



City of Westminster

Cabinet Agenda

Title: **Cabinet**

Meeting Date: **Monday 6th June, 2016**

Time: **7.00 pm**

Venue: **Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP**

Members: **Councillors:**

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

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

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



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

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

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

AGENDA

PART 1 (IN PUBLIC)

1. WELCOME

2. DECLARATIONS OF INTEREST

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

3. MINUTES (25 MAY 2016) (TO FOLLOW)

To approve the minutes of the meeting held on 25 May 2016.

4. 2015-2016 ANNUAL ACCOUNTS (REPORT OF THE CITY TREASURER)

(Pages 1 - 28)

5. TREASURY OUTTURN REPORT (REPORT OF THE CITY TREASURER)

(Pages 29 - 42)

6. CRIME AND DISORDER CCTV (REPORT OF EXECUTIVE DIRECTOR OF CITY MANAGEMENT AND COMMUNITIES)

(Pages 43 - 54)

7. BOND STREET PUBLIC REALM IMPROVEMENT SCHEME (TO FOLLOW)

**Charlie Parker
Chief Executive
27 May 2016**



City of Westminster

Cabinet

Date:	Monday 6th June 2016
Classification:	General Release
Title:	2015/16 Annual Accounts
Report of:	City Treasurer
Cabinet Member Portfolio	Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	The efficient and effective management of the Council's financial affairs
Report Author and Contact Details:	Steven Mair – City Treasurer smair@westminster.gov.uk

1. Executive Summary

1.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. Regulations state that the Council should submit its accounts for audit by 30 June 2016 and that a committee should approve the final, audited 2015-16 Statements for both the Council and the Pension Fund by 30th September 2016. In accordance with the Council's considerably enhanced closure programme (quality and pace) these accounts:

- were submitted to Grant Thornton for external audit on the 9th April 2016. Thus the Council has achieved in 9 days what most local government bodies take 3 months to complete
- are the earliest public sector accounts ever issued
- have exceeded the performance of 94% of the FTSE 100, including the 9 largest companies
- were reported to the Audit and Performance Committee on the 12th May, four and half months before the statutory deadline

- 1.2 This builds on the performance for 2014/15 when the Council submitted its accounts on the 16th April 2015, published its accounts earlier than any other local government body on the 18th May 2015, were the earliest local government body accounts for 70 years and exceeded the performance of 83% of the FTSE 100.
- 1.3 Other key items to note are:
- the revenue outturn shows an underspend of £5.54m against budget.
 - the capital programme original budget including 2014/15 slippage of £13.86m was £188.3m. This was re-profiled to £94.697m after adjustments and virements with the forecast outturn reported as £75.46m as at Period 10. As at year end the outturn position is reported as £69.432m which represents an underspend against original gross budget of £118.87m (63%).
 - the original HRA capital budget for 2015-16 was £93.4m including slippage from 2014/15 of £3.6m. At period 10 the forecast outturn reported as £49.6m. The actual outturn position was £54.7m, which represents an underspend against original gross budget of £38.7m (41%).
 - the overall Council capital programme position was therefore an original budget of £281.7m, a re-profiled budget of £188.097m after adjustments and virements with the forecast outturn reported as £125.06m as at Period 10. As at year end the outturn position is reported as £124.132m which represents an underspend against original gross budget of £157.568m (56%).
 - the balance sheet strengthened during the financial year with overall net assets increasing from £1,777m in 2014/15 to £1,898m as at 31 March 2016. As a consequence of the improved financial position for the year the Council was able to increase its General Fund Reserves by £5.54m to a closing balance of £41.58m to provide the Council with on-going financial resilience in an increasingly austere economic climate over the medium-term.
 - this year's closedown process has been challenging given the need to bed down the new Agresso system which went live 1 April 2015 as part of the Managed Services Programme. However, despite these challenges there have been a range of improvements in the accounts and accounting year on year covering back office processes and systems (e.g. a refreshed "cloud based" asset register) and improved presentation, accuracy, better inclusion of information and improved accounting.
- 1.4 There is a technical change related to the publication of local authority accounts effective from this year whereby the accounts are subject to new arrangements for the exercise of electors' rights, which take effect from the 2015-16 financial statements. One of the most significant changes is that the auditor is no longer required to 'call the audit' and specify a date upon which

electors can meet with the auditor and ask questions about the accounts. In addition, the period for the exercise of electors' rights is set at 30 working days, and for 2015-16 must include the first 10 working days of July.

- 1.5 The Council's meeting to consider and approve the accounts must take place after the period for the exercise of electors' rights has ended. In practice this means therefore that the inspection period this year cannot end before 14 July 2016. This means that no authority is able to formally approve and publish their accounts before 14 July 2016 with the Inspection period starting on 3rd June 2016. To comply with this a special Audit and Performance Committee has been called at the end of the Council's inspection period

2. Recommendation

- 2.1 That the report be noted and referred to Full Council for information.

2. Background

- 2.1 The Council prepared its final accounts for 2015/16 and submitted them to the Council's external auditors, Grant Thornton, for audit on 9th April 2015. This is a full 12 weeks in advance of the statutory requirement of the 30 June.
- 2.2 The Council has very significantly improved the quality and the timeliness of its accounts. This has been achieved through the financial transformation programme that was put in place for 2014/15 and which has continued into 2015/16 and which will continue going forward.
- 2.3 The accounts are shown as the Appendix 1 and contain full detail of the Authority's finances for the year.
- 2.4 The Council's external auditors (Grant Thornton) presented their audit findings to Audit and Performance committee on 12th May. A summary of their findings is as follows:
 - The Council prepared a good quality set of de-cluttered accounts for audit by 9th April 2016
 - The supporting working papers were of a high quality
 - Grant Thornton anticipate providing a unqualified opinion on 14th July 2016
 - In all significant respects the Council was deemed to have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 2.5 As part of their audit testing Grant Thornton commented positively on the Council's efforts in proactively managing the go-live of MSP during 2015/16. There were no adjusted misstatements and no unadjusted misstatements reported as part of the audit findings. A small number (four) of misclassifications were identified which were amended, these did not impact on the outturn of the Council, or any of the Core statements and were presentational in nature. The positive report received by external audit is

alongside the performance of the Council in producing the earliest ever local government accounts in just 9 days. The findings of the audit report evidence the fact that this has been done whilst also noting the improved quality of the accounts themselves.

3 Timetable

3.1 The Authority has continued accelerating the timeliness of its closedown process and simultaneously targeting improving the quality of its final accounts preparation.

3.2 In recent prior years the date that the Authority has submitted its accounts for audit has been as follows:

- 2012/13 30th June 2013
- 2013/14 19th May 2014
- 2014/15 16th April 2015
- 2015/16 9th April 2016

4 Financial Management Quality Transformation

4.1 The Council's accounts represent one outcome from the financial management transformation work that is continuing. This will underpin the work of the Council as well as ensuring compliance with statutory requirements, budget management and excellent financial practice.

4.2 In support of this approach a series of further improvements have been brought about:

- lessons learned from 2014/15 were identified and implemented in this year's timetable which was rolled out for period 5 as a partial hard closedown and then monitored and updated throughout the year. This enabled us to identify new requirements such as the implementation of IFRS13 'Fair Value measurement' early and establish a strategy for its successful implementation.
- the Core Statements and a number of notes can now be generated automatically from the Trial Balance. This reduction in the production time means more attention can be spent interrogating and reviewing the figures which underpin the statements.
- an enhanced Quality Assurance process which ensured all working papers were produced in a standardised way to enable consistency and accuracy through a centralised QA team.
- a number of training courses on technical issues were run throughout the year as well as more informal sessions. These covered areas including technical accounting issues, working paper production and Agresso training.

- the asset register was moved onto a cloud based platform significantly improving performance. This enabled a reduction the time required in uploading year end information significantly contributing towards the faster close.
- 4.3 Using project management disciplines the Council has developed a highly detailed action plan, defined roles and responsibilities, a communication and stakeholder management plan, risk management and progress reporting.
- 4.4 There have been a series of improvements in the 2015/16 accounts themselves. Some examples of matters improved during 2015/16 which in previous years had not been dealt with to the same standard are noted below:
- “de-cluttering” of the accounts, removing those items which are of a non-material nature or do not help to clarify for users of the document.
 - the order of the notes has been amended to help improve the flow of the document. Notes are now ordered based on which Core statement they relate to in order to aid the reader of the accounts.
 - a full review of service concessions and similar contracts has taken place to reclassify reference to PFI schemes.
 - inclusion of a “Narrative Report”, replacing the Explanatory Forward.
 - more detailed disclosure of material items of income and expenditure
 - improved formatting of draft accounts, so there is minimal difference between the version first presented to audit and that posted online as the final design version.
- 4.5 Work to drive forward quality further in 2016/17 will be further prioritised

5 Benefits of the Early Closure of Accounts

- 5.1 The early closure of accounts continues to brings with it the following benefits:
- the ability to provide earlier assurance and information to stakeholders providing much more timely information than has been the case in the past
 - the early closure of accounts is a significant driver of efficiency and therefore in the value the finance service can bring. In terms of efficiency the team is freed up to focus on the budget and medium term planning much earlier than would otherwise be the case, particularly important in the current very challenging financial circumstances
 - it will allow the whole of finance to turn its attention to in year issues and the benefits this will bring almost immediately after accounts finalisation rather than later in the financial year

- likewise the service will be able to direct its resources to planned improvements in capital modelling and monitoring, an area previously identified as worthy of increased attention
- embedded and refined project management skills. The closure of accounts is a significant project involving third parties, officers around the Council and the auditors. Project management will continue to improve for 2016/17
- staff experience, motivation and career development is enhanced. It is also the case that the reputation of Westminster Council finance will be improved by these significant developments.
- the early programme builds in capacity to address emerging issues in a timely manner should they arise.
- it sets a standard of quality, aspiration and timeliness which is then applied to other financial work.

6 Revenue Outturn – By EMT Member

- 6.1 As shown in Table 1 below, the full year outturn for the Council amounted to an under spend of £5.540m against the net service area budget of £196.306m. This is primarily due to City Management and Communities delivering a favourable variance of £4.671m combined with surpluses in the Chief of Staff (£0.189m), Adult Services (£0.199m) and other smaller net favourable variances across the other directorates.
- 6.2 In respect of key savings initiatives, the directorates were able to deliver against the targets or mitigate any shortfalls in savings which did not deliver in full, thereby delivering the surplus against budget of £5.540m. A review will be undertaken to verify whether the mitigating actions were on an on-going or one-off basis and hence whether there will be any risk for the 2016/17 outturn.
- 6.3 Risks and opportunities as reported at P10 were either mitigated or did not materialise by year end. Reporting on these recommence with 2016/17 monitoring, when the potential of these impacting the next financial year's outturn will be assessed.

Table 1 – Period 12 Actual Outturn by EMT Member

SERVICE AREAS - EMT Structure	Budget	Actual Outturn	Variance to Budget
	£000	£000	£000
Chief of Staff	2,721	2,532	(189)
City Treasurer	6,277	6,266	(11)
Director of Policy, Performance and Communications	9,008	8,991	(17)
Executive Director of Adult Services	64,030	63,831	(199)
Executive Director of Childrens Services	41,043	40,914	(129)
Executive Director of City Management and Communities	21,972	17,301	(4,671)
Executive Director of Corporate Services	19,260	19,095	(165)
Executive Director of Growth, Planning and Housing	31,995	31,836	(159)
SERVICE AREA TOTAL	196,306	190,766	(5,540)
Council Tax	46,043	46,043	-
Business Rates Net of Tariff	80,224	80,224	-
Revenue Support Grant	70,039	70,039	-
Corporate Financing	196,306	196,306	-
Net (Surplus) / Deficit	-	(5,540)	(5,540)

The position set out overleaf is comprised of the following:

Chief of Staff (Siobhan Coldwell)

- 6.4 The year-end position for the Chief of Staff's directorate was an under spend of £0.189m against the annual budget of £2.721m. The key drivers for the under spend were the Members Service (£0.158m), mainly relating to allowances; reduced pay spend (£0.095m), of which £0.061m was due Complaints and Customer service not recruiting to vacant posts; and under spends on other overheads (£0.052m). This was offset by an over spend on the Coroner's Service (£0.116m), of which £0.074m related to funeral expenses.

