sources together with rising cost pressures – the mitigation and re-balancing of which took time to implement in a controlled and continuing way
- 12.9 The November 2015 Autumn Statement and Spending Review reported improved economic forecasts which resulted in higher than expected levels of public spending by the Government. However, should these forecasts slip or not be achieved, further savings to public spending can be expected. As local authorities fall into the category of unprotected services, there is a heightened risk that a repeat of the pressures experienced before could deplete the Council's General Reserves to below zero - something prohibited for local authorities by statute. However, the four year Settlement offered by government should provide additional certainty than in the past
- 12.10 Accordingly, the Council has in recent years recognised the need to rebuild General Reserves to a level that will provide financial resilience to weather any such similar call on reserves. As a consequence General Reserves have slowly recovered to now stand at £36m. Recommendations set out in this Budget Report would see General Reserves recover further to stand at around £40m by the end of 2015/16
- 12.11 The Medium Term Plan makes no assumptions at this stage about further rises to General Reserves beyond 2016/17. However, given the nature of financial

uncertainty into the future, the longer term opportunity to build general reserves back closer to £50m will need to be considered as the opportunity arises

13. Cash and Financing

- 13.1 The Treasury Management Strategy is presented for approval at the 22nd February Cabinet meeting on the same agenda as this report. It sets out the Council's position on the management of cash and borrowings
- 13.2 It provides routine updates on the financing position and seeks the continued use of investment options that have been used in the current financial year, within a conservative risk structure. With the implementation of Housing Revenue Account Self-financing under the Localism Act, the borrowing and cash elements of the Housing Revenue Account and General Fund are managed on a separate basis
- 13.3 Cash balances are expected to remain high over 2016/17 (taking into account capital receipts and expenditure and movements in working capital balances) but then declining as the enlarged capital programme starts to be financed. Given the prevailing low level of interest rates, officers are keeping under review whether there is opportunity to borrow now in advance of need

14. Council Tax

- 14.1 Recommendations set out elsewhere in this report, and contained within the overall Medium Term Plan options, propose that the Council Tax amount is increased for 2016/17 by 1.99%. In addition and as allowable by government the Council has levied an additional 2% onto the Council Tax bill to go towards pressures associated with adult social care
- 14.2 The core increase of 1.99% keeps the Council within the limits set by government over which it would be required to additionally prepare and publish an alternative budget proposal and to thereafter hold a referendum to allow residents to opt for either budget proposal. The cost of holding any such referendum would be at the expense of the Council and the ability to demand instalments on account would be delayed – thus incurring an additional cash flow loss
- 14.3 The total yield from Council Tax is a function not only of the tax amount but also the size of the Taxbase. The Taxbase (expressed as the number of Band D equivalent properties in an area) continues to grow and thus lead to a higher yield for a number of reasons:

- the number of properties has increased as redevelopment and regeneration of the city continues; and
- the number of benefit claimants is reducing the cost of Council Tax Support

14.4 Accordingly, as set out in Appendix 2, the Taxbase is shown to rise from 121,891 equivalent properties to 125,181 – a 2.7% rise which equates to £1.24m without taking into account the rise in the tax rate

14.5 Other precepts and special expenses are made via the Council Tax bill for all or part of the Council areas. These are summarised below:

- The Greater London Authority has indicated an intention to set its own Band D charge for 2016/17 at £276.00 – this is a reduction of £19.00 on the 2015/16 amount of £295.00
- The Queen’s Park Community Council adopted a Band D charge for residents in its area at the same level as 2015/16 – it being £44.40
- The Montpelier Square Garden Committee determined to recover the same gross amount as in the current year from residents surrounding Montpelier Square under its powers to raise a special expense – this equates to a Band D charge of £341.96 – a reduction of £3.20 on the 2015/16 charge of £345.16

14.6 The table below sets out the composition of each Band D equivalent charge for each area together with a calculation of the total yield expected from that charge:

Band	Montpelier Square	Queen's Park Community Council	All Other Parts of The City
A	£673.84	£475.47	£445.87
B	£786.16	£554.72	£520.19
C	£898.45	£633.96	£594.49
D	£1,010.77	£713.21	£668.81
E	£1,235.38	£871.70	£817.43
F	£1,460.00	£1,030.19	£966.06
G	£1,684.61	£1,188.68	£1,114.68
H	£2,021.54	£1,426.42	£1,337.62

	Queen's Park Community Council	Montpelier Square	Rest of the City	Total
Band D Amounts:				
Queen's Park Community Council	£44.40			
Montpelier Square		£341.96		
Westminster City Council	£392.81	£392.81	£392.81	
	£437.21	£734.77	£392.81	
Greater London Authority	£276.00	£276.00	£276.00	
	£713.21	£1,010.77	£668.81	
Taxbase (Band D Equiv Properties)	3,269 no.	95 no.	121,817 no.	125,181 no.
Total Collectable:				
Queen's Park Community Council	£145,151	£0	£0	£145,151
Montpelier Square	£0	£32,500	£0	£32,500
Westminster City Council	£1,284,163	£37,333	£47,850,904	£49,172,400
	£1,429,314	£69,833	£47,850,904	£49,350,051
Greater London Authority	£902,291	£26,231	£33,621,470	£34,549,992
	£2,331,605	£96,064	£81,472,374	£83,900,043

- 14.7 The Council Tax Setting report for 2015/16, agreed a £1.1.M contribution from Reserves to support Discretionary Housing Payments in 2015/16. This was required due to a dramatic reduction in central government DHP funding (£4.8M in 2014/15 reduced to £2.6M in 2015/16)
- 14.8 A revised Discretionary Housing Payments Policy was subsequently agreed. The successful implementation of the revised policy and general good management of the Discretionary Housing Payments process has meant that we are currently forecasting only a small spend in 2015/16 above our government Discretionary Housing Payments allocation
- 14.9 The Council's 2016/17 DHP allocation has been recently set by central government at £2,669,172
- 14.10 In a normal year, it could be considered that the level of our DHP funding allocation could be managed within the new Discretionary Housing Payments Policy and by our current management of Discretionary Housing Payments claims. However, 2016/17 is likely to see the introduction of the government's latest round of Welfare Reform changes, in particular the reduction in the Benefit Cap threshold to £23K for families. This will inevitably increase the

number of Discretionary Housing Payments applications. The City Council therefore intends to “carry forward” the unspent balance of the agreed £1.1M contribution from Reserves in 2015/16 to 2016/17

15 Schools

Dedicated Schools Grant

- 15.1 As part of the current Spending Review, the Chancellor has announced the implementation of a National Funding Formula for schools from 2017/18. As the changes are anticipated to be in place from 2017/18, a full consultation review is anticipated to take place in Spring 2016. It should be noted that the review is anticipated to cover the whole Dedicated Schools Grant which includes high needs funding and early years funding as well as the specific schools funding formula. The Dedicated Schools Grant is a specific grant received by Local Authorities to fund education related services. In addition to schools this covers wider support for pupils including Special Education needs spend and Early Years Provision covering 2, 3 and 4 year olds in nursery and associated provision
- 15.2 Schools are funded primarily via the ring-fenced Dedicated Schools Grant and thus Council Tax income is not used to fund schools-related expenditure
- 15.3 The Dedicated Schools Grant consists of three separate blocks of funding: the Schools’ Block, the High Needs’ Block and the Early Years’ Block. Although each of the separate blocks are not separately ring-fenced, the DSG overall continues to be ring-fenced
- 15.4 The Council is able to retain an amount of Dedicated Schools Grant to pay for the education of pupils who are the responsibility of Westminster but who are not in Westminster schools. The Council does not contribute any of its own resources to fund schools, but it is required to fund the management and administration of education services from its own Council Tax/Settlement Funding Assessment resources

Pupil Premium

- 15.6 Pupil Premium for primary schools (per year for 2016/17) is £1,320 per FSM6 pupil, and for secondary schools £935 per FSM6 pupil (unchanged). FSM6 refers to a child that has been entitled to a free school meal at any point in the past six years
- 15.7 There is also a Pupil Premium for looked after children and service children (children of parents who are in the armed forces)

- 15.8 It is for schools to decide how the Pupil Premium should be spent, however the Department for Education intends that schools will be held accountable for the impact of its use
- 15.9 Pupil Premium for 3 and 4 year old children is at a rate of £300 per annum per eligible child.

Academies/“Free Schools”

- 15.10 Westminster schools that convert to Academy status or newly established “Free Schools” obtain their funding directly from the Education Funding Agency. They will receive a budget share equivalent to what they would have had if they were a Westminster school (funded in most cases by an adjustment to the DSG paid to the Council)

16 Housing Revenue Account

- 16.1 The Housing Revenue Account is a statutory ring-fenced Landlord Account within the Council’s overall General Fund, established under the 1989 Local Government and Housing Act
- 16.2 It accounts for the management and maintenance of circa 12,000 units of social housing and 9,000 leaseholders within Westminster. The Housing Revenue Account itself is required to set a balanced budget and must not go into deficit, after taking into account Housing Revenue Account Reserves
- 16.3 In 2012 the Housing Revenue Account moved from a national subsidy system of financing to one of self-financing. In order to facilitate this the Council was required to buy out of the subsidy system through taking on £68m of extra borrowing within the Housing Revenue Account, but in return gets to keep all future rental income
- 16.4 The Council’s Arm’s Length Management Organisation, CityWest Homes Ltd, undertakes the housing management function on behalf of the Council and has responsibility for the long-term investment needs of the stock estimated at £1.4bn over 30 years
- 16.5 The Government continues to control rent levels and rent increases through Rent Rebate Subsidy Limitation. A mechanism which limits the amount of

eligible housing benefit payable if average rent increases by a Local Authority exceed Government determined limits. However, the previous presumption underlying self-financing that rents would increase by 1% above inflation annually for ten years has now been curtailed as the Government putting legislation in place to reduce Housing Revenue Account rents in real terms for 4 years by 1%. This is estimated to cost the Housing Revenue Account £32m over 4 years and over 30 years the NPV cost is £237m. This will lead to significant reduction in the Housing Revenue Account's financial capacity to undertake future investment in new Housing Supply

- 16.6 In addition the Housing and Planning Bill currently going through Parliament will require local authorities to dispose of high value stock when it becomes void in order to fund the extension of right to buy to private sector Registered Providers. The details of this policy have yet to be determined, and there may be some local discretion in how LA's can fund this. Nevertheless there remains considerable uncertainty around its likely impact on Westminster. Around 57% of the council housing stock could be affected and the likely result would be a reduction initially in the availability of relets to homeless households of around 200+ a year, and the requirement to make an annual payment from the Housing Revenue Account to Government of a worst case scenario of up to £100m. The cost of every additional 200 households in temporary accommodation cost the Council circa £1.5m a year. As the details of how this policy will work remains significantly unknown it is not built into any assumptions contained in the 2016/17 30 year Housing Revenue Account business plan
- 16.7 In addition self-financing presents the Local Authority with a number of uncertainties and risks that will need to be monitored and actively managed. These include the impact on cash flow of forward funding the Council's Regeneration programme. The impact of the Right to Buy, interest rate risk, and the impact of welfare reform on future changes to housing benefit collection/payment
- 16.8 The proposed Housing Revenue Account budget for 2016/17 is contained and summarised in Schedule 9. The Housing Investment Strategy and Housing Revenue Account 30 year Business Plan report was presented to Cabinet in December 2015 to approve the five year (2016/17 to 2020/21) Capital budget for the Housing Revenue Account. The development of an ongoing active asset management strategy will also help to underpin the future operation of the Housing Revenue Account and enhance the viability of the account as well as help to develop headroom to reconfigure the stock and to undertake an initially limited programme of building new homes.

17 Levies and Special Charges

- 17.1 Three bodies recover their net cost by way of a levy on local authorities – this charge is thus separately identified within the Council Tax charged by those local authorities. The three bodies are:
- Environment Agency – recover the cost of flood defence works across the Thames region;
 - Lea Valley Regional Park Authority – recover the cost of running the Lea Valley park facilities to the North West of London; and
 - London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Authority
- 17.2 At present only the London Pensions Fund Authority has submitted their charge for 2016/17. Accordingly the 2015/16 figures for the Environment Agency and the Lea Valley Regional Park Authority are included in the budget options being recommended in this report. Should these organisations notify the Council as to their required charge after despatch of this agenda item and before the meeting itself, a verbal update will be provided.

18 Greater London Authority Precept

- 18.1 The Greater London Authority is due to meet to formally consider the Mayor's proposed budget for the Greater London Authority on the 22nd of February. However, the Mayor's proposed budget recommends a reduction to the 2015/16 Band D equivalent charge of £295.00 down to £276.00, a reduction of £19.00. A verbal update will be provided at the meeting regarding the outcome of the London Assembly decision
- 18.2 The Greater London Authority precept will raise £34.5m from Westminster residents in 2016/17 if approved by the London Assembly as recommended

19 Consultation with the Community and Stakeholders

- 19.1 Budget consultation by Cabinet Member Portfolio

Built Environment

- 19.2 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans.

- 19.3 Development Planning consultation has already taken place with relevant stakeholders and no further work is required in 2016/17.

Adults and Public Health

- 19.4 Savings proposals arise from service redesigns for better outcomes plans so public consultation was not required. There are no statutory requirements to consult on the plans.

Housing, Regeneration, Business and Economic Development

- 19.5 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans. In addition there has been long-term consultation within Housing Regeneration Schemes that are ongoing.

Children and Young People

- 19.6 The Children's Services department have undertaken extensive consultation and engagement due to the nature of their proposals affecting service users.
- 19.7 Changes specifically to Children's Centres required statutory consultation, which the department robustly undertook, however engagement took place for all service changes providing service users with the opportunity to shape future services.
- 19.8 Consultation and engagement activities included public consultation meetings, focus groups, engagement events and surveys. The consultation web pages also received a substantial number of visits.
- 19.9 Key points and key themes of feedback from the consultation are being presented to Cabinet in a report accompanying the Cabinet Decision Report and therefore are not set out here. Proposals in the Cabinet Decision Report reflect the feedback received during the consultation. However, the Council proposes to set aside £200k of transition funding to broker a service from the market or voluntary sector in respect of Youth Services.
- 19.10 A decision on the proposals following the consultation will be taken at Cabinet.

City Management and Customer Services

- 19.11 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans.

Sustainability and Parking

- 19.12 Savings proposals arise from internal efficiency plans or contractual savings with no public consultation required. However, demand management proposals have involved both informal and formal stakeholder consultation and/or notification in line with internal Westminster City Council policy and statutory requirements.

Public Protection

- 19.13 Proposals around Street Trading Fees will require statutory consultation.

Finance and Corporate Services

- 19.14 Savings proposals arise from internal efficiency plans so public consultation was not required. There are no statutory requirements to consult on the plans.

Sport and Leisure

- 19.15 Consultations required relating to Sport and Leisure savings proposals are now complete.

20 The Scrutiny Process

- 20.1 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
- 20.2 “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”
- 20.3 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
- 20.5 The minutes of both meetings are presented in Annex A to this report. Annex A also highlights a number of risks associated with the Council’s budget for 2016/17 and makes a number of recommendations

21 Legal implications

- 21.1 The function of calculating the City Council's budget requirement and the City Council's element of the Council Tax, and the function of setting the Council Tax, are the responsibility of the full Council. The function of preparing estimates and calculations for submission to the full Council is the responsibility of the Cabinet
- 21.2 In coming to decisions in relation to the revenue budget and the Council Tax, the Council and its officers have various statutory duties. In general terms, the Council is required by the Local Government Finance Act 1992 to make estimates of gross Revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the City Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget
- 21.3 The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account
- 21.4 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the report of the City Treasurer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Sections 7, 8, 9, 10, and 12 above respectively and in particular paragraphs 1.9 and 12.10, where it is stated that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial balances and reserves over the medium term are adequate, particularly in reference to risks and budget robustness as set out in paragraph 8.2 and 8.6
- 21.5 Some savings proposals may only be delivered after specific statutory or other legal procedures have been followed and/or consultation taken place. Where consultation is required the Council cannot rule out the possibility that they may change their minds on the proposal as a result of the responses to a consultation, and further reports to Cabinet or cabinet member (as appropriate) may be required

- 21.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 23. In developing final set of proposals for consideration officers have had regard to how the equality duty can be fulfilled in relation to the proposals overall. However further detailed equality impact assessments may be required for specific proposals as identified by each directorate prior to final decisions being made
- 21.7 Section 106, Local Government Finance Act 1992, applies to Members where:
- they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and
 - any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting
- 21.8 In these circumstances, any such Members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Such Members are not debarred from speaking. Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting

22. Human Resource Comments

- 22.1 In accordance with statutory requirements, on 15th October 2015 an HR1 form was issued in order to inform the Department of Business, Innovation and Skills (BIS) of up to 95 potential redundancies
- 22.2 A consultation process was formally launched on 15 June 2015 proposing the restructure of Development Planning Support Function. This resulted in 12 redundancies and expected revenue savings of £148k
- 22.3 On 23rd April 2015 a consultation process was formally launched for the Registration Service. There was a requirement to reduce the current service costs and deficit of £118k and ensure the cost-neutral operation of the service going forward. This resulted in 2 redundancies

- 22.4 On 7 September 2015 consultation commenced for Youth Services. City West Homes had a funding reduction and can no longer fund the service (£30k per annum). This resulted in 6 redundancies (1 x FTE)
- 22.5 On 15th October 2015, a 30 day period of formal staff consultation began in the Children's Commissioning Department which looks to reduce from 109 to 84 posts. The proposals move the focus of the department's work to be more strategic and less transactional, with the emphasis on influencing future service direction to improve outcomes and optimise value for money across children's services. It is expected that the new structure will go live on 1 April 2016 and will result in 9 redundancies for WCC and delivers a £629k saving on the total budgeted commissioning service
- 22.6 On 15th October 2015, a 30 day period of formal staff consultation also began in the Adult's Commissioning Department. It is expected that the new structure will go live on 1 April 2016 and will result in 12 redundancies. The proposed structure is cost neutral, recognising the need for increased capacity to deliver the required outcomes and efficiencies for Adult Services
- 22.7 A 45 day consultation started on 16/11/15 in the Children's Play Service. The proposal sets out the Council's intention to divest responsibility for the provision of Westminster Play Services to schools or third sector providers. The current Westminster Play Service will cease with effect from 10th April 2016 and if the service is closed it is expected that this will result in 68 redundancies. This will result in savings of £89,000 in 2015/16, £233,000 in 2016/17 and £30,000 in 2017/18
- 22.8 Consultation is expected to commence in January in respect of a restructure of HR which will result in savings of around £450,000

23. Equalities Implications

- 23.1 Under the Equalities Act 2010 the Council has a legal duty to pay "due regard" to the need to eliminate discrimination and promote equality with regard to the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation
- 23.2 The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop the Council from making decisions which may affect one group more than another. The law requires that the duty to pay "due regard" be demonstrated in the decision making process

- 23.3 An initial screen of budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments are dealt with in Annex C. Where it has been identified that a proposal may have an adverse impact on people who share a protected characteristic, an assessment of the impact has been undertaken to ensure that “due regard” is paid to the equality duties as required by statute

Schedules

- 1 Sources of Income
- 2 Expenditure Requirements
- 3 Net Budget Requirement (Cabinet Member and Executive Management Team)
- 4 Details of Budget Changes
- 5 Movement in Reserves
- 6 Levies, Special Expenses and Precepts
- 7 Localised Business Rates, Settlement Funding Assessment and Council Tax
- 8 Uses of Council Tax Income
- 9 Housing Revenue Account

Annexes

- A Budget and Performance Task Group Meeting Notes
- B Council Tax Resolution
- C Equalities Impact Assessments
- D Material and Non-Material changes to Financial Regulations

Background Papers

Budget and Council Tax Report 2015/16 22nd February 2016

Report to Cabinet Treasury Management Statement 22nd February 2016

Various working papers

If you have any queries about this report or wish to inspect any of the background papers, please contact: Steven Mair on 0207 641 2904 or at smair@westminster.gov.uk.

Budget and Performance Task Group – Report on 2016/17 Budget Scrutiny

1. Executive Summary - *The Scrutiny Process*

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.”

These Terms of Reference were agreed by the current Budget and Performance Task Group at its first meeting on 8 February 2016.

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

The overall 2016/17 draft budget appears robust, and officers provided assurances on a number of point to members across all Directorates, including in relation to managing changing service demand priorities, and around the deliverability of a number of projects.

2.3 Risks Highlighted

Finance

There is uncertainty around forthcoming changes to Business Rates administration but officers are in contact with DCLG in order to seek to be involved in influencing the development of the scheme and in pilot schemes. The final settlement has been announced and there are no further changes required to the council’s budget.

Growth, Planning and Housing

The detail around the Housing and Planning Bill and Welfare Reform is still awaited. There remains a continuing increase in demand for Temporary Accommodation, which is partly driven by long-term unemployment.

Increases in interest rates and stamp duty, in addition to global and European uncertainty may have a direct impact upon the property market and consequently the Property Investment Strategy.

Children's Services

Further details of the national funding formula for Schools and the evolving role of local authorities in Education are yet to be announced.

Policy, Performance & Communications

The anticipated income from Community Infrastructure Levy is demand-led and savings may need to be found if the anticipated income does not materialise.

Public Health

There is a review anticipated of how the Public Health grant is distributed across authorities in addition to the future funding reductions announced. It is as yet unclear when and to what extent this may impact the council.

3. First Budget & Performance Task Group Meeting – Monday 8 February 2016

The first meeting of the Budget and Performance Task Group on Monday 8 February 2016 appointed Councillor Brian Connell as Chairman, confirmed the group's membership and agreed its programme of work and corresponding timetable.

As the task group's representative at the Cabinet Member discussions to agree budgets in their portfolios, Cllr Gotz Mohindra updated that he was assured the budget analysis has been thorough and that the 2016/17 Budget is resilient.

The Taskgroup noted the inclusion of relevant Equalities Impact Assessments (Equalities Impact Assessments) and Capital Spend as part of the scrutiny process this year. The Chairman directed attention to the relevant Equalities Impact Assessments throughout the budget discussions.

The City Treasurer explained that the **provisional finance settlement** was largely as anticipated and officers are currently examining the details of the final announcement which was issued just before the Task Group meeting. The Council should continue to plan for austerity and government funding reductions to continue until ca.2020. Westminster City Council will give consideration to

agreeing a provisional four year funding settlement to 2019-20 with central Government.

In 2015/16 there is a projected underspend of circa £4m and this is likely to increase towards the end of the year. This is intended to go into the authority's general reserves, which in the current financial climate need to be supported.

The Tri-borough **Children's Services** Director and Tri-borough Director of Finance and Resources highlighted that whilst being one of the Council's largest portfolios, they are expecting a balanced budget in the current financial year. Key issues facing the department include an Ofsted visit, which has recently completed its review of Westminster, and the national funding formula for schools. Officers are currently waiting on further details, which are expected to be released after the London Mayoral Election. It is anticipated that Westminster could be significantly impacted by a new funding formula.

The Director explained that aside from schools, the majority of the directorate's 2015/16 Budget was spent on child protection and children in care. Many of the savings in the 2016/17 Budget will be achieved through back office efficiencies to ensure the continuation of the high-standards necessary for the child protection service.

The department has also received government funding for the Focus on Practice programme. Members sought clarification of the impact savings will have on the provision of services by Health, particularly in Children's Centres. Members were particularly concerned about the potential impact of savings on those who need the Children's Centres services most. It was explained that Children's Services officers are working with Public Health colleagues to ensure that this provision for children remains robust.

Youth Services are currently being reconfigured and it is proposed that £100,000 seed funding per year for 2 years be provided by the Council to facilitate the transition to the new model of delivery, leveraging funding from other sources. Discussions with various third party providers are currently taking place. The Committee welcomed reassurances that there were discussions with third party organisations to secure leverage funding.

Members asked about partnership working to ensure that young people (including care leavers) with the most complex needs are properly supported. It was clarified that the department continually works with internal and external partners, in particular colleagues in Housing, to ensure those most needing assistance are getting the required support. There has also been a large commissioning review to examine the most cost-effective means of transporting

children and young people to and from schools and this is currently being re-examined but safeguarding must be at the forefront of considerations.

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 £7.38m of identified transformation, efficiencies, financing and commercial proposals.

The team would deliver a Council wide balanced budget this year and strive to continually improve the budget process. After being the first local authority to publish audited annual accounts for 2014/15 on 18 May 2015, officers are looking to improve the annual accounts process further this year as a driver of transformational change in the service.

The Chief of Staff advised that the **Chief Executive's** budget is relatively small but has significant income streams through the Coroner's Court and Land Charges. The departmental savings arise from the department coming together in its current form in October 2015 and the Chief of Staff having taken the opportunity to review the budgets. It is expected that this process will be enhanced in subsequent years as the department is fully established.

In 2016/17, departmental savings will be met through not recruiting into posts that have remained vacant and where staff capacity has proven able to cope with reduced staffing levels. Although the Complaint Team's remit may change with the implementation of a new complaints system, it is likely that the workload will be absorbed within current resources, but interim staff will be brought in to cope any temporary increase in workload where necessary.

Following a review of Member allowances, savings have also been identified in the IT allowance that reflects the actual departmental spend over a four-year cycle.

The Chief of Staff explained that the Lord Mayor's continued budget consists of mostly staff with a small percentage on hospitality and other allowances. The Chief of Staff further explained that Westminster's Electoral Services Team budget reflects the fact of the borough's high residential turnover and the subsequent need for continued renewal of the electoral register.

With regards to the role of the Chief of Staff, it was explained that this is a thematic rather than solely a departmental role that takes various guises in different organisations. It is not a role seen in many local authorities but is very common across other public sector organisations.

The Executive Director for **City Management and Communities** was then asked to present the budget and efficiency measures and capital expenditure planned for 2016/17. He drew members' attention to the current projected improvement of

£3.3m in the 2015/16 forecast, which has been achieved mainly through exceeding income targets and carrying vacant posts. He set out the key initiatives for 2016/17 as reflected in the presentation, and highlighted the potential challenges officers are facing with annual reductions in library footfall and increase in waste management costs from increased volumes of waste collection as the economy has improved and the impending contract re-procurement as future costs of collection and particularly disposal could be higher than current costs.

The Executive Director provided further information in relation to a number of projects outlined in the papers:

Digital transformation: A £0.5m saving is linked to libraries through the digital programme and the remainder of the projected £2.072m will be focused on staff efficiencies, mainly in Public Protection & Licensing which holds the bulk of staff in the directorate.

Code of Construction Practice: Once the code is adopted, the department will use the income stream received from developers as part of the planning process to fund the additional activity in the council required to manage the impact of construction. This revenue will be a mixture of cost recovery and additional income.

Waste disposal contract re-let: Since the current disposal contract was agreed, the cost of waste disposal has increased across the industry and officers are anticipating additional costs will be incurred through the re-let of the contract. The waste disposal of both commercial and domestic waste structure will be based on three contracts; the first two contracts are due to commence in September 2016 and the waste incineration contract is due to commence in September 2017.

The Executive Director explained that the automatic public convenience contract was recently re-procured, so the efficiency had already been delivered and the task group was reassured that, given the issues around the separate convenience contract, the auto-convenience service was not reduced.

Members queried the energy efficiency of the borough's street lighting. Although the current street lighting stock is quite efficient, officers are currently examining the business case with a view to installing LED lights.

Members queried the review of parking charges as although they will increase, they are still below those set by neighbouring boroughs. As this is the first review of parking charges for several years, the increase in charges was measured and charges are still below those of neighbouring boroughs. Parking charges will now be reviewed annually and cross-compared with neighbouring boroughs. The task group welcomed news that the City Treasurer and Cabinet Member for Finance

and Corporate Services are currently working on introducing annual reviews of fees and charges across all Council services.

Members asked if the revenue raised from increased parking charges could be used to implement more electric car charging docks. The directorate is investigating extending on-street charging bays and examining the possibility of emissions-based charging of residents parking - a policy employed in neighbouring boroughs. Increasing numbers of users are placing a pressure on the network and officers are working to address this issue.

The Taskgroup discussed the 2016/17 Capital Expenditure budget and sought clarity over details of the City Transport Advisory. The Executive Director explained that the Council currently has a target of 95% of Westminster's roads being considered to be in "good condition" at any given time and that this is above statutory levels.

In relation to **Growth, Planning & Housing** (GPH), the Executive Director advised that the directorate was projecting a slight overspend in 2015/16. Next year (2016/17) GPH will have a reduced budget, with efficiencies of £7.9m expected across the department, offsetting pressures of £6.7m.

The Property Investment Strategy proposes an initial investment of up to £25m in property across the City to take advantage of opportunities to maximise income through the use of Council's assets. The £0.5m saving predicted in 2016/17 is the first in a series of annual returns. It was clarified that the Council will seek a projected return of circa 5% on such investments.

The reprocurement of the Housing Options contract will reshape the service delivery and it is expected to deliver savings of £0.6m out of the current budget of circa £5m. Savings in Temporary Accommodation will focus on reducing the cost incurred with the private sector. The department also plans to acquire in-borough temporary accommodation properties, which will also create another income stream into the general fund.

The reduced Rough Sleeping budget will see continuing changes to the back office rather than changes impacting on front line services. Members raised concerns that the service levels have already been severely affected and that the Rough Sleeping Service have not been able to undertake outreach work. It was clarified that following a reduction in demand, the service has the capacity to manage the proposed change.

Savings in Planning will be achieved through digitisation of the planning application process. Although the external consultation process will remain paper-based, consultation responses are encouraged to be submitted

electronically. Officers are currently liaising with stakeholders, such as amenity societies, to ensure they are fully engaged in the process.

