City of Westminster **Cabinet**

Decision Maker:	**Cabinet**
Date:	**10th February 2020**
Classification:	**General Release**
Title:	**Capital Strategy 2020/21 to 2024/25, forecast position for 2019/20 and future years' forecasts summarised up to 2033/34**
Wards Affected:	**All**
Financial Summary:	**The Council has a proposed gross capital programme up to 2033/34 of £2.464bn, offset by £0.953bn of income, giving a net budget of £1.511bn – which is to be funded via borrowing. The cost of borrowing has been built into the revenue implications of the capital strategy which is detailed in section 13**
Report of:	**Gerald Almeroth, Executive Director – Finance & Resources**

1. Executive Summary

1.1. The report sets out the Council's capital strategy from 2020/21 to 2024/25 and summarises the position up to 2033/34.

1.2. The general fund capital programme as detailed in Appendix A, proposes a gross budget of £2.646bn and a net budget of £1.511bn (including capital receipts). The capital programme of the Housing Revenue Account is set out separately in the HRA Business Plan which accompanies this report as part of the Council's annual budget setting process.

1.3. The Council's long term capital investment is underpinned by the objectives of City for All. Capital proposals are considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications of the projects as part of the revenue budget setting process. Based on the proposed programme at the end of 2033/34 the Council would have to set aside a revenue budget of £67m to cover the financing costs of the programme.

1.4. In addition to the capital budgets and revenue implications, the report sets out the following:

- Policy and contextual background
- The Council's asset base
- Delivery Strategies
- Budget setting and prioritisation
- Governance
- Key projects and programmes
- Capital funding
- Risk management

2. Recommendations

That the Cabinet be recommended:

2.1. To approve the capital strategy as set out in this report

2.2. To approve the capital expenditure for the General Fund as set out in Appendix A for 2020/21 to 2024/25 and future years to 2033/34

2.3. To approve that all development and investment projects, along with all significant projects follow the previously approved business case governance process as set out in section 8 of this report

2.4. To approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced

2.5. To approve the council plans to continue its use of capital receipts to fund the revenue costs of eligible proposals (subject to full business cases for each project). This comes under the MHCLG Guidance on the Flexible Use of Capital Receipts (FCR).

2.6. To approve the financing of the capital programme and revenue implications as set out in section 13 of this report.

2.7. To approve the financing of the capital programme being delegated to the Executive Director of Finance and Resources to provide sufficient flexibility to allow for the most effective use of Council resources.

3. Reasons for Decision

3.1. The Council is required to set a revenue and capital budget. The revenue budget is set as part of the Medium Term Financial Plan (MTFP), where the capital budget is set as part of this strategy document.

3.2. Capital expenditure is defined as expenditure that is predominantly incurred on buying, constructing or improving physical assets such as land, buildings, infrastructure and equipment.

3.3. The Council is required to set a balanced revenue budget, and the capital programme forms part of this process.

4. Policy and Contextual Background

4.1. Westminster City Council's refreshed vision, City for All 2020 - 2023, will provide the strategic context for the Capital Strategy. Three distinct themes will shape our approach to deliver our promises:

- Thriving Communities
- Cleaner, Greener, Safer
- Smart City

4.2. These thematic areas are underpinned and enabled by key plans and programmes including Westminster's City Plan 2019 – 2040 and the Customer & Digital Programme. The Capital Strategy is among these key plans. The Council has embarked on an ambitious capital programme with a plan to invest up to £2.5bn (general fund) over the next 15 years. The investment in capital and assets on this scale is a foundation in enabling the Council to achieve its City for All ambitions.

4.3. There a number of key projects and programmes that require capital investment for the Council to achieve its strategic goals. These are highlighted below:

- A number of large development schemes within the capital programme are planned to help to deliver at least 1,850 new affordable homes. Delivering homes for the City's residents will lie at the heart of giving residents the opportunity to aspire and will be a central tenet in creating Thriving Communities.

- The Council's aspiration to uphold Westminster as the leading centre of tourism in Europe is demonstrated by the investment into the Oxford Street District programme. This will improve the street and the surrounding areas to maintain the district's status as a global centre of retail, leisure and tourism.

- Continued investment in other public realm projects within Westminster creates and preserves spaces where people enjoy living, working and visiting. The investment reflects the pride we take in our role as custodian of the City, protecting our heritage by managing places and spaces that can be enjoyed both now and in the future. Additionally, investment in improving the public realm and pedestrian environment helps to accommodate the safe and efficient movement of growing numbers of people entering and moving around Westminster, managing vehicular traffic and making walking safer and more enjoyable.

- The Council's investment in our core infrastructure of carriageways, footways, lighting and bridges, recognises the commitment the council has to manage the performance, risk and expenditure on its infrastructure assets in an optimal and sustainable manner throughout their lifecycle, covering planning, design, development, operation, maintenance and disposal. This programme ensures our infrastructure is in a safe and reliable condition, is efficiently managed and means our residents and visitors can enjoy clean, high quality streets.

- The Council will also invest significantly in its digital programme. This will not only ensure the key thematic areas are progressed but also use this investment to work towards a Smarter City, where technology is utilised to deliver efficient and good quality services.

4.4. The programme's delivery objectives continue to take place against the background of financial challenges. The potential impact of the Fair Funding Review could have a significant negative impact on the Council. The ongoing revenue costs of borrowing within the capital programme has to form part of the Council's revenue budget. It is therefore vital that the Council's capital strategy delivers a return on investment that is financial, such as capital receipts or new revenue streams, or delivers key strategic priorities.

4.5. The capital strategy is not intended to be static, it is a dynamic plan that will evolve and change over time. The strategy is set over 15 years but is updated annually and includes short, medium and long term investment. Further information on this is given in section 6.

