



City of Westminster

**Budget & Performance Task Group
Budget Scrutiny Slides
Friday 3rd February 2017**



City of Westminster

Budget & Performance Task Group

3rd February 2017

City Management & Communities

Stuart Love

Executive Director

Executive Summary

- In 2016/17 City Management & Communities was allocated a gross controllable expenditure budget of £136.992m and a gross income budget of £121.331m (net controllable budget £15.661m)
- The projected outturn variance for 2016/17 is a surplus of £10.046m
- The budget envelope for 2017/18 contains pressures of £0.680m
- The directorate has identified transformation, efficiencies, financing and commercial proposals totalling £16.826m

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

2017/18 Key Issues

- Delivery of digital programme transformation
- Delivery of new target operating model in Libraries
- Potential economic impacts on parking and Code of Construction Practice income
- Reduction in The Mayor's Office for Policing And Crime (MOPAC) funding that will require a review of current commissioned services
- Possible financial impact of the Parks and Cemeteries contract re-let

City Management & Communities Budget 2016/17

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

| Service Area | Income £m | Expenditure £m | Net Budget £m |
|--|----------------------|---------------------------|--------------------------|
| Directorate central budgets | - | 0.443 | 0.443 |
| Public protection and licensing | (10.730) | 21.301 | 10.571 |
| Community services | (2.740) | 3.607 | 0.867 |
| Highways infrastructure & public realm | (8.899) | 13.705 | 4.806 |
| Waste and parks | (17.077) | 56.797 | 39.719 |
| Parking | (78.906) | 31.089 | (47.817) |
| Libraries and Culture | (2.979) | 10.051 | 7.072 |
| TOTAL Controllable Budget 2016/17 | (121.331) | 136.992 | 15.661 |

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 £16.826 million.

| Key Initiatives (section 1 of 3) | £m |
|---|-----------|
| Digital transformation contribution from directorate | 0.691 |
| Code of Construction Practise expansion to basements | 0.700 |
| Street Trading Licensing Fees Income to recover costs | 0.200 |
| Highways alternative service delivery models | 0.140 |
| Highways service level changes | 0.260 |
| Highways expenditure review | 1.060 |
| Highways compliance and audit contract – reduction in service | 0.025 |

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

| Key Initiatives (section 2 of 3) | £m |
|--|-----------|
| Commercial waste income | 1.250 |
| Commercial opportunities in private rented accommodation | 0.035 |
| Licensing fee income | 0.050 |
| Sports and Leisure Contract Savings - Phase 1 | 0.265 |
| Further channel shift efficiencies | 0.086 |
| Parking transformation programme | 0.819 |
| Parking suspensions charges review – demand management | 8.000 |

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

| Key Initiatives (section 3 of 3) | £m |
|---|---------------|
| Review of on street parking charges to manage demand | 0.350 |
| CCTV – moving traffic | 0.643 |
| Introduction of minimum stay duration (parking) | 1.000 |
| Libraries Service Delivery – service reform | 0.750 |
| Registration Service income growth – commercialisation* | 0.150 |
| Allocation of funding for public health outcomes | 0.352 |
| TOTAL (3 sections) | 16.826 |

* Full EIA completed and provided separately with scrutiny documentation

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

Additional information on the key initiatives is provided below:

Digital transformation (£0.691m) - consists of a programme that looks to drive customer contacts online, streamline business processes, thereby avoiding unnecessary and costly contacts and deliver process efficiencies to reduce running costs of services. The outcomes will be more efficient processes, digital by default customer contacts and an enhanced customer experience overall.

Code of Construction (£0.700m) – the new Code of Construction practice went live in September 2016. As works start on site following approval of schemes by Planning, the level of income is expected to increase as more chargeable sites work their way through to commencement on street.

Highways Expenditure Review (£1.060m) – following an expenditure review savings or additional income have been identified within the Highways service. This includes increases in project management income, efficiencies within the Highways' maintenance contract, staffing savings, and reductions in supplies and services budgets.