The Task Group discussed various schemes in the Capital Expenditure Programme, including Beechcroft, 219 Harrow Road and Cavendish Square.

The Leisure Estate Review is in the preliminary stages, the purpose of which is to modernise the Council's leisure facilities. It was clarified that while the Council sets a capital budget for the coming period, this is not a final approval in practice for all the spend. Business cases justifying the expenditure have to be submitted for review and the Cabinet Member concerned needs to provide their approval before a proposal is put into implementation. Further detail on the expenditure was requested by the Task Group.

The Executive Director highlighted that the increased capital budget for GPH in 2016/17 was due to slippage in a number of the regeneration projects from the preceding year.

4. Second Budget & Performance Task Group Meeting – Tuesday 9 February 2016

The second Task Group meeting took place on Tuesday 9 February 2016. The Chairman directed attention to the relevant Equalities Impact Assessments throughout the budget discussions.

The City Treasurer gave a reprise of the financial overview as presented at the first Task Group meeting. He further added that the final settlement announced the day before had now been reviewed and there were no further changes required to the council's budget.

The Director of **Corporate Services** explained that the majority of savings as presented for that Directorate were coming from the restructure of the HR and Procurement Services and the Managed Services Framework. A price reduction based on the framework agreement was achieved a year ago and negotiations will continue in light of progress on the project. Further income will be generated by Legal Services, who offer their expertise to other authorities particularly in respect of niche areas such as social care and housing and this service has the potential to expand its external income stream in the coming years.

The HR restructure is not just about savings, and a key aim of the project is to increase organisational development capacity to drive the council forward through greater agility. The role of business partners will change to providing strategic advice as the self-service HR model is implemented across the organisation.

In respect of capital, the planned spend is concentrated on maintaining and improving the core IT infrastructure that will support front line service transformation and increased use of digital channels and solutions.

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 2015/16 and savings for 2016/17, explaining that the budget change was principally around income and efficiencies. It was highlighted that estimations around CIL administration income may be a challenge .

The Task Group discussed the Directorate's income streams and areas for growth, in particular outdoor media, events and the Piccadilly Underpass. The City Treasurer and Director of Policy, Performance and Communications were requested to provide the Task Group with a summary breakdown of the costs and revenue of the Piccadilly Underpass Redevelopment to demonstrate that the scheme delivers a long term benefit which outweighs the short term cash outflow seen in the 2016/17 papers.

The Tri Borough Executive Director of **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 reducing 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. It was highlighted that the Directorate has delivered a balanced budget for three consecutive years and that it was anticipated that this achievement would be met again for 2015/16.

The upgrade of the current ASC system, the possibility of using Housing Revenue Account for care home rental and the learning disability savings were discussed, and the Executive Director and Director of Finance and Resources addressed any concerns. Specifically regarding high-cost, high need cases, the committee was reassured that officers were working closely with the NHS and that thorough analysis confirmed that the saving can be delivered. With regards to the Customer Care Journey, officers are working to share data in a smarter way with Health IT databases to provide a more holistic care package and ensure the customer's care experience is run smoothly. The £1.3m customer journey saving came out of the "Social Care Activities" line, the total expenditure in 2015/16 was £12.5m and is £11.1m in 2016/17, a reduction of £1.4m. The Director explained that the "Social Care Activities" covers expenditure associated with the assessment and care management process, i.e. non-management front-line workers, and this is mainly the Social Work Teams in Westminster.

The Tri Borough Director of Finance, Adult Social Care advised that the **Public Health** Service was projecting a balanced budget for 2015/16, and that the draft budget for 2016/17 reflected a ring-fenced Department of Health grant of £32.3 million which was expected to be fully utilised. In addition to the Public Health Grant, the department intends to drawdown £4.3m of reserves to cover the in-year grant reduction and investment in public health outcomes.

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. It was noted that significant savings had been made through the introduction of payment-by-result contracts. In response to concerns raised about the future of Public Health funding, it was clarified that the service was paying close attention to boundaries of responsibility with the NHS as the Public Health Directorate's primary focus should be on prevention whilst the NHS is responsible for treatment. The team are still in the process of consolidating and standardising the numerous varied contracts which had been inherited when the service was transitioned to the council, so savings will arise through these reprocurements.

The Task Group discussed the £1.4m saving projected for substance misuse in 2016/17 and the potential impact of service delivery changes on vulnerable people. These savings are as a result of the programme of service redesign and re-procurement of core drug and alcohol services and services that no longer meet local need. The following have all contributed to the Council's ability to make these savings:

- reducing the number of contracts and working across three boroughs
- changing drug trends
- reduction in drug related criminal activity allowing for a reduction in the costs of our offender programmes
- local development of a tiered group work programme
- reducing costs of purchased day programmes
- a reduction in costs of inpatient detoxification through increased use of third sector providers.

These savings have been made in a planned way and are considered unlikely to have a significant impact on the quality of services or the Council's capacity to deliver effective treatment to its residents.

5. Recommendations and Actions

- 5.1** That the Executive Director of City Management and Communities provides the Task Group with a breakdown of where the City Transport Advisory capital expenditure is planned to be spent.

- 5.2** In relation to the proposal discussed on 8 February on the Rough Sleeping Service (Growth, Planning & Housing), to note officers' proposals in regards to achieving a reduced service budget through back office savings, and to request that should this be implemented, that it be done so with the upmost sensitivity and concern for service delivery and that the Executive Director provide a briefing note explaining the full impact of budget reductions on the Rough Sleeping Service.
- 5.3** That the Executive Director of GPH provide a breakdown of properties expected to generate Capital income and also provide with a briefing note explaining the Council's processes to secure properties.
- 5.4** That the Executive Director of GPH submit further detail on the Leisure Estate Review capital expenditure.
- 5.5** That the Revenue implications of capital programmes be included in future years' Task Group papers to clarify the link between capital and revenue expenditure.
- 5.6** The City Treasurer and Director of Policy, Performance and Communications provide the Task Group with a summary breakdown of the costs and revenue of the Piccadilly Underpass Redevelopment to demonstrate that the scheme delivers a long term benefit which outweighs the short term cash outflow seen in the 2016/17 papers.

That the Council be recommended to resolve as follows:

1. It be noted that on the 20th of January 2016, the Council calculated the Council Tax Base 2016/17
 - a) For the whole Council area as **125,181.13** [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”); and
 - b) For dwellings in the Montpelier Square area as **95.04**
 - c) For dwellings in the Queen’s Park Community Council area as **3,269.17**
2. Calculate that the Council Tax Requirement for the Council’s own purposes for 2016/17 (excluding Special Expenses) is **£49,172,400**
3. That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act:
 - a) **£855,232,900** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it
 - b) **£806,028,000** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act
 - c) **£49,204,900** being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year (*Item R in the formula in Section 31B of the Act*)
 - d) **£393.07** being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the Basic Amount of its Council Tax for the year (including Special Amounts)
 - e) **£32,500** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act
 - f) **£392.81** being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in

accordance with Section 34(2) of the Act, as the basic amount of the Council Tax for the year for those dwellings in those parts of the area to which no special item relates.

4. To note that the Greater London Authority have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below:

Multiplier	Band	Greater London Authority
6	A	£184.00
7	B	£214.67
8	C	£245.33
9	D	£276.00
11	E	£337.33
13	F	£398.67
15	G	£460.00
18	H	£552.00

5. To note that the Queen's Park Community Council have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below

Band	Queen's Park Community Council
A	£29.60
B	£34.53
C	£39.47
D	£44.40
E	£54.27
F	£64.13
G	£74.00
H	£88.80

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2016/17 for each part of its area and for each category of dwellings:

Westminster Council Requirement and Special Expenses

Band	Montpelier Square	Queen's Park Community Council	All Other Parts of The City
A	£489.84	£291.47	£261.87
B	£571.49	£340.05	£305.52
C	£653.12	£388.63	£349.16
D	£734.77	£437.21	£392.81
E	£898.05	£534.37	£480.10
F	£1,061.33	£631.52	£567.39
G	£1,224.61	£728.68	£654.68
H	£1,469.54	£874.42	£785.62

Westminster Council Requirement, Special Expenses and Precepts

Band	Montpelier Square	Queen's Park Community Council	All Other Parts of The City
A	£673.84	£475.47	£445.87
B	£786.16	£554.72	£520.19
C	£898.45	£633.96	£594.49
D	£1,010.77	£713.21	£668.81
E	£1,235.38	£871.70	£817.43
F	£1,460.00	£1,030.19	£966.06
G	£1,684.61	£1,188.68	£1,114.68
H	£2,021.54	£1,426.42	£1,337.62

7. That the City Treasurer be authorised to collect (and disperse from the relevant accounts) the Council Tax and the National Non-Domestic Rate and that whenever the office of the City Treasurer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised postholder be authorised to act as beforesaid in his stead.
8. That notice of amounts of Council Tax be published.
9. That the Council does not adopt a special instalment scheme for Council tenants.

10. That the Council offers as standard the following patterns for Council Tax and National Non-Domestic Rate: payment by 1, 2, 4, 10 or 12 instalments and that delegated officers have discretion to enter into other agreements that facilitate the collection of Council Tax and National Non-Domestic Rate.
11. That the Council does not offer payment discounts to Council Taxpayers
12. That the Council resolve to charge owners for Council Tax in all classes of chargeable dwellings prescribed for the purposes of Section 8 of the Act.

Equalities Impact Assessments

The Council has a duty to ensure that all policy decisions are considered to assess whether they have any equality impacts. All budget changes set out in this report have been screened to ensure that equality impacts have been considered where appropriate

A lever arch file containing the Equalities Impact Assessments for all savings proposals is held by the Member Services team on the 18th floor of City Hall and will be available to review between 9am and 5pm, Monday to Friday, from Friday 12th February 2016 up until the date of the full Council meeting on 2nd March 2016; please ask any one of the team for access to the folder if you wish to see them. In order for Members to have access to these, the file cannot be taken out of the building. All full Equalities Impact Assessments were also published as part of the papers issued for the Budget and Performance Task Group meetings held on 8th and 9th February 2016 and are available on the Council's website.

Material and Non-Material changes to Financial Regulations**Material changes to financial regulations**

Page	Section	Change
6	C – 1.5	<p>Financial Planning and Budgeting - Principles Paragraph 1.5 added:</p> <p><i>To enable members to make informed decisions, all Cabinet and Committee reports must incorporate a separate section on ‘financial implications’, which will be prepared by the finance department. Reports must show the costs or savings of proposals together with any approved budget provision, future commitments, potential risks, tax implications, and any other financial consequences which may arise from the options and recommendations.</i></p>
7	C – 2.1	<p>Financial Planning and Budgeting - Revenue Budget (Reserves) Added:</p> <p><i>The Chief Executive and City Treasurer on receipt of a business case are responsible for recommending to the Cabinet Member for Finance and Corporate Services:</i></p> <ul style="list-style-type: none"> <i>f. Approving or rejecting requests for the creation of earmarked reserves</i> <i>g. Approving or rejecting transfers to or from reserves, or the re-designation of existing earmarked reserves</i> <p><i>This process may also be exercised by the City Treasurer through approval of the annual account, annual budget and monthly budget monitoring reports</i></p> <p>Budget Managers are responsible for:</p> <ul style="list-style-type: none"> <i>d. Ensuring that any approved withdrawals from reserves are applied for their intended purposes</i>
8-9	C – 3.2	<p>Financial Planning and Budgeting – Capital Programme Bullets (h) – (n) added:</p> <p><i>The City Treasurer is responsible for:</i></p> <ul style="list-style-type: none"> <i>h. Ensuring that any schemes requiring in year approval (outside of the annual capital programme) are reviewed by the Capital Review Group and approved by the relevant cabinet member – in line with the Scheme of Financial Authority.</i> <i>i. Ensuring the Capital Programme includes a contingency for in year approval of schemes and the Capital Review Group approves the use of any contingency. This is so to ensure the overall affordability of the programme is maintained, in line with the scheme of delegation.</i> <i>j. Maintaining a record of the current capital budget and expenditure on the Council’s financial systems, and ensuring compliance with financial reporting standards.</i> <i>k. Reporting to Cabinet and the Capital Review Group on the performance</i>

		<p>against the Capital Programme and budget as well as reporting to the Audit & Performance Committee and Policy & Scrutiny Committee as required.</p> <p><i>l. Ensuring that governance arrangements are in place via the Capital Review Group meeting to review proposed changes to the Capital Programme for approval by the Cabinet Member.</i></p> <p><i>m. Ensuring the Council's annual disposals programme is approved by Cabinet.</i></p> <p><i>n. Ensuring the Capital Review Group is updated on the progress of the disposals programme.</i></p>
10	C – 4.2	<p>Financial Implications of Decisions – Manager Responsibilities</p> <p>Bullets (a) – (b) added:</p> <p><i>a. Ensuring that all decision making reports properly set out the financial implications of the proposed actions, through the provision of adequate information to finance to allow this section to be prepared.</i></p> <p><i>b. Ensuring they act in accordance with guidance issued by the City Treasurer</i></p>
11	D – 2.2	<p>Financial Monitoring and Control – Budget Manager Responsibilities</p> <p>Bullets (d) – (e) added:</p> <p><i>a. Forecasting accurately on a monthly basis throughout the financial year; regularly reporting performance, variances, and forecasts to the City Treasurer, Cabinet, and as required to the Policy & Scrutiny Committee, and Audit & Performance Committee.</i></p> <p><i>b. Ensuring any risks or issues relating to over- or under-spends within their areas are escalated to finance on a timely basis.</i></p>
12	D – 3.1	<p>Reasons for Virements</p> <p>Added:</p> <ul style="list-style-type: none"> • <i>to reflect technical adjustments at the discretion of the City Treasurer</i> • <i>to reflect any changes in corporate priorities (this was previously in schedule of financial authority but not main financial regs)</i>
18	F – 4.3	<p>Expenditure – Other Responsibilities</p> <p>Bullets (a) – (b) added:</p> <p><i>a. Chief Officers are empowered to expend from within their allocated service budget expenditure up to the amount set out in the Schedule of Financial Authority to Officers in any single case where the Chief Officer is of the view that a finding of maladministration with injustice is likely to be found by the Local Government Ombudsman.</i></p> <p><i>b. In circumstances where compensation above the amount set out in the Schedule of Financial Authority to Officers the authority of the General Purposes Committee is required.</i></p>
19-	F – 7.1	<p>Treasury Management – City Treasurer Responsibilities</p>

20		<p>Bullets (c) – (e) added:</p> <ul style="list-style-type: none"> c. <i>Preparing and maintaining a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.</i> d. <i>Preparing and maintaining suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.</i> e. <i>The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management in the Public Services Code of Practice (the Code), subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code’s key principles.</i> f. <i>Ensuring that the organisation (i.e. Full Council) receives reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.</i>
20	F – 7.3	<p>Treasury Management – Other Responsibilities</p> <p>Bullets (a) – (b) added:</p> <ul style="list-style-type: none"> a. <i>This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the City Treasurer, who will act in accordance with the organisation’s policy statement and TMPs and, if he/she is a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management.</i> b. <i>This organisation nominates Housing, Finance & Customer Services Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.</i>
22	G – 1.1	<p>External Arrangements – Principles</p> <p>Added:</p> <p><i>Full Cabinet approval is required in order to set-up a new entity, such as a joint venture.</i></p>

Non-Material changes to financial regulations

Page	Section	Change
Throughout		<p>Update or clarification relating to job titles/departments</p> <p>CFO replaced by City Treasurer Manager replaced by Budget Manager Capital Programme Board replaced by Capital Review Group Strategic Director replaced by Executive Director Payroll Team replaced by BT Shared Service Centre Head of Order to Cash replaced by Finance Manager Lead Business Partner replaced by Strategic Finance Manager Head of Legal and Democratic Services replaced by Tri-Borough Director of Law SEB replaced by Executive Management Team</p> <p>Formatting changes- changes to font and numbering reset at the start of each section</p>
5	B – 4.1	<p>Financial Management Roles and Responsibilities – Budget Managers</p> <p>Added:</p> <p style="padding-left: 40px;"><i>i. Assisting cash flow through timely billing of income due, monitoring income received and taking appropriate action in the event of non-payment.</i></p>
7	C – 3.1	<p>Capital Programme</p> <p>Moved from section D.</p>
F	18	<p>Expenditure – Payroll</p> <p>Replaced: <i>The CFO is responsible for ensuring that the Director of Human Resources operates sound arrangements for the payment of salaries, pensions and expenses to officers and in accordance with the Members Allowances Scheme administered by the Head of Legal and Democratic Services, Members.</i></p> <p>With: <i>The Director of Human Resources is responsible for: Operating sound arrangements for the payment of salaries, pensions and expenses to officers and in accordance with the Members Allowances Scheme administered by the Head of Legal and Democratic Services, Members.</i></p>

Schedule 1 - Sources of Income - 2015/16 to 2016/17

	2015/16 Revised Budget (£,000's)	Budget Change (£,000's)	2016/17 Original Budget (£,000's)
<u>Cabinet Portfolio</u>			
Leader of the Council	(2,135)	(1,760)	(3,895)
Deputy Leader - Built Environment	(9,878)	(2,450)	(12,328)
Finance & Corporate Services	(57,684)	(7,825)	(65,509)
Children & Young People	(97,160)	(670)	(97,830)
Housing, Regen, Business & Economic Dvlpt	(265,164)	(75)	(265,239)
Public Protection	(5,836)	(345)	(6,181)
Sustainability & Parking	(72,771)	(4,378)	(77,149)
City Management & Customer Services	(20,904)	(2,800)	(23,704)
Adults & Public Health	(69,900)	(1,400)	(71,300)
Sports & Leisure	(8,291)	(226)	(8,517)
Net Cost of Service Provision	(609,722)	(21,929)	(631,651)
Funded By:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	(391)	(80,615)
Revenue Support Grant	(70,039)	12,187	(57,852)
	(806,028)	(13,273)	(819,301)
<u>Executive Management Team Portfolios</u>			
Chief Executive / Chief of Staff	(2,583)	0	(2,583)
City Treasurer	(390)	(7,568)	(7,958)
Policy, Performance & Communications	(5,580)	(2,710)	(8,290)
Adults Services	(69,900)	(1,400)	(71,300)
Childrens Services	(97,160)	(670)	(97,830)
City Management & Communities	(110,129)	(8,449)	(118,578)
Corporate Services	(6,280)	(250)	(6,530)
Growth, Planning & Housing	(317,700)	(882)	(318,582)
	(609,722)	(21,929)	(631,651)
Corporate Funding:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	(391)	(80,615)
Revenue Support Grant	(70,039)	12,187	(57,852)
	(806,028)	(13,273)	(819,301)

Schedule 2 - Expenditure Requirements - 2015/16 to 2016/17

	2015/16 Revised Budget (£,000's)	Budget Change (£,000's)	2016/17 Original Budget (£,000's)
<u>Cabinet Portfolio</u>			
Leader of the Council	11,032	(3,284)	7,748
Deputy Leader - Built Environment	13,302	(450)	12,852
Finance & Corporate Services	51,231	20,335	71,566
Children & Young People	135,990	(2,042)	133,948
Housing, Regen, Business & Economic Dvlpt	323,688	555	324,243
Public Protection	17,089	0	17,089
Sustainability & Parking	18,077	827	18,904
City Management & Customer Services	81,948	(1,523)	80,425
Adults & Public Health	135,518	(4,877)	130,641
Sports & Leisure	18,153	(114)	18,039
Net Cost of Service Provision	806,028	9,427	815,455
Funded By:			
Council Tax	0	0	0
Business Rates (Net of Tariff)	0	3,846	3,846
Revenue Support Grant	0	0	0
	806,028	13,273	819,301
<u>Executive Management Team Portfolios</u>			
Chief Executive / Chief of Staff	5,300	(150)	5,150
City Treasurer	11,005	18,471	29,476
Policy, Performance & Communications	15,790	(572)	15,218
Adults Services	133,400	(1,209)	132,191
Children's Services	135,990	(2,042)	133,948
City Management & Communities	133,953	(2,610)	131,343
Corporate Services	20,890	(2,183)	18,707
Growth, Planning & Housing	349,700	(278)	349,422
	806,028	9,427	815,455
Corporate Funding:			
Council Tax	0	0	0
Business Rates Tariff Increase	0	3,846	3,846
Revenue Support Grant	0	0	0
	806,028	13,273	819,301

Schedule 3 - Net Budget Requirement (by Cabinet Member and EMT)

This Schedule consolidates Schedule 1 (Sources of Income) and Schedule 2 (Expenditure Requirements) in order produce the Net Budget

	2015/16 Revised Budget (£,000's)	Budget Change (£,000's)	2016/17 Original Budget (£,000's)
Cabinet Portfolio			
Leader of the Council	8,897	(5,044)	3,853
Deputy Leader - Built Environment	3,424	(2,900)	524
Finance & Corporate Services	(6,453)	12,510	6,057
Children & Young People	38,830	(2,712)	36,118
Housing, Regen, Business & Economic Dvlpt	58,524	480	59,004
Public Protection	11,253	(345)	10,908
Sustainability & Parking	(54,694)	(3,551)	(58,245)
City Management & Customer Services	61,044	(4,323)	56,721
Adults & Public Health	65,618	(6,277)	59,341
Sports & Leisure	9,862	(340)	9,522
Net Cost of Service Provision	196,306	(12,502)	183,804
Funded By:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	3,455	(76,769)
Revenue Support Grant	(70,039)	12,187	(57,852)
	0	0	0
Executive Management Team Portfolios			
Chief Executive / Chief of Staff	2,717	(150)	2,567
City Treasurer	10,615	10,903	21,518
Policy, Performance & Communications	10,210	(3,282)	6,928
Adults Services	63,500	(2,609)	60,891
Children's Services	38,830	(2,712)	36,118
City Management & Communities	23,824	(11,059)	12,765
Corporate Services	14,610	(2,433)	12,177
Growth, Planning & Housing	32,000	(1,160)	30,840
	196,306	(12,502)	183,804
Corporate Funding:			
Council Tax	(46,043)	(3,140)	(49,183)
Business Rates (Net of Tariff)	(80,224)	3,455	(76,769)
Revenue Support Grant	(70,039)	12,187	(57,852)
	(0)	(0)	(0)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)**Leader of the Council / Cabinet Member for Finance**

Cessation of Contracted-Out NI Rate Growth	2,000
Adults Grants Rolled into RSG	(1,000)
Lease charge from Property from 2016/17	(540)
Corporate Property - 15/16 Base Budget Adjustment	2,257
Growth	2,717
Outdoor Media	(1,560)
Digital Transformation	(3,072)
Tri-Borough Corporate Services - Legal Services	(262)
Human Resources - Restructure and Contract Review	(714)
Managed Services Programme	(300)
Finance service restructure - phase 2	(1,072)
Business Intelligence	(200)
Managed Services Programme - additional savings	(300)
Additional HR savings	(160)
Increase in Council Tax Base	(1,243)
Procurement – Bi-borough service and capitalesourcing platform	(427)
Revenue & Benefits – contract extension	(170)
Increased Treasury Management Income	(900)
Chief of Staff - review of budgets	(150)
Print and document management	(220)
Commercial operating model for procurement	(50)
Corporate Property Strategy	(490)
Major Projects - Income generation	(90)
Income from Telecommunications Masts	(117)
Property Rationalisation and Asset Management (including Hubs)	(710)
New Homes Bonus grant profiling	(4,000)
Savings	(16,207)
Net Budget Change - Leader of the Council / Cabinet Member for Finance	<u>(13,490)</u>

Deputy Leader - Built Environment

Development Planning Transformation	(450)
Events and Films	(150)
Community Infrastructure Levy	(1,000)
Development Planning - Fees and Charges	(500)
Code of Construction Practice	(800)
Savings	(2,900)
Net Budget Change - Deputy Leader - Built Environment	<u>(2,900)</u>

Adults & Public Health

New home care contract, as per Care at Home financial model	742
Adults Services - Demographic Pressures	414
Independent Living Fund - New Burdens	361
TUPE Pension Pressure	310
Additional NNDR Costs	24
Grants Rolled into RSG	1,000

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

Lease charge from Property from 2016/17	540
Growth	3,391
Commissioning Transformation and Contract Efficiencies	(1,192)
Mental Health Placements	(100)
Operations Alignment - Customer Journey	(1,333)
Well being and prevention services – including Assistive Technology	(575)
Managing Growth from Within Existing Budgets	(686)
High Cost, High Needs Packages Review	(350)
Better Care Fund - Health Integration Benefit Share	(500)
Public Health Funded Initiative – Improving Social Isolation	(200)
Increase in Social Care to Benefit Health funding	(200)
Mental Health Placements	(150)
Learning Disability Placements and Supplies/Services Review	(400)
Line by Line review of all supplies/services budgets	(255)
Alternative funding for Westminster Shopper	(59)
Public Health – Grant/Contract Reductions	(3,596)
Public Health - efficiencies to offset inflation pressures	(72)
Savings	(9,668)
Net Budget Change - Adults & Public Health	<u>(6,277)</u>

Housing, Regeneration, Business & Economic Development

Temporary Accommodation Demand Pressures	4,500
Employment Skills Recharge	186
Adult Education - Reduced Funding	<u>375</u>
Growth	5,061
Review of Housing Options and Homeless Service costs	(650)
Recharge all project management fees	(250)
Employment and skills recharge	(110)
Income from Regeneration Area Decant Units	(1,191)
Temporary Accommodation homes purchase	(834)
Street Trading Licensing Fees Income	(200)
Rough Sleeping and Supported Housing	(971)
Adult Education - Savings to Offset Funding Cuts	(375)
Savings	(4,581)
Net Budget Change - Housing Regeneration Business & Economic Dvlpt	<u>480</u>

City Management & Customer Services

Waste Tonnage Band Increase.	230
Growth	230
Highways - Alternative Service Delivery Models	(160)
Highways - Service Level Changes	(210)
Highways - Alternative Sources of Funding	(225)
Area Based Working / City Management Transformation	(563)
Road Management fees income	(1,000)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

Efficiencies in Public Conveniences Procurement	(125)
Commercial waste income	(1,500)
Energy efficient street lights	(20)
Area Management - phase 1 & 2	(750)
Savings	(4,553)
Net Budget Change - City Management	(4,323)

Public Protection

Commercial Opportunities Private Rented Accommodation (Licensing)	(15)
Licensing Fees Income	(330)
Savings	(345)
Net Budget Change - Public Protection	(345)

Sports and Leisure

Declining Libraries Income Streams	19
Growth	19
Sports & Leisure - Phase I	(170)
Voluntary and Community Based Services - Return of underspend	(72)
Registration Service Income Growth - Commercialisation	(100)
Libraries stock efficiencies	(17)
Savings	(359)
Net Budget Change - Sports and Leisure	(340)

Children & Young People

Commissioning contracts (specialist services)	(565)
Commissioning team	(154)
Early Help - Children's Transformation	(1,388)
Education	(60)
Finance & Resources	(100)
Focus on Practice	(245)
Other family services savings	(200)
Savings	(2,712)
Net Budget Change - Children & Young People	(2,712)

Sustainability & Parking

Freedom Pass Cost Increase	1,000
Growth	1,000
Parking Transformation Programme	(801)
Kerbside Permissions Charges Review – Demand Management	(1,900)
Review of On Street Parking charges to manage demand	(1,850)
Savings	(4,551)
Net Budget Change - Sustainability and Parking	(3,551)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

<u>Summary of Service Area Net Budget Changes</u>	Growth (£,000's)	Savings (£,000's)	Net (£,000's)
Leader of the Council / Cabinet Member for Finance	2,717	(16,207)	(13,490)
Deputy Leader - Built Environment		(2,900)	(2,900)
Adults & Public Health	3,391	(9,668)	(6,277)
Housing, Regeneration, Business & Economic Dvlpt	5,061	(4,581)	480
City Management & Customer Services	230	(4,553)	(4,323)
Public Protection		(345)	(345)
Sports and Leisure	19	(359)	(340)
Children & Young People		(2,712)	(2,712)
Sustainability & Parking	1,000	(4,551)	(3,551)
	12,418	(45,876)	(33,458)

Schedule 4 - Details of Budget Changes**2016/17**
(£,000's)

Service Area Net Budget Changes (33,458)

Financed by Budget Changes within Corporate Items:

Revenue Support Grant	12,187
Retained NNDR Receipts	(4,530)
Surplus / Deficit to Baseline Funding Position	4,191
NNDR Tariff	3,846
Change in NNDR-Related s31 Grants	(52)
Localised Business Rates	3,455
Organic Growth in Queen's Park Tax Base	(5)
Council Tax Increase for Adults Social Care	(946)
Council Tax Increase	(946)
Council Tax Increase for Adults Social Care	(1,897)
Collection Fund Adjustment Account	(263)
Loss of Council Tax Freeze Grant	497
New Homes Bonus	(1,659)
Queen's Park Community Council Precept	5
London Pension Fund Authority Levy	40
Environment Agency Levy	6
Lee Valley Regional Park Authority Levy	7
Levies and Precepts	58
Capital Financing - MRP Increases	3,200
Contract Inflation	5,940
Employee Salary Inflation	1,602
Contribution to Reduce Pension Deficit	3,000
Employee Inflation & Other Rate Increases	4,602
Risk Provision	2,300
s31 Grant - Special Educational Needs	279
s31 Grant - NHB Returned Funding	276
Education Services Grant	117
Other Grants and Income	671
Contribution to Pensions Reserve	421
Transformation Funding for Savings Proposals	946
Net Impact of all other changes	3,000
Other Reserves & Provisions	4,367
	33,458
CHANGE TO NET REVENUE BUDGET	(0)

Schedule 5 - Movements in Reserves

Movement in General Reserves

	Anticipated Closing Reserves 2015/16 (£,000's)	Budget Change 2016/17 (£,000's)	Anticipated Opening Reserves 2016/17 (£,000's)
Movement in General Reserves	36,035	4,000	40,035

Movement in Earmarked Reserves

Chief Executive / Chief of Staff	625	0	625
City Treasurer	7,875	(327)	7,547
Policy, Performance & Communications	100	0	100
Adult Services	10,463	(6,479)	3,984
Children's Services	355	(204)	152
City Management & Communities	9,311	(3,116)	6,195
Corporate Services	251	0	251
Growth, Planning and Housing	0	0	0
Other	126,353	8,466	134,819
	155,333	(1,660)	153,673

Movement in Ring-Fenced Reserves

Adult Education - Unspent LSC Funding	514	0	514
Schools Reserve/Dedicated Schools Grant	6,971	0	6,971
Quinton Kynaston Endowment	1,546	0	1,546
Public Health Reserve	6,329	(3,828)	2,501
	15,359	(3,828)	11,531

Grand Total

	170,692	(5,488)	165,204
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Schedule 6 - Levies, Special Expenses and Precepts

Levies

The Council is required to raise levies from its taxpayers on behalf of three separate bodies. The following levies have so far been notified to the Council:

	Budget 2015/16 (£,000's)	Budget Change (£,000's)	Budget 2016/17 (£,000's)
London Pension Fund Authority *	1,988	0	1,988
Lee Valley Regional Park Authority *	279	0	279
Environment Agency *	366	0	366
	2,633	0	2,633

* Notifications from these authorities have yet to be received

Special Expenses

The Montpelier Square Garden Committee raise a charge (Special Expense) against the local residents who have access to this private garden. That charge is recovered as part of the Council Tax bill for those relevant residents as a specific and separate additional

The Garden Committee have indicated their desire to maintain the charge as the save level as for the previous year

	Budget 2015/16 (£'s)	Budget Change (£'s)	Budget 2016/17 (£'s)
Montpelier Square Garden Committee	32,500	0	32,500

Precepts

The Queen's Park Community Council is the only Parish Council in London and was established in April 2014. For 2016/17, they have resolved to maintain the local precept at £44.40 for a Band D amount.