5. The Council's Assets

5.1. The Council has total assets of £3.048bn across Property, Plant & Equipment, Investment Properties, Heritage Assets and Intangible Assets. A summary of each asset class is outlined in the table below:

Asset Type	March 2019 £m
Council Dwellings	1,468
Other Land & Buildings	620
Investment Properties	473
Infrastructure Assets	246
Assets under Construction	166
Heritage Assets	43
Community Assets	23
Vehicles, Plant & Equipment	8
Intangible Assets	1
Total	**3,048**

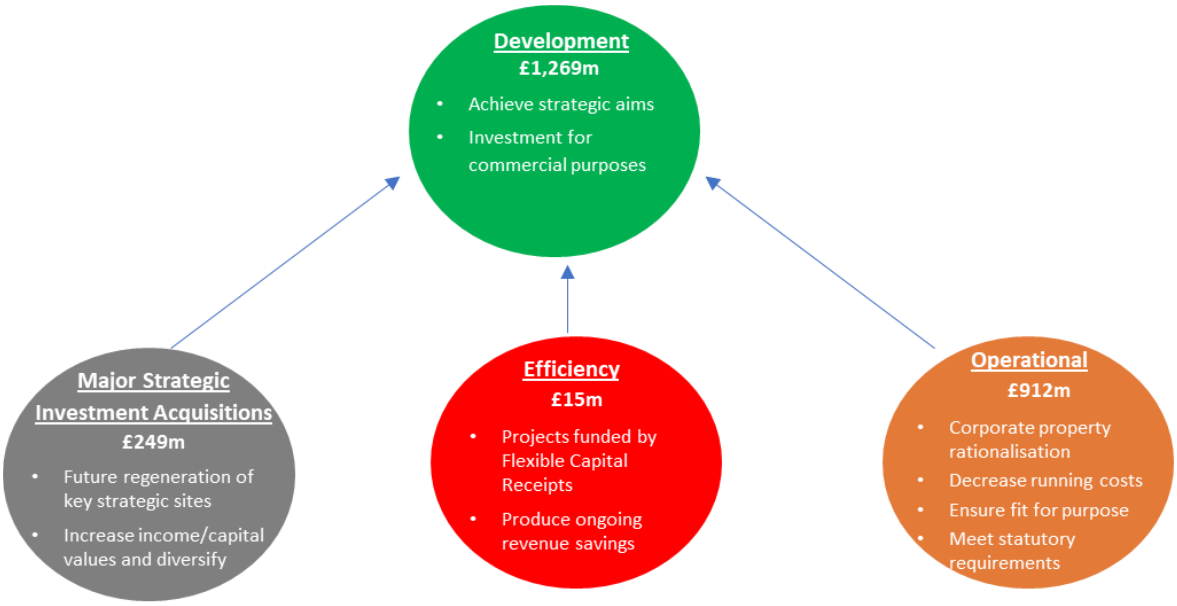
5.2. Based on the Council's current level of assets, the capital strategy as outlined in this report could significantly increase the Council's asset base over the next 15 years across the General Fund and HRA.

5.3. The majority of capital expenditure as set out as part of this strategy will be spent on land and buildings and Council Dwellings (through the HRA). Much of the expenditure in the last 2-3 years on other land and buildings is included as part of the Assets Under Construction – however these will move into the former category upon completion of projects.

The Council carries out regular maintenance on its properties and infrastructure assets.

6. Overview of Delivery Strategies

6.1. The Council's capital programme is categorised into four key areas: Development, Major Strategic Investment Acquisitions, Efficiency and Operational.



6.2. A list of the schemes (with associated expenditure and external funding) can be found in Appendices A(i) and A(ii), as part of the General Fund capital programme.

Development

6.3. Development projects are long term delivery projects and key schemes that directly support the Council's strategic aims, in line with *City for All*. These include the long-term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration. This will help Westminster's residents and businesses in creating a strong local economy to live and work in, helping to embed the long term aspirations of City for All. Most eminently, development projects will aid the Council in achieving it objectives for Thriving Communities and being a Cleaner, Green Safer City.

6.4. Many of the major development schemes will deliver affordable housing or social housing for the Council. These schemes will also include private housing for sale on the open market, thereby generating capital receipts for the Council to reinvest in future capital expenditure projects. The risks associated with reliance on this delivery and funding route are noted in Section 14.

6.5. The Council will review the best delivery routes for development projects. Delivery routes largely fall into the following categories:

6.6. Self-develop: where the project is undertaken independently, resulting in the greatest potential return but with the greatest cost and risk exposure.

6.7. The developer: this usually involves selling the opportunity to a developer resulting in the least return but also the least cost and risk.

6.8. Joint-venture: this is a compromise between the above two routes and can be a good option to limit risk and broaden expertise and capacity on the project, whilst still sharing in the returns.

6.9. Delivery through the Council's housing subsidiary companies – Westminster Housing Investments Limited (WHIL) or Westminster Housing Developments Limited (WHDL).

6.10. Under a developer or joint-venture it is likely the Council will have to undertake site assembly and the initial stages of planning before a partner is prepared to enter into an agreement on the opportunity.

6.11. One of the key financial risks of development projects from the perspective of the capital strategy is the need to have accurate financial estimates and profiling of expenditure in line with project milestones. In order to ensure this is as rigorous as possible the Council implements a challenge process for these projects, with further details on the process and governance behind this included as part of sections 7 and 8 of this report.

6.12. Development schemes make up a significant proportion of the gross capital budget at £1,268.861m, and of the capital receipts in the programme at £666.078m. Key examples of projects that fall under this category include:

- Oxford Street District
- Luton Street
- Lisson Grove Programme
- Beachcroft
- Pimlico Development (through WHIL)
- Warwick Development (through WHIL)

Major Strategic Investment Acquisitions

6.13. Strategic acquisitions are where the Council acquires properties to enable the development of key strategic sites for future regeneration and investment opportunities. The programme includes two large developments within GPH at a value of £149m and the Property Investment Acquisition budget of £120m.

