



City of Westminster

**Budget & Performance Task Group  
Budget Scrutiny Slides  
Wednesday 1<sup>st</sup> February 2017**



City of Westminster

# Budget & Performance Task Group

## 2017/18 Budget overview

Steven Mair  
City Treasurer

## ***Executive Summary***

- £35m estimated net savings target set for 2017/18, following provisional settlement in December 2016.
- 2016/17 savings were fully identified and the budget balanced.
- 2017/18 savings are fully identified and the budget balanced.
- Over £100m in net savings made over the 3 year period to 2017/18
- Further savings will be required in future years due to continued reductions in funding

## ***Executive Summary***

- Provisional settlement in December 2016.
- Final settlement expected in January/February 2017, will confirm all grant amounts from the settlement.
- We also have to generate efficiencies to fund:
  - Demographic pressures
  - Contract and salary inflation
  - Changing service demand priorities
  - Pensions pressures
  - Change to National Insurance
- 2017/18 is the second year of a four year funding settlement to 2019/20

## ***Executive Summary – Capital Expenditure***

- Budgeted gross capital spend for 2017/18 of £331.44m, with income of £209.36m towards this – net spend of £122.08m excl. HRA
- Programme has been extended to 2030/31 to plan for long-term development schemes – gross expenditure £2.089bn, net £1.203bn excl. HRA
- Largest area of spend will be in Growth, Planning & Housing with £156m net planned for 2017/18, £584m to 2030/31
- Covers spend on development, investment and operational projects
- Addresses a number of key strategic aims, for example:
  - New Affordable Housing to help towards new home build targets and ease pressure on Temporary Accommodation
  - Continued investment in highways, infrastructure and public realm
  - Refurbishment of City Hall
  - Investment in the West End and Church Street Renewal

## ***Executive Summary – Directorate Presentations***

- Slides presented by Executive Directors cover the following:
  - Service issues faced
  - Revenue savings, pressures for 2017/18
  - Consultations undertaken on 2017/18 saving proposals
  - Capital expenditure with main projects disclosed
  - Full EIAs provided as appendices
  
- Sustainability and Transformation Programme (STP)
  - Still early in the programme, and there is a lack of clarity around the impact this will have on the council's services
  - Expected to be funded from Health to compensate for the impact of the out of hospital strategy
  - No financial impact therefore reflected in 2017/18 budget.



City of Westminster

**Budget & Performance Task Group**  
**1<sup>st</sup> February 2017**  
**Growth Planning & Housing**

Ed Watson

Executive Director

## ***Executive Summary***

- In 2016/17, Growth Planning and Housing was allocated a gross controllable expenditure budget of £340.063m and a gross income budget of £311.313m (net controllable budget £28.750m)
- The projected outturn variance for 2016/17 is a surplus of £0.410m
- The budget envelope for 2017/18 contains pressures of £0.698m
- The Directorate has identified transformation, efficiencies, financing and commercial proposals totalling £5.207m for the next financial year



## ***2017/18 Key Issues***

- **Reducing Long Term Unemployment** – The Westminster Employment Service was established in 2016/17 using existing earmarked reserves. The service relies entirely on alternative or external funding and will continue to develop over the next year.
- **Business Engagement** – Continuing pro-active engagement with the business community to address growth issues and to deliver social value will be a priority over the next year.
- **The Opportunity of Securing External Funding** – £5m in external funding has been raised in the last 12 months for broadband connectivity, enterprise space and employment. These are multi-year programmes and currently represent future commitments. The service will continue to look for such opportunities.

## ***2017/18 Key Issues (contd.)***

- **Continuing Increased Demand for Temporary Accommodation** - Partly driven by long term unemployment this issue will continue to affect the City.
- **Impact of Strategic Infrastructure Schemes** – Continuing to manage the long term impacts of the Thames Tideway, HS2, and Crossrail 2.
- **Declining Planning and Property Income** – Uncertainty over Brexit and the economy has had an impact on Planning income. Property income for the Council is contracted and mostly secure. However risk exists over the quantum of income increases at rent review and the re-letting of void accommodation.
- **Project and Programme Management** – Establish a structure that is able to co-ordinate, monitor and deliver across the capital programme