City Treasurer (Steve Mair)

- 6.5 The year-end position for the City Treasurer directorate was an under spend of £0.011m against a budget of £6.277m. The under spend comprises improved net interest earnings on loans and investments which delivered a

favourable impact on net financing costs offset by technical adjustments required in the financial statements.

- 6.6 WCC business rates income has been significantly lower than CLG assumed baseline funding levels since the start of localised rates. (Lower by £57m in 2013/14 and £66m in 2014/15). It was a further £65m lower in 2015/16. The Council is however protected against a loss in excess of £6m loss by the safety net and thus the Council's budget was balanced in this regard. It is likely that a safety net payment will also be required next year. The 2017 Revaluation has the potential to create further similar problems in future years

Policy, Performance and Communications (Julia Corkey)

- 6.7 The final position was an under spend of £0.017m which was effectively in line with the forecasted position reported as at P10. The key drivers of the underspend were: employee costs lower than budget £0.686m; additional income of £0.417m, mainly relating to air quality grant income (£0.160m), funding of the business intelligence project (£0.121m) and over achievement on City Promotion, Events and Filming (£0.092m). However, non-pay expenditure was over spent mainly due to £0.544m on contracts, £0.524m against payments to service providers under Cross River Partnership, and £0.275m on other non-pay lines.

Adult Services (Liz Bruce)

- 6.8 The outturn position for Adult Services as at 31st March 2016 is an under spend of £0.199m. The position projected at P10 was a balanced budget and the main reasons for the variance are direct payment claw-backs of care payments received in March and general movements in placement packages. This was the result of a review of circumstances and needs of customers who were found to have a lower level of need and therefore were in receipt of excess funds which were to be returned to the Council. All in year budget pressures were contained within existing resources and the outturn includes the achievement of the £6m savings target for 2015/16.
- 6.9 The anticipated risk in the Homecare forecast of £0.1m at P10 did not materialise as it was mitigated by a slower than expected transfer of packages to new contracts.
- 6.10 There will continue to be on-going pressures on ASC budgets and a forecast growth in demand 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. In addition there is pressure from a reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide along with an increase in Homecare costs. Internal reviews of all areas of expenditure are on-going in order to mitigate pressure from care placements. Using ONS & GLA data, demographic pressures have been estimated as being approximately 1.7% of total placement budgets each

year for the next 10 years at approximately £1.1m to £1.2m p.a. and this is being closely monitored for financial planning.

- 6.11 On the 4th June 2015 it was announced by the Treasury that Non-NHS Health budgets are to be cut in-year by £200m (6.2%) across England. WCC's current share of the total Public Health funding for 2015/16 is £33.477m. For WCC this equated to a cut of £2.076m which was met from contract underspends and unexpected underspends in Public Health Investment Fund approved projects. In the Spending Review the Chancellor advised that there would be further savings in the Public Health grant - an average real terms saving of 3.9% each year to 2020/21.

Children's Services (Andrew Christie)

- 6.12 Overall the Children's Services directorate has reported an outturn underspend of £0.129m. This is an improvement on the breakeven projection at P10.
- 6.13 The Commissioning service was underspent by £0.042m as it delivered early MTP savings on Early Years, Legal & Family Partnership budgets, which offset overspends on Assessment and Contact services, plus staffing and transitional costs associated with the delayed implementation of the restructure to the service.
- 6.14 Family Services had an adverse outturn of £1.136m mainly arising from significant demand-led pressures relating to external private and residential placement costs brought about through Government strategy and/or legislative changes. Although placement expenditure has decreased by the MTP target, it still remains a significant cost pressure to the service overall. There were also in-year cuts in Government grant funding for the Youth Offending Service and also the late delivery of MTP savings relating to Play and Children's Centres.
- 6.15 There were also overspends within the Schools Commissioning and Education service of £0.364m mainly due to overspends on the SEN passenger transport contract as the number of high needs, high cost service users have been higher than anticipated. There were also pressures as a result of additional expenditure required to support service stability through the conversion of SEN Statements into the new Education, Health and Care Plan (EHCP) format. These overspends were partially mitigated by underspends within school standards as a result of increased income.
- 6.16 The Safeguarding and Quality Assurance service had a small overspend a result of additional agency expenditure to cover short term vacancies (£0.052m).
- 6.17 The Finance and Resources service had a favourable outturn of £1.580m as it has delivered underspends from Social Care Legal, Transport and Building Schools Future budgets.

City Management and Communities (Stuart Love)

- 6.18 City Management and Communities reports an overall net surplus to budget at year-end of £4.671m.
- 6.19 This is partly due to the Parking service having a net surplus of £2.190m, arising from contract budget underspends (£1.5m), combined with additional income resulting from implementing the tariff review recommendations in-year (£0.690m).
- 6.20 The Waste service delivered a net surplus of £1.878m from growth in commercial waste sales and fees, after offsetting additional disposal and collection costs of £0.7m.
- 6.21 Highways and Public Realm was underspent by £1.842m due to staffing vacancies of £0.641m, additional savings in supplies and services (£0.201m) and lower volumes of reactive maintenance (£1.0m), especially in respect of footways.
- 6.22 Public Protection and Licensing had a favourable outturn variance of £1.115m predominantly due to staffing vacancies. Within that figure a surplus from Tables and Chairs licensing (£0.615m) has offset the impact of funding the CCTV service. Some income pressures in Roads Management were mitigated by underspends in supplies and services in other areas.
- 6.23 The Libraries and Registrars Service is reporting a small underspend of £22k; while this is small, there have been larger variances within Registrar's income, offset by underspends in salaries.
- 6.24 The service was also able to establish resources of £1.8m which are held on the Council's balance sheet and which, subject to approval of business case submissions, may be available for release to fund future years' MTP change initiatives, by way of example the digitisation agenda and libraries transformation. A further £0.335m of digital programme costs were funded by the directorate from the above underspends during the year.

Corporate Services (Nick Dawe)

- 6.25 The year-end position for Corporate Services was an under spend of £0.164m against the full year budget of £19.260m – £0.064m better than the position reported at P10, after expensing c£0.79m in respect of the Office 365 and Strategic Infrastructure Platform projects (spend longer qualifying as capital). The key driver for the overall under spend was staff vacancies in HR. At P10 it was viewed that the Procurement service could undergo a restructure at a Bi-Borough level which would have delivered savings and equivalent costs of delivery. No decision was confirmed however and no restructure has taken place.

Growth, Planning and Housing (Ed Watson)

- 6.26 Growth, Planning and Housing has a small surplus overall against budget at year end of £0.159m. This compares with a projected overspend at P10 of £0.25m. There are several significant variances within GPH that contribute to

this including overspends on Temporary Accommodation as a result of the increase in demand for TA and the average weekly cost of provision (£3.5m) and delays in starting major projects that adversely impacted on developer income (£1.3m).

- 6.27 These overspends were largely mitigated from underspends and savings within Rough Sleeping and Supporting People contracts (£1.3m) and the application of the TA reserve (£2.0m). In addition there were underspends within Development Planning on staffing (£0.8m), increased income from planning applications (£0.6m), offset by reduced income on rechargeable work, notably building control (£0.73m) and other overhead overspends of £0.1m. Lastly within Corporate Property there was an under spend on premises related expenditure. Underperformance against key indicators on the part of a service provider and a change control rebate adjustment relating to the canteen subsidy amounted to £0.3m, while other net premises cost underspends (including NNDR and energy) amounted to £0.2m.

2015/16 Budgets and Projected Expenditure – By Cabinet Member

- 6.28 As shown in Table 2 below, at year end the Council has delivered an under spend of £5.540m against the net budget. This is significantly due to:
- a £2.190m net surplus from the Parking service arising from contract budget underspends (£1.5m), combined with additional income (£0.690m).
 - additional income from Commercial Waste net of additional disposal costs (£1.878m)
 - a net surplus in Highways (£1.842m) from staffing vacancies and lower spend on reactive maintenance, particularly on footways.

The outturn by cabinet portfolio is set out below:

Table 2 – Period 12 Actual Outturn by Cabinet Member

Cabinet Portfolio Structure	Budget	Actual Outturn	Variance to Budget
	£000	£000	£000
Leader of the Council	7,300	7,181	(119)
Deputy Leader and Built Environment	3,914	3,296	(618)
Finance and Corporate Services	29,225	28,811	(414)
Children and Young People	41,043	40,914	(129)
Housing, Regeneration, Business & Economic Development	28,457	28,387	(70)
Public Protection	9,916	9,262	(654)
Sustainability and Parking	(43,730)	(45,966)	(2,236)
City Management and Customer Services	44,687	43,684	(1,003)
Adults & Public Health	64,030	63,831	(199)
Sport and Leisure	11,464	11,366	(98)
SERVICE AREA TOTAL	196,306	190,766	(5,540)

Council Tax	46,043	46,043	-
Business Rates Net of Tariff	80,224	80,224	-
Revenue Support Grant	70,039	70,039	-
Corporate Financing	196,306	196,306	-
Net (Surplus) / Deficit	-	(5,540)	(5,540)

Leader of the Council (Cllr Roe)

- 6.29 The favourable variance of £0.119m was delivered by year end against this portfolio.
- 6.30 This arose from the Chief of Staff's Office (£0.086m), due to vacancies that were not recruited to (£0.034m), together with underspends on mayoral expenses (£0.024m), staff travel (£0.011m) and £0.017m across other overheads.
- 6.31 A further surplus of £0.033m arose within Policy, Performance and Communications as a result of employee costs being lower than budget (£0.343m) and over achievement on income (£0.325m) of which £0.160m relates to air quality grant income and £0.121m to funding from RBKC and LBHF for the business intelligence project. However, this was offset by adverse variances on expenditure of £0.635m, of which £0.419m was due to contract services with balance across other non-pay expenditure.

Deputy Leader of the Council and Built Environment (Cllr Davis)

- 6.32 The favourable outturn variance of £0.618m arises as a result of a £0.516m surplus in Planning, and under spends of £0.102m in City Promotions, Events and Filming.
- 6.33 Within Planning, there were underspends in Development Planning on staffing (£0.8m), increased income from planning applications (£0.6m), offset by reduced income on rechargeable work, notably building control (£0.73m), and other minor overspends.
- 6.34 The under spend in City Promotions, Events and Filming of £0.102m was due to an under spend of £0.135m resulting from staff vacancies and an over achievement on income of £0.092m. However, this was offset by an over spend of £0.125m, mainly due to contract spend being greater than budget.

