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City of Westminster

Council Agenda

Title:	**Council Meeting**
Meeting Date:	**Wednesday 1st March, 2017**
Time:	**7.00 pm**
Venue:	**Porchester Hall, Porchester Road, Bayswater, London, W2 5DU**
Members:	**All Councillors are hereby summoned to attend the Meeting for the transaction of the business set out.**

Admission to the public gallery is available from 6.30pm.

Please telephone if you are attending the meeting in a wheelchair or have difficulty walking up steps. There is wheelchair access by a side entrance.

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.

Email: msteward@westminster.gov.uk Tel: 020 7641 3134
Corporate Website: www.westminster.gov.uk

1.	**APPOINTMENT OF RELIEF CHAIRMAN** To appoint a relief Chairman.	
2.	**MINUTES** To sign the Minutes of the Meeting of the Council meeting held on 25 January 2017.	**(Pages 1 - 8)**
3.	**DECLARATIONS OF INTEREST** To receive Declarartions of Interest from Members and Officers.	
4.	**CABINET REPORTS** To receive and consider the following Cabinet report: 20 February 2017 (a) Appendix A – 2017/18 Budget and Council Tax Report and Medium Term Plan (b) Appendix B – Capital Strategy 2017/18 to 2021/22, Forecast Position for 2016/17 and Future Years Forecasts Summarised up to 2030/31. (c) Appendix C – Treasury Management Strategy Statement for 2017-2018 to 2021/22 (d) Appendix D – Council's Pay Policy 2017-2018	**(Pages 9 - 214)**
5.	**COMMITTEE REPORT** To receive and consider the following committee report: General Purposes: 22 February 2017 Appendix E – Appointment of External Auditor Appendix F - Members Allowances Scheme 2017-2018	**(Pages 215 - 236)**

Westminster City Hall
64 Victoria Street
London SW1
21 February 2017

Chief Executive

CITY OF WESTMINSTER

MINUTES OF PROCEEDINGS

At the Meeting of the Council of the City of Westminster held at 7.00 pm on Wednesday 25th January, 2017 at Porchester Hall, Porchester Road, Bayswater, London, W2 5DU.

PRESENT

The Lord Mayor, Councillor Steve Summers

COUNCILLORS

Heather Acton
Ian Adams
Nickie Aiken
Julia Alexander
Barbara Arzymanow
Daniel Astaire
Richard Beddoe
Rita Begum
David Boothroyd
Iain Bott
Susie Burbridge
Ruth Bush
Melvyn Caplan
Paul Church
Brian Connell
Baroness Philippa Couttie
Antonia Cox
Thomas Crockett
Peter Cuthbertson
Robert Davis MBE, DL
Paul Dimoldenberg
Nick Evans
Christabel Flight
Peter Freeman
Murad Gassanly
Jonathan Glanz
Barbara Grahame
Lindsey Hall
Angela Harvey
David Harvey
Adam Hug
Louise Hyams
Guthrie McKie
Tim Mitchell
Gotz Mohindra
Jan Prendergast
Papya Qureshi
Suhail Rahuja
Robert Rigby
Rachael Robathan
Glenys Roberts
Tim Roca
Ian Rowley
Karen Scarborough
Andrew Smith
Shamim Talukder
Barrie Taylor
Cameron Thomson
Aziz Toki
Judith Warner
Jason Williams

1 APPOINTMENT OF RELIEF CHAIRMAN

Motion moved by the Lord Mayor and seconded by Councillor Tim Mitchell that Councillor Judith Warner be elected as Relief Chairman.

Motion put, and on a show of hands, declared **CARRIED.**

2 MINUTES

The Minutes of the proceedings at the Council meeting held on Wednesday 9 November 2016 were, with the assent of the Members present, signed by the Lord Mayor as a true record of the proceedings.

3 LORD MAYOR'S COMMUNICATIONS

3.1 The Lord Mayor informed the Council of the death of former Councillor Patricia Kirwan who served as Councillor for Lancaster Gate ward from 1982 to 1989.

3.2 The Lord Mayor advised that Councillor Jan Prendergast presented a gift of a limited edition charger to mark the occasion of Her Majesty the Queen becoming the longest reigning English Monarch.

3.3 The Lord Mayor informed the Council that additional training sessions on the Members Code of Conduct would be held on 6 February 2017 and 13 February 2017.

4 DECLARATIONS OF INTEREST

4.1 There were none.

5 ELECTION OF LEADER OF COUNCIL

5.1 It was **MOVED** by Councillor Tim Mitchell and **SECONDED** by Councillor Christabel Flight that Councillor Nickie Aiken be elected Leader of the Council.

Motion put and on a show of hands, declared **CARRIED**.

5.2 Councillor Nickie Aiken replied and in doing so **MOVED** the vote of thanks to the former Leader Councillor Baroness Couttie. Councillor Tim Mitchell formally seconded the vote of thanks which on a show of hands was declared **CARRIED**.

RESOLVED:

That the Council place on record its appreciation of the service rendered by Baroness Councillor Philippa Couttie as Leader of the Council for the period from 7 March 2012 to 25 January 2017 and noted the many achievements of the City Council during this period.

The Council thanked Baroness Councillor Philippa Couttie for all hard work, effort and leadership in ensuring Westminster was at the forefront in ensuring innovation and high standards in local government aimed at benefitting the residents and businesses in the city.

During Baroness Councillor Philippa Couttie’s leadership the City Council achieved a record 87% rate from residents who were satisfied with how the Council was run. This was 19 points higher than the national average.

Her efforts ensured that Westminster had been independently ranked first place by the Social Mobility Commission in 2016 – reflecting work and opportunities offered by the Council in early years, education and employment in the local area.

Baroness Councillor Philippa Couttie was also crucial in establishing the West End Partnership, bringing together senior public service and private sector leaders, academic experts and residents representatives to act as a catalyst and delivery mechanism to enable the West End to accommodate growth, whilst at the same time strengthen its unique cultural character, amenity and openness.

During her Leadererership Baroness Councillor Philippa Couttie had also recently ensured that Westminster had been leading on environmental issues facing the capital. The £2.1m Marylebone Low Emissions Zone was established through an innovative public private partnership scheme led by residents, businesses and the council. Funding was secured through winning £1m of funding from the Mayor of London that was matched by local businesses.

These and her many other achievements were instrumental in her being made a Life Peer.

6 PETITIONS, IF ANY

6.1 There were none.

7 QUESTIONS

7.1 The questions, supplementary questions and replies are included in the recording on the Council's website.

8 COUNCILLOR ISSUES

(a) Crime Prevention in Westminster

Councillor Peter Cuthbertson spoke and Councillor Nickie Aiken replied.

(b) Secular Democracy

Councillor David Boothroyd spoke and Councillor Nickie Aiken replied.

9 STATEMENT ON URGENT MATTERS

9.1 There were no urgent matters.

10 NOTIFICATION OF CABINET MEMBERS, THEIR TERMS OF REFERENCE AND DEPUTY CABINET MEMBERS

RESOLVED:

1) That the new names of the Cabinet Members proposed to be appointed and the wards they represent be noted; and

2) That the terms of reference of the Leader of the Council be endorsed.

11 FUTURE POLICY PLAN

The meeting debated the item chosen for debate from the Future Policy Plan by the Majority Party – Sports and Leisure Services. The debate would be referred to the relevant Executive Director for consideration when next reporting on the subject.

12 NOTICE OF MOTION

12.1 Both the Majority and Minority Parties had selected for debate the Notice of Motion – Adult Social Care which was moved by Councillor Barrie Taylor and seconded by Councillor Adam Hug.

Councillor Rachael Robathan moved and it was seconded by Councillor Heather Acton that notice of motion be amended as follows:

That the Notice of Motion to be moved by Councillor Barrie Taylor and seconded by Councillor Adam Hug be amended by the deletion of the words struck through and the addition of the words underlined, as set out below:

<u>This Council notes the significant pressures facing health and social care services for Westminster residents and endorses the Authorities plans to address these as set out in Westminster's Health & Wellbeing Strategy as part of the STP for NW London</u>. <u>It notes the</u>
~~This Council notes the current critical state of health and social care services for Westminster residents and the respective Authorities plans to deal with “Winter Pressures” and~~ proposals aimed at tackling:

- Accident and Emergency / Mental Health waiting times / admissions and home discharges

- The £35m social care deficit identified in the NW London STP

This council believes there is a clear need for improved government investment in NHS and Adult Social care funding in Westminster. For its part, Westminster Council resolves to assist the process by focusing on issues within its own remit:

- Take steps to lobby government to provide extra funding in the upcoming budget, in order to tackle the immense shortfall in social care - as identified by the STP.

- Use the social care precept, if approved by the Council on 1 March 2017, ~~introduced by the government~~, to benefit spending on Adult Social Care for Westminster vulnerable residents.

  ~~Introduce a dedicated year-on-year increase in Adult Social Care spend for Westminster residents, using the government's Social Care Precept rules and ask Officers to include funding proposals in the budget report to Cabinet (20.2.17)~~.

- Dedicate CIL and Section 106 funds, particularly from health and social care development sites, to help develop the infrastructure for health and social care integration in Westminster and asks officers to report thereon to the relevant Cabinet Member.

- Press the government to provide Imperial Trust with up front capital at this stage - to be realised by future sales of NHS property locally (e.g. Samaritan Hospital)

- Promote the development of Health and Wellbeing Centres, the retention of local GP practices and NHS plans to improve levels of GPs primary care services

~~Support Tri-borough partners Hammersmith and Fulham in their concerns about downgrading of A&E provision in West London.~~

~~In conjunction with the NHS and local Care Agencies, introduce & publish an Annual Winter Pressures each September to explain actions to overcome yearly pressures.~~

- Ensure all consultations on health and care involve as many groups, communities and individuals as possible in Westminster, as was done for the Health & Wellbeing Strategy, to allow people to understand how changes will affect their own services.

- ~~Review consultation procedures for Westminster only residents to submit views and opinions on all NHS and Social care plans.~~

Welcome the clear format of the Council's annual Public Health Report, which is widely distributed and also available on the Council's website, and sets out Westminster's Public Health priorities and proposals

After debate, to which Councillor Barrie Taylor replied, the Lord Mayor put the amendment moved by Councillor Rachael Robathan and seconded by Councillor Heather Acton to the vote and on a show of hands declared the amendment **ADOPTED**.

The Lord Mayor then put the motion, as amended, to the vote and on a show of hands declared the motion, as amended, **ADOPTED**.

RESOLVED:

This Council notes the significant pressures facing health and social care services for Westminster residents and endorses the Authorities plans to address these as set out in Westminster's Health & Wellbeing Strategy as part of the STP for NW London. It notes the proposals aimed at tackling:

- Accident and Emergency / Mental Health waiting times / admissions and home discharges

- The £35m social care deficit identified in the NW London STP

This council believes there is a clear need for improved government investment in NHS and Adult Social care funding in Westminster. For its part, Westminster Council resolves to assist the process by focusing on issues within its own remit:

- Take steps to lobby government to provide extra funding in the upcoming budget, in order to tackle the immense shortfall in social care - as identified by the STP

- Use the social care precept, if approved by the Council on 1 March 2017, to benefit spending on Adult Social Care for Westminster vulnerable residents.

- Dedicate CIL and Section 106 funds, particularly from health and social care development sites, to help develop the infrastructure for health and social care integration in Westminster and asks officers to report thereon to the relevant Cabinet Member.

- Press the government to provide Imperial Trust with up front capital at this stage - to be realised by future sales of NHS property locally (e.g. Samaritan Hospital)

- Promote the development of Health and Wellbeing Centres, the retention of local GP practices and NHS plans to improve levels of GPs primary care services

- Ensure all consultations on health and care involve as many groups, communities and individuals as possible in Westminster, as was done for the Health & Wellbeing Strategy, to allow people to understand how changes will affect their own services.

  Welcome the clear format of the Council's annual Public Health Report, which is widely distributed and also available on the Council's website, and sets out Westminster's Public Health priorities and proposals.

13 CABINET REPORT/COMMITTEE REPORT

Cabinet Report – Paragraph 1 – Council Tax Discounts (including Council Tax Local Reduction Scheme) and Council Ta Base Report.

Councillor Boothroyd moved, and it was seconded by Councillor Hug, that paragraph 1, recommendation (ii) of the Cabinet report be deleted and replaced with “That the Council Tax on houses which have been empty for two years or more be charged at a rate of 150% of the normal Council Tax.

The Lord Mayor put the amendment to the vote and on a show of hands declared the amendment **LOST**.

The Lord Mayor then put the recommendations in paragraph 1 of the Cabinet report to the vote and on a show of hands declared the recommendations **ADOPTED**.

Cabinet report – Paragraph 2 – Treasury Management Mid-Year review

RESOLVED: That the recommendations in paragraph 2 be adopted.

General Purposes Committee – Constitutional Issues

RESOLVED: That the recommendations be adopted.

The Meeting ended at 10.01 am

CHAIRMAN: ______________________ **DATE** ___________________

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Agenda Item 4

AGENDA ITEM: X

City of Westminster Cabinet Report

Decision Maker:	**Cabinet**
Date:	**20th February 2017**
Classification:	**For General Release**
Title:	**2017/18 Budget and Council Tax Report**
Wards Affected:	**All**
Policy Context	**To manage the Council's finances prudently and efficiently**
Finance Summary:	**This report sets out the Council's financial framework for the 2017/18 financial year and Medium Term Future Funding Outlook**
The Report of:	**Steven Mair, City Treasurer Tel: 0207 641 2904 Email: smair@westminster.gov.uk**

Executive Summary

1.1 The City of Westminster is the UK's cultural and entertainment centre; the unrivalled destination for tourists and overseas visitors; a strong local economy; the home of retail; and the custodian of our country's national heritage as well as the home of government and the Royal Family.

1.2 The Council's core offer remains our guarantee of clean streets, low council tax, excellent value for money local services and support for the most vulnerable.

1.3 City for All is the Council's strategy for delivering this guarantee and making Westminster a city with global standards and the Council providing exceptional services.

1.4 To deliver this strategy, the Council has three clear priorities for 2017/18, each of which are underpinned by robust delivery programmes:

- The Council will place a renewed focus on how it supports the interests of residents whilst also recognising the very important role the city's businesses play in creating economic prosperity;
- The Council will place a particular focus on supporting the aspirations of families in the city; and
- As a global city with 24 hour demands that place particular pressures on our residents and businesses the Council will lead by example, setting the standard and working closely with partners to help deliver a world class city.

1.5 To support the delivery of these priorities and the underpinning delivery programmes, we will continue to embed the Council's values and behaviours for staff which underpin how it delivers services to its communities and how it operates as an organisation. They have been carefully defined to illustrate what is needed to enable Westminster to move forward and are summarised below:

- **Productive** – to show initiative, drive and determination and help others to be productive and make informed decisions;
- **Ambitious** – to constantly challenge, create new solutions and work as a team;
- **Collaborative** – to work with partners and show local leadership, we treat everyone with courtesy and fairness and challenge one another respectfully; and

- **Enterprising** – to constantly seek better Value for Money and to reduce cost, we seek to generate growth and take managed risks to achieve the best outcomes.

1.6 Our strategy for 2017/18 builds on strong foundations. Since 2010 we have continued to deliver a wide range of world class essential services despite unprecedented financial challenges and a rapidly changing environment, receiving consistently high resident and customer satisfaction ratings, as well as managing our services within budget.

1.7 These services include:

- Adult's Services e.g. adult social care integrated care services;
- Children's Services e.g. schools, family services, children's service commissioning and improvement and special education needs and disabled children;
- Public Health e.g. families and children's, substance misuse, health commissioning and sexual health services;
- Housing Operations e.g. homelessness and temporary accommodation;
- Housing Benefits e.g. administration of housing benefit payments to residents and housing providers;
- Housing Revenue Account e.g. the provision of affordable social housing;
- Development and Strategic Planning e.g. planning applications and enforcement, as well as developing the overall City Plan;
- Waste and Parks e.g. street cleansing, waste collection and provision of parks and amenities;
- Parking Services e.g. residential parking and paid for parking and enforcement;
- Public Protection and Licensing e.g. community safety, licensing and West End and city operations; and
- Libraries and Archives which also includes registrar services.

1.8 As well as dealing with funding reductions caused by the national austerity measures, the Council has had to respond to ever growing demands and other pressures on its services. Consequently, the Council has examined every area of operation to identify opportunities to reduce costs and generate additional income. The Council is also investing through its capital programme to ensure its property portfolio remains fit for purpose to deliver first class services and generate commercial income. This climate of austerity and increasing demands will continue for the foreseeable future but with our track record of continued leadership and management action the Council can deliver a balanced budget for 2017/18 and beyond.

1.9 There are two especially significant changes in the Council's current operating environment. Firstly, the withdrawal from the European Union (EU) following the referendum in June 2016 and secondly, the gradual move to fully localised business rates by the end of decade. The true impact on the Council of both these issues is not yet fully clear and brings both potential risks and opportunities.

1.10 The impact of the implementation of Article 50 will not be known for some time however the uncertainty over the outcome of the negotiations and timescales involved brings with it challenges in drawing up financial estimates and a long term strategic plan.

1.11 In particular, the future economic outlook and uncertainty caused by Brexit has the potential to impact on, amongst other things, interest rates (both for capital borrowing and investment of working cash balances), general inflation rates as well as specific issues such as labour costs in Adult Social Care and property values or rents. All of these factors, as well as the general performance of the economy and thus Central Government's potential ability to fund future public expenditure, could be affected by Brexit and this has the potential to impact on the Council's future financial outlook – either positively or negatively.

1.12 Within the existing Business Rates system, the Council must contend with the impacts of on-going issues, the decisions for which are beyond its control e.g. outstanding appeals which include those from prior revaluations. DCLG's spending power assumptions take inadequate account of original NNDR valuation errors when the 2010 List was first compiled and thus, despite real underlying growth in the Council's business rate taxbase, the Council has found itself with consistently and substantially lower NNDR yields than required to meet its DCLG-assumed Baseline Funding levels. This has meant that in each year since the introduction of localised business rates, the Council has been underfunded by the maximum 7.5% of Baseline Funding before the NNDR Safety Net applies. Until the system for dealing with valuation errors is corrected (currently believed to not be before 2022), it is expected to remain in this safety net position – for 2017/18, this shortfall in funding is calculated to be £6.33m. The total losses borne by the Council since the start of the localised Business Rates retention scheme, and not protected by the Safety Net threshold, will have totalled £30.64m by 2017/18.

1.13 Council officers are actively working with officials in the formal Systems Design Working Group (consisting of various local government representative bodies and others including: the Local Government Association; the Valuation Office; CIPFA; and DCLG) to engage with Central Government. The group is working to highlight on-going problems with Business Rate localisation arrangements and to propose viable, long-term solutions ahead of the full planned national localisation of Business Rates in 2020.

1.14 In addition to these two particular cross cutting significant changes, the Council will continue to face pressures arising through commercial, legislative, demographic and operational issues across the whole range of its services. Combined with these factors, the Council also has to finance contractual and salary inflation, pension cost increases, changes in national insurance and apprenticeship levy, capital financing and other pressures.

1.15 Despite these challenges, the Council continues to excel and deliver high-quality services focussing on meeting the needs of its residents and clients. This is as a consequence of long term planning and a transformational approach to service delivery. The Council is proud of its track record in rising to this financial challenge but is clear that financial discipline and prudence must continue to be at the core of its approach to budget setting.

Overview of the Financial Challenge and Environment

1.16 To meet the funding challenges in 2017/18, the Council has had to meet a total net savings requirement of £35.446m. This encompasses savings due to reduced government grants and cross cutting pressures and a further £10.729m to finance the net additional impact of direct service pressures resulting in total savings for 2017/18 of £46.175m. The proposals identified through the medium term financial planning (MTP) process to meet these challenges are set out in Schedule 4 to this report.

1.17 Following the offer of a four year funding allocation in the 2016/17 Local Government Finance Settlement (LGFS), the Council opted to accept this offer in order to gain some level of certainty on future funding and assist in service planning and collaboration with partner organisations. This gave the Council a Settlement Funding Assessment (SFA) reducing from £140.57m in 2016/17 down to £119.86m in 2019/20. The Council is assured by DCLG that by accepting this four-year deal it will not be worse off than if it had not taken up the offer. In line with Central Government conditions, in October 2016, an Efficiency Plan was approved by Cabinet, this was submitted to DCLG and approved by them and which has resulted in the Council receiving a four year funding settlement.

1.18 The savings challenge discussed above has arisen from reductions to the Settlement Funding Assessment (SFA) announced in the December 2016 Provisional LGFS for 2017/18 (still provisional at the time of drafting this report).

The SFA is comprised of Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR). Overall, RSG and NNDR fell from £140.568m to £130.571m, a reduction of £9.997m for 2017/18.

1.19 A more detailed examination of the December 2016 Provisional LGFS identified a further cash reduction discussed further in this report to the Council due to two changes in the way the New Homes Bonus (NHB) grant will be allocated from 2017/18. The Council did however receive a one-off new grant for 2017/18 to assist with Adult Social Care pressures.

1.20 The Council's forecast for its current year outturn has been improving over recent months and as at December 2016 indicates a closing position with an underspend against service budgets of £14.714m. The best estimate for the remainder of the year, taking into consideration all known risks and opportunities, will be for this position to marginally continue to improve. This will assist the Council in tackling its historic pension fund deficit and in meeting any emerging financial risks it carries whilst also strengthening its balance sheet both in terms of reducing liabilities and increasing its ability to absorb future potential financial shocks.

1.21 In respect to Council Tax, 2016/17 marked a change to previous years whereby authorities were previously offered an incentive in the form of the Council Tax Freeze Grant to not increase their element of Council Tax, however this is no longer the case. From 2016/17 those upper-tier local authorities who are responsible for Adult Social Care were also able to apply a new precept for Adult Social Care of up to 2% on their share of Council Tax bills for 2016/17. As part this flexibility local authorities must complete a declaration to DCLG within 21 days of their annual budget being approved by Council. This declaration will compare budget changes in adult social care to the rest of the general fund to demonstrate that the Council has spent the funds raised from the precept on the purpose for which it was intended.

1.22 DCLG confirmed in the December 2016 LGFS that authorities would be able to apply this precept again but would have the option of increasing the level of the precept by up to 6% over the next 3 years subject to a maximum 3% in 2017/18 and 2018/19 and 2% in 1919/20. It is recommended the Council opts to increase this element by 2% in 2017/18 to make the changes more manageable to our taxpayers.

1.23 This precept is included within the Council's proposed budget for 2017/18 and would raise £0.997m of additional revenue for Adult Social Care pressures based on a 2% increase. For 2017/18, Cabinet are asked to consider whether to recommend to Council an increase in the general Council Tax requirement by 1.90% (as set out throughout this report by way of illustration) - this would be below the referendum limit of 2%.

1.24 Central Government calculate the increases in Council Tax for the purposes of holding a referendum and include in that calculation the impact of the Montpelier Square Special Expenses. Since this element is rising by 38.5% in 2017/18, the maximum that the Council's share of Council Tax can increase is 1.90% before the need for a referendum to be held is triggered rather than the headline 2%.

1.25 As well as the revenue budget, the Council is in the early stages of an ambitious capital programme which is directly linked to the aims and objectives of City for All and PACE. The programme is set in detail over a five year period from 2017/18 to 2021/22 at a gross budget of £1.235bn (excluding the HRA) and is fully funded through the use of external funding, capital receipts and borrowing. Including the HRA, the gross programme for this five year period is £1.935m. Capital investment is targeted to deliver the aims of City for All, delivering affordable homes, improved facilities and well-maintained infrastructure and public realm. This will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism and continue to provide first class services for our residents. The Capital Strategy contains further details on the capital schemes and is reported separately on this agenda.

1.26 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 and growth targeted for the year. Westminster adopts a robust and pro-active approach to budget management, with a focus on strategic (corporate) and operational (service area) risks and opportunities.

1.27 A balanced budget will be set for 2017/18. Taking all these factors together the Council is well placed to meet its future financial challenges. On this basis the Council's 2017/18 budget is considered by the City Treasurer to be robust.

1.28 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 (EIAs) are included in Annex C which decision makers will take into account when considering this budget report.

2 Recommendations

2.1 That Cabinet be recommended to approve the following:

- the 2017/18 budget, as set out in this report, and recommend to the Council the Tax levels (subject to their consideration of options around the potential to adopt any increase in the standard Band D amount) as set out in the Council Tax resolution at Annex B;

- that local element of Council tax is increased by 2% in respect of the Adult Social Care Precept as permitted by Government and anticipated in their Core Spending Power assumptions;

- that as a consequence of the general rise in Council Tax and the Adult Social Care precept the local element for Band D properties be confirmed for 2017/18 as £408.12 (subject to consideration of adopting any change to the standard Band D amount);

- that subject to their consideration of the previous recommendation, 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 2018, be as specified in the Council Tax Resolution in Annex B (as may be amended). 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 2017/18 of £173.850m (as set out in Schedule 3) be approved;

- 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;

- that the cost of inflation, pressures and contingency be issued to service budgets if and when the need materialises, to the limits as contained within schedule 4;

- the changes in pension fund deficit contributions as set out in paragraph 5.34;

- that the views of consultees and consultation approach, as set out in section 21, be considered by Council;

- that the Council carries forward an unspent contribution from reserves balance of £1.0m into 2017/18 to support payments while options to absorb the expected reduction in Discretionary Housing Benefit payment from government are considered;

- that the proposed use of new capital receipts be used under the freedoms of the Flexible Capital Receipts regulations be used to fund revenue spend on City Hall, Digital Programme and Pension Deficit Recovery and leading to future on-going savings (and subject to review at year end to determine the actual costs, savings and financing by the City Treasurer) be recommended to Council for approval;

- that the Equality Impact Assessments included in Annex C be received and noted to inform the consideration and approval of this report; and

- that the Cabinet recommend that this report be submitted to the meeting of the Council on 1st March 2017 and Council be recommended to receive a speech by the Leader of the Council on Council priorities and financial aims.

2.2 That Cabinet consider recommending to Council that the local element of Council Tax be increased for Band D properties by 1.90% as exemplified throughout this report for illustrative purposes and propose substituted adjustments to the schedule of illustrative savings and growth items (as set out in Schedule 4) should they determine not to increase the Band D amount by this illustrative amount.

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 (CLG). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

4 <u>City for All 2016/17 Update</u>

4.1 A selection of the Council's achievements and outcomes for the second year of the City for All programme includes:

Reputation of the Council

- 87% of residents are satisfied with the way the Council runs the City (up from 83% in 2012, and 19 percentage points higher than the national average);

- Westminster has consistently been a top performing Council in terms of customer satisfaction, but it has reached its highest levels in the last few years. It currently is at the highest level recorded since 2003;

- average satisfaction over the five years from 2012 to 2016 stands at 85% compared to 81% between the five years from 2007 and 2011; and

- 73% of residents in 2016 thought that the Council was efficient and well run, up from 62% in 2012 and the highest score ever recorded by the Council.

Council Tax

- Westminster has the lowest Band D Council Tax of any local authority in the country and is 45% lower than the Inner London average; and

- 66% of residents think the Council offers good value for money; this is 16% higher than the national average (50%).

Clean Streets

- despite the huge demands placed on services by the quadrupling of the Boroughs daytime population from workers, shoppers and tourists – and a flourishing night-time economy, 85% of Westminster residents are satisfied or very satisfied with street cleaning in the Borough – this is 14% higher than the national average.

Community Events and Participation

- over 13,000 time credits provided to volunteers across Westminster to spend on things they enjoy (March 2015 – October 2016);

- over 5,000 people took part in the 2016 Westminster Mile, the largest yet (5% higher than 2015); and

- over 25 shows took to Trafalgar Square to entertain the half million people watching the West End Live event. West End Live took place over the weekend of 18 and 19 June 2016.

5 Financial Context

Central Government: Funding Landscape

5.1 As noted earlier in this report, since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost and demand pressures within services. This process is on-going and will last for the foreseeable future and needs to be flexed as the Council develops a stronger understanding of future developments e.g. fully localised business rates retention and implications of Brexit. In November 2015 the Comprehensive Spending Review (CSR) set out the strategic direction for public expenditure. This confirmed significant reductions in the funding for Local Authorities. The Autumn Statement saw the focus move away from balanced public sector spending by 2020 – but has seen no reduction to previously planned reductions to local government funding up to 2020.

5.2 The Local Government Finance system is at a pivotal point, the previous system was highly centralised and allocated funding on the basis of relative needs and resources. By the end of the decade, this will be replaced with a fully localised system that is designed to make Local Government as a whole self-funding but consequently means that individual Councils will bear more risk than ever before.

5.3 This shift in risk has occurred since 2010, in the gradual move away from centralisation to that of localisation and greater emphasis on the provision of financial incentives in the funding system. The most visible examples were the introduction of the Business Rates Retention scheme, New Homes Bonus grant and abolition of Council Tax Benefit Subsidy. Projected national flat real growth in business rates poses real risks to the adequacy of long term local government funding.

Spending Review Updates

5.4 The Spending Review announced on the 25th of November 2015 outlined a number of significant changes to the Local Government funding regime, since when the following has occurred:

- the Council responded to a consultation from DCLG in October 2016 which included input into pilot schemes which commence in April 2017 ahead of the full localisation of Business Rates in 2020. As part of the full localisation, local authorities will be given the freedom to set a local business rate at any amount lower than the nationally determined uniform business rate (subject to the cost being borne by that council) in order 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.

- reforms to the New Homes Bonus (NHB) were announced and included the means of “sharpening the incentive to reward communities for additional homes” and reducing the length the grant would be paid (six years to four). The December 2016 settlement stated that in 2017/18, payments would taper down from six to five years and in 2018/19 would taper down from five to four years. Also, an annual national house-building baseline target of 0.4% is to be set before Local Authorities reach entitlement to NHB payments. New Homes constructed after initially being refused planning permission, by subsequently being approved on appeal may also in the future fail to qualify for NHB payments. The Council’s expected allocation for 2017/18 for the NHB grant is £9.7m which is a reduction of £3.5m over 2016/17.

- the Apprenticeship Levy will commence from April 2017 and will involve the Council making a payment of 0.5% of relevant employee costs into a digital account which will then be used to fund the training and assessment costs of apprentices across the Council. The value of this could be up to £800k p.a. Funds paid into the digital account must be spent on approved training providers or will be repaid to the Exchequer if unspent for these purposes.

  This will not apply to apprentices who enter the Council’s employment before May 2017. Apprentices currently working for the Council are employed by the London Apprenticeship Company but from May 2017 apprentices will be directly employed by the Council. Whilst this may result in additional costs, it offers more flexibility in how apprentices are managed. Furthermore, the Council could benefit from the increased range of apprentice training-providers who will need to be more flexible and competitive.

- the Government announced real-terms Public Health savings of 3.9% over the period 2015/16 to 2019/20. 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 100% business rate retention. The ring-fence on public health spending will be maintained for 2017/18.

- the 2015 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. As part of the 2017/18 Technical Consultation on the Local Government Settlement, the Council reviewed and responded to DCLG on the proposals for distributing the Improved Better Care Fund monies annually to individual Councils between 2017/18 and 2019/20.

- the 2017/18 financial year will be the final year of the current funding arrangements for the Dedicated Schools Grant (DSG), prior to the introduction of the National Funding Formula from 2018/19. Modelling is being undertaken for the financial impact of the new National Funding Formula on Westminster's schools. Initial estimates suggest a significant reduction in funding due to an anticipated shift of funding away from London. The Finance team will work closely with maintained schools to assist them achieve a balanced budget under the new funding arrangements

Autumn Statement 2016 Update Including Economic Outlook

5.5 On 23rd November 2016, Chancellor Philip Hammond delivered his first Autumn Statement. In it he made a number of policy announcements including confirmation that the Autumn Statement will be abolished and the Budget will be moved to the autumn. The 2017 Budget (in March) will therefore be the last spring Budget, and there will be a further Budget in the autumn of 2017. A new "Spring Statement" will replace the Autumn Statement from 2018.

5.6 In addition to the policy announcements, the Chancellor also provided updates on public finances, and the overall national economic outlook. The key headlines for Westminster are summarised below:

Financial Implications for the Council

- Business Rates – The Autumn Statement confirmed announcements previously made in the 2016 Budget to provide £6.7bn of savings to businesses over a five year period against their business rates bills. This is expected to benefit up to 600,000 business rate payers by the permanent doubling of small business rate relief (50% to 100%) and increasing the threshold at which the standard business rates applies to £51,000 (impacting 250,000 businesses). The cost to local authorities of this reduced localised business rate income is expected to be met by an additional section 31 grant.

- the lowering of the originally proposed transitional relief cap in respect of NNDR increases caused by the 2017 Revaluation from 45% to 43% is marginally better news for Westminster businesses but is not the 33% reduction the Council or New West End Company (NWEC) had lobbied. The change has no effect on the Business Rates Retention Scheme, as the transitional relief scheme is designed to be overall fiscally neutral, and there is therefore no effective income impact to the Council but will impact on local businesses NNDR bills.

- the National living wage will rise from £7.20 to £7.50 in April 2017. The increase has the potential to increase costs of services for the Council within the Council's supply chain e.g. Adult Social Care and cleansing

- the increase in the Insurance Premium tax from 10% to 12% from June 2016 will result in additional costs for the General Fund of approximately £25k and £45k for the HRA.

- the Autumn Statement forecasted a rate of CPI of 2.3% in 2017, 2.5% in 2018 and 2.1% in 2019, this compares to 0.7% for 2016. The impact of an additional 1% increase of inflation on the Council's cost base is approximately £6m.

- National Insurance thresholds for employer and employees will be simplified by aligning the two. There will be no additional cost to the employee but employers will incur an extra cost per employee. This is not expected to be significant for the Council.

Efficiency Plan and Multi-Year Settlement

5.7 On 17 December 2015, DCLG announced their intention to offer Councils four-year funding settlements. The intention of this was to enable better forward planning by providing greater long term funding certainty.

5.8 The offer of a four-year funding settlement was optional, but required any Council which wished to accept the offer to strengthen their financial management and make efficiency savings. As such, the requirement to accept the offer was to produce and publish an Efficiency Plan detailing planned savings and showing how the certainty of a four-year funding settlement could be used to bring about the opportunities for further savings.

5.9 The Council reviewed the offer along with the opportunities afforded by it and decided to accept – along with 97% of all other local authorities. As required, it produced an efficiency plan, which also included proposals to utilise capital receipts to generate further revenue savings, as directed by the Statutory Guidance on the Flexible Use of Capital Receipts issued by DCLG in March 2016. The efficiency plan was approved by Cabinet on the 10th October 2016 and subsequently endorsed by DCLG.

5.10 The four year settlement will allow the Council to improve strategic decision making such as by maximising value for money with suppliers, use of reserves and prioritising funding for service levels.

5.11 It should be noted though that the four-year annual settlement for an authority is dependent on several variables. For instance, the Government will update the Business Rates multiplier which is inflated annually by the RPI rate in September of every year (changing to CPI in 2020). 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 may be required and so be reflected in future settlements.

5.12 The above was demonstrated in the December 2016 Settlement which included changes to the NHB grant which adversely impacted the Council's budget for 2017/18 and beyond.

Flexible Use of Capital Receipts

5.13 The Council plans to utilise the flexibility offered by Central Government on the application of capital receipts to fund certain revenue-related change costs. Included in the Council's approved Efficiency Plan from October 2016, was a strategy on the use of capital receipts under this provision.

5.14 The Council intends to apply capital receipts to fund the revenue expenditure of three projects which meet the criteria set out by DCLG. These projects are the City Hall Refurbishment which is expected to make flexible use of capital receipts to fund revenue to the value of £19m and the Digital Transformation project which seeks to achieve efficiencies in services by fully exploiting digital resources. The Council is also planning to utilise capital receipts to reduce the historic deficit on the Pension Fund and thus make future ongoing net savings of the annual deficit recovery payments. This has involved discussions with the Council's legal service, external audit and also colleagues from DCLG who have confirmed the acceptability of these proposals.

Adult Social Care Precept

5.15 The offer by the Secretary of State for Communities and Local Government to Adult Social Care authorities, effective from 2016/17, gave upper-tier authorities with ASC responsibilities the option to charge an additional precept on its Core Council Tax without the need to hold a referendum, to thus assist those authorities in meeting expenditure pressures in Adult Social Care.

5.16 There are on-going pressures on Adult Social Care budgets due to particular market cost pressures and forecast demand growth for care services as a result of increasing numbers of older people, people with disabilities and people with long term health conditions needing care. These demographic pressures are exacerbated by increasing pressure from hospitals to discharge patients in a timely fashion, particularly during the winter months. There is also added pressure from reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide, along with an increase in homecare costs – potentially exacerbated by changes to the Living Wage.

5.17 The state of the market and unavoidable cost pressures will continue to be a major challenge. Activity and level of complexity is increasing alongside demographic changes, workforce pressures from the London Living Wage and National Living Wage and the driving down of price are all major dynamics that are impacting on the availability and quality of services.

5.18 The Adult Social Care Precept, recommended to increase by 2% for 2017/18, will support the Council in affording the increasing cost of these pressures.

Sustainability Transformation Programme

5.19 The Sustainability Transformation Programme (STP) describes shared ambition across the NHS and local government to create an integrated health and care system that enables people to live well and be healthy. The Council lies within the NW London region with 7 other local authorities and 8 Clinical Commissioning Groups (CCGs). It is an NHS led process and a draft plan of NW London's STP vision was developed with involvement from commissioner, provider, local government and patient representative groups. The plan recognises funding pressures in both health and social care, and plans for transformational investment in community, prevention and social care services, in order to reduce cost and activity in the acute system and deliver better outcomes for service users.

5.20 Feedback from NHS England (NHSE) indicates that they were "*very impressed*" by the commitment to system-wide working and noted that the proposals have great potential to deliver the Five Year Forward View as well as provide a route to sustainably improve services for patients. The latest submission of the STP was made on 21st October 2016 with refined financial and activity data covering all 5 delivery areas.

5.21 To reinforce the joint approach across health and local government a new governing body, The Joint Health and Care Transformation Group, has been established to oversee the STP plan and allocation of transformation funding. This will help to support joint decision making and an exchange of good practice across NW London with strong local government involvement.

5.22 A Finance and Estates group has been established to develop a single unified financial plan for health and social care linked to the STP. Work is underway to support discussions about the allocation of transformation funding and improvements to the capital and estates strategy to support out of hospital care. The group is focussed on ensuring that:

- the impact of plans for shifting care from acute hospital settings to out of hospital and home care is understood and taken in to account in planning social care activity levels; and

- the local authority projections of the social care funding gap are prepared on a consistent basis.

5.23 At this stage, there is insufficient detail to determine what the full impact and risks and opportunities on local authorities will be from the STP plans. Indicatively, there will be an increased burden on social care services provided by local authorities but offset by funding to be devolved from the NHS. Projections indicate that the delivery of plans will take until at least 2020/21 to fully work through.

5.24 There is estimated to be £110m in total cash allocated to the 8 LA's to support transformation programmes which deliver savings in the health and social care space. This will be split across the four years 2017/18 – 2020/21 and an indicative phasing of this has been given with £22m available for 2017/18, rising to £34m in 2020/21. This money is one-off and non-recurrent. It will need to be justified through the provision of business cases which demonstrate that value for money will be delivered through the investment of this funding.

Better Care Fund

5.25 Westminster has not yet received the funding allocation for the 2017/18 mainstream Better Care Fund (BCF). The latest position is as follows:

- guidance is expected to be available in February but may be later that month. There will be around 12 weeks (Stage 1 draft at 6 weeks and final signed off version at 12 weeks) to submit the plan;

- the plan is expected to cover two years and needs to include the local authority's Joint Integration Plan;

- the extra money for adult social care for 2017/18 is expected to be branded iBCF (i for improvement) and will be reflected in the BCF total and will be ring-fenced to social care; and

- lobbying has taken place to support the grant going directly to local authorities and this is the case in the latest draft guidance (although not yet formally published). The grant will be attached with conditions that it should be pooled into the Better Care Fund.

5.26 The draft guidance outlines that the funding will be paid as a direct grant under Section 31 of the Local Government Act 2003. The Policy Framework sets out that the following conditions will be applied to the grant:

- a requirement that local authorities include the funding in their contribution to the pooled Better Care Fund, unless an area has explicit Ministerial exemption from the Better Care Fund;

- a requirement that the funding is used to support adult social care; and

- this funding does not replace, and should not be offset against, the NHS minimum contribution to adult social care.

Pension Fund

5.27 The overall Westminster Pension Fund includes the City Council's requirements as well as a number of other admitted and scheduled bodies – for example City West Homes. The Council's attributable share of the Pension Fund has assets totalling £671m.

Triennial Valuation

5.28 The triennial valuation of the Pension Fund has just been completed by the Council's actuary. The latest report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years 2017/18 to 2019/20.

5.29 The actuary reports that the employer's contribution rate is required to rise from the current 12.50% to around 15.83% in order to fully fund the cost of active members. The impact on the Council's on-going revenue budget of this revision is expected to cost an additional £2.5m over 2016/17 contribution rates.

5.30 As well as needing to make contributions into the Pension Fund for active members, the Council has to make contributions to address an historic funding deficit. The latest triennial valuation values the Pension Fund deficit at £285m as at 31st March 2016 compared to £320m at 31st March 2013. Despite the reduction, this positions the council as having one of lowest funded local government pension schemes in the country.

5.31 While the Pension Fund is in deficit it incurs an interest cost which it would not if it were fully funded. The cost of this interest increases the total contributions required to be made by the Council throughout the period until the deficit is repaid.

5.32 Strategies to reduce this deficit and the consequent interest costs have been explored with the actuary. A model has been produced whereby three one-off injections of £10.0m are made over the next three years together with three increases of £4.0m in the on-going annual contributions, followed by more measured increases thereafter to account for the impact of inflation. This allows the repayment period to fall to 18 years and delivers a significant reduction in the total interest to be paid. This has been determined to provide an optimal mix of maintaining annual affordability whilst also offering the greatest saving in overall cost. This scenario is estimated to reduce the total repayments to £453m with a fully funded position by 2033/34. It also enables the on-going contribution rate in respect of existing employees to be increased to 15.83% as outlined above.

5.33 This compares to a previous scenario whereby contributions increased at £1.5m per annum, no one-off contributions were made, and the repayment period extended to 2047/48.

5.34 The total saving to the Council in cash paid out compared to that previous scenario would be £335m. To recap, this is achieved as follows:

- Increasing the annual contribution rate by £4m per year over the next three years (£2.5m in the first year going towards increasing the existing employees contribution rate to 15.83%)
- making three one-off contributions of £10m;
- reducing the recovery period to 17 years from March 2017;
- thereby significantly improving the Pension Fund's position nationally as this moves towards a fully funded position by 2034.

5.35 The potential to make the three one-off contributions of £10m will be subject to the availability of either annual revenue resources (potentially from in-year under-spends) or capital receipts under the Flexible Use of Capital Receipts guidance published by DCLG. The City Treasurer will review the scope to use such resources as part of the year-end closure procedures. The performance of the scheme and deficit reduction strategy outlined above will be reviewed on a periodic basis to assess whether the strategy remains on track or whether further adjustments to payments or projections are required.

Government Actuaries Department Review

5.36 The Government Actuaries Department (GAD) undertook a review of all Council pension schemes during 2016, although it did not publicly release the findings as this first review was a fact finding and methodology testing exercise. We have, however, been given details of their last review, which found that in terms of deficit position the Westminster Fund was in the lowest (i.e. worst) decile across all schemes.

5.37 The Council's actuaries advise that should we opt to make the additional contributions outlined above, the Pension Fund's GAD-assessed rating and position would improve significantly. It is understood that GAD are looking to enforce remedial action on the worst-performing pension funds, which (unless our position can be improved) could result in the Council being publicly required to alter its deficit recovery plans without having the freedom to choose the timing or rate of such changes.

Governance

5.38 The Local Pension Board has just completed its first year and reported on its activities to the Pension Committee and Full Council. The Board, comprised of both employer and employee representatives, is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.

The major governance development in the year was the issue of the Government's Criteria for Pooling (November 2015) that requires all local government pension schemes in England and Wales to form investment pools of at least £25bn with investment manager appointment and monitoring decisions undertaken at pool level. Westminster and all the other London Councils are members of the London Collective Investment Vehicle (CIV), set up to facilitate joint procurement of investment managers, with the objective of savings costs. One of the Westminster fund's existing investment mandates has already been transferred to the London CIV, another two are expected to transfer within months and a fourth was subject to a London wide fee arrangement that substantially reduced costs.

Wider Environment - "Brexit"

5.39 On the 23rd June 2016, the majority of voters elected for the Country to withdraw from the European Union (EU). In the period afterwards:

- the economy experienced adverse consequences through falling values in currency and the stock-market; and
- both public and private sector organisations were left facing uncertainty on a range of issues including impacts on workforces, interest and inflation projections and macro-economic outlook

5.40 The exact details and implications for the UK and the Council from exiting the EU cannot be fully determined until there is more clarity on:

- exactly what is being negotiated and therefore the extent of any withdrawal i.e. the future relationship between the UK and European and non-European nations; and

- the timeframe for negotiations and implementing the outcome of these negotiations.