## ***Growth Planning & Housing Budget 2016/17***

The key controllable service area budgets for 2016/17 are broken down as follows:

| <b>Service Area</b>              | <b>Income<br/>£m</b> | <b>Expenditure<br/>£m</b> | <b>Net Budget<br/>£m</b> |
|----------------------------------|----------------------|---------------------------|--------------------------|
| City Transport Advisory          | -                    | 0.082                     | 0.082                    |
| Development Planning             | (7.914)              | 9.632                     | 1.718                    |
| Economy and Infrastructure       | (2.043)              | 3.318                     | 1.275                    |
| Growth, Planning and Housing     | (2.201)              | 2.046                     | (0.155)                  |
| Housing Operations               | (268.137)            | 295.111                   | 26.974                   |
| Property Investments and Estates | (20.620)             | 19.477                    | (1.144)                  |
| WAES                             | (10.397)             | 10.397                    | -                        |
| <b>Net Budget</b>                | <b>(311.313)</b>     | <b>340.063</b>            | <b>28.750</b>            |

Budgets do not include corporate costs and recharges

## ***2017/18 Transformation, Efficiencies, Financing and Commercial Proposals (1)***

The directorate is proposing a series of initiatives to support balancing the 2017/18 budget. These total £5.207 million.

| <b>Key Initiatives</b>   | <b>£m</b> |
|--|-----------|
| <b>Property</b>  |           |
| Corporate Property Strategy                                    | 0.076     |
| Property Rationalisation and Asset Management (including Hubs) | 1.257     |
| Major Projects - Income generation                             | 0.687     |

## 2017/18 Transformation, Efficiencies, Financing and Commercial Proposals (2)

| Key Initiatives                                      | £m    |
|--|-------|
| <b>Housing</b>                                       |       |
| Review of Housing Options and Homeless Service costs | 0.500 |
| Allocation of funding for public health outcomes     | 0.352 |
| Temporary Accommodation homes purchase               | 0.357 |
| Rough Sleeping and Supported Housing                 | 0.880 |

## ***2017/18 Transformation, Efficiencies, Financing and Commercial Proposals (3)***

| <b>Key Initiatives</b>              | <b>£m</b> |
|-------------------------------------|-----------|
| <b>Economy and Planning</b>         |           |
| Westminster Adult Education Service | 0.042     |
| Economy team - alternative funding  | 0.110     |
| Development Planning Transformation | 0.050     |

## ***2017/18 Transformation, Efficiencies, Financing and Commercial Proposals (4)***

| <b>Key Initiatives</b>                  | <b>£m</b>    |
|---|--------------|
| <b>GPH Wide Savings</b>                 |              |
| Review of staffing, supplies & services | 0.843        |
| Digital Savings                         | 0.053        |
| <b>Total (All 4 sections)</b>           | <b>5.207</b> |

## ***2017/18 Savings - Description***

### ***Property***

- **Property Investment, Rationalisation and Asset Management** – A programme focused on diversifying the existing investment portfolio through new investment, ensuring optimum performance from the existing portfolio and reducing the Council's operational property footprint to reduce costs.
- **Major Projects Income and Cost Recovery** – Aimed at recovering our costs associated with the major redevelopment sites at Luton Street, Tollgate Gardens and the Sir .Simon Milton UTC



## ***2017/18 Savings – Description (contd.)***

### ***Housing***

- **Housing Options** – This is a reshaping of the existing Housing Options Services contract with major changes due to start in October 2017.
- **Temporary Accommodation** – This involves two initiatives which propose to acquire more properties directly & therefore create an income stream for, rather than a cost to, the General Fund.
- **Rough Sleeping** – Through a blend of re-procurements, efficiencies, service redesign and reduction in service levels, delivery of any savings will be designed to minimise impact on other service areas.

## ***2017/18 Savings – Description (contd.)***

### **Economy**

- **WAES** – This is a commitment to reduce costs and enhance efficiency across this service area.
- **Employment Recharge** – The Economy team and WAES will look to recover their costs from the work that is currently undertaken on behalf of external partners.

## ***2017/18 Savings – Description (contd.)***

### ***Planning***

- **Transformation** – The planning application process went digital in November 2015. Around £1m of savings have been delivered from this programme through the gradual reduction in overheads e.g. paper / postage / staff time etc.

## ***2017/18 Savings – Description (contd.)***

### ***Other***

- **Review of Existing Supplies and Services and Digital Savings** - A series of proposals have been pulled together from the existing GPH budgets. These primarily result from the reductions of operational costs across the Department and the creation of the new Place Shaping team.