Finance and Corporate Services (Cllr Mitchell)

- 6.35 An under spend of £0.414m is reported for this portfolio, arising from variances across a number of directorates.
- A minor under spend arose within the City Treasurer directorate due to improved net interest earnings on loans and investments which delivered a favourable impact on net financing costs, offset by technical adjustments required in the financial statements.
 - An under spend arose within Development and Transformation service (£0.208m), mainly driven by employee related costs being lower than budget. This was the result of vacancies being held during the year to mitigate against pressures in other areas of the directorate.
 - An under spend of £0.103m, driven by under spends within Members Services (£0.158m), mainly relating to the members allowance; the Customer and Complaints team, under spent by £0.061m; offset by £0.116m on Coroner's Services, mainly due to funeral expenses (£0.074m), legal fees (£0.017m) and other overheads (£0.025m).
 - Corporate Services delivered an under spend of £0.164m against the full year budget, the key driver for which was staff vacancies within HR. At P10 it was viewed that the Procurement service could undergo a restructure at a Bi-Borough level which would have delivered savings and equivalent costs of delivery. No decision was confirmed however and no restructure has taken place.
 - WCC business rates income has been significantly lower than CLG assumed baseline funding levels since the start of localised rates. (Lower by £57m in 2013/14 and £66m in 2014/15). It was a further £65m lower in 2015/16. The Council is however protected against a loss in excess of £6m loss by the safety net and thus the Council's budget was balanced in this regard. It is likely that a safety net payment will also be required next year. The 2017 Revaluation has the potential to create further similar problems in future years

Children and Young People (Cllr Chalkley)

- 6.36 Overall the Children's Services directorate has reported an outturn underspend of £0.129m. This is an improvement on the breakeven projection at P10.
- 6.37 The Commissioning service was underspent by £0.042m as it delivered early MTP savings on Early Years, Legal & Family Partnership budgets, which offset overspends on Assessment and Contact services, plus staffing and transitional costs associated with the delayed implementation of the restructure to the service.
- 6.38 Family Services had an adverse outturn of £1.136m mainly arising from significant demand-led pressures relating to external private and residential placement costs brought about through Government strategy and/or legislative changes. Although placement expenditure has decreased by the MTP target, it still remains a significant cost pressure to the service overall. There were also in-year cuts in Government grant funding for the Youth Offending Service and also the late delivery of MTP savings relating to Play and Children's Centres.
- 6.39 There were also overspends within the Schools Commissioning and Education service of £0.364m mainly due to overspends on the SEN passenger transport contract as the number of high needs, high cost service users have been higher than anticipated. There were also pressures as a result of unfunded posts required to support service stability through the conversion of SEN Statements into the new Education, Health and Care Plan (EHCP) format. These overspends were partially mitigated by underspends within school standards as a result of increased income.
- 6.40 The Safeguarding and Quality Assurance service had a small overspend a result of additional agency expenditure to cover short term vacancies (£0.052m).
- 6.41 The Finance and Resources service had a favourable outturn of £1.580m as it has delivered underspends from Social Care Legal, Transport and Building Schools for the Future budgets.

Housing, Regeneration, Business and Economic Development (Cllr Astaire)

- 6.42 A favourable variance of £0.070m is reported, comprised of a number of variances.
- 6.43 Within the variances stemming from Growth, Planning and Housing (£0.287m net overspend), the Temporary Accommodation service overspent by £3.5m as a result of increased demand and higher weekly average costs of provision. This was largely mitigated by savings within the Supporting People service (£1.0m), the use of a one off Temporary Accommodation reserve (£2.0m) and one off additional government grant funding which had not been budgeted for (£0.2m). There was a £1.1m under recovery of income within Major Projects as a result of slippage in the capital programme, £0.100m overspend from lower recharges than budgeted and a £0.090m overspend from a reorganisation within Infrastructure Services. These costs are offset by

£0.325m of additional funding from Public Health in Housing Operations; additional recharges to HRA for telephony (£0.254m); a grant received but not budgeted for within Affordable Housing (£0.095); savings within Housing Conditions from valuation fees budget not being spent in full (£0.067m) and other overheads across the portfolio.

- 6.44 A £0.881m surplus in CMC predominantly relates to an income surplus to budget in Tables and Chairs licensing with £0.035m from licensing of Houses in Multiple Occupation.

The above position is offset by over spend of £0.524m relating to Cross River Partnership. This is mainly due to an over spend against payments to service providers. The over spend of £0.524m was absorbed within the directorate and offset by under spend in other services.

Public Protection (Cllr Aiken)

- 6.45 This portfolio is reporting a year end surplus variance against budget of £0.654m.
- 6.46 Favourable variances have arisen across the services, predominantly arising from staff vacancies (£0.674m), additional recharge income (£0.605m), partially offset by the funding of the CCTV service and a contribution towards the creation of a fund for future years' MTP change initiatives (£0.6m), while other minor variations make up the total outturn surplus variance

Sustainability and Parking (Cllr Acton)

- 6.47 The surplus of £2.236m is attributable to both underspends (£1.5m) and an increase in revenue streams from suspension and trade permit tariff increases implemented during the second half of the year (a net £0.69m). A small staffing under spend of £0.051m in the Service Development and Transformation team contributes to the overall surplus in this portfolio.

City Management and Customer Services (Cllr Caplan)

- 6.48 The City Management and Customer Services portfolio has delivered a full year surplus of £1.003m.
- 6.49 The surplus relates to highways maintenance underspends and staffing vacancies of £1.842m and commercial waste income growth net of additional collection and disposal costs of £1.878m, offset by establishing resources of £1.2m on the Council's balance sheet which, subject to approval of business case submissions, may be available for release to fund future years' MTP change initiatives, by way of example the digitisation agenda and libraries transformation. This combined surplus of £2.520m is offset by pressures in Roads Management income linked to the statutory fees in the service (£0.662m), other running cost pressures in the portfolio (£0.361m) and digital programme costs (£0.335m). In addition, the Agilisys contract was over spent by £0.059m, mainly due to one-off software purchases. However, this was funded from under spends from within the Policy, Performance and Communications directorate.

Adults and Public Health (Cllr Robathan)

- 6.50 The Outturn position for Adults and Public Health as at 31st March 2016 is an under spend of £0.199m. The main reasons for the variance are direct payment claw-backs of care payments received in March and general movements in placement packages. All in year budget pressures were contained within existing resources and the outturn includes the achievement of the £6m savings target for 2015/16.
- 6.51 The anticipated risk in the Homecare forecast of £0.1m at P10 did not materialise as it was mitigated by a slower than expected transfer of packages to new contracts.
- 6.52 There will continue to be on-going pressures on ASC budgets and a forecast growth in demand 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. In addition there is pressure from a reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide along with an increase in homecare costs. Internal reviews of all areas of expenditure are on-going in order to mitigate pressure from care placements. Using ONS & GLA data, demographic pressures have been estimated as being approximately 1.7% of total placement budgets each year for the next 10 years at approximately £1.1m to £1.2m p.a. and this is being closely monitored for financial planning.
- 6.53 On the 4th June 2015 it was announced by the Treasury that Non-NHS Health budgets are to be cut in-year by £200m (6.2%) across England. WCC's current share of the total Public Health funding for 2015/16 is £33.477m. For WCC this equated to a cut of £2.076m which was met from contract underspends and unexpected underspends in Public Health Investment Fund approved projects. In the Spending Review the Chancellor advised that there would be further savings in the Public Health grant - an average real terms saving of 3.9% each year to 2020/21.

Sports and Leisure (Cllr Harvey)

- 6.54 The outturn position for was an under spend of £0.098m mainly due to various budgets that were under spent by £0.257m offset by a deficit relating to Registrars income pressures and Sayers Croft supplies and services amounting to a total £0.159m.

7 Capital Outturn

7.1 The table below shows the Approved Budget and projects by EMT member for 2015/16

Table 3 – Capital 2015/16 Outturn by EMT member

SERVICE AREAS - EMT Structure	Revised Gross Capital £000	Revised External Income £000	Budget (Net) £000	Final Gross Capital £000	Final External Income £000	Outturn Net £000	Gross Expend vs Budget £000	External Income vs Budget £000	Net Spend Variance £000
Chief of Staff	0	0	0	0	0	0	0	0	0
City Treasurer	0	0	0	0	0	0	0	0	0
Director of Policy, Performance and Communications	0	0	0	0	0	0	0	0	0
Executive Director of Adult Services	92	(165)	(73)	262	(151)	110	(170)	(14)	(183)
Executive Director of Childrens Services	6,124	(5,565)	559	7,521	(7,223)	297	(1,396)	1,658	262
Executive Director of City Management and Communities	34,523	(17,397)	17,126	32,071	(19,413)	12,657	2,452	2,016	4,469
Executive Director of Corporate Services	1,475	0	1,475	711	0	711	764	0	764
Executive Director of Growth, Planning and Housing	52,483	(31,751)	20,732	28,868	(14,742)	14,126	23,615	(17,010)	6,606
SERVICE AREA TOTAL	94,697	(54,878)	39,819	69,432	(41,530)	27,903	25,265	(13,349)	11,916
Financing			(39,819)			(27,903)			
Net			0			0			

City Management and Communities (Stuart Love)

7.2 City Management and Communities covers a wide range of capital schemes relating to sports and leisure, waste management, parks and cemeteries maintenance, library refurbishments, residential facilities improvements, highways assets maintenance and public realm works. The directorate underspent against its revised gross expenditure budget by £2.452m and over achieved its income budget by £2.016m leaving a net underspend position of £4.469m. On a net basis this represents a 26% underspend against a budget of £17.126m. The variance of gross expenditure relates to under spending projects within the categories of:

- plant improvements: £0.4m
- parking capital budgets: £0.85m
- footways maintenance: £0.247m
- public lighting maintenance: £0.244m
- Oxford Street West: £0.568m
- Westbourne and Paddington: £0.400m
- Queensway street scene: £0.250m
- Moberly Leisure Scheme: £0.9m

7.3 Offsetting these underspend variances were some areas of over-performance where budgets previously re-profiled were able to deliver over and above the revised budget. These were primarily a number of Bridges and Structures projects totalling £850k.

- 7.4 The surplus variance on income of £2.016m relates predominantly to circa 65 externally-funded schemes (such as Developer-funded Footways works) that have come in or commenced during the year which have raised external income levels above the revised budget figure. A review of the highways element of the capital programme is starting to review the profiling and grouping of the schemes.

Growth, Planning and Housing (Ed Watson)

- 7.5 The revised gross budget for capital expenditure in GPH was £52.483m, the outturn was £28.868m producing an overall variance of £23.615m. The main reason for this was the Affordable Housing Fund (AHF) which has been re-profiled to 2016/17 caused by delays in Westminster Community Homes (£5m) Housing Infill Programme and in Dolphin square progressing its Incubator scheme (£18m). This was partly offset by an additional +£2m spend upon acquiring TA properties for temporary accommodation, where 40 properties rather than 37 were purchased and the average cost was £27k more than budget due to market conditions.
- 7.6 Minor variances included underspends of (£434k) on the new Tresham House community centre where the final costs out-turned at £4m. There was also slippage of £129k on feasibility costs for the new Marylebone library (budget £590k), and £600k on the Sir Simon Milton Westminster UTC (budget £3.9m). These were offset by increased in year expenditure against expectation of £1.4m on site assembly costs at Huguenot house (approved budget £1.1m) where spend is largely determined by opportunity, and five properties became available and were purchased in year. The landlords responsibility budget of £2.9m underspent by £2m, this budget is essentially resources that can be drawn down if required to undertake essential repairs on corporate property. The forward management plan a contractually committed works budget of £1.6m managed by AMEY also slipped £742k.

Adult Services (Liz Bruce)

- 7.7 The 2015/16 final outturn position is a gross capital expenditure over achievement against net budget of £170k or £183k on a net basis. This variance to revised budget is because of a late addition of a grant funded Resources Allocation System in Period 11 (£39k) and the Barnard & Florey reconfiguration (£0.182m) which had been slipped into 2016/17 due to issues related to permissions and extension of leases which incurred more expenditure against programme than planned. A number of other small project variances make up the balance.

Children's Services (Andrew Christie)

- 7.8 The Children's Services capital programme delivered £7.521k of works in 2015/16, of which £7.223k was funded externally and £297k by the Council's own funds. Of the £7.520k, £6.414k was spent on projects delivering

additional school places, whilst £1.106k of refurbishment works were delivered across schools (£883k) and non-schools sites (£223k).