5.41 Some commentators, such as the Institute for Fiscal Studies, have considered the potential implications of a withdrawal on the UK's public finances. Some of these may have more of a direct impact on the Council than others. Also, some of these may be short term whilst others have longer term implications.

5.42 For instance, one of the most visible examples of a short term effect following the referendum has been the fall in value of Sterling as a result of the reduction in demand for Sterling-based assets. Consequently, in theory this could lead to higher inflation due to the rising price of imported goods which could also erode spending power and therefore result in lower demand. Higher inflation impacts the Council two-fold in that the Council's contracts will be indexed annually based on this higher inflation value and because the Council may have to pay more for general goods and services. Additionally it could impact on future local government pay settlements.

5.43 Over the medium to long-term, a withdrawal from the EU may potentially have implications on trade costs between the UK and European nations, foreign direct investment into the UK, regulatory changes and net migration.

Brexit Impacts on Treasury Management

5.44 The Council's Treasury advisors advised that "Brexit" could have both indirect and direct impacts on the Council and its investment counterparties. For instance, the decision by the Bank of England after the referendum to reduce the Bank Rate to 0.25% directly impacts on the Council as returns on investments are likely to reduce. The Government's long-term approach to monetary and fiscal policy and therefore the impact on the Council will be influenced by a potential withdrawal from the European Union and the path this takes.

5.45 The indirect impacts of withdrawing from the European Union are harder to identify at this stage but one such example cited by the Council's Treasury advisor is that of "passporting" rights for financial institutions. For example, the Council currently invests with financial institutions based in London who possess "passporting" rights which enable them to sell their products and services across the European Union. If any company or financial institution did relocate to Europe away from the UK (as some sector commentators have suggested may occur) due to the UK withdrawing the European Union, their domicile status would change and so could mean they fall outside of the Council's sovereign rating criteria and thus lead to a required change in the investment portfolio mix.

Impact of Brexit on Capital Programmes and Property

5.46 The general uncertainty of Brexit has implications for a number of factors within the Council's capital programme including, but not exclusively, borrowing rates, inflation, property prices and rental markets.

5.47 Initial expectations were that the referendum decision would see a decline in the property market which was reflected by property firms introducing uncertainty clauses within their valuations. These uncertainty clauses were designed to reflect the reduced probability that valuers' assessments of a property's worth would actually be realised if sold. The capital programme is also significantly reliant on capital receipts from sales funding the programme. Any fall in the property market may impact upon the affordability of certain schemes. Consequential changes to rates of return would also impact on commercial rental streams.

5.48 By September 2016 however, property firms had removed these uncertainty clauses to reflect the current position within the market. This however does not remove the risk that previous valuations may now be overstated, although it does suggest the initial concern around the referendum decision has subsided, at least in the short term.

5.49 The Council will continue to review and plan for developments related to the above as matters arise, these include:

- how negotiations on withdrawing from the EU could impact the retention and wage costs of certain sectors and therefore the Council such as in the case of social care e.g. care homes. According to one estimate, three out of five care workers in London were born outside of the UK and of this 28% in the EU;
- modelling how unexpected "spikes" in inflation could impact the Council's gross expenditure e.g. contract costs, utilities and supplies and services;
- examining potential risks and ensuring that there are adequate resources set aside to mitigate or manage these in the short term; and
- utilising all possible means such as: the offer of a multi-year finance settlement; flexibility on using new capital receipts to generate efficiencies; and regular project monitoring.

Business Rates

5.50 The current Business Rates Localisation Scheme whereby local authorities retain 50% of their NNDR tax yield (30% Westminster and 20% GLA) was introduced from the start of 2013/14. A series of top-ups and tariffs was applied to re-distribute these locally retained shares back to a starting baseline position – after which local authorities would benefit from subsequent growth, or bear their share of the losses (down to a capped level of loss at 7.5% below Baseline levels). As part of a pilot arrangement the GLA will retain 37% of the yield from 2017/18 – offset by a lowering of the DCLG share.

5.51 Government intends to amend this system by 2020 so that all business rates are retained by local authorities. At the same time, they will revise the data and formulae used to determine the SFA and re-baseline local authority needs assessments. This system reset has the potential to see further changes to the Council’s funding assessment and lead to further reductions beyond 2020/21 (subject to any damping arrangements that apply).

5.52 Westminster would have seen real growth in its NNDR yield since 2013 had it not been for the impact of back-dated appeals against the original 2010 rating assessments. The Council has experienced a very high number of appeals (over 40,000 by the end of November 2016) of which around 30% have been successful. Of these, 71% by value have been back-dated to 2010/11.

5.53 The Council is protected from losses caused by these back-dated appeals where net retained yield falls below 92.5% of Baseline funding levels.

5.54 Westminster has been below this level in every year since 2013/14 and the operation of the local NNDR retention scheme. As a consequence it has seen combined losses of over £30.64m so far when compared to DCLG’s available spending power assumptions. Without such back-dated appeals the Council calculates it would in fact have experienced real growth above Baseline rather than suffered these losses. Officers are working with DCLG to resolve this issue, but fear a fair resolution might not be seen until at least 2022.

6 Key Legislative and Policy Initiatives

6.1 A number of financial uncertainties which could have material impacts on the Council’s activities with potentially significant financial consequences have been identified as the result of legislative and policy changes. These are outlined below.

6.2 New Policy Initiatives

a) Devolution to London: health, employment and skills

As in previous years, London Councils and the Greater London Authority (GLA) put forward a Spending Review submission 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 supply 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.

b) Work and Health Programme

Government announced in the Autumn Statement the devolution of the Work and Health Programme (WHP) to London. The agreement is that London, via its four sub-regions, will lead and own a devolved programme that will be qualitatively different to the national Work and Health Programme and will provide greater opportunity for local investment, integration and innovation. The Council will have a role in commissioning the Work and Health Programme across the central London sub region.

WHP is the national programme that will replace the previous employment support programmes, Work Programme and Work Choice. The new programme will last for four years with a two year tail off period. The funding envelope for WHP is significantly smaller than previous programmes; this means that many residents with a health condition or disability may not have access to an intensive, specialised, employment support offer. However, devolved Work and Health Programme offers sub-regions the opportunity to unlock future funding, access to local brokerage and public services, driving co-investment and opportunities to locally test what works with cohorts that have ‘high costs and offer high savings’ to public services.

c) Skills

The skills system in England has been widely criticised for being too complex and insufficiently responsive to the needs of businesses and the local economy. In London (and central London in particular), this problem has been particularly acute. The Government has sought to respond to this problem in two ways. Firstly, by launching an Area Based Review in London (and elsewhere) to look at whether the skills system was financially viable and had the capacity to meet the needs of learners and employers. More recently, it has signalled a willingness to devolve aspect of the skills systems to London as part of the London devolution deal.

- Area Based Review. London’s Area Based Review has been carried out over the summer and early Autumn and has consisted of 6 meetings of sub-regional steering groups that include all the further education (FE) College Principals and Chairs, with input from the FE Commission, Joint Area Review Delivery Unit (JARDU) and the funding agencies. Each sub regional steering group is producing a report with recommendations both on mergers and on how the implementation of the recommendations will be governed

- Devolved budgets. The government confirmed in the Autumn Statement its intention to devolve the budget for 19+ adult skills (£400m per year across London) in 2018.

d) A New London Plan: A City for All Londoners

The Mayor of London has published a document entitled “A City for All Londoners” which sets out his “vision for a better city for all Londoners”. It is intended to set the tone for the London Plan and other Mayoral strategies and the direction of travel for his Mayoralty. Although there are clear changes in emphasis and language, the document does not presage any radical changes in policy direction. The London Plan and other strategies are likely to focus on the spatial, environmental and social consequences of population growth and how it can be accommodated; the challenges of Brexit; and delivery of infrastructure as resources (particularly for transport) are increasingly constrained.

e) Housing White Paper

On the 8th of February 2017, the Government published its Housing White paper. The paper set out proposals on the delivery of end to end housing which included:

- planning for the right homes in the right places;
- building homes faster;
- diversifying the housing market; and
- helping people now.

The implications of the proposals as set out in the White Paper are currently being evaluated in order to ascertain how they might benefit the Council’s delivery of services and financial position. This evaluation will address, amongst other things:

- how the proposals may impact on the Council’s ability to support the provision of more, and affordable homes, within the area;
- the impact of potential flexibility on possible changes to the HRA borrowing cap;
- the provision of utility infrastructure within the area;
- the implications on the Council’s overall planning strategy;
- potential financial impact on CIL / s106 agreement income (and its use); and
- future social housing rents and overall funding they deliver to the HRA

f) Mayor’s Supplementary Planning Guidance on Affordable Housing

The Mayor has set out a number of measures that will contribute to achieving his manifesto pledge of delivering 50% of new homes as affordable across London. This includes:

- publishing draft supplementary planning guidance (SPG) that sets a new 35% threshold to influence what viability evidence developers need to provide for affordable housing;

- introducing new mechanisms for the Mayor to review completed developments and require developers to make a greater contribution towards affordable housing if the viability is more favourable than estimated at the time the permission was granted;

- changing the tenure mix from 60% social housing and 40% intermediate housing to 30% social housing, 30% intermediate housing with the remaining 40% to be determined by boroughs. The SPG prescribes which intermediate products should be developed (London Living Rent or shared ownership);

- creating new conditions on development sites that benefit from grant to fund affordable housing to increase the amount of affordable housing that is expected to be provided; and

- creating new conditions to require developments on public land that provide affordable housing not to result in a subsequent uplift in land value.

The Council has responded to the mayor's consultation on the proposed changes and there will continue to be on-going engagement as these are shaped and decisions are taken by the Mayor on the extent to which these will be incorporated as part of the new London Plan.

g) West End Partnership

Formed in 2013, the West End Partnership (WEP) brings together senior public service and private sector leaders, academic experts and resident representatives.

All key stakeholders have come together in the WEP to design, implement and fund a £1 billion (real terms) strategic investment programme for the West End over the next 15 years. The investment programme comprises more than 40 projects to transform the West End's infrastructure, competitiveness and productivity and includes a range of projects to improve the area's public realm; energy, broadband and waste infrastructure; traffic management; employment, skills and enterprise; freight and traffic reduction; security and safety; and inward investment promotion.

As part of this programme, a "Case for the West End" funding plan was submitted by the West End Partnership to the government during this financial year and was widely supported by partners in the West End. The funding mechanism will be confirmed as part of these discussions. One of the options with a strong rationale is a mechanism linked to Business Rates, if Westminster City Council retained locally 6.5% rather than 4% of the £2.1 billion Business Rates collected by the authority, this would provide over £400m of new public funding over fifteen years. This would be invested in infrastructure improvements and encourage inward investment which, from initial estimates could create £12.3 billion in additional economic output and generate at least £2.5 billion in additional tax, as well as over 100,000 new jobs and productivity gains in the UK economy.

The Council's original intention was to secure approval for the proposals in the Autumn Statement but following changes in the government it became clear that this year's statement was to work differently – less of a set piece setting out of funding plans and not all funding announcements made in either the statement or the Budget.

The economic and fiscal case for the West End has been well received by officials and now has good political support. It is believed that Ministers will be considering it shortly in the light of the macro-economic priorities the Chancellor began to outline in the Autumn Statement.

h) Local Government Finance Bill

The Local Government Finance Bill was introduced in the House of Commons on 13 January 2017. The overarching purpose for this is to provide the framework for the move to 100% local retention of Business Rates; specifically, this bill also sets out arrangements for:

- the ability for local authorities to reduce the national business rates multiplier in their local area to provide an incentive to boost growth in local areas;

- the GLA and other mayoral combined authorities to be able to raise a levy on business rates to help deliver infrastructure spend that promotes economic development;

- HM Treasury to be able to specify the measure of inflation to be used in determining the multiplier (currently it is the retail prices index). This will allow the Government to fulfil the commitment made in 2016 to move indexation of Business Rates to the generally lower CPI;

- a new relief for Business Rates for five years for the installation of new optical fibre;

- measures allowing billing authorities in England to make property owner arrangements and impose levies in Business Improvement Districts to support local regeneration. This will only occur if the majority of property owners in the proposed area have voted to do so;

- measures giving HMRC power to incur expenditure on digital services with the purpose of facilitating the administration or payment of Business Rates in England;

- the power to require billing authorities to provide online billing services where a ratepayer requests this;

- amendments to the current local government finance settlement process and the related approach to the setting of Council Tax referendum principles. This should give the Council greater financial certainty in between business rate reset periods;

- Local Government being able to keep 100% of growth in business rate income between reset periods. This is not the case at present due to the Levy and its removal is intended to further incentivise growth; and

- the Bill makes no specific mention regarding the problems caused by loss of yield relating to appeals caused by initial valuation errors which is a particular issue facing the Council as discussed previously in this report.

7 **Local Government Finance Settlement 2017/18**

7.1 The Provisional 2017/18 LGFS was announced on the 15th of December, and set out the following:

- the most significant element of the LGFS announcement for the Council is the Settlement Funding Assessment (SFA) which has fallen from £140.568m to £130.571m in 2017/18, a net reduction of £9.997m. This was in line with the Council's MTP assumptions based on provisional settlement information released in the December 2015 four-year LGFS;

- however, in addition to the reduction in the SFA, the Council incurs a further loss in 2017/18 due to a change in methodology for allocating the New Homes Bonus (NHB) grant;

  - the first change, the "tapering" of the grant payments from the earlier years of the NHB scheme had been anticipated and modelled in the Council's MTP assumptions based on earlier announcements; however this change was more severe than expected in that it has been retrospectively applied to prior year allocations rather than being applied solely to new grants;

  - the second change, the introduction of a national 0.4% housing growth target was new and so could not have been reasonably foreseen in the Council's financial modelling. This new 0.4% threshold has to be met first before NHB can be earned and so effectively reduces what the Council would have previously received as NHB grant; and

  - the total changes above equate to a £3.5m cash reduction over and above what had been modelled in the 2017/18 MTP process.

- the Government's rationale for the changes and reduction in NHB has been to re-direct this funding towards Adult Social Care pressures. Therefore as part of the 2017/18 LGFS, a new "one-off" 17/18 Adult Social Care Support grant will be distributed to authorities based on the 2013 Relative Needs Formula. The Council's share of this new one-off grant is £1.3m and whilst this partially compensates for the overall effects of the above £3.5m loss in NHB grant, out of the 21 authorities in London who lose more in NHB grant than gain from this new Adult Social Care Support grant, the Council ranks as losing the second highest amount.

- as part of the Settlement, DCLG calculate the "Core Spending Power" for each authority to compare year-on-year changes in total revenue resources. The headline reduction for the Council in 2017/18 compared to 2016/17 is a 3.5% reduction in Core Spending Power. The average reduction across England was 1.1%.

- it should be noted that the Core Spending Power assessment by DCLG makes a number of assumptions around decisions by local authorities such as increases to their Council Tax by maximum levels and being able to generate NNDR income at the assumed levels (something particularly problematic for Councils such as Westminster who are suffering the impact of historic ratings appeals decisions). The Council again projects a loss of £6.33m due to Business Rates appeals and losses which is not included in the Government's Spending Power assessment calculation. Since the introduction of the 50% Localised Business Rates Retention scheme, the losses predominantly caused by back-dated appeals has cost the Council at least £30.6m in losses to the Safety Net. Indeed, without the impact of fully back-dated appeals, real underlying growth might have seen an actual surplus above SFA levels. Also, the Core Spending Power calculation includes revenue streams such as the Improved Better Care Fund and new Adult Social Care Support grant which are effectively already "earmarked" for Social Care activity and accompanies additional spending pressures.

- the option to increase Council Tax by an additional amount, i.e. the Adult Social Care precept, without a referendum has been amended to allow a maximum 3% increase for 2017/18. The Adult Social Care precept has to be used to fund pressures in Adult Social Care.

- an additional 2% for the precept would raise approximately £997k in income, which the Council would be required to separately disclose on the Council Tax Bill and demonstrate how these funds had been targeted on additional adult social care spending

7.2 The Final Local Government Finance Settlement has not been released at the time of circulating this report and is expected on or around the 22 February. The City Treasurer will provide an update on any announcements made by Ministers subsequent to despatch at the meeting.

8 Financial Context

Underlying Financial Strategy

8.1 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;

- where opportunities arise, reduce liabilities to strengthen the Council's balance sheet to provide long term financial benefits. Specifically the long term benefit of investment in the Council's Pension Fund will be considered where possible in the event of one off underspends over the course of the next 3 financial years by up to £10m per annum – this could include the flexible use of capital receipts;

- continue to proactively explore with partners possibilities of pooling resources to achieve joint outcomes e.g. STP and BCF;

- risk manage its budget estimates to ensure that they are robust and, to ensure that the budgets agreed are managed and delivered in year 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 and pursue external 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; and

- 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.

8.2 The Council will deliver a balanced budget for 2017/18, as it has done in previous years, despite the considerable reductions that have already been addressed over the last four years and are likely to be faced over the foreseeable future. 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. In line with Council practice, any further reductions in specific grants will be matched by reductions in associated expenditure.

9 <u>Financial Performance – Revenue 2016/17</u>

9.1 As at December 2016 (Period 9) the Council is forecasting a favourable variance to budget and over recent months has seen service departments generally under spending with some additional positive income variances. The expectation for the remainder of the year will be for this position to marginally improve, however the Council is also reporting as at Period 9 net risks (unfavourable) of £2.529m.

9.2 The reported favourable balance as at Period 9 of £14.714m is largely due to:

- City Management and Communities who are projecting a surplus of £12.245m of which £9.5m is from additional income from parking bay suspensions, including unauthorised suspensions. A further £1.25m is due to increased income in Public Protection and Licensing (e.g. licensing and enforcement of penalty charge notices);

- Growth, Planning and Housing who are projecting a surplus of £713k of which £303k originates from the Westminster Adult Education Service due to savings on staffing following an internal restructure in the service and a further £300k relates to over-delivery of planning application fees in the Planning service;

- Children's Services who are projecting a surplus of £401k due to underspends in Children's Services Commissioning of £816k largely from early delivery of savings in legal, youth and early years. There is a further surplus in Children's Finance and Resources of £714k but is offset by overspends of £672k in Family Services and £494k in Education and Disability; and

- Corporate Services are who are projecting a surplus of £215k; this is largely due to savings on salaries (e.g. £200k from part year vacancies Procurement Development and Category Management).

9.3 Fundamental to any well managed organisation is a strong finance service. In times of unprecedented pressure on public sector finances this becomes all the more pertinent. Within Westminster City Council the finance service has been developed to lead the industry in its innovation, quality and value added to the organisation.

9.4 An illustrative list of the activities the service has undertaken during 2016/17 to raise standards are as follows:

- business planning processes which placed the achievement of City for All objectives and staff engagement at the heart of everything they do;

- implementation of the CIPFA FM model of self-assessment to review the organisation's financial management arrangements against best practice;

- a continued focus on working capital management and specifically the reduction of outstanding debtor balances;

- a comprehensive training and development programme putting staff at the heart of our business;

- working to embed best practice project management within the department;

- systematic programme of staff engagement and communication;

- culture change with the promotion of an enhanced positive creative attitude and ambition for instance through piloting Agile Ways of Working;

- a review of a wide range of strategies and processes to reflect a best in class service;

- introduction of a coaching mentality across the finance team to further drive culture change and staff empowerment;

- improved capital processes by embedding a more rigorous check on capital schemes, ensuring they fit strategically with City For All;

- quarterly full close down of accounts; and

- completion of a continuous programme of improvement for the Statement of Accounts.

9.5 Together with the work undertaken during 2015/16 to establish a firm foundation to underpin performance, these actions are now providing outstanding levels of performance. During 2016/17 the service was highly commended in the Municipal Journal Awards. In addition the department won team of the year in the Council's Westminster Way awards, evidencing the value placed in the service by colleagues across the organisation.

9.6 The finance service is seeking to achieve further improvements, efficiencies and achievements in 2017/18 in line with the department's drive for continuous improvement. This will be achieved through the motivation and empowerment of a workforce which is now industry leading across many of its functions.

10 **Revenue Budget 2017/18**

Funding Gap

10.1 As noted in Section 1 to meet the funding challenges in 2017/18, the Council has had to meet a total net savings requirement of £35.446m. This encompasses savings due to reduced government grant, capital financing costs, inflation (contractual and employee), pension deficit contribution, impact of national insurance changes and NNDR shortfall caused by back-dated appeals totalling £46.175m and £10.729m to finance the net additional impact of direct service pressures.

10.2 The savings agreed in the MTP process are summarised as follows:

Table 1: MTP Budget Change Classification

Budget Change Category	£'000	%
Financing	6,885	14.9
Commercial	16,261	35.2
Transformation	9,100	19.7
Efficiency	13,327	28.9
Service Reduction	601	1.3
Total	**46,175**	**100.0**

Approach to Meeting the Funding Gap in 2017/18

10.3 The process for identifying the 2017/18 savings proposals was begun internally in May 2016. A number of proposals approved in the 2016/17 budget will deliver further full year benefits which then deliver additional savings for 2017/18; and a number of savings for 2017/18 had been identified in the previous year's medium term planning rounds.

10.4 These proposals were therefore revisited to assess their viability and the scale of saving that could be delivered in 2017/18. As the totality of these proposals brought forward from the previous year's process would not deliver the full amount of efficiencies required, officers were asked to make further proposals for savings and these were considered at a series of monthly "Star Chamber" meetings up until September 2016, along with the updated position on the projected budget.

10.5 Regular liaison and leadership by Cabinet continued throughout the process. The position was refined when the provisional LGFS was announced at the end of December 2016. Presentations for the Budget and Performance Task Group were drafted in December and finalised in January 2017.

10.6 The above process enabled substantial consideration and discussion both by officers and members to clarify achievability and acceptability of the savings being proposed. EIAs were prepared in respect of all proposals and made available for members to review in advance of the decision on the 2017/18 budget, with all of the full EIAs additionally going to the scrutiny meetings in February along with the budget presentations made by senior executives on each directorate's proposals.

10.7 As far as possible, the Council has targeted commercial revenues, efficiency and transformation as being the main sources of the budget savings in order to minimise the impact on the end service received by service users. As per the analysis in Table 1 (para 10.2), only 1.3% of the savings has resulted from service reductions.

11 **2017/18 Risks and Budget Robustness**

11.1 In light of the challenging financial climate and events from previous years discussed in this report, the Council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (risks by their nature can never be completely removed). The Council has long had processes built into its Medium Term Planning (MTP) process to address this.

11.2 For example, a Corporate Budget Group consisting of representatives from the City Treasurer, People Services, Policy, Communications, Legal Services and Procurement hold regular meetings to review budget options. These reviews cover requirements on Equalities Impact Assessments, Stakeholder Consultations, staff restructures and Trade Union liaison (where budget options involve staffing changes), legal implications and deliverability etc.

11.3 The 2017/18 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the City Treasurer's department leads on:

- monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and

- continuing to replenish reserves and balances towards an appropriate level 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.

Overleaf is a summary of selected key, strategic risks / weaknesses and mitigating actions:

Table 4: MTP Risk Analysis

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
1. Financial Management				
Significantly reduced funding levels pose a high risk for the Council. Reshaping and improving Council services requires strong financial management skills across the organisation.	Decisions may be taken which have potentially adverse consequences for the Council in later years.		1) Robust Budget preparation, budget setting, and a Budget Accountability Framework are key elements in ultimately eliminating this risk. 2) Regularly reviewing balances, and forecasting income and expenditure against budgets can assist in reducing the underfunding risk. 3) Implementation of the CIPFA Financial Management Model which is a diagnostic tool to enable the Council to identify strengths and weaknesses in financial management.	All
2. Localising Business Rates				
Increased risk from appeals and also the impact on collection rates as following the implementation of localising business rates, 100% of outcome will fall on Local Government.	Adverse financial outcome for the Council in future years		1) Continuing efforts to collaborate and interact with DCLG, Valuation Office, London Councils, etc. 2) Leading on responses to consultations. 3) Lobbying "Central Government" (i.e. Valuation Office, DCLG)	All
3. Business Rates Appeals				
Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 100% for Local Authorities. The related opportunity is from consultations on dealing with Business Rates appeals process - checking and challenging might reduce the number of live appeals.	Adverse financial outcome(s) for the Council in future years		1) Review data with Valuation Agency and other relevant stakeholders to reduce number of appeals 2) Continuing discussions with DCLG and the Valuation Office on measures to resolve outstanding appeals	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
4. Pension Fund Assets / Pension Fund Deficit				
Pension Fund assets failing to deliver returns in line with the anticipated returns underpinning valuation of Pension Fund Liabilities over the long-term.	The Council's Pension Fund being under-funded.		1) Exercising prudence when anticipating long-term returns, analysing progress, providing quarterly comparisons, regularly benchmarking assets to re-valued liabilities, roll-forward of liabilities between formal valuations at whole fund level. The deficit is being addressed as part of the budget process.	All
5. Reliance on Commercial Income				
Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents	A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
6. Parking Income				
The Council's Parking Service is in high demand due to the Council's central location.	Uncontrollable reductions in income could leave the service under-funded or exposed to large losses in income.		1) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Service
7. Inflation				
The Council's expenditure (pay and non-pay) is subject to annual inflation based on indexation that is determined by external stakeholders e.g. Central Government for pay and suppliers through agreed contracts for other service expenditure	Sharp increases in inflation would result in higher for day to day expenditure and costs related to employment		1) Monitoring actual inflation and forecast projection (e.g. at key milestones such as HM Treasury's Budget announcement) and modelling the impact of incremental increases on the Council's applicable expenditure. 2) Exploring all opportunities during the tendering process for all service contracts to minimise indexation clauses, negotiate for favourable fees etc.	All
8. Delivery of Budgeted Savings				
Agreed MTP Savings are not fully achieved or slip into future years.	Potential for in-year overspends and funding gaps		1) Robust challenge of all proposed MTP Savings during the MTP process (e.g. through Corporate Budget Group) 2) In-year monitoring of agreed MTP Savings	All

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
9. Planned Use of Capital Receipts				
Capital receipts are generated when an asset is disposed of and are source of financing capital expenditure. However there can be delays in completing the disposal of an asset which then delays the inflow of a capital receipt.	Shortfalls in financing of capital expenditure, possibly resulting in higher borrowing costs.		1) In-depth analysis and challenge of capital project cash flow projections. 2) Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.	Specific Services
10. Review of needs and resource allocations				
A review of the funding allocation formulas used by Central Government could mean that the Council's share of funding is proportionately reduced in favour of other Local Authorities post 2019/20.	Whilst there could be gains and losses which will alter the business rates top up / tariff adjustment for individual authorities, the Council may experience a larger loss in funding than expected in shorter space of time		1) Responding to consultations. 2) Engaging and lobbying DCLG.	All
11. Interest Rate changes				
Changes to the Bank Base Rate and returns on investments.	The Council earns an amount of income from its Treasury function. A decrease in the interest rate could mean returns on investment are lower, reducing the amount of income earned e.g. from Government Bonds		The Council has a number of options available to it to mitigate these risks. These include: placing fixed term deposits as opposed to instant access, limiting deposits in money market funds and closely monitoring interest rate forecasts and available market rates.	Specific Service
12. Public Health Grant Funding				
The Government is proposing reductions to Public Health grant funding, along with possible removal of the ring-fence for the grant/potential changes to the Public Health grant conditions.	The proposed changes to the grant would cause a funding pressure for the service and have the potential to cause short-medium term disruptions to the service and on-going projects.		Budget savings proposals, in line with outcome of a national consultation process which was initiated by Public Health England at end of July 2015 on the four possible options proposed for the budget reductions. An implementation plan with proposed efficiencies to ensure that the budget commitments are met.	Specific Service

Risk / Weakness	Implications	RISK	Mitigating actions	Relevance to Services
13. Strategic Transformation Partnerships				
Failure to secure appropriate monies towards an increase in demand for social care services due to a shift in activities from acute to community setting.	Increase demand on social care services which may result in financial pressures and impact on the quality of care offered.		An Out of Hospital (OOH) strategy has been developed which is expected to be reflected in the transformational business cases for the STP. A financial model has been created to capture various interventions presented in STP business cases and to calculate their financial implications. WCC sits on the Health and Care Transformation Board (HCTB) and the Finance and Estate Group (FEG). All financial implications for local authorities are presented at both these groups.	Specific Service

12 **Medium-Term Financial Outlook 2017/18 to 2018/19**

12.1 The Council's medium term modelling has been updated to reflect the provisional multi-year funding settlement announced in December 2016. This also takes into account inflation (both pay and contract), superannuation costs, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The net funding gap is £35.446m in 2017/18 and has been addressed as shown in Annex 4, however a budget gap will continue to exist into future years.

12.2 The Council's latest working assumptions would suggest that further reductions in core funding plus inflation, demographic and other pressures are likely to require further significant savings to be identified for 2018/19. The quantum at this stage is not yet determined and will be tested and updated in Summer 2017 as the Council prepares the budget options for 2018/19.

12.3 In 2016/17, the Council began 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. As part of this work, services across the Council were approached to identify the significant cost drivers, opportunities and pressures impacting them to help better understand individual operating environments within the organisation.

13 **Capital Programme to 2021/22**

13.1 The Council has embarked on an ambitious long-term capital programme which will help deliver on the aims and objectives of its City for All strategy and maintain its status as a global centre for business, retail, entertainment and tourism. Full details are available in the Capital Strategy Report - 2017/18 to 2021/22 being considered on this same agenda which includes forecasts up to 2030/31.

13.2 The Council's General Fund Capital Programme is split into:

- Operational Schemes - these are related to day to day activities that will ensure the Council meets its statutory requirements £848.0m;
- Investment Schemes – these help to generate income and increase the diversification of the Council's property portfolio and will be self-funded by creating additional income and efficiency savings £50.0m; and
- Development Schemes - these help the Council achieve strategic aims and generate income £833.8m.

Further information on the above can be found in the Capital Strategy Report - 2017/18 to 2021/22.

13.3 The General Fund's Capital programme is fully funded via capital receipts, grants, other external contributions and borrowing. The on-going revenue implications are included within the MTP.

13.4 The HRA capital programme over the five year period is £701m, which is funded via capital receipts, reserves, grants and borrowing. Further information is set out in the Capital Strategy Report - 2017/18 to 2021/22.

14 **Reserves and Balances Policy**

14.1 Local authorities hold two categories of reserves in their balance sheet; "useable" and "unusable" reserves.

14.2 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 have conditions or restrictions attached on their use.

14.3 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; and

- Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants.

14.4 Conversely, unusable reserves are those that the Council would not be able to use to finance capital investment or fund revenue expenditure. 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 International Financial Reporting Standards.

14.5 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.

14.6 Whilst usable general and earmarked revenue 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 year-on-year loss to the Council's base budget.

14.7 The Council's General Fund balance stood at just under £70m at the end of 2007/08 after which it had declined dramatically 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.

14.8 The November 2015 Spending Review reported improved economic forecasts which resulted in higher than expected levels of public spending by the Government. However, particularly in light the uncertainty from Brexit, 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 significantly.

14.9 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 £41.575m. It is likely that when the Council closes its accounts for 2016/17 General Reserves will recover further to stand at around £46.7m by the end of 2016/17.

14.10 The Medium Term Plan makes no assumptions at this stage about further rises to General Reserves beyond 2017/18. However, given the nature of financial uncertainty into the future, the longer term opportunity to build general reserves beyond £50m will need to be actioned as the opportunity arises.

15 Cash and Financing

15.1 An annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process each year following discussions at other committees including Scrutiny. The purpose of the TMSS is to set the boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years so as to ensure security, liquidity and return.

15.2 The 2017/18 TMSS envisages no additional external borrowing in 2017/18 but the potential for additional borrowing in later years to meet the capital programme.

15.3 The investment strategy was set in the current environment of ultra-low interest rates that has significantly reduced the capacity to generate revenue from short-term cash balances. The July 2016 cut to the base rate further reduced income.

15.4 Over the summer various opportunities to diversify the treasury portfolio, ensure security of cash balances and increase the yield have been investigated. Potential opportunities have been explored and are currently undergoing due diligence review. A mid-year revision to the TMSS has been approved to facilitate these.

15.5 Monitoring of treasury activity is a key control to ensure that dealing accords with the agreed TMSS. In addition to half yearly reports on activity to Full Council and Scrutiny Committee, weekly updates are provided to the City Treasurer and monthly reviews of the investment portfolio are undertaken by the Council's treasury advisor. With the implementation of HRA Self-financing under the Localism Act, the borrowing and cash elements of the HRA and General Fund are managed on a separate basis.

15.6 Cash balances are expected to decline during 2017/18 as the enlarged capital programme starts to be financed. The extent of the decline is uncertain as possible delays to the capital programme may arise. Given the prevailing low level of interest rates, officers are keeping under review whether there is opportunity to borrow now in advance of future need.

15.7 An initial £50m drawdown facility for investment schemes to generate additional income towards future MTP savings and frontline services was approved as part of the previous year's Capital strategy. This comprised an initial allocation of £25m with further funds of £25m available if this proves to generate worthwhile additional income streams and should market conditions allow it.

15.8 During 2016/17 the Council made one purchase with these funds for £12.5m, which will return a net income of £500k per annum. The Council is continuing to investigate potential options to invest the remainder of these funds but to date no other suitable schemes have been found. There is therefore £12.5m of the initial allocation remaining with the £25m of further funds potentially available should suitable schemes be identified.

16 Council Tax, the Collection Fund, Business Rates and Discretionary Housing Payments

Council Tax

16.1 The Council Tax Base (the number of Band D equivalent properties estimated to be billable for the year 2017/18) was considered by Cabinet in December 2016 and approved by Full Council on the 25th of January 2017. The yield derived from the Council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.

16.2 The Welfare Reform Act 2012 replaced the previous Council Tax Benefits scheme with a locally determined Council Tax Reduction scheme. In setting the taxbase for 2017/18, Council also approved the continuation of the existing Local Council Tax Reduction Scheme which ensures those eligible have their Council tax liability fully funded (the changes from 2013/14 allowed Councils to charge up to 10% of the Council Tax liability to benefit claimants).

16.3 The number of properties (and mix of properties within each banding) has increased over the current year's taxbase as the result of a combination of new properties being brought into use; alterations to existing properties changing their valuation, and changes to the numbers of residents entitled to funding via the Local Council Tax Reduction Scheme. The taxbase for the whole of the City of Westminster has increased from 125,181.13 to 126,975.59 Band D equivalent properties – an increase of 1,794.46 (1.43% increase).

16.4 As well as collecting Council Tax for the Council's own purposes, the Council is responsible for collecting it for both major and minor preceptors. The change in the taxbase for each body is set out in the table below:

Table 2: Council Tax Base Analysis:

	Queen's Park Community Council *(No.)*	Montpelier Square Garden Committee *(No.)*	Rest of the City of Westminster *(No.)*	Whole of the City of Westminster *(No.)*
2016/17	3,269.17	95.04	121,816.92	125,181.13
Change	77.09	(0.88)	1,718.25	1,794.46
2017/18	**3,346.26**	**94.16**	**123,535.17**	**126,975.59**
%age Change	*2.36%*	*-0.93%*	*1.41%*	*1.43%*

16.5 All other things being equal, the overall increase in the taxbase has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. At the 2016/17 Band D amount of £392.81, the increase in the taxbase will generate an additional £705k in the Council's own share of the Council tax yield.

16.6 The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of Council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of 2.00% or more would constitute an excessive increase for 2017/18.

16.7 Should a local authority wish to propose a budget that increases the Band D amount by more than this threshold, it is additionally required to prepare an alternate budget that does not breach that limit and to hold a referendum of its residents who would be able to determine which budget proposal they wished to be implemented. Such a referendum would involve considerable cost in holding.

16.8 Inflation has the impact of eroding the real purchasing power of the Council Tax yield. The latest ONS official annual inflation rates for December 2016 indicate CPI to have been 1.6% over the previous twelve months; CPIH 1.7%; and RPI 2.5%.

16.9 Applying these three inflation rates to the 2016/17 basic Council Tax amount (£392.81) and using the new taxbase, the purchasing power of the yield will erode by the following amounts if the Band D amount remains unaltered:

Table 3: Change in Spending Power

	CPI (£,000's)	CPIH (£,000's)	RPI (£,000's)
Change in Spending power	**798**	**848**	**1,247**

16.10 Due to an increase in the Band D requirement for the Montpelier Square Garden Committee (and included in DCLG's of the Westminster overall increase), the maximum the Council's own element could increase without triggering a referendum would be 1.98%. The table below sets out the additional income that would be generated by incremental increases up to the maximum level.

Table 4: Illustrative Additional Council Tax Income

	Increase in Band D Amount				
	0.00% (£'s)	0.50% (£'s)	1.00% (£'s)	1.50% (£'s)	1.98% (£'s)
2016/17 Band D Amount	392.81	392.81	392.81	392.81	392.81
Increase of %age Change	0.00	1.96	3.93	5.89	7.78
Band D Amount after Change	**392.81**	**394.77**	**396.74**	**398.70**	**400.59**
Weekly cost of Change	**0.00p**	**0.04p**	**0.08p**	**0.11p**	**0.15p**
	(£,000's)	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*
Additional Yield from Change	**0**	**249**	**499**	**748**	**988**

16.11 For illustrative purposes only, the schedules throughout this report set out the financial implications on the Council's overall budget of increasing the general Council Tax amount by the maximum permissible level without exceeding the need to hold a referendum. Cabinet is asked to consider this option to increase general Council Tax amounts and to identify appropriate adjustments to other budgets if they choose to freeze or change the Band D amount by any other percentage.

16.12 The Greater London Authority (GLA) has published its draft budget for 2017/18, which contains proposals to see its basic tax amount increase from £276.00 to £280.02 – an increase of £4.02, and represents a 1.46% change.

16.13 The Queen's Park Community Council has determined their basic tax amount for 2017/18 to increase to £46.38 – an increase of £1.98. Their Band D amount for 2016/17 was £44.40.

16.14 The Montpelier Square Garden Committee has notified the Council of their intention to increase the amount they wish to raise from their special expense for residents in their area from £32,500 in 2016/17 to £45,000 in 2017/18 (an increase of 38.5%).

16.15 Local authorities have additionally been given the power (and recommended) by the Department for Government and Local Communities (DCLG) to raise additional funding from Council Tax to support spending on adults social care activities which would otherwise have been unaffordable. This Adults Social Care Precept was first introduced in 2016/17 and which the Council added an additional 2.00% in accordance with that year's recommendations.

16.16 The 2017/18 Local Government Finance Settlement extended this opportunity for the period 2017/18 to 2019/20. A limit of a maximum total 6.00% further increase for these three years applies, but allows some scope for the phasing of this additional charge to be applied (no more than 3.00% in either 2017/18 or 2018/19 and a maximum 2.00% in the final 2019/20 year).

16.17 The high and growing demographic and spending pressures, coupled with the particular vulnerability of this customer cohort are such that it is recommended that this additional funding opportunity is taken up. In order to keep the increases to the taxpayer manageable and affordable, the spreading of this additional charge to an equal 2.00% per annum is considered most appropriate in order to balance affordability to the taxpayer and the generation of much needed additional funding.

16.18 The additional revenues expected to be generated from the Adults Social Care Precept is as set out in the following table:

Table 5: Additional ASC Precept

	2016/17 (£'s)	2017/18 (£'s)
Prior Year Band D Amount	377.81	392.81
General Council Tax Increase	7.44	7.46
Adults Social Care Precept (2.00%)	7.56	7.85
	392.81	**408.12**
Taxbase	**125,181**	**126,976**
Total Raised by ASC Precept	**946,369**	**1,956,694**

16.19 The collective impact of the proposed changes to the Band D amounts for 2017/18 (as discussed in paragraphs 16.1 to 16.18 above) is summarised in the table below:

Table 6: Change in Band D

	Queen's Park Community Council (£'s)	Montpelier Square Garden Committee (£'s)	Rest of the City of Westminster (£'s)	Whole of the City of Westminster (£'s)
Westminster Council - Basic Element	400.27	400.27	400.27	
Westminster Council - ASC Precept	7.85	7.85	7.85	
Westminster City Council	408.12	408.12	408.12	
Greater London Authority	280.02	280.02	280.02	
Queens Park Community Council	46.38			
Montpelier Square		477.91		
Total Band D Amount in area	**734.52**	**1,166.05**	**688.14**	
2017/18 Taxbase	**3,346.26**	**94.16**	**123,535.17**	**126,975.59**
Westminster City Council	1,365,676	38,429	50,417,174	51,821,278
Greater London Authority	937,020	26,367	34,592,318	35,555,705
Queens Park Community Council	155,200			155,200
Montpelier Square		45,000		45,000
Total Band D Amount in area	**2,457,895**	**109,795**	**85,009,492**	**87,577,182**

(Note that the above table illustrates a scenario where the general Band D amount for Westminster City Council has been increased by 1.9% - Cabinet are asked to consider options for any change in the current Band D amount)

The Collection Fund

16.20 Statutory regulations require local authorities to account for annual Council Tax income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This statutory override necessitates that any variance between the originally estimated net Council Tax yield and that subsequently achieved in year is not immediately transferred to the Comprehensive Income and Expenditure Account, but is held on the Balance Sheet and instead distributed in a subsequent year. The effect of these regulations are that for 2017/18 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

16.21 Any variance between budget and actual for 2016/17 will however impact on 2017/18. Growth in the taxbase throughout the year and successful collection rates being slightly higher than expected has led to a forecast 2016/17 position £690k above budget.

Business Rates (NNDR)

16.22 Business Rates were partly localised from the start of 2013/14. Fifty percent of net business rate yield is currently retained and shared by local authorities with the remainder pooled by DCLG and returned in the form of Revenue Support Grant and other specific grants. A series of Tariffs and Top-ups operates to additionally redistribute retained income from those authorities with high yield to those with low NNDR receipts. Local authorities are potentially able to encourage the growth of local NNDR yield and keep fifty percent of the growth (being subject to a 50% levy on any surplus). The reverse however also operates in so far as local authorities bear 50% of the cost of any shortfall in business rate income if it is lower than the government’s target level (Baseline). A Safety Net scheme operates to protect individual local authorities from losses should their retained yield fall below 92.50% of their anticipated Baseline Funding level (this is paid for from the 50% levy charged on those authorities exceeding their Baseline Funding level).

16.23 The Baseline Funding level for the following three years was set out in the Local Government Finance Settlement. For Westminster, it is calculated as follows:

Table 7: Baseline Funding Level

	2016/17	2017/18	2018/19	2019/20
Net NNDR Yield after Reliefs & Discounts	1,827,083	2,076,189	2,142,986	2,219,212
DCLG Nationally Pooled Share (50% 16/17 and 33% beyond)	(913,541)	(685,142)	(707,185)	(732,340)
Greater London Authority Share (20% 16/17 and 37% beyond)	(365,417)	(768,190)	(792,905)	(821,108)
Westminster Retained Share (30%)	548,125	622,857	642,896	665,764
Tariff	(465,408)	(538,452)	(555,775)	(575,544)
Assumed Baseline Funding Level	**82,716**	**84,405**	**87,121**	**90,220**
Threshold for Safety Net (92.5% Baseline)	76,513	78,075	80,587	83,453
Maximum Loss to Safety Net	**(6,204)**	**(6,330)**	**(6,534)**	**(6,766)**

16.24 Westminster is by far the biggest collector of business rates in the country, collecting around 8% of the national total. Westminster businesses are some of the most economically active and productive in the country and demand for business premises, and hence rent levels, continue to grow at rates well above the national average. This has seen significant increases in rateable values at both the 2010 Revaluation (63% increase) and the forthcoming 2017 Revaluation (25%). A consequence of the high revaluation increases has been to see record levels of appeals lodged against the Valuation Office Agency's rating assessments, which in turn has led to particularly high levels of subsequent rate refunds – the majority of which have been back-dated to the very start of the 2010 Valuation List.

16.25 This has led to a situation for Westminster whereby, after the impact of making refunds for successful appeals, the net amount collected has fallen below the Safety Net threshold for every year since the current scheme start in 2013/14. Had the impact of appeals caused by original errors in the VOA assessments been discounted, rather than being below the Safety Net level, the Council would have seen real growth and reward above Baseline. The scale of the increases in NNDR bills for local businesses caused by the 2017 Revaluation is such that we might expect a similar level of back-dated appeals to adversely affect the net yield and, until a national solution to the impact of appeals is found, will continue to remain in Safety Net – bearing a loss of £6.330m not factored into the Local Government Finance Settlement, and completely beyond the control of the Council.

Discretionary Housing Payments

16.26 The Council's Discretionary Housing Payment (DHP) funding allocation from Central Government has significantly reduced in since 2014/15:

- 2014/15 - £4.8M
- 2015/16 - £2.6M
- 2016/17 - £2.7M

16.27 The extent of the funding reductions resulted in the Council previously agreeing a revised DHP policy and a £1.1m contribution from reserves to support future DHP spend above the Government's funding allocation.