## ***Consultations on 2017/18 proposals***

*The following consultations have been arranged in respect of 2017/18 proposals:*

|                               |   |
|-------------------------------|---|
| <b>Proposal name</b>          | Rough Sleeping and Supported Housing  |
| <b>Value (£'000)</b>          | £880k   |
| <b>Consultation Period</b>    | 2015-2016   |
| <b>Status of consultation</b> | This is the second year of three of the savings originally consulted upon in last years MTP |
| <b>Impact/amendments?</b>     | No further change since consultation undertaken   |

## 2017/18 Budget Pressures

Estimated pressures affecting 2017/18 that are built into the proposed budget are as follows:

| Estimated Pressures                   | £m           |
|---------------------------------------|--------------|
|                                       |              |
| Change controls in Corporate Property | 0.097        |
| Reduction in funding WAES             | 0.042        |
| Impact NNDR changes                   | 0.559        |
| <b>TOTAL</b>                          | <b>0.698</b> |

## **2017/18 Budget Pressures**

*Additional information on the pressures is provided below:*

**NNDR (£0.559m)** Following the Government's recent revaluation exercise of Business rates there will be an expected increase in costs to the council of NNDR

**WAES (£0.042m)** This is the offsetting entry recognising that the savings generated are ring fenced for WAES and will contribute funds to their reserves

**Change controls in Corporate property (£0.097m)** This represents the forecast budget requirement growth in the Corporate Property portfolio based on anticipated changes in market rates and other factors

## ***Growth Housing & Planning Budget 2017/18***

The key controllable service area budgets for 2017/18 are broken down as follows:

| <b>Service Area</b>              | <b>Income<br/>£m</b> | <b>Expenditure<br/>£m</b> | <b>Net Budget<br/>£m</b> |
|----------------------------------|----------------------|---------------------------|--------------------------|
| City Transport Advisory          | -                    | 0.082                     | 0.082                    |
| Development Planning             | (7.914)              | 9.582                     | 1.668                    |
| Economy and Infrastructure       | (2.153)              | 3.318                     | 1.165                    |
| Growth, Planning and Housing     | (3.784)              | 2.046                     | (1.738)                  |
| Housing Operations               | (268.846)            | 293.731                   | 24.885                   |
| Property Investments and Estates | (20.795)             | 18.975                    | (1.820)                  |
| WAES                             | (10.439)             | 10.439                    | -                        |
| <b>Net Budget</b>                | <b>(313.932)</b>     | <b>338.173</b>            | <b>24.241</b>            |

Budgets do not include corporate costs and recharges



## 2017/18 Capital Expenditure (1)

The capital gross expenditure forecast for 2016/17 is £141.368m. The capital expenditure proposed for 2017/18 is £210.742m and includes the following major projects:

| Capital Programme                                | 2016/17<br>Forecast<br>Net<br>Outturn<br>£m | 2017/18<br>Gross<br>Expenditure<br>£m | 2017/18<br>Income<br>£m | 2017/18<br>Net<br>Budget<br>£m | 5yr Net<br>Budget<br>£m | Future<br>Net<br>Budget<br>**<br>£m |
|--|---|---------------------------------------|-------------------------|--------------------------------|-------------------------|-------------------------------------|
| Major Projects                                   | 37.385                                      | 144.391                               | (35.599)                | 108.792                        | 371.712                 | 76.559                              |
| Housing  | 1.600                                       | 29.297                                | (18.497)                | 10.800                         | 13.500                  | -                                   |
| Property   | 30.963                                      | 33.207                                | -                       | 33.207                         | 43.982                  |                                     |
| Combined other projects*                         | 0.270                                       | 3.847                                 | (1.041)                 | 2.806                          | 8.360                   |                                     |
| <b>Total Capital Programme</b>                   | <b>70.217</b>                               | <b>210.742</b>                        | <b>(55.137)</b>         | <b>155.605</b>                 | <b>437.554</b>          | <b>76.559</b>                       |
| Centrally held contingency<br>for Major Projects | -   | 10.177                                | -                       | 10.177                         | 51.375                  | 33.797                              |

\*Other projects include open spaces strategy, street tree planting and WEP schemes

\*\* Future Years run to 28/29 and forecast expenditure on schemes included within the initial five years.

