



City of Westminster Cabinet

Decision Maker: Cabinet

Date 22nd February 2016

Classification: For General Release

Title: 2015/16 to 2020/21 Capital Strategy and Capital Programme

Wards Affected: All

Financial Summary: This report sets out the Council's Capital Strategy and Capital Programme for the period 2015/16 to 2020/21

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1. Executive Summary

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

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

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

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

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

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

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

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

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

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

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

2. Recommendations

That the Council be recommended to approve the following:

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

3. Reasons for Decision

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

4. Policy Context

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

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

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

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

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

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

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

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

5. Principles of the Capital Programme

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

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

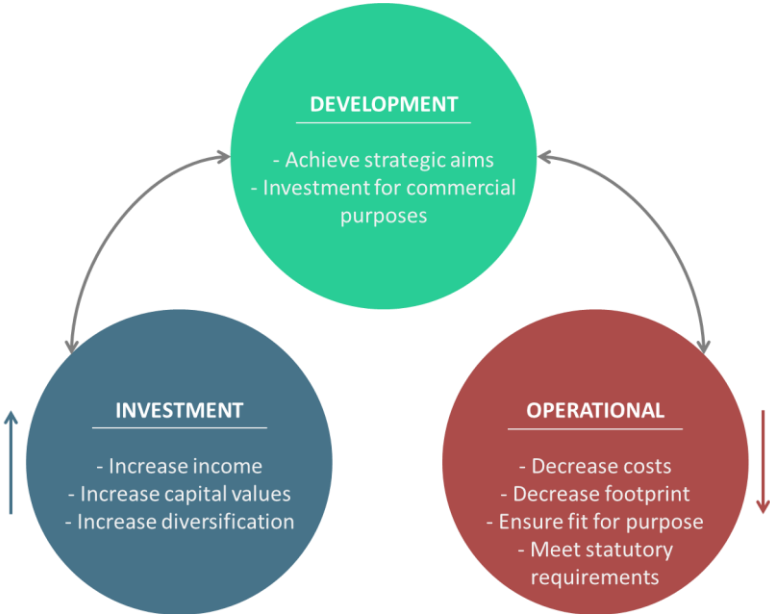
- 5.3. The first call on capital resources will be any operational schemes that are required to be in the programme for statutory or legal reasons. In addition all schemes already approved in the capital programme or contractually committed will be supported and sufficient resources will be provided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

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

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

- Development
- Investment
- Operational

The diagram below provides an overview of these categories



Detailed information on the above areas can be found below

6.2. Development

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

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

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

6.2.7.1. Leisure Estate Review

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

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

6.2.7.2. Huguenot House

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

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

6.2.7.3. Circus Road

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

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

6.2.7.4. Dudley House

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

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

6.2.7.5. Cavendish Square

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

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

6.2.7.6. City Hall

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

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

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

6.2.7.7. 291 Harrow Road

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

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

6.2.8. Adults

6.2.8.1. Specialist Housing Strategy for Older People (SHSOP)

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

6.2.9. Children's

6.2.9.1. Secondary Schools Expansion

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

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

6.2.10 Policy, Performance & Communication

6.2.10.1 Piccadilly Underpass Digital Media Screens

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

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

6.3. Investment

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

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

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

6.4. Operational

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

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

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

6.4.6. City Management & Communities

6.4.6.1. CCTV Technology (Crime & Disorder Estate)

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

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

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

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

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

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

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

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

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

6.4.6.7. TfL Funded Schemes

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

6.4.6.8. S106 Schemes

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

6.4.7. Growth, Planning & Housing

6.4.7.1. Landlord Responsibilities

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

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

7. Summary of the Five Year Capital Programme Budget

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

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

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

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

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

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

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

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

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

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

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

8. Regulations and Context

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

9. Capital Budget Setting

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

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

10. Value for Money (VfM)

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

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

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

11. Priority Areas For Investment and Governance

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

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

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

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

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

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

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

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

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

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

Stage 4 - Implementation

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

Stage 5 - Evaluation

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

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

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

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

11.5. Investment

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

11.6. Operational

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

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

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

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

11.9. Prioritisation of Projects

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

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

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

12. Risk Management

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

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

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

13. Closure of Projects & Slippage

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

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

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

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

14. The Housing Revenue Account (HRA)

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

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

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

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

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

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

15. Summary

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

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

16. Financial Implications

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

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

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

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

16.3. External Funding

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

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

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

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

16.4. Internal Funding

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

16.5. Borrowing

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

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

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

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

Revenue Implications

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

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

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

A summary is provided below:

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

will need to be funded by the project or relevant service

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

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

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

17. Legal Implications

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

18. Staffing Implications

18.1. None specifically in relation to this report

19. Consultation

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

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

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BACKGROUND PAPERS:

Capital programme working papers

Business Justification Cases for individual projects

Appendices

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

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

Appendix B – Capital Programme 2015/16

Appendix C – CRG Terms of Reference

Appendix D – Delivery routes for the Council to Follow

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

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

Gross and Net Programme (£m)

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

Gross and Net Programme by Project (£000s)