16.28 The successful implementation of the revised policy and general good management of the DHP process has meant that we are currently forecasting only a small spend in 2016/17 above our government DHP allocation.

16.29 The Government are yet to confirm the Council's 2017/18 DHP allocation; however there are indications that the Council is likely to be affected by a substantial cut in funding of approximately 50% (a reduction of around £1.3m). The Government calculates each authority's DHP allocation based on a number of factors. It is understood that the allocation reduction is primarily based on the Government revising the formula for distributing DHP funding specific to counteracting the reform of Local Housing Allowance (LHA) which affects tenants renting in the private sector. The new formula takes into account only the 1% freeze to LHA rates implemented in the current Parliament and disregards more radical reductions made during the previous Parliament. As a result funding is distributed more evenly throughout the country to the detriment of areas where private rents are high such as in Westminster.

16.30 Although allocations for 2017/18 are yet to be confirmed, it is expected that the vast majority of local authorities nationally will see increases in their DHP allocation. However, in London there is expected to be an overall reduction for the reason explained above. The Council expects to be one of the worst affected London boroughs. London Councils have lobbied Central Government requesting a reconsideration of the draft allocations for London, with specific reference to Westminster. At this stage, there is no indication that the Government will revise their allocation for 2017/18.

16.31 The level of reduction in allocation for Westminster would be extremely difficult to manage in a normal year. However, in 2017/18 the Council faces an increased number of DHP claims due to the implementation of the new, reduced Benefit Cap threshold under the Government's on-going Welfare Reform programme. This has resulted in over 600 households in Westminster being affected by the Benefit Cap for the first time from January 2017. Of these new cases, 78% live in either private rented tenancies or temporary accommodation provided by the Council and presents a financial risk to the Council if sufficient DHP was no longer available.

16.32 The Council therefore intends to carry forward the unspent balance of the agreed £1.0m contribution from Reserves in 2016/17 to 2017/18.

17 <u>**Schools**</u>

Dedicated Schools Grant

17.1 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure to support the schools budget. The grant also covers wider support for High Needs and Early Years for funding of pupils with Special Educational Needs and for two, three and four year olds in nursery and associated provision. Schools are funded primarily by the DSG and not by council tax income. The 2017/18 financial year will be the final year of the current funding arrangements for the DSG, prior the introduction of National Funding Formula from 2018/19.

17.2 The DSG consists of three separate blocks, Schools, High Needs and Early Years. The overall distribution of the DSG is ring-fenced; however the three blocks that make up the DSG aren't separately ring-fenced.

17.3 Westminster City Council (WCC) is able to retain DSG funding to pay for the education of pupils who are the responsibility the Council but who are not being educated in a WCC school. The Council does not contribute any of its own resources to fund schools but is required to fund the management and administration of education services from council tax and funding settlement resources.

17.4 Given the proposed changes to schools funding it is important to understand the overall impact on the balance of DSG during the transition period. An initial estimate of how pressures on the DSG will present themselves over the next three years is set out below:

Table 8: DSG Projections Over 3 Years

Description	2017/18 £000's	2018/19 £000's	2019/20 £000's
Brought Forward Reserves	**5,274**	**2,634**	**917**
Early Years			
Nursery Full Time Places	700	292	0
Nursery Schools Sustainability	600	400	200
Schools Block			
Minimum funding levels -Primary	440	350	0
High Needs			
EHCP Transition	250	150	0
Post 16 Unfunded Growth	250	125	0
Central Schools Block			
ESG Reduction	400	400	400
Total Expenditure	**2,640**	**1,717**	**600**
Projected Year End Reserves	**2,634**	**917**	**317**

Update on proposals for a National Funding Formula

Schools and High Needs Block

17.5 The second phase consultation for the NFF for schools and high needs was launched by the Department for Education (DfE) on the 14th December 2016, until 22nd March 2017. Set out within the consultation, the DfE has committed to allocating an additional £200m in 2018-19 and 2019-20 (a total of £400m over a two year period) on top of the current value of the schools block. This money has been made available to provide protections for schools facing reductions and rapid increases for those set to gain.

17.6 In addition, the consultation sets out restriction on gainers and losers to make the proposals more affordable.

- **Funding floor** – ensuring no school will see their per pupil funding amount decrease by more than 3%

- **Funding Gains** - schools that will see their per pupil funding amount increase will receive gains of up to 3% per-pupil in 2018-19, and then up to a further 2.5% in 2019-20. So a school could see it's per pupil amount increase by a maximum 5.5% compared to current levels within a two year period.

17.7 As outlined the first stage of consultation, London is worst affected with the majority of London boroughs facing a reduction in total funding for schools in their area. Westminster is again one of the exceptions. The indicative figures show an overall increase of funding of 0.7% equivalent to £761k by 2019-20. However, within the overall increase there are a number of winners and losers amongst individual schools. Overall, 22 schools in Westminster will gain through the NFF; the school that would benefit most would gain by approximately £252,000. In contrast, 26 schools would see a reduction in funding. The school that would be most affected could see a reduction of funding of up to £212,000. These changes are due to happen in a two year period from 2018/19.

17.8 The NFF consultation deals with a redistribution of resources however a recent National Audit Office report suggested that the total level of additional funding required to maintain school budgets at current levels was £2bn. At a recent schools forum meeting schools identified that if funding did not keep pace with spending pressures then it could compromise the educational attainment of children at WCC schools.

17.9 The collective balance of LA-maintained primary and secondary schools in 2015/16 was £5.5m. Assuming the same level of drawdown and the introduction of the National Funding Formula will be £3.5m in 2019. At that time 12 schools could be in deficit, 7 of which could have deficits in excess of £100,000. To prevent this from happening officers will support schools to ensure that they set sustainable budgets commensurate with their resource levels.

17.10 Whilst it is expected that the number of children in secondary schools will increase the current number of children in primary schools is unlikely to increase and there is current capacity in the system of approximately 15%. As school funding is pupil-based this represents a further cost pressure for schools.

17.11 The spending pressures that schools face make it imperative for the service to work with schools to ensure that they are equipped to face the challenges ahead and to insulate the local authority.

Early Years Block

17.12 In December 2016, the government set out their funding proposal to introduce an early years' national funding formula from 2017/18. This national funding formula will cover the existing 15 hour free entitlement for three and four years' olds. It is intended that the early years' national funding formula will be extended to cover the new additional 15 hour entitlement for eligible families from September 2017.

17.13 Westminster City Council in consultation with the schools forum are currently developing plans to introduce the new funding formula from September 2017. A key element will be the transition from the current funding levels and the delivery of full time places to the new national funding formula. The government expects all authorities to have implemented the new funding model by 2019/20. Transitional funding has been allocated to enable the delivery of the new proposals without causing excessive turbulence within the current system.

Pupil Premium

17.14 In 2017/18 schools will receive pupil premium funding for each child registered as eligible for free school meals at any point in the last six years. The per pupil figure is £1,320 per primary school pupil and £935 per secondary school pupil.

17.15 For each pupil identified in the spring school census as having left local authority care because of one of adoption, a special guardianship order, a child arrangement order or a residence order, schools will receive £1900 per eligible pupil.

17.16 Pupil premium for three and four year old children is at a rate of £300 per eligible child. Schools can decide how they use the pupil premium. From 1 September 2016, schools maintained by the local authority must publish the strategy for use of the premium on their website.

Education Services Grant

17.17 The Education Services Grant (ESG), which funds spending on school improvement, management of school buildings and tackling non-attendance, was cut by £200 million (around 20 per cent) in 2015-16. For 2016-17 to 2019-20, the Chancellor has announced a further cut of £600 million.

17.18 School and Early Years Finance Regulations will be amended to allow local authorities to top-slice schools block funding in order to fund services previously provided by ESG.

17.19 ESG transitional grant allocation tables were published in December 2016, covering the period from April to August 2017. This will be paid at an effective rate of £27.50 per pupil for the financial year. The 2017/18 allocation is £335k, with an additional transitional grant of £275k totalling £610k for the financial year. The allocation in 2016/17 was £1,124k, therefore a reduction of £514k (45.8%).

Academies and Free Schools

17.20 WCC schools that convert to academy status or newly established free schools obtain their funding directly from the Education Funding Agency. These schools receive a school budget share equivalent to what they would have received if they were a WCC school. This is funded in most cases by an adjustment to the DSG received by the Council.

18 **Housing Revenue Account (HRA)**

18.1 The HRA is a statutory ring-fenced Landlord Account within the Council's overall General Fund, established under the 1989 Local Government and Housing Act.

18.2 It accounts for the management and maintenance of circa 12,000 units of social housing and 9,000 leaseholders within Westminster. The HRA itself is required to set a balanced budget and must not go into deficit, after taking into account HRA Reserves.

18.3 In 2012 the HRA 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 HRA, but in return gets to keep all future rental income.

18.4 The Council's Arm's Length Management Organisation, CityWest Homes Ltd (CWH), undertakes the housing management function on behalf of the Council and has responsibility for the long-term investment needs of the stock estimated at £1.5bn over 30 years.

18.5 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 HRA rents in real terms for 4 years by 1%. This is estimated to cost the HRA £32m over 4 years and over 30 years the NPV cost is £237m. This will lead to significant reduction in the HRA's financial capacity to undertake future investment in new Housing Supply.

18.6 In addition the Housing and Planning Act 2016 has now been passed but the detailed regulations on the high value voids levy and pay to stay have yet to be consulted upon and the details are still largely unknown. The HRA business Plan updated for 2017/18 contains assumptions about the levy and assumes that the Council will dispose of 250 dwellings over the next three years.

18.7 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 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.

18.8 The proposed HRA budget for 2017/18 is contained and summarised in Schedule 10. The Housing Investment Strategy and HRA 30 year Business Plan report was presented to Cabinet in December 2016 to approve the five year (2017/18 to

2021/22) Capital budget for the HRA. The proposals will see much of the immediate capacity of the HRA applied to help deliver the Council’s objectives of City for All. This means that the HRA reserves will fall to close to the minimum levels of £11m for 9 years.

19 **Levies and Special Charges**

19.1 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;
- Lee Valley Regional Park Authority – recover the cost of running the Lee 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.

19.2 At present only the Environment Agency has submitted their charge for 2017/18. Accordingly the 2016/17 figures for the LPFA 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.

20 **Greater London Authority (GLA) Precept**

20.1 The Greater London Authority is due to meet to formally consider the Mayor’s proposed budget for the GLA on the 20th February 2017. However, the Mayor’s proposed budget recommends an increase to the 2017/18 Band D equivalent charge from £276.00 to £280.02, an increase of £4.02 or 1.46%. A verbal update will provided at the meeting regarding the outcome of the London Assembly decision.

20.2 The GLA precept will raise £35.6m from Westminster residents in 2017/18 if approved by the London Assembly as recommended.

21 <u>2017/18 Consultation with the Community and Stakeholders</u>

Budget consultation by Cabinet Member Portfolio

Adult Social Services and Public Health

21.1 None of the transformation, efficiency, financing and commercial proposals detailed elsewhere reflect a change to Adult Social Care statutory services. Accordingly no statutory public consultations are required or have been carried out.

21.2 The Department is organising its continuing transformation work and the associated underpinning consultation and communications across three main programmes that will run from 2017 – 2020. These programmes focus on the Front Door, Demand Management and Prevention Services, Commissioned Care and Support Services and Whole Systems Integration. The focus of all this work continues to be on improving value for money through service re-design. Re-structure and re-procurement frameworks will support good stakeholder consultation. As programmes develop detailed delivery plans beyond 2017/18 the need for statutory consultation will continue to be reviewed. Future re-prioritisation of prevention services (beyond 2017/18) may require a level of de-commissioning and as such associated statutory consultation. This will be determined in May/June 2017.

21.3 Savings proposals in Public Health arise from internal efficiency plans or contractual savings with no public consultation required.

Housing

21.4 Extensive consultations have taken place over the improvement of services delivered to users and agencies involved with supporting housing and rough sleeper services. These consultations are focussed on services to vulnerable people with histories of rough sleeping, people with mental health problems and learning disabilities, as well as young people in housing need and those at risk of losing their tenancies. Feedback from users means that future services will have more focus around improving access to safe and secure environments, helping people move-on in terms of housing and employment support.

21.5 A change to the way that the Housing Options service runs is on-going linked to the tendering of the new contract in 2017 and will focus on how to improve access to services, more preventative work and rounded assessments (taking into account all family needs).

Children, Families and Young People

21.6 The Children's Services department have undertaken extensive consultation and engagement in 2016/17 due to the nature of their proposals affecting service users.

21.7 Changes specifically to Children's Centres, Early Help and Youth Services were consulted broadly aiming to improve targeted support for the most vulnerable and to improve the way in which different agencies work together. Consultation with users and partners will continue across the service in 2017/18 in respect of savings in 2018/19 and beyond.

21.8 Consultation around travel arrangements (deployment of minibuses and taxis) that will impact users across both Adults and Children's Services, but particularly children with disabilities, special education needs, and adult users of day centres will be carried out in 2017/18 in respect of savings in 2018/19 and beyond.

Environment, Sports and Community

21.9 Savings proposals arise from internal efficiency plans or contractual savings with no public consultation required.

Public Protection and Licensing

21.10 Consultation for a change to fees with respect to Street Traders is planned for the end of 2016/17.

21.11 Savings proposals elsewhere arise mainly from internal efficiency plans so public consultation was not required.

City Transport, Highways and Parking

21.12 Savings proposals arise from internal efficiency plans or contractual savings with no public consultation required.

Finance, Property and Corporate Services

21.13 Savings proposals arise from internal efficiency plans so public consultation will not be required. There are no statutory requirements to consult on the plans.

Business Consultation

21.14 The Council has undertaken a consultation with local businesses in respect of the Council's proposed budget. No representations have been made in respect of this.

22 The Scrutiny Process

22.1 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:

22.2 "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."

22.3 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.

22.4 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 2017/18 and makes a number of recommendations.

23 Legal implications

23.1 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.

23.2 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.

23.3 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.

23.4 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].

23.5 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.

23.6 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.

23.7 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.

23.8 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.

23.9 The use of General Fund and HRA (non-Right to Buy) capital receipts funds to fund transformation projects detailed in this report is compliant with the Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued under section 15(1) of the Local Government Act 2003 (which authorities are required to have regard to). The guidance applies with effect from 1 April 2016 to 31 March 2019.

24 **People Service's Comments**

24.1 In accordance with statutory requirements, on 26th September 2016 an HR1 form was issued in order to inform the Department of Business, Innovation and Skills (BIS) of up to 49 potential redundancies.

24.2 On 1 July 2016 a consultation started on the transformation of Highways and Public Realm across two directorates. The new structure was in place by 1 October 2016 and resulted in 12 redundancies.

24.3 A staff consultation process was formally launched on 26th September 2016 proposing the restructure of Libraries Function. This was completed in December, with interviews and assessments for the new structure taking place in January. This is currently resulting in 24 redundancies. This will yield savings of £750k for Westminster. The assessment process is currently ongoing, and the numbers of those being made redundant may change.

24.4 On 1 December 2016 a consultation process was formally launched for the Change and Programme Management Unit. This will provide the Council with the resource and capability needed to drive the delivery of the Council's transformation priorities and provide effective challenge and detailed oversight of the entire portfolio of change and transformation across the organisation and with partners. This is expected to result in 9 redundancies and revenue savings of £200k.

24.5 On 3 November 2016 consultation commenced for Public Health. This is expected to affect 2.7 posts allocated to Westminster activity and produce savings of £100,000 per annum for Westminster.

25 **Equalities Implications**

25.1 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.

25.2 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.

25.3 A screening of all budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments (EIAs) are included 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. Where budget proposals required a full EIA to be undertaken, these have been published and shared with the Budget & Performance Task Group to ensure they formed part of the budget scrutiny process.

Schedules (Illustrative)

1 Gross Income

2 Gross Expenditure

3 Net Budget Requirement (by Cabinet Member and EMT)

4 Details of Budget Changes

5 Subjective Analysis

6 General and Earmarked Reserves

7 Levies, Special Expenses and Precepts

8 Localised Business Rates, Settlement Funding Assessment and Council Tax

9 Uses of Council Tax Income

10 Housing Revenue Account

Annexes

A Budget and Performance Task Group Meeting Notes

B Council Tax Resolution

C Equalities Impact Assessments

Background Papers

Budget and Council Tax Report 2016/17 - Council Meeting 2 March 2016

Treasury Management Statement 2016/17 20th February 2017- Council Meeting 2 March 2016

Capital Strategy 2017/18 to 2021/22 20th February 2017- Council Meeting 2 March 2016

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

Schedule 1 – Illustrative Gross Income* - 2016/17 to 2017/18

Cabinet Portfolio:

	2016/17 Budget *(£'000's)*	Budget Change *(£'000's)*	**2017/18 Budget *(£'000's)***
Leader of the Council	**(2,281)**	0	**(2,281)**
Deputy Leader and Business, Culture and Heritage	**(20,083)**	(2,546)	**(22,629)**
Finance, Property and Corporate Services	**(289,059)**	1,214	**(287,845)**
Adult Social Services and Public Health	**(79,940)**	(4,747)	**(84,687)**
City Transport	**(86,981)**	(11,493)	**(98,474)**
Children, Families and Young People	**(109,681)**	(1,338)	**(111,019)**
Planning and Public Realm	**(7,914)**	0	**(7,914)**
Environment, Sports and Community	**(22,764)**	(1,665)	**(24,429)**
Public Protection and Licensing	**(8,121)**	(437)	**(8,558)**
Housing	**(41,360)**	(1,552)	**(42,912)**
Sub-Total	**(668,184)**	**(22,564)**	**(690,748)**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Sub-Total	**(851,304)**	**(13,294)**	**(864,597)**

Executive Management Team:

	2016/17 Budget *(£'000's)*	Budget Change *(£'000's)*	**2017/18 Budget *(£'000's)***
Chief of Staff	**(2,651)**	0	**(2,651)**
City Treasurer	**(34,664)**	3,016	**(31,648)**
Director of Policy, Performance and Communications	**(7,791)**	(2,194)	**(9,985)**
Executive Director Adult Services	**(79,940)**	(4,747)	**(84,687)**
Executive Director of Childrens Services	**(109,681)**	(1,338)	**(111,019)**
Executive Director of City Management and Communities	**(121,418)**	(13,795)	**(135,213)**
Executive Director of Corporate Services	**(7,157)**	(600)	**(7,757)**
Executive Director of Growth, Housing and Planning	**(304,883)**	(2,906)	**(307,788)**
Sub-Total	**(668,184)**	**(22,564)**	**(690,748)**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Sub-Total	**(851,304)**	**(13,294)**	**(864,597)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 2 – Illustrative Gross Expenditure* - 2016/17 to 2017/18

Cabinet Portfolio:

	2016/17 Budget	Budget Change	**2017/18 Budget**
	(£'000's)	*(£'000's)*	***(£'000's)***
Leader of the Council	**8,873**	(493)	**8,380**
Deputy Leader and Business, Culture and Heritage	**17,959**	(33)	**17,926**
Finance, Property and Corporate Services	**326,113**	19,343	**345,455**
Adult Social Services and Public Health	**139,120**	2,041	**141,161**
City Transport	**44,705**	(1,504)	**43,201**
Children, Families and Young People	**145,534**	(3,730)	**141,804**
Planning and Public Realm	**9,641**	(50)	**9,591**
Environment, Sports and Community	**73,233**	(156)	**73,077**
Public Protection and Licensing	**19,899**	(691)	**19,208**
Housing	**66,227**	(1,433)	**64,795**
Sub-Total	**851,304**	**13,294**	**864,597**
Core Funding:			
Council Tax	**0**	0	**0**
Business Rates Tariff Increase	**0**	0	**0**
Revenue Support Grant	**0**	0	**0**
Total	**851,304**	**13,294**	**864,597**

Executive Management Team:

Chief of Staff	**5,379**	(231)	**5,147**
City Treasurer	**54,291**	20,926	**75,217**
Director of Policy, Performance and Communications	**15,390**	(486)	**14,903**
Executive Director Adult Services	**139,120**	2,041	**141,161**
Executive Director of Childrens Services	**145,534**	(3,730)	**141,804**
Executive Director of City Management and Communities	**137,079**	(2,351)	**134,728**
Executive Director of Corporate Services	**20,879**	(1,272)	**19,607**
Executive Director of Growth, Housing and Planning	**333,632**	(1,603)	**332,029**
Net Cost of Service Provision	**851,304**	**13,294**	**864,597**
Core Funding:			
Council Tax	**0**	0	**0**
Business Rates (Net of Tariff)	**0**	0	**0**
Revenue Support Grant	**0**	0	**0**
Total	**851,304**	**13,294**	**864,597**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 3 - Net Budget Requirement *

Cabinet Portfolio:	**2016/17 Budget *(£'000's)***	Budget Change *(£'000's)*	**2017/18 Budget *(£'000's)***
Leader of the Council	**6,592**	(493)	**6,100**
Deputy Leader and Business, Culture and Heritage	**(2,125)**	(2,579)	**(4,703)**
Finance, Property and Corporate Services	**37,053**	20,556	**57,610**
Adult Social Services and Public Health	**59,180**	(2,706)	**56,474**
City Transport	**(42,276)**	(12,997)	**(55,273)**
Children, Families and Young People	**35,854**	(5,068)	**30,785**
Planning and Public Realm	**1,726**	(50)	**1,676**
Environment, Sports and Community	**50,469**	(1,821)	**48,648**
Public Protection and Licensing	**11,778**	(1,128)	**10,650**
Housing	**24,867**	(2,985)	**21,883**
Sub-Total	**183,120**	**(9,270)**	**173,850**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Total	**0**	**0**	**0**
Executive Management Team:			
Chief of Staff	**2,728**	(231)	**2,496**
City Treasurer	**19,627**	23,942	**43,569**
Director of Policy, Performance and Communications	**7,598**	(2,680)	**4,918**
Executive Director Adult Services	**59,180**	(2,706)	**56,474**
Executive Director of Childrens Services	**35,854**	(5,068)	**30,785**
Executive Director of City Management and Communities	**15,661**	(16,146)	**(485)**
Executive Director of Corporate Services	**13,723**	(1,872)	**11,851**
Executive Director of Growth, Housing and Planning	**28,749**	(4,508)	**24,241**
Sub-Total	**183,120**	**(9,270)**	**173,850**
Core Funding:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Total	**0**	**0**	**0**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes*

	2017/18 £'000's
Leader of the Council:	
Business Intelligence	(200)
Digital Transformation	(93)
Restructure of Change and Programme Management	(200)
Net Budget Change Leader of the Council	**(493)**
Deputy Leader and Business, Culture and Heritage:	
Change in Market Conditions	428
Westminster Adult Education Service	42
Sub-Total Growth	**470**
Outdoor Media	(2,250)
Street Trading Licensing Fees Income	(200)
Events and Films	(243)
Lord Mayor's Secretariat	(75)
Economy team - alternative funding	(110)
Westminster Adult Education Service	(42)
Public Health – Grant/Contract Reductions	(129)
Sub-Total Savings	**(3,049)**
Net Budget Change Deputy Leader and Business, Culture and Heritage	**(2,579)**
Finance, Property and Corporate Services:	
Impact of Business Rates	559
Change Controls in Corporate Property	97
Office 365 Software Licences	500
Digital Programme	1,494
Sub-Total Growth	**2,650**
Corporate Property Strategy	(76)
Property Rationalisation and Asset Management (including Hubs)	(1,257)
Major Projects - Income generation	(687)
Commercial operating model for procurement	(350)
IT staff structure	(250)
Transition to new Communication contract/model	(291)
Tri-Borough Corporate Services - Legal Services	(266)
ICT - CCTV contract on Parking	(1,386)
Recharging of Comensura contract	(250)
Review of vacancies within corporate services	(316)
Review of ICT budgets	(657)
Reduced spend on Legal Services	(100)
Increase in Council Tax Base	(472)
Council Tax increase	(944)
Revenue & Benefits – contract extension	(233)
Digital Transformation	(190)
City Treasurers - Treasury Management & Budget Review	(393)
Review of staffing, supplies and services - Chief of Staff	(100)
Review of the complaints process	(50)
Sub-Total Savings	**(8,270)**
Net Budget Change for Finance, Property and Corporate Services	**(5,620)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

Adult Social Services and Public Health:	
Demographic Pressures - Funded by Precept	997
Other Demographic pressures	38
National Living Wage - Funded by ASC Grant	624
Children with Learning Disabilities - Funded by ASC Grant	548
Inflation Pressures - Funded by ASC Grant	157
Other Inflation Pressures	743
Complexity and acuity growth	1,374
Other	700
Increased Pension Contributions	558
Sub-Total Growth	**5,739**
Commissioning Transformation and Contract Efficiencies	(380)
Well-being and prevention services – including Assistive Technology	(922)
High Cost, High Needs Packages Review	(150)
Better Care Fund - Health Integration Benefit Share	(500)
Public Health Funded Initiative – Improving Social Isolation	(200)
Mental Health Placements	(100)
Learning Disability Placements and Supplies/Services Review	(200)
Line by Line Supplies & Services /Contract Review	(200)
Adult Social Care Precept	(997)
Public Health – Grant/Contract Reductions	(1,393)
Improved Better Care Fund Grant	(2,074)
2017/18 Adult Social Care Support Grant	(1,329)
Sub-Total Savings	**(8,445)**
Net Budget Change for Adult Social Services and Public Health	**(2,706)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

City Transport:

Highways - Alternative Service Delivery Models	(140)
Highways - Compliance and audit contract - reduction in service	(25)
Highways - Expenditure Review	(1,060)
Highways - Service Level Changes	(260)
Code of Construction Practice	(700)
Parking Transformation Programme	(819)
Parking Suspensions Charges Review – Demand Management	(8,000)
Review of On Street Parking charges to manage demand	(350)
CCTV - Moving Traffic	(643)
Introduction of Minimum Stay Duration (Parking)	(1,000)
Sub-Total Savings	**(12,997)**
Net Budget Change City Transport	**(12,997)**

Children, Families and Young People:

Unaccompanied Asylum Seekers Children (UASC) over 18	335
UASC National Dispersal Scheme - Delays in Transfers to other Boroughs	93
Care Leavers aged 18 - 25 not in Education (from Queens Speech)	105
Increased packages funded from Family Services (e.g. Direct Payments and short breaks)	150
Youth Offending Service - reduction in Youth Justice Board grant.	42
Demand pressure due to legislative changes and increased parental awareness	465
Sub-Total Growth	**1,190**
Commissioning contracts (specialist services)	(587)
Commissioning team	(17)
Early Help - Children's Transformation	(3,135)
Education	(140)
Finance & Resources	(400)
Focus on Practice	(130)
Other family services savings	(540)
Virtual School Funding	(300)
Passenger Transport Mitigations	(50)
Public Health – Grant/Contract Reductions	(960)
Sub-Total Savings	**(6,258)**
Net Budget Change Children, Families and Young People	**(5,068)**

Planning and Public Realm:

Development Planning Transformation	(50)
Net Budget Change Planning and Public Realm	**(50)**

Environment, Sports and Community:

Waste Disposal and Increased Tonnage Costs	680
Sub-Total Growth	**680**
Commercial waste income	(1,250)
Further staffing and channel shift efficiencies	(86)
Sports & Leisure Contract Savings - Phase I	(265)
Libraries Service Delivery - Service Reform	(750)
Registration Service Income Growth - Commercialisation	(150)
Sub-Total Savings	**(2,501)**
Net Environment, Sports and Community	**(1,821)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

Public Protection and Licensing:

Commercial Opportunities in Private Rented Accommodation	(36)
Licensing Fees Income	(50)
Digital Transformation	(690)
Public Health – Grant/Contract Reductions	(352)
Net Public Protection and Licensing	**(1,128)**

Housing:

Review of Housing Options and Homeless Service costs	(500)
Temporary Accommodation homes purchase	(357)
Rough Sleeping and Supported Housing	(880)
Review of staffing, supplies & services	(844)
Digital Transformation	(52)
Public Health – Grant/Contract Reductions	(352)
Net Housing	**(2,985)**

Summary of Growth and Savings Change by Cabinet:	Growth £'000	Savings £'000	Net £'000
Leader of the Council	0	(493)	**(493)**
Deputy Leader and Business, Culture and Heritage	470	(3,049)	**(2,579)**
Finance, Property and Corporate Services	2,650	(8,270)	**(5,620)**
Adult Social Services and Public Health	5,739	(8,445)	**(2,706)**
City Transport	0	(12,997)	**(12,997)**
Children, Families and Young People	1,190	(6,258)	**(5,068)**
Planning and Public Realm	0	(50)	**(50)**
Environment, Sports and Community	680	(2,501)	**(1,821)**
Public Protection and Licensing	0	(1,128)	**(1,128)**
Housing	0	(2,985)	**(2,985)**
Total Budget Change	**10,729**	**(46,175)**	**(35,446)**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 4 – Illustrative Detail of Budget Growth and Savings Changes Continued*

	2017/18 £'000's
Total of Service Area Net Budget Changes	**(35,446)**
<u>Financed by Budget Changes:</u>	
<u>Core Funding:</u>	
Council Tax Changes	(259)
Net Business Rates Change	(2,161)
Revenue Support Grant	11,690
Sub-Total Core Funding Changes	**9,270**
<u>Non-Core Funding Changes:</u>	
New Homes Bonus	3,493
Inflation	4,800
Risks	5,235
Pension Fund Deficit Recovery	3,448
Pressures	5,000
Minimum Revenue Provision	4,200
Sub-Total Non-Core Funding Changes	**26,176**
Total Financed by Budget Changes	**35,446**
Change to Net Revenue Budget	**0**

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 5 – Illustrative Subjective Analysis*

Subjective Analysis	2016/17 Approved Budget (£'000's)	Budget Change (£'000's)	2017/18 Approved Budget (£'000's)
Employee Costs	**174,546**	(2,579)	**171,968**
Premises Costs	**32,197**	(1,497)	**30,700**
Transport Costs	**1,700**	(104)	**1,596**
Supplies & Services	**161,352**	15,013	**176,365**
Contract Costs	**244,966**	(2,418)	**242,548**
Traded & Transfer Payments	**301,035**	3,319	**304,354**
Income - Government Grants	**(448,203)**	1,138	**(447,065)**
Income - Non-Government Grant Funding	**(525)**	36	**(490)**
Income - Non-Government Grants	**(1,201)**	(467)	**(1,668)**
Income - Non-Grant Funding & Other Contributions	**(63,760)**	(3,707)	**(67,467)**
Income - Fees & Charges	**(218,986)**	(18,004)	**(236,991)**
Sub-Total	**183,120**	**(9,270)**	**173,850**
Funded By:			
Council Tax	**(49,350)**	(259)	**(49,609)**
Business Rates (Net of Tariff)	**(75,919)**	(2,161)	**(78,080)**
Revenue Support Grant	**(57,851)**	11,690	**(46,161)**
Total	**0**	**0**	**0**

Subjective Analysis Grouping	Description
Employee Costs	e.g. basic pay, national insurance, pension costs, employee training, recruitment costs etc.
Premises Costs	e.g. utilities bills, rents, rates and repairs and maintenance.
Transport Costs	e.g. vehicle lease hire and fuel costs.
Supplies and Services	e.g. equipment, stationary, professional fees, telephony and IT costs.
Contract Costs	e.g. the cost to the Council for services provided on our behalf by external entities.
Traded and Transfer Payments	Transfer Payment e.g. Housing Benefits – payments to individuals for which the Council receives no goods or services in return. Traded Services are services offered between different functions within the Council.
Income - Government Grants	All government grants credited to services or taxation and non-specific grant income in the CIES. This includes the Revenue Support Grant
Income - Non-Government Grant Funding	Core Funding from Council Tax Income and net Business Rates.
Income - Non-Grant Funding and Other Contributions	Other sources of funding through contributions e.g. NHS/residential care/other local authority contributions, costs/projects externally recharged to outside entities.
Income - Non-Government Grants	Other Grants from non-government bodies e.g. Big Lottery Grant.
Income - Fees and Charges	Fees and charges for the use of a service or council asset e.g. rent, service charges, planning application fees, penalty charges etc.

The budgets for 2017/18 presented here have been calculated on the basis of potentially increasing Council Tax by 1.90% and so is for illustrative purposes

Schedule 6 – General and Earmarked Reserves

General Fund Balance and Earmarked Reserves	**2016/17 Opening Balance £'000**	Projected In-Year Movements*	**2016/17 Projected Closing Balance £'000**
General Fund Balance	**(41,575)**	(5,100)	**(46,675)**
General Fund Earmarked Reserves**	**(96,379)**	(1,132)	**(97,511)**
Ring Fenced Earmarked Reserves	**(14,822)**	0	**(14,822)**
Total Grants Reserves (without conditions)	**(18,428)**	986	**(17,442)**
Total General Fund Reserves**	**(129,629)**	(146)	**(129,775)**
Safety Net Equalisation Reserve*	***(117,227)***	*0*	***(117,227)***

**Projected In-Year Movements are subject to both 2016/17 year-end outturn and the relevant authorisation.*

***Note: The Safety Net Equalisation Reserve has been separated from General Fund Earmarked Reserves as these relate to NNDR Safety Net payments received in advance of deficits on the Council's Collection Fund*

Schedule 7 – 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 2016/17 *(£'000's)*	**Budget Change *(£'000's)***	**Budget 2017/18 *(£'000's)***
London Pension Fund Authority *	1,967		1,967
Lee Valley Regional Park Authority *	358		358
Environment Agency	285	3	288
Total	**2,610**	**3**	**2,610**

* Details of the 2017/18 Levy from these bodies have yet to be received. Any details that are received subsequent to despatch of this report will be verbally reported at the meeting

Special Expenses

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

The Garden Square Committee have notified the Council of their desire to increase the annual charge to relevant residents from £32,500 to £45,000 for 2017/18 - a 38% increase. The Committee is not subject to the same rules regarding the need to hold a referendum as is the Council.

	Budget 2016/17 *(£'000's)*	Budget Change *(£'000's)*	Budget 2017/18 *(£'000's)*
Montpelier Square Garden Committee	**32,500**	**12,500**	**45,000**

Precepts

The Council, as the "Billing Authority", is responsible for billing for major or minor preceptors on behalf of the following organisations:

Greater London Authority

The GLA make a council tax charge to residents across all 32 London Boroughs (plus the City of London at a reduced rate which pays for its own policing). This charge is used to fund a number of subsidiary components within the overall GLA group. The average Band D charge across all 32 boroughs has been recommended to rise from £276.00 to £280.02 (a 1.46% increase). Details of the charge are set out below:

	Budget 2016/17 *(£'000's)*	**Budget Change *(£'000's)***	**Budget 2017/18 *(£'000's)***
GLA (Mayor)	60,800	4,200	65,000
GLA (Assembly)	2,600	0	2,600
Mayor's Office for Policing And Crime (MOPAC)	566,700	22,800	589,500
London Fire and Emergency Planning Authority (LFEPA)	138,200	0	138,200
Transport for London (TfL)	6,000	0	6,000
Greater London Authority Group	**774,300**	**27,000**	**801,300**
	(£'s)	*(£'s)*	*(£'s)*
Band D Amount - 32 Borough's	276.00	4.02	280.02
Band D Amount - Common Council City of London	73.89	0.00	73.89

Schedule 7 – Levies, Special Expenses and Precepts Continued

Queen's Park Community Council

The Queen's Park Community Council is the only Parish Council in London and was established in April 2014. They have yet to formally announce their charge for 2017/18. A verbal update will be provided to the Committee regarding any notifications received after despatch of this report.
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. The total amount raised is thus a combination of the Band D increase and organic growth in the taxbase.

	Budget 2016/17 *(£'000's)*	**Budget Change *(£'000's)***	**Budget 2017/18 *(£'000's)***
	(£'s)	*(£'s)*	*(£'s)*
Band D Amount	44.40	1.98	46.38

Schedule 8 – Localised Business Rates, Settlement Funding Assessment and Council Tax

Settlement Funding Assessment

A four-year settlement was offered by DCLG as part of the 2016/17 Local Government Finance Assessment. The Council along with 97% of local authorities has taken up this offer and submitted an Efficiency Plan in accordance with these requirements. The 2017/18 Draft Finance Settlement has thus been broadly in alignment with our expectations from the announcement in 2016 except for a modest change in the annual rate of inflation (RPI) that has affected the yield and tariff relating to localised business rates.

Business Rate Yield, and the associated Tariff, sees significant changes between the two years as the result of the 2017 Revaluation which has seen average rateable values increase across Westminster by 25% - this compares to a national average increase of just 12%.

Details of the changes for the Settlement Funding Assessment (comprising localised business rates and Revenue Support Grant) are summarised below:

	Budget 2016/17 *(£,000's)*	Budget Change *(£,000's)*	Budget 2017/18 *(£,000's)*
DCLG Assumed Net Total Business Rate Yield	1,827,083	249,107	2,076,189
Less DCLG Share (50% 16/17 and 33% 17/18) *	(913,541)	228,399	(685,142)
GLA Share (20% 16/17 and 37% 17/18) *	(365,417)	(402,774)	(768,190)
	548,125	**74,732**	**622,857**
Less Tariff	(465,408)	(73,043)	(538,452)
Baseline Funding	**82,716**	**1,689**	**84,405**
Revenue Support Grant	57,851	(11,686)	46,166
Settlement Funding Assessment	**140,568**	**(9,997)**	**130,571**

The Council is responsible for the cost of refunds following any successful rate payer appeals - a large number of successful appeals have been back-dated to the start of the 2010 Rating List (April 2010) and there are currently 9,400 still outstanding. The impact of the back-dated appeals has meant that we expect to generate less net income from business rates than DCLG assumptions.

A safety net scheme operates that protects our net position if retained business rate income falls below 92.5% of Baseline Funding. That threshold is £6.33m for 2017/18 (£6.20m for 2016/17). Since the start of the localised business rate scheme, the Council has received £30.64m less in funding than DCLG assumptions by being below the Safety Net threshold every year. We expect to be at the Safety Net threshold for 2017/18 and thus yield £78.07m from business rates rather than the DCLG-assumed £84.41m.

* The GLA share of localised business rates increases from 20% to 37% in 2017/18 as it moves towards 100% Business Rate Localisation.

Schedule 8 – Localised Business Rates, Settlement Funding Assessment and Council Tax Continued

Council Tax

The taxbase across the constituent parts of the Council area has changed due to organic growth in the taxbase and changes to the level of taxpayers eligible for the Council Tax Reduction scheme

Taxbase	2016/17 *(No.)*	Change *(No.)*	2017/18 *(No.)*
Queen's Park Community Council	3,269.17	77.09	3,346.26
Montpelier Square Garden Committee	95.04	(0.88)	94.16
Rest of the Westminster City Council Area	121,816.92	1,718.25	123,535.17
	125,181.13	1,794.46	126,975.59

The Council and other precepting bodies (including Special Expense) have indicated their Band D Council Tax amounts for the forthcoming year will change as per the table below:

Band D Amounts	*(£'s)*	*(£'s)*	*(£'s)*
Queen's Park Community Council	44.40	1.98	46.38
Montpelier Square Garden Committee	341.96	135.95	477.91
Westminster City Council	392.81	15.31	408.12
Greater London Authority	276.00	4.02	280.02

As a consequence of changes to the taxbase and Band D amounts, the total expected to be raised from Council Tax for each organisation is as shown below:

Total Yield	*(£,000's)*	*(£,000's)*	*(£,000's)*
Queen's Park Community Council	145	10	155
Montpelier Square Garden Committee	32	13	45
Westminster City Council	49,172	2,649	51,821
Greater London Authority	34,550	1,006	35,556

DCLG has allowed upper-tier authorities with Adults Social Care responsibilities to increase their council tax by up to an additional 2% in 2016/17 and 3% in 2017/18. The Council took advantage of this additional income source in 2016/17 and recommendations elsewhere in this report propose 2% is added to the 2017/18 charge

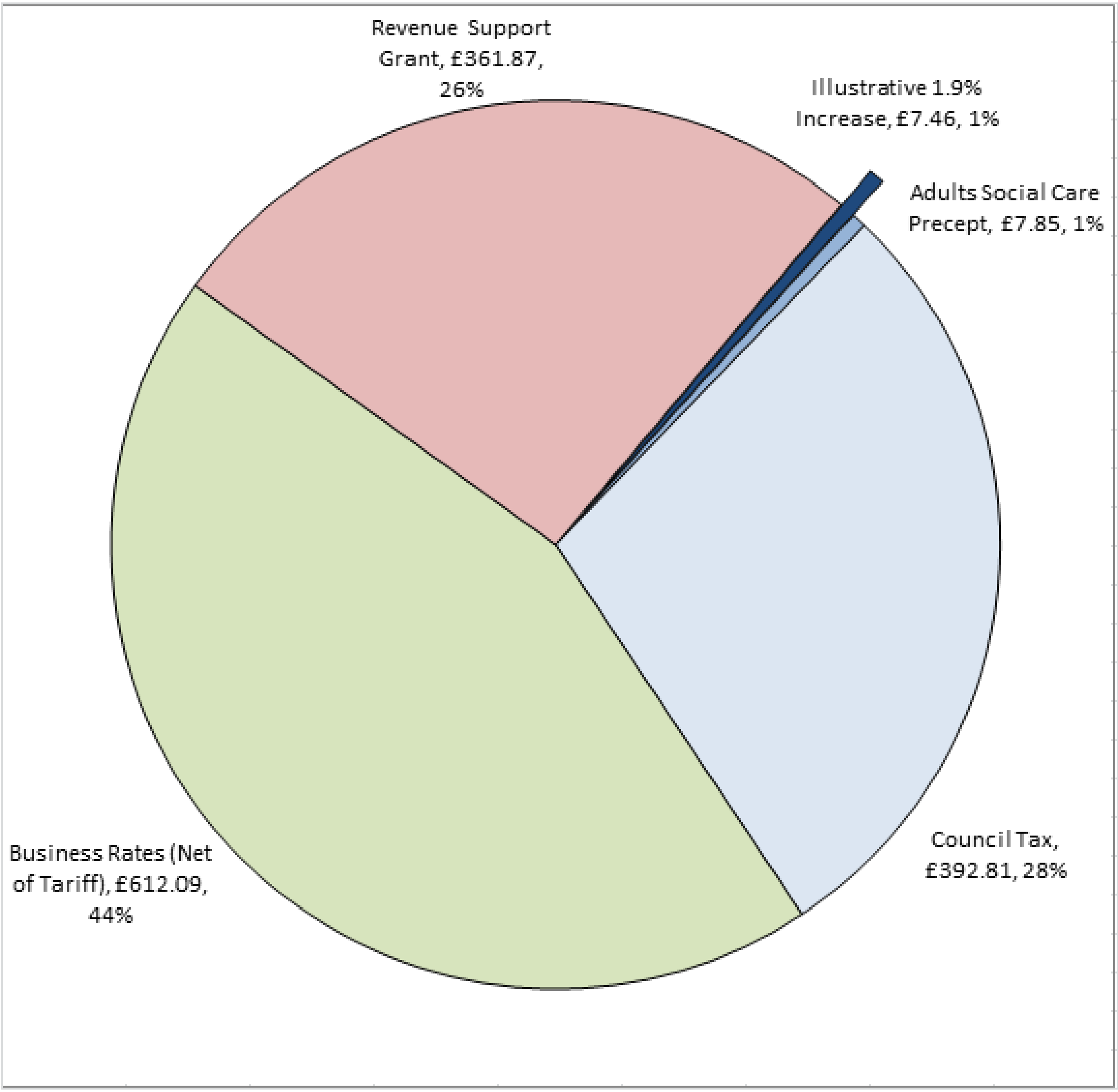
The amounts generated by these two additional increases are expected to generate a total of £2.649m in additional funding that has been fully used to support adult social care spending.

Schedule 9 Use of the Council Tax Income

The cost of delivering services to residents and visitors equates to £1,383.13 for every Band D equivalent household in the borough – this equates to £26.60 per week.

This is financed by locally retained business rate income and Revenue Support Grant, leaving the remainder needing to be paid for by the council tax payers themselves. As per the chart below, the Band D charge at the illustrative level of £408.12 (based on a 1.90% increase in the general element) would be £408.12 - £7.85 per week

The increase, included throughout this report to exemplify the impact of any potential increase in the general Band D amount would be £7.46 per year – in itself representing a 14p per week change.



