



City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	10th October 2016
Classification:	General Release
Title:	Efficiency Plan, Four Year Financial Settlement and Flexible Use of Capital Receipts Strategy
Report of:	City Treasurer
Cabinet Member Portfolio	Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	The efficient and effective management of the Council's financial affairs
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1. Executive Summary

- 1.1 This Efficiency Plan supports Westminster City Council's (WCC) Medium-Term Financial Plan (MTFP) and outlines how the certainty of a 4 year settlement 2016/17 to 2019/20 from the Department of Communities and Local Government (DCLG) can provide benefits and opportunities for further savings to the Council.
- 1.2 Full Council approved the [Council's 2016/17 to 2019/20 Budget and Council Tax Report](#) on 2nd March 2016. This will be updated on 1st March 2017 and will document the financial strategy from 01/04/2017 until 31/03/2021
- 1.3 This Efficiency Plan outlines how WCC plans to meet the financial challenge it faces and continue to deliver savings whilst protecting services for residents, local business and visitors to Westminster.
- 1.4 WCC has strived to close the funding gap created by financial pressures and reductions in government grant whilst protecting services and has a proven track record of achieving this.
- 1.5 In 2016/17 the gross funding gap of £45.876m has been met by the following strategies:

	Budget Adjustment	
	£,000's	%age
Financing	7,827	17%
Commercial	10,407	23%
Transformation	11,555	25%
Efficiency	15,855	35%
Service Reduction	232	1%
	45,876	100%

1.6 This shows the significant emphasis WCC had put on exploiting opportunities to generate commercial income, using financing leverage to obtain the best value for taxpayers and by transforming the way in which the Council delivers services (e.g. through LEAN reviews). Only a very small proportion of savings have come from reductions in the level of service delivered.

2. Recommendations

2.1 It is recommended that Cabinet agrees to:

- The four year financial settlement as set out in the DCLG 2016/17 Final Local Government Finance Settlement
- The principle of utilising capital receipts to finance revenue expenditure in the circumstances outlined, subject to agreement as part of the Council's budget setting process

3. City for All

3.1 The Council is now in the second year of its [City for All strategy](#), an ambitious programme which clearly lays out the Council's objectives across three main themes of Choice, Aspiration and Heritage.

3.2 Year one of the strategy was a huge success and the strategy document web link above provides detail on the range of achievements across the three themes, as well as outlining future plans. These plans provide a clear vision for the Council and enables managers to understand the service priorities which need to be delivered within the resource constraints created by the funding gap over the coming financial years.

4. Four-year Settlement

4.1 Within this context, the assurance of a fixed multi-year settlement has the opportunity to facilitate the generation of further opportunities for income generation and efficiency savings, which will help us to work towards a financial position which allows for a further reduction in local government funding. This certainty of the four-year settlement will provide the following opportunities and benefits:

- Managing Budget Changes – the late nature of the Provisional and Final Local Government Financial Settlements has provided a challenge with late notification of central government funding levels providing the potential for
 - a) late additional savings being needed for which there is not adequate time to properly consult with the public or staff and
 - b) budget reductions which are no longer required which leads to wasted planning.
 - The benefit of the four year settlement means that funding levels will not be confirmed at short notice. Allowing crucial decisions can be made on an informed rather than reactive basis. It will also provide the opportunity to allow for more informed discussions or debate with residents on priorities. This means the Council has the opportunity to develop its financial strategy on a more secure footing which, for example, will allow for more secure treasury management planning.
 - Longer term financial planning – with the four year settlement the Council has the opportunity to set budgets and form budget plans which are longer term in nature. The Council has responded to this opportunity by starting to develop a 10 year medium term financial plan. This will allow long term planning of service developments which would not otherwise have been possible to the same extent, providing consideration and taking account of demographic factors and service demand indicators.
 - In addition, underpinning the financial planning the Council has the opportunity to improve risk management, the ability to be innovative and engage meaningfully with partners against a backdrop of relative financial stability and other benefits.
 - Local Government Association officials have indicated that DCLG are committed to ensure that no local authority accepting the offer will be placed in a worse position than if they choose not to make such an election (but there are no guarantees that if we do not sign up we will get as high a Settlement);
 - The four-year settlement brings a degree of certainty that allows us to plan – reducing the level of risk and thus amount of risk provision we might otherwise have to set aside. Subject to the reality of unforeseen circumstances causing the policy to be reviewed at a national level
 - The original offer made by the then Secretary of State, Greg Clarke, in February 2016 stated that this would be the only offer of a multi-year settlement in this Parliament – increasing the importance of deciding at this stage whether we wish to avail ourselves of the opportunity
- 4.2 Within the four year settlement framework the Council will tackle its budget gap using the well - established and highly successful processes it has previously used and will also encompass new and innovative approaches to possible service innovation and financial savings:

- The development of a Transformation Programme across Council services which will consider the following themes and options:-
 - The balance between universal, targeted and charged for services: to consider the degree of what our universal offer is for services combined with different charging models
 - People and new ways of working: focused on maximising the potential of current staff, supporting the shift from delivery to enablement, attracting and retaining the best talent in a competitive market and engaging and empowering staff.
 - New ways of working: a key facet of a number of strategies including people, digital engagement and asset management strategies, to create an environment that delivers more collaboration, collective responsibility as well as productivity as part of our cost reduction proposals.
 - Self-service: moving forward our finance and HR models are predicated on achieving high levels of self-service. This requires changes in behaviours from both managers and staff.
 - Commissioning/procurement/enabling: working with others that deliver on its behalf.
 - Digital: making the most of Council systems as well as undergoing a digital transformation on current processes/delivery models in order to drive out efficiencies and deliver more responsive services to residents.
 - Project and programme management: developing new skills and capability, new models of delivery and supportive but disciplined programme governance.
 - Community and stakeholder engagement: development of The Open Forum initiative to allow segmented engagement with a cross section of the local Westminster community. Developing radical engagement with our residents, particularly the next generation of service users.
- Procurement – The Council recognises that effective procurement is fundamental in supporting the delivery of the Council’s overall financial strategy and delivery of the Council’s vision “City for All”. Procurement Services reflects the importance of a commercially aware procurement organisation that adopts best practice and continuous improvements through its people, market engagement, technology and our operating model. Procurement in Westminster has been accredited by the Chartered Institute of Procurement & Supply. An increased focus on the effectiveness of contracts management during the life of a contract will drive further efficiencies, value and savings. Organisation models for driving best practice in commercial contracts management are currently under review

- Enhanced review and requirement from the Council's balance sheet including a drive on reducing debtors, active cash management, review of assets and compliance with enhanced standards on payments among others
- Lean reviews which will take place across the Council on a phased basis to ensure the Council is maximising efficiency and reducing wasteful processes
- Continued development of financial rigour as part of the planned programme of improved financial management including the use of benchmarking, full business case operation for schemes in the capital programme and developing business planning likewise across the whole Council
- Commercialisation remains a major driver within the Council and this will see continued identification and development of commercial opportunities including income generation, cost reduction and alternative models of operation

4.3 If the four year settlement is accepted the reductions in the Council's core funding would be (after adjusting for an appropriate level of inflation):

	£m
2017/18	11
2018/19	8
2019/20	8

5. Flexible Use of Capital Receipts

5.1 As part of our MTFP, the Council has two capital schemes which will provide transformational and efficiency savings over the short, medium and long-term which have the potential to fit in with the regulations in respect of using capital receipts to fund revenue. WCC already has an ambitious capital programme in place, including a large regeneration programme, which will provide new homes, commercial, leisure and community spaces across the City.

5.2 These approved schemes make use of several sources of funding, including capital receipts. WCC has already divested itself of obsolete and inefficient assets, in order to provide funding to support the provision of new, efficient and fit for purpose capital assets.

5.3 The latest guidance by the Secretary of State directs that:

- Authorities may treat expenditure which is incurred in the design of projects that will generate on-going revenue savings in public services or that will transform service delivery to reduce costs or manage demand in future years for public service partners as capital expenditure.
- Such expenditure is incurred between 1 April 2016, 1 April 2017 and 1 April 2018.
- Expenditure is only eligible if it has been incurred in the periods above i.e. it does not apply expenditure incurred prior to 1 April 2016.

- 5.4 The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery.
- 5.5 These schemes are included in the [capital programme that was approved by Full Council on 02/03/2016](#) but also include significant revenue spend which it is proposed is financed by capital receipts.

Project	Qualifying criteria
<i>Westminster City Hall Refurbishment</i>	<i>Rationalising office space to reduce costs; and create revenue generating commercial space</i>
<i>Digital Transformation</i>	<i>Driving a digital approach to the delivery of more efficient services</i>

- 5.6 The use of flexible capital receipts to part-fund these major projects will be presented to Cabinet for approval as part of the budget setting process.
- 5.7 The capital programme is reviewed annually and approved by Full Council in the budget setting cycle in March each year. Any new eligible schemes will be included in this report, with clear indication that they will be fully or part-funded by the flexible use of eligible capital receipts.
- 5.8 Any changes to this programme during the year will be presented back to Cabinet, and notified to the DCLG, as per the requirements of the guidance.

6.0 Legal Implications

- 6.1 There are no particular legal implications arising from this report.

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

BACKGROUND PAPERS

Westminster City Council - Council Tax Report 2016/17

<http://westminster.moderngov.co.uk/documents/b12086/Budget%20and%20Council%20Tax%20Report%20Including%20Appendix%20A%2002nd-Mar-2016%2019.00%20Council.pdf?T=9>