



City of Westminster

Executive Summary and Recommendations

Cabinet Urgency Committee Report

Date: 19 August 2010

Subject: 5 Year Capital Programme Strategy

1. Summary

- 1.1 At the Cabinet Meeting on 28th June 2010 the revised General Fund capital programme was agreed. The paper highlighted to Members the changes that have been made to meet the new capital programme cash limits; the implications for service portfolios and the changes that have been made to split out service budgets from the property portfolio, the 'built environment' portfolio and revisions to the ICT portfolio.
- 1.2 At the same meeting, Cabinet Members noted that the scale of capital expenditure would need to be kept under review as the Council develops its medium term business plans, to reflect reduced funding and the pressures on the Council's resources.

2. Recommendations

- 2.1 That the detailed capital programme proposals in this report be approved including:
 - a Ongoing reviews of capital receipts income, interest charges and progress on the projects, taking account of the constraints arising from the Council's financial planning.
 - b Moving of some of this year's programme to the next financial year.
 - c Reviewing some of the items in 2012/13, such as the schools programme and the H/Q property requirements, that should balance receipts and expenditure, closing the current gap of £1.8M.
- 2.2 That the proposals set out in paragraphs 2.7, 2.8 and 2.9 of the report in respect of the Corporate Property and Built Environment Capital Budgets be approved.



City of Westminster

Cabinet Member Report

Report to:	Cabinet Urgency Committee
Date:	19 August 2010
Classification:	For General Release
Title of Report:	5 Year Capital Programme Strategy 2010-2011 to 2014-2015
Report of:	Strategic Director of Finance and Performance
Wards involved:	All
Policy context:	Effective Financial Management of the Council
Financial summary:	The Council's sustainable 5 year Capital Programme will result in £172 million of expenditure delivered in the ratio 50 million, 40 million, 40 million, 21 million, 21 million over the planning period
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1. Background

- 1.1 The City Council's capital programme is based on the underlying assumption that over its lifetime expenditure will be fully funded from capital receipts. The Council Tax report approved by the Council on the 3rd March had the following capital programme:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
General Fund	68.7	46.3	54.7	24.9	32.4	227.0
Housing Revenue A/c	30.0	29.0	29.0	30.0	30.1	148.1
Total	98.7	75.3	83.7	54.9	62.5	375.1

- 1.2 During the evaluation of the revenue budget during May and June it became clear that this level of programme would not be sustainable as debt funding would be required in the short term to finance work as capital receipts were not being realised. Without capital receipts, more debt financing would be required to fund the general fund programme – which is not affordable given the present pressures on revenue budgets.
- 1.3 The Housing Revenue Account is funded via a range of sources including tenant contributions through rental payments and drawdown of the Housing Revenue Reserve. It is outside this process.
- 1.4 At the Cabinet Meeting on the 28th June 2010 the following revised general fund capital programme was agreed:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m
General Fund	50.0	40.0	40.0	21.0	21.0	172.0

- 1.5 This paper highlights:
- 1) The detailed changes that have been made to existing capital programmes to bring them within the new cash limits
 - 2) Lists the existing schemes that fall within and outside the new programme
 - 3) Where there is significant pressure to meet the 2010/11 target
 - 4) The movement of service specific spending out of property control and into the correct service area.
 - 5) Changes that have been made in the “built environment” area
 - 6) Changes that have been made in the IT programme

2. Detail

The New Cash Limits and the schemes that fall inside and outside the new Cash Limits

- 2.1 In reducing the cash limits from the existing level of £227m down to the revised £172m level, the following process was undertaken:
- 1) The 2009/10 carry forwards were added to the existing £227m budget as approved on the 28th June 2010.
 - 2) Each service line was then reduced in the proportion to the overall reduction required.
 - 3) These amounts were then applied each year in proportion to the yearly cash limits.
- 2.2 Service Departments were asked to provide a list of those schemes that were now funded and those not funded. These lists were provided and are shown in Appendix A.

The listings show

- Those schemes now within the cash limits
- Those schemes outside the cash limits
- The actual cash limits.