Schedule 10 Housing Revenue Account

	Budget 2016/17	Changes	Budget 2017/18
	£'000	£'000	£'000
Income			
Business Income			
Rent income - dwellings	(75,764)	1,290	(74,474)
Rent income - sheds & garages	(1,188)	130	(1,058)
Service Charge - Tenants	(2,728)	(268)	(2,996)
Service Charge - Lessee	(9,427)	(1,761)	(11,188)
Heating & Hot Water	(4,862)	2,702	(2,160)
Total Business Income	**(93,969)**	**2,094**	**(91,875)**
Other Income			
Corporate Property Income (net)	(6,692)	1,713	(4,979)
Major works lessees income	(4,741)	(5,051)	(9,792)
Miscellaneous Income	(1,325)	133	(1,192)
Interest on balances	(652)	0	(652)
Total Other Income	**(13,410)**	**(3,206)**	**(16,616)**
Total Income	**(107,378)**	**(1,112)**	**(108,491)**
Expenditure			
Management costs			
Housing Management Fee	22,646	(210)	22,436
Business Transformation	2,070	2,130	4,200
TMO Fees	1,619	(177)	1,442
Legal costs	1,024	236	1,260
Other management costs	1,592	(422)	1,170
IT Services	966	165	1,130
Total Management Costs	**29,917**	**1,722**	**31,639**
Total Special Services	**8,739**	**(2,803)**	**5,937**
Repairs			
Planned maintenance	5,107	0	5,107
Void Repairs	1,000	0	1,000
Responsive repairs	9,700	(481)	9,219
Corporate Property Repairs	460	0	460
Total Repairs & Maintenance	**16,267**	**(481)**	**15,786**
Total Directly Managed Costs	**54,923**	**(1,561)**	**53,362**
Central Support Service Overheads & Recharges	9,113	727	9,840
Miscellaneous expenditure/income	36,002	870	36,872
Total expenditure	**100,038**	**36**	**100,074**
Net in year deficit/(surplus)	**(7,340)**	**(1,077)**	**(8,417)**
HRA Reserves			
Opening HRA Balance Brought-Forward	(31,606)	(11,878)	(43,484)
Budgeted net in year deficit/(surplus)	(7,340)	(1,077)	(8,417)
Budgeted Capital expenditure funded from balances	8,948	28,364	37,312
Projected HRA Balance Carried Forward	**(29,999)**	**15,409**	**(14,589)**

Annex A

Budget and Performance Task Group – Report and Minutes on 2017/18 Budget Scrutiny

1. Introduction

The Budget and Performance Task Group is a standing task group established by the Westminster Scrutiny Commission in 2007, 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."

Unlike other scrutiny task groups Cabinet must *take into account* and give *due regard* to 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 the Cabinet's response.

Its membership is comprised of members from across the four policy and scrutiny committees. This year's task group members were Cllr Brian Connell (Chairman), Cllr Ian Adams, Cllr Barbara Arzymanow, Cllr Adam Hug, Cllr Andrew Smith, and Cllr David Boothroyd (who replaced Cllr Hug for the last session).

The task group met on three occasions between 1st and 3rd February to review and scrutinise the Council's draft budget for 2017/18. This report sets out the task group's approach to review as well as its key observations and recommendations.

2. Approach

The task group adopted a number of risk lenses with which to review and challenge the budget proposals presented to them:

Deliverability/achievability: Are the proposals deliverable within the time frame and to the amounts suggested? Is there an optimism bias at play or are the proposals lacking in ambition?

Legality: Do the proposed changes to services allow us to continue to meet our statutory obligations to service users?

Equality: Are any equality impacts arising from proposed changes fully assessed, understood and mitigated where necessary?

3. Key Matters for Members' Consideration

3.1 General Observations

Overall the task group is:

- impressed by the diligence and robustness of the options presented by the departments;
- reassured that the draft budget appears to be deliverable both in terms of the proposed savings and income generation;
- content that Equality Impact Assessments (EIAs) have been completed where necessary and appropriate mitigations put in place;
- satisfied that the proposed changes are compliant with the council's statutory obligations; and
- content that there is no double counting of money within the departmental budgets

The task group was particularly pleased to learn about the plans for improving and increasing the use of Assistive Technology in Adult Services, not only in relation to the good financial savings anticipated but also the greater independence it will provide for service users.

The cautious and methodical approach to treasury management is to be commended, though it is important to recognise that members might want to take the opportunity to review the trade-off between income and risk.

Building on the experience of last year the task group has welcomed the opportunity to again review the capital programme both in terms of the associated risks and opportunities as this is an increasingly important component of the Council's budget provision.

3.2 Risks and recommendations

Despite the overall confidence in the draft budget there are a number of risks which the task group wishes to highlight.

3.2.1 Market linked income streams

There a number of income generating streams contained within the proposed budget which are linked to the market and therefore exposed to fluctuations which could impact on the projected figures.

The proposal for phase 2 of the outdoor media project has an increased level of risk in that, whilst potential sites, with a commercial potential of £1m, have been identified they do not yet have all the necessary approvals in terms of political acceptability (local impacts will need consideration) or planning permission. If any sites do not meet the standards of acceptability for the above then there is a risk that the saving will not be met in full.

Recommendation: That the Cabinet Member for Finance, Property and Corporate Services ensures that there is effective project management, including planning consent, to ensure that the budget is de-risked.

Recommendation: That the Cabinet Member for Finance, Property and Corporate Services ensures that effective consultation is undertaken with Ward Members to ensure that they understand the impact of their decisions.

3.2.2 Public health funding of core council activity

The current model of public health provides approximately £6m of funding to council departments for activity to deliver health outcomes. This includes approximately £2.7m in Adult Services, £2.3m in Children's Services and £1.4m in City Management and Communities.

This funding is being met through a mixture of public health savings and draw down from the public health reserve. There is a risk that this funding will not be available to departments in full from 2019/20 as the public health reserves deplete, Department of Health funding reduces and savings in Public Health become harder to deliver.

Recommendation: Cabinet Members whose portfolios currently receive funding from public health should identify which activity is funded in this way and develop ways to, if necessary, replace this funding.

3.2.3 Capital Programme

The task group has continued to increase its scrutiny of the council's capital programme and will continue to do so as the scale of the programme across the council continues to grow.

Reflecting on the draft proposals for 2017/18, the task group suggests that both the size and density of the capital streams across the council present a risk to the deliverability of the programme.

This is of particular note for the **public realm works** planned by the City Management and Communities department. Whilst the net expenditure within the capital programme is not significantly higher compared to last year, the gross expenditure does show a significant increase and relies mainly on external funding, which could be at risk if there are any slippages in the programme. Deliverability of these projects also relies on the availability and capability of contractors to carry out the increased level of work.

Recommendation: That the Cabinet Members for City Highways and Finance, Property and Corporate Services ensure that the capital programme is regularly tracked so that any slippage can be addressed as quickly as possible.

Budget and Performance Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Wednesday 1st February 2017**, Rooms 1B&C- 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Andrew Smith, Adam Hug, and Barbara Arzymanow

Also Present: Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Ed Watson (Executive Director, Growth, Planning and Housing), Stuart Reilly (Head of Strategic Projects), Dick Johnson (Strategic Finance Manager), Daniel Peattie (Strategic Finance Manager) and Tara Murphy (Policy and Scrutiny Officer)

1 TERMS OF REFERENCE

1.1 Cllr Connell reminded members of the task group's terms of reference and noted that the observations and recommendations of the task group would be shared in a report to Cabinet Members and the Council.

2 APOLOGIES

2.1 No apologies were received.

3 DECLARATIONS OF INTEREST

3.1 Councillor Smith declared that he is Deputy Cabinet Member for Housing. Councillor Arzymanow declared that she is a Governor of Westminster Adult Education Service.

4 BUDGET OVERVIEW

4.1 Steve Mair, City Treasurer, provided members with a brief overview of the proposed budget for 2017/2018. Members noted that an additional £35m of net savings were initially identified for 2017/2018. In response to members' questions as to cause of the additional savings requirements the City Treasurer stated that approximately two thirds of the savings target are due to cost pressures, such as inflation, service operating pressures, capital costs, pension costs and other costs and pressures, and the remaining approximate third was due to the reduction in grants from central government.

4.2 The City Treasurer gave an overview of the significant capital programme both in terms of expenditure and income. The capital programme is key in helping the council achieve a number of its strategic aims. Members heard that the council has low debt levels due to the past use of capital receipts. The City Treasurer advised that the planned capital expenditure is split into three types of scheme: development, investment and operational.

4.3 In response to members' questions about the **achievability** of the proposed budget the City Treasurer informed members that the council has a statutory duty to certify that the budget is robust. The City Treasurer advised that the overall budget proposals are considered to be robust.

4.4 Members raised questions about the council's intended approach to and timing of reducing the deficit on the **pension** fund. The City Treasurer advised that there are varying levels of funding of schemes across local authorities as a result of contribution holidays taken in the past. Some have 100% funded pensions but the majority don't, Westminster is amongst this group and is one of the lowest funded funds. The council will consider reducing the pension fund deficit by increasing the amounts paid into the fund to reduce interest costs and the time taken to secure a balanced fund.

4.5 Members asked for further analysis on different rates of deficit reduction and whether purchasing temporary accommodation properties on behalf of the council would be a viable investment strategy, but were supportive of the proposed deficit reduction. They were advised that the council is now a member of the CIV.

Action: Members to be provided with information outlining the ability of local authorities to invest in local areas, specifically temporary accommodation, and the impact of differing levels of deficit contribution.

4.6 In response to members' questions about the level of **general reserves** the council holds, the City Treasurer stated that figure is currently circa £41m, down from approximately £70m in 2008 prior to the global economic crisis. In the three years after this, the reserves reduced by £47m as a result of changes in the economy impacting council finances. It was noted that were something similar in size to happen again, only representing some 2% of gross expenditure, the reserves could be reduced to nil. The City Treasurer advised that the intention therefore, is to raise the general reserves level by approximately £5m every year for the foreseeable future.

Action: To provide members with information as to where the council sits amongst other local authorities in terms of levels of general reserves.

4.7 The City Treasurer flagged the issue of the Sustainability and Transformation Plan (STP) for which there is a sub- regional planning process across North West London. Members were advised that no figures for the impact of this plan are included in the proposed budget as the analysis is not sufficiently detailed yet. The Council has taken a prudent approach to this.

4.8 Cllr Connell reminded members that there is a statutory duty on the council to complete an assessment as to whether a full equality impact assessment (EIA) is required for any policy and service changes. This had been undertaken in respect of all savings proposals forming the budget, a file had been completed with all such assessments and all full EIAs had been provided in the papers for the task group.

5 GROWTH, PLANNING AND HOUSING

5.1 Ed Watson, Executive Director of Growth, Planning and Housing, took members through the budget proposals for the directorate. The proposals representing departmental **savings** of £5.2m were outlined and discussed.

5.2 Members heard that the savings in relation to **property** would be achieved through a mixture of asset rationalisation and improved management as well as income generation through delivery of major projects. The department has taken a more realistic view of the savings that can be realised through rationalisation and improved management as a substantial proportion of the estate was in the form of schools and leisure facilities so would not form part of such an exercise.

5.3 Members noted that the City Hall Refurbishment project was not reflected within the revenue savings figures as the programme was not due to be delivered in 2017/18.

5.4 Regarding savings from major projects income and cost recovery, the Executive Director advised that full cost recovery was planned and that there was confidence that the savings could be delivered, particularly as some projects were already in year two.

5.5 The Executive Director advised that the housing related savings would be achieved through: reshaping the existing housing options service; acquiring more temporary accommodation properties and creating an income stream from them; and delivering some efficiencies in the rough sleeping service.

Action: Members to be provided with analysis of the rate of return on temporary accommodation properties acquired.

5.6 Members heard that the rough sleeping savings identified were the tail end of an on-going series of savings focused on procurement, service redesign and efficiencies. It was noted that the efficiencies will be made in the back office and through working more effectively with partners.

5.7 In response to questions from members on rough sleeping, the Executive Director advised that the rough sleeping costs were about the service the council provides in its hostels, there would be no impact on the current contractual arrangements in terms of the service provided. The savings involve working the contracts harder and finding new ways to work with other partners to deliver services.

5.8 Members were advised that the outcome of the Housing Reduction Bill and its associated impacts were not currently known but GPH and Finance were doing some modelling on the possible impacts.

5.9 Members heard that further savings were due to be realised through a mixture of:

- enhancing efficiencies at the Westminster Adult Education Service (WAES);
- recovering costs from work that WAES undertakes on behalf of external partners; and
- delivering the final phase of the digitisation of the planning application process

5.10 It was noted that the final savings proposals would be delivered through a reduction in the operating cost of the department.

5.11 In response to members' inquiries as to whether there were any challenges that may place pressure on the budget proposals – the Executive Director advised that the Housing and Planning White paper was due to be published in the near future but it was not clear as yet what the financial implications of this emerging legislation would be.

5.12 The Executive Director outlined the elements which make up the proposed departmental **capital expenditure** of £210.742m.

5.13 Members were informed that the **major projects** programme includes:

- the City Hall Refurbishment
- Dudley House and
- Moberly Sports Centre

Action: Members to be provided with rate of return on Dudley House.

5.14 The Executive Director also outlined a number of smaller capital projects such as the open spaces strategy, street trees planting programmes, air quality, broadband infrastructure and some work in relation to Oxford Street and the West End Partnership.

6 MEETING CLOSE

6.1 The Meeting ended at 8.25pm.

Budget and Performance Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Thursday 2nd February 2017**, Rooms 1B&C- 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Andrew Smith, Adam Hug, and Barbara Arzymanow

Also Present: Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Siobhan Coldwell (Chief of Staff), Julia Corkey (Director of Policy, Performance and Communications), Barry Smith (Head of City Policy and Strategy), Clare Chamberlain (Tri-borough Director for Children's Services), Melissa Caslake (Director of Family Services), Dave McNamara (Director of Finance, Children's Services) Stella Baillie (Tri-borough Director for Integrated Care), Prakash Daryanani (Interim Director of Finance, Adult Social Care), Ashley Hughes (Finance Manager), Mike Robinson (Tri-borough Director of Public Health) Richard Simpson (Finance Manager) and Tara Murphy (Scrutiny Officer)

1 WELCOME

Apologies

1.1.1 Cllr Connell noted that apologies had been received from Liz Bruce, Tri-borough Director of Adult Services and Social Care.

Declarations of Interest

1.2.1 Cllr Ian Adams declared that he is Vice-Chair of Age-UK Westminster and is Lord Mayor-elect so declined to participate in the discussions on the Lord Mayor's budget.

1.2.2 Cllr Barbara Arzymanow declared that she is a Governor at Mary Paterson and Dorothy Gardner Early Years Nursery Schools.

2 CHIEF OF STAFF

2.1 Cllr Connell invited Siobhan Coldwell, Chief of Staff to take members through the budget proposals for her portfolio. It was noted that the portfolio covers governance and committee services, the Lord Mayor's office, the complaints service, the election team, the coroner's office and land charges - the last three areas are the main sources of income in the portfolio.

2.2 It was noted that there were no anticipated pressures on the budget but a number of potential risks have been identified but with no significant financial impact. These areas included:

- the Coroner's Service, due to changes in the Coroners and Justice Act which will result in more inquests being required; and
- Land registry searches may face pressure if the property market dampens, but Westminster remains an attractive service provider due to it being cheaper and more efficient than other providers.

2.3 In terms of the proposed **savings**, Members heard that improvements would be made to the council's complaints service, with stricter criteria introduced to ensure that only those complaints that need to progress to stage two. Members raised concerns about the potential risk in relation to the actual customer experience.

2.4 The Chief of Staff advised that she was confident that the savings proposed for the Lord Mayor's Office could be delivered without undermining the reputation of the office, as the savings would be achieved through addressing operational inefficiencies.

Action: Chief of Staff to circulate information on land searches to members.

Recommendation: Cabinet Members make sure that they are assured by officers that there is no negative impact on customer experience as the complaints service is improved.

3 POLICY, PERFORMANCE AND COMMUNICATIONS

3.1 Councillor Connell invited Julia Corkey, Director of Policy, Performance and Communications to present the department's budget. It was highlighted that this department was a key income generating department for the council and that spend in the department was offset by this. It was noted that the deficit in the current year's budget was due to market changes in advertising outside the department's control.

3.2 The discussion focused on the key risks associated with the forthcoming budget proposals. These included:

- The Voluntary and Community Sector (VCS) - likely to see increasing demand on their services whilst their level of funding remains static.
- The Community Infrastructure Levy – which is anticipated to bring in significant amounts of money to the council CIL but has been reviewed by could be abolished reviewed by the Government and the outcome of the review may be known in the forthcoming in the upcoming Housing White Paper. As an external source of funding it is at risk of the vagaries of the market and Government intervention.
- Phase 2 of the outdoor media project – Sites have yet to be agreed and are dependent on political appetite and the market at the time. £1m of the projected £2.25m income target is therefore subject to political and planning decisions, but sites had been identified which would deliver this amount.

3.3 It was noted that the **capital expenditure** for phase 2 of the outdoor media programme would not be needed in full should sites for the project not be approved.

Action: Members to be sent information on both the phasing of the saving and the location of the 10 identified advertising sites for phase 2 of the outdoor media project.

4 CHILDREN'S SERVICES

4.1 Clare Chamberlain, Tri-borough Director of Children's Services provided members with a brief overview of the proposed budget for 2017/2018. It was noted that approximately two-thirds of the budget was uncontrolled as it is made up of a schools grant which goes straight to schools. The remaining controllable budget was approximately £35m.

4.2 Members noted that most of the proposed savings have been delivered early by the department and it was confirmed that there would be no further planned changes to the structure of services in these areas during the next year. In response to members' queries about the areas of most risk for service users, the Director identified the Focus on Practice saving of £130,000. It was explained that this is a volatile area with changing demand which is why it is considered high risk.

4.3 The budget pressures for the coming year were explained and the following key areas discussed.

- Unaccompanied Asylum Seeking Children (UASC) – increased numbers and no additional funding from the Government.
- Care leaver support 18-25 - increased statutory responsibility as result of proposed changes to legislation currently going through parliament
- Youth Offending Service – there is a year on year reduction in grant money and although there is a decrease in the number of new entrants into the system, there has been an increase in gang related users
- Passenger Transport – due to a statutory responsibility to assist SEN young people aged 18-25 with transport requirements and increased take-up by parents.

4.4 Members commented on the significant reduction in budget for family services in the proposed budget for 2017/18. It was noted that this was due to the early help offer being more effectively redeveloped with children's centres and the success of the department in driving down the numbers of young people coming into high-cost care placements.

4.5 The proposed **capital programme** discussions focused on the secondary school expansion programme which is the main area of proposed spend. It was noted that as the Council has to ensure that all residents have a place at school in

Westminster, four schools were being expanded in order to meet the projected rise in demand.

Action: Members to be sent a breakdown of what is driving the passenger transport cost pressure.

5 ADULT SERVICES AND PUBLIC HEALTH

5.1 Stella Baillie, Tri-borough Director of Integrated Care, presented to the task group on the proposed budget for Adult Services. It was noted that the departmental categories within the 2016/17 budget have been revised as a way of making the budget easier to understand. These categories are used for 2017/18 and will continue to be utilised therefore making the changes easier to track each year.

5.2 A number of **key issues** were identified for the department for 2017/18, these included: increasing demographic growth and ageing population, reduced opportunities for commissioning and contract efficiencies, and an increase in acuity and complexity of needs. A key risk to the department was noted as being the fragility of the care market which could have an impact on the ability to deliver services and savings. Members heard that the department was working with existing providers in the market based on knowledge of what works, in order to mitigate some the risks.

5.3 Members noted that a number of **efficiencies** are planned in order to achieve the proposed budget and more discussion took place on the following areas.

- Wellbeing and prevention services – which will see a continuation of work to increase the use of Assistive Technology and other preventative services so as to reduce demand on home care.
- Health integration benefit – this will involve working with health to implement integrated services within the Better Care Fund.

5.4 The Director outlined a number of budgetary **pressures** facing the department, a number of which, such as an increase in the complexity and acuity of problems, were recognised as the result of an aging population. It was noted that the London Living Wage would create an increase in costs for the department but which is necessary in order to attract people to work in home care roles.

5.5 It was noted that a key component of the proposed **capital expenditure** is projects related to systems and technology improvements which are not only critical in allowing the department to meet its statutory responsibilities but are key to realising the assisted technology related savings identified. Members were also advised that a number of specialist housing projects would be delivered and of benefit to Adult Social Care but they would be managed within the Growth, Planning and Housing capital budget.

6 PUBLIC HEALTH

6.1 Mike Robinson, Director of Public Health presented an overview of the budget to task group members. It was noted that the proposed budget for 2017/18 is based on a ring-fenced grant from the Department of Health (DoH), which is expected to be fully spent. Members noted that the proposed 2017/18 budget is £800,000 less than received the previous year due to DoH plans to reduce the Public Health Grant by 2.5% per year until the end of this Parliament.

6.2 It was highlighted that if the service spends to budget this would involve a drawdown from the Public Health reserve in order to support commissioned services and to fund public health outcome initiatives across other council departments. The sustainability of the services utilising the Public Health funding will need addressing ahead of each year's reduction in the grant.

Action: Members to be provided with an analysis of where Public Health supports outcomes across the council.

6.3 It was noted that there were no capital projects planned by the department for 2017/18.

7 MEETING CLOSE

7.1 The Meeting ended at 9.10pm.

Budget and Performance Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget and Performance Task Group** held on **Friday 3rd February 2017**, Rooms 1B&C- 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Brian Connell (Chairman), Ian Adams, Andrew Smith, David Boothroyd, and Barbara Arzymanow

Also Present: Steve Mair (City Treasurer), Steve Muldoon (Assistant City Treasurer), Stuart Love (Director of City Management and Communities), Catherine Murphy (Strategic Finance Manager) John Quinn (Director of Corporate Services) and Tara Murphy (Policy and Scrutiny Officer).

1 WELCOME

Apologies

1.1.1 Cllr Connell noted that apologies had been received from Cllr Adam Hug who was replaced by Cllr David Boothroyd.

Declarations of Interest

1.2.1 There were no declarations of interest.

2 CITY MANAGEMENT AND COMMUNITIES

2.1 Stuart Love, Director of City Management and Communities provided members with an overview of the proposed budget for the department.

2.2 Members noted the range of areas identified for **savings and income generation** and there was discussion about the achievability and risks associated with the following areas:

- Although the digital transformation programme is ready to be delivered it is reliant on a number of technical elements and other departments before it can proceed, which is a risk to its deliverability.
- A number of the larger income generating proposals such as the Code of Construction, parking, and commercial waste services are linked to the economy and could be severely impacted with any negative change in the market. Members also noted the potential political risk associated with the introduction of the minimum stay duration for on-street parking.

2.3 The Director outlined the key components of the proposed **capital expenditure** programme to Members. It was noted that the transportation projects would be almost entirely funded by Transport for London (TfL) and the major projects outlined as part of the Public Realm Enhancements would be almost all externally funded. Members heard that the council's expenditure would mainly fund the asset maintenance projects which included structural work on bridges, carriageway maintenance and stone mastic asphalt improvement.

2.4 Members raised concerns about the deliverability risks of the projects - in terms of slippage and the associated risk of external funding remaining available - given that the proposed spend was more than double than the council had ever delivered before; and the amount of TfL-funded investment was also much greater than previous levels.

2.5 In response to members' queries about capital spending on CCTV, the Director explained that following the de-commissioning of the cameras the council had agreed to set aside money to replace the cameras should the police present a proposal which sees them cover the on-going revenue costs and future replacement.

3 CORPORATE SERVICES

3.1 John Quinn, Director of Corporate Services, provided members with an outline of the scope of the department, which covers: people's services, legal services, procurement, ICT, the Managed Services Programme and the digital programme. He then gave an overview of the proposed departmental budget stating that he was confident that the proposals were deliverable as many of the savings had already been achieved.

3.2 The following key issues for the department were noted, including: delivery of the digital transformation programme; optimising the Managed Services Programme; and end user co-operation in order to deliver ICT savings.

3.3 Members noted the range of areas in which savings were proposed, including: reducing spend on legal services; redesigning the IT staff structure; moving to a new communications contract and a review of vacancies within the department. In response to members' queries, the Director advised that the proposed CCTV saving was not a double count with City Management and Communities' savings as it relates to the turning off of the hardware which is used for CCTV enforcement.

3.4 Members heard that the biggest risk contained within the income generation proposals was the commercial operating model for procurement as this is a new venture and the timing of deals could fall outside this budget cycle.

4 CITY TREASURER

4.1 Steve Mair, the City Treasurer, provided an overview of the proposed budget for the City Treasurer's team. Members noted that Westminster's annual accounts are of the highest quality and delivered the fastest in the country exceeding the whole local government sector and 93% of the FTSE 100.

4.2 Members heard that the department will be:

- developing a talent management framework to ensure that business continuity is maintained in the event of key personnel leaving:
- continuing with the comprehensive staff training and development plan to ensure the highest professional and commercial standards; and
- leading on the differential services project which will support services to review options to set different charges depending on the level of service provided.

Members also noted that there could potentially be an impact on investment yields due to the adverse effects of Brexit.

4.3 Members noted that a significant proportion of the funding of the 2017/18 capital programme would come from capital receipts gained from Moxon Street. Members were pleased to note that a general contingency funding had been built into the capital programme and that capital contingency would be held centrally, with departments bidding from this central pot via the Capital Review Group.

5 MEETING CLOSE

5.1 The Meeting ended at 8.10pm.

Annex B - Council Tax Resolution

That the Council be recommended to resolve as follows:

1. It be noted that on the 25th of January 2017, the Council calculated the Council Tax Base 2017/18

    a) For the whole Council area as **126,975.59** [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 **94.16**

    c) For dwellings in the Queen's Park Community Council area as **3,346.26**

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2017/18 (excluding Special Expenses) is **£51,821,278**

3. That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Act:

    a) **£864,597,394** 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) **£812,731,116** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

    c) **£51,866,278** 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) **£408.47** 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) **£45,000** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

    f) **£408.12** 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 dwelling in the Council's area as indicated in the table below:

Ratio	Band	Greater London Authority
6	A	186.68
7	B	217.79
8	C	248.91
9	**D**	**280.02**
11	E	342.25
13	F	404.47
15	G	466.70
18	H	560.04

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 dwelling in the Queen's Park Community Council area as indicated in the table below:

Ratio	Band	Queen's Park Community Council
6	A	30.92
7	B	36.07
8	C	41.23
9	**D**	**46.38**
11	E	56.69
13	F	66.99
15	G	77.30
18	H	92.76

6. To note that the Montpelier Square Garden Committee Special Expense for each category of dwelling as indicated in the table below:

Ratio	Band	Montpelier Square Garden Committee
6	A	318.61
7	B	371.71
8	C	424.81
9	**D**	**477.91**
11	E	584.11
13	F	690.31
15	G	796.52
18	H	955.82

7. 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 2017/18 for each part of its area and for each category of dwellings:

Westminster Council Requirement & Special Expenses

Ratio	Band	Queen's Park Community Council	Montpelier Square Garden Committee	All Other Parts of Westminster City Council
6	A	303.00	590.69	272.08
7	B	353.50	689.14	317.43
8	C	404.00	787.58	362.77
9	**D**	**454.50**	**886.03**	**408.12**
11	E	555.50	1082.92	498.81
13	F	656.50	1279.82	589.51
15	G	757.50	1476.72	680.20
18	H	909.00	1772.06	816.24

Westminster Council Requirement, Special Expenses and Precepts

Ratio	Band	Queen's Park Community Council	Montpelier Square Garden Committee	All Other Parts of Westminster City Council
6	A	489.68	777.37	458.76
7	B	571.29	906.93	535.22
8	C	652.91	1036.49	611.68
9	**D**	**734.52**	**1166.05**	**688.14**
11	E	897.75	1425.17	841.06
13	F	1060.97	1684.29	993.98
15	G	1224.20	1943.42	1146.90
18	H	1469.04	2332.10	1376.28

8. 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.

9. That notice of amounts of Council Tax be published.

10. That the Council does not adopt a special instalment scheme for Council tenants.

11. 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.

12. That the Council does not offer payment discounts to Council Taxpayers.

13. 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.

Annex C

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.

An Equalities Impact Assessment (EIA) was produced for each of the savings initiatives for the 2017/18 budget. This Annex sets out all of the completed EIAs, grouped by Cabinet portfolio area. A separate electronic file for each portfolio area has been produced and is saved on the Westminster City Council external website, as follows:

Annex C Part a – Business, Culture and Heritage
Annex C Part b – Housing
Annex C Part c – Planning and Public Realm
Annex C Part d – Leader of the Council and Finance, Property and Corporate Services
Annex C Part e – Children, Families and Young People
Annex C Part f – Adult Social Services and Public Health
Annex C Part g – Environment, Sports and Community
Annex C Part h – City Highways
Annex C Part i – Public Protection and Licensing

Additionally, a lever arch file containing the EIAs for all savings proposals is held by the Member Services team on the 18th floor of City Hall and will be available for Councillors to review between 9am and 5pm, Monday to Friday, up until the date of the full Council meeting on 1st March 2017; Members are requested to ask any one of the team for access to the file if they wish to see them. In order for all Members to have access to these, the file cannot be taken out of the building. All full EIAs were also published as part of the papers issued for the Budget and Performance Task Group meetings held on 1st, 2nd and 3rd February 2017 and are available on the Council's website.

SCHEDULE OF BUDGET PROPOSALS AND EIA REFERENCE NUMBERS

The list of proposals set out below shows the savings being targeted for delivery in 2017/18.

Members are requested to review the list and the Equality Impact Assessment reports cross-referenced below, as part of the requirement to consider each saving proposed before the decision to recommend the budget is taken.

Proposal Reference Number	Proposal Description	EIA Reference Number	EIA Description	Cabinet Portfolio	Saving 2017/18 £000	Extent of EIA
	Business, Culture and Heritage					
1.2	Outdoor Media			Business, Culture and Heritage	2250	Part 1 only
2.5	Events and Filming fees			Business, Culture and Heritage	243	Part 1 only
2.6	Lord Mayor's Secretariat			Business, Culture and Heritage	75	Part 1 only
4.8	Economy team - alternative funding			Business, Culture and Heritage	110	Part 1 only
4.12	Street Trading Licensing Fees Income			Business, Culture and Heritage	200	Part 1 only
4.14	Westminster Adult Education Service			Business, Culture and Heritage	42	Part 1 only
4.15	Review of staffing, supplies & services (GPH)			Business, Culture and Heritage	843	Part 1 only
	Housing					
4.2	Review of Housing Options and Homeless Service costs			Housing	500	Part 1 only
4.10	Temporary Accommodation homes purchase			Housing	357	Part 1 only
4.13	Rough Sleeping and Supported Housing			Housing	880	Part 1 only
	Planning and Public Realm					
2.2	Development Planning Transformation			Planning and Public Realm	50	Part 1 only
6.7	Code of Construction Practice			Planning and Public Realm	700	Part 1 only
	Finance, Property and Corporate Services					
1.3	Digital Transformation			Finance, Property and Corporate Services	533	Part 1 only
1.4	Tri-Borough Corporate Services - Legal Services			Finance, Property and Corporate Services	266	Part 1 only
1.14	Business Intelligence			Finance, Property and Corporate Services	200	Part 1 only
1.16a	Reduced spend on Legal Services			Finance, Property and Corporate Services	100	Part 1 only
1.18	Increase in Council Tax Base			Finance, Property and Corporate Services	472	Part 1 only
1.20	Revenue & Benefits – contract extension			Finance, Property and Corporate Services	233	Part 1 only
1.24	Commercial operating model for procurement			Finance, Property and Corporate Services	350	Part 1 only
1.25	Corporate Property Strategy			Finance, Property and Corporate Services	76	Part 1 only
4.3	Major Projects - Income Generation			Finance, Property and Corporate Services	687	Part 1 only
1.36	IT Staff structure and trading			Finance, Property and Corporate Services	250	Part 1 only
1.37	Transition to new comms contract/model			Finance, Property and Corporate Services	291	Part 1 only
140	Property Rationalisation and Asset Management (including Hubs)			Finance, Property and Corporate Services	1257	Part 1 only
1.41	ICT - Cease CCTV services			Finance, Property and Corporate Services	1386	Part 1 only
1.44	Recharging of Comensura contract			Finance, Property and Corporate Services	250	Part 1 only
1.45	Restructure of CPMU			Finance, Property and Corporate Services	200	FULL
1.46	Review of staffing, supplies and services - Chief of Staff			Finance, Property and Corporate Services	100	Part 1 only
1.47	Council Tax increase			Finance, Property and Corporate Services	TBC	Part 1 only
1.48	Review of the complaints process			Finance, Property and Corporate Services	110	Part 1 only
1.52	City Treasurers Budget Reviews			Finance, Property and Corporate Services	393	Part 1 only
1.53	Review of vacancies within Corporate Services			Finance, Property and Corporate Services	316	Part 1 only
1.54	Review of ICT budgets			Finance, Property and Corporate Services	657	Part 1 only
	Children, Families and Young People					
8.1	Commissioning contracts	8.1A	Children With Disabilities	Children, Families and Young People	160	FULL
		8.1B	Marlborough & Tavistock	Children, Families and Young People	83	FULL
		8.1C	Specialist Legal Services	Children, Families and Young People	200	Part 1 only
		8.1D	Speech and Language Therapy Service	Children, Families and Young People	68	Part 1 only
		8.1E	Children in Need	Children, Families and Young People	16	Part 1 only
		8.1F	Tracking and Surveys Re -commissioning	Children, Families and Young People	60	Part 1 only
8.2	Commissioning team		Commissioning Team	Children, Families and Young People	16.5	Part 1 only
8.4	Early Help	8.4A	Play Service	Children, Families and Young People	30	FULL
		8.4B	Early Help reconfiguration	Children, Families and Young People	1104	FULL
		8.4C	Early Help - Children's Centre services	Children, Families and Young People	1425	FULL
		8.4D	Youth Service Decommission	Children, Families and Young People	576	FULL
8.5	Education	8.5A	Asset Strategy	Children, Families and Young People	10	Part 1 only
		8.5B	School Standards staffing	Children, Families and Young People	20	Part 1 only
		8.5C	Attendance of Children at School	Children, Families and Young People	20	Part 1 only

SCHEDULE OF BUDGET PROPOSALS AND EIA REFERENCE NUMBERS

The list of proposals set out below shows the savings being targeted for delivery in 2017/18.

Members are requested to review the list and the Equality Impact Assessment reports cross-referenced below, as part of the requirement to consider each saving proposed before the decision to recommend the budget is taken.

Proposal Reference Number	Proposal Description	EIA Reference Number	EIA Description	Cabinet Portfolio	Saving 2017/18 £000	Extent of EIA
8.7	Focus on Practice		Placements	Children, Families and Young People	250	Part 1 only
8.9	Family Services including edge of care	8.9A	Fostering & Adoption Services	Children, Families and Young People	100	Part 1 only
		8.9B	Children's Services Section 17 savings	Children, Families and Young People	30	Part 1 only
		8.9C	Safeguarding Staff Reduction	Children, Families and Young People	60	Part 1 only
		8.9D	Housing Officer post (£15k)	Children, Families and Young People	15	Part 1 only
		8.9E	Car allowance	Children, Families and Young People	10	Part 1 only
		8.9F	Youth Offending Service (YOS)	Children, Families and Young People	25	Part 1 only
		8.9G	Disabled Children Team Staff relocation	Children, Families and Young People	50	Part 1 only
8.15	Virtual School Funding		Virtual School Funding	Children, Families and Young People	300	Part 1 only
8.21	Passenger Transport Mitigations		Passenger Transport Mitigations	Children, Families and Young People	50	Part 1 only
	Adult Social Services and Public Health					
3.1	Commissioning Transformation and Contract Efficiencies			Adult Social Services and Public Health	383	Part 1 only
3.3ii	Well being and prevention services – including Assistive Technology			Adult Social Services and Public Health	922	Part 1 only
3.5	High Cost, High Needs Packages Review			Adult Social Services and Public Health	150	Part 1 only
3.6	Better Care Fund - Health Integration Benefit Share			Adult Social Services and Public Health	500	FULL
3.8	Public Health Funded Initiative – Improving Social Isolation			Adult Social Services and Public Health	200	Part 1 only
3.12	Mental Health Placements			Adult Social Services and Public Health	100	Part 1 only
3.14	Learning Disability Placements and Supplies/Services Review			Adult Social Services and Public Health	200	Part 1 only
3.23	Public Health	3.23i	Community and Reproductive Sexual Health Services	Adult Social Services and Public Health	3197	Part 1 only
		3.23ii	Substance Misuse Services	Adult Social Services and Public Health		Part 1 only
		3.23iii	Famalies and Children Services Equality Impact Assessment	Adult Social Services and Public Health		Part 1 only
3.34	Line by Line Supplies & Services /Contract Review			Adult Social Services and Public Health	200	Part 1 only
3.35	Adult Social Care Levy			Adult Social Services and Public Health	983	Part 1 only
	Environment, Sports and Community					
5.8	Commercial waste income			Environment, Sports and Leisure	1250	Part 1 only
7.3	Sports & Leisure - Phase I			Environment, Sports and Leisure	265	Part 1 only
7.6	Libraries Service Delivery - Service Reform			Environment, Sports and Leisure	750	Part 1 only
7.7	Registration Service Income Growth - Commercialisation			Environment, Sports and Leisure	150	FULL
7.14	Libraries supplies and services efficiencies			Environment, Sports and Leisure	86	Part 1 only
	City Highways					
5.1	Highways - Alternative Service Delivery Models			City Highways	140	Part 1 only
5.2	Highways - Service Level Changes			City Highways	260	Part 1 only
5.10	Compliance and Audit contract - reduction in service levels			City Highways	25	Part 1 only
5.13	Highways - Expenditure Review			City Highways	1060	Part 1 only
9.2	Parking Transformation Programme			City Highways	819	Part 1 only
9.4	Parking Suspensions Charges Review – Demand Management			City Highways	8000	Part 1 only
9.5	Review of On Street Parking charges to manage demand			City Highways	350	Part 1 only
9.6	CCTV - Moving Traffic			City Highways	643	Part 1 only
9.7	Introduction of Minimum Stay Duration			City Highways	1000	Part 1 only
	Public Protection and Licencing					
6.2	Commercial Opportunities in Private Rented Accommodation (Licensing)			Public Protection and Licencing	35	Part 1 only
6.6	Licensing Fees Income			Public Protection and Licencing	50	Part 1 only

APPENDIX: B

City of Westminster **Cabinet Report**

Decision Maker:	**Cabinet**
Date	**20 February 2017**
Classification:	**For General Release**
Title:	**Capital Strategy 2017/18 to 2021/22, forecast position for 2016/17 and future years forecasts summarised up to 2030/31**
Wards Affected:	**All**
Policy Context:	**To manage the Council's finances prudently and efficiently**
Financial Summary:	**This report outlines the City Council's capital strategy and proposed expenditure and income budgets from 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31. It outlines the proposed £2.130bn General Fund expenditure budget, funded by £398.379m external funding, £494.817m capital receipts with a £1.237bn net funding requirement from 2016/17 to 2030/31. Funding of the proposed programme, revenue implications and risks and mitigations are detailed.**
The Report of:	**Steven Mair, City Treasurer Tel: 0207 641 2904 Email: smair@westminster.gov.uk**

1. Executive Summary

1.1 This report outlines the City Council's capital strategy and proposed expenditure and income budgets from 2017/18 to 2021/22, forecast position for 2016/17 and outlines future years' forecasts summarised up to 2030/31. The Council has developed a significant, long-term capital strategy. This report includes the detail of this up to 2021/22 and also summarised information up to 2030/31 to clearly show the full quantum of expenditure commitments during this period. This is to ensure that the benefits the Council intends to deliver through the programme are financially viable in the long-term.

1.2 Section 3 of the report provides details on the policy context within which the programme is constructed and the aims and objectives it is designed to deliver. The report further sets out, in sections 4 and 5, the governance processes which establish the principles to be followed in agreeing how to invest capital resources and achieve value for money for the Council.

1.3 The Council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). This supports the strategic aims of the Council, as defined in its *City for All* programme, with its vision for a city of choice, aspiration and heritage. Capital proposals are considered within the Council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

1.4 The General Fund capital programme covers three areas of expenditure. These are:

- **development** – these schemes will help the Council achieve strategic aims and generate income (£925.22m);

- **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 creating additional income; and efficiency savings (£50.00m)

- **operational** – these schemes are related to day to day activities that will ensure the Council meets its statutory requirements (£1,155.20m).

These categories are explained in more detail in section 5 of this report.

1.5 These programme areas will deliver a wide range of benefits to the City, including:

- new improved leisure, adult social care and education facilities, as well as enterprise space and improved public realm;
- 969 new and replacement affordable homes are planned, with 345 being located within the Council's regeneration and infill sites;
- improved public spaces, transport and other infrastructure to ensure the continued success of the West End as a business, leisure and heritage destination;
- improved public realm and pedestrian environment to accommodate safe and efficient travel in the City;
- well-maintained, efficiently managed infrastructure, allowing residents, businesses and visitors to enjoy clean, high quality streets.

1.6 The report includes a summary overview of proposed budgets which is followed by a more detailed breakdown of the programme by service. This includes an analysis of the changes in the programme from that approved in 2016, risks and how these will be mitigated, and the financial implications of the programme.

1.7 The Housing Revenue Account capital programme has a value of £701m over the next five years (2017/18 to 2021/22), which was presented to Cabinet for approval on 12th December 2016.

1.8 The changes from the currently approved 2016/17 to 2020/21 General Fund programme are detailed in paragraph 7.5 Overall, a net £625m would be added to the programme if all projects are approved.

1.9 In addition, some projects have been reprofiled, for a variety of reasons including delays in the tender process, completion of acquisition/land assembly stages, obtaining planning permission and starting on-site construction. These changes have no net impact on the overall cost of the programme.

1.10 The proposed budget is fully funded, but this depends on the schemes being delivered on time, within budget and capital receipts being generated as anticipated. The impact of potential changes in cost and timescale are fully explored in Section 10 of the report. Any increases in expenditure or reductions in external funding will need to be managed by the service areas and either contained within the project or funded from elsewhere within the relevant service.

Recommendations

That the Council be recommended:

1.11 To approve the capital strategy as set out in this report

1.12 To approve:

1.12.1 The capital expenditure for the General Fund as set out in Appendix A1 and A2 for 2017/18 to 2021/22;

1.12.2 The capital expenditure for the General Fund as set out in Appendix A1 and A2 for Future Years;

1.12.3 The revised capital expenditure budgets for the General Fund as set out in Appendix A1 and A2 for 2016/17 forecasts; and

1.12.4 The expenditure forecast for 2016/17 for the HRA as set out in paragraph 10.6.5.

1.13 To approve the capital expenditure for the HRA for 2017/18 to 2021/22 as approved in the 30 year HRA Business Plan and as included in paragraph 10.6.5.

1.14 To note the financial implications of the HRA capital programme including the references to the debt cap and the level of reserves as detailed in paragraph 10.6.

1.15 To approve that 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

1.16 To approve the revised terms of reference of the Capital Review Group (CRG) as included in Appendix B. The changes are outlined in paragraph 4.2

1.17 To approve that all General Fund projects follow the business case governance process as set out in section 4 of this report and in Appendix C.

1.18 To approve the roll forward of the unspent balance of £12.5m for investment schemes into 2017/18 and the drawdown of the second £25m tranche of funding for investment schemes. This will be available subject to a full assessment of all proposed investments to ensure they have a business case and provide value for money for the Council, and approval by the City Treasurer and CRG.

1.19 To approve that no financing sources unless stipulated in regulations or necessary agreements are ring fenced

1.20 To approve that a sum of £12m is held for schemes not yet identified which are fully funded by external grants and/or contributions by a minimum of £10m leaving the Council to potentially fund a net £2m, as described further in paragraphs 8.2.50 – 8.2.51

1.21 To approve that contingency is held corporately, with projects required to bid for them in the event they are required to fund capital project costs. Bids would be reviewed and approved or rejected by the Capital Review Group. The value of these contingencies is £105.1m

1.22 To note the proposed use of new capital receipts under the freedoms of the Flexible Capital Receipts regulations to fund revenue spend on City Hall, Digital Programme and Pension Deficit Recovery, and leading to future on-going savings. This proposal will be recommended for approval in the Budget Setting and Council Tax Report

1.23 To approve that the financing of the capital programme be delegated to the City Treasurer as part of routine quarterly closure of accounts process.

2. <u>Reasons for Decision</u>

2.1 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

3. Policy Context

3.1 The capital strategy is based on the strategic aims of City for All. This has three clear priorities for the 2017/18, each of which are underpinned by robust delivery programmes:

- The Council will place a renewed focus on how the council supports the interests of residents whilst also recognising the very important role the city's businesses play in creating economic prosperity.

- The Council will place a particular focus on supporting the aspirations of families in the city.

- As a global city with 24 hour demands that place particular pressures on our residents and businesses the Council will lead by example, setting the standard and working closely with partners to help deliver a world class city.

3.2 The Council has embarked on an ambitious capital programme, with plans to invest £2.130bn in a number of 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. The examples below show some of the ways this capital investment will contribute to the key strategic aims of City for All:

- the development projects within the portfolio will result in significant investment which will provide residents of Westminster with new improved leisure, adult social care and education facilities, as well as enterprise space and improved public realm. This will improve the wellbeing and prosperity of residents as well as delivering broader economic benefits. To offset some of these costs there is provision of broader commercial aspects within the developments which will provide on-going revenue income streams or capital receipts.

- a number of large development schemes within the capital programme which are partially funded by the Affordable Housing Fund (AHF) are planning to deliver 969 new and replacement affordable homes by 2021/22, of which 345 will be located with the Council's regeneration and infill sites. This will ease the pressure on temporary accommodation. The building of new residential properties is at the heart of giving residents the opportunity to aspire.