<u>Property Investment Strategy</u>

6.14. The Property Investment Strategy is based around a vision of having balanced and diversified portfolio fit for the future that will continue in the long term to appreciate both in revenue and capital terms for the greater benefit of the Council and its residents. There are three key objectives that support this vision:

- Drive income from the existing portfolio
- Streamline and futureproof the existing portfolio
- Invest in new properties within Westminster

6.15. Property investment has a budget of £120m within the capital programme to support the third objective. The portfolio is stock and not sector led. Any new investment should aim to diversify and streamline the portfolio as well as support the broader strategic aims of the Council. Key principles for new investments are:

- Greater exposure to the office, industrial, leisure and private residential markets

- Any new investments should be in excess of £10m to enable the portfolio to increase its average lot size

- All assets acquired must be within Borough unless opportunities arise adjacent to existing out-of-borough holdings.

- New investments should achieve a yield of 5% by year 5.

- Focus on clusters linked to the Council's long term regeneration and economic objectives including Harrow Road, Edgware Road and Church Street. These do not require the lots sizes or yields identified above due to the broader strategic benefits, long term value expected and size of investment already held in these locations.

6.16. This is not a strict list of criteria which all need to be achieved before an acquisition can be made but are a guiding set of principles that will be reviewed in conjunction with CIPFA's recent publication 'Prudential Property Investment' which sets out guidance for Local Authorities investing in property. In addition rigorous governance procedures will be followed which will help to mitigate risks associated with property acquisitions.

Efficiency

6.17. Schemes in this category include those funded from Flexible use Capital Receipts (FCR) and are currently forecasting £14.583m.

6.18. In March 2016, the MHCLG issued statutory guidance allowing the flexible use of capital receipts to support local authorities in delivering more efficient and sustainable services. It allows local authorities to use capital receipts received in the year to fund the revenue costs of service reform and transformation, provided that this expenditure yields ongoing savings to an authority's net service expenditure. Capital receipts applied to revenue expenditure in any given year must have been generated in that same year.

6.19. Updated guidance issued by MHCLG extended the original three-year period from 1 April 2016 to cover a further three-year period to 31 March 2022 and applies only to capital receipts generated during this period.

Rules of Qualification

6.20. Flexible use of Capital Receipts (FCR) can fund revenue expenditure on any project that is designed to:

- generate ongoing revenue savings in the delivery of public services
- transform service delivery to reduce costs
- transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

6.21. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. Revenue transformation costs cannot be financed from Right to Buy receipts, borrowing or any capital receipt received before 1 April 2016.

Operational

6.22. The Council's operational capital strategy is centred on capital improvement works to the Council's operational asset portfolio. This falls into two main categories:

- Land and Buildings
- Infrastructure

6.23. The main objectives of the operational element of the capital strategy are to ensure assets meet health and safety standards, are fit for purpose in terms of statutory guidance and legislation, as well as helping the Council to reduce costs and reduce its environmental footprint.

6.24. Another key objective of the operational element is to ensure that the Council continues to invest in its current buildings and long-term assets in order to avoid incurring significant future costs, essentially spending now to save money in the future.

6.25. The Council has a scheduled programme of condition surveys which ensures the council's operational estate is fit for purpose. As part of the forward planning of the operational estate, the following areas will be developed in line with the objectives of the Council.

- Aspiration to make all its buildings dementia and autistic friendly.
- Aspiration to upgrade all its buildings to a standard similar to City Hall.
- Aspiration to roll out a single smart card for all buildings.
- ABLE aspirations across the portfolio.
- Aspirations to revamp its public convenience portfolio

6.26. Operational schemes in the capital programme have a total expenditure of £911.586m and include the future years' spend, capital contingency and landlords responsibilities in Finance & Resources, highways and public realm works in City Management and Communities (CMC).

7. Capital Budget Setting & Prioritisation

7.1. Every year the Council reviews its capital programme and the projects within it. This is undertaken alongside the revenue budget process in order to ensure that the impact of both are considered.

7.2. As part of the yearly capital budget setting process services are required to complete a Capital Programme Submission Request (CPSR) form. These are capital bids which have to be completed for every project in the programme. The CPSR forms are split into the following categories:

- Strategic Fit - how the project aligns with the Council's objectives and priorities and what it is trying to achieve.

- Financial – what are the financial circumstances for the project, e.g. is funding readily available and is it affordable?

- External factors – is the project needed because of another scheme or development, or any other external factors such as health and safety requirements?

- Risk – is the success of the project dependent on mitigating high associated risks.

7.3. Project managers are required to complete these forms and self score them, before submitting them to finance.

7.4. Upon completion and submission of the CPSR forms, a review is carried out for all projects CPSR's by a prioritisation panel. The panel is an officer group from across the Council and reviews all schemes in the programme, with a view to ensuring that all the projects within the capital programme are affordable and in line with the Council's aims and objectives. The recommendations of the report are reported to the Council's Capital Review Group (CRG).

7.5. The prioritisation process supports the Council in making decisions about which project to progress, especially in an environment of challenging financial and officer resource. The process will continue to be developed and refined to ensure that projects and programme are efficient and effective from a financial and strategic perspective.

8. Governance

8.1. The main forum for reviewing all financial aspects of the capital programme is the Capital Review Group (CRG). This group reviews the strategic direction of the programme, ensures outcomes are aligned with *City for All*, development or other significant projects have a viable Business Case and that Value for Money (VfM) is delivered for the Council. It also monitors the expenditure and funding requirements of the capital programme and subsequent revenue impacts. Significant projects include those: with minimum capital expenditure of £10m, requiring a level of resident engagement, with issues that may give rise to sensitivities, involving matters which are a major strategic aim of the Council, carrying major risk, with an important historical context.