- 7.9 The variance to revised budget of £1.396m is materially explained by an overachievement against programme of the final school in the Building Schools for the Future programme (Quintin Kynaston) of £1.778m. The remainder of the variance is a result of various other smaller project underspend variances which offset this to return to the £1.396m outturn.
- 7.10 Income varied by £1.658m primarily because of the grant income associated with the £1.778m Quintin Kynaston BSF project. The overall net position was therefore £262k.

Corporate Services (Nick Dawe)

- 7.11 At the end of March 2016 Corporate Services year end capital spend was £711k which compared to the revised budget of £1,475k. The main reason for this under spend of £764k was the reclassification of one project from capital to revenue which is explained below.
- 7.12 In 2015/16 a capital budget of £790k was created for Office 365 and Strategic Infrastructure Platform (SIP). The nature of the expenditure was deemed to be revenue and was funded by underspends as the council is procuring a service from a provider and not owning an asset. In addition, there was an under spend of £10k relating to software licences.
- 7.13 The key capital projects related to data centre and network refresh which made up £541k of the total spend of £711k. The data centre and network refresh covered equipment refresh, planned activity for transition away from VMB/Ericsson contracts and general LAN switch updates which are not covered by the City Hall refurbishment programme e.g. Lisson Grove. Also work was under taken on the existing Westminster Netcall platform and a telephony software upgrade under the existing Ericsson contract. A further £112k was been incurred on the purchase and configuration of computers for end users. The remaining balance was made up of smaller ad hoc projects.

Capital Outturn by Cabinet Member Portfolio for 2015/16

7.14 The table below shows the Approved Budget and projects by Cabinet Member Portfolio for 2015/16.

Table 4 – Capital 2015/16 Outturn by Cabinet Member

Cabinet Portfolio Structure	Revised Gross Capital £000	Revised External Income £000	Budget (Net) £000	Final Gross Capital £000	Final External Income £000	Outturn Net £000	Gross Expend vs Budget £000	External Income vs Budget £000	Net Spend Variance £000
Deputy Leader and Built Env. - Cllr Davis	20,242	(16,582)	3,661	18,207	(16,585)	1,622	2,036	3	2,038
Finance and Corporate Services- Cllr Mitchell	18,163	(3,576)	14,587	12,756	(6,922)	5,834	5,407	3,346	8,753
Children and Young People - Cllr Chalkley	6,124	(5,565)	559	7,521	(7,223)	297	(1,396)	1,658	262
Housing, Regeneration, Business and Economic Development - Cllr Astaire	35,859	(28,742)	7,117	17,261	(8,332)	8,929	18,598	(20,410)	(1,812)
Public Protection - Cllr Aiken	112	0	112	66	0	66	46	0	46
Sustainability And Parking - Cllr Acton	805	0	805	0	0	0	805	0	805
City Management and Customer services - Cllr Caplan	11,049	(173)	10,876	12,084	(2,316)	9,769	(1,035)	2,143	1,108
Adults and Public Health - Cllr Robathan	92	(165)	(73)	262	(151)	110	(170)	(14)	(183)
Sports and Leisure Services - Cllr D Harvey	2,250	(75)	2,175	1,276	0	1,276	974	(75)	899
SERVICE AREA TOTAL	94,697	(54,878)	39,819	69,432	(41,530)	27,903	25,265	(13,349)	11,916
Financing:			(39,819)			(27,903)			
Net			0			0			

Deputy Leader of the Council and Built Environment (Cllr Davis)

7.15 The portfolio reported a gross underspend against budget of £2.036m which on a net basis was £2.038m. Within the portfolio there were the following variances due to re-profiling or underspends:

- Oxford Street West: £0.568m
- Westbourne & Paddington: £0.400m
- Queensway street scene: £0.250m
- Leicester Square redesign: £0.130m
- Harrow road range of schemes: £0.320m
- Combination of other minor variations across a range of projects: £0.368m

Finance and Corporate Services (Cllr Mitchell)

7.16 The portfolio reported a gross underspend against budget of £5.407m which on a net basis was £8.753m. Variances included underspends of (£434k) on the new Tresham House community centre where the final costs out-turned at £4m. There was also slippage of £129k on feasibility costs for the new Marylebone library (budget £590k), and £600k on the Sir Simon Milton Westminster UTC (budget £3.9m). These were offset by increased in year expenditure against expectation of £1.4m on site assembly costs at Huguenot house (approved budget £1.1m) where spend is largely determined by opportunity, and five properties became available and were purchased in year. The landlords responsibility budget of £2.9m underspent by £2m, this budget is essentially resources that can be drawn down if required to undertake essential repairs on corporate property. The forward management plan a contractually committed works budget of £1.6m managed by AMEY also slipped £742k. The remainder of the variance can be explained by a large number of other projects with smaller individual variances.

- 7.17 At the end of March 2016 the Corporate Service's year end capital spend was £711k which compared to the revised budget of £1,475k. The main reason for this under spend of £764k was the reclassification of one project from capital to revenue which is explained below.
- 7.18 In 2015/16 a capital budget of £790k was created for Office 365 and Strategic Infrastructure Platform (SIP). The nature of the expenditure was deemed to be revenue and was funded by underspends as the council is procuring a service from a provider and not owning an asset. In addition, there was an under spend of £10k relating to software licences however additional expenditure of £34k was incurred relating to Airwatch licences.
- 7.19 The key capital projects related to data centre and network refresh which made up £541k of the total spend of £711k. The data centre and network refresh covered equipment refresh, planned activity for transition away from VMB/Ericsson contracts and general LAN switch updates which are not covered by the City Hall refurbishment programme e.g. Lisson Grove. Also work was under taken on the existing Westminster Netcall platform and a telephony software upgrade under the existing Ericsson contract. A further £112k was been incurred on the purchase and configuration of computers for end users. The remaining balance was made up of smaller ad hoc projects.

Children and Young People (Cllr Chalkley)

- 7.20 The Children's Services capital programme delivered £7,521k of works in 2015/16, of which £7,223k was funded externally and £297k by the Council's own funds. Of the £7,521k, £6,414k was spent on projects delivering additional school/college places, whilst £1,106k of refurbishment works were delivered across schools (£883k) and non-schools sites (£223k).
- 7.21 The variance to revised budget of £4.363m is materially explained by an overachievement against programme of the final school in the Building Schools for the Future programme (Quintin Kynaston) of £1.778m. The remainder of the variance is a result of various other smaller project variances.
- 7.22 Income varied by £1,658k primarily because of the grant income associated with the £1,778k Quintin Kynaston BSF project. The overall net position was therefore £262k.

Housing, Regeneration, Business and Economic Development (Cllr Astaire)

- 7.23 The revised gross expenditure budget was £35.859m, the outturn was £17.261m producing an overall variance of £18.598m but just £1.812m on a net basis because grant movements have varied largely in line with spend. The main reason for this was the Affordable Housing Fund (AHF), which underspent by £23.7m. The re-profiling was caused by delays in Westminster Community Homes (£5m) infill programme and in Dolphin square progressing its Incubator scheme (£18m). This was partly offset by an additional +£2m spend upon acquiring TA properties for temporary accommodation, where 40

properties rather than 37 were purchased and the average cost was £27k more than budget due to market conditions. The balance was made up from a number of other variances.

Public Protection (Cllr Aiken)

- 7.24 This portfolio is reporting a gross and net year end underspend of £46k against a gross budget of £112k. This was a result of an underspend on minor ICT projects to support mobile working.

Sustainability and Parking (Cllr Acton)

- 7.25 This portfolio reported a gross and net variance of £805k which included slippage from 14/15 of £240k on enforcement. This activity was funded from within the Parking revenue surplus position.

City Management and Customer Services (Cllr Caplan)

- 7.26 The portfolio overachieved against a budget of £11.049m gross capital expenditure by £1.035m and in respect of the income budget of £173k by £2.143m due to external funding in bridges, structures and highways works. The gross expenditure variance was materially as a result of a number of Bridges and Structures projects totalling £850k delivering programme activity against budgets which had previously been re-profiled.
- 7.27 There was a gross overspend to budget on externally-funded schemes, offset by a reflection of external funding above budget (£2.143m) which relates predominantly to circa 65 externally-funded schemes – such as Developer-funded Footways works – that have come in or commenced during the year.

Adults and Public Health (Cllr Robathan)

- 7.28 The 2015/16 final outturn position is a gross capital expenditure over achievement against net budget of £170k or £183k on a net basis. This variance to revised budget is because of a late addition of a grant funded Resources Allocation System in Period 11 (£39k) and the Barnard & Florey reconfiguration (£0.182m) which had been slipped into 2016/17 due to issues related to permissions and extension of leases which incurred more expenditure against programme than planned. A number of other small project variances make up the balance.

Sports and Leisure (Cllr Harvey)

- 7.29 The portfolio underspent against a budget of £2.250m gross capital expenditure by £974k with an income variance of £75k leaving a net position of £899k underspent. This was largely because the Moberly leisure scheme (£0.9m) has been re-profiled to 2016/17 and a range of minor maintenance works in leisure facilities (£0.075m).

8 Housing Revenue Account

8.1 This section details the Housing Revenue Account year end position for 2015/16.

Revenue Expenditure

8.2 The HRA commenced the year with some significant financial challenges as a result of continuing policy and legislative changes from Central Government. However, the operating position for the year culminated in a surplus of £1.380m, which represented an adverse variance of £6.6m from budget. This is mainly due to lower than expected recovery of leaseholders major works income as a result of slippages in the last and current year capital programme, lower than expected net rental income due to higher right to buy (RTB) and discretionary stock disposals and higher depreciation charges for the dwelling stock. These adverse variances are partially compensated for by lower than expected repairs and maintenance costs and release of lessee bad debt provision that is no longer required.

Capital Expenditure

Table 5: HRA Capital Outturn - 2015-16

Description	Revised Budget	Forecast Outturn	Variance
	£'000	£'000	£'000
Major Works	46,500	29,887	(16,613)
Regeneration/Renewals	28,686	15,612	(13,074)
Other Projects	18,257	9,187	(9,070)
Total Capital Expenditure	93,443	54,685	(38,758)

8.3 The HRA Capital outturn was £54.6m against a revised budget of £93.4m, resulting in a variance of £38.8m, see the table above. This overall variance is made up of £16.6m on major works to existing stock, £13.1m on Regeneration and Renewal schemes and £9.1m on non-delegated schemes. It is anticipated that this slippage will be reviewed and re-profiled in future years.

8.4 The major works variance is largely the result of a number of factors including the need to re-scope and repackage schemes in order to reduce the impact of multiple leaseholder bills, and to protracted leaseholder consultation processes that have delayed some schemes getting on site.

8.5 The regeneration and renewal variance is made up of variances on Ebury Bridge £9.7m, Lisson Arches £2.4m, Tollgate Gardens £1.8m, Parsons North £0.7m and Luton St £0.6m along with some other smaller variances.

- Ebury Bridge – The £9.7m slippage is due to delay in completing the compulsory purchase order (CPO) of 31 of the 66 properties planned buybacks, decanting of tenants and the Soho block acquisition. The construction programme originally envisaged to commence on site in 2015/16 is now likely to be delayed into 2017/18 depending on the

rephrasing option selected and procurement route to secure a developer. The unspent buyback budget will be carried forward to meet future buyback costs.