- the West End partnership is a partnership between the public and private sectors, this came together to create a shared vision for the West End, delivering a set of transformational projects. The West End is the most dynamic and diverse city centre in the world. Without investment in its public spaces, transport and other infrastructure, investors will become attracted to better business environments elsewhere - particularly in the context of Brexit challenges. The Council is in discussions with Government to explore ways of funding these aspirations given the significant wider economic benefits.

- continued investment in the public realm within Westminster creates and preserves spaces where people enjoy living, working and visiting. The investment reflects the pride we take in our role as custodian of the City, protecting our heritage by managing places and spaces that can be enjoyed both now and in the future. Additionally, investment in improving the public realm and pedestrian environment helps to accommodate the safe and efficient movement of growing numbers of people entering and moving around Westminster, managing vehicular traffic and making walking safer and more enjoyable. This creates opportunities for everyone in the city to be physically active.

- the Council's investment in core infrastructure of carriageways, footways, lighting and bridges recognises the commitment the Council has to managing the performance, risk and expenditure on its infrastructure assets in an optimal and sustainable manner throughout their lifecycle, covering planning, design, development, operation, maintenance and disposal. This programme ensures the infrastructure is in a safe and reliable condition, is efficiently managed and means residents and visitors can enjoy clean, high quality streets

- the Investment Property Review will result in significant investment which will provide residents of Westminster with 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 review will additionally maximise the value of leisure sites by delivering significant commercial income opportunities.

3.3 The above is taking place against a background of austerity and significant reductions in central funding for local government. It is therefore a key aim of the Council's capital strategy that it delivers a financial return on investment, such as capital receipts or new revenue streams, or delivering key strategic priorities.

3.4 The Council is a key partner in the development of the Sustainability & Transformation Plan (STP) for the North West London region, which comprises eight London boroughs and Clinical Commissioning Groups (CCGs). These plans will be produced across England, showing how local health and social care services will evolve and become sustainable over the next five years.

3.5 The Council is leading on the Estates Strategy which aims to reduce the burden on acute care by devolving care delivered from hospitals to modern, multi-purpose primary care facilities. There will be long term capital implications as a result of the strategy, which is tasked with reducing the capital demand on the NHS.

3.6 In October 2016 a revised STP was submitted to NHS England. Over next four years from 2017/18 to 2020/21, the cumulative gross capital requirement is £845m of which £410m is expected to be financed from disposals (£384m) or other funding sources (£26m). The net capital requirement is £435m. The Estates Strategy will aim to focus on acute reconfiguration proposals, development of primary care estate and local services hubs and mental health capital investments. The financial consequence for Westminster is being worked on and will be appropriately reported as this is analysed and refined.

3.7 This may involve the sale of surplus real estate to fund new primary care facilities, or joint venture development with house builders to ensure delivery of new facilities as well as new housing stock. It will be necessary to investigate new funding models to identify the most appropriate method for raising capital to deliver the strategy.

4. Governance

4.1 The main forum for reviewing financial, risk and governance aspects of the capital programme is the Capital Review Group (CRG). This group reviews the strategic direction of the programme, ensures outcomes are aligned with City for All, significant projects have a viable Business Case and that Value for Money is delivered for the Council. It also monitors the expenditure and funding requirements of the capital programme and subsequent revenue impacts.

4.2 The Terms of Reference for the CRG are included in Appendix B. These have been refined for the coming year to reflect the publication of revised Council Financial Regulations, to reflect changes in the way contingencies are managed and to refine the business case and budget setting process that the Council follows.

4.3 To manage the business case and budget setting process, CRG has implemented a process which requires all schemes to complete Capital Programme Submission Request (CPSR) forms.

4.4 Governance of project business cases will vary depending on the type of work that is being carried out. This process was approved by Full Council in the Capital Strategy report of 2nd March 2016, and is included for reference in Appendix C. This allows CRG to have a full overview of the priorities, risk, deliverables, cost, and revenue implications of all areas of the capital programme.

4.5 If the capital programme is over committed once all CPSRs from services have been received, then a process of prioritisation will be required which may result in some projects not being funded within the current budget. This does not preclude the service from re-submitting the CPSR in future years when more funding may be available.

4.6 The annual capital programme, which is updated for new proposed schemes, revised profiling, slippage and changes in expenditure projections, is presented to Full Council in March of every year. Council approval of the programme gives an allocation to budget managers in the capital programme. Separate approval is required in line with financial regulations to spend in line with their budget allocations.

4.7 In previous years this has covered a five year period. However, the Council has now developed an ambitious programme which has longer-term commitments for large development schemes. For this reason, this report covers the period up to 2030/31.

4.8 A key issue in managing the capital programme is in year movements of budgets from one financial year to another. Capital budgets can be re-profiled across years to reflect delays or spend brought forward with appropriate approval. However, re-profiling needs to be managed appropriately to ensure that annual capital forecasts are as accurate as possible as inaccuracies can lead to long term revenue costs – for example if the Council has to borrow more than originally forecast.

4.9 The Council will continually look to ensure that periodic projections during the year are as accurate as possible and where projects do slip, a rigorous process is 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 re-phasing. For 2016/17 re-profiling reports have been completed for period 3 (including brought forward of some 2015/16 variances) and period 7.

4.10 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 contractually committed will be supported and sufficient resources will be provided to enable them to proceed. Schemes which already have approval will be supported providing they continue to have a viable business case which is delivering to Council priorities. Remaining resources will be prioritised to deliver key Council priorities and City for All objectives.

4.11 There are a number of circumstances where concerns could be raised about a project in the capital programme including:

- the business case is reviewed and considered to be no longer viable
- the headline cost figure goes beyond the approved figure
- issues are raised by other stakeholders e.g. in respect of planning
- there is a change in Council priorities

4.12 While these would be discussed by CRG for the purposes of recommending mitigating action, any formal decision making would be through a Cabinet Member report or the Capital Strategy which is approved by Full Council.

4.13 Value for money 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 is cost efficient and effective in achieving the City for All ethos. In order to achieve this, the Council has put in place the following cornerstones:

- **business case development** – the Council has adopted the Five Case Business Model, which was developed by HM Treasury and the Welsh Government specifically for public sector business case appraisal. The business cases for major projects include full option appraisal and links to core strategy to ensure that they are delivering on key Council objectives.

- **effective financing** – funding options are constantly reviewed to ensure the most cost effective use of the Council's resources. In order to minimise financing costs, many of the major development schemes will deliver significant capital receipts for reinvestment in future projects, thus reducing reliance on external borrowing. Capital receipts are applied to expenditure where it will provide the most financial benefit.

  procurement – robust options and appraisal of procurement routes for projects

- **risk management** – this function is co-ordinated by CRG, which takes an overview of identifying and mitigating risk across the programme and further developments are planned in this area during 2017/18. More detail on the mechanisms the Council has in place to effectively manage and identify risk can be found in Section 9.

- **project management** – the Council has taken in-year steps to improve training and development of this area and will continue to strengthen it.

5. Overview of Capital Programme and Delivery Strategies

5.1 The Council's capital programme is prioritised into three key areas:

- development
- investment
- operational

5.2 The diagram below provides an overview of these areas

5.3 Development

5.3.1 Development projects are key schemes that directly support the Council's 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 remains at the forefront of public service delivery.

5.3.2 Many of the major development schemes will deliver housing for sale on the open market. This will generate capital receipts for the Council, which will be reinvested in future capital expenditure projects. These are projected to contribute 24% of the funding of the Council's capital programme. The risks associated with reliance on this delivery and funding route are fully explored in Section 9.

5.3.3 The Council will review the best delivery routes for development projects. Different delivery routes for projects largely fall into the following categories: self-develop; joint-venture; or developer led. The self-develop option involves the Council undertaking the project independently and therefore provides the greatest level of potential return but also the greatest cost and exposure to risk. The developer option is the opposite; it usually involves selling the opportunity to a developer resulting in the least return but also the least cost and risk. A joint-venture is a compromise between the two, this can be a good option to limit risk, broaden expertise and capacity on the project whilst still sharing in the returns. In both the latter two options it is likely the Council will have to undertake site assembly and the initial stages of planning before a partner is prepared to enter into an agreement on the opportunity.

5.3.4 Development schemes make up the majority of the gross capital budget at £833.8m and the majority of capital receipts in the programme, £348.2m, are related to these schemes. The scope of the major development projects is outlined later in this report, organised by Service, and full details can be found in paragraph 8.2.12.

5.4 <u>Investment</u>

5.4.1 One of the key objectives is for the Council to maximise its return on investments and grow income through active management of the investment portfolio. Income through these means will support the ongoing financing costs of the capital programme.

5.4.2 An initial £50m drawdown facility for investment schemes to generate additional income towards future MTP savings and frontline services was approved as part of the previous year's Capital strategy. This comprised an initial allocation of £25m with further funds of £25m if this proved to generate worthwhile additional income streams and should market conditions be conducive.

5.4.3 During 2016/17 the Council made one purchase with these funds for £12.5m, which will return an initial income of £500k per annum plus future rent review increases. The Council is continuing to investigate potential options to invest the remaining funds but to date no suitable schemes have been found. There is therefore £12.5m of the initial allocation remaining with the £25m of further funds which will be drawn down in 2017/18, subject to suitable opportunities being identified.

5.4.4 Each investment will be subject to a detailed assessment report setting out a business case, full investment appraisal and value for money assessment.

5.5 Operational

5.5.1 The Council's operational capital strategy is centred on capital improvement works to the Council's operational property portfolio.

5.5.2 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.

5.5.3 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.

5.5.4 Operational schemes in the five year capital programme have a total expenditure of £848.0m. Details of this expenditure and how it is funded can be found in Appendix A.

6. Housing Revenue Account

6.1 The expenditure to support this as set out in the five year investment plan is analysed slightly differently to the General Fund as follows:

- HRA major works on the Council's stock
- regeneration and renewal spend; and
- other investment plans

6.2 Further information on the financial implications of the HRA capital programme can be found in paragraph 10.6

7. Summary Capital Programme

7.1 The original five year capital programme, from 2016/17 – 2020/21, agreed by Full Council on 2 March 2016, can be seen in the table below:

Table 1: Original five year capital programme 2016/17 – 2020/21

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Expenditure						
Adult Services	1,570	750	1,500	26,000	26,000	**55,820**
Children's Services	8,865	11,779	2,111	250	250	**23,254**
City Management & Communities	38,661	33,559	15,878	15,500	11,110	**114,708**
City Treasurer	5,649	5,730	5,750	5,750	205,750	**228,629**
Corporate Services	1,675	750	2,975	975	1,125	**7,500**
Growth, Planning & Housing	285,542	304,323	317,496	199,125	172,095	**1,278,580**
Policy, Performance & Communications	9,327	2,264	-	-	-	**11,591**
Total Expenditure	**351,288**	**359,155**	**345,709**	**247,600**	**416,330**	**1,720,081**
Funding						-
External Funding	(105,196)	(56,434)	(55,011)	(5,642)	(9,942)	**(232,225)**
Capital Receipts	(108,100)	(33,250)	(43,276)	(343,090)	(354,754)	**(882,470)**
Total Funding	(213,296)	(89,684)	(98,287)	(348,732)	(364,696)	**(1,114,695)**
Net Funding Requirement	**137,991**	**269,471**	**247,422**	**(101,132)**	**51,634**	**605,386**

7.2 A number of approved changes have occurred to the capital programme budget since its original approval in March 2016 as it has been updated to reflect individual project progression. These changes can be summarised as occurring for the following reasons:

- Final outturn at the end of 2015/16 included £6.80m of net in-year underspends that were approved to be carried forward into 2016/17;

- A review of anticipated funding sources was undertaken which re-classified £20.48m of previously categorized capital receipts as being more appropriately designated as external funding;

- A June 2016 review approved the re-profiling of £94.65m gross expenditure from 2016/17 into future years together with £12.60m of external funding sources.

- Additionally, the June review approved further gross expenditure of £0.64m of new expenditure and associated funding of £0.50m (net £0.14m)

- The most significant approved changes of the June review are summarised below:

  - £16.16m Luxborough Redevelopment (Reprofiled)
  - £17.37m Huguenot House Redevelopment - " -
  - £21.10m Investment Property Review - " -
  - £10.74m Dudley House - " -
  - £7.64m Sir Simon Milton UTC - " –
  - £2.27m Developer Projects - " -
  - £1.70m CCTV Crime & Disorder - " –
  - £1.64m Moberley Sports Centre - " –
  - £0.60m 33 Tachbrook Street (New)

➢ A second review of the capital programme in October resulted in additional re-profiling of a number of schemes. £65.03m of gross expenditure was re-profiled out of 2016/17 and into future years together with £12.83m of expected external funding. Additionally, £83m of capital receipts were also re-profiled.

➢ As well as re-profiling these projects, a number of other changes were approved in the October review for 2016/17 - £7.48m of reduced expenditure and £14.54m of additional funding was approved along with a forecast reduction of £22m in capital receipts.

➢ The most significant changes include in the October review are summarised below:

  - £36.35m Investment Property Review (Reprofiled)
  - £4.29m Tresham House - " –
  - £2.43m Coronors Court Works - " –
  - £1.50m Digital Transformation - " –
  - £0.06m Sir Simon Milton UTC - " –
  - £83.00m Capital Receipts - " –
  - £22.00m Capital Receipts (Reduction)
  - £2.967 West End Partnership (net) (New)
  - £0.47m Bond St - " –

7.3 A summary table of these changes is shown below

Table 2: Changes between original and current approved budget

	Expenditure £000	Funding £000	Capital Receipts £000	Net £000
Original Budget	1,720,081	(232,255)	(882,470)	605,356
15/16 Roll Forward	6,604	192		6,796
Re-Classification		(20,482)	20,482	-
June 2016 re-profiling	644		(500)	144
October 2016 re-profiling	(7,483)	(14,543)	22,000	(26)
Approved Budget	**1,719,846**	**(267,088)**	**(840,488)**	**612,270**

7.4 The effect of these changes is illustrated below on a year-by-year basis:

Table 3: Current approved capital programme 2016/17 – 2021/22

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Expenditure							
Adult Services	435	182	-	-	-		**617**
Children's Services	6,737	14,080	2,111	250	250		**23,427**
City Management & Communities	32,160	26,117	16,078	15,700	11,310	40	**101,405**
City Treasurer	1,000	5,730	5,750	5,750	205,750		**223,980**
Corporate Services	1,120	1,025	2,975	975	1,125		**7,220**
Growth, Planning & Housing	141,971	468,027	318,787	224,925	197,895		**1,351,604**
Policy, Performance & Communications	7,828	3,764					**11,592**
Total Expenditure	**191,252**	**518,925**	**345,700**	**247,600**	**416,330**	**40**	**1,719,846**
Funding							**-**
External Funding	(94,127)	(81,935)	(72,137)	(8,848)	(10,042)		**(267,089)**
Capital Receipts	(3,600)	(116,200)	(26,150)	(318,884)	(375,654)		**(840,488)**
Total Funding	(97,727)	(198,135)	(98,287)	(327,732)	(385,696)	-	**(1,107,577)**
Net Funding Requirement	**93,526**	**320,789**	**247,413**	**(80,132)**	**30,634**	**40**	**612,270**

7.5 Latest forecasts and new capital bid CPSR submissions will, subject to approval, alter the capital programme. Overall, a net £625m would be added to the programme if all projects are approved – this includes an additional £450m of future year spend as a guide amount to cover general capital net expenditure between the nine years 2022/23 and 2030/31. The most significant changes (those with a change in excess of £3m are summarised in the table below:

	Expenditure	Funding	Capital Receipts	Total
	£000	£000	£000	£000
Net Additions				
Strategic Acquisitions	110,864			110,864
Lisson Grove Improvements	80,000			80,000
Capitalisation of Pension Deficit	30,000			30,000
Property Investment Schemes	25,000			25,000
Huguenot House	18,803			18,803
Seymour Leisure Centre	(47,730)		63,530	15,800
Private Sector Housing Discharge Initiative	15,000			15,000
Stone Mastic Asphalt Replacement	14,000			14,000
City Hall Refurbishment	10,687			10,687
Planned Preventative Maintenance	10,244			10,244
41 Whitcomb Street	(32,822)		36,966	4,144
Externally Funded Public Realm Works	35,893	(32,008)		3,885
Piccadilly Underpass	3,400			3,400
Council Funded Public Realm Works	17,816	(14,685)		3,131
291 Harrow Road	(15,523)	9,740	8,000	2,217
Large Public Realm Works	18,067	(16,114)		1,953
Local Safety & Traffic Mgmt	3,003	(1,465)		1,538
Net Nil Significant Changes				
Berkely Square North Side 1	4,000	(4,000)		-
Cyle Grid	10,039	(10,039)		-
East Mayfair Public Realm	4,300	(4,300)		-
Security Scheme CPNI	10,000	(10,000)		-
Affordable Housing Fund	49,982	(49,982)		-
Net Reductions				
Cavendish Square Car Park	(62,500)			(62,500)
Capital Contingencies	(58,811)	15,000		(43,811)
Investment Property Review	(249,789)	(13,800)	242,860	(20,729)
Moberley Sports Centre Redevelopment	(1,609)	(300)	(15,535)	(17,444)
Temporary Accomodation Purchases	(25,485)	13,705		(11,780)
Ebury Bridge	(29,207)	20,434		(8,773)
Dudley House	(9,880)	4,768		(5,112)
Tresham House	(4,093)			(4,093)
West End Partnership	(3,267)	300		(2,967)
Beachcroft House	5,085	(4,802)	(2,114)	(1,831)
DFG Budget	3,219	(3,759)		(540)
Sub-total	**(61,314)**	**(101,307)**	**333,707**	**171,086**
Future Year General Capital Prog	450,000			450,000
Net Other	22,585	(30,201)	11,964	4,348
Total	**411,271**	**(131,508)**	**345,671**	**625,434**

The effect on the overall capital programme of the above amendments is to produce a net capital requirement and spend forecast for 2016/17 and the fourteen years between 2017/18 and 2030/31 of £1.237bn

Table 4: Proposed capital programme 2016/17 – 2030/31

	Forecast	Five Year Plan					Future Years to 2030/31	Total
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	£000	£000
Expenditure								
Adult Services	435	632	450	400	200	-	-	**2,117**
Children's Services	3,794	9,566	9,663	250	250	250	-	**23,772**
City Management & Communities	29,453	83,793	61,624	29,423	19,771	17,299	-	**241,363**
City Treasurer	11,000	39,176	38,401	22,249	25,898	33,648	43,797	**214,169**
Corporate Services	1,281	2,722	4,026	2,086	1,125	525	-	**11,765**
Growth, Planning & Housing	98,971	228,742	213,464	162,189	110,858	114,506	250,716	**1,179,445**
Policy, Performance & Communications	6,260	1,331	-	-	-	-	-	**7,591**
Estimated future years operational expenditure	-	-	-	-	-	-	450,000	**450,000**
Total Expenditure	**151,193**	**365,961**	**327,628**	**216,597**	**158,102**	**166,228**	**744,513**	**2,130,222**
Funding								**-**
External Funding	(74,795)	(126,979)	(117,563)	(30,798)	(43,502)	(4,742)	-	**(398,379)**
Capital Receipts	(3,636)	(93,000)	(22,350)	(29,306)	(110,397)	(51,971)	(184,157)	**(494,817)**
Total Funding	(78,431)	(219,979)	(139,913)	(60,104)	(153,899)	(56,713)	(184,157)	**(893,196)**
Net Funding Requirement	**72,762**	**145,982**	**187,714**	**156,494**	**4,203**	**109,515**	**560,356**	**1,237,027**

7.6 The high-level changes to the in-year 2016/17 programme are:

- the forecast gross expenditure is £151.2m, which is £40.1m lower than the revised budget. The forecast for external funding is £74.8m, £19.3m lower that the approved budget of £94.1m. The forecast for capital receipts remains unchanged at £3.6m.

- £83m of capital receipts had been reprofiled to 2017/18, reflecting the date these are projected to be realised. The remaining £22m will not be achieved, and have been removed from the programme.

7.7 It should be noted that given the long-term nature of some of the larger development schemes, this has profiled some of the budgets into future years beyond the five year programme. These have been reported in the "Future Years to 2030/31" column for completeness and to ensure the budget is approved within the context of the whole capital programme.

7.8 In addition, an assumption of £50m a year annual expenditure on operational schemes has been included in the programme. This ensures that development and investment schemes are evaluated within a capital programme that includes a full operational expenditure programme.

7.9 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.

8. Service Analysis

8.1 The following section reviews what is included in the individual capital programmes for each Council service, excluding the assumed £450m operational budget for future years. This section aims to detail what is included and also explain changes to the schemes included within each service portfolio.

8.2 Growth Planning and Housing

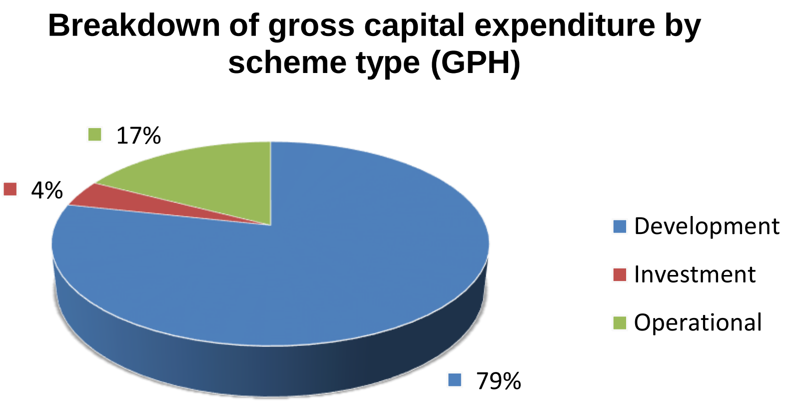
8.2.1 Growth, Planning and Housing (GPH) contains the council's Housing, Investment and Operational Property, Development Planning and Economy & Infrastructure services. For the purposes of this document the HRA is reported separately in paragraphs 8.2.20 to 8.2.29.

8.2.2 GPH has the largest capital programme within the Council, with an original net budget of £459m over the five years to 2021/22. This included £1.279bn cost offset by income of £0.820bn, mainly from capital receipts. This represented 74% of the Council's General Fund capital budget over this period.

8.2.3 The proposed new programme can be seen in the table below. It should be noted that the future years column only includes development expenditure, and does not include estimated future operational expenditure:

	Forecast	Five Year Plan					Future Years to	
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2030/31 £000	Total £000
Expenditure	98,971	228,742	213,464	162,189	110,858	114,506	250,716	**1,179,445**
External Funding	(53,242)	(60,209)	(71,480)	(18,087)	(38,100)	-	-	**(241,118)**
Capital Receipts	(600)	-	(12,350)	(19,306)	(100,397)	(41,971)	(174,157)	**(348,781)**
Net Funding Requirement	**45,129**	**168,532**	**129,634**	**124,797**	**(27,639)**	**72,535**	**76,559**	**589,546**

8.2.4 This can be broken down across scheme type as shown below:



8.2.5 The changes from the current budget are that:

- gross expenditure budget for GPH is on track to reduce from £1.279bn to £1.18bn.
- income for this period was £820m and is now forecast in total at £589.9m.
- of the forecast external income, £348.8m is anticipated to be from capital receipts

8.2.6 On a net basis this is a proposed increase of £130m for GPH. However, this does not include the contingency amounts which are now to be held centrally as detailed in Section 9.5.3. When taking this £85.2m into account as well, the increase in GPH capital schemes becomes £215.2m, funded from an increase in capital receipts and borrowing. This is primarily due to changes in the following major projects:

- Cavendish Square – the project as originally envisaged is not commercially favourable so will not be included in the capital programme as a cost to the Council and this has reduced the budget by £62.5m. Options will be explored for a self-financing scheme
- Harrow Road - the scheme involved purchasing land from NHS and developing it. The council put in an offer to buy the land after it was independently valued and this offer has been rejected. The scheme is now not progressing, and this has reduced the budget by £7.4m
- Lisson Grove Programme – this is a new programme and has an initial allocation within the capital programme of £80m. Work will progress during the financial year to develop the budget and costing. This is expected to result

in additional housing and community space as well as better office accommodation.

- Investment Property Review – increase in net budget of £65m, (including strategic acquisitions and excluding contingency), due to an expected reduction in capital receipts. This is largely as a result of an increase in the affordable housing provision, but also linked to market conditions and a greater understanding of what is achievable on the site.

- Moberly and Jubilee – a reduction in budget of £17m, which takes into account the loan repayment in 2021/22

- Seymour – an increase in net budget of £16m. A full scale redevelopment with capital receipts offsetting the investment is not viable due to planning constraints, therefore a smaller refurbishment scheme is being progressed

- Huguenot House – increase in net budget of £21.5m (including strategic acquisitions and excluding contingency), due to expected reduction in capital receipts and more advanced design work which has confirmed the capacity of the site

8.2.7 The key schemes within each of the sections, along with reasons for significant movements from the currently approved programme are detailed below.

General Fund Major Projects

8.2.8 The capital programme presented within this strategy includes a Major Projects gross capital budget of approximately £925.2m, with projected income of approximately £439.6m, giving a net budget of £485.7m. As well as producing capital receipts, many of these projects will also generate an on-going revenue stream that will contribute towards the costs of financing the capital programme.

8.2.9 The Major Projects team have made progress on a number of projects and the capacity of the team has expanded in order to help ensure that these projects are delivered and offer the best value for money to the Council. Some of the milestones achieved to date in 2016/17 include approval for Strategic Outline Cases (SOC) and the approval to spend to develop the designs for the following projects: Huguenot House, Seymour Leisure Centre and the Investment Property Review projects;

and approval of an Outline Business Case (OBC) for Beachcroft; and agreement to proceed with the project to refurbish City Hall.

8.2.10 The Council also has a number of sites under construction with the Moberly and Jubilee phase 1 and the Sir Simon Milton UTC all starting work on site. The Dudley House scheme is also progressing well with demolition now complete and the accelerated programme of the main Design and Build contract has started.

8.2.11 Furthermore, refinement of design work, massing studies and financials has meant a number of projects are now ready to go through the business case process this year and next with members being asked to review the OBCs for Huguenot House and the Investment Property Review. The SOCs for the Lisson Grove programme, Circus Road, Carlton Dene and Westmead are progressing.

8.2.12 Below is a summary of all Major Projects.

- Dudley House

Expenditure £m	Income £m	Net expenditure £m
85.4	(51.0)	34.4

Cabinet Member approval has been given to permit officers to enter into the Design and Build contract with Willmott Dixon Partnership Homes to deliver the project. To date the site has been demolished and target completion for the Marylebone Boys School is the 7th September 2018 with the intermediate rent accommodation completing on the 23rd April 2019. The Cabinet Member decision approved an increase in the total capital budget (including prior year expenditure) from £95m to £104m; the cost increase is due to market conditions plus changes in the design as a result of feedback from GLA and planning. The capital budget has been transferred from the Cavendish Square project, and the income from the project will cover the financing costs

- Huguenot House

Expenditure £m	Income £m	Net expenditure £m
103.1	(59.0)	44.1

Following a public consultation, the OBC is being progressed and will be presented to Cabinet over the coming months. The project has a number of potential options and the project will be further progressed when Cabinet agree on a preferred way forward. Expenditure has been incurred during 2016/17, which is primarily on the spot purchasing of residential properties in the block as and when they become available.

- Sir Simon Milton University Technical College

Expenditure £m	Income £m	Net income £m
8.2	(20.6)	(12.4)

The works are progressing well and the project remains on track to complete the UTC by September 2017. The original budget was based on a different option, to self-develop the site for the Private Residential Sector instead of a developer led approach. The project is almost entirely funded by grant monies.

- City Hall Refurbishment

Expenditure £m	Income £m	Net expenditure £m
80.0	-	80.0

During 2017/18 construction work is set to begin on the refurbishment of City Hall on Victoria Street. The programme from 2017/18 has a capital budget of £80m (excluding contingency) with the completed scheme delivering increased income streams for the council from rental income as well as reduced running costs. Towards the end of 2016/17 the decant process will begin which sees all staff currently based at City Hall move out to two temporary locations at 5 Strand and Portland House. This decant process has an allocated revenue budget of £19m to fund the related costs, which will be funded by flexible use of capital receipts.

- Circus Road

Expenditure £m	Income £m	Net income £m
21.5	(24.9)	(3.4)

The SOC for this project is currently being developed and a preferred way forward has been identified, which is in line with original proposals.

➢ Seymour Leisure Centre

Expenditure £m	Income £m	Net expenditure £m
4.2	-	4.2

The OBC is being completed following confirmation that the larger development that included the demolition of parts of the listed building cannot be supported from a planning perspective. A refurbishment proposal is being developed which will include the existing sports centre and a library.

➢ Investment Property Review

Expenditure £m	Income £m	Net expenditure £m
420.0	(158.4)	261.6

The design for the development is progressing well, with the majority of the budget re-profiling due to acquisitions not taking place in this financial year, and the OBC is currently being completed.

➢ Cavendish Square

Feasibility has been carried out on the project which has identified that a subterranean option is not commercially favourable, particularly when considering the income currently generated from the site. Alternative schemes will be reviewed, however it is not expected that a capital budget will be required; this will be used to offset increases in costs on projects such as Dudley House and Huguenot House.

➢ Luxborough Development

Expenditure £m	Income £m	Net expenditure £m
21.4	(18.5)	2.9

An SOC for a revised mixed use development scheme is being developed and is expected to be presented to members in the last quarter of 2016/17.

➢ Moberly and Jubilee

Expenditure £m	Income £m	Net income £m
16.2	(16.9)	(0.7)

The projects at both Moberly and Jubilee are on site and progressing well, with anticipated phase 1 practical completion in 2018 with Jubilee Phase 2 to follow. The loan is being drawn down in line with the loan agreement.

- Beachcroft

Expenditure £m	Income £m	Net expenditure £m
30.1	(27.9)	2.2

The OBC for Beachcroft has been approved. The OBC shows a budget requirement of £30.1m (excluding contingency) and a final net cost of £2.2m, to be funded by receipts in future projects proposed at Carlton Dene and Westmead. Planning is progressing and the team is now working towards fixing the design and confirming a build cost. This is expected early in 2017.

- Westmead/Carlton Dene

Expenditure £m	Income £m	Net income £m
55.0	(62.5)	(7.5)

Both these projects are linked to the development at Beachcroft as residents in both these homes have to be decanted to Beachcroft in order for the sites to be redeveloped. Architectural massing studies are planned to be undertaken this year, which will further develop the options for the schemes. A paper to CRG is expected at the beginning of 2017/18.

- Lisson Grove Programme

Expenditure £m	Income £m	Net expenditure £m
80.0	-	80.0

The programme aims to provide a more modern office space, however options are being assessed to identify any other opportunities to develop housing or commercial space linked to the programme. An indicative figure has been included in the analysis above, resulting in additional expenditure of £80m on the capital programme which will be subject to further review regarding financing as the business case progresses.

8.2.13 As highlighted above, if the capital programme is over committed once all requests from services have been received, then a process of prioritisation will be required which may result in some projects not progressing.

Corporate Property

8.2.14 The Corporate Property Capital Programme has a five year budget of £56.9m.

8.2.15 During 2016/17, using the available investment schemes budget, there has been an investment on Orange Street from this allocation of £12.5m with an initial return of 4.19%. This not only helps diversify and expand the Council's property portfolio, but also provides a favourable rate of return in comparison with other investment opportunities. A budget of £37.5m is included within the five year capital programme.

8.2.16 The property team are actively reviewing the market for appropriate opportunities that will provide a good return whilst diversifying the property portfolio. A governance process is being followed which ensures a quick turnaround as and when opportunities arise.

8.2.17 The operational property projects include both on-going building improvement schemes such as landlord's responsibilities and the forward management plan, as well as individual projects such as £2.4m for the coroner's court.

Housing

8.2.18 The Housing General Fund capital programme contains schemes to provide additional affordable housing both in and out of borough. In total there is a budget of £156m, including 2016/17 budget, fully offset by external income.

8.2.19 The Affordable Housing Fund represents Section106 agreements - ring fenced monies paid to the Council in lieu of the direct provision of new social housing - and is used for the delivery of in borough housing projects by Registered Social Landlords. The fund is also applied to fund HRA and General Fund new affordable housing schemes such as Dudley House. It is used to fund various projects in borough to provide additional housing. Properties are also bought out of borough through a Temporary Accommodation purchases programme and the £18m budget will provide c.100 out of borough properties and a further 50 in borough which will be funded through the Affordable Housing Fund.

Housing Revenue Account

8.2.20 The HRA capital investment requirement over the next 30 years is £1.64bn, and over the first five years is £701m. The HRA is subject to a different business planning process that is linked to modelling of the HRA business plan over 30 years.

8.2.21 The programme is funded over the next five financial years as follows

Funding Source	£m
Borrowing	49.7
Affordable Housing Fund	58.4
Capital Receipts – Other	254.0
Capital Receipts – Right to Buy	125.9
Reserves and other	212.7
Total Gross Budget	**700.6**

8.2.22 Key changes between the 2016/17 approved and 2017/18 proposed HRA five year capital programme budgets are as follows:

- gross expenditure – overall increase of £338m consisting of:
  - regeneration schemes mainly across the following schemes (£243m):
    - Church Street for all - £61m to enable the delivery of a more holistic regeneration strategy for the area.
    - Ebury Bridge - £54m to ensure viability of the proposed scheme is viable and enhance future development options.
    - Cosway St – £27m to enable the acquisition of third party interests in the site and to enhance future development options.
    - Parsons North - £22m to ensure the delivery of a Council led design & build contract.
  - existing stock - £37m increase in investment to ensure all stocks are maintained at the 'CityWest Standard'.
  - other projects - £58m increase mainly to purchase new units to replace disposals of poor performing stock.

8.2.23 This increase in expenditure will be funded by:

- capital receipts - an increase of £220m from the sale of Council dwellings under Right to Buy, land, surplus operational properties, and private market units built within regeneration schemes

- capital grant – an additional £26m from the Affordable Housing Fund

- borrowing – an increase of £46m

- HRA reserves – an increase of £46m contribution from accumulated balances

8.2.24 The HRA reserves will contribute £96m (14%) of the £700m required to fund the 2017/18 five year capital programme. This will run down accumulated reserves close to the minimum level of £11m in the first two years of the programme. The reserves level will then increase in the latter part of the 30 year programme as the capital commitment reduces and additional income is generated from rent increases.

8.2.25 The proposed HRA investment plans commit and utilise all of the foreseeable headroom (borrowing limit) and financial capacity within the HRA for the next seven years until 2022/23. This will result in the HRA reaching the current statutory limit on indebtedness of £334m for HRA borrowing in 2022/23 and running the HRA with minimum levels of HRA reserves for 12 years until 2028/29.

8.2.26 The HRA business plan currently projects that HRA debt will fall in the latter part of the programme and at year 30 the level of debt will be £79m with revenue balances of £89m.

8.2.27 As the HRA is legally not allowed to run a deficit this means that if there is an overspend on the capital programme or elsewhere, or if capital receipts are reduced or delayed, that the options available to contain these pressures will necessitate either reducing, re-profiling or stopping spend on the capital programme, realising funds through the disposal of HRA assets, or applying more funding from the Affordable Housing Fund.

8.2.28 The funding of the increase in the expected capital programme over the next five years is largely dependent upon the timing and value of asset disposals that underpin the regeneration programme. The reduction in the capacity of the HRA and the potential impact of risk factors requires a strong risk mitigation strategy that can be quickly adopted if any of adverse risks materialise.

8.2.29 The range of management options available within the HRA to mitigate an additional risks are as follows:-

- reduce expenditure
    - reduce major works capital expenditure (e.g. from £1.5bn to £1.4bn over 30 years)
    - reduce Major works capital expenditure over the first ten years (when capital expenditure peaks)
- re-profile, extend or delay expenditure
    - programme the regeneration spend so that schemes run sequentially rather in parallel or delay either Church Street Phase 2 or Ebury
    - re-profile major works capital expenditure over the first ten years (when capital expenditure peaks)
    - re-profile and extend regeneration scheme programmes
- dispose of HRA assets
    - identify surplus assets or sale additional HRA properties (e.g. excluding high-value voids this equates to extra 200 HRA properties value £100m)
- increase HRA rents from year 4 to the maximum allowable assuming allowed by government
    - moving rents to average of £126 per week in 2021/22 an increase of an extra £1.89 a week and setting rents thereafter at CPI+1% would generate additional income of c.£223m over 25 years (rent policy is only guidance and the only control at present is the limit on Housing benefit).
- increase affordable rents to 80% market rents.
    - moving average rents from £150 a week to £187 per week would generate c.£27m over 30 years
- increase funding from the Affordable Housing Fund (AHF)

- o the risk of increases in cost for the acquisition of affordable housing can be met from the AHF fund through re-prioritisation of funding c£40m.

- ➢ lobby for an increase in the debt cap

City Management and Communities

8.2.30 City Management and Communities (CMC) contains Highways Infrastructure and Public Realm, Sports and Leisure, Libraries and Culture, Public Protection & Licensing, Parking, Highways Infrastructure and Public Realm, and Waste, Parks & Cemeteries services.

8.2.31 As a service, this has a significant capital programme. This section of the report focuses on the capital programme with gross expenditure of £241.4m and external income of £131.8m from a range of third parties.

	Forecast	Five Year Plan					Total
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	£000
Expenditure	29,453	83,793	61,624	29,423	19,771	17,299	**241,363**
External Funding	(16,180)	(57,159)	(36,221)	(12,311)	(5,202)	(4,742)	**(131,815)**
Net Funding Requirement	**13,273**	**26,634**	**25,403**	**17,112**	**14,569**	**12,557**	**109,547**

8.2.32 The majority of this expenditure comes within Highways Infrastructure and Public Realm, which can be split across the following categories (gross expenditure budget in brackets):

- ➢ planned preventative maintenance (£79.1m) – all but £1.0m is funded by the Council
- ➢ Public Realm externally funded (£69.9m) – this is fully funded by contributions from third parties
- ➢ Public Realm mixed funding – (£43.0m) - £29.2m is funded by grants/contributions
- ➢ transport schemes - (£25.5m) - £21.7m externally funded, largely by Transport for London

8.2.33 Of the remainder of the programme, the main areas of expenditure are:

- ➢ Cemeteries and Parks (£1.6m)
- ➢ Libraries (£3.1m)
- ➢ Sports and Leisure (£4.7m) - £0.6m is funded by external parties
- ➢ Public Protection and Licensing (£12.4m) - £7.4m is funded by grant contributions
- ➢ Waste (£1.2m)

8.2.34 There is an increase of £127.4m in gross expenditure budget, which is largely related to a number of significant externally funded public realm schemes. The service has worked closely with third parties to provide greater clarity on future public realm schemes, which have been added to the capital programme. A breakdown of new submissions greater than £2m is detailed below.

Project Name	Gross budget increase in new profile £m	Net budget increase in new profile £m
Public Realm Schemes		
Developer and Security Future Schemes	18.0	-
Baker Street Two Way	12.3	-
Queensway Public Realm Scheme	10.7	3.2
Hanover Square Public Realm Scheme	10.6	3.6
CPNI Security Scheme	10.0	-
Bond Street Public Realm Scheme	9.7	-
Jermyn Street Public Realm Scheme	6.3	-
East Mayfair Public Realm Scheme	4.3	-
Berkeley Square North Side Public Realm Scheme	4.0	-
Newport Place	3.9	-
Leicester Square Ticket Booth	2.5	0.3
Shaftesbury	2.5	-
	94.8	**7.1**
Planned Preventative Maintenance		
Stone Mastic Asphalt Replacement Programme	14.0	11
Piccadilly Underpass Refurbishment	3.4	3.4
	17.4	**14.4**
Transport Schemes		
Cycle Grid	10.0	-
TFL Sponsored Cycling Initiatives	2.9	-
	12.9	**-**
Total	**125.1**	**21.5**

8.2.35 On a net basis, the programme for CMC is set to increase by £17.7m. £12.6m of this increase is attributable to the addition of an extra year to the programme.

8.2.36 This increase in net budget excludes the Moberly Leisure Centre redevelopment, as this project has now moved to the Major Projects team. Were this project still within CMC the overall capital programme would show a net increase of £31.7m.

8.2.37 There is no net increase in the net capital programme until 2018/19. Projects will only commence when suitable financing sources or additional revenue streams have been identified. Any proposals for additional borrowing will be submitted for appropriate review and approval to ensure that they are appropriate and affordable.

Adult Social Care

8.2.38 The Adult Social Care service has a capital programme which plans to deliver gross works expenditure of £2.1m. These are mainly Information and Communications Technology (ICT) and agile working projects with one building refurbishment project at Barnard and Florey Lodges slipping from 2015/16. All of the advised projects for Adult Social Care and Public Health have identified capital grants funding to 100% of the expected expenditure values.

	Forecast	Five Year Plan					Total
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	£000
Expenditure	435	632	450	400	200	-	2,117
External Funding	(435)	(632)	(450)	(400)	(200)	-	(2,117)
Net Funding Requirement	-	-	-	-	-	-	-

8.2.39 This represents a major change to the five year budget from 2016/17 which contained major projects delivering residential care home replacements. These had a value of £55m which related to the projects at Carlton Dene and Westmead. These have now been moved to the GPH service along with the related funding. As part of the original five year budget set, two projects are forecast to complete in 2016/17.

Childrens

8.2.40 From 2016/17 to 2022/23, the Children's Services capital programme plans to deliver £23.7m of works.

	Forecast	Five Year Plan					Total
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	£000
Expenditure	3,794	9,566	9,663	250	250	250	23,772
External Funding	(3,436)	(8,979)	(9,413)	-	-	-	(21,828)
Net Funding Requirement	358	587	250	250	250	250	1,945

8.2.41 These can be broadly categorised as follows (gross expenditure budget in brackets):

- non-schools estate rolling programme: planned and reactive building works to non-schools sites (£1.9m)

- schools estate rolling programme: planned and reactive building works to schools sites (£2.4m)

- nursery, primary and secondary school expansion projects: expansion projects to increase pupil places (£19.4m)

8.2.42 The Basic Needs and Condition Allocation grants are awarded for the purposes for which they are being applied and the programme benefits to the value of £18.8m.

8.2.43 In comparison to the five year budget set in advance of the 2016/17 financial year, there have been only minor changes to the programme. This has resulted in reprofiling of expenditure and a £50k reduction in gross expenditure budget. Similarly, the external income budget has been reprofiled and reduced by £299k. This results in a net budget change of an increase of £249k.

Corporate Services and Policy, Performance and Communications

	Forecast	Five Year Plan					Total
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	£000
Expenditure	7,541	4,053	4,026	2,086	1,125	525	19,356
External Funding	(1,500)	-	-	-	-	-	(1,500)
Net Funding Requirement	**6,041**	**4,053**	**4,026**	**2,086**	**1,125**	**525**	**17,856**

8.2.44 The proposed gross expenditure budget is £19.4m, split between £7.6m for PPC and £11.8m for ICT.

8.2.45 The combined capital programme has increased by £0.265m since the original approved capital. The key movement is due to an additional year of capital requirement for 2021/22 which equates to £0.525m in ICT. However, this is offset by the under spend in 2016/17 on capital schemes such as Data Centre Refresh £0.250m and Computer Licenses £0.01m.

8.2.46 Within the capital programme the Digital Transformation scheme has a value of £4m. This has moved from PPC to ICT.

8.2.47 The key risks to note are:

- the Outdoor media phase 2 has capital requirement of £2.25m in 2017/18. However if sites are not identified for development to generate commercial income from advertising then the capital requirement will not be needed. Income commitment of £2.23m in the MTP will therefore need to be bridged through alternative initiatives.

- the capital requirement for the Digital Transformation scheme may not be needed if it is determined that the procurement of the digital platform is a service based model.

City Treasurer

	Forecast	Five Year Plan					Future Years to 2030/31 £000	Total £000
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000		
Expenditure	11,000	39,176	38,401	22,249	25,898	33,648	43,797	**214,169**
Capital Receipts	(3,036)	(93,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	**(146,036)**
Net Funding Requirement	**7,964**	**(53,824)**	**28,401**	**12,249**	**15,898**	**23,648**	**33,797**	**68,133**

8.2.48 There has been a net increase of £10.2m in the City Treasurer's budget. The increase of £30.0m contribution to the pension fund deficit has been offset by other reductions, leading to an overall decrease in expenditure. However, this has been offset by the removal of £22.0m of capital receipts from the projections, producing the net increase.

8.2.49 It is proposed that the capital programme includes a centralised budget for fully or close to fully funded capital projects which emerge in-year. This is to ensure that there is an efficient and timely process for adding to the capital programme fully funded projects which it is in the interests of the council to undertake.

8.2.50 Based on the value of these schemes in 2015/16 (£5.6m) a gross budget of £12m over the next two years is to be added to the capital programme. This will act as a control for new schemes, allowing them to be properly reported, and will also allow flexibility for new schemes which span different services.