8.2. All Development (as per the General Fund Capital Programme) and regeneration (as per the HRA business plan) projects over £10m will have to produce the following three business cases:

- Strategic Outline Case (SOC)
- Outline Business Case (OBC)
- Full Business Case (FBC

8.3. At each of the following stages of the five case model, business cases must include the following five areas: The Strategic Case, The Economic Case, The Commercial Case, The Financial Case and The Management Case.

8.4. Projects under £10m will require a Business Justification Case only. However, this will be dependent on the other criteria and factors. The list below is not exhaustive and whether a project can go through a one stage process has to be reviewed on a case by case basis and agreed by senior officers, members and the Project Management Office (PMO). The factors include:

- Level of resident engagement required
- Sensitivities
- Strategic aims of the project
- Historical context of the project

8.5. All business cases will require approval by CRG. Although development projects may have a budget allocation in the capital programme the approval to draw down the budget will only obtained via CRG approval and will align to the business case stage the project is at.

8.6. Assessment of the business cases will ensure that all aspects of a potential development scheme are analysed and the impact on all stakeholders identified. Therefore, the Council will be able to gain a full understanding on how a specific scheme will influence the overall strategy, the local economy, officers and resources of the Council.

9. Summary of the Capital Programme – 2020/21 to 2033/34

9.1. Overview of overall capital figures and breakdown by ELT

Table 1: Proposed General Fund (excluding HRA) capital programme 2019/20 to 2033/34

	Forecast	Five Year Plan					Future Years to	
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2033/34 £000	Total £000
Expenditure								
Adults' Services	500	883	200	-	-	-	-	**1,583**
Children's Services	10,945	17,740	8,460	800	500	-	-	**38,445**
City Management & Communities	61,321	78,085	128,885	80,635	36,814	31,775	1,005	**418,520**
Finance and Resources	40,525	20,335	36,241	134,100	33,032	24,910	526,728	**815,871**
Growth, Planning & Housing	90,333	81,558	160,184	147,610	142,209	40,361	249,397	**911,652**
FCR	13,508	1,075	-	-	-	-	-	**14,583**
Westminster Housing Investment Ltd	11,911	44,538	68,676	36,176	6,499	-	95,807	**263,607**
Total Expenditure	**229,043**	**244,214**	**402,646**	**399,321**	**219,054**	**97,046**	**872,937**	**2,464,261**
Funding								
External Funding	(79,421)	(73,236)	(61,318)	(35,787)	(19,682)	(17,422)	(100)	**(286,966)**
Capital Receipts	(117)	(30,803)	(7,630)	(62,642)	(8,700)	(64,018)	(492,168)	**(666,078)**
Total Funding	**(79,538)**	**(104,039)**	**(68,948)**	**(98,429)**	**(28,382)**	**(81,440)**	**(492,268)**	**(953,044)**
Borrowing Requirement	**149,505**	**140,175**	**333,698**	**300,892**	**190,672**	**15,606**	**380,669**	**1,511,217**

9.2. The proposed capital programme for the Council over the next five years (including 2019/20 and summarised over the subsequent ten years) is a gross capital expenditure budget of £2.464bn. Over a £1bn of this expenditure is due to be incurred over the next three years, 2020/21 to 2022/23. This is in line with the Council's development projects (which sit mostly within the Growth, Planning and Housing directorate).

10. Key Projects & Programmes

Education

10.1. The education capital programme falls into two broad categories:

- Schools expansion
- Building works related to condition surveys, physical impairment, accessibility (e.g. SEN) and general improvements

10.2. Expenditure on secondary school expansions are in response to pupil place planning needs across the borough – Pimlico Academy serving the south of the borough and King Solomon Academy the north.

10.3. Expenditure on other school-related projects is designed to improve the fabric of buildings and/or make them more inclusive for children with special educational needs (SEN) or a physical impairment. The service is making best use of its SEN Capital Grant, School Condition Allocation Grant and funding from Section 106 and Community Infrastructure Levy to ensure schools remain in good condition. The proposed capital programme includes approximately £25m of expenditure on school/education capital projects over the next five years, of this £22m is externally funded with the Council funding £3m. More information on these funding sources can be found in section 11.

10.4. Providing for the above allows the Council to manage expenditure on the High Needs Block of the Dedicated Schools Grant more effectively and ensures it makes best use of the Passenger Transport contracts for children with SEN by providing more capacity in the borough, reducing distances travelled and/or allowing children to become independent travel trained giving them a life skill, improving employment prospects in adulthood, and reducing the Council's expenditure on the General Fund.

Social Care

10.5. The Social Care Projects allows the Council to move towards Integrated Family Hubs providing early help and edge of care support in an integrated fashion with Public Health and Community Healthcare partners. Additionally, the re-procurement of the case management system allows for future-proofing data with the additionalities of predictive analytics and integration with insight tools.

Customer Experience & Digital

10.6. The Customer Experience and Digital programme will undertake a series of key projects to improve the way residents and visitors interact with the Council and to allow new technology to be harnessed in order to become a smart city of the future. This will include consideration for a new customer contact solution to enhance the existing experience. Allowing the Council to build greater insight to understand demands and adapt services accordingly.

Planned Preventive Maintenance/ Structural Works

10.7. The majority of this relates to Planned Preventive Maintenance of the Highways, Lighting and Bridges and Structures within the Borough. The work is aimed at maintaining the durability of the asset and deliver a well-managed, high quality streetscape whilst protecting and enhancing Westminster's unique heritage.

Public Realm Schemes

10.8. This covers a wide variety of schemes that aim to improve the public realm within the Borough. Significant schemes include:

- Oxford Street District - Cabinet Member approval to appoint the main contractor was received in October 2019 after a detailed procurement process. Maintenance and safety works took place in the district across 2019/20 to prepare for the commencement of the main works in the

Spring/Summer of 2020. Discussions are ongoing with external stakeholders in ways they can contribute to the main works costs and the management of the district in the future.