Parking Transformation Programme (£0.819m) - following the new contract which went live in November 2014 further benefits are being realised over the contract term as a result of continued improved operational efficiencies, linked to the implementation of new technology.

2017/18 Transformation, Efficiencies, Financing and Commercial Proposals (5)

Additional information on the key initiatives is provided below:

Parking Suspensions Charges Review – Demand Management (£8.000m) – this recognises the higher than budgeted income following the introduction of a tiered suspension charging structure. Implementation has resulted in the desired behaviour change and seen a reduction in suspension days, freeing the kerbside for motorists and other users, but not to the budgeted level.

Introduction of minimum stay duration (£1.000m) – introduction of a minimum stay length for parking transactions generating additional income through ensuring all parking transactions are for an appropriate minimum stay duration.

Commercial waste service (£1.250m) - income growth is planned through a review of fees to take into account inflationary pressures and market conditions; increased marketing activities and continued enforcement action against unpaid commercial waste.

Libraries service reform (£0.750m) - a new vision and target operating model have been developed, to implement a new organisational structure, develop enhanced partnerships and volunteering, there is also further consideration around commercialisation to increase income, and a review of the digital provision for the service.

2017/18 Budget Pressures

| Estimated Pressures | £m |
|--|--------------|
| Waste disposal and increase in tonnage | 0.680 |
| | |
| TOTAL | 0.680 |

Waste disposal and increase in tonnage (£0.680m) - waste contract costs are expected to increase as a result of a growth in waste tonnage and the part year impact of the new waste disposal contract prices.

City Management & Communities Budget 2017/18

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

| Service Area | Income £m | Expenditure £m | Net Budget £m |
|--|----------------------|---------------------------|--------------------------|
| Directorate central budgets | - | 0.443 | 0.443 |
| Public protection and licensing | (11.114) | 20.055 | 8.941 |
| Community services | (3.005) | 3.607 | 0.602 |
| Highways infrastructure & public realm | (10.119) | 13.042 | 2.923 |
| Waste and parks | (18.310) | 57.459 | 39.149 |
| Parking | (89.199) | 30.570 | (58.629) |
| Libraries and Culture | (3.114) | 9.200 | 6.086 |
| TOTAL Controllable Budget 2017/18 | (134.861) | 134.376 | (0.485) |

Budgets do not include corporate costs and recharges

Consultations on 2017/18 proposals

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

| | |
|-------------------------------|---|
| Proposal name | Street Trading Licence Fees income |
| Value (£'000) | 200 |
| Consultation Period | Minimum of 28 days |
| Status of consultation | Fee Review subject to licensing sub-committee approval. Statutory consultation process will subsequently commence as per requirement of City of Westminster Act 1999. |
| Impact/amendments? | Dependent of street trader views/responses as part of consultation. This is the first fee review proposal to be taken to licensing committee since 2003. |

| | |
|-------------------------------|--------------------------------------|
| Proposal name | Code of Construction Practice |
| Value (£'000) | 700 |
| Consultation Period | Completed (January – February 2016) |
| Status of consultation | Completed |
| Impact/amendments? | No change to savings resulting |

2017/18 Capital Expenditure (1)

The net capital expenditure forecast for 2016/17 is £16.090m (gross £29.831m). The capital expenditure proposed for 2017/18 is £77.380m and includes the following major programme lines:

| Capital Programme 2017/18 | 2016/17 Forecast Net Outturn | 2017/18 Gross Expenditure £m | 2017/18 Income £m | 2017/18 Net Budget £m | 5yr Net Budget |
|--|------------------------------------|---------------------------------------|-------------------------|--------------------------------|-------------------|
| Transportation | 0.400 | 17.944 | (17.144) | 0.800 | 3.100 |
| Public Realm Enhancements | 1.863 | 37.870 | (33.792) | 4.078 | 13.806 |
| Asset maintenance/improvements* | 13.079 | 17.852 | (0.300) | 17.552 | 87.879 |
| Combined other projects | 0.748 | 3.714 | (1.242) | 2.472 | 5.848 |
| Total Capital Programme 2017/18 | 16.090 | 77.380 | (52.478) | 24.902 | 110.633 |

*Asset maintenance/improvements cover highways, footways, lighting, premises, parks and leisure facilities.

