



City of Westminster

Budget & Performance Task Group

Day 1 – Thursday 12th October 2017



City of Westminster

Budget & Performance Task Group

2018/19 Budget overview

Steven Mair
City Treasurer

Executive Summary

- £30.8m estimated net savings target set for 2018/19, subject to funding settlement announcements in December 2017 and early new year.
- 2017/18 savings were fully identified and the budget balanced.
- 2018/19 savings to date are identified and current budget gap balanced.
- £130m of savings delivered between 2015 and 2018
- Further savings will be required in future years due to anticipation of continued reductions in government funding, new legislative requirements, service delivery pressures, inflation on staff costs and contracts



Executive Summary

- Provisional settlement in December 2017.
- Final settlement expected in January/February 2018, which 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
- 2018/19 is the third year of a four year funding settlement to 2019/20
- We will be spending some £850m on valued services this year



Executive Summary – Capital Expenditure

- Forecast gross capital spend for 2017/18 of £370.02m, with income of £205.1m towards this – net spend of £164.92m excl. HRA
- Programme extends to 2031/32 to plan for long-term development schemes – gross spend of £2.596bn, net £1.366bn excl. HRA
- Largest area of gross spend will be in Growth, Planning & Housing with £1.205bn up to 2031/32
- West End Partnership gross budget is £421.5m up to 2031/32
- 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 2018/19
 - Consultations status on 2018/19 saving proposals
 - Capital expenditure with main projects disclosed
 - NB – No Full EIAs required this year so no additional appendices for these. All Part One assessments have been reviewed and challenged where appropriate.





City of Westminster

Budget & Performance Task Group

Chief of Staff

12th October 2017

Siobhan Coldwell

Executive Director

Executive Summary

- In 2017/18 Chief of Staff was allocated a gross controllable expenditure budget of £5.916m and a gross income budget of £3.078m (net controllable budget £2.838m).
- The projected outturn variance for 2017/18 is a surplus of £0.191m.
- The budget envelope for 2017/18 contains no pressures.
- There are no transformation, efficiencies, financing and commercial proposals identified within the directorate.



2018/19 Key Issues

- Potential negative impact on Local Land Charges income from any impact of Brexit on the property economy in the borough.
- There are ongoing cost implications in Coroner's Service as a result of the Criminal Justice's Act resulting in additional inquests required and use of alternative location for bigger and higher profile inquests.

Chief of Staff 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
Chief Executive's Office	-	0.354	0.354
Chief of Staff	-	0.335	0.335
Corporate Management	-	0.207	0.207
Electoral Services, Coroners and Land Charges	(3.013)	2.424	(0.589)
Committee and Members Services	(0.065)	1.853	1.788
Complaints and Customers	-	0.223	0.223
Lord Mayor's Secretariat	-	0.520	0.520
TOTAL Controllable Budget 2017/18	(3.078)	5.916	2.838

Budgets do not include corporate costs and recharges



2018/19 Transformation, Efficiencies, Financing and Commercial Proposals (1)

There are no initiatives in 2018/19.



2018/19 Budget Pressures

No pressures in 2018/19.



Chief of Staff Budget 2018/19

The key controllable service area budgets for 2018/19 are broken down as follows:

Service Area	Income £m	Expenditure £m	Net Budget £m
Chief Executive's Office	-	0.354	0.354
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Electoral Services, Coroners and Land Charges	(3.013)	2.424	(0.589)
Committee and Members Services	(0.065)	1.853	1.788
Complaints and Customers	-	0.223	0.223
Lord Mayor's Secretariat	-	0.520	0.520
TOTAL Controllable Budget 2018/19	(3.078)	5.916	2.838

Budgets do not include corporate costs and recharges



Consultations on 2018/19 proposals

No consultations.



2018/19 Capital Expenditure

No capital projects in Chief of Staff.





City of Westminster

Budget & Performance Task Group 12th October 2017

Growth Planning & Housing

Barbara Brownlee

Executive Director

Executive Summary

- In 2017/18 Growth Planning & Housing was allocated a gross controllable expenditure budget of £322.335m and a gross income budget of £294.456m (net controllable budget £27.879m)
- The projected outturn variance for 2017/18 is a deficit of £0.970m
- The budget envelope for 2018/19 contains pressures of £2.056m
- The directorate has identified transformation, efficiencies, financing and commercial proposals totalling £6.547m



2018/19 Key Issues

- Property - Savings target from rationalisation of the operational property portfolio is set to be exceeded in 2017/18 but will become more challenging and require implementation of office rationalisation programme to deliver fully
- Continuing High Demand for Temporary Accommodation – driven by homelessness and limited availability of affordable private sector housing for households on low incomes
- Housing and Planning Act 2016 – Government is expected to implement a number of the provisions made in the Housing and Planning Act. This includes the idea of utilising alternative suppliers to determine planning applications
- Securing External Funding for Employment, Enterprise and Place Shaping Activities – the department relies almost entirely on external contributions to provide services