## 2017/18 Capital Expenditure (2)

The main projects within Major projects are summarised below:

| Capital Programme          | 2016/17<br>Forecast<br>Net<br>Outturn<br>£m | 2017/18<br>Gross<br>Expenditure<br>£m | 2017/18<br>Income<br>£m | 2017/18<br>Net<br>Budget<br>£m | 5yr Net<br>Budget<br>£m | *Future<br>Net<br>Budget<br>£m |
|----------------------------|---|---------------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|
| Huguenot House             | 4.000                                       | 10.274                                | -                       | 10.274                         | 52.573                  | (12.538)                       |
| Investment Property Review | 25.650                                      | 29.849                                | -                       | 29.849                         | 172.287                 | 63.697                         |
| City Hall Refurbishment    | 3.843                                       | 39.715                                | -                       | 39.715                         | 76.169                  | -                              |
| Dudley House               | -   | 42.300                                | (15.846)                | 26.454                         | 34.621                  | -                              |
| Lisson Grove Programme     | -   | 1.200                                 | -                       | 1.200                          | 54.600                  | 25.400                         |
| Moberly Sports centre      | 2.208                                       | 12.918                                | (1.400)                 | 11.518                         | 12.599                  | -                              |
| Other schemes              | 1.684                                       | 8.135                                 | (18.353)                | (10.218)                       | (31.137)                | -                              |
| <b>Major projects</b>      | <b>37.385</b>                               | <b>144.391</b>                        | <b>(35.599)</b>         | <b>108.792</b>                 | <b>371.712</b>          | <b>76.559</b>                  |

\* Future Years run to 28/29 and forecast expenditure on schemes included within the initial five years.

## **2017/18 Capital Expenditure (3)**

*Additional information on the key projects in 2017/18 is provided below:*

**City Hall Refurbishment (£39.715m gross):** As part of the City Hall refurbishment programme the main works are due to begin during 2017/18. All members of staff currently working at City Hall are being decanted to temporary locations during this process which will start from March 2017. The gross budget over a five year period is £76.169m with works set for completion in 2018/19.

**Dudley House (£42.300m gross and £26.454m net):** Demolition is now complete and Cabinet Member approval given to enter into a design & build contract with the Willmott Dixon. The final school element of the scheme is due for completion in September 2018 with the accommodation element due in April 2019. The total net budget over the five year period will be £34.621m.

**Moberly Sports centre (£12.918m gross and £11.518m net):** Phase 1 of this scheme is now underway with completion expected in 2018. The project is being delivered with Willmott Dixon. Overall net expenditure over a five year period will be a credit of £2.936m due to Capital receipts of £15.500m being forecast in 20/21. The Capital receipt figure relates to the repayment of a loan and land receipts.

## **2017/18 Capital Expenditure (4)**

*Additional information on the key projects is provided below:*

**Strategic acquisitions (£36.121m gross):** A number of schemes within the programme require the acquisition of property in order to provide the Council with a suitable site from which to progress a scheme. The budget in 17/18 relates to the investment portfolio review and Huguenot House schemes. Over a five year period the total gross expenditure will be £114m.

**Housing (£29.297m gross and £10.800m net):** The Housing General Fund budget contains schemes to provide additional affordable housing both in and out of borough. The proposed budget in 2017/18 includes Affordable Housing fund application of £16.997m, investment in a pooled housing fund of £10.800m and purchases of temporary accommodation properties of £1.500m.

**Property (£33.207m gross):** The most significant budget within this category is the property investment schemes budget of £25m. This is used to invest where opportunity arises, in suitable schemes which will provide a pre determined return on the investment. Rolling schemes such as the forward maintenance plan £0.747m and landlord's responsibilities budget £1m are included to cover the cost of continual maintenance of the Council's property portfolio. Capital works to the Coroner's Court to provide improvements account for £2.429m with other smaller schemes making up the balance of £4.031m.

## **2017/18 Capital Expenditure (5)**

*Additional information on the key projects is provided below:*

**Combined other projects (£3.847m gross and £2.806m Net):** The open spaces strategy, £0.200m, and street tree planting programmes, £0.170m, are the other projects within GPH which are both rolling programmes. The remaining £3.477m budget is for public realm schemes including the West End Partnership (WEP). These are part funded by external sources such as section 106 agreements. Over a five year period they have a gross expenditure budget of £10.310m.

**Central contingency (£10.177m gross):** The contingency budgets allocated to specific projects are now being held centrally to be allocated as and if required as projects progress. Over a five year period the gross budget held for these schemes will be £51.375m.