- Lisson Arches - The £2.4m slippage is due to delay in completing enabling works as the build programme is now expected to commence in 2016/17. The unspent enabling works budget will be carried forward to complete enabling works in advance of the build programme.
- Tollgate Gardens – The £1.8m slippage is due to delay in completing buyback of units for Tollgate Gardens. A Letter of Intent is underway that provides pre-construction services under the development agreement. Buy-backs are expected to re-commence in mid-2016 so the unspent budget will be carried forward to meet the buyback costs.
- Parsons North – The £0.7m slippage is due to delay in securing a development partner. The unspent budget will be carried forward to meet project commitments.
- Luton Street – The £0.6m slippage is due to delay in completing enabling works. The unspent budget will be carried forward to meet project commitments

8.6 The £9.1m variance mainly relates to slippage related to Ashbridge £6.9m and the Infill scheme £0.5m as both these projects are slow to start plus slippage for the Self financing scheme £1m all of which are to be carried forward to 2016/17. The planned acquisitions for Dudley House and Moberly/Jubilee are now complete and no further costs are expected in the HRA. The Edgware Road redevelopment is being re-scoped and reports an underspend.

9 **Balance Sheet**

9.1 The Balance Sheet net assets moved from £1,777m in 2014/15 to £1,898m in 2015/16. This is mainly due to cash/investment balances increasing year on year and liabilities decreasing following a reduction in short term borrowing and revenue receipts in advance.

9.2 There was an increase in the Council's fixed asset base due to capital expenditure incurred in Westminster's City for All capital programme.

A summary position is shown in **Table 6** below:

Table 6 – Balance Sheet Summary

31 March 2015		31 March 2016	Movement
£'000		£'000	£'000
ASSETS			
<u>Non-current</u>			
1,937,025	Property, plant and equipment	1,952,377	15,352
42,746	Heritage assets	42,746	-
402,880	Investment property	405,269	2,389
2,394	Intangible assets	1,830	(564)
40,773	Long-term investments	45,916	5,143
24,573	Long-term debtors	12,394	(12,179)
2,450,391	Total long term assets	2,460,532	10,141
<u>Current</u>			
344,685	Short-term investments	514,833	170,148
316	Inventories	235	(81)
122,302	Short-term debtors	137,666	15,364
252,942	Cash and other cash equivalents	117,580	(135,362)
1,950	Assets held for sale	2,250	300
722,195	Current assets	772,564	50,369
LIABILITIES			
33,902	Short-term borrowing	2,109	(31,793)
266,481	Short-term creditors	259,931	(6,550)
55,391	Revenue receipts in advance	6,151	(49,240)
355,774	Current Liabilities	268,191	(87,583)
221	Long-term creditors	202	(19)
120,725	Provisions	153,936	33,211
251,520	Long-term borrowing	251,465	(55)
641,746	Other long-term liabilities	605,540	(36,206)
25,157	Capital receipts in advance	55,388	30,231
1,039,369	Long-term liabilities	1,066,531	27,162
1,777,443	Net assets	1,898,374	120,931

10. Cashflow Outturn

- 10.1 The Council's level of cash and cash equivalents (that is, investments that mature in no more than three days) moved from £252.9m in 2014/15 to £117.6m in 2015/16.

10.2 There was a net outflow of £173m as the Council used its cash reserves to make short-term investments (less than one year). This was offset by capital receipts in £86m for use by the Council for investment in its capital programme.

11. Pensions

11.1 The Pension Fund annual accounts for 2015/16 were produced and submitted to the same timescales as the council's main accounts. As at the 31 March 2016, the market value of the Fund was £1,066m compared to £1,099m at the start of the financial year. This reduction of £33m can largely be attributed to the disinvestment of assets to cover cash flow requirements. There is a monthly shortfall of £1.5m-£2m which is required to pay the pension benefits and this led to a withdrawal of assets amounting to £25m over the year.

11.2 The Fund consists of approximately 70% allocation to equities. Over the final quarter of the year, equity markets have been particularly volatile with the MSCI World index falling more than 11% between the start of 2016 and mid-February, before rebounding to end the quarter down -1.96%. There were no changes to the fund managers during the year.

11.3 The Fund's actuary, Barnett Waddingham, estimate the net liability of the Fund as at 31 March 2016 to be £501m compared to £517m the previous year. Their estimate of the duration of the Fund's liabilities is 17 years.

12. Staffing Implications

12.1 It is undoubtedly the case that this accelerated timescale and enhanced quality could not have been achieved without the drive and support of the finance staff whose attitude and commitment has been exemplary.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Steven Mair 020 7641 2904

BACKGROUND PAPERS

Appendix 1

Westminster City Council Statement of Account including Pension Fund Accounts 2015/16

See link below:

http://transact.westminster.gov.uk/docstores/publications_store/accounts/annual_accounts_2015_16.pdf

Grant Thornton draft audit reports

See link below:

<http://committees.westminster.gov.uk/ieListDocuments.aspx?CIId=128&MIId=3698>

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City of Westminster

Cabinet

Date:	Monday 6th June 2016
Classification:	General Release
Title:	Treasury Outturn Report
Report of:	City Treasurer
Cabinet Member Portfolio	Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	The efficient and effective management of the Council's financial affairs
Report Author and Contact Details:	Steven Mair – City Treasurer smair@westminster.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report presents the Council's Annual Treasury Outturn Report for 2015/16 in accordance with the Council's treasury management practices. It is a regulatory requirement for this outturn report to be presented to Council by 30 September each year.
- 1.2. The Local Government Act 2003 (the Act) and related regulations issued by the Secretary of State require the production of an annual treasury report following year-end setting out the activities undertaken during the year. As well as the Act and relevant regulations, authorities are also required to have regard to guidance issued by the Secretary of State and the Chartered Institute of Public Finance and Accountancy (CIPFA); namely:
 - Guidance on Local Government Investments
 - Guidance on Minimum Revenue Provision
 - CIPFA Code of Practice on Treasury Management in the Public Services
 - CIPFA Prudential Code for Capital Finance

This report meets the requirements set out in the above guidance.

- 1.3. The Act also requires Authorities to determine an affordable borrowing limit for the year, which cannot be breached. This report confirms that borrowing remained well within the limit set prior to the start of the financial year.
- 1.4. There are two aspects of Treasury performance – debt management and cash investments. Debt management relates to the City Council’s borrowing and cash investments to the investment of surplus cash balances. This report covers:
- investment activity during 2015/16
 - borrowing activity during 2015/16
 - the capital expenditure and financing for 2015/16;
 - the UK economy and interest rates
 - compliance with treasury limits and prudential indicators
 - way forward for treasury in 16/17
- 1.5. The key Prudential Indicators and treasury position is set out as follows:

Prudential Indicator	2014/15 Actual £m	2015/16 Indicator £m	2015/16 Actual £m
Capital Expenditure	184	269	124
Capital Financing Requirement			
General Fund	165	115	209
Housing Revenue Account	276	278	262
Total	441	393	471
Total investments	605		629
Total borrowing	283		252
Total Net Investment	322		377

- 1.6 Capital expenditure was significantly below the estimate for the year mainly as a result of slippage. The Capital Financing Requirement (CFR) is greater than projected due to reserving capital receipts to offset against future years capital expenditure on short life assets. The net surplus for the authority increased from £322m to £377m over the year; this cash inflow of £55m was predominantly as a result of positive reserve movements and working capital. This was reflected in the increase in investment balances. Borrowings are lower due to the repayment of principal on maturity.

2. Recommendations

That the Cabinet refer the report to the Full Council to be noted.

3. Reasons for Decisions

- 3.1 Under Part 1 of the Local Government Act 2003, local authorities are required by regulation to have regard to the CIPFA Treasury Management Code (The TM Code) when carrying out their duties. The TM Code recommends that Full Council receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices (TMPs). Westminster has adopted the TM Code and included with its treasury management practices a requirement that Full Council receive an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs"

4.1 BACKGROUND

- 4.1 The Council has fully adopted the recommendations in CIPFA's Code of Practice on Treasury Management in the Public Services. Specifically this includes:

- creation of a Treasury Management Policy Statement.
- development and maintenance of Treasury Management Practices setting out how the treasury objectives will be met.
- production of reports to Council including annual strategy in advance of the start of the year, a mid-year review and an annual review following the year-end.
- delegation to City Treasurer of the responsibility for implementation and monitoring the policies and practices as well as the execution and administration of the treasury management decisions.

- 4.2 This report presents the Council's Annual Treasury Report for 2015/16 in accordance with the Council's treasury management practices. This report covers:

- investment activity during 2015/16
- borrowing activity during 2015/16
- capital Expenditure & Financing
- the UK economy and interest rates

- compliance with treasury limits and prudential indicators
- the way forward in 2016/17

5. INVESTMENT ACTIVITY DURING 2015/16

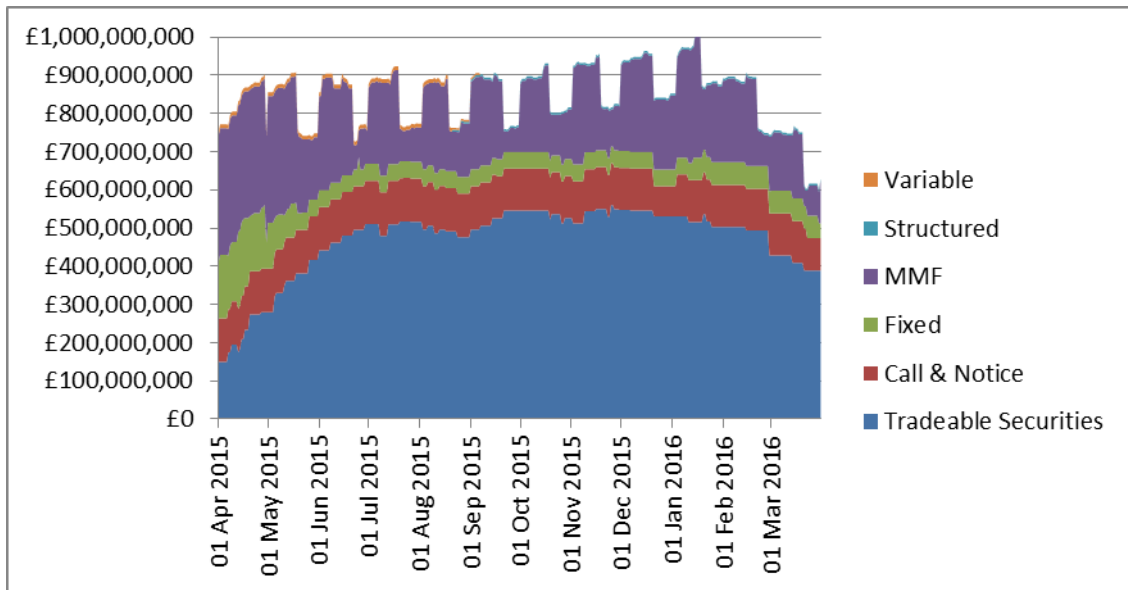
Position at 31st March 2016

- 5.1 The table below provides a breakdown of the cash deposits, together with comparisons from the previous year. Cash balances increased by £24.5 million over the year. Increased use was made of tradable securities (UK Government treasury bills and other shorted dated bonds) to increase credit quality while maintaining liquidity and yield.

Investment Type	Investment balance 31 March 2015 (£m)	Investment balance 31 March 2016 (£m)	Movement (£m)
Money Market Funds	200.00	79.90	(120.10)
Call Accounts	35.00	6.00	(29.00)
Notice Accounts	78.72	78.91	0.19
Term Deposits	109.70	44.00	(65.70)
Tradable Securities	149.99	388.68	238.69
Enhanced Cash Funds	31.32	31.71	0.39
Total:	604.73	629.20	24.47

Activity During 2015/16

- 5.2 Total cash balances during 2015/16 varied considerably, predominantly as a result of the significant peaks and troughs arising from the payment profile of business rates collection and rates retention payments to CLG and GLA. The investment balance therefore ranged between £603m and £1.018bn and averaged £848m. The table below indicates the daily composition of investment balances.