2017/18 Capital Expenditure (2)

Additional information on the key projects is provided below:

Transportation (£17.944m gross, £0.800m net): The major projects included within this category are: London Cycle Grid Construction (£10.096m gross - fully funded by TfL). This scheme is subject to approval.

The balance of £7.848m gross and £0.800m net is comprised of a number of other transport initiatives including TfL sponsored cycling initiatives, local safety schemes and work on principal roads. There are additionally 21 smaller projects focusing on delivering the Mayor of London's Transport Strategy as part of our TfL funded Local Implementation Plan.

2017/18 Capital Expenditure (3)

Additional information on the key projects is provided below:

Public Realm Enhancements (£37.870m gross, £4.078m net): These projects focus on public realm enhancements. Major projects included within this category are:

- **Baker Street Two-Way** (£5.638m gross – fully externally funded) which will improve road safety and provide a more enjoyable environment for pedestrians
- **Hanover Square** (£4.508m gross – fully externally funded in 2017/18) which will integrate Crossrail's new Bond Street Eastern Ticket Hall with existing heritage and other major development schemes
- **Bond Street** (£4.419m gross, £1.588m net) – covering public realm improvements in the area
- **Jermyn Street** (£3.500m – fully externally funded)- which will deliver a well-managed, high quality streetscape whilst protecting and enhancing Westminster's unique heritage
- **Berkeley Square** (£2.500m gross – fully externally funded) which will bring significant public realm improvements to this iconic London square

The balance of £17.305m gross and £2.490m net covers 17 smaller projects in areas such as East Mayfair (£2.000m – fully externally funded , Marylebone Lane (£1.100m – fully externally funded), and St James Palace Forecourt (£1.000m – fully externally funded)

2017/18 Capital Expenditure (4)

Additional information on the key projects is provided below:

Asset Maintenance / Improvements (£17.852m gross, £17.552m net): These budgets are for Maintenance and Improvements to Assets. The major programmes within this area are:

- **Structural work on bridges and structures** (£3.865m gross, £3.665m net) – includes programmed maintenance plus additional works to Waterloo Bridge, Harrow Road Bridge, Piccadilly Underpass and Victoria Embankment Sturgeon
- **Carriageway Maintenance** (£3.305m gross and net)
- **Stone Mastic Asphalt Improvement** (£3.000m gross and net) which will replace Stone Mastic Road surfaces with Hot Rolled Asphalt
- **Lighting Improvement and other Works** (£2.268m gross and net)
- **Footway Maintenance** (£2.060m gross and net)

The balance of £3.354m gross and £3.254m net is various smaller maintenance projects covering infrastructure across the City Council. These include maintenance of leisure facilities, libraries, parks and cemeteries.

Combined other projects (£3.714m gross, £2.472m net): a number of smaller projects of which over 90% is comprised of the disabled facilities grant programme, safe and secure homes, and crime and disorder CCTV. As part of the decision to decommission the CCTV estate the council offered partners the opportunity to take over responsibility for the whole or part of the CCTV estate provided they were able to meet the ongoing revenue costs and no costs were incurred by the council by transferring the cameras. £1.7m capital funding had been set aside to upgrade the system.



City of Westminster

Budget & Performance Task Group

3rd February 2017

Corporate Services

John Quinn

Executive Director

Executive Summary

- In 2016/17 Corporate Services was allocated a gross controllable expenditure budget of £20.878m and a gross income budget of £7.156m (net controllable budget £13.722m).
- The projected outturn variance for 2016/17 is a surplus of £0.215m.
- The budget envelope for 2017/18 contains pressures of £1.994m.
- The directorate has identified transformation, efficiencies, financing and commercial proposals totalling £3.866m.