- Strand Aldwych - A successful public consultation was undertaken during 2019/20 on the outline designs and concept of the project. This received over 1,500 responses and was generally positive towards the scheme. Work is currently underway on initial designs including scheme visualisations and architectural consultancy. Discussions are ongoing and evolving with external stakeholders with a view to receiving contributions alongside the council investment.

- Westminster Ceremonial Streetscapes/Protective Measure - integrates public realm improvements which improve resilience against vehicle-borne terrorist attack within the area described as the Westminster Ceremonial Footprint. This involves replacing existing temporary vehicle security measures drawn from the National Barrier Asset with permanent hostile vehicle mitigation measures, specifically designed to be more sensitive and sympathetic to the historic street scene.

- Queensway's Streetscape - Improving the public realm on Queensway and its surrounding / connector streets including public space between Bayswater Road and Westbourne Grove/ Bishop's Bridge Road.

- Berkeley Square South - Project Realm works to extend footways, reduce carriageway widths, improve crossing points around the southern section of the square following the success of the northern part of Berkeley Square North scheme. The scheme also includes upgrading pedestrian facilities and upgrade of the public realm on Bruton Place, Bruton Lane and Bruton Street

- Grosvenor Square Public Realm Scheme - Project Realm works to extend footways, reduce carriageway widths, improve crossing points around Grosvenor Square. The scheme also includes upgrading pedestrian facilities and upgrade of the public realm.

Property Capital Programme

10.9. The Council has the benefit of valuable land and buildings which are used to deliver services to Westminster residents. This is through the use of land and building for operational purposes (e.g. libraries) but also by allowing voluntary and community organisations to occupy council properties at reduced or no cost where they deliver clear benefits to residents. The council also owns properties which are let out to commercial tenants and the rent received is used to support front line services.

10.10. During 2019/20 the council has been refreshing arrangements for managing its land and buildings with the aim of enhancing the value for money provided to its residents. This work has included:

- Bringing greater strategic focus and refreshed governance
- Introduction of a “corporate landlord” approach to managing the operational estate
- A new facilities management provider
- A reorganisation of resources employed to manage the estate
- Improved contract and performance management
- A focus on the council’s property systems
- Other key actions

General Fund Housing

10.11. The Housing capital programme in the General Fund contains schemes to provide additional affordable housing both in and out of borough. This is via temporary accommodation purchases and contributions to registered providers. The affordable housing fund (AHF) comprises Section 106 agreements, which are ring-fenced monies paid to the Council in lieu of the direct provision of new social housing and is used for the delivery of in-borough housing projects by Registered Social Landlords.

Development/Regeneration Programme

10.12. The Council’s development and regeneration programme through the general fund assists the Council in achieving its City for All objective of building 1,850 affordable homes. Some of the key projects included in the general fund capital programme as part of this are described below.

<u>Beachcroft</u>

10.13. The construction of the 84-bed care home and 31 private homes has continued through 2019/20 and is estimated to achieve practical completion in Q1 2020/21. The launch and initial sales of the Masefield, the private homes on the site, has been positive, indicating that current income target for the site will be achieved.

<u>Dudley House</u>

10.14. Dudley House achieved full practical completion of the site in 2019/20, launching 197 intermediate homes which are available for rent. The Council will manage these units through a lease with Pinnacle which will bring a new income stream to the Council, supporting wider Council services.

<u>Huguenot House</u>

10.15. The Council has continued to consult with residents and stakeholders on options for the site ranging from continued maintenance, refurbishment, partial or comprehensive redevelopment. Procurement of a multidisciplinary consultancy team has commenced to progress the project to a preferred option and subsequent Outline Business Case.

Lisson Grove Programme

10.16. Following Cabinet Member approval for the preferred way forward on Gayhurst House and 6-12 Lilestone Street, the Lisson Grove Programme has continued to develop the design of the Lilestone Street and Hub sites, which will form the first phase of the programme. The project team are currently finalising the Outline Business Case for the programme which is expected to be presented in Q4 2019/20.

Luxborough Street

10.17. The scheme has submitted a planning application for a 100% intermediate scheme with a community use on the ground floor. This was identified as the preferred option in the Outline Business Case approved in 2019/20, which earmarked the units for acquisition by Westminster Housing Investments Limited (WHIL).

Moberly and Jubilee Sports Centres

10.18. Negotiations with the developer on Jubilee Phase 2 have concluded and start on site is expected in Q4 2019/20. Phase 2 includes a sports centre and 56 homes, 19 of which will be purchased by WHIL and held for intermediate rent.

Carlton Dene and Westmead

10.19. The completion of Beachcroft will enable the redevelopment of both Carlton Dene and Westmead. The Outline Business Case part 1 identified a preferred option for the site, proposing that Westmead continues as a mixed tenure general needs housing scheme and Carlton Dene as a specialist and affordable housing development, including extra-care, supported housing and general needs.

Queen Mother Sports Centre (QMSC)

10.20. The Council is exploring a number of options for the site with the aim of modernising and enhancing the sports and leisure provision on the site. This provides the opportunity to explore the potential options to incorporate residential and other uses with the Council's existing land holdings.

10.21. The general fund development programme is one branch through which the Council are realising its affordable housing ambitions. The other funding options are through the HRA and the Council's wholly owned housing company – Westminster Housing Investments Limited.

HRA Business Plan

10.22. The Council is engaged in an ambitious development programme within the HRA that, in addition to building new homes, will redevelop and regenerate existing properties. The development programme will create new homes that will enrich and promote healthy neighbourhoods and communities via mixed use developments, proactive place shaping and providing greater support to local services and amenities.

10.23. The HRA will play a significant role in the delivery of the Housing Programme and will work with the Council's General Fund and the wholly owned subsidiaries to ensure the aspiration of the housing plan is delivered. The planned capital spend for 2020/21 is £187m with a total of £1.754bn planned to be spent over the 30 year business plan. This is an increase of £163m since the February 2019 HRA budget report. This programme will be funded using various funding sources, including the use of the Affordable Housing Fund, Capital Receipts and HRA Borrowing. In October 2018 the HRA borrowing cap was removed, allowing greater investment into building affordable housing. However, borrowing within the HRA needs to be tightly managed and a prudent approach has to be taken, with the limit being revenue funding for borrowing and the HRA's long term reserve target of 10-15% of rental income.