2018/19 Key Issues

- Project and Programme Management – improvements in co-ordinating and monitoring activities to deliver the Capital Programme
- Building Control Income – Increased competition from the private sector has led to a decline in building control fee income
- Planning Income – Uncertainty over Brexit and the economy may have a long term impact on Planning fee income
- Housing Revenue Account – we have a balanced business plan for 2018/19 and for the 30 year plan period from 2017/18. It supports ambitious regeneration plans within the limits of the HRA borrowing and reserves, enabling £1.86bn of capital expenditure over 30 years, and £794m over 5 years.



Growth Planning & Housing 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
Housing Operations	(253.684)	278.565	24.881
Property Investments and Estates	(23.278)	20.355	(2.923)
Development Planning	(7.484)	9.248	1.764
Economy	(0.509)	0.892	0.383
Place Shaping	(0.102)	0.815	0.713
WAES	(9.317)	9.317	0.000
Growth Planning & Housing	(0.082)	3.142	3.060
TOTAL Controllable Budget 2017/18	(294.456)	322.335	27.879

Budgets do not include corporate costs and recharges



2018/19 Transformation, Efficiencies, Financing and Commercial Proposals (1)

The directorate is proposing a series of initiatives to support balancing the 2018/19 budget. These total £6.547 million.

Key Initiatives (section 1 of 3)	£m
Property Investments and Estates	
Corporate Property Strategy	0.476
Property Rationalisation and Asset Management	2.007
Property Sustainable Green Energy	0.122

2018/19 Transformation, Efficiencies, Financing and Commercial Proposals (2)

Key Initiatives (section 2 of 3)	£m
Development Planning, Economy and Place Shaping	
Development Planning Income	0.450
Planning Performance Agreements	0.275
Proceeds of Crime Act – Planning Enforcement	0.150
Electronic Consultation	0.100
Economy Income	0.200
Place Shaping Income	0.100



2018/19 Transformation, Efficiencies, Financing and Commercial Proposals (3)

Key Initiatives (section 3 of 3)	£m
Housing Operations	
Rough Sleeping and Supported Housing	2.000
Spot Purchases of Housing for Intermediate Affordable Housing	0.577
CityWest Homes Property Fee Income	0.090
TOTAL (3 sections)	6.547

2018/19 Transformation, Efficiencies, Financing and Commercial Proposals (4)

Additional information on the key initiatives is provided below:

➤ **Corporate Property Strategy (£0.476m):**

As part of a number of the Council's major capital projects income will be generated to benefit revenue budgets. This is mostly as a result of rental income streams from properties purchased to facilitate these developments, or altering the existing rental agreements for existing properties.

➤ **Property Rationalisation and Asset Management (£2.007m):**

This programme is aimed at reducing the Council's operational property footprint to reduce costs. This includes opportunities for subletting space within Council assets, relocating services to more appropriate sites or implementing new leases or rental agreements. There is also an element linked to increasing income from the investment portfolio.

➤ **Rough Sleeping and Supported Housing (£2.000m):**

Through a number of actions including re-procurements, efficiencies, service redesign and reduction in service levels, delivery of any savings will be designed to minimise impact on other service areas.



2018/19 Transformation, Efficiencies, Financing and Commercial Proposals (5)

Additional information on the key initiatives is provided below:

➤ **Spot Purchases of Housing for Intermediate Affordable Housing (£0.577m):**

This involves two initiatives to acquire more properties directly within Westminster funded from the affordable housing fund – 25 for Temporary accommodation and 25 for intermediate housing & therefore create an income stream for, rather than a cost to, the General Fund.

➤ **Development Planning Income (£0.450m):**

The government has proposed a 20% increase in planning fees to help planning services determine applications within the required timescales. This is linked to proposals published by the DCLG to increase the level of housing supply across the country.

➤ **Planning Performance Agreements (£0.275m):**

The service propose to increase the fee for a major planning performance agreement from £26k to £36k to generate additional income.



2018/19 Budget Pressures

Estimated Pressures	£m
Major Projects income generation	1.477
Corporate Property Strategy	0.579
TOTAL	2.056

➤ **Major Projects income generation (£1.477m):**

A saving proposal from a prior year delivered savings which were limited in duration and not permanent/on-going savings. The above pressure represents the unwinding of the savings target as the benefits delivered by the scheme wind down.

➤ **Corporate Property Strategy (£0.579m):**

In 2018/19, commercial income generated by Huguenot House will reduce as the property becomes the site of a major redevelopment scheme.