2017/18 Key Issues

- Delivery of the digital transformation programme.
- Stabilising and optimising the **Managed Service Programme** will eliminate waste and inefficiency and generate greater capacity towards achieving the Council's strategic objectives.
- Delivery of the commercial trading model for **procurement**. The income target set is ambitious and any unforeseen delay or change in the market conditions such as Brexit can dilute the planned income.
- Delivery of some of the **ICT savings** will require end user cooperation e.g. notifying ICT when people leave so that accounts can be closed and savings realised.

Corporate Services Budget 2016/17

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

| Service Area | Income £m | Expenditure £m | Net Budget £m |
|--|----------------|-------------------|------------------|
| Information, Communication & Technology | (1.057) | 10.849 | 9.792 |
| Procurement Services | (0.666) | 2.308 | 1.642 |
| People Services | (0.455) | 2.395 | 1.940 |
| Legal Services | (4.262) | 3.014 | (1.248) |
| Managed Services Programme | (0.597) | 1.804 | 1.207 |
| Shared Corporate Services | (0.069) | 0.399 | 0.330 |
| Corporate Services Trading | (0.050) | - | (0.050) |
| Digital Transformation | - | 0.109 | 0.109 |
| TOTAL Controllable Budget 2016/17 | (7.156) | 20.878 | 13.722 |

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.

| Key Initiatives (section 1 of 2) | £m |
|---|-----------|
| Tri-Borough Corporate Services - Legal Services | 0.266 |
| Reduced spend on Legal Services | 0.100 |
| Commercial operating model for procurement | 0.350 |
| IT staff structure | 0.250 |
| Transition to new communication contract/model | 0.291 |
| ICT - CCTV contract on Parking | 1.386 |

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

| Key Initiatives (section 2 of 2) | £m |
|---|--------------|
| Recharging of full cost from agency spend | 0.250 |
| Review of vacancies within corporate services | 0.316 |
| Review of ICT budgets | 0.657 |
| Total | 3.866 |

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

Additional information on the key initiatives is provided below:

Tri-Borough Corporate Services - Legal (£0.266m) this proposal seeks to generate additional external trading income £0.250m and the remaining pay cost benefits as part of the legal restructure that was implemented in April 2015.

Reduced spend on Legal Services (£0.100m) this initiative will look to reduce legal spend by council services by building an in house advocates team and reduce external barristers fees.

Commercial operating model for procurement (£0.350m) this initiative will generate income through a pan London Frameworks let by the council. It will also promote the capitalEourcing as solution of choice for local authorities. Development of Business Case for procurement traded model "consultancy practice" offering services to other local authorities and public sector organisations.

IT staff structure (£0.250m) IT workforce structure has been designed to deliver efficient and robust IT services.

2017/18 Transformation, Efficiencies, Financing and Commercial Proposals (5)

Additional information on the key initiatives is provided below:

Transition to new communications contract (£0.291m) the savings will be realised through a review of the telephony contract and maximise value for money.

Cease CCTV services (£1.386m) savings will be realised from end of Serco Wireless City contract (expires Dec 2016) currently used for CCTV parking enforcement.

Recharging of full cost from agency spend (£0.250m) apply a recharging mechanism that fully recovers the cost of contract management.

Review of vacancies within Corporate Services (£0.316m) undertake a review of all pay budgets within Corporate Services and review all vacant posts to assess if posts are needed and can the service manage without certain posts and generate a financial savings.

Review of ICT budgets (£0.657m) charges for the BT Lot 1 contract are scheduled to decrease in 2017/18 due to the cessation of legacy CapGemini Datacentre services and the transition of these functions to Office 365 (primarily) and the BT Cloud “SIP” datacentre platform.