Directorate	Project	2016/17			2017/18			2018/19			2019/20			2020/21			Total		
		Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget	Gross Budget	Income	Net Budget
Adult Services	CA110078 BARNEY & FLOREY	182	(182)													182	(182)		
	CARLTON DENE	500		500	500		500	1,000		1,000	19,000		19,000	19,000	(49,000)	(30,000)	40,000	(49,000)	(9,000)
	FRAMEWORK1 UPGRADE TO MOSAIC	200	(200)													200	(200)		
	RESIDENT ASSET REPLACEMENT	438	(438)													438	(438)		
	WESTMEAD	250		250	250		250	500		500	7,000		7,000	7,000	(13,450)	(6,450)	15,000	(13,450)	1,550
Adult Services Total		1,570	(820)	750	750		750	1,500		1,500	26,000		26,000	26,000	(62,450)	(36,450)	55,820	(63,270)	(7,450)
Children's Services	CA110343 2 YEAR OLD CAPITAL PROGRAMME	250	(250)		250	(250)										250	(250)		
	CA110352 CHRISTCHURCH BENTINCK	1,307	(1,307)													1,307	(1,307)		
	CA110348 ESSENDINE SAFEGUARDING & REMOD	708	(708)													708	(708)		
	CA110636 HALLFIELD HEATING & DISTRIB	332	(332)		339	(339)										332	(332)		
	CA111578 KING SOLOMON SCHOOL EXPANSION							1,657	(1,657)							1,657	(1,657)		
	CA111574 PIMLICO ACADEMY				5,127	(5,127)										5,127	(5,127)		
	PORTMAN - BOILER AND DISTRIB	204	(204)		204	(204)		204	(204)							204	(204)		
	REMODELLING OF EARLY HELP/ CHILDREN'S SEVICES INVESTMENT AND IMPROVEMENT	433		433	250		250	250		250	250		250	250		250		250	1,433
	CA111575 ST GEORGE'S SCHOOL EXPANSION	3,297	(3,297)		3,359	(3,359)										3,297	(3,297)		
	WESTMINSTER CITY SCHOOLS MINOR WORKS PROJECTS	2,259	(2,259)		2,200	(2,200)										2,259	(2,259)		
	75	(75)		50	(50)										75	(75)			
Children's Services Total		8,865	(8,432)	433	11,779	(11,529)	250	2,111	(1,861)	250	250		250	250	250	250	23,254	(21,821)	1,433
Growth, Planning & Housing	CA110148 STREET TREES - NEW PLANTING	170		170	170		170	194		194	200		200	200		200		200	934
	CA110384 AHF BUDGET	32,702	(32,702)		1,600	(1,600)		22,300	(22,300)				9,300	(9,300)		65,902	(65,902)		
	CA110385 291 HARROW ROAD	11,943	(10,326)	1,617	11,483	(5,700)	5,783	4,040	(4,040)							27,466	(20,066)	7,400	
	CA110386 CHURCHHILL GARDENS PROJECT	815	(815)													815	(815)		
	CA110407 MARYLEBONE LIB PERM ACCOMM LUX	16,535		16,535	4,840	(12,350)	(7,510)		(6,150)	(6,150)						21,375	(18,500)	2,875	
	CA110409 WCH IMPROVEMENT - MAJOR REFURB	3,622		3,622	39,445		39,445	44,767		44,767						87,834		87,834	
	CA110411 LANDLORD'S RESPONSIBILITIES	1,000		1,000	1,000		1,000	1,250		1,250	1,250		1,250	1,250		1,250		1,250	
	CA110414 VARIOUS PROPS CAPITALISED SALS	406		406	406		406	426		426	431		431	444		444		444	
	CA110416 CORONERS CRT-COMPLIANCE/IMPS	2,451		2,451	33		33									2,484		2,484	
	CA110417 ENERGY MONITOR & TARGET	50		50	50		50	50		50	50		50	50		50		50	
	CA110418 LISSON GROVE IMPROVEMENT-INFRA	1,196		1,196												1,196		1,196	
	CA110421 MANDELA WAY UPGRADE RENTAL PRP	398		398												398		398	
	CA110422 FIT OUT OF COUNCIL HOUSE FOR REGISTRARS AND CIVICS CEREMONIES	875		875												875		875	
	CA110587 TA PURCHASES	18,800	(8,800)	10,000	13,200	(11,400)	1,800	13,200	(6,000)	7,200	11,000	(5,000)	6,000			56,200	(31,200)	25,000	
	CA110597 MOXON ST REDEVELOPMENT	310		310												310		310	
	CA110598 41 WHITCOMB/HUGUENOT HSE REDEV	22,782		22,782	22,782		22,782	15,188		15,188	28,877	(30,000)	(1,123)	28,876	(66,000)	(37,124)	118,505	(96,000)	22,505
	CA110599 FORWARD MANAGEMENT PLAN	398		398	770		770	793		793	817		817	842		842		842	
	CA110604 LANDLORD RESP- REGENCY CAFE RO	140		140												140		140	
	CA110609 LANDLORD RESP- MAYFAIR LIBRARY	1,045		1,045												1,045		1,045	
	CA110612 LANDLORD RESP- LISSON GROVE	1,100		1,100												1,100		1,100	
CA111579 OPEN SPACES STRATEGY	200		200	200		200	209		209	200		200	200		200		200		
CA111581 COSWAY STREET	375		375												375		375		
CA111626 - MAJOR PROJECTS FEASIBILITY AND INVESTIGATIVE WORKS FOR MAJOR RE-DEVELOPMENT- SEYMOUR AND QUEEN MOTHER	150		150												150		150		

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

Gross Programme (£m)

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

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

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

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

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



City of Westminster Capital Review Group report

Summary

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

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

Terms of Reference

The terms of reference for the group are:

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

Membership

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

Governance

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

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

Structure of the Meetings

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

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

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

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

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

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

Significant Capital Projects

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

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

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

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

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

Possible Overspends on Projects

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

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

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

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

Conclusion

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

Recommendation

It is recommended that the terms of reference:

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

Appendix D

Different development delivery routes that Westminster City Council has available:

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

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

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