The taxbase in the area has organically grown during the year as a result of new homes being built in the area and changes in bandings. As a result the total raised will increase slightly between the two years.

	Budget 2015/16	Budget Change	Budget 2016/17
Taxbase	3,156	113	3,269
Band D Amount	44		44
Total Precept Raised	140,144	5,007	145,151

Schedule 7 - Localised Business Rates, Settlement Funding Assessment & Council Tax

Settlement Funding Assessment

Revenue Support Grant, together with Retained Localised Business Rates, collectively comprise "Settlement Funding Assessment". The Provisional Local Government Finance Settlement has set out the allocation of Revenue Support Grant for 2016/17 (and outlined an offer of a four-year settlement) as set out below:

	Budget 2015/16 (£,000's)	Budget Change (£,000's)	Budget 2016/17 (£,000's)
CLG-Assumed Business Rates Net Collectable	1,811,983	15,100	1,827,083
Less 50% Share payable to DCLG	(905,992)	(7,550)	(913,542)
Less 20% Share payable to GLA	(362,397)	(3,020)	(365,417)
30% Retained by Westminster City Council	543,595	4,530	548,125
Less Tariff (Payable to DCLG)	(461,562)	(3,846)	(465,408)
CLG-Assumed Net Retained by the Council	82,033	684	82,716

Westminster City Council collects more business rates than any other local authority by a considerable margin (around 8%). Additionally, we saw an abnormally high increase in Rateable Value following the 2010 Revaluation - an average 63%.

As a consequence of the high increase following revaluation, we have seen an unprecedented level of businesses lodging appeals against their valuation. This has adversely impacted on the actual rates collected to the extent that we expect to receive considerably less in NNDR income and thus be eligible for an NNDR Safety Net payment. This will mean our actual retained NNDR (after the Tariff) will actually be £76.513m

Council Tax

	Queen's Park Community Council	Montpelier Square	Rest of the City
Band D Amounts:			
Queen's Park Community Council	44	0	0
Montpelier Square	0	342	0
Westminster City Council	393	393	393
	437	735	393
Greater London Authority	276	276	276
	713	1,011	669
Taxbase (Band D Equiv Properties)	3,269	95	121,817
Total Collectable:			
Queen's Park Community Council	145,151	0	0
Montpelier Square	0	32,500	0
Westminster City Council	1,284,163	37,333	47,850,904
	1,429,314	69,833	47,850,904
Greater London Authority	902,291	26,231	33,621,470
	2,331,605	96,064	81,472,374

Schedule 8 - Uses of the Council Tax Income

	2015/16 Revised Budget (£'s)	Budget Change (£'s)	2016/17 Original Budget (£'s)
<u>Cabinet Portfolio</u>			
Leader of the Council	72.99	(42.21)	30.78
Deputy Leader - Built Environment	28.09	(23.90)	4.19
Finance & Corporate Services	(52.94)	101.33	48.39
Children & Young People	318.56	(30.04)	288.52
Housing, Regen, Business & Economic Dvlp	480.14	(8.79)	471.35
Public Protection	92.32	(5.18)	87.14
Sustainability & Parking	(448.71)	(16.57)	(465.29)
City Management & Customer Services	500.81	(47.70)	453.11
Adults & Public Health	538.33	(64.29)	474.04
Sport & Leisure	80.91	(4.84)	76.07
Net Cost of Service Provision	1,610.51	(142.20)	1,468.30
Funded By:			
Council Tax	(377.74)	(15.16)	(392.90)
Business Rates (Net of Tariff)	(658.16)	44.90	(613.26)
Revenue Support Grant	(574.60)	112.46	(462.15)
<u>Executive Management Team Portfolios</u>			
Chief Executive / Chief of Staff	22.29	(1.78)	20.51
City Treasurer	87.09	84.81	171.89
Policy, Performance & Communications	83.76	(28.42)	55.34
Adult Services	520.96	(34.53)	486.42
Children's Services	318.56	(30.04)	288.53
City Management & Communities	195.45	(93.48)	101.97
Corporate Services	119.86	(22.59)	97.28
Growth, Planning and Housing	262.53	(16.17)	246.36
Net Cost of Service Provision	1,610.51	(142.20)	1,468.30
Funded By:			
Council Tax	(377.74)	(15.16)	(392.90)
Business Rates (Net of Tariff)	(658.16)	44.90	(613.26)
Revenue Support Grant	(574.60)	112.46	(462.15)
	(1,610.51)	142.20	(1,468.30)

Schedule 9 - Housing Revenue Account

	Approved Budget 2015/16 £'000	Changes £'000	Budget 2016/17 £'000
Income			
Business Income			
Rent income - dwellings	(78,063)	2,299	(75,764)
Rent income - sheds & garages	(1,131)	(57)	(1,188)
Tenant service charges	(2,777)	49	(2,728)
Lessee income	(9,427)	(0)	(9,427)
Total Business Income	(91,397)	2,291	(89,107)
Other Income			
Corporate Property Income	(8,228)	(82)	(8,310)
Major works lessees income	(8,813)	4,072	(4,741)
Heating & hot water charges	(2,367)	(25)	(2,392)
Pimlico District Heating Undertaking charges	(3,356)	(0)	(3,356)
Miscellaneous Income	(1,383)	120	(1,263)
Interest on balances	(251)	(401)	(652)
Total Other Income	(24,398)	3,684	(20,714)
Total Income	(115,795)	5,974	(109,821)
Expenditure			
Total Management Costs	30,313	(282)	30,031
Total Special Services	9,600	(0)	9,600
Total Repairs & Maintenance	19,525	(3,258)	16,267
Total Directly Managed Costs	59,437	(3,540)	55,898
Total Central Support Service Overheads & Recharges	8,495	1,486	9,981
Miscellaneous expenditure/income			
Capital financing costs	13,731	(1,346)	12,385
Depreciation	17,239	5,529	22,767
Provision for bad debts	1,071	(221)	850
Central Contingency	600	0	600
Revenue Contribution to Capital (RCCO)	7,282	(7,282)	0
Total Miscellaneous expenditure	39,923	(3,320)	36,602
Total expenditure	107,855	(5,374)	102,481
Net in year deficit/(surplus)	(7,940)	600	(7,340)
HRA Reserves			
Balances Brought Forward	(49,950)	15,303	(34,647)
Net in year deficit/(surplus)	(7,940)	600	(7,340)
Capital expenditure funded from balances	23,243	(14,295)	8,948
Balances Carried Forward	(34,647)	1,608	(33,040)

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City of Westminster Cabinet

Decision Maker:	Cabinet
Date	22nd February 2016
Classification:	For General Release
Title:	2015/16 to 2020/21 Capital Strategy and Capital Programme
Wards Affected:	All
Financial Summary:	This report sets out the Council's Capital Strategy and Capital Programme for the period 2015/16 to 2020/21
The Report of:	Steven Mair, City Treasurer Tel: 020 76412904 Email: smair@westminster.gov.uk

1. Executive Summary

- 1.1. This report outlines the City Council's capital strategy, outlining the principles the Council will follow when considering capital investment, and setting out the five year capital programme supporting the Council's vision. The City of Westminster is an iconic place with an enormous heritage and history. While the Council is one of 33 London Boroughs it has a number of unique characteristics which make it stand out across the country and it is a core area of national activity and makes a very significant contribution to the UK economy
- 1.2. The Council is pro-actively driving through its *City for All* programmes with a vision for a city of choice and aspiration where all investments promote productivity, are ambitious, support collaboration or are enterprising. Very strongly linked to this the Council is committed to achieving best value in providing essential services to the community. Capital proposals are considered within the Council's overall medium to long term priorities, with the preparation of the five year programme an integral part of the Council's financial planning framework
- 1.3. The highly ambitious strategic aims of the Council are matched by an equally ambitious fully funded capital programme of £1.720bn over five years (2016/17 to 2020/21). This excludes the HRA capital programme at a value of £360m, giving a total 5 year capital programme of £2.080bn. The proposed capital programme reflects the on-going schemes from previous programmes, a number of new schemes aimed at meeting City for All and addressing the priority areas within the Council's Medium Term Plan and investment to ensure the future financial sustainability of the Council. The main schemes in the capital programme are:
- City Hall Refurbishment
 - Huguenot House
 - Leisure Estate Review
 - Dudley House
 - Cavendish Square Car Park
 - Circus Road
- 1.4. The programme will be financed via:

Funding Source	£m
Capital Receipts	882
Grants & Contributions (Incl. S106 & AHF)	231
Revenue Reserves	2
Borrowing	605
Total Gross Budget	1,720

The revenue implications of the programme are provided within the revenue budget, the MTP assumptions and a continuing estimate beyond this period, combined with the addition in 2019/20 of a reserve established for this purpose

- 1.5. The above fully funded position clearly depends on the schemes being delivered on time and within the estimates set out in this report. Any increases in expenditure or reductions in income

will need to be compensated for by the relevant project or the consequential revenue impacts funded in full by the individual service

1.6. The capital programme covers three areas of expenditure, these are:

- Development – these schemes will help the Council achieve strategic aims and generate income, and therefore will be funded by the relevant service
- Investment – schemes within this category will help to generate income and increase the diversification of the Council’s property portfolio and will be self-funded by this additional income/efficiency savings etc
- Operational – these schemes are related to day to day activities that will ensure the Council meets its statutory requirements, and will be funded by the individual service.

These categories are explained in more detail in section 6 of this report.

1.7. The capital strategy sets out the processes by which the programme will be managed. These processes are being continually reviewed and improved and will continue to be further developed during 2016/17 as part of the planned programme of financial management enhancements. This will support the successful delivery of projects, in terms of time, cost and quality, as well as achieving the objectives of City for All

1.8. The capital programme for 2015/16 is currently forecast to spend £93.5m and this is to be fully funded by grants and capital receipts. This position is set out below, and further detail is given in Appendix B

	Budget 2015/16 £m
All Service Areas	
Adult Services	0.3
Children's Services	9.7
Growth, Planning & Housing	45.9
City Management & Communities	36.9
Corporate Services	0.7
TOTAL	93.5
Grants	(57.2)
Capital receipts	(36.3)
Total Funding for Gross Expenditure	(93.5)

2. Recommendations

That the Council be recommended to approve the following:

- 2.1. The capital strategy as set out in this report
- 2.2. The capital expenditure for the general fund as set out in Appendix A for 2016/17 to 2020/21
- 2.3. The capital expenditure for the HRA as set out in Appendix E for 2016/17 to 2020/21
- 2.4. In the event that any additional expenditure is required by a capital scheme over and above this approved programme the revenue consequences of this will be financed by revenue savings or income generation from relevant service areas
- 2.5. From 2017/18 the revenue costs of schemes in the programme will be financed by revenue savings or income generation from relevant service areas
- 2.6. That all development and investment projects follow the business case methodology as set out in section 11 of this paper, including the approval process as set out in paragraph 11.7
- 2.7. The terms of reference of the Capital Review Group as set out in Appendix C
- 2.8. A facility of up to £50m for the investment and diversification of the property portfolio to be created with an initial allocation of £25m to be drawn down from 2016/17, as outline in paragraph 6.3.4
- 2.9. That no financing sources unless stipulated in regulations or necessary agreements are ring fenced
- 2.10. The process of improvement as per paragraph 11.8 that will be undertaken during 2016/17

3. Reasons for Decision

- 3.1. The Council is required to set a balanced budget and the capital strategy and subsequent capital programme form part of this process, along with the governance process to monitor and manage the programme

4. Policy Context

- 4.1. The capital strategy is based on the strategic aims of City for All and PACE
- 4.2. City for All is made up of three elements:

- City of Aspiration – enabling all communities to share in the economic prosperity of the city
- City of Choice – creating opportunities for residents, businesses, and visitors to make responsible choices for themselves
- City of Heritage – protecting and enhancing Westminster’s unique heritage so that it remains an attractive place to live, work and visit

4.3. The Council is embarking on a highly ambitious capital programme of £1.720bn which will see investment in a number of very significant developments throughout the city. Many of these schemes will help to modernise areas of the City, helping to maintain and develop Westminster’s reputation as a global centre of tourism, retail, entertainment and business. This will aim to meet the key strategic aims of City for All, enhancing choice, aspiration and increasing the heritage value within Westminster

4.4. Some of the ways the capital programme will achieve these strategic aims are detailed below:

- A number of large development schemes within the capital programme will lead to new affordable housing units being built. This will help the Council meet its target for building new homes and ease the pressure on temporary accommodation. In some cases the building of residential units will help to part fund other capital investment priorities within the Council. The building of new residential properties is at the heart of giving residents the opportunity to aspire
- The West End Partnership will ensure sustained investment for one of the most vibrant and exciting places in the UK, maintaining its status as the foremost retail and entertainment area in the UK. This will enhance the heritage of Westminster
- Continued investment in highways and infrastructure (through the Council and TfL) will ensure public realm within Westminster is of a high standard and continues to be an attractive place to visit, whatever the mode of transport
- The Leisure Estate review will result in significant investment which will provide residents of Westminster modern leisure facilities, helping to tackle obesity and encourage healthier lifestyles. This is a key component in offering choice to residents about the type of lifestyle they lead
- The refurbishment of City Hall will provide modern office facilities for the Council to operate within, becoming a more efficient building and symbol of local government in the area
- As part of its capital programme, the Council will continue to invest in the Church Street Renewal Area. This will help to stimulate the local economy, creating business opportunities in the area and increasing the attractiveness of the area for those that live and work there

4.5. The application of the Council's key values will support the successful delivery of the capital projects. The Council's values (PACE) are:

- Productivity - showing initiative, drive and determination and helping others to be productive and making informed decisions
- Ambition – constantly challenge, creating new solutions and working as a team
- Collaboration – working with partners and showing local leadership, whilst challenging one another respectfully and treating everyone with fairness and courtesy
- Enterprise – constantly seeking better VfM to reduce costs, seeking to generate growth and take managed risks to achieve best outcomes

4.6. The application of the Council's key values will support the successful delivery of the capital programme. By way of example the investment in City Hall will increase productivity through more effective ways of working; significant investment in the leisure estate demonstrates the Council's ambition for high quality facilities to encourage healthier lifestyles; West End projects included within the capital programme are supporting the West End partnership undertaken in collaboration with a broad range of partners; enterprise is underpinning several projects which will generate income or receipts to support the long term sustainability of the Council. All areas of the Council are encouraged to consistently look at innovative solutions for service delivery and a large amount of the capital investment highlighted in the programme will look to improve service delivery, or aid its improvement through increased income streams

5. Principles of the Capital Programme

5.1. The main vehicle through which the capital programme will be reviewed and managed is the Capital Review Group (CRG), where schemes will be recommended for approval by the relevant Cabinet Member. The role of CRG is to oversee and manage the whole of the Council's capital programme irrespective of financing source. It is responsible for the rolling five year capital programme and manages the funding requirements for the capital programme and the subsequent revenue impact it will have. CRG reviews risks related to capital schemes, ensuring value for money is being achieved, whilst at all times providing robust challenge in monitoring projects and programmes within the Council's capital programme. The CRG terms of reference can be found in Appendix C to this report. In addition to this, the capital programme is regularly monitored and updates given to Cabinet

5.2. CRG will lead the strategic direction of the capital programme and enable funding to be aligned with the principles of City for All

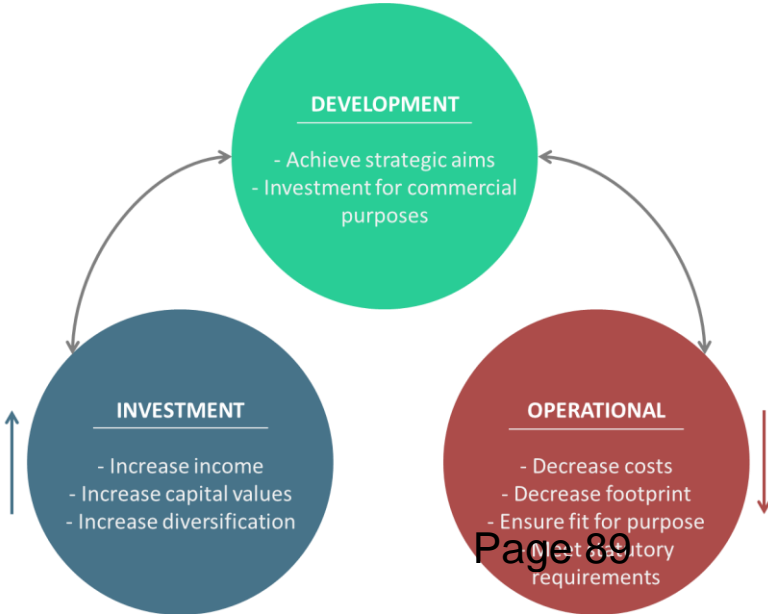
- 5.3. The first call on capital resources will be any operational schemes that are required to be in the programme for statutory or legal reasons. In addition all schemes already approved in the capital programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed
- 5.4. All capital projects will have to demonstrate value for money and where relevant (as outlined in sections 10 and 11) follow the business case process requiring evidence of need, cost, risk, outcomes and methods of financing
- 5.5. All capital investment decisions will be made with reference to City for All and any significant changes to the timing of expenditure or funding of schemes will be reviewed by CRG. Any consequential revenue impacts will have to be funded by the project or the relevant service
- 5.6. The Council’s capital strategy is based on the government’s good practice guidelines and will be reviewed and updated each year
- 5.7. The Council’s current capital programme was approved by Full Council in March 2015, and supports the Council’s overall capital strategy. The revised five year capital programme forecasts a total spend of £1.720bn for the general fund and £360m for the HRA between 2016/17 to 2020/21, giving a total of £2.080bn.

6. Objectives of the Westminster City Council’s Capital Strategy

6.1. As noted in paragraph 1.6 the Council’s capital programme covers three key areas:

- Development
- Investment
- Operational

The diagram below provides an overview of these categories



Detailed information on the above areas can be found below

6.2. Development

- 6.2.1. Development projects are key schemes that directly support the Council's key strategic aims, in line with City for All. This includes the long term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration. This will help Westminster's residents and businesses in creating a strong local economy to live and work in, helping to embed the City for All ethos. These factors combined will help to sustain council services and ensure that Westminster City Council remain at the forefront of public service delivery
- 6.2.2. Services will fund the financing costs of development expenditure through service savings or income generation. Once completed the asset will be classified as within either the investment or operational category, with on-going maintenance being undertaken in line with other assets
- 6.2.3. The Council will review the best delivery routes for development projects as there are a number of delivery routes that can be followed. Appendix D summarises these delivery routes
- 6.2.4. The five year capital programme includes £1.544bn of development schemes which are funded via:

Funding Source	£m
Capital Receipts	882
Affordable Housing Fund (AHF)	116
Grants	61
Section 106 receipts	9
Borrowing	476
Total Gross Budget (Development Schemes)	1,544

- 6.2.5. Development schemes make up the majority of the gross capital budget and the majority of capital receipts in the programme are related to these schemes
- 6.2.6. The major development projects are outlined below:
- 6.2.7. **Growth, Planning & Housing**

6.2.7.1. Leisure Estate Review

The purpose of the leisure estate review is to modernise the Council's leisure facilities and the objective of the project include:

- To modernise leisure facilities
- To provide additional housing to meet the demands and growing pressures on the property landscape in Westminster
- To release a capital sum for re-investment in other development/investment projects
- To provide facilities that will improve the health and well-being of residents in Westminster

6.2.7.2. Huguenot House

The Council is currently exploring options for the redevelopment of the site. This includes the option of a potential mixed use office and residential site which will aim to:

- Enhanced rental income stream and enhanced capital value
- Increased employment generating uses
- New housing
- Improved public realm

6.2.7.3. Circus Road

The purpose of this project is to redevelop the existing retail parade on either side of Circus Road. Whilst the parade forms the gateway to St Johns Wood Village, it is commercially undervalued and underperforming when compared to the neighbouring St Johns Wood High Street. The objectives of the project are:

- To provide an increased revenue stream in line with rents currently being achieved in the neighbouring St Johns Wood High Street
- To provide private for sale apartments above the parade
- To maximise revenue returns post finance

6.2.7.4. Dudley House

This scheme is more progressed than the others and is beyond feasibility stage, however the previous Cabinet Member report stated a financial strategy would be developed to outline the funding of the project, this is linked to the delivery route including options around a Joint Venture partner which will be supported by a full business case. The objectives of the scheme include:

- To maximise the net revenue returns to the Council, post finance
- Increased secondary school places with the establishment of Marylebone Boys School
- Re-provision of a Church within the site
- Further the regeneration objectives and aspiration of the Paddington Basin area

6.2.7.5. Cavendish Square

Cavendish Square is an important London Square, situated in the heart of London's West End. From 1963 the Council has held a long leasehold interest in the square and in May 2014 the Council bought the freehold interest and merged interests. Cavendish Square is currently configured as a garden/ park surrounded by a brick wall. In the 1970s a car park was developed over 3 subterranean levels, providing a total net area of 13,500 sq m. The car park is let and operated by Q-Park Ltd at an annual rent of £1.8m. Currently only two of the car parking levels are in regular use and it is foreseen there is opportunity to reconfigure and utilise this space in a more efficient manner. The purpose of the project is:

- Enhanced rental income stream and enhanced capital value
- Improve the leisure and retail offer that the local area provides
- Improved public realm

6.2.7.6. City Hall

City Hall is in need of significant investment to enable it to keep functioning. The building requires significant mechanical and electrical plant replacement and upgrades. The Council has received various reports over a period of time highlighting that significant elements of main plant have come to the end or are near to the end of their serviceable life.

The refurbishment of City Hall is required to secure modern office accommodation that suits the Council's future operational needs and minimises the long term revenue costs. The main objectives of the project are:

- Update and renovate City Hall into modern office accommodation
- To ensure the building meets new environmental standards on energy efficiency
- To fully utilise and greater efficiency in how City Hall is used

6.2.7.7. 291 Harrow Road

This project is aimed at delivering 27 specialist housing units for persons with learning disabilities plus 64 affordable homes to be provided as intermediate housing. The objectives of the project are:

- Provide Learning Disability accommodation to households the Council has a duty towards
- The provision of housing to help the Council address it's affordable housing need
- Generate an annual revenue income for the Council

6.2.8. Adults

6.2.8.1. Specialist Housing Strategy for Older People (SHSOP)

The Council's SHSOP programme proposes to undertake major redevelopment to change the amount and mix of care home and specialist housing provision in Westminster. Whilst the future demand cannot be fully met an increase in the appropriate care facilities for elderly people within the city is envisaged

6.2.9. Children's

6.2.9.1. Secondary Schools Expansion

In order to meet the projected rise in demand as set out in the School Organisation and Investment Strategy 2015, additional secondary school places are required in Westminster due to an increase in the primary school population

- At Pimlico Academy, the recommended option is to expand from 210 to 240 places per year group
- At St George's Academy, the recommended option is to expand from 150 to 180 places per year group
- At Westminster City, the recommended option is to expand from 130 to 150 places per year group and involves the demolition and reconstruction of the existing Religious Education and Arts block

6.2.10 Policy, Performance & Communication

6.2.10.1 Piccadilly Underpass Digital Media Screens

This project relates to the installation of two digital media screens at Piccadilly (or Hyde Park Corner) underpass, along with public realm improvements that include:

- Re-Cladding of the internal and external approaches to the underpass
- Installation of screening louvres to restrict viewing of advertisements to vehicles in the underpass itself
- New display space for public art

6.3. Investment

6.3.1. One of the key objectives is for the Council to maximise its return on investments and grow income through the correct management of the investment portfolio. As a general rule, only investments which provide a return of at least 5% will be considered (although lower returns will be considered in special circumstances). Income through these means can then go back into funding frontline services and

maintaining these services at a time when external funding sources are reduced

- 6.3.2. Another key objective is the diversification of the investment portfolio. Through asset diversification the Council's investment strategy can focus on greater exposure to the office, industrial, leisure and private residential markets. This will ensure that the Council holds investments across all asset types, and reduces the risk of fluctuations in one particular area
- 6.3.3. It is also important that the Council rationalises its asset portfolio and any changes as a result of the investment strategy should lead to increased average lot sizes
- 6.3.4. The capital programme as outlined in Appendix A has an initial £50m drawdown facility for investment schemes and the additional income raised will fund MTP savings and frontline services. If the initial allocation of £25m proves to generate worthwhile additional income streams and should market conditions demand it, further funds can be made available to a maximum of a further £25m via the relevant governance process as detailed in paragraph 11

6.4. Operational

- 6.4.1. The Council's operational capital strategy is centered around the general maintenance and repair of Council assets. Examples include, general infrastructure works and general building maintenance
- 6.4.2. The main objectives of the operational element of the capital strategy are to ensure assets meet health and safety standards, are fit for purpose in terms of statutory guidance and legislation, as well as helping the Council to reduce costs and reduce its environmental footprint
- 6.4.3. Another key objective of the operational element is to ensure that the Council continues to invest in its current buildings and long term assets and avoids incurring significant future costs, essentially spending now to save money in the future
- 6.4.4. Operational schemes in the five year capital programme have a total expenditure of £151m and is funded via:

Funding Source	£m
Affordable Housing Fund (AHF)	31
Grants	14
Section 106 receipts	2
Borrowing	104
Total Gross Budget (Operational Schemes)	151

6.4.5. The major operational schemes in the capital programme are outlined below

6.4.6. City Management & Communities

6.4.6.1. CCTV Technology (Crime & Disorder Estate)

The purpose of this project is to continue to provide a CCTV service within Westminster City Council's public realm. The current Westminster Crime and Disorder CCTV estate is made up of 124 cameras, which require upgrading. The public's perception of security and the use of the cameras by the police are deemed good reasons for continuing to providing a CCTV service within crime and disorder. The objectives of the project are:

- Delivering a new CCTV infrastructure, including rationalising and refreshing it subject to support and maintenance revenue costs being provided by direct beneficiaries and CIL (Community Infrastructure Levy)
- Providing an efficient and state of the art CCTV platform will support our heritage by monitoring our public places, buildings and spaces that can be enjoyed by residents, visitors and those that work in the City
- Procured and delivered within the current legislative frameworks for procurement

6.4.6.2. General Infrastructure Maintenance (part of the rolling annual budget)

The Council has a statutory duty to maintain as a Highway Authority. The application of good Asset Management keeps the Council's highways and infrastructure assets in a safe and reliable condition. The annual Planned Preventative Maintenance (PPM) programmes include 'end of life' replacement and health and safety implications

General infrastructure maintenance includes everything from; carriageways, footways, gullies, lighting, bridges & structures.