10.24. This plan has been developed at a time of increasing construction costs and a challenging residential market and while the council cannot resolve these problems, this plan is designed to minimise their impact on both our affordable housing target of 1,850 homes by 2022/23 and the impact on our own development and regeneration programme.

10.25. To ensure this plan is robust, a review of all our development schemes will be carried out to ensure the Council is generating efficiencies and delivering on value for money to the residents.

Westminster Housing Investments Limited (WHIL)

10.26. In June 2018, following Cabinet approval, the Council incorporated two new wholly owned companies, Westminster Housing Investments Limited (WHIL) and its subsidiary Westminster Housing Developments Limited (WHDL), for the purpose of helping the Council deliver its ambition to increase the supply of housing affordable to those living and working in Westminster.

10.27. In this two-company structure, as advised by tax consultants, WHDL will undertake the construction and development of schemes and WHIL will hold properties for intermediate and market rent as well as entering into delivery partnerships with third party developers.

10.28. The specific business objectives are:

- to provide more intermediate and market housing in the City
- to offer new tenures and, in particular, intermediate tenures to extend the range of provision available for those living and working in Westminster
- to increase housing delivery at a scale, pace and quality set by the Council and with control and ownership of the assets retained by the Council
- to offer a flexible partner for the Council in delivering housing.

10.29. The Capital Strategy 2018/19 identified 3 exemplar schemes for delivery through WHIL as well as a plan of acquisitions. Since the strategy's approval the WHIL's development programme has expanded to include a number of schemes previously planned for delivery through the HRA as well as building additional capacity to develop new opportunities outside the Council's pipeline.

10.30. The acquisition programme has been enlarged to include all intermediate homes delivered by the Council's capital programme, general fund and HRA, enabling these homes to be held for long term intermediate rent.

10.31. The 2019/20 business plan, which includes development and acquisition schemes running up to 2028/29, is estimated to deliver 975 new homes across all tenures, of which 131 will be retained and held for rent by the company. A further 204 intermediate units are planned to be acquired from Council delivered schemes, bringing the total homes owned by WHIL to 335 by 2028/29.

10.32. In 2019/20 WHIL progressed three schemes through the Council's governance process with approvals from the CRG and WHIL board for Warwick's OBC, Jubilee's FBC and Luton Street's FBC.

10.33. Subsequently Luton Street commenced on site in Q3 2019/20 and Jubilee is programmed to commence on site in Q4.

<u>WHIL Development Programme</u>

10.34. The development programme consists of 3 schemes:

10.35. Warwick is a 112-home development on the Harrow Road, including a nursery, enterprise space and a community hall. The approved scheme will deliver 49% affordable homes subsidised by open market sales. Delivered by WHIL through its subsidiary WHDL, the development is expected to start on site Q4 2020/21 with completion programmed for Q3 2023/24.

10.36. Following the approval by Full Cabinet and subsequent approval of the Full Business Case by CRG and the WHIL board, WHIL entered into an LLP with BY Development for the delivery of Luton Street. Unlocking the development of the site, which includes 109 private and 62 affordable homes retained by the Council, the arrangement provides a fixed return to the general fund and WHIL on financing the development as well as a share of the profits generated by the private sale in favour of WHIL. The development is expected to complete in Q2 2022/23.

10.37. The WHIL business plan includes a budget for delivery of Ebury Phase 2 in partnership with a third party, which is one of the options currently being considered by the Council and will be subject to the Council's governance process.

10.38. In addition to these three schemes the business plan includes a budget allocation for Development Opportunities, enabling the WHIL to react with agility to emergent schemes outside of the Council's current pipeline. When an appropriate scheme is identified it will require approval by the Council's Capital Review Group and the WHIL's board before progressing.

Acquisitions

10.39. Included in the business plan is a budget for acquiring the intermediate units across the Council's other developments. In total the programme consists of 204 acquisitions across GF and HRA schemes at an estimated cost of £63m. The first tranche of acquisitions will complete in 2021/22 when WHIL is expected to acquire units on Jubilee Phase 2, Parsons North and Ashbridge. With the final acquisition programmed for Q4 2027/28 when WHIL acquires the intermediate units on Orchardson, part of the Lisson Grove Programme.

10.40. The value of the properties from the Council is determined through a capitalized rent calculation based on the achievable intermediate rent, ensuring a market facing price acceptable to both the Council and WHIL.

Financial Performance

Luton Street

10.41. Following negotiations with BY Development (BYD), WHIL has entered into an LLP for the delivery of Luton Street. Acting as a residential investor, WHIL has invested £43m into the partnership, half of the vehicle's total financing requirement. WHIL's investment consists of a £15m member's loan, matched by an equal investment from BYD, and half of a £56m senior loan facility provided by WHIL and WCC, pari passu, to the LLP.

10.42. The LLP will deliver 109 private homes, enabling the construction of 62 affordable units at Luton and Fisherton Street. The senior loans, plus interest, and the members' loans will be repaid from private sales and the post financing profit distributed 60% to WHIL and 40% to BYD.

10.43. Part of the Members' agreement, the takeout, requires WHIL to purchase any private homes unsold 13 months after practical completion. If triggered, the takeout agreement would signify a significant drop in the housing market, as the fixed takeout price is a 25% discount to the current Red Book value of the properties. Any units acquired under the takeout could be held as private rental properties, until the market recovers.

10.44. The LLP is governed through the LLP board with decisions taken by 2 representatives from each partner. WHIL's representatives, currently one from Development and one from Finance, will report back to the WHIL board, escalating decisions as required through its governance framework.