8.2.51 In line with current financial regulations, no spend on projects will be incurred without appropriate Cabinet Member or Delegated Authority approval. It is also recommended that it is assumed that an income budget of £10m is included leaving a net budget allowance of £2m to allow for any Council contribution to these schemes. Every scheme would need to be fully approved.

9. Risk Management

9.1 Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy.

9.2 General Risks – Identification and Mitigation

9.2.1 General risks are those which are faced as a consequence of the nature of the major projects being undertaken. Most of these risks are outside of the Council's control but mitigations have been developed as part of the business planning and governance process. These risks are set out below along with key mitigations:

9.2.2 **Interest Rate Risk** – the Council is planning to externally borrow £512.9m as set out in this Capital Strategy over the next five years (not including internal borrowing). Interest rates are variable and a rise could increase the cost of servicing debt to a level which is not affordable. To mitigate this, the Council has used interest rate forecasts up until 2019/20 from its Treasury Advisors and added 0.5% to these interest rates as a prudent provision against interest rate rises which has in the past been accepted by HM Treasury as a reasonable buffer against long term interest rate movements. These are shown in the table below.

	2016/17	2017/18	2018/19	2019/20
Assumed interest rate	2.60%	2.80%	3.00%	3.50%

In the event that interest rates rose beyond this forecast plus contingency the revenue interest cost to the Council would increase. A rise of an extra 1% would cost £12m a year at peak borrowing in 2030/31 (£5m by 2021/22).

9.2.3 **Inflation Risk** – construction inflation over and above that budgeted by the Council's professionals and advisors and built into project budgets could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme by around £21m. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signature of contracts with construction companies and developers through fixed price contracts. An extra £21m of borrowing would cost around £1.26m a year in revenue costs.

9.2.4 **Change in Law Risk** – Capital schemes need to comply with the latest law and regulations which can change leading to an impact on construction costs. This is mitigated by awareness of pipeline legislative changes and through contingencies.

9.2.5 **Market health / Commercial Values** – the Council's capital programme relies on commercial activity as a key supporting strategy. This involves generation of income from property letting, generation of capital receipts from property sales in some cases post-development, attracting developers to projects based on a potential share of profits and other revenue/capital financial flows. In some cases it is likely that the Council will commit to large projects, property acquisitions or other forms of expenditure on the basis of further business case assumptions about the market value of future asset or economic values. Should market movements mean that these assumptions are inaccurate then the Council may suffer financially. This risk can be mitigated through contingencies in projects.

9.3 Management of Project Risks

9.3.1 Project risks are those which relate to the delivery of capital projects which in many cases can be controlled, influenced or directly mitigated in ways other than making contingencies available. These risks would mostly be related to unforeseen project delays and cost increases which could arise from a range of circumstances. The effective management of these risks is mostly linked to the following strategies:

9.3.2 **Supplier Financial Stability** – construction companies and developers contracting which the Council which experience financial instability post a significant risk. They may not be able to raise finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget, the Council could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

9.3.3 **Effective Business Case Development -** the documentation which is required will depend on the project's size. However, for 2017/18 the following types of business cases are required for larger projects:

- Strategic Case – this is where it is confirmed that the project outcomes as scoped align with the strategic objectives of the organisation

- Outline Business Case –sets out the preliminary thoughts regarding a proposed project. It should contain the information needed to help the council make decisions regarding the adoption of the project. It should state envisaged outcomes, benefits and potential risks associated with the project

- Full Business Case - the preparation of the FBC is a mandatory part of the business case development process, which is completed following procurement of the scheme – but prior to contract signature

9.3.4 **Risk Management** - Projects are required to maintain a risk register. Risk registers are aligned with general guidance on risk review

9.3.5 **Highlight reporting** - property major projects as an example create monthly highlight reports for all projects to help project board and wider interested parties aware of progress and risks of projects on an ongoing basis.

9.3.6 **Appointment of professional team** - to ensure timely delivery of projects and robust planning and review, the major projects team has enlisted the help of many different internal and external experts. Projects have required assistance considering impacts of national and council policy and planning on project financial feasibility and general deliverability. Also qualified roles have been put in place for key surveying and financial planning roles to give assurance on quality of work and assumptions.

9.3.7 **Risk of Revenue Write Off** – the Council commits to feasibility studies on many of its significant capital schemes at the point where spend is revenue in nature or when capital spend may be written off should the scheme in question not progress. This is a risk which managed through wherever possible making sure feasibility expenditure is not written off.

9.4 <u>Contingencies in the Capital Programme</u>

9.4.1 In the initial stages of development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views / interest of stakeholders who must be consulted, ground conditions or the costs of rectifying or demolishing existing buildings (e.g. the cost of asbestos removal).

9.4.2 For this reason the Council has adopted a structured process of identifying and managing contingencies which is in line with guidance issued by HM Treasury. In the initial stages of a project these contingencies are necessarily broad estimates due to the number of unknown factors. As projects progressed the unknown factors become clearer and project managers focus on managing these in the most effective way possible, utilizing contingencies to do so as needed.

9.4.3 For 2017/18 it is recommended that a decision is taken to hold contingencies corporately with any release of these funds to be subject to approval from CRG. The value of these contingencies is £105.2m.

9.5 Housing Revenue Account – Risk Mitigation Strategy

9.5.1 As the HRA is legally not allowed to run a deficit this means that if there is an overspend on the capital programme or elsewhere, or if capital receipts are reduced or delayed, that the options available to contain these pressures will necessitate either reducing, re-profiling or stopping spend on the capital programme, realising funds through the disposal of HRA assets, or applying more funding from the Affordable Housing Fund.

9.5.2 The procurement route for a number of renewal and investment opportunities has been changed from a developer framework approach to one of D&B. This change will make schemes more viable but transfer both additional cash flow development costs and risk to the HRA.

9.5.3 The funding of the increase in the expected capital programme over the next five years is largely dependent upon the timing and value of asset disposals that underpin the regeneration programme. The reduction in the capacity of the HRA and the potential impact of risk factors requires a strong risk mitigation strategy that can be quickly adopted if any of adverse risks materialise.

9.5.4 The range of management options available within the HRA to mitigate additional risks are as follows:-

- re-profile, extend or delay expenditure – the programme is heavily focused on the initial life of the plan and re-profiling this could improve the risk profile of the programme and limit the risk of overspends

- dispose of HRA assets

- increase HRA rents from year 4 assuming statutorily possible

9.6 Brexit

9.6.1 In the aftermath of result of the UK's referendum to leave the European Union on 23 June 2016 there was an immediate period of volatility caused by uncertainty in the property market. This has since stabilised but the impact on the capital strategy particularly in respect of construction costs and property values will continue to be monitored on an on-going basis.

10. Financial Implications

10.1 The Council has proposed a General Fund capital programme of £2.130bn. This has to be financed from three key funding sources:

- external funding (e.g. grants and contributions)
- internal funding (e.g. capital receipts)
- borrowing

10.2 External Funding

10.2.1 The main sources of external funding, shown in the table below, 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. Many grants, Section 106 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.

	Forecast	Five Year Plan					
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
DfE Basic Needs Grant	2,666	7,770	6,951	-	-	-	**17,387**
DfE Schools Condition Allocation	770	1,209	501	-	-	-	**2,480**
Transport for London (TfL) Grant	9,030	25,916	12,797	1,814	275	-	**49,832**
Education Funding Agency (EFA) Grant	3,915	14,703	-	-	-	-	**18,618**
DCLG Disabled Facilities Grant	1,059	1,242	1,242	1,242	1,242	1,242	**7,269**
DoH Community Capacity Grant	435	632	450	400	200	-	**2,117**
Sport England Grant	250	1,500	65	90	70	-	**1,975**
Other Minor Capital Grants	-	2,641	3,944	765	-		**7,350**
Section 106/CIL	6,142	29,983	20,728	7,978	3,615	3,500	**71,946**
Affordable Housing Fund Contributions	49,027	41,233	70,886	17,707	38,100	-	**216,953**
Revenue Reserve	1,500	150	-	802	-	-	**2,452**
Total	**74,795**	**126,979**	**117,563**	**30,798**	**43,502**	**4,742**	**398,379**

10.2.2 Capital grants and contributions include grants from the Department for Education (DfE) which 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, EFA Grant, Disabled Facilities Grant (DFG) and Community Capacity Grants in Adult Social Care.

10.2.3 Community Infrastructure Levy (CIL) will predominantly replace the current Section 106 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.

10.2.4 CIL differs from Section 106 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 Section 106 as the developer cannot stipulate any terms.

10.2.5 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.

10.3 Internal Funding

10.3.1 The main sources of internal funding are from capital receipts or revenue in the form of reserves or in-year underspends. The table below shows the internal funding that will be used to fund the proposed capital programme.

	Forecast	Five Year Plan					Future	
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Years to £000	Total £000
Capital Receipts	3,636	93,000	22,350	29,306	110,397	51,971	184,157	**494,817**

10.3.2 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 or repay debt. The Council holds all capital receipts corporately which ensures they 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 particular services.

10.3.3 It is estimated that the proposed capital programme will be funded via £494.8m worth of capital receipts, primarily through the sale of properties as part of development projects. The use of capital receipts will peak in 2020/21 and in 2022/23 and will be used to reduce the funding gap.

10.3.4 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.

10.3.5 Revenue budgets can be transferred to capital. As this will necessarily impact on revenue budgets this is only used as a source of funding when the capital project will deliver future revenue savings. This allows the Council to generate savings which will mitigate funding reductions in future years. A business case would be required to support revenue funding of a project.

10.3.6 In March 2016, the DCLG issued statutory guidance on the flexible use of capital receipts, which allows local authorities to use capital receipts to fund the revenue costs for projects which are forecast to generate ongoing savings. This guidance covers the period 1 April 2016 to 31 March 2019, and applies only to capital receipts generated during this period.

10.3.7 The authority has identified three projects, Westminster City Hall refurbishment, Digital Transformation and a potential contribution to reduce the Council's historic pension fund deficit, for which it is seeking approval to part-fund these from capital receipts. It should be noted that to be able to fund these the Council will need to achieve its in-year capital receipts target, in order to have eligible funds available.

10.3.8 It is planned to use £19m of capital receipts for the revenue costs associated with the refurbishment of Westminster City Hall. Options to also use flexible capital receipts to fund Digital Transformation programme costs are also being explored. Up to £30m over the three years may be applied to the pension fund deficit.

10.3.9 Westminster City Hall refurbishment is projected to deliver additional income of £5.2m annually from 2019/20. The Digital Transformation programme is projected to deliver £4.6m of revenue savings by 2019/20.

10.3.10 The impact of using this flexibility on the Council's prudential indicators and Council Tax requirement has been considered. The use of capital receipts to fund revenue expenditure will increase the borrowing requirement when funding future capital expenditure, resulting in an increase in capital financing cost, which will ultimately increase Council Tax. However, funding the expenditure directly from revenue in the year it is incurred will also increase the Council Tax requirement. The benefit of using capital receipts is that it allows the Council to spread this impact over a longer period of time and the incremental impact on Council Tax D is detailed below:

2016/17	2017/18	2018/19	2019/20
Estimate	**Estimate**	**Estimate**	**Estimate**
£	**£**	**£**	**£**
2.68	4.80	4.82	0.00

10.4 Borrowing

10.4.1. 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.

	Forecast	Five Year Plan					Future	
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Years to £000	Total £000
Borrowing	72,762	145,982	187,714	156,494	4,203	109,515	560,356	**1,237,026**

10.4.2. Internal borrowing is the term used to describe the use of Council resources, such as reserves and cash balances, to finance capital expenditure. In effect, this is capital expenditure not supported by direct funding, external borrowing or any other form of external financing. While this has to be repaid it does not represent a formal debt in the same way as external borrowing.

10.4.3. This strategy is a prudent use of Council resources. Currently, investment returns are low and counterparty risk is relatively high. Should these balances not be available for internal borrowing, the Council could potentially have to take on long-term external borrowing paying a higher interest rate than could be achieved at current market investment rates.

10.4.4. 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.

10.4.5. A recently introduced debt instrument that could be utilised going forward is the 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. This agency may offer access to marginally cheaper borrowing and provides a viable alternative to the PWLB.

10.4.6. 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

10.4.7. 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 net 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.

10.4.8. The table below gives a summary of the financing of the General Fund capital programme. The largest proportion of funding in the programme comes from borrowing, at 57%. Internal funding from capital receipts make up a further 24%. This is largely from the sale of residential units that will be built as part of a number of development schemes. The remainder will come from various grants and other income sources.

	Forecast	Five Year Plan					Future	
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Years to £000	Total £000
External Funding	74,795	126,979	117,563	30,798	43,502	4,742	-	**398,379**
Capital Receipts	3,636	93,000	22,350	29,306	110,397	51,971	184,157	**494,817**
Borrowing	72,762	145,982	187,714	156,494	4,203	109,515	560,356	**1,237,026**
Total	**151,193**	**365,961**	**327,628**	**216,597**	**158,102**	**166,228**	**744,513**	**2,130,222**

10.5 Revenue Implications

	Forecast	Five Year Plan					Future	
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Years to 2030/31 £000	Total £000
Expenditure	151,193	365,961	327,628	216,597	158,102	166,228	744,513	**2,130,222**
External Funding	(74,795)	(126,979)	(117,563)	(30,798)	(43,502)	(4,742)	-	**(398,379)**
Capital Receipts	(3,636)	(93,000)	(22,350)	(29,306)	(110,397)	(51,971)	(184,157)	**(494,817)**
Borrowing Requirement	**72,762**	**145,982**	**187,714**	**156,494**	**4,203**	**109,515**	**560,356**	**1,237,026**
Revenue Impacts:								
Commercial Income	(230)	(1,247)	(1,921)	(4,097)	(3,850)	(5,750)	(198,364)	**(215,459)**
Interest Paid, Repayment Allocation inc Sinking Fund	4,028	9,431	11,427	19,079	22,671	29,309	545,636	**641,581**
Total Funding	3,798	8,184	9,507	14,982	18,820	23,559	347,272	**426,122**
MTP Budget Assumptions	3,798	7,998	11,294	14,689	18,186	22,857	363,021	**441,843**
Net Funding Requirement	**0**	**186**	**(1,787)**	**293**	**634**	**702**	**(15,749)**	**(15,721)**

10.5.1 The financing costs include interest (including both internal and external borrowing) and an allocation for minimum repayment of debt (MRP) as a result of the borrowing. The total revenue costs of the proposed capital programme are expected to be £78.8m over the next five years (£405.6m by the end of 2030/31).

10.5.2 The Council aims to maximise its balance sheet assets and as such is able to utilise cash balances derived from working capital (such items as the appeals provision, reserves, affordable housing fund etc.) rather than borrow externally to finance the net cost of the capital programme. This is referred to as “internal borrowing”. Of the £2.130bn gross General Fund capital expenditure, it is anticipated that £1.22bn will ultimately need to be borrowed externally.

10.5.3 The external borrowing is assumed to be sourced from the PWLB, although other sources of funding will be explored as outlined in this paper. The PWLB interest rate is assumed to increase steadily to 3.5% by 2019/20 and remain at this rate. Every 1% increase in the interest rate will result in an additional £12m of revenue cost by 2030/31.

10.5.4 As noted in Section 5, CRG will have a pivotal role in monitoring the cost of funding the programme and ensuring project business cases continue to be viable, and the programme as a whole affordable. Where they assess this not to be the case, action will be taken to bring the programme back to an affordable position.

10.5.5 MRP is applied 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 revenue bottom line. MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes. The Council will continue to balance the use of capital receipt, internal borrowing and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

10.5.6 The Council has an ongoing capital programme and will continue to invest in capital projects beyond 2021/22 and will therefore need to ensure that funds are set aside for the future costs of borrowing.

10.5.7 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.

10.5.8 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.

10.5.9 The large development schemes, as well as the investment budget, are planned and required to generate an ongoing income stream. The three key schemes include Dudley House, Huguenot House and the Investment Property Review as well as the income generated through the investment in the property portfolio. This is expected to generate £215.5m by 2030/31.

10.5.10 The current MTP assumed a £3.2m annual increase in the cost of financing the capital programme. Continuing that policy over the duration of the proposed capital programme, and indexing for inflation, will result in a total budget of £440.8m to fund the capital programme.

10.5.11 Services are required to fund the MRP implications of their non-operational projects, and this is taken into account in the viability assessment as part of the business case. The cost of MRP does not need to be funded by service savings, only to development and investment projects which have to be self-funding. MRP is forecast to increase to £15.4m in 2021/22, and increase as development expenditure increases to £31.7m in 2030/31.

10.5.12 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 2021/22 and 2022/23 therefore it should be noted that reserves will be required to bridge this gap, before being repaid.

10.6 HRA financial implications

10.6.1 The HRA capital investment requirement over the next 30 years is £1.6bn, and over the first five years £700m. The HRA is subject to a different business planning process that is linked to modelling of the HRA business plan over 30 years. An important distinction compared to other Council capital investment decisions is that HRA resources can only be applied for HRA purposes, and that HRA capital receipts are restricted to fund affordable housing, regeneration or debt redemption.

10.6.2 The Council's current HRA 30 year business plan was approved by Cabinet in 2016. This focuses upon delivering three key programmes:

- investment to maintain and improve existing council-owned homes;
- delivery of new affordable homes; and
- implementation of the initial phases of the housing regeneration programme.

10.6.3 The business plan outlines the proposed HRA investment programme and the context within which the business planning has been undertaken. This includes key assumptions as well as a risk register and proposed management strategies available to mitigate any risk.

10.6.4 The indicative proposed five year investment plan is broken down between the three main categories of spend: - HRA major works on our own stock, regeneration spend and other investment plans.

10.6.5 Gross HRA capital expenditure of £701m over the next five years is required to deliver the plans within this investment strategy, including: £211m on works to existing stock; £394m on housing estate regeneration; and £96m on new investment opportunities. This will be funded from £210m of HRA revenue resources, £381m from Right to Buy receipts (RTB) and other capital receipts, £60m from the Councils AHF together with £50m of new borrowing and remains within the debt cap.

HRA capital programme budget 2016/17 – 2021/22

	Forecast	Five Year Plan					Total
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	£000
Major Works							
Adaptations	1,200	1,200	1,200	1,200	1,200	1,200	7,200
Electrical Works & Laterals	4,671	11,840	14,727	14,233	11,159	10,659	67,289
External Repairs & Decorations	10,497	19,170	21,480	14,446	16,182	16,573	98,348
Fire Precautions	757	2,253	2,678	3,071	2,500	3,000	14,259
General	390	1,000	1,000	1,000	1,000	1,000	5,390
Kitchen & Bathroom	1,900	1,100	2,160	2,340	1,800	900	10,200
Lifts	3,409	2,000	2,000	2,000	2,000	2,000	13,409
Voids	4,000	3,500	3,000	3,000	4,000	4,000	21,500
Major Works Total	**26,824**	**42,063**	**48,245**	**41,290**	**39,841**	**39,332**	**237,595**
Regeneration Schemes							
Ashbridge	180	3,600	6,932	1,971	62	-	12,745
CHP	250	4,900	1,300	500	1,000	1,100	9,050
Church Street	584	6,845	31,075	39,620	45,280	18,100	141,504
Cosway	212	9,600	9,500	8,500	-	-	27,812
Ebury Bridge	16,585	16,996	9,772	17,335	17,432	13,000	91,120
Edgware Road	1,058	33	8,849	-	-	-	9,940
Lisson Arches	1,879	6,881	16,244	1,330	-	-	26,334
Luton St	1,106	5,378	-	-	5,096	-	11,580
Parsons North	300	6,704	11,717	4,820	500	-	24,041
Penn & Lilestone	-	-	-	-	-	-	-
Tollgate Gardens	390	7,197	9,763	-	-	-	17,350
Regeneration Schemes Total	**22,544**	**68,134**	**105,152**	**74,076**	**69,370**	**32,200**	**371,476**
Other							
Infill	970	4,442	6,748	2,770	2,770	1,982	19,682
Kemp House	125	760	-	-	-	-	885
Self Financing	14,445	15,000	20,000	20,000	20,000	20,000	109,445
Walden	-	-	-	-	7,000	-	7,000
Contingency	-	4,086	5,950	3,939	3,825	1,670	19,470
Total	**15,540**	**24,288**	**32,698**	**26,709**	**33,595**	**23,652**	**156,482**
Total Expenditure	**64,907**	**134,485**	**186,095**	**142,075**	**142,806**	**95,184**	**765,552**
Funded by:							
Borrowing	10,823	12,681	19,338	3,939	13,712	-	60,493
Capital Grants	1,573	18,329	4,619	9,441	13,000	13,000	59,962
Capital Receipts - Land & Market sales	2,861	11,003	101,984	68,720	43,630	28,675	256,873
Capital Receipts - non RTB	16,096	15,505	20,000	20,000	24,840	21,982	118,423
Capital Receipts - RTB Local Agreement	6,475	16,057	978	1,359	4,667	462	29,998
HRA - Major Repairs Reserve (MRR)	22,971	23,598	23,598	23,598	23,598	23,598	140,961
HRA - Reserves	4,108	37,312	15,577	15,017	19,358	7,467	98,839
Total Funding	**64,907**	**134,485**	**186,095**	**142,075**	**142,806**	**95,184**	**765,552**

**Self-financing is the spend on new affordable housing assets funded by disposals of assets identified as no longer required. This is part of the strategic asset management strategy*
MRR is the HRA proxy for depreciation and is available to fund new capital spend

11. Legal Implications

11.1 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.

12. Staffing Implications

12.1 None specifically in relation to this report

13. Consultation

13.1 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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020 7641 2904

BACKGROUND PAPERS:

Capital Strategy Report (March 2016)

Budget Setting and Council Tax Report (February 2017)

Treasury Management Strategy (February 2017)

Capital programme working papers

Business Justification Cases for individual projects

Appendices

Appendix A1 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Cabinet Member
Appendix A2 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Chief Officer
Appendix B – CRG Terms of Reference
Appendix C – Business Case Process

Appendix B – Revised Terms of Reference for Capital Review Group

Summary

The role of the Capital Review Group (CRG) is to provide oversight and scrutiny to 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 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 provides the in-year scrutiny of the programme**.**

Terms of Reference

The terms of reference for the group are:

- To provide 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 including the prioritization of projects
- 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. This will include a whole life view of the project and any ongoing revenue implications.
- To set appropriate tolerances over which projects will be required to report back to CRG
- To approve the allocation of contingencies to projects
- To approve the delivery route of projects in recognition of the risk that the Council is willing and the expertise and capacity in-house versus the potential returns and rewards
- To ensure that decisions are made in line with financial regulations

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 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 a monthly cycle however this can be altered if thought appropriate after a six month initial period.

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. These schemes are approved by Cabinet though 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 the 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 reports 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 has a remit to review both emerging and future projects so there will be an agenda item to include:

- Changes to the proposed budget for future years 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 information 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.

All projects currently in the programme are supported by as a minimum, an up to date Capital Programme Submission Request form (CPSR). Any schemes over £10m will require a full three part Business Case to be completed which will be submitted to CRG for scrutiny, any between £1.5m to £10m will require a one stage business case which will also be submitted to CRG for scrutiny and review. Any schemes below £1.5m will require a CPSR to be prepared but these will fall under the delegated powers of Cabinet members and relevant officers so will not be presented to CRG unless specifically requested. Due to the number of smaller projects in the capital programme, smaller schemes below £500k may be grouped together, where appropriate, in order to reduce the administrative burden on project managers.

The full three part business case process starts with a Strategic Outline Case (SOC) at inception, followed by an Outline Business Case (OBC) once an options appraisal has been completed and finally with a Full Business Case (FBC) once detailed design is completed and the contract is ready to sign. 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

No commitments on projects should be made until CRG have approved the project’s inclusion in the overall capital programme.

Often a project will need to incur expenditure to develop designs and explore options for the completion of the business case, where this is required a separate Cabinet Member report (or the requirement in line with the financial regulations) to approve expenditure prior to a business case being submitted.

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.

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.

Appendix C – Business Case Process

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

Development

These large, long term schemes are important to reach good business decisions. The development branch governance centres on 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.

<u>Stage 1 - Scoping the Scheme and Preparing the Strategic Outline Case (SOC)</u>

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.

<u>Stage 2 - Planning the Scheme & Preparing the Outline Business Case (OBC)</u>

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.

<u>Stage 3 - Procuring the Solution and Preparing the Full Business Case (FBC)</u>

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.

Investment

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.

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.

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

Category of Project	**Approval Process**
Development	Development schemes must follow the business case process. Detailed below is the approval process for each Stage SOC – CRG can recommend that the scheme can move onto the next stage 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 FBC – Final approval for the project must be through Cabinet, with the recommendation of CRG
Investment	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)
Operational	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

Appendix A1 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Executive Management Team Portfolio

	2016/17			2017/18			2018/19			2019/20			2020/21			2021/22			Future Years			Net Grand Total
Project Name	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Barney & Florey		(0)	(0)	182	(182)																	(0)
Carlton Dene																						
Frameworki Upgrade To Mosaic	200	(200)		150	(150)		150	(150)		400	(400)		200	(200)								
Resident Asset Replacement	235	(235)																				
Westmead																						
People First Website				100	(100)		100	(100)														
Health Integration				100	(100)		100	(100)														
Mobile Working				100	(100)		100	(100)														
Adult Services Total	**435**	**(435)**	**(0)**	**632**	**(632)**		**450**	**(450)**		**400**	**(400)**		**200**	**(200)**								**(0)**
2 Year Old Capital Programme	50	(50)																				
Christchurch Bentinck	1,307	(1,307)																				
Essendine Safeguarding & Remod	66	(66)	(0)																			(0)
Framework-I Upgrade To Mosaic	70	(70)																				
Hallfield Heating & Distribution	110	(110)		561	(561)																	
King Solomon School Expansion							1,643	(1,643)														
Pimlico Academy				(0)	0		5,122	(5,122)														
Portman - Boiler And Distribution	11	(11)		301	(301)		301	(301)														
Queen's Park Safeguarding Works	64	(64)																				
Remodelling Of Early Help/ Children's Sevices Investment	358		358	587		587	250		250	250		250	250		250	250		250				1,945
Schools Minor Works Projects	253	(253)		347	(347)		200	(200)														
St George's School Expansion	200	(200)		4,200	(4,200)		2,147	(2,147)														
Westminster City	795	(795)		3,570	(3,570)																	
Beachcroft Expansion	130	(130)																				
Quintin Kynaston	105	(105)																				
George Eliot	129	(129)																				
Paddington Green Academy Conversion Works	102	(102)																				
Universal Infant Free School Meals	44	(44)																				
Children's Services Total	**3,794**	**(3,436)**	**358**	**9,566**	**(8,979)**	**587**	**9,663**	**(9,413)**	**250**	**250**		**250**	**250**		**250**	**250**		**250**				**1,945**
Cathedral Piazza	174		174	200	(200)		550	(550)														174
Leicester Square Redesign Option 1																						
St Marys Churchyard Boundary Wall				85		85																85
Tresham Crescent	14	(14)																				
Access Improvement Programme																						
Berkely Square North Side Public Realm Scheme				2,500	(2,500)		1,300	(1,300)		200	(200)											
Bond Street	782	(782)																				
CCTV - Crime and Disorder				1,704		1,704																1,704
CCTV Upgrades Leisure Centres	10		10																			10
Changing Room Refurbishment																						
Charing Cross Library Redecoration																						
Commercial Waste Containers							40		40	40		40	40		40	40		40				160
Covent Garden 1 And Side Street																						
Cycle Grid				10,039	(10,039)																	
DFG Budget	1,059	(1,059)		1,499	(1,182)	317	1,499	(1,182)	317	1,499	(1,182)	317	1,499	(1,182)	317	1,499	(1,182)	317				1,585
East Finchley Wall	250		250																			250
East Mayfair Public Realm Scheme				2,000	(2,000)		2,100	(2,100)		200	(200)											
Ebury & Elizabeth Bridges																						
Elevated Harrow Road Bridge Cycle Path				800		800	900		900													1,700
Hanwell Cemetery Pathways	2		2																			2
Hanwell Cemetery Walls	27		27																			27
Harrow Road Gyratory Taxi Rank							1,300		1,300													1,300
Health and Wellbeing Signage in Parks																						
Junior Fitness Facilities in Sports Centres	75		75																			75
Library Six Year Decoration Programme	80		80	747		747	500		500	500		500	400		400	400		400				2,627
Libraries Minor Works	0		0																			0
Maida Vale Library Remedial Works																						
Marylebone High Street																						
Marylebone Lane Phase 2				1,100	(1,100)																	
Multi Use Games Areas And Outdoor Facilities	155	(50)	105																			105
Named Street Scape																						
Electric Vehicle Charging Points																						
ICT Technology for MTP	96		96	100		100																196
Open Spaces Strategy	120		120	80		80																200
Other Area Based Spend																						
Oxford Street East And West																						
Paddington Recreation Ground	80		80																			80

Appendix A1 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Executive Management Team Portfolio

Project Name	2016/17 Spend	2016/17 External Funding	2016/17 Total	2017/18 Spend	2017/18 External Funding	2017/18 Total	2018/19 Spend	2018/19 External Funding	2018/19 Total	2019/20 Spend	2019/20 External Funding	2019/20 Total	2020/21 Spend	2020/21 External Funding	2020/21 Total	2021/22 Spend	2021/22 External Funding	2021/22 Total	Future Years Spend	Future Years External Funding	Future Years Total	Net Grand Total
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Long Term Tree and Horticulture (PRG)																						
Parks And Open Spaces Infrastructure	40		40	40		40	40		40	40		40	40		40	40		40				240
Piccadilly Two-Way				140	(140)		15	(15)														
Piccadilly Underpass				400		400	3,000		3,000													3,400
Pimlico Library																						
Playgrounds Minor Works	57		57	50		50	50		50	50		50	50		50	50		50				307
Childrens Playground Replacement (PRG)																						
Paths, Drainage & Fencing (PRG)	25		25																			25
Principal Roads				887	(887)																	
Queen Mother - Heating, Ventilation and Maintenance																						
Queensway And Bayswater																						
Recycling Containers and Sacks							100		100	100		100	100		100	100		100				400
Regent Street Street Lighting Scheme				275	(275)		25	(25)														
Safe & Secure (Private) SS	200	(20)	180	260	(60)	200	260	(60)	200	260	(60)	200	260	(60)	200	260	(60)	200				1,180
Sayers Croft Refurbishment	150		150	75		75	90	(15)	75	140	(15)	125	95	(20)	75							500
School Sports Facilities				80		80																80
SELCHP Plant Improvements	265		265	132		132																397
Sport & Leisure - Condition Survey & Maintenance				875	(100)	775	525	(50)	475	695	(75)	620	495	(50)	445							2,315
Sports Centre Condition Survey	455	(150)	305																			305
St John's Garden Horseferry Road Wall	19		19																			19
St John's Wood																						
Synthetic Pitch Replacement				300		300	100		100	50		50	50		50							500
TFL Local Improvement Plan Scheme				2,135	(2,135)																	
TfL Sponsored Cycling Initiatives				2,868	(2,868)																	
The Porchester Centre	75		75																			75
The Ritz Hotel	9	(9)																				
Tiling All Sites Improve Changing Rooms	10		10																			10
Traffic Management Schemes 1				300		300	100		100	100		100										500
Trial 20mph Scheme				100		100	100		100													200
Victoria Library Nova Scheme																						
Victoria Street Crossing				92	(92)																	
West End Other Projects																						
Westbourne And Paddington Scheme 1																						
Westbourne Green Skate Park Multi	150	(50)	100																			100
Westminster Reference Library Refurbishment	55		55	325		325																380
Stone Mastic Asphalt Replacement				3,000		3,000	3,000		3,000	3,000		3,000	3,000		3,000	2,000		2,000				14,000
Shaftesbury Avenue				150	(150)		1,850	(1,850)		450	(450)											
General Developer Schemes																						
Cemeteries Infrastructure	45		45	50		50	50		50	50		50	50		50	50		50				295
Security Scheme - CPNI	100	(100)		5,000	(5,000)		4,900	(4,900)														
Cycle Schemes	3,113	(2,690)	423																			423
Local Safety and Traffic Management	1,483	(1,141)	343	1,296	(896)	400	693	(293)	400	400		400	400		400	400		400				2,343
Externally Funded Public Realm Schemes	6,219	(6,172)	47	15,893	(15,624)	269	10,505	(9,488)	1,017	6,357	(3,750)	2,607	3,500	(3,500)		3,500	(3,500)					3,940
Public Realm Council Funded	1,412	(400)	1,012	4,905	(2,700)	2,205	9,871	(7,370)	2,501	4,575	(4,500)	75	115	(115)								5,793
Planned Preventative Maintenance - Public Lighting	1,500		1,500	2,940		2,940	3,813		3,813	3,408		3,408	3,479		3,479	3,555		3,555				18,695
Planned Preventative Maintenance Carriageways and Footways	5,906	(887)	5,019	5,665		5,665	5,100		5,100	5,090		5,090	5,243		5,243	5,405		5,405				31,522
Council Funded Public Realm Placeholder Schemes	155		155																			155
Bridges & Structures	2,295	(100)	2,195	3,215	(200)	3,015	1,165	(225)	940	1,510	(250)	1,260	955	(275)	680							8,090
Waste and Recyling Capital Projects	186		186	166		166																352
Large Public Realm Schemes	2,347	(2,300)	47	10,057	(8,469)	1,588	8,083	(6,798)	1,285	709	(1,629)	(920)										2,000
Cambridge Circus Improvements	258	(258)		1,268	(542)	726																726
City Management & Communities Total	**29,453**	**(16,181)**	**13,271**	**83,793**	**(57,159)**	**26,634**	**61,624**	**(36,221)**	**25,403**	**29,423**	**(12,311)**	**17,112**	**19,771**	**(5,202)**	**14,569**	**17,299**	**(4,742)**	**12,557**				**109,546**
Capital Contingency				20,176		20,176	19,401		19,401	22,249		22,249	25,898		25,898	33,648		33,648	43,797		43,797	165,169
City Hall Revenue Costs	1,000		1,000	9,000		9,000	9,000		9,000													19,000
Digital Programme Revenue Costs																						
Direct Revenue Financing																						
Future Year Net Spend																			450,000		450,000	450,000
Capitalisation of Pension Contribution	10,000		10,000	10,000		10,000	10,000		10,000													30,000
City Treasurer Total	**11,000**		**11,000**	**39,176**		**39,176**	**38,401**		**38,401**	**22,249**		**22,249**	**25,898**		**25,898**	**33,648**		**33,648**	**493,797**		**493,797**	**664,169**
Corporate Software Licences	20		20	20		20	50		50				50		50	50		50				190
Data Centre Refresh	200		200	100		100	100		100	100		100	100		100	100		100				700
Data Network Refresh	200		200	450		450	400		400	200		200	200		200	200		200				1,650
Digital Transformation	161		161	1,677		1,677	1,051		1,051	1,111		1,111										4,000
End-User Computing Refresh	700		700	100		100	1,600		1,600	100		100	700		700	100		100				3,300
Parking & Integrated Street Management IT				375		375	325		325	75		75	75		75	75		75				925

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Project Name	2016/17 Spend	2016/17 External Funding	2016/17 Total	2017/18 Spend	2017/18 External Funding	2017/18 Total	2018/19 Spend	2018/19 External Funding	2018/19 Total	2019/20 Spend	2019/20 External Funding	2019/20 Total	2020/21 Spend	2020/21 External Funding	2020/21 Total	2021/22 Spend	2021/22 External Funding	2021/22 Total	Future Years Spend	Future Years External Funding	Future Years Total	Net Grand Total
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Technology Refresh							500		500	500		500										1,000
Corporate Services Total	**1,281**		**1,281**	**2,722**		**2,722**	**4,026**		**4,026**	**2,086**		**2,086**	**1,125**		**1,125**	**525**		**525**				**11,765**
Major Projects Feasibility And Investigative Works																						
196a Piccadilly																						
291 Harrow Road	(0)		(0)																			(0)
33 Tachbrook Street	600		600	550		550																1,150
Huguenot House Redevelopment	3,000		3,000	1,326		1,326	3,231		3,231	5,469		5,469	26,870		26,870	27,391		27,391	16,979		16,979	84,266
Affordable Housing Fund	22,477	(22,477)		21,887	(21,887)		37,250	(37,250)		11,970	(11,970)		22,300	(22,300)								
Asset Disposal																						
Beachcroft	535		535	4,465	(2,000)	2,465	14,383		14,383	9,888	(802)	9,086	813	(2,000)	(1,187)							25,282
Campus Funding	0		0																			0
Carlton Dene	50		50	950		950	1,000		1,000	19,000		19,000	19,000		19,000							40,000
Cavendish Square Car Park																						
Churchill Gardens Project																						
Circus Road	100		100	443		443	10,500		10,500	10,500		10,500										21,543
Coronors Court Improvements	49		49	2,279		2,279	33		33													2,361
Cosway Street	250		250	250		250																500
Council House (London Business School Available For Lease Works)				700		700																700
Council House Lease Disposal Costs	100		100	920		920																1,020
Council House Fit Out Of Additional Requirements	100		100	775		775																875
Emanual House Major Works																						
Energy Monitor & Target				230		230	50		50	50		50	50		50	60		60				440
Farm Street	(0)		(0)	253		253																253
Fit Out Of Council House For Registrars And Civics																						
Forward Management Plan	1,008		1,008	747		747	762		762	778		778	793		793	817		817				4,905
Hanover Square Public Realm																						
Landlord Responsibility - Lisson Grove																						
Landlord Responsibility - Mayfair Library	567		567	464		464	14		14													1,045
Pimlico Library - Landlord Responsibility	(0)		(0)																			(0)
Landlord Responsibilty - Regency Cafe				140		140																140
Landlord Responsibilities	600		600	1,000		1,000	1,250		1,250	1,250		1,250	1,250		1,250	1,500		1,500				6,850
Lease Disposal																						
Legacy Compliance	300		300																			300
Lilestone Street																						
Lisson Grove Improvement	1,500		1,500																			1,500
Mandela Way Upgrade	100		100	298		298																398
Moberley Sports Centre Redevelopment	3,019		3,019	12,107	(1,400)	10,707	114		114	967		967										14,807
Moxon Street Redevelopment																						
Open Spaces Strategy	0		0	200		200	200		200	200		200	200		200	200		200				1,000
Property Investment Schemes	12,334		12,334	37,666		37,666																50,000
Seymour Leisure Centre Redevelopment	100		100	1,500		1,500	2,614		2,614													4,214
Strategic Acquisitions				27,173		27,173	21,942		21,942	61,749		61,749										110,864
Street Trees - New Planting	170		170	170		170	194		194	200		200	200		200	200		200				1,134
Temporary Accommodation Acquisitions	22,470	(19,250)	3,220	1,500	(1,500)		6,000	(6,000)		5,000	(5,000)											3,220
Tresham House	100		100																			100
Dudley House	7,300	(7,300)		42,300	(15,846)	26,454	33,483	(27,636)	5,847	2,320		2,320										34,621
Sir Simon Milton University Technical College	3,915	(3,915)	0	4,323	(16,685)	(12,362)		0	0		0	0										(12,361)
Capitalised Salary Costs	486		486	504		504	514		514	524		524	535		535	545		545				3,108
City Hall - Major Refurbishment	3,843		3,843	35,571		35,571	40,598		40,598													80,012
42 Westbourne Park Road	0		0																			0
Westmead	50		50	450		450	500		500	7,000		7,000	7,000		7,000							15,000
Luxborough Development	100		100	500		500	15,635		15,635	5,140		5,140										21,375
Strategic Acquisitions - Huguenot House				8,948		8,948	9,855		9,855													18,803
Investment Property Review	10,000		10,000	2,676		2,676	5,725		5,725	7,032		7,032	11,847	(13,800)	(1,953)	63,593		63,593	208,337		208,337	295,410
Lisson Grove Programme				1,200		1,200	1,200		1,200	12,000		12,000	20,000		20,000	20,200		20,200	25,400		25,400	80,000
Air Quality	100		100	50		50																150
Broadband				1,054	(491)	563	1,344	(594)	750	402	(315)	87										1,400
West End Partnership General Funding	547		547	750		750	750		750	750		750										2,797
Oxford Street East (WEP)				277		277	277		277													554
Oxford Street West (WEP)				1,346	(400)	946	1,346		1,346													2,292
Enterprise	1,200	(100)	1,100																			1,100
The Strand/Aldwych	400	(200)	200																			200
The West End Partnership (WEP)																						
Private Sector Housing Discharge Initiative	1,500		1,500	10,800		10,800	2,700		2,700													15,000
Growth, Planning & Housing Total	**98,971**	**(53,242)**	**45,729**	**228,742**	**(60,209)**	**168,532**	**213,464**	**(71,480)**	**141,984**	**162,189**	**(18,087)**	**144,102**	**110,858**	**(38,100)**	**72,758**	**114,506**		**114,506**	**250,716**		**250,716**	**938,328**

Appendix A1 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Executive Management Team Portfolio

Project Name	2016/17 Spend	2016/17 External Funding	2016/17 Total	2017/18 Spend	2017/18 External Funding	2017/18 Total	2018/19 Spend	2018/19 External Funding	2018/19 Total	2019/20 Spend	2019/20 External Funding	2019/20 Total	2020/21 Spend	2020/21 External Funding	2020/21 Total	2021/22 Spend	2021/22 External Funding	2021/22 Total	Future Years Spend	Future Years External Funding	Future Years Total	Net Grand Total
	(£,000's)	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*
Bi / Tri Borough Capital	12		12	38		38																50
Events And Filming				50		50																50
Outdoor Media Phase 2				1,243		1,243																1,243
Piccadilly Underpass Digital Media Screens	5,348	(1,500)	3,848																			3,848
The Flame Advertising Scheme	900		900																			900
Policy, Performance & Communications Total	**6,260**	**(1,500)**	**4,760**	**1,331**		**1,331**																**6,091**
Grand Total	**151,193**	**(74,795)**	**76,399**	**365,961**	**(126,979)**	**238,982**	**327,628**	**(117,563)**	**210,064**	**216,597**	**(30,798)**	**185,799**	**158,102**	**(43,502)**	**114,600**	**166,228**	**(4,742)**	**161,486**	**744,513**		**744,513**	**1,731,843**
Summary (Including All Capital Receipts)																						
Expenditure			151,193			365,961			327,628			216,597			158,102			166,228			744,513	2,130,222
External Funding			(74,795)			(126,979)			(117,563)			(30,798)			(43,502)			(4,742)				(398,378)
Net Cost after External Funding			**76,399**			**238,982**			**210,064**			**185,799**			**114,600**			**161,486**			**744,513**	**1,731,843**
Capital Receipts			(3,636)			(93,000)			(22,350)			(29,306)			(110,397)			(51,971)			(184,157)	(494,817)
Grand Total			**72,762**			**145,982**			**187,714**			**156,494**			**4,203**			**109,515**			**560,356**	**1,237,027**

Appendix A2 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Cabinet Member Portfolio