6.4.6.3. Anti-skid surfacing - Capital investment is more cost effective than reactive repairs and directly impacts on the level of accident claims that the Council receives

6.4.6.4. Carriageway Programme maintenance - Carriageway resurfacing directly impacts on safety, traffic movement including cyclists. Revenue costs would increase over time and non-repairs would lead to increased accident claims and costs if capital investment were not made

6.4.6.5. Damages Paving Programme, - Investment in footways directly impacts on safety of pedestrians. If there is reduced investment revenue costs increase over time and non-repairs lead to increased accident claims and costs

6.4.6.6. Gully Reconstruction - This programme addresses problematic non-functioning gullies that require excavation and replacement systems and ensures we are complying with duties under the Floor and Water Management Act 2010. If there were no capital investment non-repair leads to increased calls from the public and disruption to the network and potential claims and increased costs

6.4.6.7. TfL Funded Schemes

These are operational and improvement schemes funded by a grant from TfL. The 15/16 allocation is £7.2m. There are several types of scheme including Bus Stop Accessibility Improvements and Local Safety Schemes, as well as major works on building improved cycling networks across the city

6.4.6.8. S106 Schemes

These funds are additional private investment into the public realm in areas across the city and have to be used as per the specified agreement

6.4.7. Growth, Planning & Housing

6.4.7.1. Landlord Responsibilities

This is a prudent allocation towards the maintenance of the property asset base following the review of historic levels of expenditure on the Council's property portfolio. The main objectives are:

- Reduce the level of reactive maintenance
- Mitigate against potential losses from claims in the future

7. Summary of the Five Year Capital Programme Budget

7.1. The table below gives a summary of the five year capital programme by service area

Directorate	5 Year Gross Expenditure £m	5 Year Income £m	Net outturn £m
Adult Services	55.8	(63.3)	(7.5)
Children's Services	23.3	(21.8)	1.4
Growth, Planning & Housing	1,278.6	(826.0)	452.6
City Management & Communities	114.7	(22.2)	92.6
Corporate Services	7.5	0.0	7.5
Policy, Performance & Communications	11.6	(1.5)	10.1
City Treasurer	228.6	(180.0)	48.6
Total	1,720.1	(1,114.7)	605.3

The majority of the capital programme sits within GPH, as outlined above. This is primarily due to the fact that the responsibility for the delivery of development schemes sits within the service as well as other large areas of capital expenditure such as temporary accommodation and affordable housing (which is fully funded by the AHF)

7.2. Building upon the above summary, the table below gives a further breakdown of each service area by year and the borrowing requirement which is paid for by additional income streams, revenue efficiencies and short term use of reserves

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Adult Services	1.6	0.8	1.5	26.0	26.0	55.8
Children's Services	8.9	11.8	2.1	0.3	0.3	23.3
Growth, Planning & Housing	285.5	304.3	317.5	199.1	172.1	1,278.6
City Management & Communities	38.7	33.6	15.9	15.5	11.1	114.7
Corporate Services	1.7	0.8	3.0	1.0	1.1	7.5
Policy, Performance & Communications	9.3	2.3	0.0	0.0	0.0	11.6
City Treasurer	5.6	5.7	5.8	5.8	205.8	228.6
TOTAL EXPENDITURE	351.3	359.2	345.7	247.6	416.3	1,720.1
Grants	(103.7)	(56.4)	(55.0)	(5.6)	(9.9)	(230.8)
Capital receipt	(108.1)	(33.3)	(43.3)	(343.1)	(354.8)	(882.5)
Revenue Reserve	(1.5)	0.0	0.0	0.0	0.0	(1.5)
Borrowing	(137.9)	(269.5)	(247.4)	101.1	(51.6)	(605.3)
TOTAL FUNDING	(351.3)	(359.2)	(345.7)	(247.6)	(416.3)	(1,720.1)

The majority of the expenditure in the capital programme will occur in the first three years of the programme, with a slight decline in 2019/20, before increasing again in 2020/21. This is due to the phasing of the development schemes

7.3. The revenue implications of the programme are provided within the revenue budget, the MTP assumptions and a continuing estimate beyond this period, combined with the addition in 2019/20 of a reserve established for this purpose

7.4. The above fully funded position clearly depends on the schemes being delivered on time and within the estimates set out in this report. Any increases in expenditure or reductions in income will need to be compensated for by the relevant project or the consequential revenue impacts funded in full by the individual service

7.5. The major schemes (individual projects over £5m) make up £1.378bn of the total programme. The financial summary of these projects are detailed below

	Gross budget 2016/17 to 2020/21 £m	Funding 2016/17 to 2020/21 £m	Net 2016/17 to 2020/21 £m
<u>Growth Planning and Housing</u>			
Property Strategy			
DUDLEY HOUSE	95.3	(55.6)	39.7
CAVENDISH SQUARE CAR PARK	62.5	0.0	62.5
CIRCUS ROAD	21.5	(24.9)	(3.4)
LEISURE REDEVELOPMENT	610.9	(451.0)	159.9
HUGUENOT HOUSE	118.5	(96.0)	22.5
CITY HALL REFURBISHMENT	87.8	0.0	87.8
Total Property Strategy	996.6	(627.5)	369.1
Housing			
TEMPORARY ACCOMODATION PURCHASES	56.2	(31.2)	25.0
AFFORDABLE HOUSING FUNDS	65.9	(65.9)	0.0
291 HARROW ROAD	27.5	(20.1)	7.4
Total Housing	149.6	(117.2)	32.4
Property			
LANDLORD'S RESPONSIBILITIES	5.8	0.0	5.8
PROPERTY INVESTMENT SCHEMES	25.0	0.0	25.0
Total Property	30.8	0.0	30.8
Total Growth Planning and Housing	1,176.9	(744.7)	432.3
<u>Adult Services</u>			
WESTMEAD	15.0	(13.5)	1.6
BEACHCROFT	25.0	(21.0)	4.0
CARLTON DENE	40.0	(49.0)	(9.0)
Total Adult Services	80.0	(83.5)	(3.5)
<u>City Management and Communities</u>			
CARRIAGEWAY MAINTENANCE	13.9	0.0	13.9
FOOTWAY MAINT ENANCE	8.3	0.0	8.3
S106 DEVELOPER FUNDED SCHEMES	6.0	(6.0)	0.0
MOBERLY SPORTS CENTRE REDEVELOPMENT	17.8	(1.1)	16.7
Total City Management and Communities	46.0	(7.1)	38.9
<u>Children's Services</u>			
PIMLICO ACADEMY	5.1	(5.1)	0.0
ST GEORGE'S SCHOOL EXPANSION	6.7	(6.7)	0.0
UNIVERSITY TECHNICAL COLLEGE	37.4	(41.0)	(3.6)
Total Children's Services	49.2	(52.8)	(3.6)
<u>Libraries</u>			
MARYLEBONE LIBRARY	21.4	(18.5)	2.9
Total Libraries	21.4	(18.5)	2.9
<u>Policy, Performance and Communication</u>			
PICCADILLY UNDERPASS	5.3	(1.5)	3.8
Total Policy, Performance and Communication	5.3	(1.5)	3.8
TOTAL	1,378.8	(824.6)	474.3

The majority of the large projects are within Property and Housing, which forms part of GPH and this accounts for approximately 85% of the £1,378bn noted in the table above

8. Regulations and Context

- 8.1. The Local Government Act outlines that local authorities can capitalise expenditure in line with proper accounting practice, following the key principles as per the CIPFA Code of Practice on Local Authority Accounting in the UK
- 8.2. In addition to this the Council has adopted the CIPFA prudential code which is designed to ensure that capital investment plans are affordable, prudent and sustainable. The Council gives regard to the prudential code in determining the capital programme and sets a borrowing limit in accordance with the principles of the prudential code
- 8.3. The Council must ensure that funding is available to finance the capital programme. Funding sources include, government grants, contributions, revenue financing of capital, capital receipts and borrowing. Capital receipts and borrowing can only be used for capital expenditure and are discussed in more detail in the financial implications section of this report
- 8.4. The capital strategy and programme must be viewed in the current context of austerity that Local Government in the UK is facing. Since 2010 the Council has faced budget reductions to a level not seen previously and there is uncertainty about the future level of Local Government funding. Therefore, the Council's capital programme reflects this, in terms of the schemes within it (a number of schemes plan to achieve on going revenue savings and income generation) and the availability of funds to finance the programme

9. Capital Budget Setting

- 9.1. The Council has a five year rolling capital programme which is updated annually. The current capital programme is from 2015/16 to 2019/20. The programme is updated for new schemes, increased budgets for current schemes, revised profiling (taking account of prior year slippage). Services are required to put forward capital programme submissions during budget setting and these are reviewed in line with the Council's objectives. This ensures that the capital programme is as accurate as possible in order to determine the costs to the Council and how the priorities of WCC are met through the capital programme
- 9.2. The annual 5 year capital programme is presented to Full Council in March of every year and their approval of the programme gives an allocation to budget managers in the capital programme, separate approval is required to spend in line with their budget envelopes

9.3. In order to ensure appropriate monitoring of the capital programme the Council will look to implement performance measurements to assess the progress of projects, ensuring they remain in line with City for All and PACE

10. Value for Money (VfM)

10.1. VfM is a key component of all capital projects. All projects must evidence a level of economy, efficiency and effectiveness in order to be approved. Therefore, projects will have to show that all potential options have been considered, and the option that is chosen, must be cost efficient and effective in achieving the City for All ethos

10.2. Efficiency gains via procurement are a key factor in achieving VfM. How the Council achieves this is detailed below:

- Each project is tendered according to a bespoke procurement strategy. The strategy is formulated through a consideration of all influencing factors including Council needs, market forces, land values, planning potential and viable routes to market. Options appraisals along with stress-tested tender evaluation models help the team to decide on the best way to tender the scheme and this is further tested via the Gate Approval Process
- The Council's Contract Management Framework 'Managing Successful Contracts' provides extensive guidance on securing the best outcomes from our contracts. The model includes a 'Contract Segmentation Tool' (CST) that helps contract managers assess how intensively a contract should be managed and training is being rolled out to all officers responsible for managing contracts in Westminster
- Whilst the Framework provides guidance on how to secure savings over the life of a contract, the CST specifically enables WCC to identify those providers with whom we can work as part of our Supplier Development Programme. This is aimed specifically at developing relationships with key providers to deliver operational efficiencies and tangible cash savings over the life of our more strategic contracts
- The pressure on authorities to reduce costs means that financial certainty can be the preferable strategic option. Risk to the Council is covered by the imposition of Liquidated Damages Clause (LADs) – a legal remedy to mitigate losses caused by delays or poor performance - and the adoption of two-stage tendering processes helps to minimise the cost risk to contractors and developers in this rapidly-inflating construction market

11. Priority Areas For Investment and Governance

- 11.1. The priority area for capital investment is projects that will meet the objectives of City for All and provide significant capital receipts or a positive revenue contribution - either increased income or savings. These schemes will primarily fall under the development category; however it will also include the investment category which will also increase income for the Council
- 11.2. In the operational category, any scheme that needs to be completed for the purposes of statutory or legal reasons (e.g. health and safety) will be prioritised, and then any general maintenance scheme that will avoid future costs, or those that will help the Council to avoid reputational damage. As with all projects in the capital programme, this will need to be linked to City for All
- 11.3. The governance of the capital programme varies depending on the type of work that is being carried out. All capital schemes will be recommended by CRG and approved by the Cabinet Member for Finance and Corporate Services with effect from the 1st April 2016 for investment and development schemes and from the completion of the review of each category for operational schemes
- 11.4. Development
These large, long term schemes are important to reach good business decisions. The development branch governance centers around the five case model which is based on HM Treasury Green Book Guidance on Better Business Cases, but adapted for the Council

The Council, through CRG will assess the prioritisation of assets and decide on which assets need developing in order to aid the Council in meeting its strategic objectives

Stage 1 - Scoping the Scheme and Preparing the Strategic Outline Case (SOC)

The purpose of this stage is to confirm the strategic context, and provide a robust case for change. This stage includes an options appraisal with a long list of options including indicative costs and benefits and a financial appraisal will be carried out based on a methodology such as the Net Present Value (NPV); as a result of this a preferred way forward is identified and feasibility funding will be approved

Stage 2 - Planning the Scheme & Preparing the Outline Business Case (OBC)

The purpose of this stage is to revisit the earlier SOC assumptions and analysis in order to identify a preferred option which optimises value for money (VfM), following more detailed design work. It also sets out its affordability, and details the supporting procurement strategy, together with management arrangements for the successful delivery of the project

Stage 3 - Procuring the Solution and Preparing the Full Business Case (FBC)

The purpose of the FBC is to revisit and where required rework the OBC analysis and

assumptions, taking account of the formal procurement. The FBC will recommend the most economically advantageous offer, documenting the contractual arrangements, confirm funding and affordability and set out the detailed management arrangements and plans for successful delivery and post evaluation

All three business cases stages will be reviewed by CRG, and recommended for approval, should the group accept them

Stage 4 - Implementation

The business case should be used during the implementation stage as a reference point for monitoring implementation and for logging any material changes that the Council are required to make. The management tools developed in accordance with the development framework for the business case – the implementation plan, benefits register and risk register etc. – will be used in delivering the scheme and provide the basis for reporting back regularly to CRG

Stage 5 - Evaluation

The business case and its supporting documentation should be used as the starting point for post implementation evaluation, both in terms of how well the project was delivered (project evaluation review) and whether it has delivered its projected benefits as planned (post implementation review) to the Council, in meeting strategic aims

At all stages of the five case model, the business cases must include the following sections:

- i. The Strategic Case
- ii. The Economic Case
- iii. The Commercial Case
- iv. The Financial Case
- v. The Management Case

Assessing all these areas within the business case will ensure that all aspects of a potential development scheme are analysed and the impact on all stakeholders identified. Therefore, the Council will be able to gain a full understanding on how a specific scheme will impact on the overall strategy, the local economy, officers and resources of the Council

11.5. Investment

The investment programme will be provided with an investment budget part of the 2016/17 capital programme. The overall financial envelope and acquisitions strategy will form part of the Council's budget approval in March of each year and thereafter the Cabinet Member will be able to approve individual acquisitions within this sum. Each acquisition will gain approval from Property Investment Panel (PIP) and then CRG, before the purchase can actually take place

11.6. Operational

Schemes such as highways maintenance and property maintenance are given an annual budget allocation. This annual budget is then used to identify a schedule of works, which has to be reviewed by CRG and recommended for approval before going through to the lead Cabinet Member for the service and Cabinet Member for Finance and Corporate Services in order to obtain formal approval

11.7. The table below summaries the approval process for each category of expenditure

Category of Project	Approval Process
Development	<p>Development schemes must follow the business case process. Detailed below is the approval process for each stage</p> <p>SOC – CRG can recommend that the scheme can move onto the next stage</p> <p>OBC – Approval at this stage must be via the lead Cabinet Member for the service and the Cabinet Member for Finance and Corporate Services, with the recommendation of CRG</p> <p>FBC – Final approval for the project must be through Cabinet, with the recommendation of CRG</p>
Investment	<p>Cabinet/Full Council approves the annual budget, but individual schemes within that budget envelope are approved via the lead Cabinet Member for the service and the Cabinet Member for Finance and Corporate Services, with the recommendation of CRG (with the recommendation of the Property Investment Panel)</p>
Operational	<p>Cabinet/Full Council approves the budget as required (with CRG recommendations). However individual schemes within a budget envelope will receive approval via the internal process for that department with Cabinet Member approval. Until such time as the Council’s review of the capital programme has completed for each service area at which point approval will be via the lead Cabinet Member for the service and the Cabinet Member for Finance and Corporate Services, with the recommendation of CRG</p>

11.8. A review of the programme has begun and will be continued and completed during 2016/17. This review consists of ensuring that each scheme has robust financial and service plans supporting it, is fully funded, has a planned programme of milestones, dependencies and issues, has a business justification case as appropriate and all known and anticipated risks are being mitigated. The profile of expenditure and income and the time the funds have been in the programme will also be assessed. On completion of the review a report will be made to CRG and an appropriate Cabinet Member report thereafter. As part of this review the incorporation of the subsequent approval process for expenditure of this type into the on-going normal processes as set out above will be adjusted and approved

11.9. Prioritisation of Projects

It is proposed that from 2016/17 onwards any potential capital project will need to be assessed against criteria of outcomes by CRG. This will ensure that the project meets corporate objectives and enhances the position of the Council, whether that is through income generation, legal/statutory obligations or on a reputational basis. The criteria for prioritising schemes are set out below:

- Are there legal/statutory/contractual requirement for the scheme?
- Is the project necessary for maintenance and future cost avoidance?
- Is the project being externally funded?
- Is there a political/reputational imperative for the project?
- Does the project link to the values of PACE?
- Does the project have significant dependencies? E.g. is it high risk?
- Does the development lead to income generation
- Does the project link to City for All?
- Is it linked to corporate or service plans?
- Is the project linked to a MTP savings?

11.10. The Council continues to have significant savings targets to achieve for the Medium Term Plan (MTP) in line with decreasing government funding. Some of the savings proposals identified by services will have capital implications and as such incur capital expenditure. Capital schemes linked to MTP savings will be given priority. The monitoring of this process will be through CRG

12. Risk Management

12.1. The table below outlines the risks to the capital programme and the subsequent mitigations to these risks

Risk	RAG: Potential Impact	Mitigation
Overspending against the agreed budget	RED	Each project will be regularly monitored with any issues being highlighted to CRG. Any overspend on projects will have to be funded by the relevant service
The complete or partial loss (or delay in the receipt of) anticipated capital receipts.	RED	Funding of the programme via capital receipts is included at a prudent level and professional advice is sought on the predicted movements in the local property market to inform the funding in the capital programme
Unexpected calls on the Council's capital resources from unforeseen events	AMBER	A capital contingency is included within the programme to deal with any unforeseen events
The level of grants, contributions, S106 receipts and affordable housing receipts being lower than anticipated in the programme	AMBER	Services have to ensure that there is clear rationale of any anticipated funding in future years, based on factors such as historical information and policy initiatives by central government. Where funding is lower than anticipated, services will have to fund any gaps from within their budgets
Interest rate movements making borrowing more costly than anticipated	RED	The Council receives regular advice from the Treasury Advisors in respect of the timing in external and internal borrowing. Financing costs included in the MTP are at a prudent level, which takes account of potential movements in interest rates
Income streams not being as high as expected	RED	Any on-going income streams that result from capital investment are calculated on a prudent basis, taking account of

		professional advice and expertise in that particular area (e.g. property investment)
Inflation	AMBER	Capital budgets for projects include a level of contingency for uncontrollable costs such as inflation
Insufficient internal staffing capacity	AMBER	Staffing levels to support capital schemes have to be thoroughly thought through and reviewed by CRG before the scheme commences. This is then regularly monitored during the lifetime of the project, with any staffing issues highlighted as early as possible
Changes in legislation or regulations which would have a negative impact on the capital strategy	AMBER	All individual capital schemes have to consider the legal implications of the project, which includes any forthcoming legislation which might be in discussion but not yet set in law
Supplier side capacity	RED	All suppliers have to prove as part of the tender process their ability and capacity to carry out the works as set out by the Council. Provisions are made in the contract with suppliers for the Council to receive financial compensation for any significant slippage in timing or poor quality work
Insufficient or ineffective governance of the capital programme	AMBER	Capital projects will have a Senior Responsible Officer who will be accountable to project boards, ensuring that the correct governance procedures are followed. Furthermore, individual risk registers will be kept for projects to consider more detailed risks for specific schemes

13. Closure of Projects & Slippage

13.1. Once a project is complete a post implementation review will be carried out to assess the outcomes of the projects compared to the objectives set at the beginning of the project. The Post Implementation Review will include the following:

- Actual costs vs. budget
- Outcomes vs. original objectives
- Lessons learnt
- Whether on-going revenue implications have been realised

13.2. Another factor to consider is slippage. This is a key area of the capital programme and the fact that you can move budgets between years is one of the main differences between revenue and capital budgeting. However, slippage needs to be managed appropriately so to ensure that annual capital forecasts are as accurate as possible as any major inaccuracies can lead to long term revenue costs – for example if the Council has to urgently borrow more than originally forecast

13.3. The Council will continually look to ensure that quarterly projections are as accurate as possible and where projects do slip, a more rigorous process will be applied to ensure budget managers are made accountable and gain the relevant approval from CRG to move those budgets into future years with appropriate explanations as to why the project needs rephrasing

14. The Housing Revenue Account (HRA)

- 14.1. The expenditure requirement from the Housing Revenue Account (HRA) for the period 2016/17 to 2020/21 is £360.35m (shown in the table below). This will be funded from £163.91m of HRA reserves and £158.24m from capital receipts & grants, leaving a shortfall of £6.2m to be funded from borrowing.

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£m
Major Works	41.42	41.10	32.23	29.55	29.00	173.30
Regeneration/Renewal	31.34	28.15	44.88	3.20	43.28	150.85
Other	8.71	6.77	9.73	2.00	9.00	36.20
Total Expenditure	81.46	76.02	86.84	34.75	81.28	360.35
HRA Reserves	(31.72)	(47.07)	(30.65)	(27.30)	(27.18)	(163.91)
Capital Receipts	(41.87)	(15.47)	(42.46)	(4.83)	(54.10)	(158.72)
Capital Grants	(1.68)	(13.48)	(13.74)	(2.62)	0.00	(31.52)
Total Funding	(75.26)	(76.02)	(86.84)	(34.75)	(81.28)	(354.15)
Annual Net Funding Surplus/(Gap)	(6.20)	0.00	0.00	0.00	0.00	(6.20)

A detailed schedule of the above table is given in Appendix E

- 14.2. The expenditure over the five year period is required to deliver the plans of the approved HRA Investment Strategy approved by Cabinet on 14th December 2015 . The programme of investment in existing stock will bring all stock up to the City West Homes standard by 2017. The Housing Renewal Programme will deliver over 900 new mixed-tenure homes along with wider benefits to the City's poorest neighbourhoods. The main elements of the expenditure programme are:

- £173.30m on works to existing stock
- £150.85m on housing estate renewal such as Ebury Bridge and Lisson Arches
- £36.20m on new housing supply schemes including Edgware Road development

- 14.3. The HRA capital programme will form part of the process review that will be undertaken during 2016/17

15. Summary

- 15.1. Overall, the capital strategy looks to link the Council's long term investment with the strategic aims and priorities of WCC, within tight budgetary constraints
- 15.2. The strategy has been drawn up to assist the Council in maintaining frontline services that will benefit the local community and support the local economy

15.3. The capital strategy embraces the principles of good asset management, and the needs and priorities of the local community are of the utmost importance

16. Financial Implications

16.1. The Council has a five year capital programme of £1.720bn and is funded via:

Funding Source	£m
Capital Receipts	882
Grants & Contributions (Incl. S106 & AHF)	231
Revenue Reserves	2
Borrowing	605
Total Gross Budget	1,720

16.2. The Council has to finance its capital programme from three key categories:

- External Funding (E.g. grants and contributions)
- Internal Funding (E.g. Capital Receipts)
- Borrowing

16.3. External Funding

16.3.1. The main sources of external funding are via government grants and contributions (from government and external agencies) and Section 106 receipts. These are difficult to forecast on a medium to long term basis, and can be restrictive in terms of the capital schemes they can fund, as many grants, S106 receipts and contributions have specific terms and conditions which have to be met for their use. Therefore, any forecasting of external funding for the capital programme has to be done prudently, however there are no on-going revenue implications of this method of financing. Capital grants and contributions include grants from the Department for Education (DfE) such as Devolved Formula Capital, Basic Needs and Schools Conditions Allocation. These grants are provided to ensure that the Council is meeting their statutory requirements of providing school places and ensuring that school buildings are in a good condition. Other grants the Council receives includes TfL grant funding for infrastructure improvements across the City, Disabled Facilities Grant (DFG) and Community Capacity Grants in Adult social care

16.3.2. CIL will predominantly replace the current S106 receipts system. Instead of the planning obligations that developers have to make currently, they will now have to pay

a charge (levy). The income from this levy will be held corporately and the Council will decide (via an internal governance process) how to allocate these funds to relevant infrastructure projects

- 16.3.3. CIL differs from S106 which essentially is a contract between a developer and the Council, however CIL is a levy which the developer is liable to pay if a planning permission is approved and the development is underway post CIL coming into effect. The Council has greater flexibility compared to S106 as the developer cannot stipulate any terms. The capital programme has £146.9m of funding via the Affordable Housing Fund and £10.6m via S106 agreements
- 16.3.4. The Council will continue to look for innovative ways to fund the capital programme; this could include Tax Increment Financing (TIF) and private sector capital contributions. Another option available to the Council is Private Finance Initiatives (PFI). This is where private firms are contracted to cover the upfront cost of capital projects, with public bodies then making annual repayments. This is something that has been utilised in the past by the Council and is an established form of financing in the UK public sector

16.4. Internal Funding

- 16.4.1. The main sources of internal funding are via revenue (in year underspends or reserves) and capital receipts. Revenue budgets can be transferred to capital and this allows the Council flexibility in how it uses its budget. However any transfer of this kind would reduce revenue budgets and this may have a knock on impact
- 16.4.2. Capital receipts are generated from the sale of non-current assets, and apart from special circumstances, can only be used to fund the capital programme. The Council holds all capital receipts corporately which ensures it can be used to fund the overall programme; therefore, individual services are not reliant on their ability to generate capital receipts. However, in special cases, some capital receipts may be ring-fenced for the particular services, but this will need approval by CRG. It is estimated that the five year capital programme will be funded via £882.5m worth of capital receipts, primarily through the sale of properties as part of development projects. The use of capital receipts will peak in 2019/20 and 2020/21 and will be used to reduce the funding gap
- 16.4.3. Although the council has a disposals programme which aids projections for the funding of the capital programme, the timing and value of asset sales can be volatile. Therefore, asset disposals have to be closely monitored as any in year shortfalls need to be met by increasing borrowing

16.5. Borrowing

- 16.5.1. Borrowing is a source of funding available to the Council in funding its capital programme. Borrowing can take the form of internal or external borrowing. Internal borrowing is the use of cash that supports the Council's Reserves, balances and cash flow on a temporary basis. This strategy is prudent as investment returns are low and counterparty risk is relatively high. External borrowing is the process of going to an external financial institution to obtain money. The Council would generally borrow from the Public Works Loans Board (PWLB) due to their favourable rates for public sector bodies. However, the market is regularly monitored to ensure that rates continue to be competitive
- 16.5.2. A recently introduced debt instrument that could be utilised going forward is the LGA Municipal Bonds Agency. The agency is an independent body with its own governance structure, accountable to its council shareholders and the LGA. It seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities. The Council is a shareholder in this agency which may allow access to cheaper borrowing and provides a viable alternative to the PWLB
- 16.5.3. Another borrowing option for the Council is through the European Investment Bank (EIB). The EIB offer competitive rates; however there are strict governance processes around any loans that are taken out with the EIB. Therefore the Council would have to clearly set out the reasons for the loan, what it would be used for, and the EIB would then have to decide if this is an appropriate use of their funds. This is becoming a more high profile form of funding with local authorities, for example the London Borough of Croydon recently borrowed from the EIB
- 16.5.4. Development and investment schemes will be required to cover the costs of borrowing through identifying increased income streams or revenue savings in order to fund repayments. To address this, on completion of the scheme the services budget will be reduced by the level of borrowing costs. However for operational schemes, due to the nature of the spend this is unlikely to result in increased income or revenue savings, these will be assessed on a scheme by scheme basis and if appropriate budgeted for corporately

16.6. The table below gives a detailed summary of the financing of the five year capital programme

Financed By:	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
DfE Basic Needs Grant	6.2	10.4	0.0	0.0	0.0	16.6
DfE Schools Condition Allocation	1.3	0.6	0.2	0.0	0.0	2.1
Transport for London (TfL) Grant	9.3	1.9	0.0	0.0	0.0	11.2
Education Funding Agency (EFA) Grant	20.5	11.7	5.4	0.0	0.0	37.5
DCLG Disabled Facilities Grant	0.6	0.6	0.6	0.6	0.6	3.2
DoH Community Capacity Grant	0.8	0.0	0.0	0.0	0.0	0.8
Sport England Grant	0.0	1.1	0.0	0.0	0.0	1.1
Other Minor Grants	0.4	0.3	0.0	0.0	0.0	0.7
Section 106 Contributions	3.7	5.3	1.7	0.0	0.0	10.6
Affordable Housing Fund Contributions	60.9	24.6	47.1	5.0	9.3	146.9
Revenue Reserve	1.5	0.0	0.0	0.0	0.0	1.5
Sub Total	105.2	56.4	55.0	5.6	9.9	232.3
Capital Receipts	108.1	33.3	43.3	343.1	354.8	882.5
Borrowing	137.9	269.5	247.4	(101.1)	51.63	605.3
Total	351.3	359.2	345.7	247.6	416.3	1,720.1

Capital receipts are the largest proportion of funding in the programme, accounting for over half of the funding in the programme. This is largely from the sale of residential units that will be built as part of a number of development schemes. Following on from that, approximately 10% of the programme will be funded from AHF receipts, mainly for affordable housing schemes but also for temporary accommodation purchases

Revenue Implications

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Gross Spend	351.3	359.2	345.7	247.6	416.3
External Funding	(105.2)	(56.4)	(55.0)	(5.6)	(9.9)
Capital Receipts	(108.1)	(33.3)	(43.3)	(343.1)	(354.8)
Net borrowing requirement (surplus) / deficit	137.9	269.5	247.4	(101.1)	51.6
Cumulative borrowing requirement (surplus) / deficit	137.9	407.4	654.8	553.7	605.3
REVENUE IMPLICATIONS					
Interest charge plus repayment allocation	0.5	6.3	15.6	35.8	36.7
Financed by:					
Income generated by development projects	0.0	1.0	1.0	8.0	29.2
Financing costs funded by the service	3.2	7.4	11.6	15.6	16.1
Use of reserves	0.0	0.0	0.0	10.0	0.0
Total	3.2	8.4	12.6	33.6	45.3
Net Surplus / (Deficit)	(2.7)	(2.1)	3.0	2.2	(8.6)

16.7. There is planned borrowing of £605m (over the life of the programme), and will reach a peak in 2018/19 at £655m

16.8. The financing costs include interest (including both internal and external borrowing) and an allocation for repayment (Minimum Revenue Provision) as a result of the borrowing. The total revenue costs of the 5 year capital programme are expected to be £39.3m from 2021/22.