2017/18 Budget Pressures

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

| Estimated Pressures | £m |
|-----------------------------------|--------------|
| Digital on-going costs | 1.494 |
| Office 365 licence costs | 0.500 |
| Total pressures in 2017/18 | 1.994 |

- Estimated cost of £1.494m is to cover the on-going costs for a digital platform and project management team.
- The Office 365 pressure is due to a move towards cloud solutions for Microsoft Office which has meant the council can no longer capitalise this cost and therefore a budget of £0.500m is required.

Corporate Services Budget 2017/18

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

| Service Area | Income £m | Expenditure £m | Net Budget £m |
|--|----------------|-------------------|------------------|
| Information & Communication Technology | (0.831) | 8.461 | 7.630 |
| Procurement Services | (0.666) | 2.220 | 1.554 |
| People Services | (0.455) | 2.320 | 1.865 |
| Legal Services | (4.262) | 2.573 | (1.689) |
| Managed Services Programme | (0.597) | 1.804 | 1.207 |
| Shared Corporate Services | (0.069) | 0.399 | 0.330 |
| Corporate Services Trading | - | (0.650) | (0.650) |
| Digital Transformation | - | 1.603 | 1.603 |
| TOTAL Controllable Budget 2017/18 | (6.880) | 18.730 | 11.850 |

Budgets do not include corporate costs and recharges

Consultations on 2017/18 proposals

No public consultations are required on the above proposals.

2017/18 Capital Expenditure (1)

The capital expenditure forecast for 2016/17 is £1.281m. The capital expenditure proposed for 2017/18 is £2.722m and includes the following major projects:

| Capital Programme 2017/18 | Gross Expenditure £m | Income £m | Net Budget £m |
|--|-------------------------|--------------|------------------|
| Digital Transformation | 1.677 | - | 1.677 |
| Parking & Integrated Street Management | 0.375 | - | 0.375 |
| Data Network Refresh | 0.450 | - | 0.450 |
| Data Centre Refresh | 0.100 | - | 0.100 |
| End User Computing Refresh | 0.100 | - | 0.100 |
| Corporate Software Licences | 0.020 | - | 0.020 |
| Total Capital Programme 2017/18 | 2.722 | - | 2.722 |

2017/18 Capital Expenditure (2)

Additional information on the key projects is provided below:

- **Digital Transformation (£1.677m):**

The project will look to eliminate manual processes through the development of the digital platform, procurement of a consolidated customer service contract, electronic document management and e-payments. The annual financial benefits within the MTP for the council are anticipated to be £4.600m per annum from 2019/20. The cumulative savings are realised across 3 years from 2017/18 to 2019/20.

- **Parking & Integrated Street Management (£0.375m):**

Looks to configure and upgrade the different council systems such as Confirm, Idox and Framework i.

- **Data Network Refresh (£0.450m):**

This project looks at refreshing and configuration of any network equipment such local area network (LAN) switches within the council. This is needed to support the contract with Virgin Media Business (VMB) and Ericsson.



2017/18 Capital Expenditure (3)

Additional information on the key projects is provided below:

- **Data Centre Refresh (£0.100m):**
This project looks to update the council's in-house data servers.
- **End User Computing Refresh (£0.100m):**
This project is to replace out of date laptops and desktops.
- **Corporate Software Licences (£0.020m):**
This capital requirement is for the purchase ad hoc software licences that may be required by council services.



City of Westminster

Budget & Performance Task Group

3rd February 2017

City Treasurer

Steve Mair

City Treasurer

Executive Summary

- In 2016/17 City Treasurer was allocated a gross controllable expenditure budget of £33.581m and a gross income budget of £18.986m (net controllable budget £14.595m).
- The projected outturn variance for 2016/17 is a surplus of £1.553m.
- The budget envelope for 2017/18 contains no pressures.
- The directorate has identified transformation, efficiencies, financing and commercial proposals totalling £0.816m.