Project Name	2016/17 Spend	2016/17 External Funding	2016/17 Total	2017/18 Spend	2017/18 External Funding	2017/18 Total	2018/19 Spend	2018/19 External Funding	2018/19 Total	2019/20 Spend	2019/20 External Funding	2019/20 Total	2020/21 Spend	2020/21 External Funding	2020/21 Total	2021/22 Spend	2021/22 External Funding	2021/22 Total	Future Years Spend	Future Years External Funding	Future Years Total	Net Grand Total
	(£,000's)	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*
Barney & Florey		(0)	(0)	182	(182)																	(0)
Carlton Dene																						
Framework-I Upgrade To Mosaic	200	(200)		150	(150)		150	(150)		400	(400)		200	(200)								
Resident Asset Replacement	235	(235)																				
People First Website				100	(100)		100	(100)														
Health Integration				100	(100)		100	(100)														
Mobile Working				100	(100)		100	(100)														
Adults & Public Health - Cllr Robathan Total	**435**	**(435)**	**(0)**	**632**	**(632)**		**450**	**(450)**		**400**	**(400)**		**200**	**(200)**								**(0)**
Events And Filming				50		50																50
Outdoor Media Phase 2				1,243		1,243																1,243
Piccadilly Underpass Digital Media Screens	5,348	(1,500)	3,848																			3,848
The Flame Advertising Scheme	900		900																			900
Business, Culture & Heritage Total	**6,248**	**(1,500)**	**4,748**	**1,293**		**1,293**																**6,041**
2 Year Old Capital Programme	50	(50)																				
Christchurch Bentinck	1,307	(1,307)																				
Essendine Safeguarding & Remod	66	(66)	(0)																			(0)
Frameworki Upgrade To Mosaic	70	(70)																				
King Solomon School Expansion							1,643	(1,643)														
Pimlico Academy				(0)	0		5,122	(5,122)														
Queen's Park Safeguarding Works	64	(64)																				
Schools Minor Works Projects	253	(253)		347	(347)		200	(200)														
St George's School Expansion	200	(200)		4,200	(4,200)		2,147	(2,147)														
Westminster City	795	(795)		3,570	(3,570)																	
Beachcroft Expansion	130	(130)																				
Quintin Kynaston	105	(105)																				
George Eliot	129	(129)																				
Paddington Green Academy Conversion Works	102	(102)																				
Universal Infant Free School Meals	44	(44)																				
Hallfield Heating & Distribution	110	(110)		561	(561)																	
Portman - Boiler And Distribution	11	(11)		301	(301)		301	(301)														
Remodelling Of Early Help/ Children's Sevices Investment	358		358	587		587	250		250	250		250	250		250	250		250				1,945
Children and Young People - Cllr Chalkley Total	**3,794**	**(3,436)**	**358**	**9,566**	**(8,979)**	**587**	**9,663**	**(9,413)**	**250**	**250**		**250**	**250**		**250**	**250**		**250**				**1,945**
Ebury & Elizabeth Bridges																						
Piccadilly Underpass				400		400	3,000		3,000													3,400
TFL Local Improvement Plan Scheme				2,135	(2,135)																	
Stone Mastic Asphalt Replacement				3,000		3,000	3,000		3,000	3,000		3,000	3,000		3,000	2,000		2,000				14,000
Elevated Harrow Road Bridge Cycle Path				800		800	900		900													1,700
City Management and Customer services - Cllr Caplan Total				**6,335**	**(2,135)**	**4,200**	**6,900**		**6,900**	**3,000**		**3,000**	**3,000**		**3,000**	**2,000**		**2,000**				**19,100**
Cycle Grid				10,039	(10,039)																	
TfL Sponsored Cycling Initiatives				2,868	(2,868)																	
Traffic Management Schemes 1				300		300	100		100	100		100										500
Cycle Schemes	3,113	(2,690)	423																			423
Local Safety and Traffic Management	1,483	(1,141)	343	1,296	(896)	400	693	(293)	400	400		400	400		400	400		400				2,343
Externally Funded Public Realm Schemes		(39)	(39)																			(39)
Planned Preventative Maintenance - Public Lighting	1,500		1,500	2,940		2,940	3,813		3,813	3,408		3,408	3,479		3,479	3,555		3,555				18,695
Planned Preventative Maintenance Carriageways and Footways	5,906	(887)	5,019	5,665		5,665	5,100		5,100	5,090		5,090	5,243		5,243	5,405		5,405				31,522
Bridges & Structures	2,295	(100)	2,195	3,215	(200)	3,015	1,165	(225)	940	1,510	(250)	1,260	955	(275)	680							8,090
Cambridge Circus Improvements	258	(258)		1,268	(542)	726																726
Electric Vehicle Charging Points																						
City Transport, Highways & Parking Total	**14,555**	**(5,115)**	**9,440**	**27,591**	**(14,545)**	**13,046**	**10,871**	**(518)**	**10,353**	**10,508**	**(250)**	**10,258**	**10,077**	**(275)**	**9,802**	**9,360**		**9,360**				**62,259**
Berkely Square North Side Public Realm Scheme				2,500	(2,500)		1,300	(1,300)		200	(200)											
Hanover Square Public Realm																						
Trial 20mph Scheme				100		100	100		100													200
Victoria Street Crossing				92	(92)																	
Air Quality	100		100	50		50																150
Broadband				1,054	(491)	563	1,344	(594)	750	402	(315)	87										1,400
West End Partnership General Funding	547		547	750		750	750		750	750		750										2,797
Oxford Street East (WEP)				277		277	277		277													554
Oxford Street West (WEP)				1,346	(400)	946	1,346		1,346													2,292
Enterprise	1,200	(100)	1,100																			1,100
The Strand/Aldwych	400	(200)	200																			200
Externally Funded Public Realm Schemes	982	(982)		4,508	(4,508)		3,475	(2,458)	1,017	2,607		2,607										3,624
The West End Partnership (WEP)																						
Large Public Realm Schemes	2,347	(2,300)	47	10,057	(8,469)	1,588	8,083	(6,798)	1,285	709	(1,629)	(920)										2,000
Deputy Leader Total	**5,576**	**(3,582)**	**1,994**	**20,734**	**(16,460)**	**4,274**	**16,675**	**(11,150)**	**5,525**	**4,668**	**(2,144)**	**2,524**										**14,317**

Appendix A2 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Cabinet Member Portfolio

Project Name	2016/17			2017/18			2018/19			2019/20			2020/21			2021/22			Future Years			Net Grand Total
	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	Spend	External Funding	Total	
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Bond Street	782	(782)																				
East Mayfair Public Realm Scheme				2,000	(2,000)		2,100	(2,100)		200	(200)											
Marylebone High Street																						
Marylebone Lane Phase 2				1,100	(1,100)																	
Named Street Scape																						
Principal Roads				887	(887)																	
Queensway And Bayswater																						
Regent Street Street Lighting Scheme				275	(275)		25	(25)														
West End Other Projects																						
Westbourne And Paddington Scheme 1																						
Local Safety and Traffic Management																						
Externally Funded Public Realm Schemes	0		0	445	(176)	269																269
Shaftesbury Avenue				150	(150)		1,850	(1,850)		450	(450)											
Tresham Crescent																						
Harrow Road Gyratory Taxi Rank							1,300		1,300													1,300
Other Area Based Spend																						
Deputy Leader and Built Env. - Cllr Davis Total	**782**	**(782)**	**0**	**4,857**	**(4,588)**	**269**	**5,275**	**(3,975)**	**1,300**	**650**	**(650)**											**1,569**
Access Improvement Programme																						
CCTV Upgrades Leisure Centres	10		10																			10
Changing Room Refurbishment																						
Charing Cross Library Redecoration																						
Commercial Waste Containers							40		40	40		40	40		40	40		40				160
DFG Budget																						
East Finchley Wall	250		250																			250
Hanwell Cemetery Pathways	2		2																			2
Hanwell Cemetery Walls	27		27																			27
Libraries Minor Works	0		0																			0
Maida Vale Library Remedial Works																						
Open Spaces Strategy	120		120	280		280	200		200	200		200	200		200	200		200				1,200
Parks And Open Spaces Infrastructure	40		40	40		40	40		40	40		40	40		40	40		40				240
School Sports Facilities				80		80																80
SELCHP Plant Improvements	265		265	132		132																397
Sport & Leisure - Condition Survey & Maintenance				875	(100)	775	525	(50)	475	695	(75)	620	495	(50)	445							2,315
Sports Centre Condition Survey	455	(150)	305																			305
St John's Wood																						
Synthetic Pitch Replacement				300		300	100		100	50		50	50		50							500
The Porchester Centre	75		75																			75
The Ritz Hotel	9	(9)																				
Victoria Library Nova Scheme																						
Westbourne Green Skate Park Multi	150	(50)	100																			100
Cemeteries Infrastructure	45		45	50		50	50		50	50		50	50		50	50		50				295
Waste and Recyling Capital Projects	186		186	166		166																352
St Marys Churchyard Boundary Wall				85		85																85
Recycling Containers and Sacks							100		100	100		100	100		100	100		100				400
Playgrounds Minor Works	57		57	50		50	50		50	50		50	50		50	50		50				307
Westminster Reference Library Refurbishment	55		55	325		325																380
Library Six Year Decoration Programme	80		80	747		747	500		500	500		500	400		400	400		400				2,627
Pimlico Li brary																						
Queen Mother - Heating, Ventilation and Maintenance																						
Moberley Sports Centre Rdvlpt	3,019		3,019	12,107	(1,400)	10,707	114		114	967		967										14,807
Tiling All Sites Improve Changing Rooms	10		10																			10
Paths, Drainage & Fencing (PRG)	25		25																			25
Sayers Croft Refurbishment	150		150	75		75	90	35	125	140	(15)	125	95	(20)	75							550
St John's Garden Horseferry Road Wall	19		19																			19
Long Term Tree and Horticulture (PRG)																						
Health and Wellbeing Signage in Parks																						
Paddington Recreation Ground	80		80																			80
Multi Use Games Areas And Outdoor Facilities	155	(50)	105																			105
Junior Fitness Facilities in Sports Centres	75		75																			75
Childrens Playground Replacement (PRG)																						
Environment, Sports & Community Total	**5,359**	**(259)**	**5,100**	**15,312**	**(1,500)**	**13,812**	**1,809**	**(15)**	**1,794**	**2,832**	**(90)**	**2,742**	**1,520**	**(70)**	**1,450**	**880**		**880**				**25,778**
196a Piccadilly																						
291 Harrow Road	11,939	(2,326)	9,613	11,483	(5,700)	5,783	4,040	(4,040)														15,396
33 Tachbrook Street	600		600	550		550																1,150
Asset Disposal																						

Appendix A2 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Cabinet Member Portfolio

Project Name	2016/17 Spend	2016/17 External Funding	2016/17 Total	2017/18 Spend	2017/18 External Funding	2017/18 Total	2018/19 Spend	2018/19 External Funding	2018/19 Total	2019/20 Spend	2019/20 External Funding	2019/20 Total	2020/21 Spend	2020/21 External Funding	2020/21 Total	2021/22 Spend	2021/22 External Funding	2021/22 Total	Future Years Spend	Future Years External Funding	Future Years Total	Net Grand Total
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Beachcroft	535		535	4,465	(2,000)	2,465	14,383		14,383	9,888	(802)	9,086	813	(2,000)	(1,187)							25,282
Campus Funding	0		0																			0
Capital Contingency				20,176		20,176	19,401		19,401	22,249		22,249	25,898		25,898	33,648		33,648	43,797		43,797	165,169
Cavendish Square Car Park																						
Circus Road	100		100	443		443	10,500		10,500	10,500		10,500										21,543
Corporate Software Licences	20		20	20		20	50		50				50		50	50		50				190
Cosway Street	250		250	250		250																500
Council House (London Business School Available For Lease Works)				700		700																700
Council House Lease Disposal Costs	100		100	920		920																1,020
Data Centre Refresh	200		200	100		100	100		100	100		100	100		100	100		100				700
Data Network Refresh	200		200	450		450	400		400	200		200	200		200	200		200				1,650
Digital Transformation	161		161	1,677		1,677	1,051		1,051	1,111		1,111										4,000
Energy Monitor & Target				230		230	50		50	50		50	50		50	60		60				440
Farm Street	(0)		(0)	253		253																253
Fit Out Of Council House For Registrars And Civics																						
Forward Management Plan	1,008		1,008	747		747	762		762	778		778	793		793	817		817				4,905
Landlord Responsibility - Lisson Grove																						
Landlord Responsibility - Mayfair Library	567		567	464		464	14		14													1,045
Landlord Responsibilty - Regency Cafe				140		140																140
Lease Disposal																						
Legacy Compliance	300		300																			300
Lilestone Street																						
Moxon St Redevelopment																						
Property Investment Schemes	12,334		12,334	37,666		37,666																50,000
Strategic Acquisitions				27,173		27,173	21,942		21,942	61,749		61,749										110,864
Street Trees - New Planting	170		170	170		170	194		194	200		200	200		200	200		200				1,134
Technology Refresh							500		500	500		500										1,000
Sir Simon Milton University Technical College	3,915	(3,915)	0	4,323	(16,685)	(12,362)		0	0		0	0										(12,361)
Luxborough Development	100		100	500		500	15,635		15,635	5,140		5,140										21,375
Investment Property Review	10,000		10,000	2,676		2,676	5,725		5,725	7,032		7,032	11,847	(13,800)	(1,953)	63,593		63,593	208,337		208,337	295,410
Lisson Grove Programme				1,200		1,200	1,200		1,200	12,000		12,000	20,000		20,000	20,200		20,200	25,400		25,400	80,000
City Hall Revenue Costs	1,000		1,000	9,000		9,000	9,000		9,000													19,000
Digital Programme Revenue Costs																						
Future Year Net Spend																			450,000		450,000	450,000
Capitalisation of Pension Contribution	10,000		10,000	10,000		10,000	10,000		10,000													30,000
Direct Revenue Financing																						
Parking & Integrated Street Management IT				375		375	325		325	75		75	75		75	75		75				925
End-User Computing Refresh	700		700	100		100	1,600		1,600	100		100	700		700	100		100				3,300
Dudley House	7,300	(7,300)		42,300	(15,846)	26,454	33,483	(27,636)	5,847	2,320		2,320										34,621
City Hall - Major Refurbishment	3,843		3,843	35,571		35,571	40,598		40,598													80,012
Landlord Responsibilities	600		600	1,000		1,000	1,250		1,250	1,250		1,250	1,250		1,250	1,500		1,500				6,850
Capitalised Salary Costs	486		486	504		504	514		514	524		524	535		535	545		545				3,108
Coronors Court Improvements	49		49	2,279		2,279	33		33													2,361
Lisson Grove Improvement	1,500		1,500																			1,500
Mandela Way Upgrade	100		100	298		298																398
Council Hse Fit Out Of Additional Requirements	100		100	775		775																875
42 Westbourne Park Road	0		0																			0
Huguenot House Redevelopment	3,000		3,000	1,326		1,326	3,231		3,231	5,469		5,469	26,870		26,870	27,391		27,391	16,979		16,979	84,266
Strategic Acquisitions - Huguenot House				8,948		8,948	9,855		9,855													18,803
Pimlico Library - Landlord Responsibility	(0)		(0)																			(0)
Major Projects Feasibility And Investigative Works																						
Seymour Leisure Centre Redevelopment	100		100	1,500		1,500	2,614		2,614													4,214
Affordable Housing Fund	22,477	(22,477)		21,887	(21,887)		37,250	(37,250)		11,970	(11,970)		22,300	(22,300)								
Bi / Tri Borough Capital	12		12	38		38																50
Finance, Property & Corporate Services and Chief Whip Total	**93,767**	**(36,018)**	**57,749**	**252,677**	**(62,118)**	**190,559**	**245,700**	**(68,926)**	**176,774**	**153,205**	**(12,772)**	**140,433**	**111,681**	**(38,100)**	**73,581**	**148,479**		**148,479**	**744,513**		**744,513**	**1,532,088**
Carlton Dene	50		50	950		950	1,000		1,000	19,000		19,000	19,000		19,000							40,000
Westmead	50		50	450		450	500		500	7,000		7,000	7,000		7,000							15,000
Housing Total	**100**		**100**	**1,400**		**1,400**	**1,500**		**1,500**	**26,000**		**26,000**	**26,000**		**26,000**							**55,000**
291 Harrow Road	(11,939)	2,326	(9,613)	(11,483)	5,700	(5,783)	(4,040)	4,040														(15,396)
Churchill Gardens Project																						
Emanual House Major Works																						
Private Sector Housing Discharge Initiative	1,500		1,500	10,800		10,800	2,700		2,700													15,000
Tresham House	100		100																			100
Temporary Accommodation Acquisitions	22,470	(19,250)	3,220	1,500	(1,500)		6,000	(6,000)		5,000	(5,000)											3,220
Housing, Regeneration, Business and Economic Development - Cllr Astai	**12,131**	**(16,924)**	**(4,793)**	**817**	**4,200**	**5,017**	**4,660**	**(1,960)**	**2,700**	**5,000**	**(5,000)**											**2,924**

Appendix A2 – Capital Programme 2017/18 to 2021/22, forecast position for 2016/17 and future years' forecasts summarised up to 2030/31 by Cabinet Member Portfolio

Project Name	2016/17 Spend (£,000's)	2016/17 External Funding (£,000's)	2016/17 Total (£,000's)	2017/18 Spend (£,000's)	2017/18 External Funding (£,000's)	2017/18 Total (£,000's)	2018/19 Spend (£,000's)	2018/19 External Funding (£,000's)	2018/19 Total (£,000's)	2019/20 Spend (£,000's)	2019/20 External Funding (£,000's)	2019/20 Total (£,000's)	2020/21 Spend (£,000's)	2020/21 External Funding (£,000's)	2020/21 Total (£,000's)	2021/22 Spend (£,000's)	2021/22 External Funding (£,000's)	2021/22 Total (£,000's)	Future Years Spend (£,000's)	Future Years External Funding (£,000's)	Future Years Total (£,000's)	Net Grand Total (£,000's)
Oxford Street East And West																						
Piccadilly Two-Way				140	(140)		15	(15)														
General Developer Schemes																						
Security Scheme - CPNI	100	(100)		5,000	(5,000)		4,900	(4,900)														
Externally Funded Public Realm Schemes	5,236	(5,151)	86	10,940	(10,940)		7,030	(7,030)		3,750	(3,750)		3,500	(3,500)		3,500	(3,500)					86
Public Realm Council Funded	1,412	(400)	1,012	4,905	(2,700)	2,205	9,871	(7,370)	2,501	4,575	(4,500)	75	115	(115)								5,793
Council Funded Public Realm Placeholder Schemes	155		155																			155
Cathedral Piazza	174		174	200	(200)		550	(550)														174
Leicester Sq Redesign Option 1																						
Tresham Crescent	14	(14)																				
Covent Garden 1 And Side Street																						
Planning & Public Realm Total	**7,091**	**(5,665)**	**1,427**	**21,185**	**(18,980)**	**2,205**	**22,366**	**(19,865)**	**2,501**	**8,325**	**(8,250)**	**75**	**3,615**	**(3,615)**		**3,500**	**(3,500)**					**6,208**
DFG Budget	1,059	(1,059)		1,499	(1,182)	317	1,499	(1,182)	317	1,499	(1,182)	317	1,499	(1,182)	317	1,499	(1,182)	317				1,585
Safe & Secure (Private) SS	200	(20)	180	260	(60)	200	260	(60)	200	260	(60)	200	260	(60)	200	260	(60)	200				1,180
CCTV - Crime and Disorder				1,704		1,704																1,704
ICT Technology for MTP	96		96	100		100																196
Public Protection & Licensing Total	**1,355**	**(1,079)**	**276**	**3,563**	**(1,242)**	**2,321**	**1,759**	**(1,242)**	**517**	**1,759**	**(1,242)**	**517**	**1,759**	**(1,242)**	**517**	**1,759**	**(1,242)**	**517**				**4,665**
Sayers Croft Refurbishment								(50)	(50)													(50)
Sports and Leisure Services - Cllr D Harvey Total								**(50)**	**(50)**													**(50)**
Grand Total	**151,193**	**(74,795)**	**76,399**	**365,961**	**(126,979)**	**238,982**	**327,628**	**(117,563)**	**210,064**	**216,597**	**(30,798)**	**185,799**	**158,102**	**(43,502)**	**114,600**	**166,228**	**(4,742)**	**161,486**	**744,513**		**744,513**	**1,731,843**

Summary (Including All Capital Receipts)	2016/17 Total	2017/18 Total	2018/19 Total	2019/20 Total	2020/21 Total	2021/22 Total	Future Years Total	Net Grand Total
Expenditure	151,193	365,961	327,628	216,597	158,102	166,228	744,513	2,130,222
External Funding	(74,795)	(126,979)	(117,563)	(30,798)	(43,502)	(4,742)		(398,378)
Net Cost after External Funding	**76,399**	**238,982**	**210,064**	**185,799**	**114,600**	**161,486**	**744,513**	**1,731,843**
Capital Receipts	(3,636)	(93,000)	(22,350)	(29,306)	(110,397)	(51,971)	(184,157)	(494,817)
Grand Total	**72,762**	**145,982**	**187,714**	**156,494**	**4,203**	**109,515**	**560,356**	**1,237,027**

APPENDIX C

City of Westminster

Cabinet Report

Decision Maker:	**Council**
Date:	**20 February 2017**
Classification:	**For General Release**
Title:	**Treasury Management Strategy Statement for 2017/18 to 2021/22**
Wards Affected:	**All**
Policy Context:	**To manage the Council's finances prudently and efficiently.**
Financial Summary:	**The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that:** **1. Its capital investment plans are prudent, affordable and sustainable;** **2. The financing the Council's capital programme and ensuring that cash flow is properly planned; and** **3. Cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.**
The Report of:	**Steven Mair, City Treasurer** **Tel: 0207 641 2904** **Email: smair@westminster.gov.uk**

1. EXECUTIVE SUMMARY

1.1 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.

1.2 The Act also requires the Council to set out a statement of its treasury management 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 Treasury Management Strategy Statement and Annual Investment Strategy must both have regard to guidance issued by CLG and must be agreed by the full Council.

1.3 This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2017/18 to 2021/22, and Annual Investment Strategy (AIS) for the year ended 31 March 2018, together with supporting information.

1.4 The TMSS and AIS form part of the Council's overall budget setting and financial framework, and will be finalised and updated as work on the Council's 2017/18 budget is progressed in January and February 2017. As such all figures in this Report remain draft until the budget is approved.

2. RECOMMENDATIONS

2.1 The Cabinet is asked to recommend to Council to approve:

(i) The Treasury Management Strategy Statement set out in sections 5 to 7;
(ii) The Prudential Indicators set out in section 8;
(iii) The overall borrowing strategy and borrowing limits for 2017/18 to 2021/22 as detailed in section 6;
(iv) Investment strategy and approved investments set out in Appendix 1;
(v) The Minimum Revenue Provision Policy set out in Appendix 2.

3. REASONS FOR DECISIONS

3.1 To comply with the Local Government Act 2003, other regulations and guidance and to ensure that the Council's borrowing and investment plans are prudent, affordable and sustainable and comply with statutory requirements.

4. BACKGROUND INFORMATION

4.1 The Council is required to operate a balanced budget, which broadly means that monies received during the year will cover expenditure. The function of treasury management is to ensure that:

(i) The Council's capital programme and corporate investment plans are adequately funded;

(ii) Cash is available when it is needed on a day to day basis, to discharge the Council's legal obligations and deliver Council services;

(iii) Surplus monies are invested wisely.

4.2 The Council has formally adopted CIPFA's Code of Practice on Treasury Management, and follows the key requirements of the Code as set out in Appendix 3.

4.3 The TMSS covers three main areas summarised below:

4.3.1 Capital spending

- Capital spending plans and other investment opportunities;
- CFR projections and affordability; and
- The Minimum Revenue Provision (MRP) policy (Appendix 2).

4.3.2 Borrowing

- Overall borrowing strategy;
- Expected borrowing rates;
- Limits on external borrowing;
- Maturity structure of borrowing;
- Policy on borrowing in advance of need; and
- Debt rescheduling.

4.3.3 Managing cash balances

- The current and forecast cash position;
- Council policy on investing and risk;
- Expected return on investments; and
- Short and long term investments.

4.4 The Annual Investment Strategy (AIS) at Appendix 1 provides more detail on how the Council's surplus cash investments are to be managed in 2017/18. Approved schedules of specified and non-specified investments will be updated following consideration by Members and Schedules of approved and finalisation of 2017/18 budget plans.

5. SECTION 1 - CAPITAL SPENDING

Capital spending plans

5.1 Table 1 summarises the Council's capital expenditure plans, both in terms of those agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current expectations about whether these plans are to be financed by capital or revenue resources.

5.2 Compared with the forecast in the 2016/17 TMSS General Fund capital spend has slipped back by around £100m in 2016/17 to 2017/18 and future years, and the HRA capital programme reflects an increase of £100m per annum over the period 2017/18 to 2020/21. The risks are that:

(i) continued slippage in new starts will push borrowing requirements to later years when interest rates are forecast to be higher than currently; and

(ii) slippage in the programme of capital receipts may increase the need to borrow in the medium-term.

Table 1 Capital spending and funding plans

2015/16 Actual £m		2016/17 Forecast £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	Total £m
	Expenditure							
69	General Fund	151	366	328	217	158	166	**1,386**
55	HRA	65	134	186	142	143	95	**765**
124	**TOTAL**	**216**	**500**	**514**	**359**	**301**	**261**	**2,151**
	Funding							
	General Fund							
30	Grants & Contributions	75	127	118	31	44	5	**400**
12	Capital receipts applied	20	93	41	37	84	52	**327**
	HRA							
2	Grants & Contributions	2	18	5	9	13	13	**60**
10	Capital receipts applied	25	43	123	90	73	51	**405**
23	Major Repairs Reserve (MRR)	23	24	24	24	24	24	**143**
17	Revenue financing	4	37	16	15	19	7	**98**
94	**TOTAL**	**149**	**342**	**327**	**206**	**257**	**152**	**1,433**
30	**Net financing need for the year**	**67**	**158**	**187**	**153**	**44**	**109**	**718**

Other investment opportunities

5.3 As well as investing in assets owned by the Council and used in the delivery of services, the Council also invests, where appropriate, in:

(i) Infrastructure projects, such as green energy;

(ii) Loans to third parties; and

(iii) Shareholdings in limited companies and joint ventures.

5.4 Such investments are treated as expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities will be agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Investment Strategy.

5.5 In addition the Council has a substantial commercial property portfolio which forms part of the investment strategy. In previous years, the Council has invested in traditional asset classes of offices, retail and industrial/logistics, which meet the Council requirements for the income to be secure and reliable and the investments low risk.

5.6 Following a Cabinet decision in late 2015, the Council allocated funds to invest in commercial property commencing 2016/17. The aim is to diversify the property portfolio into sectors that have historically been considered alternatives but are increasingly being viewed as mainstream. The strategy focuses on increasing the income generated by the Council from its property holdings while also improving the quality of the Council's current portfolio. This will be further progressed in 2017/18 within the overall context of the Council's annual investment strategy.

Capital Financing Requirement (CFR)

5.7 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.

5.8 Table 2 below shows that the CFR will increase over the medium term. Consequently, the capital financing charge to revenue will increase, reflecting the capital spending plans.

Table 2 Capital Financing Requirement forecast

2015/16 Actual £m			2016/17 Forecast £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
	CFR as at 31 March							
215	General Fund		268	413	577	716	734	827
256	HRA		267	279	297	301	315	315
471		**TOTAL**	**535**	**692**	**874**	**1,017**	**1,049**	**1,142**
	Annual Change in CFR							
12	General Fund		53	144	164	139	18	93
2	HRA		11	12	18	4	14	0
14		**TOTAL**	**64**	**156**	**182**	**143**	**32**	**93**
	Reasons for Change							
30	Net financing		67	158	188	153	44	110
-4	Less MRP		-3	-2	-5	-10	-12	-16
-12	Less Capital Receipts		0	0	0	0	0	0
14		**TOTAL**	**64**	**156**	**183**	**143**	**32**	**94**

5.9 Table 3 below confirms that the Council's 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.

Table 3 Borrowing compared to the Capital Financing Requirement

2015/16 Actual £m		2016/17 Forecast £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
251	Gross Projected Debt	318	476	664	817	861	970
471	Capital Financing Requirement	535	692	874	1,017	1,049	1,142
220	**Under borrowing**	**217**	**216**	**210**	**200**	**188**	**172**

Affordability

5.10 The objective of the affordability indicators 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. Table 4 below sets out the expected ratio of capital financing costs to income for both General Fund and HRA activities:

Table 4 Ratio of capital financing costs to income

2015/16 Actual %		2016/17 Forecast %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
1.37	General Fund	0.29	(0.91)	2.74	8.02	8.96	13.29
35.86	HRA	31.25	32.21	31.57	32.02	32.42	32.30

5.11 For 2016/17 and 2017/18, gross capital financing charges (loan interest, MRP and finance lease payments) for the General Fund capital programme are largely outweighed by income from investments and the commercial property portfolio. However in future years the Council will begin to incur increasing capital financing charges in line with the forecast increase in the General Fund CFR in Table 2.

5.12 The capital financing charges arising from the HRA capital programme increase in line with the forecast increase income, hence capital charges as a proportion of the HRA net revenue stream remain in the range 31% to 32%.

5.13 Table 5 below sets out the Incremental impact of the capital programme on council tax and housing rents.

Table 5 Impact of capital investment decisions on council tax and housing rents

2015/16 Actual £		2016/17 Forecast £	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
(11.56)	Increase/(decrease) in Council Tax (band D) per annum	(14.81)	(6.72)	55.93	61.19	24.29	45.97
6.68	Increase/(decrease) in average housing rent per week	(1.19)	0.76	(0.22)	0.86	1.93	1.71

5.14 For the General Fund capital programme, although the ratio of capital financing costs to income is relatively low as shown in Table 4 above, there is a much greater impact on council tax as shown in Table 5, because the Council has a very low council taxbase. The decrease in 2017/18 of £6.72 per Band D council tax reflects the reduction in capital financing costs in 2017/18 compared to 2016/17, and the subsequent increase reflects the increase in capital charges as the capital programme progresses.

5.15 The capital charges from the HRA capital programme increase is gradual and therefore there is relatively little impact on housing rents between years as shown in Table 5.

6. SECTION 2 - BORROWING

Overall borrowing strategy

6.1 The Council's main objective when borrowing money is to strike an appropriate 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. The key factors influencing the 2017/18 strategy are:

(i) forecast borrowing requirements;

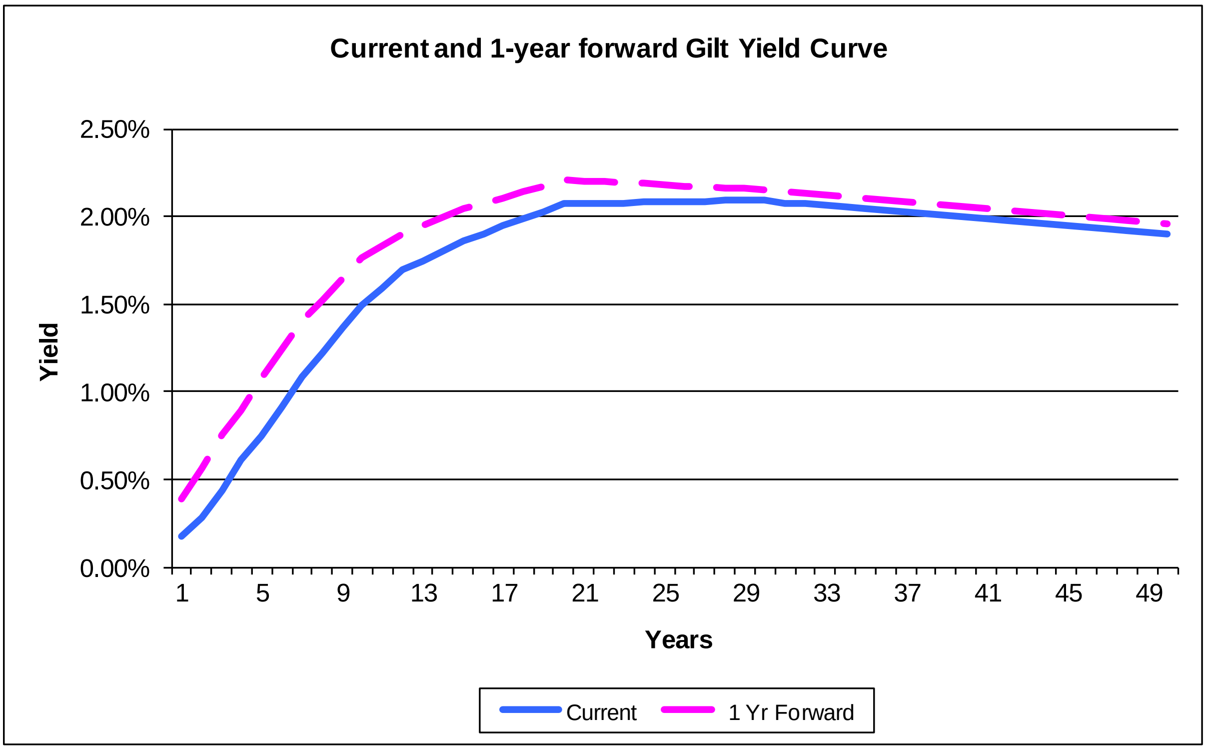
(ii) the current economic and market environment; and

(iii) interest rate forecasts.

6.2 The Council is currently maintaining an under-borrowed position. This means that capital expenditure has not been fully funded from loan debt as other funding streams (such as government grants and 3rd party contributions, use of Council reserves and cash balances and capital receipts) have been employed where available. This policy has served the Council well over the last few years while investment returns have been low and counterparty risk has been relatively high.

Prospects for Interest Rates

6.3 However, the borrowing position needs to be kept under review to avoid incurring higher borrowing costs in future years when the Council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt. Market commentators are forecasting an increase in interest rates across all maturities (see graph below) – though a limited increase rather than a material change. More detail on their interest rate forecasts is at Appendix 4.



Source: Bloomberg

6.4 Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Treasury Management team will continue to monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances (within their approved remit).

6.5 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.

6.6 In the event that interest rates rose beyond the forecast used in the capital programme the revenue interest cost to the Council would increase. A rise of an extra 1% would cost £6m a year at peak external borrowing requirements of the capital programme for the period 2016/17 to 2021/22.

Borrowing limits

6.7 The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 6 below. The limits have been reduced by 10-20% per annum compared with the 2016/17 TMSS to reflect slippage in the capital programme. The limits are:

(i) **Authorised Limit for External Debt (Prudential Indicator 7a)** – 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.

(ii) **Operational Boundary (Prudential Indicator 7b)** – 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 6 Overall borrowing limits

2015/16 Actual £m		2016/17 Forecast £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
	Authorised limit for External Borrowing						
471	Borrowing and Other Long term Liabilities	535	692	874	1,017	1,049	1,142
	Operational Boundry for External Debt						
251	Borrowing	318	476	664	817	861	970
15	Other Long term liabilities	12	11	11	11	10	10
266	**TOTAL**	**330**	**487**	**675**	**828**	**871**	**980**

6.8 In addition, borrowing for the HRA has to remain within the HRA Debt Limit (prescribed in the HRA Self-Financing Determinations 2012) as detailed in the table below. Borrowing for the HRA is measured by the HRA CFR.

Table 7 HRA borrowing

2015/16 Actual £m		2016/17 Forecast £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
333	HRA Debt Limit	334	334	334	334	334	334
256	HRA CFR	267	279	297	301	315	315
(77)	**Headroom**	**(67)**	**(55)**	**(37)**	**(33)**	**(19)**	**(19)**

6.9 The City Treasurer reports that the Council complied with these indicators in the current year and does not envisage difficulties for the future.

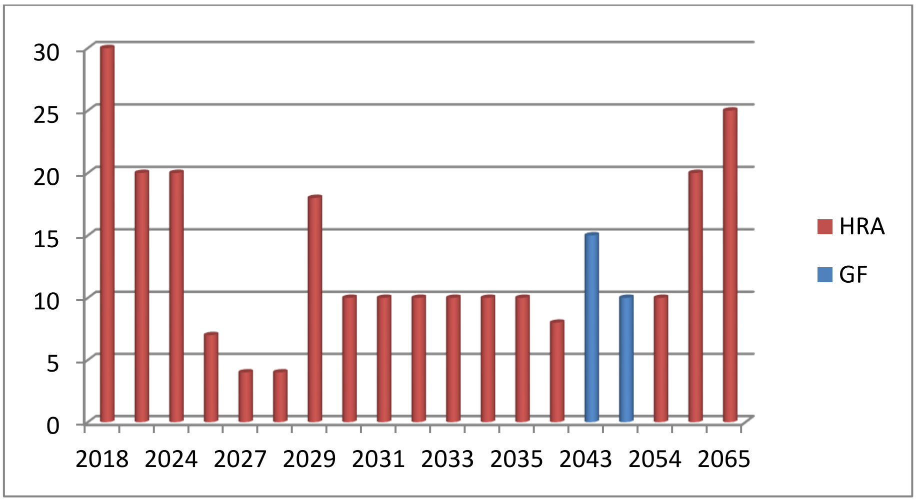
Maturity structure of borrowing (Prudential Indicator 10)

6.10 Managing the profile of when debt matures is essential for ensuring that the Council is not exposed to large fixed rate sums falling due for re-financing within a short period, and thus potentially exposing the Council to additional cost. Table 8 below sets out current upper and lower limits for debt maturity which are unchanged from 2016/17. The chart below shows the principal repayment profile for current council borrowing remains within these limits.

Table 8 Debt maturity profile limits

Actual maturity at 30 Sept 2016 %		upper limit %	lower limit %
0	under 12 months	40	0
12	12 months and within 24 months	35	0
8	24 months and within 5 years	35	0
11	5 years and within 10 years	50	0
69	10 years and above	100	35

Maturity profile of long-term borrowing



6.11 The Council has £70 million of LOBO (Lender Option Borrower Option) debt, none of which matures 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 need to be considered for re-financing.

6.12 In the event that there is a much sharper 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.

Policy on Borrowing in Advance of Need

6.13 The Council has the power to borrow in advance of need in line with its future borrowing requirements under the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended. 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.

6.14 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.

Debt Rescheduling

6.15 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be 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 cost of debt repayment (premiums incurred).

6.16 The reasons for any rescheduling to take place will include:

(i) generating cash savings and / or discounted cash flow savings;
(ii) helping to fulfil the treasury strategy; and
(iii) enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.

6.17 Consideration will also be given to identifying the 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.

6.18 Any rescheduling will be reported to Housing, Finance & Customer Services Policy and Scrutiny Committee, in accordance with the usual monitoring cycle.

7. SECTION 3 - MANAGING CASH BALANCES

Current cash position and cash flow forecast

7.1 Table 9 below shows that cash balances have increased by £282m in the past six months which is mainly due to income such as council tax, business rates and grants received in advance.

Table 9 Cash position at 30 September 2016

As at 31 March 2016 Principal £m	Average Rate %		As at 30 September 2016 Principal £m	Average Rate %
		Investments		
585		Specified	886	
44		Non - specified	25	
629	**0.59**	**Total Investments**	**911**	**0.66**
		Borrowing		
181	4.75	Public Works Loan Board	181	4.75
70	5.08	Market Loans	70	5.08
251	**4.84**	**Total Borrowing**	**251**	**4.84**

7.2 The medium-term cash flow forecast (see below) shows that the Council has a substantial positive cashflow position with an average cash position of more than £600m for the medium-term. The reason for the high cash balance is largely due to business rates and the amount held pending rating appeals.

Table 10 Medium-term cashflow forecast

	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Balance as at 1 April	820	814	769	765	727
Movement in Cash					
Capital Receipt	139	168	127	152	101
Grants & Contributions	145	123	40	57	18
Revenue Financing/MRR	68	42	39	33	30
Cash In	**352**	**333**	**206**	**242**	**149**
Capital Programme	(504)	(517)	(359)	(295)	(259)
Cash Out	**(504)**	**(517)**	**(359)**	**(295)**	**(259)**
Borrowing	146	170	149	30	110
Repayment of debt	0	-30	0	(15)	(5)
Balance 31 March	**814**	**770**	**765**	**727**	**722**
Average Balance	**817**	**792**	**767**	**746**	**725**

7.3 Approved Council policy is to set aside £150m to provide working capital and cover day to day contingencies. Therefore an average of £450m is available to be invested over the longer-term without impacting on the Council's need for liquidity.

Prospects for Investment Returns

7.4 Investment returns on cash-based deposits are likely to remain low during 2017/18 and beyond. Borrowing interest rates have been on a generally downward trend during most of 2016; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of August when a new package of quantitative easing purchasing of gilts was announced.

7.5 Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The Council is therefore committed to investigating and pursuing alternatives to cash-based investments where it is considered prudent to do so.

Council policy on investing and managing risk

7.6 The aim 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 so restrictive that they impair opportunities to reduce costs or improve performance.

Balancing short and longer term investments

7.7 During the first half of 2016/17 investment of surplus funds for more than 364 days totalled £24.9m which was well within the upper limit for such investments of £200m.

Table 11 Investment limits

2015/16 Actual £m		2016/17 Forecast £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
	Upper limit for fixed interest rate exposure						
251	Net borrowing at fixed rate	318	476	664	817	861	970
	Upper limit for variable rate exposure						
0	Net borrowing at variable rate	0	0	0	0	0	0
25	Upper limit for sums invested for more than 364 days	200	450	450	450	450	450

7.8 In view of the limited investment returns currently being experienced on short term cash-based investments and the substantial positive cashflow position over the medium-term (see paragraph 7.2 above), it is suggested that for 2017/18 and future years the Council consider increasing its limit on longer term investments (i.e. non-specified investments) to £450m for the next 5 years.

8. SUMMARY OF PRUDENTIAL INDICATORS (PIs)

8.1 The purpose of prudential indicators (PIs) is to provide a reference point or "dashboard" so that senior officers and Members can:

(i) easily identify whether approved treasury management policies are being applied correctly in practice and

(ii) take corrective action as required.

8.2 As the Council's s151 officer, the City Treasurer has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

8.3 The City Treasurer has confirmed that the PIs set out below are all expected to be complied with in 2016/17 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2017/18.

PI ref	Para ref		2015/16 actual	2016/17 forecast	2017/18 proposed
1	5.2	Capital expenditure	£30m	£67m	£158m
2	5.8	Capital Financing Requirement (CFR)	£471m	£535m	£692m
3	5.9	Net debt vs CFR	£220m underborrowing	£217m underborrowing	£215m underborrowing
4	5.10	Ratio of financing costs to revenue stream	GF 1.37% HRA 35.86%	GF 0.29% HRA 31.25%	GF (0.91%) HRA 32.21%
5	5.12	Incremental impact of new capital investment decisions on council tax	£11.56 decrease in Band D council tax charge per annum	£14.81 decrease in Band D council tax charge per annum	£6.72 decrease in Band D council tax charge per annum
6	5.12	Impact of new capital investment decisions on housing rents	£6.68 increase in average rent per week	£1.19 decrease in average rent per week	£0.76 increase in average rent per week
7a	6.7	Authorised limit for external debt	£471m	£535m	£692m
7b	6.7	Operational debt boundary	£266m	£319m	£464m
7c	6.8	HRA debt limit	£333m	£334m	£334m
8	7.3	Working capital balance	£150m	£150m	£150m
9	7.7	Limit on surplus funds invested for more than 364 days (i.e. non-specified investments)	£25m	£200m	£450m
10	6.10	Maturity structure of borrowing	Upper limit under 12 months - 40% Lower limit 10 years and above - 35%	Upper limit under 12 months - 40% Lower limit 10 years and above - 35%	Upper limit under 12 months - 40% Lower limit 10 years and above - 35%

Appendices

1 Annual Investment Strategy

2 Minimum Revenue Provision (MRP) Policy

3 CIPFA requirements

4 Prospect for Interest Rates

BACKGROUND PAPERS

Treasury Management Strategy Statement 2016/17 (Approved by Council March 2016) and Amendment to Investment Strategy 2016/17 (Approved by Council November 2016)

1. Section 3 Local Government Act 2003

2. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended

3. DCLG Guidance on Minimum Revenue Provision 2012

4. DCLG Guidance on Local Government Investments – March 2010

5. CIPFA Prudential Code for Capital Finance in Local Authorities, 2011

6. CIPFA Treasury Management Code of Practice, 2011

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

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ANNUAL INVESTMENT STRATEGY

1. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the first half of the current year, the Council's average investment balance has been around £882m and the cash flow projections shows this pattern is expected to continue in the forthcoming year. Investments are made with reference to the core balance, future cash flow requirements and the outlook for interest rates.

2. The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Investment Guidance") and the 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.

3. In accordance with the above guidance and to minimise the risk to investments, the Council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which will provide security of investments, enable diversification and minimise risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Investment returns expectations

4. Bank Rate was cut in August 2016 from 0.50% to 0.25%. It is forecast there will be a further cut during 2017 bringing the base rate down to 0.10% and it is not expected to rise back to 0.25% until quarter 2 2019. Bank Rate forecasts for financial year ends (March) are:

   2016/17 0.25%
   2017/18 0.25%
   2018/19 0.25%
   2019/20 0.75%

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows

   2017/18 0.40%
   2018/19 0.60%
   2019/20 1.25%
   2020/21 1.50%
   2021/22 1.50%

Investment time limits

6. 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 2017/18, the proposed limit of investments for over 364 days is £450m as set out in table 11 of the TMSS.

Investment Policy

7. 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. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

8. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness Policy

9. 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:

   (i) 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

   (ii) 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.

10. 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. The Council takes into account the following relevant matters when proposing counterparties:

   (i) the financial position and jurisdiction of the institution;
   (ii) the market pricing of credit default swaps[1] for the institution;
   (iii) any implicit or explicit Government support for the institution;
   (iv) Standard & Poor’s, Moody’s and Fitch’s short and long term credit ratings;
   (v) Sovereign ratings to select counterparties from only the most creditworthy countries; and
   (vi) Core Tier 1 capital ratios[2].

12. 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:

---

[1] 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.

[2] The Tier 1 capital ratio is the ratio of a bank's core equity capital to its total risk-weighted assets (RWA). Risk-weighted assets are the total of all assets held by the bank weighted by credit risk according to a formula determined by the Regulator (usually the country's central bank). Most central banks follow the Basel Committee on Banking Supervision (BCBS) guidelines in setting formulae for asset risk weights. The Core Tier 1 ratios for the four UK banks that WCC uses are: Barclays: 10.2%, HSBC: 11.2%, Lloyds: 12.0% and RBS: 10.8%.

(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.

Specified and Non-specified investments

13. The DCLG Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions 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.

14. A non-specified investment is any investment that does not meet all the conditions above. In addition to the long-term investments listed in the table at the end of Appendix 1, the following non-specified investments that the Council may make include:

(i) **Green Energy Bonds** - Investments in solar farms are a form of Green Energy Bonds that provide a secure enhanced yield. The investments are structured as unrated bonds and secured on the assets and contracts of solar and wind farms. Before proceeding with any such investment, internal and external due diligence will be undertaken in advance of investments covering the financial, planning and legal aspects.