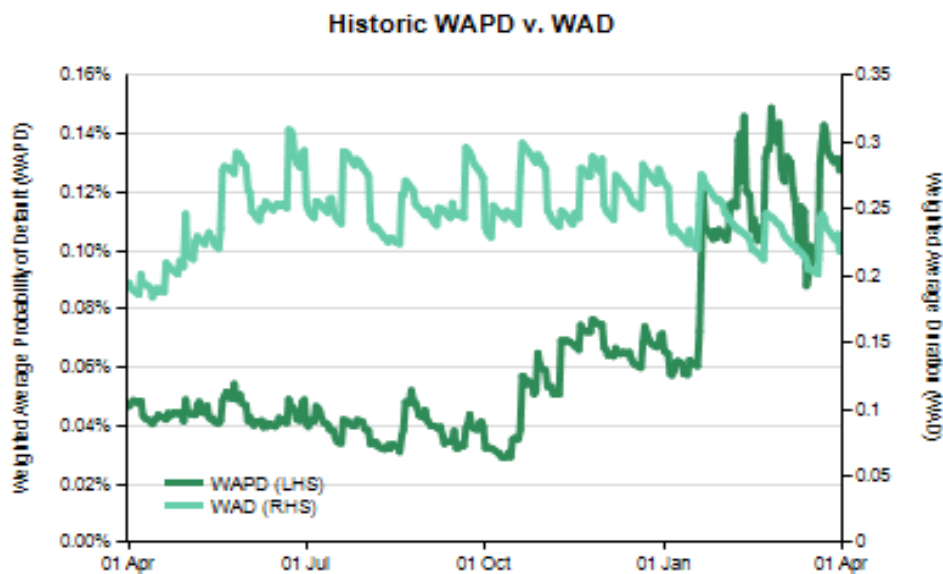


- 5.3 Liquidity was managed through cashflow forecasting and by maintaining sufficient call accounts and money market funds to meet unexpected transactions. At year end there was just one call account balance held with a highly rated European bank (Svenska Handelsbanken) and a further £80m of liquid balances invested in four money market funds. The funds return 0.40% - 0.55% depending on their investment approach (all are rated AAA by at least one, and in most cases two, rating agencies). The average money market balance was £204m over the course of the year, and peaked at £332m.
- 5.4 There are two notice accounts utilised, where rates are based on LIBOR plus a margin and notice is required for 65 days and 3 months. The balances have remained relatively static throughout the year, although for one of the accounts interest is added to the balance in the account rather than being repaid to the Council.
- 5.5 The term deposits at year-end comprise five fixed term bank deals. The longest duration is a two year deposit with RBS earning 1.1% and maturing August 2017. The remaining deposits are all shorter term fixed rate deals and were raised during 2015/16.
- 5.6 The Council has been reasonably active in tradable securities during the year, comprising commercial paper issued by Transport for London, Network Rail bonds, Supranational Bank bonds, UK Government issued gilts and treasury bills. The vast majority of these securities have been short dated and purchased on the secondary market (except UK Government treasury bills that are generally purchased on issue) with a few months remaining until maturity. It is the Council's policy to hold these assets to maturity and has no intention of disposing prior to this unless credit quality concerns arise. During 15/16 no securities were sold prior to maturity.
- 5.7 As at 31st March 2016 the Council had investments in two enhanced cash funds. These funds do not distribute income and instead any gains are accumulated into the unit price. Therefore the returns on the funds are

reflected as unrealised gains which only become realised once units are sold. During 2015/16 there were no transactions in these funds.

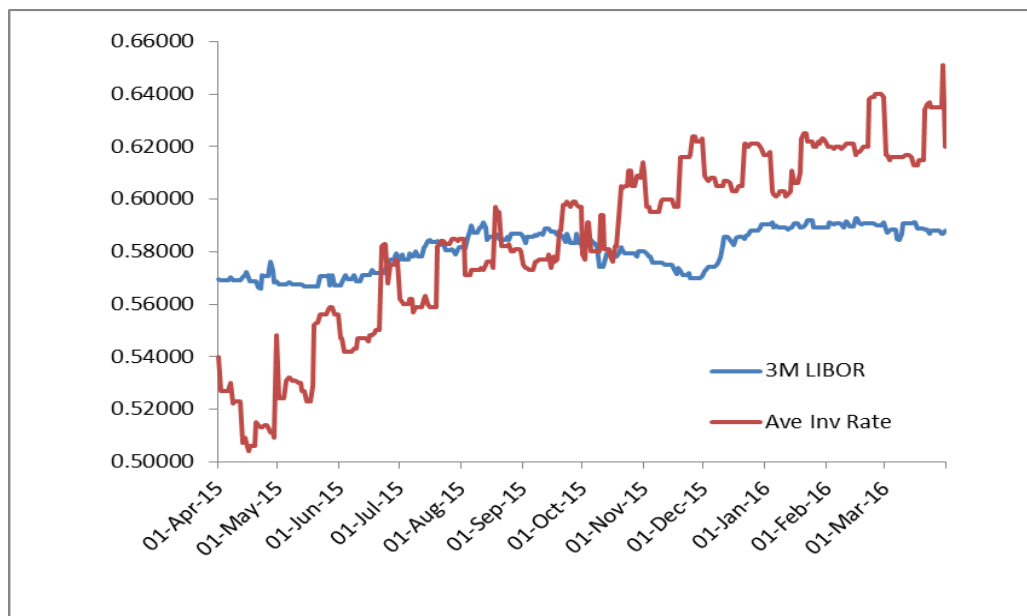
Performance

5.8 All investments entered into by the authority during 2015/16 were fully compliant with the Annual Investment Strategy. The strategy makes clear that the investment priorities are given to security of principal then liquidity over yield. To this extent all investments have only been made with counterparties of high credit quality. The chart below quantifies the credit exposure over the year by calculating the weighted average probability of default (WAPD) for each investment entered into over the course of the year and compares to the weighted average duration (WAD) of the portfolio.



5.9 This chart shows the daily volatility (light blue) in the duration of the portfolio; generally as a result of the large swings in money market fund balances, which effectively have zero duration as a result of the instant liquidity. Over the course of the year the WAD did not materially increase. The credit risk of the portfolio (green line) has spiked at the year-end as global concerns on economic growth and exposures to a slowing China caused bank CDS rates to increase. This is expected to reverse in the current financial year.

5.10 The daily weighted average interest rate of return on the investments over the year is shown in the table below.



5.11 The average yield achieved has increased steadily in the year due to switching from money market funds to term deposits that earn additional interest due to their longer maturity. The rate achieved over the course of the year was in line with the benchmark 3 month LIBOR.

6. BORROWING ACTIVITY DURING 2015/16

Position at 31st March 2016

6.1 The Council operates a two-pool approach to the apportionment of its debt, with each revenue account bearing an appropriate proportion of external debt; reflecting the manner in which historic capital has been incurred. The HRA's gross indebtedness is measured by its Capital Financing Requirement and where the actual level of borrowing falls below this level, this is considered as borrowing from the General Fund in order that each revenue account is appropriately charged with the costs of its indebtedness.

6.2 The table below shows the details around the Council's external borrowing (as at 31 March 2016), split between the General Fund and HRA. This is a gross position not taking into account any internal cross lending.

	31/03/2015 Balance £m	31/03/2016 Balance £m	Average Balance £m	Average Rate
General Fund	26.04	25.48	25.52	4.111%
HRA	257.78	226.05	255.97	4.768%
Total	283.82	251.53	281.49	4.709%

6.3 The outstanding loans comprise a combination of PWLB and Market loans, with a very small amount of historic mortgages advanced in the 1960s.

Activity During 2015/16

- 6.4 Total borrowings decreased by £32.3m as loans matured during the year and no new borrowing was undertaken.
- 6.5 Whilst opportunities for debt restructuring / repayment continued to be monitored, it was not considered that it was an appropriate opportunity at this stage to pursue this strategy as discount rates were deemed to be very low, and consequently premia considered high.

Performance

- 6.6 The portfolio average rate reduced slightly from 4.74% as a result of the small value of high coupon loans maturing.

	Average Balance £m	Average Rate
PWLB Loans	211.5	4.586%
Market Loans	70.0	5.08%
Total	281.5	4.709%

- 6.7 Market loans are structured as Lender Option Borrower Option (LOBO). The lenders, who are European banks, have the opportunity to increase the rate of interest but if this option is exercised the Council can immediately repay at no additional cost. These loans were advanced between 1984 and 2005 with maturity between 2024 and 2065. The attraction of LOBO loans is that they offered a lower rate of interest than PWLB debt. To date, no lender has exercised an option and if this occurs the default position is to repay using treasury cash balances. There is no intention of using this structure for future borrowing. Opportunities to repay these loans are being investigated. To date, the LOBO loans have reduced interest paid expenses compared with the alternative of PWLB loans of the same term.

Municipal Bond Agency

- 6.8 Existing debt has been sourced mainly from the Public Works Loan Board, with occasional use of banks when these offered competitive rates. Prior to 2012, PWLB rates were priced at 0.15% over gilts. This was increased to effectively 0.8% (certainty rate) over gilts. Whereas a margin of 0.15% offered little scope for conventionally structured local authority borrowing to be priced below PWLB, a margin of 0.8% could potentially be improved upon.
- 6.9 A number of local authorities, including Westminster, have sponsored the Municipal Bond Agency with the aim of issuing collective bonds at prices below

PWLB rates. The MBA hopes to make its first bond issue in late 2016. The Council is considering whether to participate either in the first or subsequent bond issues. The borrowing terms include a joint and several guarantee of the entire bond issue. The legality and risks associated with this guarantee are being evaluated.

7 CAPITAL EXPENDITURE & FINANCING

Capital Expenditure

- 7.1 The level and financing decisions of capital spend have a major impact on the treasury management position of the Council. The Council has a number of available sources of financing to apply to capital expenditure and makes decisions based on maximising the available resources.
- 7.2 The Prudential Code requires indicators to be set in respect of the overall level of Capital Expenditure for the General Fund and Housing Revenue Account. The table below sets out the indicator and the sources of financing used to fund this spend:

	2014/15 Actual £m	2015/16 Indicator £m	2015/16 Actual £m
General Fund Capital Expenditure	76	90	69
HRA Capital Expenditure	108	179	55
Total Capital Expenditure	184	269	124
Financed by:			
Capital Receipts	9	40	14
Capital Grants	58	88	39
Funded from Revenue	35	31	18
Major Repairs Allowance	17	17	23
Prudential Borrowing	65	93	30

- 7.3 The underspend on capital is mostly due to delays to HRA projects.

Capital Financing Requirement

- 7.4 Ultimately all expenditure incurred by the Council has to be resourced in some way. Revenue expenditure must be resourced using revenue sources of finance. Capital expenditure, as shown by the table above, has a number of financing options available. If the Council is able to receive a grant for certain schemes, or charge to a revenue account, by way of example, this has the impact of immediately resourcing that expenditure. However, if these sources are not available, or sufficient to meet the extent of the planned expenditure, then Prudential Borrowing can be undertaken which defers the total resourcing. The amount of historic capital expenditure which has yet to be resourced is measured by the Capital Financing Requirement (CFR).