10.45. To enable WHIL to invest into the LLP, it has agreed a loan facility with the Council and, as at January 2020, a total of £8.8m of Council funding has been drawn down against a forecast outturn of £11.0m.

Jubilee Phase 2

10.46. Following completion of the legal documents on WHIL's acquisition of 19 units on Jubilee phase 2 for £10.2m, WHIL will enter into a further loan agreement with the Council in Q4 2019/20. The acquisition will be part-funded by £3.9m of affordable housing fund and a grant of £0.7m from the GLA. The acquisitions will be made by staged payments, with the first falling in 2020/21.

11. Capital Funding

11.1. The Council is required to have a funded capital programme that is affordable – i.e. all capital expenditure should have a source of funding and if that funding source is borrowing, the cost of the borrowing should be built into a balanced revenue budget.

11.2. The key sources of funding for the Council are:

- Grants
- Contributions
- S106/CIL
- Capital Receipts
- Direct Revenue Funding
- Borrowing

Grants

11.3. These are predominantly government grants and are usually provided to the Council for the specific use of funding capital expenditure for certain schemes and programmes. The majority of grants the Council receives for capital projects are via the Department for Education (DfE), which are provided to ensure the Council is meeting its statutory duty of providing school places and ensuring school building are in a good condition. Other grants the council receives include TfL grant funding for infrastructure improvements across the City, Disabled Facilities Grant (DFG) and Community Capacity Grants in Adult Social Care.

Capital Contributions

11.4. In comparison to grants, capital contributions are specific contributions received for projects and are normally provided by the government, external agencies or private companies, who have a specific output or outcome they would like achieved through the capital works the Council is providing. Quite often, the scope of these projects is dependent on this external funding, without which the Council may decide to reduce the objectives and scope of a scheme. Examples of capital contributions include a number of infrastructure projects such as Hanover Square and Ceremonial Streetscapes which have specific outcomes that organisations like Crossrail, Historic England and the Home Office would like to achieve.

Community Infrastructure Levy/ Section 106 Receipts/ S278 Receipts and Affordable Housing Fund Receipts

11.5. Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008. The Council started charging CIL in May 2016. Developers have to pay a levy linked to planning applications - this is based on a Council approved policy and charging schedule. The income from this levy is held corporately and the Council decides how to allocate these funds via a Cabinet CIL Committee which meets quarterly. The majority of CIL funding is used to fund infrastructure projects but an element is also used towards education, community services and open spaces.

11.6. S106 differs from CIL, as it is essentially a contract between a developer and the Council and similar to capital contributions – have to be used for specific projects and outcomes rather than a more general objective.

11.7. S278 receipts are linked to highways work and are contributions from a developer. This is related to highways works the Council carries out on behalf of the developer in line with planning approvals.

11.8. Affordable Housing Fund receipts are income the Council receives from developers in lieu of affordable housing being built in line with the Council's policies on a prospective development. These receipts have to be used toward building new or replacement affordable homes.

Capital Receipts

11.9. Capital receipts are generated from the sale of non-current assets (i.e. assets such as land and buildings), and apart from special circumstances, can only be used to fund the capital programme. The Council holds all capital receipts corporately, which ensures they can be used to fund the overall programme; therefore, individual services are not reliant on their ability to generate capital receipts.

11.10. A considerable amount of funding in the capital programme is due from capital receipts. These are expected to be generated from the Council's development schemes. However, the value of the receipts could be subject to market volatility and macroeconomic circumstance could impact on the level of receipts the Council receives.

11.11. Overarchingly, capital receipts have the potential of being the most volatile of capital funding sources and are faraway the most uncertain of all funding sources. In order to mitigate against this uncertainty the Council maintains a close brief on the state of the property market, reporting this to senior officers and members (via CRG) and only includes a prudent level of income as part of its capital budget.

Direct Revenue Financing

11.12. The Council, can, if it chose to – fund capital expenditure via its revenue budget. This can be through in year underspends or via general or earmarked revenue reserves. Any funding of the capital programme via revenue resources would have to be considered in light of the Council's overall revenue budget and the Medium-Term Financial Plan.

Borrowing

11.13. Borrowing can take the form of internal or external borrowing. Internal borrowing is a temporary position where the Council uses its cash balances instead of externally borrowing at that point in time. If not used for internal borrowing, these cash balances would be invested on a medium to long term basis providing the Council with a return on investment. As such there is an opportunity cost associated with internal borrowing that is built into the revenue implications of the capital programme. The Council's main objective when borrowing externally is to achieve an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

11.14. External borrowing occurs when the Council borrows money from the open market, via financial institutions and investors or the government, via the Public Works Loan Board (PWLB). On 9th October 2019 HM Treasury and PWLB announced an increase in the margin over gilt yields by 1% for new borrowing from the PWLB, thus taking the total cost of a PWLB loan to gilt yield plus 2% (or 1.8% as the Council qualifies for the certainty rate). This now means that every local authority has to fundamentally reassess how to finance their external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing. The Council have built this into the interest cost as part of the revenue implications of the programme.

11.15. Although the capital programme may identify a need to borrow to fund capital expenditure, the timing and type of borrowing (internal/external) is dependent on cashflow modelling in line with the Council's Treasury Management Strategy.

11.16. The Council's total borrowing requirement based on capital expenditure incurred historically but yet to be financed is represented by the Capital Financing Requirement (CFR). This is published in the statement of accounts, and as of 31st March 2019 was £746.451m.

11.17. During 2019/20, the Council has arranged forward borrowing loans totalling £400m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the "cost of carry", that is the difference between loan interest cost and the rate of return on cash investments. The table below summarises the counterparties, drawn down and maturity dates for each loan facility.