A summary is provided below:

- MRP is where the Council has to set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP replaces other capital charges (e.g. depreciation) in the statement of accounts and has an impact on the Council's bottom line
- In order to ensure the programme is fully funded in the most efficient and effective way the Council seeks to minimise their borrowing requirement until necessary by utilising cash balances to finance the programme. The internal borrowing will increase to £400m in 2017/18 and decrease to £200m by 2020/21 as capital receipts are received
- The remainder will be funded via external borrowing assumed to be PWLB, although other sources of funding will be explored as outlined in this paper. The PWLB interest rate is assumed to increase steadily to 4.5% by 2019/20 and remain at this rate. Every 1% increase in the interest rate will result in an additional £4m of revenue cost by 2021/22. As noted elsewhere in this report any increase in cost

will need to be funded by the project or relevant service

- The Council has a rolling five year programme and will continue to invest in capital projects beyond 2020/21 and will therefore need to ensure that funds are set aside for the future costs of borrowing
- As part of the closure of the Council's annual accounts the City Treasurer will make the most cost effective and appropriate financing arrangements for the capital programme as a whole. Thus funds will not be ring fenced unless legally required

16.9. The above revenue implications of the capital programme will be covered through a mixture of efficiency savings, income generation, use of existing budgets and use of reserves as detailed below:

- The large development schemes, as well as the investment budget, are planned and required to generate an ongoing income stream. The four key schemes include Dudley House, Huguenot House, Cavendish Square, the leisure estate redevelopment as well as the income generated through the investment in the property portfolio. This is expected to generate £29m by 2020/21
- Currently within the MTP there is budgeted cost of financing the capital programme of £3.2m, increasing by additional £3.2m every year in the current MTP period and expected in the following years until it reaches £12.8m by 2020
- There is a peak revenue impact over the development period, before the key schemes start generating income and efficiency savings. The peak year revenue impact is 2019/20 therefore it is recommended that reserves are used to bridge this gap

17. Legal Implications

17.1. The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the Council's constitution.

18. Staffing Implications

18.1. None specifically in relation to this report

19. Consultation

19.1. Consultation and engagement will be carried out on individual schemes with the capital programme.

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

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BACKGROUND PAPERS:

Capital programme working papers

Business Justification Cases for individual projects

Appendices

Appendix A1 – Capital Programme 2016/17 to 2020/21 by Cabinet Member

Appendix A2 – Capital Programme 2016/17 to 2020/21 by Chief Officer

Appendix B – Capital Programme 2015/16

Appendix C – CRG Terms of Reference

Appendix D – Delivery routes for the Council to Follow

Appendix E – HRA Capital Programme 2016/17 to 2020/21

Gross and Net Programme (£m)

	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
All Service Areas																		
Adults & Public Health - Cllr Robathan	1.57	(0.82)	0.75	0.75	0.75	0.75	1.50	1.50	1.50	26.00	26.00	26.00	26.00	(62.45)	(36.45)	55.82	(63.27)	(7.45)
Children and Young People - Cllr Chalkley	8.86	(8.43)	0.43	11.78	(11.53)	0.25	2.11	(1.86)	0.25	0.25		0.25	0.25		0.25	23.25	(21.82)	1.43
Housing, Regeneration, Business and Economic Development - Cllr Astaire	65.42	(53.28)	12.13	27.44	(19.34)	8.10	40.70	(32.98)	7.72	12.16	(5.64)	6.52	10.46	(9.94)	0.52	156.18	(121.19)	34.99
Sustainability And Parking - Cllr Acton																		
Finance and Corporate Services- Cllr Mitchell	217.83	(138.22)	79.61	238.20	(40.41)	197.78	234.03	(57.24)	176.78	184.03	(309.49)	(125.45)	369.27	(279.75)	89.52	1,243.36	(825.11)	418.24
City Management and Customer services - Cllr Caplan	11.94		11.94	9.94		9.94	9.12		9.12	9.17		9.17	8.93		8.93	49.10		49.10
Sports and Leisure Services - Cllr D Harvey	5.87	(0.25)	5.62	15.37	(1.15)	14.22	1.84	(0.05)	1.79	1.60	(0.15)	1.45	1.22	(0.10)	1.12	25.89	(1.70)	24.19
Public Protection - Cllr Aiken	1.85		1.85													1.85		1.85
Deputy Leader and Built Env. - Cllr Davis	37.95	(12.34)	25.61	55.68	(17.25)	38.43	56.41	(6.15)	50.26	14.40	(33.45)	(19.06)	0.20	(12.45)	(12.25)	164.63	(81.65)	82.98
NET BUDGET POSITION	351.29	(213.35)	137.94	359.16	(89.68)	269.47	345.71	(98.29)	247.42	247.60	(348.73)	(101.13)	416.33	(364.70)	51.63	1,720.08	(1,114.75)	605.34

Gross and Net Programme by Project (£000s)

Cabinet Member	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
Adults & Public Health - Cllr Robathan	WESTMEAD	250		250	250		250	500		500	7,000		7,000	7,000	(13,450)	(6,450)	15,000	(13,450)	1,550
	RESIDENT ASSET REPLACEMENT	438	(438)														438	(438)	
	FRAMEWORKKI UPGRADE TO MOSAIC	200	(200)														200	(200)	
	CARLTON DENE	500		500	500		500	1,000		1,000	19,000		19,000	19,000	(49,000)	(30,000)	40,000	(49,000)	(9,000)
	BARNEY & FLOREY	182	(182)														182	(182)	
Adults & Public Health - Cllr Robathan Total		1,570	(820)	750	750		750	1,500		1,500	26,000		26,000	26,000	(62,450)	(36,450)	55,820	(63,270)	(7,450)
Children and Young People - Cllr Chalkley	2 YEAR OLD CAPITAL PROGRAMME	250	(250)		250	(250)											500	(500)	
	CHRISTCHURCH BENTINCK	1,307	(1,307)														1,307	(1,307)	
	ESSENDINE SAFEGUARDING & REMOD	708	(708)														708	(708)	
	HALLFIELD HEATING & DISTRIB	332	(332)		339	(339)											671	(671)	
	KING SOLOMON SCHOOL EXPANSION							1,657	(1,657)								1,657	(1,657)	
	PIMLICO ACADEMY				5,127	(5,127)											5,127	(5,127)	
	PORTMAN - BOILER AND DISTRIB	204	(204)		204	(204)		204	(204)								612	(612)	
	ST GEORGE'S SCHOOL EXPANSION	3,297	(3,297)		3,359	(3,359)											6,656	(6,656)	
	WESTMINSTER CITY	2,259	(2,259)		2,200	(2,200)											4,459	(4,459)	
	WILBERFORCE SCHOOL EXPANSION																		
	REMODELLING OF EARLY HELP/ CHILDREN'S SEVICES INVESTMENT	433		433	250		250	250		250	250		250	250		250	1,433		1,433
	AND IMPROVEMENT																		
	BEACHCROFT EXPANSION																		
	SCHOOLS MINOR WORKS PROJECTS	75	(75)		50	(50)											125	(125)	
Children and Young People - Cllr Chalkley Total		8,865	(8,432)	433	11,779	(11,529)	250	2,111	(1,861)	250	250		250	250		250	23,254	(21,821)	1,433
Housing, Regeneration, Business and Economic Development - Cllr Astaire	CA110587 TA PURCHASES	18,800	(8,800)	10,000	13,200	(11,400)	1,800	13,200	(6,000)	7,200	11,000	(5,000)	6,000				56,200	(31,200)	25,000
	CA110381 WESTMINSTER COMMUNITY HOMES													9,300	(9,300)		65,902	(65,902)	
	CA110384 AHF BUDGET	32,702	(32,702)		1,600	(1,600)		22,300	(22,300)								27,466	(20,066)	7,400
	CA110385 291 HARROW ROAD	11,943	(10,326)	1,617	11,483	(5,700)	5,783	4,040	(4,040)								815	(815)	
	CA110386 CHURCHHILL GARDENS PROJECT	815	(815)														200		1,000
	CA110388 SAFE AND SECURE (PRIVATE) SS	200		200	200		200	200		200	200		200	200		200	1,000		1,000
	CA110394 DFG BUDGET	959	(642)	317	959	(642)	317	959	(642)	317	959	(642)	317	959	(642)	317	4,795	(3,210)	1,585
Housing, Regeneration, Business and Economic Development - Cllr Astaire Total		65,419	(53,285)	12,134	27,442	(19,342)	8,100	40,699	(32,982)	7,717	12,159	(5,642)	6,517	10,459	(9,942)	517	156,178	(121,193)	34,985
Sustainability And Parking - Cllr Acton	CA111584 CCTV TECHNOLOGY	1,704																	
	W106020 - PARKING ENFORCEMENT	150																	
Sustainability And Parking - Cllr Acton Total																			
Finance and Corporate Services- Cllr Mitchell	CA110399 TRESHAM HOUSE WCC																		
	CA110397 EMANUAL HOUSE MAJOR WORKS																		
	CA111581 COSWAY STREET	375		375													375		375
	CA111582 LEGACY COMPLIANCE																		
	CA110604 LANDLORD RESP- REGENCY CAFE RO	140		140													140		140
	CA110609 LANDLORD RESP- MAYFAIR LIBRARY	1,045		1,045													1,045		1,045
	CA110610 LANDLORD RESP- PIMLICO LIBRARY																		
	CA110612 LANDLORD RESP- LISSON GROVE	1,100		1,100													1,100		1,100
	CA110623 DEPOTS - PAGE STREET																		
	CA110599 FORWARD MANAGEMENT PLAN	398		398	770		770	793		793	817		817	842		842	3,620		3,620
	CA110409 WCH IMPROVEMENT - MAJOR REFURB	3,622		3,622	39,445		39,445	44,767		44,767							87,834		87,834
	CA110411 LANDLORD'S RESPONSIBILITIES	1,000		1,000	1,000		1,000	1,250		1,250	1,250		1,250	1,250		1,250	5,750		5,750
	CA110413 F-GAS AND OTHER REGULATIONS CO																		
	CA110414 VARIOUS PROPS CAPITALISED SALS	406		406	406		406	426		426	431		431	444		444	2,113		2,113
	CA110416 CORONERS CRT-COMPLIANCE/IMPS	2,451		2,451	33		33										2,484		2,484
	CA110417 ENERGY MONITOR & TARGET	50		50	50		50	50		50	50		50	50		50	250		250
	CA110418 LISSON GROVE IMPROVEMENT-INFRA	1,196		1,196													1,196		1,196
	CA110598 41 WHITCOMB/HUGUENOT HSE REDEV	22,782		22,782	22,782		22,782	15,188		15,188	28,877	(30,000)	(1,123)	28,876	(66,000)	(37,124)	118,505	(96,000)	22,505
	CA110603 LANDLORD RESP- SOHO CAR PARK R																		
	CA111572 ASSET DISPOSAL																		
	CA110421 MANDELA WAY UPGRADE RENTAL PRP	398		398													398		398
	COUNCIL HSE FIT OUT OF ADDITIONAL REQUIREMENTS (REGISTRARS / MEMBERS)	1,020		1,020													1,020		1,020
	CA110422 FIT OUT OF COUNCIL HOUSE FOR REGISTRARS AND CIVICS CEREMONIES	875		875													875		875
	CA110597 MOXON ST REDEVELOPMENT	310		310													310		310
	LEISURE REDEVELOPMENT	83,953		83,953	99,369	(850)	98,519	152,942		152,942	143,746	(256,430)	(112,684)	130,933	(193,750)	(62,817)	610,943	(451,030)	159,913
	OUTDOOR MEDIA PHASE 2				1,243		1,243										1,243		1,243
	PICCADILLY UNDERPASS DIGITAL MEDIA SCREENS	5,348	(1,500)	3,848													5,348	(1,500)	3,848
	CAPITAL CONTINGENCY	5,649	(100,000)	(94,351)	5,730	(20,000)	(14,270)	5,750	(20,000)	(14,250)	5,750	(20,000)	(14,250)	205,750	(20,000)	185,750	228,629	(180,000)	48,629
	THE FLAME ADVERTISING SCHEME	900		900													900		900
	DIGITAL TRANSFORMATION	2,979		2,979	1,021		1,021										4,000		4,000

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Cabinet Member	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total				
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget		
	CORPORATE SOFTWARE LICENCES	50		50			50		50			50		50		50			150		150
	DATA NETWORK REFRESH	250		250	400		400	400	400			200		200		200			1,450		1,450
	DATA CENTRE REFRESH	450		450	100		100	100	100			100		100		100			850		850
	END USER COMPUTING REFRESH	700		700	100		100	1,600	1,600			100		700		700			3,200		3,200
	PARKING & INTEGRATED ST MGT IT	225		225	150		150	325	325			75		75		75			850		850
	M300193 - B.I TRI BOROUGH CAPITAL	50		50															50		50
	TS - DUDLEY HOUSE	36,880	(26,137)	10,743	48,922	(9,244)	39,678	7,344	(20,169)	(12,825)		2,137		2,137		2,137			95,283	(55,550)	39,733
	TECH REFRESH							500	500			500		500		500			1,000		1,000
	PROPERTY INVESTMENT SCHEMES	25,000		25,000															25,000		25,000
	UTC EBURY BRIDGE	18,227	(10,583)	7,644	16,675	(10,319)	6,356	2,543	(17,076)	(14,533)		(3,056)		(3,056)		(3,056)			37,445	(41,033)	(3,588)
Finance, Corporate and Customer Services - Cllr Mitchell Total		217,829	(138,220)	79,609	238,196	(40,413)	197,783	234,028	(57,245)	176,783	184,033	(309,486)	(125,453)	369,270	(279,750)	89,520	1,243,355	(825,113)	418,242		
City Management and Customer services - Cllr Caplan																					
	CA111592 WHITEHALL STREETSCAPE PH14/ 15	300		300															300		300
	CA110240 ANTI SKID SURFACING 13-14	155		155	155		155	160	160			165		165		170			805		805
	CA110241 CARRIAGEWAY PROG MAINT 13-14	2,750		2,750	2,750		2,750	2,750	2,750		2,800		2,800	2,850	2,850	13,900			13,900		13,900
	CA110242 DAMAGED PAVING PROG 13-14	300		300	300		300	190	190		80		80	82	82	952			952		952
	CA110243 FOOTWAY PROG MAINT 13-14	1,580		1,580	1,560		1,560	1,625	1,625		1,700		1,700	1,785	1,785	8,250			8,250		8,250
	CA110244 GULLY RECONSTRUCTION 13-14	230		230	250		250	145	145		140		140	144	144	909			909		909
	CA110245 REPL STREET NAMEPLATES 13-14	50		50	50		50	55	55		55		55	57	57	267			267		267
	CA110246 VFM FOOTWAY STRENGTHENING 13-14	200		200	200		200	175	175		150		150	155	155	880			880		880
	CA110250 AGED EXPIRED EQUIPMENT 13-14	155		155	150		150	150	150		150		150	150	150	755			755		755
	CA110251 CHERISHED COLUMN REPLA 13-14	90		90	90		90	94	94		94		94	100	100	468			468		468
	CA110252 LIGHTING IMPROVEMENTS 13-14	800		800	800		800	865	865		865		865	925	925	4,255			4,255		4,255
	LED LIGHTING ROLL OUT	825		825	830		830	875	875		855		855	950	950	4,335			4,335		4,335
	CA110253 LOAD TESTING 13-14	65		65	65		65	70	70		74		74	76	76	350			350		350
	CA110254 REG SIGN REPLACEMENT 13-14	70		70	70		70	75	75		75		75	77	77	367			367		367
	CA110255 STRUCT CRITICAL COLUMN 13-14	190		190	170		170	180	180		180		180	185	185	905			905		905
	CA110257 PROTECTIVE PAINT COATING TO LI	337		337	310		310	320	320		300		300	320	320	1,587			1,587		1,587
	CA111585 SMART SIGNS SCHEME 2015-16	209		209	218		218	225	225							652			652		652
	CA110123 P2W HAYMARKET																				
	CA110145 PLANNED PREVENTATIVE MAINTENAN	615		615	615		615	640	640		660		660	680	680	3,210			3,210		3,210
	CA111586 WATERLOO BRIDGE	1,400		1,400	1,000		1,000	300	300		600		600			3,300			3,300		3,300
	CA111587 Victoria Embankment Sturgeon S	300		300												300			300		300
	CA111588 TUNNEL IMPROVEMENTS	345		345												345			345		345
	CA111589 ROAD UNDERPASS																				
	CA110357 MEMORIAL SAFETY IN CEMETERIES	35		35	35		35	35	35		35		35	35	35	175			175		175
	CA110358 HANWELL CEMETERY WALLS																				
	CA110360 HANWELL CEMETERY PATHWAYS																				
	CA110361 PLAYGROUNDS - MINOR WKS	50		50	50		50	50	50		50		50	50	50	250			250		250
	CA110368 RECYCLING CONTAINERS & SACKS	100		100	100		100	100	100		100		100	100	100	500			500		500
	CA110369 SELCHP PLANT IMPROVEMENTS	265		265	132		132									397			397		397
	CA111616 ST JOHNS GDN HORSEFERRY RD WAL	150		150												150			150		150
	CA110356 EAST FINCHLEY WALL	250		250												250			250		250
	PARKS AND OPEN SPACES INFRASTRUCTURE	40		40	40		40	40	40		40		40	40	40	200			200		200
	W601053 - ST MARYS CHYD BOUNDARY WALL	85		85												85			85		85
City Management and Customer services - Cllr Caplan Total		11,941		11,941	9,940		9,940	9,119		9,119	9,168		9,168	8,931		8,931		49,099		49,099	
Sports and Leisure Services - Cllr D Harvey																					
	HEALTH AND WELLBEING SIGNAGE IN PARKS AND OPEN SPACES																				
	CA110403 LIBRAIRES - 6 YR DEC PROG	400		400	320		320	500	500		500		500	400	400	2,120			2,120		2,120
	CA110427 Sports Centre Condition Survey	300	(150)	150	250		250	100	100		250		250	200	200	1,100	(150)		950		950
	CA110428 Moberly Sports Centre Redev	3,900		3,900	13,915	(1,100)	12,815									17,815	(1,100)		16,715		16,715
	CA110429 TILING ALL SITES IMPROVE CH RM	10		10	15		15	15	15		15		15	15	15	70			70		70
	CA110430 CCTV UPGRADES LEISURE CENTRES	10		10	15		15	15	15		15		15	15	15	55			55		55
	CA110433 PRG PATHS DRAIN FENC'G HORT PA	25		25	25		25	25	25		40		40	30	30	145			145		145
	CA110434 SAYERS CROFT - REFURBISHMENTS	75		75	125	(50)	75	125	(50)	75	125		125	100	(25)	75	(125)		425		425
	CA111573 LIBRARIES MINOR WORKS	75		75												75			75		75
	SYNTHETIC PITCH REPLACEMENT	150		150	150		150	100	100		125	(75)	50	125	(75)	650	(150)		500		500
	CA111617 THE PORCHESTER CENTRE	75		75												75			75		75
	CA111619 PADD REC LONG TERM TREE & HORT	20		20	20		20	20	20		20		20	20	20	60			60		60
	CA111620 HLTH & WELLBEING SIGNAGE IN PA	25		25												25			25		25
	CA111621 PADD REC GROUND NEW SPEC AND A	35		35												35			35		35
	CA111622 WESTBOURNE GRN SKATE PK MULTI	115	(50)	65												115	(50)		65		65
	CA111623 MULTI USE GAMES AREAS AND OUTD	120	(50)	70	35		35	35	35		35		35	190	(50)	140			140		140
	CA111624 SCHOOL SPORTS FACILITIES	50		50												50			50		50
	CA111625 JNR FITNS FAC DEV IN SPRTS CNT	75		75												75			75		75
	T102003 - WESTMINSTER REF LIB - REFURB	205		205												205			205		205
	CA111579 OPEN SPACES STRATEGY	200		200	200		200	209	209		200		200	200	200	1,009			1,009		1,009
	PRG - REPLACEMENT OF CHILDRENS PLAYGROUND				150		150	50	50		50	(50)	200	200	200	250	(50)		200		200
	W650009-CHANGING ROOM REFURBISHMENT				150		150	150	150		275	(25)	250	150	150	725	(25)		700		700
	VICTORIA LIBRARY NOVA SCHEME																				

Cabinet Member	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
	CA110117 - LEICESTER SQ REDESIGN OPTION 1	179		179												179		179	
	CA110118 - TICKET OFFICE - LEICESTER SQ	300		300												300		300	
	Lisson Arches																		
	CAVENDISH SQUARE CAR PARK	1,500		1,500	20,833		20,833	29,750		29,750	10,417		10,417			62,500		62,500	
	CIRCUS ROAD	543		543	10,500		10,500	10,500		10,500		(12,454)	(12,454)	(12,454)		21,543	(24,908)	(3,365)	
	BEACHCROFT	955		955	12,045		12,045	12,000		12,000		(21,000)	(21,000)	(12,454)		25,000	(21,000)	4,000	
	CA111626 - MAJOR PROJECTS FEASIBILITY AND INVESTIGATIVE WORKS FOR MAJOR RE-DEVELOPMENT- SEYMOUR AND QUEEN MOTHER	150		150												150		150	
	QUEENSWAY AND BAYSWATER							500		500	500		500			1,000		1,000	
	OXFORD/REGENT STREET, BOND STREET (WEP)	400		400	400		400	300		300	210		210			1,310		1,310	
	OTHER AREA BASED				300		300									300		300	
	CA110407 MARYLEBONE LIB PERM ACCOMM LUX	16,535		16,535	4,840	(12,350)	(7,510)		(6,150)	(6,150)						21,375	(18,500)	2,875	
	EVENTS AND FILMING	50		50												50		50	
	TFL LOCAL IMPROVEMENT PROGRAMME PLAN 2016/17	7,340	(7,340)													7,340	(7,340)		
	SOHO	400		400				200		200	150		150			750		750	
	NAMED STREET SCAPE							765		765	886		886			1,651		1,651	
	CHURCH STREET RENEWAL																		
	OXFORD STREET EAST AND WEST							500		500	500		500			1,000		1,000	
	CYCLE VISION AND STRATEGY							700		700	600		600			1,300		1,300	
Deputy Leader and Built Env. - Cllr Davis																			
Total		37,946	(12,340)	25,606	55,678	(17,250)	38,428	56,409	(6,150)	50,259	14,395	(33,454)	(19,059)	200	(12,454)	164,628	(81,648)	82,980	
Grand Total		351,288	(213,346)	137,941	359,155	(89,684)	269,471	345,709	(98,287)	247,422	247,600	(348,732)	(101,132)	416,330	(364,696)	1,720,081	(1,114,745)	605,336	

Gross and Net Programme (£m)

All Service Areas	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
Adult Services	1.57	(0.82)	0.75	0.75		0.75	1.50		1.50	26.00		26.00	26.00	(62.45)	(36.45)	55.82	(63.27)	(7.45)
Children's Services	8.86	(8.43)	0.43	11.78	(11.53)	0.25	2.11	(1.86)	0.25	0.25		0.25	0.25		0.25	23.25	(21.82)	1.43
Growth, Planning & Housing	285.54	(89.36)	196.18	304.32	(51.46)	252.86	317.50	(75.73)	241.76	199.13	(327.94)	(128.81)	172.09	(281.50)	(109.41)	1,278.58	(826.00)	452.58
City Management & Communities	38.66	(13.23)	25.43	33.56	(6.69)	26.87	15.88	(0.69)	15.19	15.50	(0.79)	14.71	11.11	(0.74)	10.37	114.71	(22.15)	92.56
Corporate Services	1.68		1.68	0.75		0.75	2.98		2.98	0.98		0.98	1.13		1.13	7.50		7.50
Policy, Performance & Communications	9.33	(1.50)	7.83	2.26		2.26										11.59	(1.50)	10.09
City Treasurer	5.65	(100.00)	(94.35)	5.73	(20.00)	(14.27)	5.75	(20.00)	(14.25)	5.75	(20.00)	(14.25)	205.75	(20.00)	185.75	228.63	(180.00)	48.63
TOTAL	351.29	(213.35)	137.94	359.16	(89.68)	269.47	345.71	(98.29)	247.42	247.60	(348.73)	(101.13)	416.33	(364.70)	51.63	1,720.08	(1,114.75)	605.34

Gross and Net Programme by Project (£000s)

Directorate	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
Adult Services	CA110078 BARNEY & FLOREY	182	(182)													182	(182)		
	CARLTON DENE	500		500	500		500	1,000		1,000	19,000		19,000	19,000	(49,000)	(30,000)	40,000	(49,000)	(9,000)
	FRAMEWORK1 UPGRADE TO MOSAIC	200	(200)													200	(200)		
	RESIDENT ASSET REPLACEMENT	438	(438)													438	(438)		
	WESTMEAD	250		250	250		250	500		500	7,000		7,000	7,000	(13,450)	(6,450)	15,000	(13,450)	1,550
Adult Services Total		1,570	(820)	750	750		750	1,500		1,500	26,000		26,000	26,000	(62,450)	(36,450)	55,820	(63,270)	(7,450)
Children's Services	CA110343 2 YEAR OLD CAPITAL PROGRAMME	250	(250)		250	(250)										250	(250)		
	CA110352 CHRISTCHURCH BENTINCK	1,307	(1,307)													1,307	(1,307)		
	CA110348 ESSENDINE SAFEGUARDING & REMOD	708	(708)													708	(708)		
	CA110636 HALLFIELD HEATING & DISTRIB	332	(332)		339	(339)										332	(332)		
	CA111578 KING SOLOMON SCHOOL EXPANSION							1,657	(1,657)							1,657	(1,657)		
	CA111574 PIMLICO ACADEMY				5,127	(5,127)										5,127	(5,127)		
	PORTMAN - BOILER AND DISTRIB	204	(204)		204	(204)		204	(204)							204	(204)		
	REMODELLING OF EARLY HELP/ CHILDREN'S SEVICES INVESTMENT AND IMPROVEMENT	433		433	250		250	250		250	250		250	250		250		250	
	CA111575 ST GEORGE'S SCHOOL EXPANSION	3,297	(3,297)		3,359	(3,359)											3,359	(3,359)	
	WESTMINSTER CITY SCHOOLS MINOR WORKS PROJECTS	2,259	(2,259)		2,200	(2,200)											2,200	(2,200)	
	75	(75)		50	(50)											75	(75)		
Children's Services Total		8,865	(8,432)	433	11,779	(11,529)	250	2,111	(1,861)	250	250		250	250		23,254	(21,821)	1,433	
Growth, Planning & Housing	CA110148 STREET TREES - NEW PLANTING	170		170	170		170	194		194	200		200	200		200		200	
	CA110384 AHF BUDGET	32,702	(32,702)		1,600	(1,600)		22,300	(22,300)					9,300	(9,300)		65,902	(65,902)	
	CA110385 291 HARROW ROAD	11,943	(10,326)	1,617	11,483	(5,700)	5,783	4,040	(4,040)								27,466	(20,066)	7,400
	CA110386 CHURCHHILL GARDENS PROJECT	815	(815)														815	(815)	
	CA110407 MARYLEBONE LIB PERM ACCOMM LUX	16,535		16,535	4,840	(12,350)	(7,510)		(6,150)	(6,150)							21,375	(18,500)	2,875
	CA110409 WCH IMPROVEMENT - MAJOR REFURB	3,622		3,622	39,445		39,445	44,767		44,767							87,834		87,834
	CA110411 LANDLORD'S RESPONSIBILITIES	1,000		1,000	1,000		1,000	1,250		1,250	1,250		1,250	1,250		1,250		1,250	
	CA110414 VARIOUS PROPS CAPITALISED SALS	406		406	406		406	426		426	431		431	444		444		444	
	CA110416 CORONERS CRT-COMPLIANCE/IMPS	2,451		2,451	33		33										2,484		2,484
	CA110417 ENERGY MONITOR & TARGET	50		50	50		50	50		50	50		50	50		50		50	
	CA110418 LISSON GROVE IMPROVEMENT-INFRA	1,196		1,196													1,196		1,196
	CA110421 MANDELA WAY UPGRADE RENTAL PRP	398		398													398		398
	CA110422 FIT OUT OF COUNCIL HOUSE FOR REGISTRARS AND CIVICS CEREMONIES	875		875													875		875
	CA110587 TA PURCHASES	18,800	(8,800)	10,000	13,200	(11,400)	1,800	13,200	(6,000)	7,200	11,000	(5,000)	6,000				56,200	(31,200)	25,000
	CA110597 MOXON ST REDEVELOPMENT	310		310													310		310
	CA110598 41 WHITCOMB/HUGUENOT HSE REDEV	22,782		22,782	22,782		22,782	15,188		15,188	28,877	(30,000)	(1,123)	28,876	(66,000)	(37,124)	118,505	(96,000)	22,505
	CA110599 FORWARD MANAGEMENT PLAN	398		398	770		770	793		793	817		817	842		842	3,620		3,620
	CA110604 LANDLORD RESP- REGENCY CAFE RO	140		140													140		140
	CA110609 LANDLORD RESP- MAYFAIR LIBRARY	1,045		1,045													1,045		1,045
	CA110612 LANDLORD RESP- LISSON GROVE	1,100		1,100													1,100		1,100
CA111579 OPEN SPACES STRATEGY	200		200	200		200	209		209	200		200	200		200	1,009		1,009	
CA111581 COSWAY STREET	375		375													375		375	
CA111626 - MAJOR PROJECTS FEASIBILITY AND INVESTIGATIVE WORKS FOR MAJOR RE-DEVELOPMENT- SEYMOUR AND QUEEN MOTHER	150		150													150		150	