(ii) **Loans** - The Council will allow loans (as a form of investment) to be made to organisations delivering services for the Council where this will lead to the enhancement of services to Westminster Stakeholders. The Council will undertake due diligence checks to confirm the borrower's creditworthiness before any sums are advanced and will obtain appropriate levels of security or third party guarantees for loans advanced. The Council would expect a return commensurate with the type and duration of the loan. A limit of £50 million for this type of investment is proposed with a duration of over the life of the asset and Council's cash flow requirements. The operator of Westminster's leisure centres is seeking to borrow £1.25 million to finance a refurbishment of the leisure centres and this would be the first call on this type of investment opportunity. All loans would need to be in line with the Council's Scheme of Delegation and Key Decision thresholds levels

(iii) **Shareholdings in limited companies and joint ventures** – The Council invests in three forms of company:

- Small scale businesses funded through the Civic Enterprise Fund aimed at promoting economic growth in the area. Individual investments are no more than £0.5m and the aim is for the Fund to be self-financing over the medium-term

- o Trading vehicles which the Council has set up to undertake particular functions. These are not held primarily as investments but to fulfil Council service objectives. For example, CityWest Homes is a company limited by guarantee to run the housing arms-length management organisation. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break-even.

- o Trading vehicles held for a commercial purpose where the Council is obliged to undertake transactions via a company vehicle. These will be wholly owned subsidiaries of the Council with the aim of diversifying the investment portfolio risk.

(iv) **Pooled Property Funds** – These are Investment Vehicles which work in a way similar to Money Market Funds. In both cases the investor can purchase a number of units which are liquid in nature and therefore there is an immediate market available for sales of units purchased. Pooled Property funds can be a specified or unspecified Instrument. Limits for Pooled Property Funds are that only UK Property Funds can be used and the limit is £20m overall, and no more than £5m for any single fund. If investments are for over 364 days then the due diligence requirements in Section 15 must be followed

15. For any such investments, specific proposals will be considered by the Director of Treasury and Pensions, and approved by the s151 Officer after taking into account:

    (i) cash flow requirements

    (ii) investment period

    (iii) expected return

    (iv) the general outlook for short to medium term interest rates

    (v) creditworthiness of the proposed investment counterparty

    (vi) other investment risks.

16. The value of non-specified investments will not exceed their Investment allocation. The Council must now formulate a strategy that allocates it's cash in the most effective manner to short, medium and long term non-specified investments.

Country of Domicile

17. The current TMSS 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 kept under review and any proposed changes to the policy reported to the next meeting

Schedule of investments

18. The criteria for providing a pool of high quality short, medium and long-term, cash-based investment counterparties along with the time and monetary limits for institutions on the Council's counterparty list are in the table overleaf:

All investments listed below must be sterling denominated

Investments	Minimum Credit Rating Required (S&P/Moody's/Fitch)	Maximum Individual Counterparty Investment Limit (£m)	Maximum tenor
DMO Deposits	Government Backed	Unlimited	6 months
UK Government (Gilts/T-Bills/Repos)	Government Backed	Unlimited	Unlimited
Supra-national Banks, European Agencies	LT: AA+/Aa1/AA+	£200m	5 years
Covered Bonds	LT: AA+/Aa1/AA+	£300m	10 years
Network Rail	Government guarantee	Unlimited	Oct 2052
TfL	LT: AA-/Aa3/AA-	£100m	5 years
GLA UK Local Authorities (LA) Local Government Association (LGA)	N/A	GLA : £100M	5 years
		LA : £50m per LA £100m in aggregate	3 years
		LGA : £20m	12 years
Commercial Paper issued by UK and European Corporates	ST: A-1/P-1/F-1	£40m per name, £200m in aggregate	6 months
Money Market Funds (MMF)	LT: AAA/Aaa/AAA By at least two of the main credit agencies	£70m per Fund Manager £300m in aggregate	3 day notice
Enhanced Money Funds (EMF)	LT: AAA/Aaa/AAA By at least one of the main credit agencies	£25m per fund manager, £75m in aggregate	Up to 7 day notice
Pooled Property Funds	Internal and External due diligence	£5m per single fund £20m in aggregate	Up to 5 years
Collateralised Deposits	Collateralised against loan	£60m	50 years
UK Bank (Deposit or Certificates of Deposit)	LT: AA-/Aa3/AA- ST: F1+	£75m	5 years
UK Bank (Deposit or Certificates of Deposit)	LT: A-/A3/A ST: F1	£50m	3 years
Non-UK Bank (Deposit or Certificates of Deposit)	LT: AA-/Aa2/AA- ST: F1+	£50m	5 years
	LT: A/A2/A ST: F1	£35m	3 years
Green Energy Bonds	Internal and External due diligence	Less than 25% of the total project investment or maximum of £20m per bond. £50m in aggregate	10 years
Rated UK Building Societies	LT: A-/A3/A ST: F1	£10m per Building Society, £50m in aggregate	1 year
Loans to organisations delivering services for the Council	Due diligence	£50m in aggregate	Over the life of the asset
Sovereign approved list: Australia, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, UK and USA			

Minimum Revenue Provision (MRP) Policy

1. Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.

2. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2003) 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.

3. The Council is recommended to approve the following MRP Statement:

   (i) 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.

   (ii) 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.

   (iii) 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.

   (iv) A voluntary MRP may be made from either revenue or voluntarily set aside capital receipts.

   (v) 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.

   (vi) 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.

(vii) Charges included in annual PFI or finance leases to write down the balance sheet liability shall be applied as MRP.

(viii) Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

(ix) If property investments are short-term (i.e. no more than 4 years) and for capital appreciation, the Council will not charge MRP as these will be funded by the capital receipt on disposal.

4. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. For the Council this is componentised based on the life of component and the gross replacement cost within the overall existing use value – social housing of the HRA stock.

Appendix 3

CIPFA requirements

The Council has formally adopted CIPFA's Code of Practice on Treasury Management (updated November 2011) and complies with the requirements of the Code as detailed below:

- Maintaining a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities

- Maintaining a statement of Treasury Management Practices that sets out the manner in which the Council will seek to achieve these policies and objectives

- Presenting the Full Council with an annual TMSS statement, including an annual investment strategy and Minimum Revenue Provision policy for the year ahead (this report) a half year review report and an annual report (stewardship report) covering compliance during the previous year

- A statement of delegation for treasury management functions and for the execution and administration of statement treasury management decisions. (see below).

- Delegation of the role of scrutiny of treasury management activities and reports to a specific named body. At Westminster City Council this role is undertaken by the Housing, Finance and Corporate Services Policy and Scrutiny Committee.

Treasury Management Delegations and Responsibilities

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

<u>Council</u>

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

<u>Cabinet</u>

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 and Corporate 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.

Training

The CIPFA code requires the s151 officer to ensure that Members with responsibility for making treasury management decisions and for scrutinising treasury functions to receive adequate training. The training needs of all officers are reviewed periodically as part of the Learning and Development programme. Officers attend various seminars, training sessions and conferences during the year and appropriate Member training is offered as and when needs, and suitable opportunities, are identified.

Prospects for Interest Rates

1. The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Capita Asset Services Interest Rate View													
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.80%	1.90%	1.95%	2.05%	2.20%	2.30%	2.40%	2.60%	2.80%	3.20%	3.30%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%
Capital Economics	2.30%	2.35%	2.45%	2.50%	2.55%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.60%	3.70%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
Capital Economics	2.90%	3.00%	3.05%	3.10%	3.15%	3.25%	3.30%	3.35%	3.45%	3.55%	3.75%	4.15%	4.35%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%
Capital Economics	2.80%	2.85%	2.95%	3.00%	3.05%	3.10%	3.15%	3.20%	3.30%	3.50%	3.70%	4.10%	4.20%

2. The above forecasts indicate the impact that the Brexit vote on 23rd June has had in as much as Bank Rate was consequently cut on 4th August from 0.50% to 0.25% as the Monetary Policy Committee (MPC) took action to stimulate economic growth when business surveys, at that time, were strongly indicating a sharp economic downturn. The MPC also said that it was very likely that they would cut Bank Rate again before the year-end so the above forecast therefore includes a further cut to 0.10% in November 2016. However, economic statistics since August have indicated stronger growth than the MPC expected in August; also, inflation forecasts have risen substantially as a result of the sharp fall in the value of sterling since early August. This increases the possibility that Bank Rate may not be cut again in November, though another cut cannot be ruled out. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects already adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended).

However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

3. Economic forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

4. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.

5. The overall balance of risks to economic recovery in the UK remains to the downside.

6. PWLB rates and gilt yields have been experiencing exceptional levels of volatility that are highly correlated to geo-political, sovereign debt crisis and emerging market developments.

7. Apart from the above uncertainties, downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

   (i) Monetary policy action by central banks reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some major developed economies, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

   (ii) Major national polls:

   - US presidential election 8.11.16;
   - Italian constitutional referendum 4.12.16;
   - Spain has held two inconclusive general elections and is still unable to form a workable government with a coalition holding a majority of seats; if this impasse continues beyond 31 October, a third general election will have to be held – currently tentatively scheduled for 25.12.16

   (iii) Dutch general election 15.3.17;

   (iv) French presidential election April/May 2017;

(v) French National Assembly election June 2017;

(vi) German Federal election August – October 2017.

(vii) A resurgence of the Eurozone sovereign debt crisis.

(viii) Weak capitalisation of some European banks.

(ix) Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.

(x) UK economic growth and increases in inflation are weaker than we currently anticipate.

(xi) Weak growth or recession in the UK's main trading partners - the EU and US.

8. The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

(i) UK inflation rising to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium in gilt yields.

(ii) A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.

(iii) The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.

(iv) A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Economic Background

UK

9. GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme.

10. The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and

business surveys so that it is generally expected that the economy will post positive growth numbers through the second half of 2016 and in 2017, albeit at a slower pace than in the first half of 2016.

11. The Monetary Policy Committee (MPC) meeting on 4th August was dominated by consideration of the initial shock fall in business surveys and the expected sharp slowdown in growth. The result was a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing for banks to use to lend to businesses and individuals. The Bank of England quarterly Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8% and the forecast for 2018 to 1.8%. However, some forecasters think that the Bank has been too pessimistic with its forecasts; since then, later statistics and the sharp recovery in business surveys have provided support for this view. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor, Phillip Hammond, announced, after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23rd November.

12. The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI had already started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 18% fall in the value of sterling on a trade weighted basis, (as at late October), is likely to result in additional upward pressure on CPI. However, this further increase in inflationary pressures will take 2-3 years to gradually work its way through the economy so is unlikely to cause major concern to the MPC unless the increases are stronger than anticipated. The MPC is, therefore, on balance, expected to look thorough this one off upward blip in inflation from the devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures arising from within the UK economy. The Bank of England will most probably have to revise its inflation forecasts significantly higher in its 3rd November quarterly Inflation

Report: this rise in inflation expectations has caused investors in gilts to demand a sharp rise in longer term gilt yields, which have already risen by around fifty basis points since mid-August. It should be noted that 27% of gilts are held by overseas investors who will have seen the value of their gilt investments fall by 18% as a result of the devaluation of sterling, (if their investments had not been currency hedged). In addition, the price of gilts has fallen further due to a reversal of the blip up in gilt prices in early August after further quantitative easing was announced - which initially drove yields down, (i.e. prices up). Another factor that is likely to dampen gilt investor sentiment will be a likely increase in the supply of gilts if the Chancellor slows down the pace of austerity and the pace of reduction in the budget deficit in the Autumn Statement - as he has already promised. However, if there was a more serious escalation of upward pressure on gilt yields, this could prompt the MPC to respond by embarking on even more quantitative easing, (purchases of gilts), to drive gilt yields back down.

USA

13. The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still probably the best positioned of the major world economies to make solid progress towards a balanced combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis.

Eurozone

14. In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its

December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016, (1.7% y/y), but slowed to +0.3%, (+1.6% y/y), in quarter 2. Forward indications are that economic growth in the EU is likely to continue at moderate levels with Germany continuing to outperform other major European economies. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

15. There are also significant political risks within the EZ in as much as Spain has held two general elections since December 2015 and still been unable to form a functioning government holding a majority of seats, while the Netherlands, France and Germany face general elections in 2017. A further cause of major political tension and political conflict, is one of the four core principals of the EU – the free movement of people within the EU, (note – not in just the Eurozone common currency area). In addition, Greece has been a cause of major concern in terms of its slowness in delivering on implementing fundamental reforms required by the EU to reduce its budget deficit in exchange for the allocation of further bailout money.

16. Another area of major concern is that many Italian banks are exposed to substantial amounts of underperforming loans and are undercapitalised. Some German banks are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also ‘too big, and too important to their national economies, to be allowed to fail’.

Asia

17. Economic growth in China has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures which further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

18. Economic growth in Japan is still anaemic, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries

19. There are also concerns around the vulnerability of some emerging countries which are particularly exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. Financial markets could also be vulnerable to risks from major sovereign wealth funds of those countries that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

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APPENDIX D

City of Westminster

Cabinet Report

Meeting:	**Cabinet**
Date:	**20th February 2017**
Classification:	***For general release***
Title:	**Pay Policy 2017- 2018**
Wards Affected:	**n/a**
Financial Summary:	**There are no direct financial implications**
Report of:	**Lee Witham, Director of People Services**

1. Executive Summary

To advise of the publication of the Council's annual Pay Policy for 2017 – 2018. This needs to be approved by Cabinet on 20th February 2017 and by full Council on 1st March 2017, before publication.

2. Recommendations

That Cabinet recommends that the Council adopt the Pay Policy for 2017 - 2018 (see Appendix 1).

3. Reason for decision

3.1 The Council is required to publish its Pay Policy by 31st March every year. It must be approved formally by Cabinet and full Council before publication. The Council is already transparent in its approach to senior pay and publishes detailed information about senior officer pay and Members allowances to meet its duties under the Local Government Transparency Code (2015).

3.2 The Council's Pay Policy meets the statutory requirements of the Localism Act 2011. It brings together all the Council's existing policies on pay, which have been subject to consultation. The Pay Policy must detail Chief Officer's remuneration, increases and additions to pay, bonuses, termination payments and remuneration on recruitment. It must also include information about the relationship between the remuneration of its highest paid officer (The Chief Executive) and the median total salary of all employees (the "pay multiple").

3.3 This report appends the Pay Policy for 2017 – 2018. It should be noted that the Pay Policy will be amended in response to the Government's reforms to public sector exit payments (i.e. to cap exit payments at £95,000 and recover exit payments for employees earning £80,000 plus where they take another public sector role within a 12 month period) which are due to come into effect in early 2017. The Director of People Services will monitor developments and any arising amendments to the Pay Policy will be presented for sign off at the appropriate level.

4. Legal Implications

None

5. Financial Implications

None

If you have any queries about this Report or wish to inspect any of the Background Papers please contact: Lee Witham, Director of People Services lwitham1@westminster.gov.uk, 0207 641 3221

Appendix 1
Westminster City Council
Pay Policy 2017- 2018

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.

The Council's Pay Policy is presented to full Council for approval on 1st March 2017. It brings together the Council's approach to pay and remuneration[1] which was approved by Cabinet on 27 August 2008 and is detailed in various Council policies. It is published on the Council's website. 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 publishes salaries of Chief Officers and senior staff earning over £63,297 (FTE) and above 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 which 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.

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 means that in exceptional circumstances it is difficult to recruit to key posts on the salary for the grade of the post. Where there is a genuine requirement a Market Based Salary Supplement reflecting the difference between WCC salary and market pay rates is paid as a time bound and non - contractual addition to salary.

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

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 (Corporate 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 package[2] 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.

Redundancy payments which exceed £100,000
Employees are contractually entitled to be paid in line with the Council's Redundancy Compensation policy if they are made redundant. If a proposed redundancy payment exceeds more than £100,000 (excluding the capital cost of pension entitlement) and this is higher than the employee's contractual entitlement, the approval of full Council will be sought before an offer is made to the employee.

Chief Officer Remuneration

Chief Executive (Head of Paid Service)
The Chief Executive is paid a spot salary of £205,419 per annum. An additional 18% of this amount is held as deferred salary. This amount is not guaranteed and payment depends on performance. The Chief Executive was awarded a deferred salary payment of £32,541 in May 2016 for the period 1 April 2015 – 31st March 2016. The Chief Executive undertakes the role of Returning Officer. 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 £137,130 - £189,193.

- Deputy Directors / Heads of Services (Corporate Leadership Team which includes some members of the Executive Management Team) are paid at Band 6. The basic salary range for Band 6 is £96,957 - £133,910.

These salary figures include 10% "deferred salary"

Notes
[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
The Council's definition of the lowest paid employee excludes staff based outside London. Employees on Band 1 Step 1 are defined as the Council's lowest paid employees. The full time equivalent annual basic salary of this Step is £18,846 and the full time basic salary at the maximum of Band 1 is £25,185. The Chief Executive's basic salary (as at 1st January 2017) is £205,419 which is 10.89 times the lowest salary.

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 £10.06. 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 pay[3]) as at 31 December 2016 is 6.34 i.e. the Chief Executive, who had the highest total pay as at 31st December 2016 (£237,960) earned 6.34 times more than the Council's median full time equivalent total salary of £37,555.

Notes
[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 2016. Pension contributions are excluded. Total pay for senior management and the Chief Executive also includes deferred salary for the performance year to 31st March 2016, 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.

The Pay Policy for 2017-2018 will be amended in response to the Government's reforms to public sector exit payments (i.e. to cap exit payments at £95,000 and recover exit payments for employees earning £80,000 where they take another public sector role within a 12 month period).

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APPENDIX E

City of Westminster

Committee Report

Decision Maker:	Full Council
Date:	20th February 2017
Classification:	General Release
Title:	Arrangements for the appointment of the Council's external auditors from 2018/19 onwards
Wards Affected:	All
Key Decision:	This will be a key decision for Full Council
Financial Summary:	The financial implications for the Council are considered for each option, although full details of the cost of each option are not yet available
Report of:	Steven Mair, City Treasurer

1. Executive Summary

1.1. This report outlines the options for appointing an external auditor to the Council for the 2018/19 financial year onwards. The current arrangements cover up to and including the 2017/18 audits.

1.2. The Council's current external auditors, Grant Thornton UK LLP, are working under a contract originally let by the Audit Commission. This was novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

1.3. Regulations made under the Local Audit and Accountability Act 2014 allow authorities options for appointing an external auditor from 2018/19 onwards. They can opt-in for their external auditor to be appointed by an "appointing person", as defined in the Local Audit (Appointing Person) Regulations 2015. Alternatively, they can establish an auditor panel and conduct their own procurement exercise solely or in partnership with other authorities. The risks and benefits of the options are detailed in the report.

1.4. In July 2016, PSAA were specified by the Secretary of State as an appointing person. They are an independent, not-for-profit company, limited by guarantee, which was established by the Local Government Association (LGA). PSAA has invited the Council to become an opted in authority in accordance with the Regulations.

1.5. The report concludes that opting-in to the PSAA is the best route for the Council, whilst noting risks that will require mitigation.

2. Recommendations

2.1. That the Committee recommend that Full Council agree to appoint Public Sector Audit Appointments (PSAA) as an "appointing person" to appoint the Council's external auditor from 2018/19 onwards.

3. Reasons for Decision

3.1. The Council is required under the Local Audit and Accountability Act 2014 and Regulations made under the Act to appoint an external auditor to audit the statutory statement of accounts.

4. Background information, including policy context

4.1. The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

4.2. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18. Given this, the position for the Council is that Grant Thornton UK LLP will be the external auditors until the completion of the audit of the 2017/18 accounts.

4.3. The Act also set out the arrangements for the appointment of external auditors after 2017/18, with the opportunity for authorities to make their own decisions about how and by whom their external auditors are appointed.

4.4. There are three options available to the Council in the appointment of an external auditor after 2017/18:

Option 1: The Council can opt-in to a sector led body that will negotiate contracts and make the appointment on behalf of all opted-in Councils.

Option 2: The Council can set up its own independent auditor panel and manage a procurement exercise to appoint its own external auditor.

It should be noted that the members of the panel must be wholly or a majority of independent members as defined by the Act. For this purpose, this would exclude current and formed elected members or officers and their close family and friends. This means that elected members will not have a majority input to assessing bids and appointing and external auditor.

Option 3: The Council can join with other Councils to set up a joint independent auditor panel and participate in a joint procurement exercise to appoint an external auditor to the group.

As above, this will require the establishment of a panel which is wholly or majority independent. Further legal advice would be required on the exact constitution of the panel with regard to the obligations of each authority under the Act.

4.5. The background to Option 1 is that in July 2016, Public Sector Audit Appointments (PSAA) were specified by the Secretary of State as an appointing person (also referred to as a sector led body) under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

4.6. PSAA is an independent, not-for-profit company, limited by guarantee, which was established by the Local Government Association (LGA). It was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State.

4.7. PSAA has invited the Council to become an opted in authority in accordance with the Regulations. The closing date for opting-in is 9 March 2017. If the Council chooses not to opt-in at this time, this route for appointing an external auditor would then be closed to them until 1 April 2018, at which point the PSAA will allow other authorities to opt-in.

4.8. The decision to opt-in commits the Council to having their external auditor appointed to the PSAA for the next five consecutive years – this is referred to as the compulsory appointing period. The PSAA will therefore appoint an external auditor for all opted-in authorities for each of the five consecutive financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate the PSAA's role as the appointing person. The Secretary of State may only do so after first consulting opted-in authorities and the LGA.

4.9. The PSAA have established an advisory panel to support the development of the procurement strategy. This will provide feedback on proposals and maintaining communication with both PSAA and opted-in authorities to ensure the strategy reflects the needs of opted-in authorities within the constraints set out in legislation and in professional requirements.

4.10. In order to ensure high quality audits the PSAA will only contract with firms with a proven track record in undertaking public audit work, and will include obligations around quality in the tender evaluation criteria and contract terms. They will also ensure they maintain appropriate registration, liaising with them and the Financial Reporting Council (FRC) to detect quality concerns at an early stage.

Benefits of opting-in

4.11. Opting-in to this scheme could have several benefits for the Council:

4.11.1. Minimising the use of time and resources in the complexities of setting up an independent auditor panel; managing the procurement exercise and ensuring we achieve the best contractual arrangements to deliver on price and quality; monitoring the independence of the appointed external auditor for the duration of the contract; and managing the contractual relationship for the duration of the appointment.

4.11.2. It is expected that a large scale contract procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition.

4.11.3. Although the Council would not avoid procurement costs by choosing the opt-in route, these would be expected to be lower than an individual smaller scale local procurement exercise, although these are not yet quantified (see paragraph 4.12.3)

4.11.4. Opting-in allows the Council to access economies of scale whilst avoiding the additional legal complexities of entering into a joint arrangement with other authorities, assuming there would be any appetite for such an arrangement with other Councils.

4.11.5. The Council will mitigate the risk of failing to appoint an external auditor in time or not achieving value for money in the appointment process.

4.11.6. During initial exploratory discussions with the PSAA, the Council has received assurance that the relationship with the PSAA will be consultative and that they will work closely with their opted-in authorities to ensure a successful appointment.

4.11.7. Specifically for the Council, the PSAA has agreed to be mindful of the fact that we have relatively recently changed external auditor in 2015/16, and would wish to minimise the disruption and workload increase involved in establishing a new relationship so soon. However this will not be part of the formal process

4.11.8. In addition, our requirement for external auditors willing to work to our closing timetable will form some part of the procurement process, although they have been clear that tenders cannot be evaluated on this basis, as this is not a requirement for all opted-in authorities.

4.11.9. The PSAA scheme is explicit that they will endeavour to appoint the same external auditors to opted-in bodies involved in formal collaboration or joint working initiatives, if we consider that this will enhance efficiency and value for money. It should be noted that the Council does not currently have the same external auditors as our tri-borough partners. Any gains from aligning this arrangement would have to be weighed against the costs of transition.

4.11.10. The scheme is also explicit that they will be flexible about changing the external auditor during the five year period if there is a good reason e.g. to accommodate new joint working arrangements or failure to deliver the required standard of service. This would provide the Council with the opportunity to remove a poorly performing external auditor without have to enter into contract termination processes and a re-tendering exercise.

Risks of opting-in

4.12. Whilst there are clearly benefits to the Council of opting-in, there are also some risks which have to be considered.

4.12.1. Detailed terms and conditions of the opt-in arrangement are not yet available. Whilst the PSAA have put in place assurances around the opted-in authority's ability to provide feedback and replace an external auditor on reasonable grounds, this is still not within the Council's control. Close examination would have to be given to the Terms and Conditions of opting-in to the PSAA and clarifying whether we would be able to opt-out within the five year period in the unlikely event we deem it necessary.

4.12.2. The Council's requirement for our external auditors to support our faster closing timetable will not be explicitly evaluated as part of the quality criteria of the tender, with the attendant risk that we are appointed an external auditor who cannot deliver the service we require. Should this happen the City Treasurer has already advised PSAA that the appointment will be challenged and an alternative auditor from the approved list sought.

4.12.3. The costs at this stage are not fully clarified. The costs of setting up and managing the PSAA will need to be covered by audit fees. Although the PSAA expect their annual operating cost to reduce once the scheme is operational, and have outlined the basic details of their charging mechanism. They intend to pool scheme costs and audited bodies in accordance with a fair scale of fees which have regard to size, complexity and audit risk. This will most likely be evidenced with reference to 2016/17 audit fees, but without fully understanding the costs to be apportioned and the mechanism, we cannot yet have clarity on the costs of opting-in compared against the costs of running our own process.

Benefits of setting up an independent auditor panel for the Council either solely or as a joint arrangement with other authorities (Options 2 and 3)

4.12.4. Setting up an independent auditor panel would allow the Council to take maximum advantage of the new local appointment regime, albeit within of constraints of independence required by statute, and have local input into the decision.

4.12.5. This would also allow the Council to run its own procurement exercise, setting the quality and price criteria, and ensuring the right weight is given to factors that reflect its priorities. This would ensure that factors such as committing to our faster closing timetable are able to be taken into account in the tender evaluation.

4.12.6. The costs associated with establishing an independent auditor panel and running a procurement exercise could potentially be reduced by working in a joint arrangement with other authorities and sharing costs across the partnership. This could potentially also allow for the achievement of economies of scale in the tender prices.

4.12.7. The Council would not be opting-in to sector led arrangement which is only just being established and would be binding for five years.

Risks of setting up an independent auditor panel for the Council either solely or as a joint arrangement with other authorities

4.12.8. The risks of these options are in the main mitigated by the opting-in option.

4.12.9. Setting up an independent auditor panel and running a procurement exercise would have a significant cost to the Council in terms of time and resources. This could potentially be ameliorated by working in partnership, however, setting that up in itself is likely to be a time-consuming and costly exercise, with financial and legal implications to be considered.

4.12.10. The Council could fail to appoint an external auditor within the time required or fail to achieve value for money in the appointment.

4.12.11. The Council would also be committing to a significant workload in terms of monitoring the independence and quality of the external audit service and contractual arrangements.

4.12.12. Should there be contractual or quality issues with the external audit service, the Council would have to manage these on an individual basis whilst having to ensure other arrangements were in place. This is a function that will be managed by PSAA for all opted-in authorities.

5. Financial implications

5.1. If the decision is taken not to opt-in to the sector led body arrangement offered by the PSAA, a significant resource in terms of staff time and cost will be required to establish the auditor panel, conduct the procurement exercise, contract negotiation and monitoring.

5.2. It is not possible at this stage to quantify the additional resource that may be required for audit fees under any new arrangement. However, it is anticipated at this stage that opting-in to the PSAA will provide best value for money through:

- procuring an external auditor at a price which delivers on the economies of scale provided by the PSAA exercise
- spreading the running costs across all opted-in bodies

6. Legal implications

6.1. Schedule 3 of the Local Audit and Accountability Act 2014 states that the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority.

7. Consultation

7.1. No consultation is required for this decision.

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

David Hodgkinson (dhodgkinson@westminster.gov.uk), Assistant City Treasurer (Deputy S151 Officer), *020 7641 8162*

BACKGROUND PAPERS

PSAA Prospectus - Developing the option of a national scheme for local auditor appointments (August 2016)

APPENDIX F

City of Westminster

General Purposes Committee

Date:	**22 February 2017**
Classification:	**For General Release**
Title:	**Members' Allowance Scheme 2017/18**
Report of:	**Head of Committee and Governance Services**
Wards Involved:	**None**
Policy Context:	**Management of the Council**
Financial Summary:	**There are no additional financial impacts arising from the proposals set out in this report**
Report Author and Contact Details:	**Mick Steward** **Tel: 020 7641 3134** **Email: msteward@westminster.gov.uk**

1. Executive Summary

1.1 The Council is required, if it wishes to pay such allowances, to adopt a Members' Allowances Scheme on an annual basis with effect from 1 April each year.

1.2 In drawing up the revised Members' Allowances Scheme regard has been given to the recommendations of the London-wide Independent Remuneration Panel convened by London Councils whose most recent report (2014) is listed with the relevant statutory guidance as background documents. These are available upon request.

1.3 The Members' Allowances base budget has remained unchanged since 2010. During this period no increase for inflation has been made. There are no changes to the Basic or Special Responsibility Allowances except a minor one which has no impact on the base budget.

2. Recommendation

2.1 That the Council be recommended to approve the Members' Allowances Scheme attached as Appendix A for 2017/18 with effect from 1 April 2017.

3. Background

3.1 There is a requirement for local authorities if they wish to adopt a Members' Allowance Scheme on an annual basis, with effect from 1 April each year. Schemes can be amended at any time.

3.2 When considering a new scheme, or amending an existing scheme, local authorities must have regard to the report of the London Councils' Independent Panel on the Remuneration of Councillors and relevant guidance from the Secretary of State. The Committee and the Council gave consideration to both of these when agreeing previous schemes and these documents are available as background papers to this report. The Council's overall budget for Members Allowances remains towards the bottom of all London Boroughs.

Members' Allowances

3.3 The current Members' Allowances Scheme was adopted by the Council on 2 March 2016. The Scheme for the 2017/18 municipal year requires the approval of the full Council, upon recommendation from the General Purposes Committee. As in previous years regard has been given to the findings and recommendations detailed in the Panel's most recent report published in 2014.

3.4 The Chief Whip of the Majority Party has, as in previous years, been consulted on the proposals, which have also been shared with the Chief Whip of the Minority Party. Any comments will be reported at the meeting.

Basic Allowance

3.5 It is proposed to retain the level of Basic Allowance payable to all Members at the same level, i.e £9,000 per annum.

Special Responsibility Allowance (SRA)

3.6 Significant adjustments were made to the scheme in 2010 which intended, within the constraints of the existing budget provision, to ensure the scheme rewarded more fully the duties and tasks undertaken by Members. The changes to the Scheme proposed in this report continue the trend commenced previously to visit the SRAs to tasks undertaken in particular day time duties.

3.7 The Scheme continues to reflect and reward the levels of duties undertaken by Members in formal posts, including those bodies which have a particularly frequent schedule of meetings.

3.8 In January the Council appointed a Planning and City Development Committee which at the time did not attract for the Chairman a Special Responsibility Allowance. As the Committee is similar to the Licensing Committee it is proposed to match that arrangement.

3.9 Provision for a SRA to be payable to the Vice-Chairman of the Adult and Performance Committee has been removed.

ICT Allowance

3.10 As part of the Members Allowances Scheme approved at the time of the City Council elections in 2006, provision for the payment of a one off allowance of £1,000 upon election was made to allow for the purchase of ICT equipment. This was paid in 2010 and again in 2014. This is next due in 2018. The Chief Information Officer confirmed in 2014 that the value of the IT allowance continued to be acceptable given that the cost of IT commodity computing kit has been stable or reducing over recent years. This will be reviewed in time for next year's report.

Travel and Subsistence Allowance

3.11 The Council's scheme continues to be more restrictive than the Panel's recommendations and only allows for travel claims for approved duties outside of the Greater London area (travel to other London Boroughs is not reclaimable). No change to this part of the scheme is proposed. Reference is included in the scheme to the availability of all zone permits for Members, for use when undertaking official duties.

4. Legal Implications

4.1 There is a requirement that councils must make any scheme for the following year to commence on 1 April. Schemes can be amended at any time but new schemes can be introduced only from the start of each year commencing on 1 April. The approval of the full Council is necessary to any amendments to existing schemes or the adoption of new schemes.

4.2 Regulations relating to Members' Allowances require the publication of the report of the Independent Remuneration Panel, the scheme of allowances and details of the total sums paid to each Member under each category of allowance in each year. The statutory guidance on the publicity requirements suggests that details of allowances paid are made available on the Council's website together with information on the responsibilities of elected Members and the duties and time commitment which the basic allowance is intended to remunerate. This has previously been agreed by this Committee.

5. Financial Implications

5.1 The Members' Allowances budget for 2017/18 is £930k which excludes the provision for the employer National Insurance. The provision for National Insurance is £96k. Both budgets remain unchanged from the last financial year and are deemed to be sufficient to meet all the financial commitments.

6.1 Consultation

The Chief Whip of the Minority Party has been consulted. Any comments received will be reported at the meeting.

If you have any questions about this report, or wish to inspect one of the background papers, please contact Mick Steward:
Email: msteward@westminster.gov.uk

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1972
BACKGROUND PAPERS

The documents referred to in compiling this report are as follows:

- Report of the Independent Remuneration Panel 2014
- Guidance Issued by Secretary of State
- Report of the General Purposes Committee – 25 February 2016

APPENDIX A

MEMBERS' ALLOWANCES SCHEME FROM 1 APRIL 2017 TO 31 MARCH 2018

1. This Scheme is made under, and in accordance with, the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003.

2. The rates of allowances specified will apply until the Scheme is amended or replaced, in which event the revised rates of allowances will be paid from the date from which the amendment takes effect.

3. Subject to the relevant form being completed at the appropriate time, entitlement to allowances under the Scheme commences on the date upon which a Member is elected to the Council or is elected or appointed to an office qualifying for special responsibility. The entitlement ceases on the date upon which a Member ceases to hold a qualifying office or ceases to be a Member of the Council (the fourth day after polling day in the year of City Council elections, i.e. the Monday). An apportionment of the relevant allowances will be made in the same proportion as the number of days that the Member held Office or was a Member, bears to the number of days in the relevant year.

4. Any Member may by notice in writing to the Head of Committee and Governance Services elect to forego for any period any part of an entitlement to an allowance under the Scheme which will take effect from the date upon which the notice is received by the Head of Committee and Governance Services.

5. Allowances will be paid by equal monthly instalments on the 20th day of each month. A £1,000 lump sum Basic Allowance for Members to purchase ICT equipment will be paid to any Member elected at a by-election. No ICT allowance shall be payable unless the confirmation is received that computer hardware and an email address for Council use is available. This allowance will not be paid if a Member received this allowance upon having been elected at a by-election in the previous 12 months.

6. Except where so authorised by the Head of Committee and Governance Services any claim for travel and subsistence allowances must be made within two months of the date of the duty to which the claim relates.

Basic Allowance

7. A Basic Allowance of £9,000 pa from 1 April 2017 will be paid to every Member of the Council who formally elects to receive it.

Special Responsibility Allowance

8. Payments of Special Responsibility Allowances will be made to Members of the Council who hold special offices unless they formally elect not to receive them. Attached as Annex A is a list of the Special Responsibility Allowances payable from 1 April 2017.

Conferences

9. Councillors are entitled to have their Conference fees met when approved by the appropriate Cabinet Member, Committee or the Head of Members Services in consultation with the relevant party Chief Whip and to receive payments at the approved rates for travel and subsistence in respect of their attendance at conferences held outside the City to discuss matters relevant to the discharge of the Council’s functions.

Travel Expenses

10. Members and Co-opted Members are entitled to claim payment of Travel Allowances at the rates of allowance set out in Annex B where expenditure has necessarily been incurred to enable them to attend an approved duty, defined as set out in Annex C, but only when travelling outside the Greater London area. Members of Education Admissions and Exclusions Appeal Panels are entitled to claim travel allowances for attendance at meetings relating to their membership at the rates set out in Annex B.

    Members of the Council shall be entitled to a City Council all zones official parking permit for use when undertaking official council duties and otherwise used in accordance with the rules relating to their use.

Subsistence

11. Subsistence may be claimed only for accommodation or meals at conferences (approved in accordance with paragraph (i) of Annex C) where such costs are not included in the conference fee, subject to the maximum allowance referred to in Annex B.

Payments whilst under Suspension

12. Payments of allowances, basic and special responsibility, shall not be paid to a Member who is suspended or if partially suspended that element of special responsibility allowance which may be payable in respect of an office held by the Member to which the partial suspension relates.

Publication

13. This scheme will be published as required by legislation. At the end of each financial year the City Council is required by legislation to publish the sums paid to councillors under the Scheme.

ANNEX A

MEMBERS ALLOWANCE SCHEME – SPECIAL RESPONSIBILITY ALLOWANCES WITH EFFECT FROM 1 APRIL 2017

Office Holders	Allowances (from 1.4.17) Proposed	Total Cost (from 1.4.17)
Leader/Deputy Leader	£	£
Leader of the Council (Chairman of the Cabinet)	35,000	35,000
Deputy Leader of the Council (Vice Chairman of the Cabinet)	17,500	17,500
Cabinet Members		
Each Cabinet Member (excluding the Leader and the Deputy Leader) (x8)	10,000	80,000
Opposition Leader/Whips		
Leader of the Opposition	8,000	8,000
Chief Whip (Majority)	5,000	5,000
Chief Whip (Minority)	4,000	4,000
Minority Party Deputy Leader	4,000	4,000
Policy and Scrutiny Committees		
Each Scrutiny Committee Chairman (x4)	8,000	32,000
Minority Party Scrutiny Spokesperson	4,000	4,000
Other Committee/Sub-Committee Chairmen		
Audit and Performance	8,000	8,000
Standards	3,000	3,000
Planning Applications Committees (x3)	4,000	12,000
Licensing Sub-Committees (x4)	4,000	16,000
Pension Fund Committee	3,000	3,000
*Licensing Committee	8,000	8,000
+Planning and City Development Committee	8,000	8,000

* (If this Chairman is also appointed as a Chairman of a Licensing Sub-Committee they will only receive the allowance payable to the Licensing Committee Chairman)

\+ (If this Chairman is also appointed as a Chairman of a Planning Applications Committee they will only receive the allowance payable to the Planning and City Development Committee Chairman)

Deputy Cabinet Members

Each Deputy Cabinet Member appointed to support a Cabinet Member (x16)	3,000	48,000

Other Panels

Chairman of Rating Advisory Panel	3,000	3,000
Chairman of Discretionary Housing Benefits Panel	3,000	3,000
Panel Members of the Discretionary Housing and Benefits Review Panel and the Rating Panel (x8)	2,000	16,000
Council Members of CityWest Homes Board (x4)	2,000	8,000
Members of Pension Fund Committee except Chairman (x3)	2,000	6,000

Panel Members of the Licensing Sub-Committees, Members of the Planning Applications Committees rate of £2,000 (x24 - £48,000), including one additional reserve Panel Member for the Planning Applications Committee one to be nominated by the Majority Party Chief Whip and one by the Minority Party Chief Whip. This separate SRA is not payable to the Chairmen of these bodies.

Panel Member of the Adoption and Fostering Panel	3,000	3,000

NOTE REGARDING SPECIAL RESPONSIBILITY ALLOWANCES PAYABLE IN RESPECT OF THE INDEPENDENT PERSON APPOINTED UNDER SECTION 28 OF THE LOCALISM ACT 2011 AND CO-OPTED MEMBERS ON OTHER COMMITTEES

The Independent Persons shall be paid a Special Responsibility Allowance of £500 pa each.

The co-opted Members of the Children and Community Services Policy and Scrutiny Committee shall be paid upon election and completion of the necessary acceptance of office a sum of £300 to cover their out of pocket expenses for the period of their office.

ANNEX B

TRAVEL AND SUBSISTENCE ALLOWANCES: (OUTSIDE THE GREATER LONDON AREA)

(A) TRAVEL

(a) Travel by own private vehicle

Motor Mileage Allowance	**Pence Per Mile**
Motorcycles:	
Up to 150cc	8.5
151-500cc	12.3
Over 500cc	16.5

Cars & Tri cars:

500cc-999cc	35.8
1000-1199cc	39.9
Over 1199cc	49.4

(b) **Travel by Public Transport**

The ordinary fare or any reasonably available cheap fare actually paid.

(c) **Travel by Taxi**

Members are not permitted to claim for travel by taxi except as part of onward or return travel to or from a conference held outside the Greater London area where a claim for other travel expenses has or could be made.

The Head of Committee and Governance Services shall be authorised to reimburse claims for taxi fares, on an exceptional basis, for example on medical advice, to and from approved duties. Such authority to be obtained in advance, if possible.

(d) **Travel by Rail and Air**

(i) The ordinary fare or any available cheap fare actually paid.

(ii) Actual expenditure incurred on:
Reservation of seats
Sleeping accommodation for an overnight journey
Deposit on porterage of baggage

(iii) Travel by Air shall only be allowed when included as part of the formal approval of the attendance at a conference or overseas visit. In the case of overseas visits the cost to be met from the budget of the relevant service.

(e) **Additional Travel Expenses**

The rates specified above may be increased by not more than the amount of any expenditure incurred on tolls, ferries, parking fees or cost of overnight garaging of a motor vehicle, except that reimbursement of the Central London Congestion Charge shall not be permitted.

(B) SUBSISTENCE

Subsistence claims for the reasonable costs of overnight accommodation or meals not included in the Conference fee can only be claimed, up to a maximum of £180 per day, upon production of relevant receipts.

(C) RECEIPTS

Claims for reimbursement of expenditure by main line rail, air or any other additional expenses, or subsistence, must be accompanied by a receipt.

Note: All Members shall be entitled to apply to the Head of Members' Services for the use of an all zones parking permit for their use whilst on Official Council business only such permit only to be used in accordance with the guidance notes for use issued with the permits.

ANNEX C

LIST OF APPROVED DUTIES FOR TRAVEL AND SUBSISTENCE ALLOWANCE:

The following are the categories of duties which qualify for payment of travel and subsistence allowance, where such expenditure has been incurred (although separate payments will only be reimbursed for travel outside the Greater London area):

(a) Meetings of the Council, the Cabinet, their Committees, Sub-Committees, Panels and meetings of the Westminster Scrutiny Commission and the Policy and Scrutiny Committees and Task Groups of which the Councillor is a member or at which a Councillor who is not a member of that body attends to address the meeting with the prior permission (where such permission is required under Standing Orders) of the Chairman.

(b) Attendance as the Council's representative at a meeting of any joint authority or Committee of local authorities or of any Committee or Sub-Committee of the body of which the Council is a constituent member.

(c) Attendance as the Council's representative at meetings of any association of authorities or Committee or Sub-Committee of the association of which the Councillor is a member.

(d) Attendance at duties which qualify for attendance allowance as single member duties as specified in the Regulations, currently:

Meetings to determine the attendance of individual pupils at any out of borough special schools.

Rota and other visits to inspect establishments outside of the borough on behalf of the Cabinet Member for Children and Young People and Adults and Public Health.

(e) Attendance at any other meeting convened by the Council, the Cabinet, a Committee or Sub-Committee to discuss matters relevant to the discharge of the Council's functions and to which Members of more than one Party Group have been invited.

(f) Attendance at any meeting, which is an induction training session, seminar, presentation, or briefing arranged by Chief Officers of the City Council for all Members of a Committee, Sub-Committee or Panel to discuss matters relevant to the discharge of the Council's functions and to which Members of more than one Party Group have been invited.

(g) Attendance as the Council's representative in connection with the discharge of the Council's functions at meetings of outside bodies (excluding local authority maintained schools), their Committees and Sub-Committees. The Head of Committee and Governance Services maintains a list of such representatives and has delegated powers to add and remove bodies to this category to reflect formal appointments made by the City Council.

(h) Attendance at visits and inspection of sites and premises arranged by officers or approved by Cabinet/Committee (eg opening of new facilities).

(i) Attendance approved by the appropriate Committee or by the Head Member Services, in accordance with his delegation at conferences convened by other authorities and organisations to discuss matters relevant to the discharge of the Council's functions.

(j) Attendance by the Leader of the Council, Cabinet Members, Deputy Cabinet Members, Leader of the Opposition, and Chief Whips on matters concerning the discharge of the Council's functions.

(k) Attendance by Cabinet Members, Chairmen and Vice-Chairmen of Committees and Sub-Committees concerning the discharge of functions relevant to the work of their portfolio or their Committees or Sub-Committees, including Chairman's Call-over meetings and site visits.

(l) Attendance before Parliamentary Committees, official bodies and inquiries to give evidence or make representations on the council's behalf.

(m) Attendance as the Council's appointee or nominee at any meeting. (This excludes party group meetings but includes single member duties where one member has been appointed, appearing as a Council witness at a Planning Inquiry or court proceedings or member-level working groups appointed by a Committee and representation on any outside body which is not eligible for attendance allowance).

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