- 7.5 Ultimately this resourcing will take place through the Minimum Revenue Provision (MRP) mechanism which requires authorities to make an annual charge to the revenue account over the lifetime of the assets being financed in this way. Guidance issued by the Secretary of State set out recommendations for authorities to follow when determining this provision. The guidance requires authorities to produce an annual MRP policy in advance of the start of the year. The policy for 2015/16 was included within the Treasury Management Strategy report approved by Council in February 2015. The CFR increases each year by the value of capital expenditure met by Prudential Borrowing, and reduces as MRP resources this spend on an annual basis.
- 7.6 In addition to MRP which reduces the underlying need to borrow over time, authorities can also make additional MRP charges to revenue known as Voluntary MRP or apply capital receipts up to the value of any debt that has been repaid.
- 7.7 Another component of the CFR is the element relating to other long term liabilities; specifically finance leases and PFI contracts. This element of the CFR is written down each year by the principal elements of the lease repayments.
- 7.8 One of the key Prudential Indicators relates to the CFR and ensuring that gross borrowing does not exceed the CFR. The Prudential Indicator in respect of the CFR is set out below:

	General Fund	Housing Revenue Account	Total
	£m	£m	£m
Adjusted Opening CFR 31/03/2015	180.18	276.40	456.58
Prudential Borrowing in 2015/16	27.90	2.30	30.20
Capital Receipts applied to reduce CFR	(11.23)	(0.70)	(11.93)
Minimum Revenue Provision	(2.69)	-	(2.69)
MRP in respect of Other Long Term Liabilities	(0.90)	-	(0.90)
Closing CFR	193.26	278.00	471.26
Prudential Indicator projected closing position 2015/16	114.84	278.17	393.01

- 7.9 The increase in the General Fund CFR for 2015/16 is predominantly as a result of capital expenditure financed by Prudential Borrowing during the year.

8 THE ECONOMY AND INTEREST RATES

- 8.1 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential

destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

- 8.2 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 8.3 The sharp volatility in equity markets during the year was also reflected in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 8.4 The ECB commenced a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 8.5 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.
- 8.6 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

9 COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

- 9.1 During the financial year to March 2016, the Council operated within the treasury limits as set out in the TMS. The outturn for the Treasury Management Prudential Indicators are shown below.

External debt indicator	Approved limit (£m)	Maximum Borrowing in year	Days exceeded
Authorised limit ¹	516	285	None
Operational boundary ²	496	285	None

¹ Authorised limit for external debt is the limit above which external debt must not go without changing Council Policy.

² Operational boundary for external debt is the limit against which external debt will be constantly monitored.

Maturity structure of borrowing	Lower limit (%)	Upper limit (%)	Actual at 31 March 2016 (%)
Under 12 months	0	40	0.0
1-2 years	0	35	0.0
2-5 years	0	35	18.0
5-10 years	0	50	13.0
10 years and over	35	100	69.0

Upper limits on interest rate exposure	Approved maximum limit	Actual as at 31 March 2016
Borrowing		
Fixed interest rate exposures	100%	72.17%
Variable interest rate exposures ³	50%	27.83%
Investments		
Fixed interest rate exposures	50%	4.7%
Variable interest rate exposures ⁴	100%	95.3%

£ million	Approved maximum limit	Actual as at 31 March 2016
	£m	£m
Limit on investments for periods over 364 days	300	43.9

10. THE WAY FORWARD

- 10.1 The Council has a clear ambition to be a leader amongst its peers for effective performance of financial management, including treasury management function. As part of the Tri-Borough team for Treasury & Pensions, there is opportunity to learn from and influence other authorities to constantly improve the service.
- 10.2 Officers are currently exploring a range of options to improve on the treasury management and related investment strategies to ensure the best use of the available resources. During 2016/17 a report will be presented for Members to consider these future initiatives.

³ Variable interest rate include all debt under 1 year to maturity and LOBOs.

⁴ Includes all investments with maturity less than 1 year.

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City of Westminster

Cabinet Report

Meeting or Decision Maker:	Cabinet
Date:	6th June 2016
Classification:	General Release
Title:	Crime and Disorder CCTV
Wards Affected:	All
Key Decision:	Yes
Financial Summary:	The decision would result in an estimated £1.7m saving to the capital budget and would avoid the Council incurring revenue costs of approximately £1m per annum
Report Author:	Richard Cressey, Principal Policy Officer Tel: 7641 3403
Report of:	Stuart Love, Executive Director of City Management and Communities; Tel 7641 2111

1. Executive Summary

- 1.1. Since 2010 Westminster City Council has faced significant financial challenges due to reductions in funding from central government along with cost pressures within services. To the current financial year, our adjusted core Settlement Funding Assessment has fallen by £92m in cash terms and obviously more if the effects of inflation are taken into account.
- 1.2. Consequently the Council has examined every area of operation to identify opportunities to reduce costs and generate additional income. This process is on-going and will last until at least 2019/20.
- 1.3. The crime and disorder, fixed CCTV service provided by Westminster City Council is not considered to be the most effective use of the Council's limited resources and therefore it is proposed that the service should cease to exist in its current form from 1 September 2016.
- 1.4. The evidence that CCTV alone plays a significant role in preventing general crime and improving the safety of the city is limited. This is the case both in terms of independent research studies conducted to establish the efficacy of CCTV as well as the Council's own data which suggests that the service is primarily reactive in nature, supporting police prosecutions and other post-event activity, but not serving as a deterrent.

- 1.5. The Metropolitan Police benefit directly from the existence of CCTV, both in terms of securing prosecutions following arrests and the operational deployment of resources, but do not make a financial contribution to the revenue costs of the system.
- 1.6. The operational benefit to the Council is limited and, as such, continued investment in the service cannot be justified at a time of financial restraint.

2. Recommendations

- 2.1. That approval is given not to renew or re-procure the CCTV staffing contract currently operated by G4S following its expiration on 1 September 2016.
- 2.2. That approval is given for the decommissioning of the existing fixed CCTV camera system and estate from September 2016. That is unless a responsible partner¹ volunteers before 1 August 2016 to accept transfer of the assets and their continued operation.
- 2.3. That, should a responsible partner wish to assume responsibility for the assets, approval is given to transfer the assets from 1 September 2016.

3. Reasons for Decision

- 3.1. The current crime and disorder, fixed CCTV system is reaching the end of its operational life and contracts for control room staffing and maintenance of the system are due to expire over the next year.
- 3.2. The expected annual revenue cost for the continued provision of CCTV cannot be met within existing budget projections. It is therefore not possible to procure contracts and make financial commitments which we cannot meet.
- 3.3. The Council can no longer afford to directly subsidise partners which benefit from the existence of a CCTV service, most notably the Metropolitan Police.
- 3.4. The effectiveness of CCTV in preventing particular types of crime in public spaces is questionable as suggested by the Campbell Collaboration's 2008 report *Effects of Closed Circuit Television on Crime*.
- 3.5. The crime and disorder CCTV System is used to support management of the public realm with activity that ultimately assists in the detection and apprehension of offenders and undertaking civil or criminal prosecutions. As a result the crime and disorder CCTV system is primarily used to provide reactive support for the police in securing arrests and prosecutions relating to crimes committed in sight of cameras.
- 3.6. Extensive engagement with partners over recent years on the future viability of the CCTV system has not led to any meaningful financial support, leaving the Council with the full financial burden which it can no longer continue to bear.
- 3.7. Despite the declining health of the CCTV system, the Council would be prepared to transfer the cameras and feeds over to partners such as the Metropolitan Police and work in partnership to ensure the continued viability of the system where appropriate.

¹ We consider a responsible partner as an organisation prepared to manage the asset in line with guidance issued by the Information Commissioner's Office (ICO) and we would look to work with the ICO to ensure the transfer is undertaken in an appropriate manner.

Any partner would also have to provide accommodation for a control room as the Council's existing lease at the Trocadero is due to expire in 2017. Such an agreement would have to be under development by 1 August 2016 to enable the effective planning of decommissioning or transfer.

- 3.8. The Council's Crime and Disorder CCTV system plays a relatively marginal role in providing CCTV coverage of the city. There are a number of other systems currently operating in the city which provide extensive coverage and could be used in the event of a major incident or to capture criminal activity, subject to their location in relation to the incident.

4. Background information, including policy context

- 4.1 The long-term financial sustainability of Westminster's crime and disorder CCTV service has been uncertain for a number of years, most notably since the adoption of the 2012 CCTV Policy.
- 4.2 The Cabinet Member Report which saw this policy adopted stated that; "the reduction in third party contributions toward the upkeep of CCTV requires a review of the funding model for CCTV".
- 4.3 This financial uncertainty has been openly shared with partners for a number of years and it has been acknowledged, by the Metropolitan Police in particular, that there should be a 'collegiate approach to funding'.
- 4.4 Extensive efforts have been made in recent years to engage a range of prospective funding partners in the future provision of the Westminster CCTV service.
- 4.5 Engagement with the Mayor of London and MOPAC has largely been conducted through face-to-face meetings with occasional follow-up correspondence confirming discussion. The most notable of these is a letter from Boris Johnson in November 2014 which states that "I am afraid it will not be possible for MOPAC to fund the ongoing revenue costs".
- 4.6 The London Crime Reduction Board (LCRB) has also looked at the matter in recent years, resulting in the establishment of a Task Force chaired by Keith Prince on behalf of MOPAC. The Task Force has been attended by Councillor Aiken and Stuart Love on behalf of Westminster City Council, but is largely focused on a long-term strategic review of CCTV needs across London rather than the immediate funding pressures facing Councils.
- 4.7 Discussions have also taken place with BIDs and major business interests, most notably in the Oxford Street area. It is clear from such discussions that businesses will only fund the service if it is directly targeted at reducing the cost of crime to their business and possibly linked to additional or dedicated police resource. This is not currently the case as the service serves a wider crime and disorder related public space function. A service of this nature would not need to involve the Council. Businesses could finance and run this service in direct partnership with the police without Council involvement. If this were to occur, it could only happen in line with the Surveillance Camera Code of Practice as issued by the government.
- 4.8 In addition to the specific discussions with partners noted here, other conversations have taken place, which suggest that the operational value of the CCTV service to a range of partners is limited.

- 4.9 The Council has engaged with senior figures working in counter-terrorism from the Metropolitan Police and other authorities. Discussions with partners have indicated that CCTV is highly unlikely to prevent a major terrorist atrocity similar to that seen in the Paris attacks where perpetrators may actually seek the publicity afforded by camera coverage and are certainly not deterred by its presence.
- 4.10 The role played by CCTV in preventing crime in public spaces such as city centres is considered to be limited as highlighted by studies such as the 2008 Campbell Collaboration report *Effects of Closed Circuit Television Surveillance on Crime* and the 2007 Swedish National Council for Crime Prevention report *Closed-Circuit Television Surveillance and Crime Prevention A Systematic Review*. The 2013 College of Policing *What Works Briefing on CCTV* builds on these two reports, making clear that CCTV is only an effective preventative solution in enclosed spaces such as car parks and on public transport and not in city centres as a broad tool for public safety.
- 4.11 The CCTV system is predominantly used to reactively police the West End, securing arrests and prosecutions for crimes committed.
- 4.11.1 7,029 incidents were captured by CCTV last year, an average of 586 per month (with the summer months having higher numbers of incidents recorded). These incidents were predominantly captured reactively (91% of incidents) and contributed to 1,313 arrests (109 per month). 1,750 requests for footage were made (92.3% of requests were from the Metropolitan Police or other police forces) and 1,406 hours of footage were secured against these requests.
- 4.11.2 Broken down by Ward, 87.8% of incidents captured by CCTV occurred in West End or St James's wards, with those wards containing 61% of the camera stock (including WIFI cameras). For individual cameras, camera 108 (Villiers St/Strand) accounted for 408 incidents and camera 38 (Leicester Square/Cranbourn Street/Bear Street) accounted for 379 incidents. The top 15 cameras for numbers of incidents recorded were all within St James's or West End wards. See Appendix A for the detailed geographical breakdown.
- 4.11.3 When footage is broken down by incident type, 53% of incidents were defined as 'assistance or disturbance'. Analysis of incidents defined as 'assistance' relate to requests by the police for assistance from the CCTV team. A more comprehensive breakdown can be seen in Appendix B.
- 4.12 There are two minor caveats around the interpretation of this data.
- 4.12.1 Firstly, multiple cameras may be used to view an incident (for example if a vehicle is being tracked), however only the primary camera used will be recorded (the recording system only allows one camera to be entered).
- 4.12.2 Secondly, it is not necessarily the case that all cameras were in constant operation over the full 12 months.
- 4.13 City West Homes operate an extensive CCTV system across Westminster, including a mix of cameras across their stock.
- 4.13.1 Each of the four hubs (North, West, Central and South) has access to mobile wireless cameras which can be deployed to hot spots as they arise. There are 4 per hubs. Total – 16 cameras.