Directorate	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
	CAVENDISH SQUARE CAR PARK	1,500		1,500	20,833		20,833	29,750		29,750	10,417		10,417			62,500		62,500	
	CIRCUS ROAD	543		543	10,500		10,500	10,500		10,500		(12,454)	(12,454)		(12,454)	21,543	(24,908)	(3,365)	
	PROPERTY INVESTMENT SCHEMES	25,000		25,000												25,000		25,000	
	TS - DUDLEY HOUSE	36,880	(26,137)	10,743	48,922	(9,244)	39,678	7,344	(20,169)	(12,825)	2,137		2,137			95,283	(55,550)	39,733	
	UTC EBURY BRIDGE	18,227	(10,583)	7,644	16,675	(10,319)	6,356	2,543	(17,076)	(14,533)		(3,056)	(3,056)			37,445	(41,033)	(3,588)	
	COUNCIL HSE FIT OUT OF ADDITIONAL REQUIREMENTS (REGISTRARS / MEMBERS)	1,020		1,020												1,020		1,020	
	LEISURE REDEVELOPMENT	83,953		83,953	99,369	(850)	98,519	152,942		152,942	143,746	(256,430)	(112,684)	130,933	(193,750)	610,943	(451,030)	159,913	
	BEACHCROFT	955		955	12,045		12,045	12,000		12,000		(21,000)	(21,000)			25,000	(21,000)	4,000	
Growth, Planning & Housing Total		285,541	(89,363)	196,178	304,323	(51,463)	252,860	317,496	(75,735)	241,761	199,125	(327,940)	(128,815)	172,095	(281,504)	(109,409)	1,278,579	(826,004)	452,575
City Management & Communities	CA110079 - CATHEDRAL PIAZZA	604		604												604		604	
	CA110090 QUEENSWAY / WESTBOURNE GROVE	790		790												790		790	
	CA110117 - LEICESTER SQ REDESIGN OPTION 1	179		179												179		179	
	CA110118 - TICKET OFFICE - LEICESTER SQ	300		300												300		300	
	CA110145 PLANNED PREVENTATIVE MAINTENAN	615		615	615		615	640		640	660		660	680		680	3,210		3,210
	CA110240 ANTI SKID SURFACING 13-14	155		155	155		155	160		160	165		165	170		170	805		805
	CA110241 CARRIAGEWAY PROG MAINT 13-14	2,750		2,750	2,750		2,750	2,750		2,750	2,800		2,800	2,850		2,850	13,900		13,900
	CA110242 DAMAGED PAVING PROG 13-14	300		300	300		300	190		190	80		80	82		82	952		952
	CA110243 FOOTWAY PROG MAINT 13-14	1,580		1,580	1,560		1,560	1,625		1,625	1,700		1,700	1,785		1,785	8,250		8,250
	CA110244 GULLY RECONSTRUCTION 13-14	230		230	250		250	145		145	140		140	144		144	909		909
	CA110245 REPL STREET NAMEPLATES 13-14	50		50	50		50	55		55	55		55	57		57	267		267
	CA110246 VFM FOOTWAY STRENGTHENING 13-14	200		200	200		200	175		175	150		150	155		155	880		880
	CA110250 AGED EXPIRED EQUIPMENT 13-14	155		155	150		150	150		150	150		150	150		150	755		755
	CA110251 CHERISHED COLUMN REPLA 13-14	90		90	90		90	94		94	94		94	100		100	468		468
	CA110252 LIGHTING IMPROVEMENTS 13-14	800		800	800		800	865		865	865		865	925		925	4,255		4,255
	CA110253 LOAD TESTING 13-14	65		65	65		65	70		70	74		74	76		76	350		350
	CA110254 REG SIGN REPLACEMENT 13-14	70		70	70		70	75		75	75		75	77		77	367		367
	CA110255 STRUCT CRITICAL COLUMN 13-14	190		190	170		170	180		180	180		180	185		185	905		905
	CA110257 PROTECTIVE PAINT COATING TO LI	337		337	310		310	320		320	300		300	320		320	1,587		1,587
	CA110356 EAST FINCHLEY WALL	250		250													250		250
	CA110357 MEMORIAL SAFETY IN CEMETERIES	35		35	35		35	35		35	35		35	35		35	175		175
	CA110361 PLAYGROUNDS - MINOR WKS	50		50	50		50	50		50	50		50	50		50	250		250
	CA110368 RECYCLING CONTAINERS & SACKS	100		100	100		100	100		100	100		100	100		100	500		500
	CA110369 SELCHP PLANT IMPROVEMENTS	265		265	132		132										397		397
	CA110388 SAFE AND SECURE (PRIVATE) SS	200		200	200		200	200		200	200		200	200		200	1,000		1,000
	CA110394 DFG BUDGET	959	(642)	317	959	(642)	317	959	(642)	317	959	(642)	317	959	(642)	317	4,795	(3,210)	1,585
	CA110403 LIBRAIRES - 6 YR DEC PROG	400		400	320		320	500		500	500		500	400		400	2,120		2,120
	CA110427 Sports Centre Condition Survey	300	(150)	150	250		250	100		100	250		250	200		200	1,100	(150)	950
	CA110428 Moberly Sports Centre Redev	3,900		3,900	13,915	(1,100)	12,815										17,815	(1,100)	16,715
	CA110429 TILING ALL SITES IMPROVE CH RM	10		10	15		15	15		15	15		15	15		15	70		70
	CA110430 CCTV UPGRADES LEISURE CENTRES	10		10	15		15	15		15	15		15	15		15	55		55
	CA110433 PRG PATHS DRAIN FENC'G HORT PA	25		25	25		25	25		25	40		40	30		30	145		145
	CA110434 SAYERS CROFT - REFURBISHMENTS	75		75	125	(50)	75	125	(50)	75	125		125	100	(25)	75	550	(125)	425
	CA110641 CCTV - CRIME & DISORDER ESTATE	1,704		1,704													1,704		1,704
CA111573 LIBRARIES MINOR WORKS	75		75													75		75	
CA111583 NEW MTP ICT CAPITAL	150		150													150		150	
CA111585 SMART SIGNS SCHEME 2015-16	209		209	218		218	225		225							652		652	
CA111586 WATERLOO BRIDGE	1,400		1,400	1,000		1,000	300		300	600		600				3,300		3,300	
CA111587 Victoria Embankment Sturgeon S	300		300													300		300	
CA111588 TUNNEL IMPROVEMENTS	345		345													345		345	
CA111590 LOCAL SAFETY SCHEMES 1 2015-16	100		100	90		90	314		314	300		300				804		804	
CA111592 WHITEHALL STREETSCAPE PH14/15	300		300													300		300	
CA111594 MARYLEBONE HIGH STREET	750		750													750		750	
CA111595 THAMES AREA PROJECTS 1	640		640	500		500										1,140		1,140	
CA111596 THAMES AREA PROJECTS 2	200		200													200		200	
CA111597 WESTBOURNE AND PADDINGTON SCHEME 1	400		400	400		400										800		800	
CA111599 TRAFFIC MANAGEMENT SCHEMES 1	300		300	300		300	100		100	100		100				800		800	
CA111608 VICTORIA PUBLIC REALM	340		340													340		340	

Directorate	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
	CA111614 COVENT GARDEN 1 AND SIDE STREET	300		300	400		400	309		309	278		278			1,287		1,287	
	CA111616 ST JOHNS GDN HORSEFERRY RD WAL	150		150												150		150	
	CA111617 THE PORCHESTER CENTRE	75		75												75		75	
	CA111619 PADD REC LONG TERM TREE & HORT	20		20	20		20	20		20					60		60		
	CA111620 HLTH & WELLBEING SIGNAGE IN PA	25		25											25		25		
	CA111621 PADD REC GROUND NEW SPEC AND A	35		35											35		35		
	CA111622 WESTBOURNE GRN SKATE PK MULTI	115	(50)	65											115	(50)	65		
	CA111623 MULTI USE GAMES AREAS AND OUTD	120	(50)	70	35		35	35		35					190	(50)	140		
	CA111624 SCHOOL SPORTS FACILITIES	50		50											50		50		
	CA111625 JNR FITNS FAC DEV IN SPRTS CNT	75		75											75		75		
	CA111627 PARLIAMENTARY SOUTHERN ESTATES	2,000	(2,000)		1,900	(1,900)									3,900	(3,900)			
	CYCLE VISION AND STRATEGY							700		700	600		600		1,300		1,300		
	LED LIGHTING ROLL OUT	825		825	830		830	875		875	855		855	950	950	4,335		4,335	
	NAMED STREET SCAPE							765		765	886		886		1,651		1,651		
	OTHER AREA BASED				300		300								300		300		
	OXFORD STREET EAST AND WEST							500		500	500		500		1,000		1,000		
	OXFORD/REGENT STREET, BOND STREET (WEP)	400		400	400		400	300		300	210		210		1,310		1,310		
	PARKS AND OPEN SPACES	40		40	40		40	40		40	40		40	40	200		200		
	INFRASTRUCTURE																		
	PRG - REPLACEMENT OF CHILDRENS PLAYGROUND				150		150	50		50	50	(50)			250	(50)	200		
	QUEENSWAY AND BAYSWATER							500		500	500		500		1,000		1,000		
	S106 DEVELOPER FUNDED SCHEMES	3,000	(3,000)		3,000	(3,000)									6,000	(6,000)			
	TFL LOCAL IMPROVEMENT PROGRAMME PLAN 2016/17	7,340	(7,340)												7,340	(7,340)			
	SOHO	400		400				200		200	150		150		750		750		
	SYNTHETIC PITCH REPLACEMENT	150		150	150		150	100		100	125	(75)	50	125	(75)	650	(150)	500	
	T102003 - WESTMINSTER REF LIB - REFURB	205		205											205		205		
	VICTORIA LIBRARY NOVA SCHEME							500		500					500		500		
	W601053 - ST MARYS CH'YD BOUNDARY WALL	85		85											85		85		
	W650009-CHANGING ROOM REFURBISHMENT				150		150	150		150	275	(25)	250	150	150	725	(25)	700	
	WEST END OTHER PROJECTS							277		277	254		254		531		531		
City Management & Communities Total		38,661	(13,232)	25,429	33,559	(6,692)	26,867	15,878	(692)	15,186	15,500	(792)	14,708	11,110	(742)	10,368	114,708	(22,150)	92,558
Corporate Services																			
	CORPORATE SOFTWARE LICENCES	50		50				50		50			50		50	150		150	
	DATA CENTRE REFRESH	450		450	100		100	100		100	100		100	100	100	850		850	
	DATA NETWORK REFRESH	250		250	400		400	400		400	200		200	200	200	1,450		1,450	
	END USER COMPUTING REFRESH	700		700	100		100	1,600		1,600	100		100	700	700	3,200		3,200	
	PARKING & INTEGRATED ST MGT IT	225		225	150		150	325		325	75		75	75	850		850		
	TECH REFRESH							500		500	500		500		1,000		1,000		
Corporate Services Total		1,675		1,675	750		750	2,975		2,975	975		975	1,125		1,125	7,500		7,500
Policy, Performance & Communications																			
	DIGITAL TRANSFORMATION	2,979		2,979	1,021		1,021									4,000		4,000	
	EVENTS AND FILMING	50		50											50		50		
	M300193 - B.I TRI BOROUGH CAPITAL	50		50											50		50		
	OUTDOOR MEDIA PHASE 2				1,243		1,243								1,243		1,243		
	PICCADILLY UNDERPASS DIGITAL MEDIA SCREENS	5,348	(1,500)	3,848											5,348	(1,500)	3,848		
	THE FLAME ADVERTISING SCHEME	900		900											900		900		
Policy, Performance & Communications Total		9,327	(1,500)	7,827	2,264		2,264									11,591	(1,500)	10,091	
City Treasurer	CA111571 CAPITAL CONTINGENCY	5,649	(100,000)	(94,351)	5,730	(20,000)	(14,270)	5,750	(20,000)	(14,250)	5,750	(20,000)	(14,250)	205,750	(20,000)	185,750	228,629	(180,000)	48,629
City Treasurer Total		5,649	(100,000)	(94,351)	5,730	(20,000)	(14,270)	5,750	(20,000)	(14,250)	5,750	(20,000)	(14,250)	205,750	(20,000)	185,750	228,629	(180,000)	48,629
Grand Total		351,288	(213,346)	137,941	359,155	(89,684)	269,471	345,709	(98,287)	247,422	247,600	(348,732)	(101,132)	416,330	(364,696)	51,634	1,720,081	(1,114,745)	605,336

Gross Programme (£m)

All Service Areas	2015/16		
	Gross Budget	Income	Net Budget
Adult Services	0.27	(0.28)	0
Children's Services	9.70	(9.70)	0
Growth, Planning & Housing	45.88	(45.88)	0
City Management & Communities	36.95	(36.94)	0
Corporate & Commercial Services	0.69	(0.69)	0
TOTAL	93.48	(93.48)	0
Grants	(57.18)		(57.18)
Capital receipt	(36.30)		(36.30)
Borrowing			
Total Funding for Gross Expenditure	(93.48)		(93.48)

Gross and Net Programme by Project by (£000s)

Directorate	Project	2015/16		
		Gross Budget	Income	Net Budget
Adult Services				
	CA110075 - BEACHCROFT & CARLTON DENE DEV.	109	(109)	-
	CA110076 - 117 ALDERNEY ST DEREK	165	(165)	-
Adult Services Total		274	(274)	-
Children's Services				
	CA110343 2 YEAR OLD CAPITAL PROGRAMME	299	(299)	-
	CA110333 6 CROMPTON STREET	250	(250)	-
	CA110635 ROBINSFIELD NEW RECEPTION	25	(25)	-
	CA110633 BARROW HILL PARENTS BUILDING	135	(135)	-
	CA110329 BSF - QUINTIN KYNASTON	1,412	(1,412)	-
	CA110342 CHILDRENS CENTRES WORKS	250	(250)	-
	CA110352 CHRISTCHURCH BENTINCK	2,134	(2,134)	-
	CA110348 ESSENDINE SAFEGUARDING & REMOD	669	(669)	-
	CA110636 HALLFIELD HEATING & DISTRIB	82	(82)	-
	CA110639 MINOR WORKS PROJECTS 14/15	68	(68)	-
	CA111574 PIMLICO ACADEMY	150	(150)	-
	CA110634 QUEEN'S PARK RECEPTION	25	(25)	-
	CA111576 UTC EBURY BRIDGE	3,576	(3,576)	-
	15/16 MINOR WORKS	25	(25)	-
	BEACHCROFT EXPANSION	600	(600)	-
Children's Services Total		9,700	(9,700)	-
Growth, Planning & Housing				
	CA110384 AHF BUDGET	23,698	(23,698)	-
	CA110587 TA PURCHASES	11,000	(11,000)	-
	CA110399 TRESHAM HOUSE WCC	4,390	(4,390)	-
	CA110411 LANDLORD'S RESPONSIBILITIES	650	(650)	-
	CA110599 FORWARD MANAGEMENT PLAN	1,350	(1,350)	-
	CA110598 41 WHITCOMB/HUGUENOT HSE REDEV	1,100	(1,100)	-
	CA110409 WCH IMPROVEMENT - MAJOR REFURB	500	(500)	-
	CA110414 VARIOUS PROPS CAPITALISED SALS	396	(396)	-
	M605092 - FARM STREET	363	(363)	-
	CA111582 LEGACY COMPLIANCE	300	(300)	-
	CA110597 MOXON ST REDEVELOPMENT	290	(290)	-
	CA110148 STREET TREES - NEW PLANTING	215	(215)	-
	CA111769 WESTMINSTER CITY HALL TRANSFORMATION	200	(200)	-
	CA110422 COUNCIL HOUSE LEASE DISPOSAL	170	(170)	-
	CA111579 OPEN SPACES STRATEGY	150	(150)	-
	CA111626 MJR PRJ FEASBITY INVSTIGVE WR	150	(150)	-
	M605093 - 196 A PICCADILLY	150	(150)	-
	CA111770 LISSON GROVE TRANSFORMATION	140	(140)	-
	CA110417 ENERGY MONITOR & TARGET	130	(130)	-
	CA111581 COSWAY STREET	125	(125)	-
	CA111572 ASSET DISPOSAL	120	(120)	-
	CA110610 LANDLORD RESP- PIMLICO LIBRARY	100	(100)	-
	CA110612 LANDLORD RESP- LISSON GROVE	80	(80)	-
	CA110397 EMANUAL HOUSE MAJOR WORKS	50	(50)	-
	CA110416 CORONERS CRT-COMPLIANCE/IMPS	30	(30)	-
	CA110413 F-GAS AND OTHER REGULATIONS CO	18	(18)	-
	CA110623 DEPOTS - PAGE STREET	10	(10)	-

Directorate	Project	2015/16		
		Gross Budget	Income	Net Budget
	CA110386 CHURCHHILL GARDENS PROJECT	3	(3)	-
Growth, Planning & Housing Total		45,878	(45,878)	-
City Management & Communities				
	CA110357 MEMORIAL SAFETY IN CEMETERIES	35	(35)	-
	CA110358 HANWELL CEMETERY WALLS	244	(244)	-
	CA110360 HANWELL CEMETERY PATHWAYS	55	(55)	-
	CA110361 PLAYGROUNDS - MINOR WKS	50	(50)	-
	CA110368 RECYCLING CONTAINERS & SACKS	132	(132)	-
	CA110369 SELCHP PLANT IMPROVEMENTS	265	(265)	-
	CA110629 ST.JOHNS WOOD	5	(5)	-
	CA110631 PIMLICO LIBRARY	100	(100)	-
	CA110403 LIBRAIRES - 6 YR DEC PROG	250	(250)	-
	CA110407 MARYLEBONE LIB PERM ACCOMM LUX	580	(580)	-
	CA110427 Sports Centre Condition Survey	300	(300)	-
	CA110429 TILING ALL SITES IMPROVE CH RM	10	(10)	-
	CA110430 CCTV UPGRADES LEISURE CENTRES	10	(10)	-
	CA110433 PRG PATHS DRAIN FENC'G HORT PA	25	(25)	-
	CA110434 SAYERS CROFT - REFURBISHMENTS	75	(75)	-
	CA110388 SAFE AND SECURE (PRIVATE) SS	200	(200)	-
	CA110394 DFG BUDGET	959	(959)	-
	CA110641 CCTV - CRIME & DISORDER ESTATE	12	(12)	-
	CA111583 NEW MTP ICT CAPITAL	100	(100)	-
	CA111617 THE PORCHESTER CENTRE	75	(75)	-
	CA111618 QMSC HEATING, VENTIL AND M&E	50	(50)	-
	CA111619 PADD REC LONG TERM TREE & HORT	20	(20)	-
	CA111620 HLTH & WELLBEING SIGNAGE IN PA	25	(25)	-
	CA111621 PADD REC GROUND NEW SPEC AND A	30	(30)	-
	CA111622 WESTBOURNE GRN SKATE PK MULTI	35	(35)	-
	CA111623 MULTI USE GAMES AREAS AND OUTD	35	(35)	-
	CA111624 SCHOOL SPORTS FACILITIES	50	(50)	-
	CA111625 JNR FITNS FAC DEV IN SPRTS CNT	60	(60)	-
	CA111573 LIBRARIES MINOR WORKS	175	(175)	-
	T102003 - WESTMINSTER REF LIB - REFURB	40	(40)	-
	CA110145 PLANNED PREVENTATIVE MAINTENAN	758	(758)	-
	CA111586 WATERLOO BRIDGE	625	(625)	-
	CA111587 Victoria Embankment Sturgeon S	350	(350)	-
	CA111588 TUNNEL IMPROVEMENTS	235	(235)	-
	CA111589 ROAD UNDERPASS	235	(235)	-
	CA110240 ANTI SKID SURFACING 13-14	145	(145)	-
	CA110241 CARRIAGEWAY PROG MAINT 13-14	2,831	(2,831)	-
	CA110242 DAMAGED PAVING PROG 13-14	225	(225)	-
	CA110243 FOOTWAY PROG MAINT 13-14	2,029	(2,029)	-
	CA110244 GULLY RECONSTRUCTION 13-14	200	(200)	-
	CA110245 REPL STREET NAMEPLATES 13-14	85	(85)	-
	CA110246 VFM FOOTWAY STRENGTHENING 13-14	220	(220)	-
	CA110250 AGED EXPIRED EQUIPMENT 13-14	220	(220)	-
	CA110251 CHERISHED COLUMN REPLA 13-14	85	(85)	-
	CA110252 LIGHTING IMPROVEMENTS 13-14	1,794	(1,794)	-
	CA110253 LOAD TESTING 13-14	60	(60)	-
	CA110254 REG SIGN REPLACEMENT 13-14	65	(65)	-
	CA110255 STRUCT CRITICAL COLUMN 13-14	180	(180)	-
	CA110257 PROTECTIVE PAINT COATING TO LI	244	(244)	-
	CA111585 SMART SIGNS SCHEME 2015-16	200	(200)	-
	CA110849 WHITCOMB STREET IMPROVEMENT	100	(100)	-

Directorate	Project	2015/16		
		Gross Budget	Income	Net Budget
	CA110854 EV CHARGING POINTS 2014/15	140	(140)	-
	CA111523 BOND STREET	300	(300)	-
	CA110227 LITTLE GROSVENOR STREET	2,102	(2,102)	-
	CA110229 UPPER ST. MARTIN'S LANE	370	(370)	-
	CA110084 NEWPORT PLACE	100	(100)	-
	CA110090 QUEENSWAY / WESTBOURNE GROVE	410	(410)	-
	CA110097 WELLINGTON STREET	300	(300)	-
	CA110099 CAMBRIDGE CIRCUS IMPROVEMENTS	800	(800)	-
	CA110108 HARROW RD GYRATORY TAXI RANK	700	(700)	-
	CA110109 BERWICK STREET SNS	1,100	(1,100)	-
	CA110123 P2W HAYMARKET	2,111	(2,111)	-
	CA111590 LOCAL SAFETY SCHEMES 1 2015-16	150	(150)	-
	CA111591 LOCAL SAFETY SCHEMES 2 2015-16	150	(150)	-
	CA111593 TFL - TRAFFIC SIGNALS 2015-16	100	(100)	-
	CA111595 THAMES AREA PROJECTS 1	60	(60)	-
	CA111597 WESTBOURNE AND PADDINGTON SCHEME 1	200	(200)	-
	CA111598 WESTBOURNE AND PADDINGTON SCHEME 2	200	(200)	-
	CA111599 TRAFFIC MANAGEMENT SCHEMES 1	163	(163)	-
	CA111600 TRAFFIC MANAGEMENT SCHEMES 2	163	(163)	-
	CA111601 CIVIC STREETS DEVT 1	150	(150)	-
	CA111602 CIVIC STREETS DEVT 2	150	(150)	-
	CA111603 BAKER STREET GYRATORY	1,000	(1,000)	-
	CA111604 HARROW RD ROUNDABOUT	215	(215)	-
	CA111605 HARROW RD WESTBOURNE 2 BOURN T	285	(285)	-
	CA111606 HARROW RD PORTNALL RD TO CHIPP	170	(170)	-
	CA111607 BUCKINGHAM PALACE	50	(50)	-
	CA111608 VICTORIA PUBLIC REALM	60	(60)	-
	CA111609 ORB SCHEMES 1	393	(393)	-
	CA111610 ORB SCHEMES 2	175	(175)	-
	CA111611 WEST END 2 CORRIDORS AND NEIGH	421	(421)	-
	CA111612 WEST END 3 CORRIDORS AND NEIGH	421	(421)	-
	CA111613 WEST END 4 CORRIDORS AND NEIGH	421	(421)	-
	CA111615 LEGIBLE LONDON 2014/15	70	(70)	-
	CA111628 SEYMOUR STREET	3,302	(3,302)	-
	CA111633 SECURITY SCHEME 2 2015-16	4,030	(4,030)	-
	CA111637 SECURITY SCHEME 6 2015-16	452	(452)	-
	CA111638 CYCLE PARKING ESTATES	100	(100)	-
	CA111639 TFL LOCAL BUS CHALLENGE 15-16	100	(100)	-
	CA111640 TFL TRANSPORT & STREET SCHEMES	100	(100)	-
	CA111641 TFL BUS STOP ACCESSIBILITY SCH	100	(100)	-
	CA110079 - CATHEDRAL PIAZZA	70	(70)	-
	CA110117 - LEICESTER SQ REDESIGN OPTION 1	145	(145)	-
	CA110118 - TICKET OFFICE - LEICESTER SQ			-
	Harrow Road Subway Project TBC	50	(50)	-
	CA111592 WHITEHALL STREETScape PH14/ 15			-
	New Row Project TBC	9	(9)	-
City Management & Communities Total		36,946	(36,946)	-
Corporate & Commercial Services	CA110375 CORPORATE SOFTWARE LICENCES	15	(15)	-
	CA110378 DATA NETWORK REFRESH	100	(100)	-
	CA110373 DATACENTRE REFRESH	270	(270)	-
	CA111570 SALARY CAPITALISATION	100	(100)	-
	SOE APPS PACKAGING	50	(50)	-
	M300114 - END USER COMPUTING REFRESH	50	(50)	-
	M300193 - B.I TRI BOROUGH CAPITAL	100	(100)	-
				-
Corporate & Commercial Services Total		685	(685)	-
Grand Total		93,483	(93,483)	-
Expenditure Funded By				
Grants		(57,180)	57,180	-
Capital Receipt		(36,303)	36,303	-
Borrowing				
Total Funding for the expenditure		(93,483)	93,483	-



City of Westminster Capital Review Group report

Summary

The role of the Capital Review Group (CRG) is to manage the Westminster City Council (WCC) General Fund (GF) capital programme. It is responsible for overseeing both the fixed and rolling five year capital programme and will include all projects including those 100% externally funded. It will manage the funding requirements for the Net Capital Programme and the revenue impact that this will have. The Housing Revenue Account Capital Programme (HRA) is managed separately but will provide updates to CRG so that group retains an overall view of capital expenditure.

For both HRA and GF the current and future year capital programme is approved within the annual Council Tax report and CRG provide the in year scrutiny of the GF programme.

Terms of Reference

The terms of reference for the group are:

- The strategic development of the Council's capital programme and capital strategy in accordance with the Council's Objectives as set out in City for All
- To consider any proposal for the use of capital against Council's priorities
- To review potential risk and Value for Money issues on any proposal for the use of capital.
- To agree any programme of capital spend within the confines of Council agreed financing
- To provide a forum for establishing and providing robust challenge and debate around the capital programme,
- To monitor the performance of projects and programmes within the Council's Capital Programme
- To set out a programme of annual capital receipts and to monitor progress in achieving those receipts
- To ensure that investments in projects are backed up with a rigorous business case that is updated and developed at key stages over the project life.

Membership

The meeting will be chaired by the Cabinet Member for Finance and Corporate Services supported by the City Treasurer. The meeting will be attended by relevant Cabinet members and Executive Directors or their representative where projects fall within their portfolio. Project/service managers will be attend as required to present on their project.

Governance

CRG does not have delegated authority but will act in an advisory capacity. A set of minutes will be circulated after each meeting outlining the key actions and proposed decisions. Where appropriate these will be reported to EMT and Cabinet. Reports presented at CRG should be in a Cabinet Member report style to ensure these can be signed off after the meeting where CRG is advising the recommendations are approved. The Group will meet on monthly cycle except for December and April. Though CRG will be responsible for managing the General Fund capital programme it will also receive updates on the HRA capital programme.

For the HRA the current process is that CWH and client side manage approved CWH capital schemes through officer and member led quarterly HRA performance meetings and these schemes are approved by Cabinet through the annual HRA business plan investment report and approved by members through full Council. Regeneration schemes and non-delegated capital schemes are reported to GPH board through highlights reporting monthly and reported to lead member through the HRA stakeholder report

Structure of the Meetings

The administration for meeting will be undertaken by the City Treasurer's team including the submission of a report and recommendations. Decisions from the meeting will flow into the monthly EMT / Cabinet report e.g. updated forecast etc. To achieve this the following are suggested standing items on the Agenda:

- Update on the current year capital programme
 - Spend to date v budget – overall, by EMT and for the key projects
 - Capital receipts forecast
- Revised forecast for the current year

In addition CRG will have a remit to review both emerging and future projects so there will be an agenda item to include:

- Re profiling of the budget for existing schemes
- New projects / receipts to be added to the existing programme
- Update on the Housing Revenue Account
- Future plans on major schemes and / or partner working

As part of its role in informing the annual accounts and Council Tax report the following specific items will be added to the agenda as required:

- Submission of the programme to Council Tax budget
- Review of items proposed as slippage
- New year budgets for the rolling five year programme

Significant Capital Projects

The level of information required will depend on the expected cost and financial regulations/ procurement code limits but all new projects will be expected to be presented for approval. This includes those projects that are 100% externally funded. When CRG have approved the inclusion of the project within the programme the EMT member should follow the normal financial regulations / procurement process for further approval:

Schemes over a minimum sum to be determined as part of that review should be presented to CRG over the life of the project starting with a Strategic Business case at inception, followed by an Outline business case once an options appraisal has been completed and finally with a Full business case once detailed design is completed and the contract is ready to sign. Templates will be developed for each key phase of the project. Where a Cabinet member report is required the business case will be an appendix to this document.

The business case will be structured in line with HM Treasury Green Book 'five case' model which includes presenting:

- The Strategic Case
- The Economic Case
- The Commercial Case
- The Financial Case
- The Management Case

Though this approval may happen alongside a submission to CRG no commitments should be made until CRG have approved the project's inclusion in the programme.

Possible Overspends on Projects

Though the Group does not have delegated decision making powers it is responsible for overseeing any changes to the budgeted capital programme. As part of the update on the current programme, EMT members will present any potential overspends alongside any mitigation strategies or savings being made elsewhere and the revenue implications e.g. for increased borrowing. Where CRG approves the change the normal financial regulations and procurement code should be followed for the additional expenditure on the project.