2017/18 Key Issues

- Annual Accounts which are of the highest quality, are the fastest in the country, exceeding those of the whole of the Local Government sector and 93% of FTSE100 and act as a driver for financial standards improvement.
- Talent management framework developed aimed at helping to ensure business continuity in the event of a loss of key personnel.
- City Treasurer's is leading the Differential Services project to support services to charge different amounts depending on the offer.
- Continuation of Comprehensive Staff Training and Development plan, ensuring highest professional and commercial standards with full staff engagement.
- Potential impact on investment yields due to adverse effects from Brexit.

City Treasurer Budget 2016/17

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

| Service Area | Income £m | Expenditure £m | Net Budget £m |
|--|-----------------|-------------------|------------------|
| City Treasurer | (0.041) | 0.322 | 0.281 |
| Commercial and Financial Management | (0.220) | 2.739 | 2.519 |
| Corporate Finance | (0.280) | 3.330 | 3.050 |
| Treasury and Pensions | (4.341) | 8.183 | 3.842 |
| Revenues and Benefits | (14.104) | 19.007 | 4.903 |
| TOTAL Controllable Budget 2016/17 | (18.986) | 33.581 | 14.595 |

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.

| Key Initiatives | £m |
|--|--------------|
| Treasury Management and non pay review | 0.393 |
| Extension of the Revenue and Benefits Services Ancillary contracts | 0.233 |
| Digital transformation | 0.190 |
| Tax base increase | 0.472 |
| Total | 1.288 |

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

Additional information on the key initiatives is provided below:

Treasury Management and review of non pay budgets (£0.393m):

Review the potential for longer term investments and alternative investment opportunities, ensure the most cost efficient financing of the capital programme and review all budgets to ensure income is maximised and expenditure minimised. Undertake a detailed review of non pay spend within City Treasurer department to reduce spend.

Extension of the Revenue and Benefits Services Ancillary contracts (£0.233m):

Savings have been identified by extending and re-negotiating the existing service contracts by 2 years.

Digital transformation (£0.190m):

The programme will look to drive customer contacts online, streamline business processes, thereby avoiding unnecessary and costly contacts and deliver process efficiencies to reduce running costs of services. The outcomes will be more efficient processes, digital by default customer contacts and an enhanced customer experience overall.

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

Additional information on the key initiatives is provided below:

Tax base increase (£0.472m):

This reflects the annual growth in the number of households in the city, leading to an increase in amount of council tax collected.

2017/18 Budget Pressures

No pressures in 2017/18.

City Treasurer Budget 2017/18

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

| Service Area | Income £m | Expenditure £m | Net Budget £m |
|--|-----------------|-------------------|------------------|
| City Treasurer | (0.041) | 0.322 | 0.281 |
| Commercial and Financial Management | (0.220) | 2.739 | 2.519 |
| Corporate Finance | (0.280) | 3.328 | 3.048 |
| Treasury and Pensions | (4.734) | 8.183 | 3.449 |
| Revenues and Benefits | (14.104) | 18.586 | 4.482 |
| TOTAL Controllable Budget 2017/18 | (19.379) | 33.158 | 13.779 |

Budgets do not include corporate costs and recharges

Consultations on 2017/18 proposals

No consultations are required on the above proposals.

2017/18 Capital Expenditure (1)

The capital expenditure forecast for 2016/17 is £2.000m net receipt. The capital budget proposed for 2017/18 is a net receipt of £63.824m and includes the following:

| Capital Programme 2017/18 | Gross Expenditure £m | Income £m | Net Budget £m |
|--|-------------------------|-----------------|------------------|
| Capital Contingency | 20.176 | (93.000) | (72.824) |
| City Hall | 9.000 | - | 9.000 |
| Total Capital Programme 2017/18 | 29.176 | (93.000) | (63.824) |

- The gross expenditure consists of:-
 - £10.000m of general contingency.
 - £10.176m for specific development projects.
 - £9.000m cost of temporarily vacating City Hall.

- The income consists of:-
 - £83.000m of capital receipts for Moxon Street.
 - £10.000m of general contingency.