- 4.13.2 Churchill Gardens and Lisson Green estates have fixed mobile systems. 8 cameras on Lisson Green, 8 on Churchill. Total – 16 cameras.
- 4.13.3 Little Venice has wireless cameras. Total – 11 cameras.
- 4.13.4 In addition there are various fixed systems across CWH estates with hard disc download retrieval. Total – 93 systems on a 31 day loop.
- 4.13.5 The total number of cameras CWH operate across their estate is approximately 500.
- 4.13.6 There is no control room or staff to operate the cameras, however anti-social behaviour managers and identified staff have the ability to view cameras on portable devices.
- 4.13.7 Westminster City Council has the capability to take over the software as there is remote access available. These cameras are deployed across the 4 geographical hubs. Officers would need to approach the relevant ASB manager to seek approval to use the relevant cameras.
- 4.14 Currently, Parking Services use 2 lane watch cameras in Carlton Hill and St Georges Drive and 3 wifi cameras located at Great Windmill/Shafsbury Avenue, Piccadilly / Berkeley Street and Conduit Street / Mill Street.
- 4.14.1 The remaining 46 wifi cameras have or will be decommissioned, following a change in legislation that only allows parking cameras to be used for specific purposes, or are being used as crime and disorder cameras.
- 4.14.2 The NSL CCTV contract expires on 30 June 2016, at which point, Parking Services will cease to operate cameras and will move to an unattended, automated system. The current CCTV control room will close and the operation will be managed from Dingwall in Scotland.
- 4.14.3 Parking Services are currently proposing to introduce 11 automated cameras that will cover a number of sites across the city. These will replace the existing Wifi cameras and will be deployed at specific locations across the City and redeployed around these sites as required.
- 4.14.4 Due to the automated nature of the cameras, they will have no capacity for proactive crime and disorder monitoring, however they could provide reactive footage on request, subject to the camera providing coverage of the relevant incident.
- 4.15 Various cameras (number not disclosed) are managed by the police within the Government Security Zone from a control room located at West End Central Police Station.
- 4.16 TfL operate CCTV and ANPR cameras for five main purposes:
- Protecting the health and safety of employees, customers and members of the public;
 - Preventing and detecting crime and anti-social behaviour;
 - Real time traffic monitoring;
 - Enforcing traffic rules and regulations (e.g. relating to yellow box junctions, red routes and bus lanes); and our Road User Charging Schemes; and
 - Supporting the efficient management and operation of road and rail networks.

- 4.16.1 The cameras are located in and around London Underground stations, depots, car parks and trains, across London's road network for monitoring road traffic and for traffic enforcement, across London's road network for enforcement of Road User Charging Schemes, TfL bus stations and depots, piers operated by London River Services, Victoria Coach Station and TfL offices.
- 4.16.2 The cameras are used to capture and monitor images of events that take place in specific locations in real time. The images may also be recorded on a computer hard drive or magnetic tape depending on the type of camera. Cameras may be focussed on a fixed location, set to scan a particular area, or they can be operated remotely by specially trained CCTV operators.
- 4.16.3 The number of TfL cameras operating in Westminster is unknown.
- 4.17 Private businesses also operate extensive CCTV systems including a substantial number of cameras in the West End and beyond.
 - 4.17.1 Such systems largely operate inside premises, monitoring retail space or licensed premises such as bars, pubs or restaurants. There are also however, often cameras situated on the outside of premises which provide coverage of public space, including areas which are currently covered by the Council's system.
 - 4.17.2 Whilst it is unknown exactly how many privately operated cameras there are in Westminster, it is understood that retailers on Oxford Street are, for example, able to provide coverage of almost the entire length of the street from Oxford Circus to Marble Arch.

5. Financial implications

- 5.1. £1.688m capital expenditure is currently budgeted to support delivery of a new CCTV estate. Should the decision be taken not to renew the contracts as outlined in this paper, this budget commitment could be released from the capital programme. This would provide the opportunity to invest elsewhere.
- 5.2. There is currently no General Fund budget for the provision of CCTV services and as such the decision would not result in an additional saving or change to the budget baseline. The service was temporarily resourced through one-off underspends from within City Management and Communities. This approach was never intended to be a long-term solution and is not sustainable. This decision avoids the need to divert funds away from other services in order to fund CCTV on an on-going basis.
- 5.3. Furthermore, based on existing contract costs and scoping the structure of a future service, it is estimated that the annual revenue budget required would be in the region of £1million, to fund maintenance, support, staffing and accommodation.
- 5.4. The costs of decommissioning the service have been estimated at £300,000. This is based on analysis used to inform an options appraisal of the service in 2015. The decommissioning exercise would cover removal and disposal of equipment and infrastructure for which there is no re-sale value on the assets as they are beyond their economic useful life.

6. Legal implications

- 6.1. Whilst the Council and associated agents have a duty to have due regard to any CCTV code of practice (May 2015) for those cameras remaining in situ across the city, the Council has no statutory duty to provide CCTV services.
- 6.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a general responsibility to do all it reasonably can to prevent crime and disorder. Given that the impact of CCTV on crime prevention is considered to be limited as set out in this paper, it is reasonable to suggest that this decision does not involve a breach of the Council's statutory responsibilities in this regard.

Legal implications provided by Joyce L Golder, Principal Solicitor, 020 7361 2181.

7. Consultation

- 7.1. The Council has been extremely open with partners, including the Metropolitan Police, about the financial viability of the Crime and Disorder CCTV system in recent years. Partners have continually stressed the perceived importance of the CCTV system but have remained unwilling to enter detailed conversations about the future of the system.
- 7.2. Appendix D provides an overview the most notable, dedicated engagement that has taken place with partners since the beginning of 2014. In addition to those listed there have been regular discussions through existing forums such as the CCTV Governance Group, the BIDs roundtable, the Safer Westminster Partnership, the CCTV Observers Panel and other joint working arrangements.
- 7.3. On 25th May 2016 a briefing was held for partners on the proposed decision. This briefing was attended by a range of partners including the private sector, the Metropolitan Police and MOPAC. Key feedback included:
 - 7.3.1. General understanding of the situation the Council facing but retained concern regarding the possible impact on public perception. Agreement to collaborate, where possible, between partners to provide reassurance.
 - 7.3.2. Only approximately 2% of reported crime in Westminster is investigated using CCTV.
 - 7.3.3. Agreement that, on its own, CCTV tends not to deliver significant reductions in crime or prevent terrorist attacks.
 - 7.3.4. Recognition that there are significant numbers of other cameras which operate in Westminster and that therefore this decision is not fundamental to the coverage of the city.
 - 7.3.5. MOPAC and the Metropolitan Police are looking into the possibility of a pan-London solution to CCTV provision. Westminster will continue to be involved with these discussions but there is no direct impact on this decision.
 - 7.3.6. There will need to be specific conversations on the mechanics of decommissioning with organisations such as Paddington BID where partnership arrangements already exist.

APPENDIX A

Geographical Breakdown

Ward	Number of Incidents	Cameras	Incidents per camera
Abbey Road	2	1	2
Bayswater	8	2	4
Bryanston & Dorset Sq	39	6	7
Cavendish Sq & Oxford Mkt	8	1	8
Church St	108	5	22
Churchill	40	5	8
Harrow Road	228	4	57
Hyde Park	232	6	39
Knightsbridge & Belgravia	3	1	3
Lancaster Gate	56	3	19
Maida Vale	3	2	2
Marylebone High St	20	6	3
Queens Park	36	5	7
Regents Park	5	1	5
St James's	3002	37	81
Tachbrook	39	1	39
Vincent Sq	12	2	6
Warwick	6	1	6
West End	3159	46	69
Westbourne	10	1	10

Breakdown of Incident Type

Incident Type	Number of Incidents
DRUGS	181
VICE/INDECENCY	57
ALCOLHOL RELATED	305
ASB	343
ASSISTANCE	1833
HOMELESS/BEGGING	348
ENVIRONMENTAL	83
STREET CRIME	247
DISTURBANCE	1886
RTA/PERSONAL INJURY	317
SUSPECT PERSON/PACKAGE	265
ILLEGAL STREET TRADING	45
MISSINGPERSON	38
VEHICLE RELATED	561
DEMO/PROTEST	253
WEAPON	89
ROBBERY	144
TASKING	34

APPENDIX C

Outline timetable for implementation of decision

Date	What
6 th June 2016	Cabinet meeting
7 th June 2016	Notice given to G4S that the staffing contract will not be extended
7 th June 2016	Atec instructed to prepare for camera decommissioning from 1 st September 2016
1st August 2016	Deadline for partners to express interesting in taking over management of cameras, feeds and other assets
1 st September 2016	G4S staffing contract expires
31 st March 2017	Atec contract expires – decommissioning to be completed

APPENDIX D

Details of engagement undertaken since the start of 2014

What	When	Outcome
Leader met with Stephen Greenhalgh, Deputy Mayor for Policing and Crime (DMPC)	Spring 2014	MOPAC/MPS to consider £400k contribution – no direct feedback given Other actions not followed-up by MOPAC e.g. lobbying Home Office
Correspondence exchanged with James Brokenshire MP, Home Office minister (Leader)	Spring 2014	Refusal to fund
Correspondence exchanged with Boris Johnson (Leader)	Autumn 2014	Refusal to fund
Letters exchanged with Stephen Greenhalgh, DMPC (Leader)	Spring 2015	Keith Prince asked to set-up Task Force
Stuart Love and Richard Cressey met with Cllr Jonathan Glanz in capacity as chair of the Safer London Business Partnership (SLBP)	September 2015	Non-specific interest in making financial contribution for radio operation, follow-up required leading to next line of this document.
Richard Cressey met with Hannah Wadey of SLBP	October 2015	SLBP seeking enhancements in service offer. Prepared to pay for additional operator to be placed in control room to resource radios service but no financial ability to contribute to wider overheads or general running costs. Considered insufficient to maintain service without wider support.
Cllr Aiken, Stuart Love and Richard Cressey met with government security advisors and senior MPS counter-terrorism officers	Autumn 2015	Advice given to WCC that the CCTV system is not considered a vital tool in terrorism prevention. MPS to raise issue of funding risk at MPS Board. WCC provided detailed briefing note, no further feedback offered from MPS.

APPENDIX D

What	When	Outcome
Cllr Aiken and Stuart Love attended MOPAC Task Force	Late 2015	No meaningful outcome. Long-term focused, ignoring immediate issues facing councils
Stuart Love, Mick Smith and Richard Cressey met with NVEC, Safer London Business Partnership and Oxford Street retailers	Late 2015	Refusal to fund unless system focused on Oxford Street, reduction of business crime e.g. shoplifting and delivered alongside an increase in Police resources
Stuart Love and Charlie Parker met with Helen Bailey, MOPAC	Spring 2016	Understanding and acceptance of decision
Roundtable held with key local stakeholders	25 th May 2016	Partners informed of forthcoming decision