- a) Per the financial regulations where a project will exceed approved budget by 10% or £100K this will require Cabinet Member approval
- b) For the any overspend that will vary a contract the procurement requires that:
 - **Low Value (<£10k)** – Corporate Leadership Team member approves award and any subsequent extension or variation to that contract via Peer Review.
 - **Operational (£10k to £100k)** – Corporate Leadership Team member approves award and any subsequent extension or variation to that contract via Peer Review.

- **Strategic (>£100k)** – Strategic Director approves award and any subsequent extension or variation to that contract, on the recommendation of the Gate Review Panel.
- **Strategic (£1.5m and above)** – Strategic Director, on the recommendation of the Gate Review Panel, approves extension or variation to that contract where the additional cost of the extension or variation is less than 10% of the original contract value. A briefing note shall be sent to the Cabinet Member advising them of the extension.

With the frequency of meetings and the longer term nature of capital projects, changes to the programme outside the meeting should not be required. EMT members will be expected to update CRG proactively for new projects / overspends or cancelled programmes.

Conclusion

CRG will be the gateway for the capital programme and ensure that the Council's limited resources are used appropriately. This will include considering schemes with partner funding and the cost benefits of the revenue implications for borrowing to fund a scheme. Projects

Recommendation

It is recommended that the terms of reference:

- be considered and approved
- be reviewed on receipt of the revised financial regulations
- be reviewed annually

Appendix D

Different development delivery routes that Westminster City Council has available:

Delivery Route	Advantages	Disadvantages
Self-Delivery	<ul style="list-style-type: none">• The Council realises all the benefits.• The Council has full control over the development	<ul style="list-style-type: none">• The Council has to fund the entire scheme.• The Council has all the risks related to the scheme.• The Council may lack the technical expertise that would be provided by a specialist company in that field.
Joint Venture	<ul style="list-style-type: none">• Sharing of risks and costs with a partner• Access to greater resources, including specialised staff and technology.• Increased capacity	<ul style="list-style-type: none">• Restrictive terms and conditions which might lead to the Council losing out.• Sharing of income.• Poor collaborative working may mean benefits are not realised.
Wholly Owned Company (WOC)	<ul style="list-style-type: none">• The Council has the power to contract a range of delivery options through a WOC.	<ul style="list-style-type: none">• The Council has to retain significant delivery risk.
Developer	<ul style="list-style-type: none">• The developer would have specialist skills and expertise that can be utilised to achieve the best return possible.• The risk of the development lies with the developer.	<ul style="list-style-type: none">• Generally an expensive option as the developer would need to make a profit on the scheme.• Developer will own all the land and therefore, could restrict the Council from making changes to a particular building in the future.

Appendix E - HRA Capital Programme Budget 2016/17 to 2020/21

	2016-17 Budget £'000	2017-18 Budget £'000	2018-19 Budget £'000	2019-20 Budget £'000	2020-21 Budget £'000	Total £'000
<i>Major Works</i>						
Kitchen & Bathrooms	1,000	1,000	1,000	1,000	1,000	5,000
External	16,852	19,583	10,309	8,224	8,000	62,968
Fire precautions	1,258	3,200	3,200	3,200	3,000	13,858
General	917	1,345	1,299	1,529	1,529	6,619
Adaptations	1,200	1,200	1,200	1,200	1,200	6,000
M&E	14,720	10,705	11,447	10,630	10,500	58,002
Lifts	2,000	2,000	2,000	2,000	2,000	10,000
Major Voids	3,471	2,071	1,771	1,771	1,771	10,855
Total	41,418	41,104	32,226	29,554	29,000	173,302
<i>Regeneration Schemes</i>						
Cosway	500	0	0	0	0	500
Lisson Arches	7,735	8,592	4,567	0	0	20,894
Penn & Lilestone	0	717	388	2,697	0	3,801
Luton St	0	5,700	0	0	0	5,700
Parsons North	104	0	1,400	0	0	1,504
Tollgate Gardens	481	0	7,600	0	0	8,081
Ebury Bridge	16,585	1,897	2,055	0	0	20,537
Church street Phase 2	4,230	6,345	27,575	0	42,280	80,430
CHP Scheme	700	4,900	1,300	500	1,000	8,400
Regeneration Client Side	1,000					1,000
Others						0
Total	31,335	28,151	44,885	3,197	43,280	150,848
<i>Other</i>						
Walden	0	0	0	0	7,000	7,000
Edgware Road Development	2,400	1,500	3,600	0	0	7,500
Infill Schemes	2,000	2,000	2,000	2,000	2,000	10,000
Lisson Arches Bridge Improvement	1,800	0	0	0	0	1,800
Ashbridge	2,508	3,269	4,127	0	0	9,904
Moberley/Jubilee	0	0	0	0	0	0
Self Financing	0	0	0	0	0	0
Dudley House	0	0	0	0	0	0
Total	8,708	6,769	9,727	2,000	9,000	36,204
Total Expenditure	81,461	76,024	86,838	34,751	81,280	360,354
Funded by:						
Major Repairs Reserves (MRR)	22,767	22,767	22,767	22,767	22,767	113,836
HRA Reserves	8,948	24,306	7,878	4,533	4,411	50,076
Capital Receipts	41,865	15,465	42,457	4,833	54,102	158,722
Capital Grants	1,681	13,485	13,737	2,617	0	31,520
New Borrowing	6,200	0	0	0	0	6,200
	81,461	76,024	86,838	34,751	81,280	360,354

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City of Westminster

Cabinet

Date: 22 February 2016
Status: For General Release
Title: Treasury Management Strategy for 2016/17 to 2020/21
Wards Affected: All

Financial Summary: The Annual Treasury Management Strategy sets out the Council's strategy for investing its cash balances, and borrowing within appropriate risk parameters. The Council's investment priorities are to ensure the security of capital, the liquidity of its investments and an optimum return on its investments commensurate with proper levels of security and liquidity, while financing the Council's capital programme and ensuring that cash flow is properly planned. As per the Prudential Code the Council's capital investment plans are prudent, affordable and sustainable.

Report of: Steven Mair, City Treasurer

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the Council's Treasury Management Strategy for the period 2016/17 to 2020/21 for Council to approve. The Housing, Finance and Corporate Services Scrutiny Committee has previously reviewed an early draft version prepared in advance of the capital programme being finalised. This report reflects the finalised capital programme.
- 1.2. The Council is required to operate a balanced budget and, in pursuit of this objective, the Council operates a Treasury Management Function which manages the Council's cash flows, lending and borrowing activities and the control and mitigation of the risks associated with these activities. The borrowing facilitates the funding of the Council's capital programme.
- 1.3. The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code, the Department for Communities and Local Government (DCLG) Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

2. RECOMMENDATIONS

Cabinet is asked to recommend to Council to approve;

- (i) The prudential Indicators;
- (ii) The Minimum Revenue Provision Policy set out in paragraph 8.7;
- (iii) The treasury limits for 2016/17 to 2020/21 as detailed in paragraph 9.6;
- (iv) The borrowing strategy set out in section 10
- (v) Limits to interest rate exposures and upper and lower limits on borrowing set out in paragraph 10.10 (table10);
- (vi) Investment strategy set out in section 11 ; and
- (vii) The Investments schedule (Appendix 1).

3. REASONS FOR DECISIONS

- 3.1. To comply with the Local Government Act 2003, other regulations and guidance and to enable the continued effective operation of the Treasury Management function and ensure that all Council borrowing is prudent, affordable and sustainable.

4. BACKGROUND INFORMATION

4.1. Treasury management is defined as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”¹

- 4.2. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- 4.3. The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

5. CIPFA REQUIREMENTS

5.1. The Council has formally adopted CIPFA’s Code of Practice on Treasury Management (revised November 2011). The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
- Creation and maintenance of Treasury Management Practices (“TMPs”) that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

¹ CIPFA Code of Practice on Treasury Management in the Public Services

6. REPORTING AND GOVERNANCE REQUIREMENTS

- 6.1. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. The three reports are:
- (i) **Treasury management strategy statement and prudential indicators report** (this report). This report covers:
 - the capital plans (including prudential indicators);
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - an investment strategy (the parameters on how investments are to be managed).
 - (ii) **Mid-year treasury management report** - This will update members with the progress of the capital position, amending prudential indicators as necessary, and identifying whether the treasury strategy is meeting the objectives or whether any policies require revision.
 - (iii) **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 6.2. The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Housing, Finance and Corporate Services Policy and Scrutiny Committee.
- 6.3. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and treasury management practices to the Section 151 officer.
- 6.4. Further details of responsibilities are given in Appendix 2.
- 6.5. The CIPFA Code requires the responsible financial officer (i.e. the s.151 officer) to ensure that Members with responsibility for treasury management receive adequate training in treasury management. The training needs of treasury management officers are periodically reviewed as part of the Learning and Development programme. The officers attend various seminars and conferences throughout the year. As part of developing financial management training programme Member training will be a priority in 2016/17.

7. TREASURY MANAGEMENT STRATEGY

- 7.1. The strategy covers Prudential Indicators (PIs) required by the Prudential Code as summarised in the four main areas detailed below:
- (i) Capital
 - (i) PI 1 Capital expenditure plans;
 - (ii) PI 2 Capital Financing Requirement (CFR);
 - (iii) PI 3 Affordability – Ratio of Financing cost;
 - (iv) PI 4&5 Affordability – Incremental impact of capital investment decisions on council tax and housing rents; and
 - (v) The Minimum Revenue Provision (MRP) policy.

- (ii) Treasury Management Strategy:
 - (i) The current treasury position;
 - (ii) PI 6 Net Debt and Capital Financing Requirement;
 - (iii) PI 7a Authorised borrowing limit;
 - (iv) PI 7b Operational boundary limit;
 - (v) PI 7c HRA debt limit; and
 - (vi) Prospects of interest rates.

- (iii) Borrowing strategy;
 - (i) PI 8 Interest rate exposure for debt and variable rate debt;
 - (ii) PI 9 Maturity structure of debt;
 - (iii) PI 10 Surplus funds invested;
 - (iv) Policy on borrowing in advance of need; and
 - (v) Debt rescheduling.

- (iv) Annual Investment Strategy
 - (i) Investment policy;
 - (ii) Creditworthiness policy;
 - (iii) Current Investment types;
 - (iv) Specified and Non-specified investments;
 - (v) Country of Domicile; and
 - (vi) Investment Strategy

8. CAPITAL PRUDENTIAL INDICATORS 2015/16 TO 2020/21

- 8.1. The Council's capital expenditure plans are the key drivers of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview of the Council's capital plans to ensure that the investment plans are affordable, sustainable and prudent.
- 8.2. As demonstrated through this report, the prudential indicators and wider governance processes covering the capital programme the Council's capital plans and budgets are prudent, affordable and sustainable.
- 8.3. Linked to the above the Council is continuously reviewing the capital programme and its financing in accordance with new and emerging priorities and the current challenging financial climate. This is to ensure that it maintains prudent financing of the programme combined with delivering a programme which is priority driven and which meets the needs of the City.
- 8.4. **PI 1 Capital Expenditure Plans**

This PI summarises the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle and how these are to be financed by capital or revenue resources.

Over the five year forward forecast of the capital programme, the Council is anticipating generating £871.4m of capital receipts from its disposal programme. The funding of the capital expenditure plans set out in Table 1 below plans:

- to apply capital receipts to capital projects with a relative short-life of up to 15 years, and to borrow (either internally or externally) for longer-life assets (i.e. those with an asset life of 40 years);

- maintain a prudent buffer of capital receipts unapplied of £20m in the event of slippage in the disposal programme; and
- for a minimum balance of £50m of unapplied capital receipts at the end of the five year programme in order to ensure that any short-life assets in the following five-year plan can be funded.

Table 1	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate	Total
	£m	£m	£m	£m	£m	£m	£m
Expenditure							
General Fund	93.48	351.29	359.16	345.71	247.60	416.33	1,813.57
HRA	61.48	81.46	76.02	86.84	34.75	81.28	421.83
TOTAL	154.96	432.75	435.18	432.55	282.35	497.61	2,235.40
Funding:-							
Grants & Contributions	58.98	106.93	69.92	68.75	8.26	9.94	322.78
Capital receipts - GF	36.30	108.10	33.25	43.28	343.09	354.75	918.77
Capital receipts - HRA	8.43	41.87	15.47	42.46	4.83	54.10	167.16
Revenue financing	27.53	8.95	24.31	7.88	4.53	4.41	77.61
Major Repairs Allowance	21.42	22.77	22.77	22.77	22.77	22.77	135.27
TOTAL	152.66	288.62	165.72	185.14	383.48	445.97	1,621.59
Net financing need for the year	2.30	144.13	269.46	247.41	-101.13	51.64	613.81

8.5. PI 2 Capital financing Requirement

- The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. Essentially it measures the Council's underlying borrowing need. Each year, the CFR will increase by the amounts of new capital expenditure not immediately financed.
- The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life. Therefore, the CFR is reduced by this provision to repay debt.
- The CFR also includes an amount equivalent to outstanding liabilities in respect of PFI and other finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a funding facility and so the Council is not required to borrow separately for these schemes. The Council currently has £15m of such schemes within the CFR.

Table 2	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
CFR as at 31 March	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
General Fund	175.19	327.45	591.22	832.95	813.40	793.83
HRA	278.70	284.90	284.90	284.90	284.90	284.90
TOTAL	453.89	612.35	876.12	1,117.85	1,098.30	1,078.73

- Table 2 above shows that the CFR will increase over the medium term. Consequently the capital financing charge to Revenue will increase, reflecting the capital spending plans.

8.6. Affordability Prudential Indicators

- The objective of the affordability PIs is to ensure that the level of investment in capital assets proposed remains within sustainable limits, and in particular, the

impact on the Council's "bottom line" as reflected in the impact on council tax and rent levels.

- (ii) **PI 3 Ratio of financing costs to net revenue stream:** identifies the trend in the net capital financing costs against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this report.

Table 3	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%
General Fund	2.39	2.76	2.75	6.63	15.65	15.30
HRA	26.49	26.09	26.39	26.96	26.61	26.23

- (iii) **PIs 4 & 5 Incremental impact** of new capital investment decisions on council tax and housing rents. The PI identifies the revenue costs arising from proposed capital programme as set out in Table 4 below.

Table 4	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£	£
Incremental impact of capital investment decisions						
Increase/(decrease) in Council Tax (band D) per annum	-	39.81	78.64	131.26	(20.1)	33.9
Increase/(decrease) in average housing rent per week	(0.3)	0.59	0.40	0.43	0.75	0.78

- (iv) The City Treasurer reports that the capital programme is affordable over the medium term subject to services keeping to budget and minimal slippage in the programme of capital disposals.

8.7. Minimum Revenue Provision (MRP) Policy

- (i) Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year. The CFR measures the extent to which capital expenditure has not yet been financed (i.e. from capital receipts, grants, contributions or revenue) and must therefore, be financed from borrowing. Local authorities are required to charge to council tax an annual sum to repay such debt, which is referred to as the Minimum Revenue Provision. This effectively spreads the cost of paying for the financing of capital expenditure over the period such assets are used to provide services.
- (ii) Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2008) requires local authorities to set aside a prudent amount of MRP. In setting this local authorities are required to "have regard to" the "Guidance on Minimum Revenue Provision" issued by the Secretary of State in February 2012. The Guidance has statutory force and requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

The Council is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2007, MRP will be calculated using Option 1 (the 'Regulatory Method') of the CLG Guidance on MRP. Under this option MRP will be 4% of the closing non-HRA CFR for the preceding financial year.

- For all capital expenditure incurred after 1 April 2007 financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon the asset life method under Option 3 of the DCLG Guidance.
- In some cases where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.
- Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- Charges included in annual PFI or finance leases to write down the balance sheet liability shall be applied as MRP.
- Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

9. Treasury Management Strategy

9.1. **Current treasury position** – The latest position on actual borrowings and investments is as shown below:

Table 5	As at 31 December 2015		As at 31 March 2015	
	Principal	Average Rate	Principal	Average Rate
	£m	%	£m	%
Investments				
Specified	822.8		569.7	
Non - specified	35.8		34.9	
Total Investments	858.6	0.67	604.6	1.11
Borrowing				
Public Works Loan Board	211.0	4.58	213.3	4.63
Market Loans	70.5	5.09	70.0	5.08
Total Debt	281.5	4.71	283.3	4.74

- 9.2. The cash balances have increased by £254m in the past nine months which is mainly due to income such as business rates and capital grants received in advance of expenditure.
- 9.3. A Key PI under the Prudential Code is that gross debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current year and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

- 9.4. **PI6 Net debt and the Capital Financing Requirement** - Table 6 below confirms that the Council's actual and forecast borrowing levels will remain within the forecast CFR in line with statutory requirements and the Prudential Code.

Table 6	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Gross Projected Debt	281.50	257.50	257.50	495.42	494.29	645.93
CFR 31st March	453.89	612.35	876.12	1,117.85	1,098.30	1,078.73
Under / (over) borrowing	172.39	354.85	618.62	622.43	604.01	432.80

- 9.5. The City Treasurer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future.

9.6. **Limits on authority to borrow**

- (i) The Prudential Code requires the Council to set two limits on its total external debt including other long-term liabilities (such as service concessions and finance leases) referred to as the authorised limit and the operational boundary.
- (ii) **PI 7a Authorised Limit for External Debt** – This is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term.
- (iii) **PI 7b Operational Boundary** – This is the limit which external debt is not normally expected to exceed. The boundary is based on current debt plus anticipated net financing need for future years.

Table 7	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
PI 7a Authorised Limit for external debt						
Borrowing and other long term liabilities	454	612	876	1,118	1,098	1,079
PI 7b Operational Boundary for external debt						
Borrowing	282	258	258	495	494	646
Other long term liabilities	15	12	11	11	11	10
Total	297	270	269	506	505	656

- (iv) **PI 7c HRA Debt Limit** – In addition Council borrowing for the HRA has to remain within the HRA Debt Limit which was prescribed under the HRA self-financing determinations 2012. Borrowing for the HRA is measured by the HRA CFR. See Table 8 below.

Table 8	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
HRA Debt Limit	334	334	334	334	334	334
HRA CFR	279	285	285	285	285	285
Headroom	55	49	49	49	49	49

- (v) The City Treasurer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future.

Prospects for Interest Rates

- 9.7. Current interest rates and the future direction of both long term and short term interest rates have a major influence on the overall treasury management strategy and affects both investment and borrowing decisions.
- 9.8. During 2015, the American economy made a strong comeback after a weak first quarter's growth of +0.6%, to grow by 3.9% in quarter 2, but then weakened again to 1.5% in quarter 3. Concerns about a slowdown in growth in China and Japan and the consequent impact for major commodity suppliers in other countries, led to the Federal Reserve's decision to postpone an increase in interest rates in Autumn 2015. A strong improvement on the US domestic employment market in October was the trigger for the Federal Reserve to finally increase rates by a quarter point of one percent. However continuing concerns about global markets, heavily influenced by the uncertainty about the Chinese economy suggests that the Federal Reserve is only likely to increase rates once in 2016, possibly as late as September.
- 9.9. In January 2015 the European Central Bank (ECB) started a €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EuroZone (EZ) countries intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth was sluggish during 2015 at around 0.4% to 0.5% per quarter. The recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.
- 9.10. The slowing UK growth, low inflation, collapsing oil prices and a weaker global economy has meant that the Monetary Policy Committee is in no hurry to follow America's lead and raise interest rates. Prediction of a first rate rise has now drifted out to the fourth quarter of 2016 as detailed in Table 9 below.

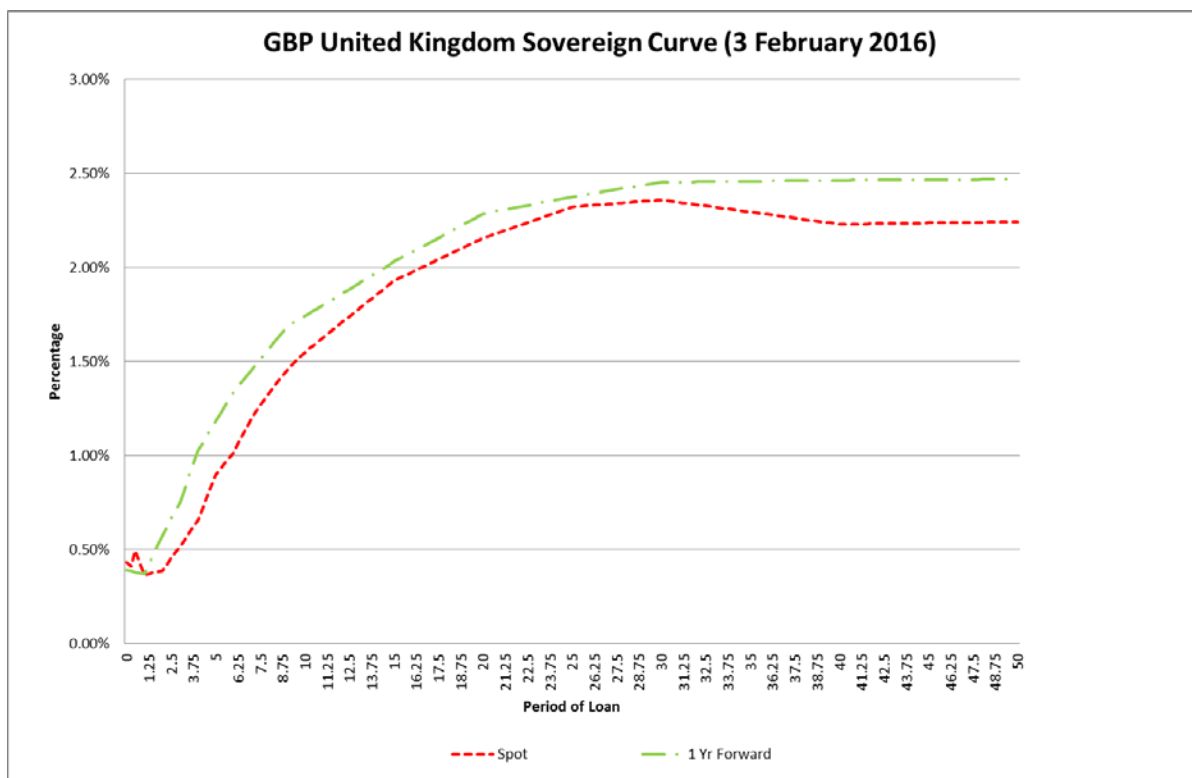
Table 9	Bank Rate	PWLB Borrowing Rate %			
	%	5 year	10 year	25 year	50 year
Q1 2016	0.50	2.00	2.60	3.40	3.20
Q2 2016	0.50	2.10	2.70	3.40	3.20
Q3 2016	0.50	2.20	2.80	3.50	3.30
Q4 2016	0.75	2.30	2.90	3.60	3.40
Q1 2017	0.75	2.40	3.00	3.70	3.50
Q2 2017	1.00	2.50	3.10	3.70	3.60
Q3 2017	1.00	2.60	3.20	3.80	3.70
Q4 2017	1.25	2.70	3.30	3.90	3.80

10. BORROWING STRATEGY

- 10.1. The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 10.2. The factors that influence the 2016/17 strategy are the borrowing requirements, the current economic and market environments and the interest rate forecast.

10.3. Investment returns are likely to remain relatively low during 2015/16 and beyond. Borrowing interest rates have been volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years and this will be kept under review.

10.4. There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns. The graph on page 18 shows the current Gilt rates and those projected (by investors) in a year's time. It is apparent, an increase in interest rates across all maturities is expected – though a limited increase rather than a material change. It should be noted that this has been the case for the last 3 or 4 years.



Source: Bloomberg as at 3 February 2016

10.5. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

10.6. Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Treasury Management team monitors interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

10.7. If it were considered that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered. Consideration will also be given to the maturity profile of the debt portfolio so the Council is not

exposed to the consideration of debt being repaid or renewed in any one year. The table below sets the limits on maturity profile and also provides the summarised position as at December 2015 for which the detail is provided in the chart at 10.7.

PIs 8 Limits on borrowing activity and PI 10 Surplus funds invested

10.8. The Prudential Code requires the Council to set three debt/borrowing related PIs to provide limits to the activity of the Treasury function. The aim of this is to manage risk and reduce the impact of any adverse movement in interest rates, on the one hand but at the same time not setting the limits to be too restrictive that they impair opportunities to reduce costs or improve performance.

10.9. The PIs are:

- (i) Upper limits on variable interest rate exposure. This is the maximum borrowing permitted for variable rates based on the debt position net of investments
- (ii) Upper limits on fixed interest rate exposure. This is similar to the above but for fixed rate borrowing.
- (iii) Upper limits for surplus funds invested over 364 days.

10.10. During 2015/16 investment of surplus funds for more than 364 days totalled £35.8m which was well within the upper limit for such investments of £300m.

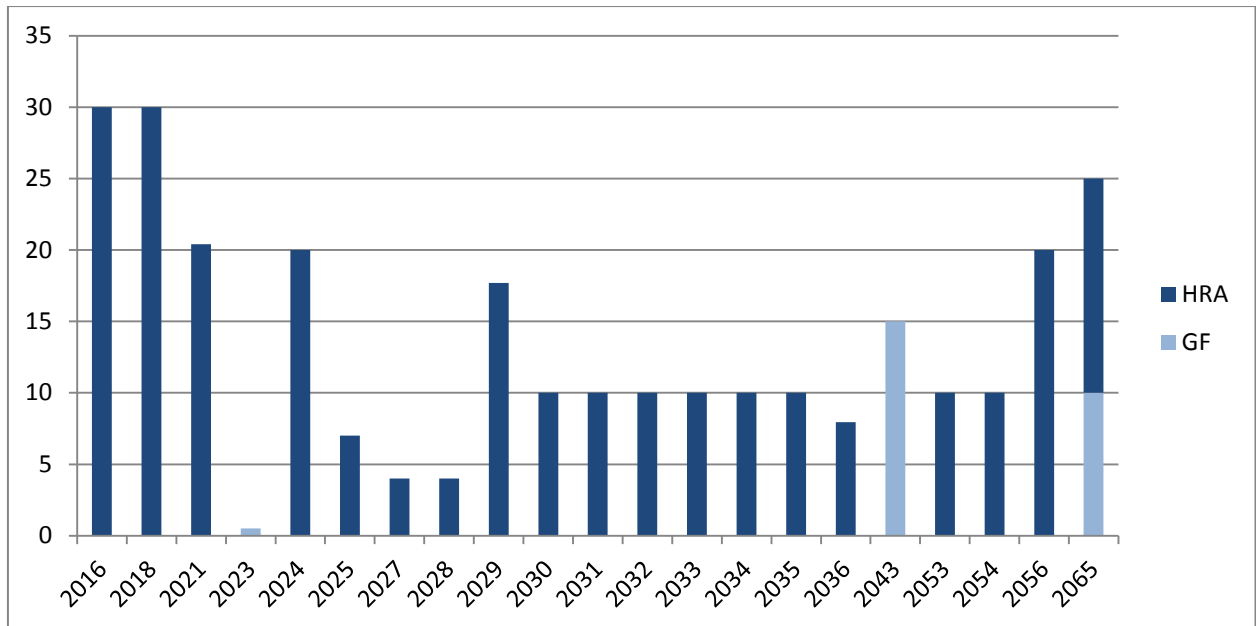
Table 10	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Upper limit for fixed interest rate exposure						
Net principal re fixed rate borrowing	282	258	258	495	494	646
Upper limit for variable rate exposure						
Net principal re variable rate borrowing	0	0	0	0	0	0
Upper limit for principal sums invested over 364 days	300	200	100	100	100	100

10.11. **PI 9 Maturity structure of borrowing.** This PI aims to reduce the Council's exposure to large fixed rate sums falling due for re-financing in a short period of time. Table 11 below sets the limits on maturity profile and also provides the summarised position as at December 2015 for which the detail is provided in the chart at 10.13.

Table 11	upper limit	lower limit	As at 31 December 15
Maturity structure of borrowing	%	%	%
under 12 months	40	0	11
12 months and within 24 months	35	0	0
24 months and within 5 years	35	0	11
5 years and within 10 years	50	0	16
10 years and above	100	35	62

10.12. In the event that there is a much sharp rise in long and short term rates than currently forecast, then the balance of the loan portfolio will be re-visited with a view to taking on longer term fixed rate borrowing in anticipation of future rate rises.

10.13. The chart below shows the principal repayment profile for the Council's current borrowings. Based on current interest rates and capital financing requirements the loans maturing in 2016 and 2018 will need to be considered for repayment or refinancing.



10.14. The Council has £70 million of LOBO (Lender Option Borrower Option) debt, none of which has final maturity in the near future. Were the lender to exercise their option, Officers will consider accepting the new rate of interest or repaying (with no penalty). Repayment of the LOBO may then require re-financing at the prevailing market rates.

10.15. Members will recall that, from 2017/18, Service Areas will be charged in full for the revenue consequences incurred from borrowing to fund their capital expenditure. This will ensure that the cost of spending decisions are taken into account when considering all programmes of work and will make sure the programme is fully financed on an on-going basis.

10.16. Policy on Borrowing in Advance of Need

- (i) Under Local Authorities (Capital Finance and Accounting)(England) Regulations 2008, the Council can borrow in advance of need in line with its future borrowing requirements.
- (ii) Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- (iii) Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

10.17. Debt Rescheduling

- (i) As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these

savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

- (ii) The reasons for any rescheduling to take place will include:
 - the generation of cash savings and / or discounted cash flow savings;
 - helping to fulfil the treasury strategy; and
 - enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).
- (iii) Consideration will also be given to identifying if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- (iv) Any rescheduling will be reported to Housing, Finance & Customer Services Policy and Scrutiny Committee, in accordance with the usual monitoring cycle.