Pressures on the 2010/11 Cash Limit

- 2.3 The table below highlights the present pressures on the revised cash limits:

Variances to Distributed Cash Limits	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Adults	0	0	0	0	0	0
Sports & Leisure	266	-67	110	12	-321	0
Libraries	1,148	-266	-629	-3	-250	0
Children & Young People	2,439	-867	-1,022	25	-574	0
Cleansing	379	-110	-161	-217	92	-17
Parking	73	-24	-24	-13	-13	0
Planning, Road Mgmt & Transportation	2,276	-4,841	1,816	-946	2,217	523
Community Safety	22	-2	-2	-1	-16	2
Parks, Trees and Cemeteries	34	38	-17	-55	0	-1
Corporate Property	-150	0	6,130	0	-2,329	3,651
Council House	150	0	-6,130	0	2,329	-3,651
ICT	2,356	-109	135	-79	-1,966	336
Procurement	-55	-36	-19	-23	0	-133
Worksmart	-88	0	0	0	0	-88
Ward Budget Capitalisation	0	0	0	0	0	0
Housing General Fund	0	0	0	0	0	-1
	8,850	-6,284	187	-1,301	-831	621

- 2.4 Presently there is significant pressure to meet the 2010/11 target although in 2011/12 there are underspends that partly compensate the pressures. Those areas with significant overspends (Children and Young People, Planning and Road Management and ICT) have been asked if any schemes would be able to be “slipped” into 2011/12 from 2010/11. Those schemes in Children and Young People are already contractually committed and therefore cannot be reduced.
- 2.5 Cabinet agreed on 28 June that in the light of the above a revised programme needed to be considered. Its overall effect is to increase the overall capital spending by £1.2m although in the initial year spending is reduced by £0.5m ICT has also provided a revised programme, which is included in the final section for approval. Its overall effect is net neutral over the five year period

although costs have shifted forward from later in the programme to earlier in the programme.

- 2.6 It is important that over both the 5 year and 3 year medium term period that capital programme spending balances to the revised budgets. Overall, there will still be the need for more schemes to “slip” from 2010/11 to 2011/12 and this will be reviewed via the monthly performance monitoring process. If schemes can be delayed until 2012/13, then it is appropriate for that to be highlighted now as there is more flexibility in budgets at that time. Appendix B highlights the revised budgets taking on board:

- 1) The changes to the ICT and Built Environment programmes
- 2) The transfer of property budgets that are service related back to the respective services.

The Movement of Budgets from Property Services into Service Areas

- 2.7 In reviewing where work is undertaken, it has become apparent that Corporate Property hold budgets that actually should “be owned” by the service departments. The only budgets that Corporate Property should hold are those for corporate buildings and other cross-council property initiatives. As such, the Cabinet Member for Finance and Resources proposes that those budgets that belong to service departments are passed back. The following table highlights the movements that will be made to cash limits and Appendix C highlights the individual line items.

	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Charges to Corporate Property Portfolio						
Adults	236	22	271	0	0	529
Sports & Leisure	184	157	584	0	0	925
Libraries	88	80	174	0	0	342
Children & Young People	738	150	8,049	2,099	2,160	13,196
Cleansing	0	0	185	0	0	185
Parking	391	0	131	0	0	522
Planning, Road Mgmt & Transportation	0	0	125	0	0	125
Community Safety	0	0	0	0	0	0
Parks, Trees and Cemeteries	0	20	89	0	0	109
Corporate Property	-1,637	-429	-9,608	-2,099	-2,160	-15,933

Changes to the Built Environment Portfolios

- 2.8. In addition Officers are recommending to the Cabinet to increase their spending by £1.236m over the five year programme although some costs are taken out of year one and allocated to years 2 and 3 in particular. Additional schemes are: Cathedral Piazza (£1m), South Moulton Street (£0.6m), Old Cavendish Street, Oasis & pavilion (externally funded), Berwick Street (£1m) and Queensbury/Westbourne Grove £1.3m). Overall this adds £4m of costs.
- 2.9 To offset this partially £2.8m overall has been taken off the existing schemes: Gully reconstruction programme (£0.3m), VFM HMP – Strengthening Footways to extend their life (£1m), Damaged paving programme (1.2m), and Aged Expired Equipment (£0.2m).

All schemes are detailed in Appendix D

Changes to the ICT Portfolio

- 2.10 Overall, the value of the ICT portfolio changes by £8k – although the profiling moves approximately £200k of spending from 2013/14 forward into 2010/11 and 2011/12. All schemes are detailed in Appendix E.

3. Legal Implications

There are no legal implications arising from this report.

4. Staffing Implications

There are no Staffing implications arising from this report.

5. Reasons for Decisions

It is necessary to have an ongoing review of capital receipts income and progress on the projects as part of the preparation work required for the budget in the Autumn.

Background Papers – Local Government Act 1972

- Report to Cabinet – 28 June 2010