Growth Planning & Housing Budget 2018/19

The key controllable service area budgets for 2018/19 are broken down as follows:

Service Area	Income £m	Expenditure £m	Net Budget £m
Housing Operations	(254.261)	276.475	22.214
Property Investments and Estates	(21.798)	18.326	(3.472)
Development Planning	(8.359)	9.148	0.789
Economy	(0.709)	0.892	0.183
Place Shaping	(0.202)	0.815	0.613
WAES	(9.317)	9.317	0.000
Growth Planning & Housing	(0.082)	3.142	3.060
TOTAL Controllable Budget 2018/19	(294.728)	318.115	23.387

Budgets do not include corporate costs and recharges



Consultations on 2018/19 proposals

The following consultations have been arranged in respect of 2018/19 proposals:

Proposal name	Property Rationalisation and Asset Management
Value (£'000)	2,007
Consultation Period	2017/18
Status of consultation	Consulting with users of Westminster property (both internal and external) in line with the one front door transformation programme.
Impact/amendments?	None identified to date

Proposal name	Planning Performance Agreements
Value (£'000)	275
Consultation Period	Autumn to Christmas 2017
Status of consultation	Consulting with Westminster Property Association.
Impact/amendments?	None identified to date



Consultations on 2018/19 proposals

The following consultations have been arranged in respect of 2018/19 proposals:

Proposal name	Electronic Consultation
Value (£'000)	100
Consultation Period	Autumn to Christmas 2017
Status of consultation	Consulting with Westminster Amenity Societies Forum.
Impact/amendments?	None identified to date



2018/19 Capital Expenditure (1)

The net capital expenditure forecast for 2017/18 is £167.780m (gross £222.480m). The gross capital expenditure proposed for 2018/19 is £195.035m and is broken down below:

Capital Programme	2017/18 Forecast Net Outturn £m	2018/19 Gross Expenditure £m	2018/19 Income £m	2018/19 Net Budget £m	Future Net Budget £m
Major Projects	104.873	89.556	(29.330)	60.226	335.761
Property	49.479	68.476	-	68.476	105.274
Housing	13.058	36.088	(22.588)	13.500	16.200
Place Shaping	-	0.240	(0.240)	-	0.167
Other*	0.370	0.675	(0.275)	0.400	2.400
Total Capital Programme 2018/19	167.780	195.035	(52.433)	142.602	459.802

* Other schemes includes Open spaces, Places of Work and Tree planting



2018/19 Capital Expenditure (2)

Additional information on the key projects is provided below:

Dudley House (£36.877m gross, £6.125m net) [Major Projects]

This is a mixed used development of a school, church and intermediate housing. Construction works began on this site at the beginning of this financial year and will continue into next year. The school is due to open in September 2018 (new location for Marylebone Boys School) with the residential units due to complete in April 2019.

Beachcroft (£13.971m gross, £12.821 net): [Major Projects]

This is a mixed use development of a care home and private residential properties for sale. Enabling works (including site demolition) are due to begin on the site with construction expected to start in the next financial year. The project is due for completion in December 2019.



2018/19 Capital Expenditure (3)

Strategic Acquisitions – Huguenot House (£11.068m gross): [Major Projects]

This budget is related to the purchase of properties as part of the site assembly at Huguenot House. The extent to which the 2018/19 budget is utilised is dependent on market conditions and the availability of properties to acquire

Housing Discharge of Duty (£13.500m gross): [Housing]

This is a property investment fund that provides properties for the discharge of the council's Housing Duty. It provides good quality, long term and sustainable accommodation for households in housing need. It contributes towards the delivery of the new policy framework on Homelessness and mirrors national changes away from direct provision of TA to homelessness prevention.

Property Investment Schemes (£50m gross): [Property]

This is an allocation for the purchase of investment properties in and out of borough which will generate an income return for the Council.



Housing Revenue Account

Executive Summary

- The HRA is a ringfenced account under statute
- The Council's ability to borrow is limited, the cap set by Government is £333.5m
- We model the HRA over 30 years to see how cyclical works, regeneration plans and changes in government legislation such as rent levels affect capex, borrowing and reserves
- The current model shows that the plan is affordable, minimum reserves are maintained at c £11m
- Regeneration plans to deliver new housing means headroom reduces to a minimal level of £1.1m by 2025/26 before it grows again
- 2,026 new affordable homes anticipated to be delivered across the City by 2023 (target of 1,850), with 968 affordable units to delivered by the HRA and a further 240 on general fund sites.
- Affordable Housing Fund is planned to be utilised to help fund the regeneration schemes. £17.5m is expected to be used in 2018/19. £176.7m over the next 5 years



Housing Revenue Account Budget 2017/18

The key budget lines for 2017/18 are broken down as follows:

	Net Budget £m
Dwelling rent	(74.474)
Service & Facilities Charges	(18.684)
Other income	(20.520)
Housing management costs	52.643
Repairs & Maintenance	15.786
Capital charges	36.332
Other costs	500
TOTAL Budget 2017/18	(8.417)

Housing Revenue Account

Key points of note on the 2018/19 HRA revenue budget –

- Continuation of the 1% rent reduction (last year is 2019/20). Combined with other changes in mix through units bought/sold and regeneration impact, rent from dwellings will fall by £1.3m
- The CityWest Homes (CWH) transformation programme continues. Savings of £2.1m being delivered by CWH to benefit the HRA through reductions to the management fee of £1.1m and £1m on responsive repairs. The management costs saving will be offset by increased recharge allocations from the general fund and additional work on regeneration schemes given to CWH. A prudent increase in the cost of bad debts has also been allowed for.
- Repairs and maintenance show an increase of £2.8m on responsive repairs, reflecting a £3.8m switch from the capital budget and a fairer reflection of what can/can't be capitalised, offset by the planned £1m saving through reductions in this total spend.
- Capital charges budget reduces by £3.426m following a review of asset profiles and spend, recognising that depreciation and capital charges will not be as high as previously projected.



HRA Budget 2018/19

The key budget lines for 2018/19 are broken down as follows:

	Net Budget £m
Dwelling rent	(73.163)
Service & Facilities Charges	(18.685)
Other income	(21.434)
Housing management costs	51.887
Repairs & Maintenance	18.586
Capital charges	32.906
Other costs	1.000
TOTAL Budget 2018/19	(8.904)



2018/19 Capital Expenditure – HRA (1)

The capital expenditure forecast for 2017/18 is £98.7m.

The capital expenditure proposed for 2018/19 is £175.0m, for the next 5 years £794.4m and across 30 years £1,863.7m

Summary details are set out below:

Capital Programme	2017/18 Forecast £m	2018/19 Budget £m	5yr Budget £m	30yr Budget £m
Major Works	44.8	54.1	199.8	925.0
Regeneration	32.7	93.5	421.9	602.8
Self-financing	14.4	10.0	50.0	115.0
Other	6.9	17.4	122.7	220.9
Total Capital Programme 2018/19	98.7	175.0	794.4	1,863.7



2018/19 Capital Expenditure - HRA (2)

The following projects fall under the Church Street regeneration programme:

Regeneration – Cosway Street (£8.400m 2018/19; £44.075m total scheme):

Provision of 57 new residential units for private sale. Surplus generated through sales will be used to invest in other projects in the wider HRA portfolio.

Regeneration – Lisson Arches (£10.560m 2018/19; £34.845m total scheme):

The site is adjacent to disused railway arches in the Church Street ward. The development will provide 44 sheltered accommodation flats, 1 scheme manager's flat and 14 private flats for adults aged 55+.

Regeneration – Luton Street (£2.041m 2018/19; £16.087 total scheme):

To deliver 172 new residential units comprising 62 affordable and 109 private sector units. An overage agreement is in place which could benefit the Council if sale proceeds exceed a given threshold.

Regeneration – Parsons North (£14.848m 2018/19; £28.549 total scheme):

Delivery of 60 new homes, of which 19 affordable and 41 private sale. Surplus from the development will be used to fund enhanced landscaping and biodiversity upgrade works in the vicinity.

Regeneration – Ashbridge Street (£6.308m 2018/19; £20.996 total scheme):

Development of circa 28 affordable homes, and wider public realm improvements to the immediate area. Provides key decant facility to enable the wider Church Street regeneration.



2018/19 Capital Expenditure - HRA (3)

Additional information on the key projects is provided below:

Regeneration – Tollgate Gardens (£9.763m 2018/19; £31.167m total scheme):

Regeneration in Maida Vale. Demolition of 59 tenanted and 30 private units, enabling 86 new affordable units and 109 private units. Scheme is projected to deliver a surplus to the HRA.

Other Estates Regeneration (£33.022m 2018/19; £157.823m 30 years):

This reflects other regeneration options which are under consideration but which may still be at feasibility or options assessment stage, however for prudence the plan assumes a level of spend to allow for the potential that these could progress.

Major Works (£54.105m 2018/19):

This spend recognises the refurbishment works required on existing stock held including electrical works, external repairs and decorations, lifts, kitchens and bathrooms and works on void properties.

Self-financing (£10.000m 2018/19):

Self-financing refers to the purchase of housing stock using capital receipts generated through right to buy sales and strategic disposal of void properties. The council can derive better value by disposing of high value properties and acquisition of units which fit the profile of housing most commonly required.

Other (£17.414m 2018/19):

Includes infill projects such as converting basements and storage sheds, new build on underutilised garage sites, car parks and vacant land. Also a contingency allowance for other schemes.