11. ANNUAL INVESTMENT STRATEGY

Investment Policy

- 11.1. The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Investment Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.
- 11.2. In accordance with the above guidance the Council's objective when investing money is to strike an appropriate balance between risk and return by minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 11.3. The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a rating 'uplift' due to implied levels of sovereign support. Commencing in 2015, in response to the evolving bank bail-in regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into rating through the financial crisis.
- 11.4. The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. The Council clearly stipulates the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies.
- 11.5. Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

The assessment will also take account of information that reflects the opinion of the markets.

- 11.6. The aim of the strategy is to generate a list of highly creditworthy counterparties which will provide security of investments, enable diversification and minimise risk.
- 11.7. Investment instruments identified for current use are listed in 11.12 below. Counterparty limits will be as set through the Council's treasury management practices and are included in Appendix 1.

Creditworthiness Policy

- 11.8. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security; and
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 11.9. The City Treasurer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 11.10. The Council takes into account the following relevant matters when proposing counterparties:
- (i) the market pricing of Credit Default Swaps² for the institution;
 - (ii) any implicit or explicit Government support for the institution;
 - (iii) Standard & Poor's, Moody's and Fitch's short and long term credit ratings; and
 - (iv) Sovereign ratings to select counterparties from only the most creditworthy countries.
- 11.11. Changes to the credit rating will be monitored and in the event that a counter party is downgraded and does not meet the minimum criteria specified in Appendix 1, the following action will be taken immediately:
- (i) no new investments will be made;
 - (ii) existing investments will be recalled if there are no penalties; and
 - (iii) full consideration will be given to recall or sale existing investments which would be liable to penalty clause.

² Credit Default Swaps (CDS) are tradable instruments where the buyer receives a pay-out from the seller if the party to whom the CDS refers (often a financial institution) has a "credit event" (e.g. default, bankruptcy, etc.). The price of the CDS gives an indication to the market's view of likelihood – the higher the price the more likely the credit event.

Current Investment Types

- 11.12. As per the 2015/16 Treasury Management Strategy, it is proposed that for 2016/17 the Council can continue to invest in financial institutions, external funds and certain capital market instruments as set out below. All investments would be in Sterling.
- (i) investment with the Debt Management Office (UK Government guaranteed);
 - (ii) investment in financial institutions of a minimum credit rating, with the parent company domiciled only in jurisdictions as per paragraphs 11.16-11.18 below, covering call/notice accounts, deposits and certificate of deposit;
 - (iii) investment in UK Treasury Bills (T-Bills) and Gilts (conventional and indexed-linked) both fixed and floating rate;
 - (iv) investments in UK Government repurchase agreements (“Repos” and “Reverse Repos”);
 - (v) investments in UK local authorities;
 - (vi) investment in close to maturity AAA-rated corporate bonds and commercial paper backed by UK Government guarantees (fixed and floating rate);
 - (vii) investment in supra-national AAA-rated issuer bonds and commercial paper (fixed and floating rate);
 - (viii) investment in AAA-rated Sterling Money Market Funds and longer term funds;
 - (ix) investment in commercial paper (“CP”) of UK domiciled entities with minimum short term credit rating of A-1/P-1/F-1;
 - (x) Commercial Paper issued by European companies with minimum short term credit rating of A-1/P-1/F1 domiciled in countries set out in paragraphs 11.16 - 11.18 below; and
 - (xi) Covered Bonds. These are debt instruments issued by a financial institution where security has been granted over a pool of underlying assets to which investors have a preferential claim in the event of default, with a minimum long term rating of AA+/Aa1/AA+.
- 11.13. In addition to the above, it is proposed to add Collateralised Deposits whereby the deposit is secured against Local Authority Loans, including loans issued by the authority itself. This has been incorporated in the investment schedule at Appendix 1.

Specified and Non-specified investments

- 11.14. Under section 15(1) of the Local Government Act 2003, restrictions are placed on Local Authorities around the use of specified and non-specified investments. A specified investment is defined as an investment which satisfies all of the conditions below:
- (i) The investment and any associated cash flows are denominated in sterling;
 - (ii) The investment has a maximum maturity of one year;
 - (iii) The investment is not defined as capital expenditure; and
 - (iv) The investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.
- 11.15. A non-specified investment is any investment that does not meet all the conditions above. The only likely non-specified investment that the Council may make is for any investment greater than one year as set out in Appendix 1. For such an investment, a proposal will be made by the Director of Treasury and Pensions, to the s151 Officer after taking into account cash flow requirements, the outlook for short to medium term interest rates and the proposed investment counterparty.

Country of Domicile

- 11.16. The current TMS allows deposits / investments with financial entities domiciled in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, UK and USA. This list will remain for 2016/17, however in the light of the evolving regulatory environment mentioned in 11.4 above, this list will be kept under review and any changes to the policy will be reported to the next meeting.
- 11.17. For Commercial Paper and bonds issued by supra-nationals and European agencies, the entities must be domiciled in countries listed above.
- 11.18. For Commercial Paper for UK and European corporates, the entities must be domiciled in the EU countries named in paragraph 11.16 above.

Investment Strategy

- 11.19. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the current year, the Council's average investment balance has been around £850m and this pattern is expected to continue in the forthcoming year. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 11.20. **Investment returns expectations.** Bank Rate has remained unchanged at 0.50% since March 2009 and is not forecast to rise until quarter 4 of 2016.
- 11.21. **Investment treasury limit** - This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2016/17, the proposed limit of investments for over 364 days is £200m.
- 11.22. The Treasury and Pensions service is investigating a number of options to increase budgeted income generated from the Council's cash balances. The options as currently being considered are in line with this draft Treasury Management Strategy to be tabled for Council approval in March 2016 following the addition of Collateralised Deposits to the Investment Schedule in Appendix 1.

12. BACKGROUND AND FINANCIAL AND LEGAL IMPLICATIONS

- 12.1. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.
- 12.2. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Annual Investment Strategy must have regard to guidance issued by CLG and must be agreed by the full Council.

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

Steven Mair, City Treasurer

Tel: 020 7641 2904

Email: smair@westminster.gov.uk

13. BACKGROUND PAPERS

Treasury Management Strategy 2015/16 (Approved by Council March 2015)

1. Revised CIPFA Treasury Management Code of Practice 2011
2. CIPFA Prudential Code
3. Local Authorities (Capital Finance and Accounting) (England) Regulation 2003, as amended
4. Section 3 Local Government Act 2003
5. CLG Guidance on Local Government Investments – March 2010

Maximum Amounts and Tenors of Investments

Institution Type	Minimum Credit Rating Required (S&P / Moodys / Fitch)	Maximum Individual Counterparty Investment limit (£m)	Maximum tenor of deposit / investment
DMO Deposits	UK Government Rating	Unlimited	6 months
UK Government (Gilts / T-Bills / Repos)	UK Government Rating	Unlimited	Unlimited
Supra-national Banks	AA+ / Aa1 / AA+	£200m	5 years
European Agencies	AA+ / Aa1 / AA+	£200m	5 years
Network Rail	UK Government Rating	Unlimited	Oct 2052
TfL	AA-/Aa3/AA-	£100m	5 years
GLA	NA	£100m	5 years
UK Local Authorities	NA	£50m per Local Authority, £100m in aggregate	3 years
GBP denominated Commercial Paper issued by UK and European ³ corporates	A-1 / P-1 / F-1	£40m per name, £200m in aggregate	Six months
Money Market Funds MMF	AAA / Aaa / AAA be AAA by at least two of the main credit agencies	£70m per fund manager, £300m in aggregate	Three day notice
Enhanced Money Funds	AAA / Aaa / AAA by at least one of the main credit agencies	£25m per fund manager, £75m in aggregate	Up to seven day notice
Covered Bonds	AA+ / Aa1 / AA+ Minimum rating of the underlying securities or the Bond itself	£300m	10 years
Collateralised Deposits	Collateralised against Local Authority Loans	£60m	50 years
UK Bank (deposit or Certificates of Deposit)	AA- / Aa3 / AA- and above (or UK Government ownership of greater than 25%), subject to minimum ST ratings	£75m	5 years
UK Bank (deposit or Certificates of Deposit)	A- / A3 / A- and above, subject to minimum ST ratings	£50m	3 years
Non-UK Bank (deposit or Certificates of Deposit)	AA- / Aa2 / AA- and above, subject to minimum ST ratings	£50m	5 years
Non-UK Bank (deposit or Certificates of Deposit)	A / A2 / A and above, subject to minimum ST ratings	£35m	3 years

³ Subject to paragraph 11.16

Treasury Management Delegations and Responsibilities

The respective roles of the Council, Cabinet, Housing Finance & Customer Services Policy and Scrutiny committee and Section 151 officer are summarised below. Further details are set out in the Treasury Management Practices.

Council

Council will approve the annual treasury strategy, including borrowing and investment strategies. In doing so Council will establish and communicate their appetite for risk within treasury management having regard to the Prudential Code

Cabinet

Cabinet will recommend to Council the annual treasury strategy, including borrowing and investment strategies and receive a half-year report and annual out-turn report on treasury activities.

Cabinet also approves revenue budgets, including those for treasury activities.

Housing Finance & Customer Services Policy and Scrutiny Committee

This committee is responsible for ensuring effective scrutiny of the Treasury strategy and policies.

Section 151 Officer

Council has delegated responsibility for the implementation and monitoring of treasury management decisions to the Section 151 Officer to act in accordance with approved policy and practices. The s151 Officer has full delegated powers from the Council and is responsible for the following activities:

- (i) Investment management arrangements and strategy;
- (ii) Borrowing and debt strategy;
- (iii) Monitoring investment activity and performance;
- (iv) Overseeing administrative activities;
- (v) Ensuring compliance with relevant laws and regulations;
- (vi) Provision of guidance to officers and members in exercising delegated powers.

Director of Treasury and Pension Fund

Has responsibility for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

Treasury Team

Undertakes day to day treasury investment and borrowing activity in accordance with strategy, policy, practices and procedures.



City of Westminster

Cabinet Member Report

Meeting or Decision Maker:	Cabinet
Date:	22 nd February 2016
Classification:	For General Release
Title:	Council's Pay Policy 2016-2017
Wards Affected:	n/a
City for All:	n/a
Key Decision:	Recommendation by Cabinet to full Council in March 2016
Financial Summary:	There are no direct financial implications
Report of:	Carolyn Beech, Director of Human Resources Tel: 020 7641 3221 Email: cbeech@westminster.gov.uk

1. Executive Summary

- 1.1 The Localism Act 2011 introduced a requirement for Public Authorities to publish a Pay Policy in 2012 – 2013 and annually thereafter.
- 1.2 The council must then comply with the Pay Policy for the financial year when making any determinations on pay.
- 1.3. This report sets out the proposed Pay Policy for 2016-2017 in line with the requirements of the Localism Act 2011. The Pay Policy for 2016-2017 (see Appendix 1) has been amended to include current senior salary figures (p3 *Chief Officer Remuneration*), median total pay and pay multiple (p5).

2. Recommendations

- 2.1. That Cabinet recommend the proposed Pay Policy for 2016 - 2017, as set out in Appendix 1, to full Council.

3. Reasons for Decision

- 3.1. The Pay Policy statement must be published by 31 March 2016 on the council's web site and must be approved formally by full Council before publication.

4. Background, including Policy Context

- 4.1. Section 38 (1) of the Localism Act 2011 required local authorities in England and Wales to produce a Pay Policy in 2012 – 2013 and in every financial year thereafter.
- 4.2. The Pay Policy must include the council's policy for the financial year in relation to:
- level and elements of remuneration of its Chief Officers such as: remuneration on recruitment, increases and additions to remuneration, use of performance related pay bonuses, termination payments and transparency
 - remuneration of its lowest paid employees
 - the relationship between the remuneration of its Chief Officers and other employees (the pay multiple).
- 4.3. It is up to each Local Authority to determine who its lowest paid employees are but reasons must be given as to why they have been defined as such.
- 4.4. The Pay Policy must be complied with in relation to any determinations on pay.
- 4.5. The proposed Pay Policy for 2016-2017 is set out on Appendix 1. The policy brings together in one statement the council's approach to pay and reward as approved by Cabinet on 27 August 2008 which is detailed in various council policies. The Pay Policy also explains how the council's existing pay policies apply to chief officers.

5. Financial Implications

- 5.1 There are no direct financial implications.

6. Legal Implications

- 6.1. The proposals in this report comply with the requirements of the Localism Act 2011 and the Local Government Transparency Code 2015.

7. Staffing Implications

- 7.1. None.

8. Consultation: N/A

**If you have any questions about this report, or wish to inspect one of the background papers, please contact: Carolyn Beech, Director of Human Resources; Tel: 020 7641 3221
Email: cbeech@westminster.gov.uk**

Appendix 1

Westminster City Council Pay Policy 2016-2017

Note: The Pay Policy for 2016-2017 will be amended in response to any implications arising from the proposals in relation to exit payments. Any future amendments to the policy will be presented to full Council for sign off.

Introduction

Westminster City Council's (the council) Pay Policy is published in line with the Localism Act 2011, Section 38 (1) which requires all Local Authorities in England and Wales to publish their Pay Policy annually, at the start of each financial year (subject to Cabinet Approval).

The council's Pay Policy was approved by full council on 2nd March 2016 and is published on the council's [website](#). It brings together the council's approach to pay and remuneration¹ which was approved by Cabinet on 27 August 2008 and is detailed in various council policies.

The council seeks to be an Equal Opportunities employer and will heed all relevant employment legislation related to pay and remuneration. This includes but is not limited to the Equality Act (2010) and the Part-time Workers (Prevention of Less Favourable Treatment) Regulations (2000).

The council also publishes salaries of Chief Officers and senior staff earning over £62,670 (FTE) and above and this is available on the council's [website](#) in line with Local Government Transparency Code 2015.

Background

The council implemented a Broad Band pay structure in 2008. The purpose of the council's Broad Band pay structure is to provide one simplified pay structure from the top to the bottom of the organisation. The pay structure focuses on rewarding added value and supporting business aims. It does not reward time served in post i.e. there is no guaranteed incremental progression. All progression is based on exceeding performance targets and increased contribution.

The Broad Band pay structure provides clarity and transparency on the levels within the organisation and applies to all staff employed by the council with the exception of: schools support staff (except where the governing body has adopted the broad band structure), JNC Youth Workers, Public Health staff who TUPE transferred into the council and Soulbury staff.

The council recognises the need to recruit and retain staff in highly skilled or specialist work areas, where posts are hard to fill. It is accepted that our central London location and the occasional limited availability of quality personnel in certain professions will mean that in some exceptional circumstances it will prove difficult to recruit to key posts on the salary justified

¹ Excluding some employees in Schools, JNC Youth Workers, Public Health staff that TUPE transferred into the council and Soulbury staff.

for the grade of the post. In such circumstances there may be a genuine requirement to pay an additional payment called a Market Based Salary Supplement which reflects the difference between WCC salary and market pay rates.

The Broad Band Pay Structure

There is one Broad Band pay structure from the top to the bottom of the organisation. There are 7 Broad Bands with 7 pay steps in each band. Band 1 is the lowest and Band 7 is the highest. The band of a post is determined through job evaluation.

The pay levels in the Broad Bands are generally reviewed annually in line with the National Joint Council for Local Government Services (NJC) and the Greater London Provincial Council (GLPC).

Definition of Chief Officer

The term “Chief Officer” for the purposes of this Pay Policy includes the following positions:

- The Chief Executive
- All Executive Management Team (EMT) Directors*
- All Directors / Deputy Director, Heads of Services (Senior Leadership Team)*

*all of whom meet the definition of either Statutory or Non-Statutory Chief Officers or Deputy Chief Officers as specified under Part 1, Section 2 (para's 6 -8) of the Local Government and Housing Act 1989, (LGHA) e.g.

“Non-Statutory Chief Officer” means,

(a) a person for whom the head of the authority's paid service is directly responsible;

(b) a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the head of the authority's paid service; and

(c) any person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority.

‘Deputy Chief Officer’ means, subject to the following provisions of this Section, a person who, as respects all or most of the duties of his post, is required to report directly to one or more of the statutory or non-statutory Chief Officers.”

For the purposes of this Pay Policy only, managers below Corporate Leadership Team level, who as a result of changes in the structure, now report to a Chief Officer as defined above are not classified as Deputy Chief Officers.

Pay accountability

Salary packages on appointment which exceed £100,000

All posts including those which exceed a salary package² of £100,000 are appointed within a pay band and structure where the principles of reward and remuneration have been previously agreed by full council. Therefore any new appointments are not subject to full council consideration.

Severance packages which exceed £100,000

Following termination of employment, the approval of full council will be sought before offering any package which exceeds more than £100,000 (excluding the capital value of any pension entitlement) where the package involves any payment greater than that to which the employee is contractually entitled or paid in line with the Council's Redundancy Compensation policy.

Chief Officer Remuneration

Chief Executive (Head of Paid Service)

The Chief Executive is paid a spot salary of £203,387 per annum. An additional 18% of this amount is held as deferred salary. This amount is not guaranteed and depends on performance. The Chief Executive was awarded a deferred salary payment of £35,820 in May 2015 for the period 1 April 2014 – 31st March 2015.

The Chief Executive undertakes the role of Returning Officer, no additional allowance is payable for this role. A Returning Officer **may** recover their charges for services and expenses provided they were necessarily rendered or incurred for the efficient and effective conduct of the election and the total does not exceed the overall maximum recoverable amount specified by the Secretary of State in an order.

Posts which exceed a salary package of £100,000

- Directors (Executive Management Team)
are paid at Band 7. The basic salary range for Band 7 is £135,773 - £187,320.
- Deputy Directors / Heads of Services (Corporate Leadership Team)
are paid at Band 6. The basic salary range for Band 6 is £95,997 – £132,583.

These salary figures include 10% “deferred salary”

² Including basic salary and professional fees, PHI and lease car contributions where applicable but excluding pension contributions in accordance with the Local Government Pension Scheme regulations.

Deferred salary

Directors and Deputy Directors/Heads of Service are only paid 90% of the basic salary figures listed above. 10% of the basic salary is deferred. Payment of the deferred salary up to 10% is not guaranteed and will depend on achievement of targets

Benefits

All Chief Officers are entitled to the following benefits:

- Private Health Insurance
- Reimbursement of the payment of one professional membership fee relevant to the proper performance of duties
- Up to £234 per month contribution to contract car hire (not available for any Chief Officer appointment made after 1 December 2011).

There is no cash alternative to the above benefits.

Additional Allowances

All Chief Officers are expected to work such hours as are required for the efficient performance of their duties. There are no other additional elements of remuneration in respect of overtime or premium payments (e.g. bank holiday working, stand by arrangements etc).

There are no additional allowances in respect of the roles of:

Monitoring Officer

Section 151 Officer

General Remuneration Principles Applying to Remuneration of Chief Officers and Employees

Recruitment

On recruitment individuals will be placed on the appropriate step salary within the evaluated grade for the job. In order to recruit high quality staff a relocation package may be offered where necessary and where this would be considered cost effective. When recruiting and appointing to a Chief Officer post, the starting salary offered must be within the target salary and cannot exceed this except in exceptional cases where the Executive Director or Chief Executive has authorised this. Where an interim is required to cover a Chief Officer role, a Temporary Agency Contractor may be engaged in line with the requirements of the Council's Procurement and Contracts Code, rather than the use of a Contract for Services.

Broad Band Pay Progression

There is no automatic time served incremental progression. All progression is based on exceeding performance and increased contribution. Any pay progression cannot exceed the maximum of the relevant band.

The council does not apply performance related pay or bonuses.

Termination of Employment

On termination of employment with the council, the council's policy applies to all Chief Officers. Individuals will only receive compensation:

- where appropriate and relevant (e.g. redundancy compensation)
- in line with the council's Redundancy and Redundancy Compensation Policy
- which complies with the specific terms of a settlement agreement, which will take into account the council's contractual and legal obligations, the need to manage an exit effectively, risks to the council and the commercial business case.

Re-employment

The decision to re-employ a previous employee, who has been made redundant by the council (and on termination of employment received a redundancy compensation payment), will be made on merit.

The council will not engage such an individual under a Contract for Services.

Remuneration of the Lowest Paid Employees

For the purpose of this Pay Policy, employees on Band 1 are defined as the council's lowest paid employees. This is because no employee of the council is paid lower than the bottom Step of Band 1, which is the same as Inner London Spinal Column Point 10. The full time equivalent annual basic salary of this Step is £17,733 and the full time basic salary at the maximum of Band 1 is £24,946. The Chief Executive's basic salary (as at 1st January 2016) is £203,387 which is 11.44 times the lowest salary. The council's definition of the lowest paid employee excludes staff based outside London.

London Living Wage

The council does not have a policy to pay the London Living Wage; though the council's minimum full time equivalent hourly rate of pay to its employees is £9.45. This exceeds the recommended London Living Wage rate.

Pay Multiple

The Local Government Transparency Code (2015), states that local authorities should publish their pay multiple. This is defined as the ratio between the highest paid salary and the median salary of the workforce.

The council's pay multiple (using total pay³) as at 31 December 2015 is 6.79:

1 i.e. the Chief Executive, who had the highest total salary as at 31st December 2015 (£239,207) earned 6.79 times more than the council's median full time equivalent total salary of £35,253.

³ Total pay is the sum of full time equivalent basic salary plus actual amounts received for the reimbursement of professional fees, market based salary supplements, honorariums and shift allowances where claimed up to 31st December 2015. Pension contributions are excluded. Total pay for senior management and the Chief Executive also includes deferred salary for the performance year to 31st March 2015, where awarded, car lease contributions and the value of Private Health Insurance premiums where claimed. All payments have been made in line with council policy and were pro-rated if applicable.

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City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	22 February 2016
Classification:	OPEN
Title:	Expansion of Secondary Schools – Progress Report
Wards Affected:	All
Key Decision:	Yes
Financial Summary:	The projected cost of the two expansion schemes in Phase 1 is £11.21M, which is to be met by Basic Need grant.
Report of:	Director of Schools

1. Executive Summary

- 1.1 The Council is proceeding with the expansion of two secondary schools following the report to Cabinet on 29 June 2015, in line with the Council's statutory duty to provide sufficient school places for every resident pupil that needs one. The expansion of two further schools has been deferred while other factors are taken into consideration. These schools remain within the programme and a revised completion date will be reported in due course.

2. Recommendations

- 2.1 Cabinet is recommended to:
- i. Note the progress in the programme to expand four secondary schools in Westminster,
 - ii. Note the proposal to proceed with the expansion of Westminster City School and St George's RC School from September 2017, and the deferral of the expansion of Pimlico Academy to September 2018, and King Solomon Academy to a later date,
 - iii. Delegate authority to the Director of Schools, the Director of Growth, Housing and Property and the Tri-Borough Director of Law in consultation with the Cabinet Member for Children and Young People, to take such

measures as necessary to give effect to the proposals set out in the report to Cabinet on 29 June 2015.

3. Reasons for Decision

- 3.1 The decision is required to endorse the authority delegated to the Cabinet Member for Children and Young People to progress the expansion of secondary schools.

4. Background

- 4.1 In accordance with the decision of Cabinet on 29 June 2015 to approve the proposed expansion of four secondary schools, the Council's consultants 3BM have completed Stages 1 and 2 (RIBA Stage 1) and part of Stage 3 (RIBA Stage 2) of their contract to prepare feasibility studies and business cases.

Following client workshops with all the schools, officers have concluded that the Council should proceed with the expansion of Westminster City School and St George's Roman Catholic School from September 2017 (Phase 1), but defer the expansion of Pimlico Academy provisionally until 2018, and King Solomon Academy until additional factors have been clarified (Phase 2).

Phase 1 schemes

4.2 Westminster City School

The School will expand from **130 to 150** places per year group (delivery in September 2017, total of 100 new places by 2021).

The budget cost remains **£4.5M**.

The proposal involves the demolition of the existing annexe housing the religious education and art classrooms, which will be re-built as a two-storey annexe to house both these specialist teaching areas and six new classrooms. The planning application will seek permission for a third storey which the building will be designed to include at a later date if required. Some internal re-modelling of other buildings on the site will be included within the scheme.

Temporary accommodation is included in the scheme and budget while the works are in progress.

4.3 St George's Roman Catholic School

The School will expand from **150 to 180** places per year group (delivery in September 2017, total of 150 new places by 2021).

The budget cost has been revised from **£5.85M** to **£6.718M**.

The proposal involves the creation of 11 new classrooms and other support spaces which, (when coupled with self-funded additional classroom space that has recently been completed by the School) enables the one Form of Entry (30 place) secondary expansion and the vacation of the Lanark Road Annexe Buildings opposite. The Lanark Road annexe is part of a separate development including housing and community facilities.

It is proposed to include the construction of a roof top canopy to the existing sports courts on the Curran Building, to ensure optimal use of external play space, which is limited on this constrained site. This would require an increase in the overall project budget to £6.718M based upon the scheme that has been developed to date.

The School has also identified a number of additional elements of works that they wish to be incorporated into the scheme including the creation of additional roof top social spaces, rooftop canopies and some changes to the specification of internal rooms. Further discussion regarding these items is currently taking place with the School. The additional cost of these elements would be met by the School from its own resources, which may include fund-raising, as well as through a value-engineering exercise, which is currently underway.

The next stage in the programme has commenced and will be complete in February 2016. This will enable the full expansion to be complete in September 2017. The works will be undertaken in four phases, which include the additional works proposed by the school if agreed.

- 4.4 It is proposed that planning applications for both schemes should be submitted in February 2016 in anticipation of consent being granted in May 2016. Construction would begin during the Summer of 2016 with completion in August 2017.

Phase 2 schemes

4.5 **Pimlico Academy**

Further discussions with Future Academies have taken place to agree the siting of the new building to provide the additional places, whilst maximising available external space. The programme will be revised and it is therefore expected that additional places will not be provided until September 2018.

4.6 **King Solomon Academy**

ARK Academies and the School have consistently maintained the case for the expansion of the whole School to three Forms of Entry all-through, not limited to secondary provision. Officers have therefore taken the opportunity to re-appraise the potential additional child yield resulting from the revised Church Street

Masterplan and the potential future need for more school places over a longer term.

Further, a developer has acquired the West End Green site in Edgware Road where it is proposed to create 670 new housing units, with a possibility of additional development at a later stage. A planning application for West End Green has been submitted.

As a result of this additional regeneration it is calculated that a need for a further one Form of Entry at both primary and secondary level could result, beyond that which was intended to be met by expanding King Solomon Academy by one Form of Entry. Further detailed analysis and discussion is therefore recommended for the provision of additional school places in the Church Street area.

5. Procurement and Programme

- 5.1 Following extensive market engagement with the issue of a Prior Information Notice (PIN) and with meeting members of the London Construction Framework (LCP), the Category Manager for Housing and Construction shall be making the recommendation to the Gate Panel to approve the procurement strategy. As the contract value(s) will be over the new OJEU limit for Works (£4,104,394) the recommended strategy is to go to the open market by means of advertising the opportunity through the Official Journal of The European Union (OJEU). The choice of procedure is the new Competitive Procedure with negotiation, where firstly candidates will be assessed for their capability and suitability and thereafter a shortlist will be invited to submit their proposals as to how they propose to deliver the schemes. The evaluation criteria will be 60 % price and 40% quality.
- 5.2 It is currently anticipated that a combined procurement exercise shall be undertaken with the ability to award the contracts to either a single contractor or multiple contractors.
- 5.3 Subject to approval, planning applications are expected to be submitted for Westminster City School and St. George's Roman Catholic School (Phase 1) in February 2016. Work is programmed to begin on site in September 2016.

6. Financial Implications

- 6.1 The total estimated cost of the programme has reduced from £18.4M to £18.1M, due to the withdrawal of the Land Securities investment at Westminster City (£1.2M) netting off against the increased cost at St George's (£0.9M). As the Council is now the sole funder of the programme, its total contribution has therefore increased from £17.2M to £18.1M.

- 6.2 The programme will be funded by the Basic Need grant, which has a confirmed balance available of £16.2M, and s106. It is anticipated that the programme will have access to a greater amount of s106 funding than originally planned due to the Sir Simon Milton UTC project having a decreased requirement on the Education contributions. Consideration will need to be given to any conditions attached to the funding in order to ensure it qualifies for use against the specific projects. In the event that the s106 funding does not materialise at the level required, the programme will need to be revised in line with the budget available, otherwise alternative funding will need to be sought.
- 6.3 The implications of the Council delivering the works on behalf of the schools, which are all academies, are currently being reviewed by the Council's VAT consultant in order to establish the correct VAT liabilities. Irrecoverable VAT may have a significant impact on the affordability of the planned works.

7. Legal Implications

- 7.1 The Director of Law advises that local education authorities are under a statutory duty to provide sufficient school places for all children who require one in their area. The School Admissions Code 2014 imposes mandatory requirements and includes guidelines setting out aims, objectives and other matters in relation to the discharge of functions relating to admissions. The majority of schools are now their own admissions authorities. The Council has no control over how those schools decide to allocate places. In practice, some school places are allocated to pupils who are not resident in the area, and there is limited scope to control this.

The Code stipulates that catchment areas must be designed so that they are reasonable and clearly defined. Catchment areas do not prevent parents who live outside the catchment of a particular school from expressing a preference for the school.

The Basic Need funding allocation for new places is not dependent on the schools only receiving pupils who are resident in the area. It is unlawful to seek capital contributions from local authorities where pupils are resident.

8. Consultation

- 8.1 The schemes in this report have been the subject of detailed discussion with the individual schools. Local and statutory consultation will take place for each scheme and will be reported to the Cabinet Member for Children and Young People.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact: Alan Wharton, Head of Asset Strategy (Schools and Children's Services), email: awharton@westminster.gov.uk, tel: 020 7641 2911

BACKGROUND PAPERS