Table 2: Forward Borrowing Summary

Counterparty	£m		Rate	Start Date	Maturity Date
Barings	150		1.97%	15/08/2022	15/08/2052
Rothesay	200		2.89%	08/05/2023	08/05/2069
Phoenix	37.5		2.71%	15/03/2022	15/03/2062
Phoenix	12.5		2.75%	15/03/2023	15/03/2062
Total:	**400**	**Average:**	**2.58%**		

11.18. All capital financing costs – i.e. interest costs and minimum revenue provision have to be treated as a revenue cost and built into the Council's MTFP. In essence, the more the Council borrows, the greater the call on the revenue budget which then requires further service savings to be identified to fund this in the longer term.

12. Capital Programme Funding: 2020/21 to 2024/25

12.1. The table below summarises the Council's funding of the proposed capital programme as outlined in this report:

Table 3: Funding of the Capital Programme

	Forecast	Five Year Plan					Future	
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Years to 2033/34 £000	Total £000
External Funding	79,421	73,236	61,318	35,787	19,682	17,422	100	**286,966**
Capital Receipts	117	30,803	7,630	62,642	8,700	64,018	492,168	**666,078**
Borrowing	**149,505**	**140,175**	**333,698**	**300,892**	**190,672**	**15,606**	**380,669**	**1,511,217**
Total	**229,043**	**244,214**	**402,646**	**399,321**	**219,054**	**97,046**	**872,937**	**2,464,261**

12.2. In total £953.044m (39%) of the programme is to be funded via external or internal sources of funding, with the remainder via borrowing (both internal and external).

12.3. The tables below outline the main streams of external funding

Table 4: Analysis of Proposed External Funding

Financed by	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 to 2033/34 £000	Total £000
Affordable Housing Fund Contributions	33,574	12,410	9,810	4,500	1,750	-	-	**62,044**
Community Infrastructure Levy (CIL)	4,869	2,743	830	-	-	1,160	-	**9,602**
DCLG Disabled Facilities Grant	1,297	1,524	1,524	1,524	1,524	1,524	-	**8,917**
DfE Basic Needs Grant	3,297	1,180	7,300	-	-	-	-	**11,777**
DfE Schools Condition Allocation	661	512	400	400	400	-	-	**2,373**
DoH Community Capacity Grant	500	883	200	-	-	-	-	**1,583**
Education Funding Agency (EFA) Grant	600	9,701	-	-	-	-	-	**10,301**
European Regional Development Fund	-	-	-	-	-	-	-	**-**
GLA Other Loan	-	-	-	-	-	-	-	**-**
Other Grants and Contribution	8,171	11,706	1,195	2,295	185	125	100	**23,777**
Section 106 Contributions	5,800	2,743	1,989	450	11,000	-	-	**21,982**
Section 278 Contributions	16,551	23,709	26,347	21,400	-	8,000	-	**96,007**
Transport for London (TfL) Grant	4,037	5,973	5,433	4,443	3,823	3,053	-	**26,762**
External Contributions	64	152	6,290	775	1,000	3,560	-	**11,841**
Total	**79,421**	**73,236**	**61,318**	**35,787**	**19,682**	**17,422**	**100**	**286,966**

12.4. The main source of external funding is via the Affordable Housing Fund. Within the General Fund programme this is primarily related to AHF contributions to registered providers.

13. Revenue Implications of the Programme

Table 5: Summary of the Revenue Implications of the Capital Programme

	Forecast	Five Year Plan					Future Years to	Total
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2033/34 £000	£000
Expenditure	229,043	244,214	402,646	399,321	219,054	97,046	872,937	**2,464,261**
External Funding	(79,421)	(73,236)	(61,318)	(35,787)	(19,682)	(17,422)	(100)	**(286,966)**
Capital Receipts	(117)	(30,803)	(7,630)	(62,642)	(8,700)	(64,018)	(492,168)	**(666,078)**
Borrowing Requirement	**149,505**	**140,175**	**333,698**	**300,892**	**190,672**	**15,606**	**380,669**	**1,511,217**
Revenue Impacts:								
Capital Financing Cost	12,578	10,917	14,109	28,973	43,010	54,578	543,333	**707,499**
Financed By:								
Commercial Income	(1,000)	(5,489)	(7,001)	(8,762)	(9,346)	(12,640)	(109,511)	**(153,749)**
Net Revenue Position	11,578	5,428	7,108	20,211	33,664	41,938	433,822	**553,750**
Sinking Fund Adjusted Balance	727	9,377	10,297	(106)	(10,059)	(14,466)	4,231	**(0)**
MTP Budget Assumptions	**12,305**	**14,805**	**17,405**	**20,105**	**23,605**	**27,472**	**438,053**	**553,750**

13.1. The council aims to maximise its balance sheet assets and as such is able to utilise cash balances derived from working capital (such items as the appeals provision, reserves, affordable housing fund, etc.) rather than borrowing externally to finance the net cost of the capital programme. Over the 15 year capital programme it is currently estimated that the council will incur net financial costs, through its revenue budget of £553.750m. This is made up of £707.499m of financing costs (including MRP), offset by £153.749 of commercial income.

13.2. The revenue costs of the capital programme are not uniform across the 15 years of the capital programme and are subject to significant fluctuations in line with the profiling of capital expenditure and funding (particularly capital receipts). In order to manage these fluctuations, the Council is operating a sinking fund which ensures the revenue budget increases are consistent with surplus balances at the start of the programme being transfer to a capital financing reserve, which will then be drawn down in later years. Based on current estimates and assumptions at the end of 2033/34 the capital financing budget will be approximately £67m, this represents an increase of about £50m compared to the current base budgets for capital financing This is an annual budget that would have to be put aside as part of the Council's revenue budget.

13.3. As noted in Section 8, CRG will have a pivotal role in monitoring the cost of funding the programme, ensuring project business cases continue to be viable and the programme, as a whole, affordable. Where they assess this not to be the case, action will be taken to bring the programme back to an affordable position.

Minimum Revenue Provision (MRP)

13.4. MRP is applied where the council has to set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP replaces other capital charges (e.g. depreciation) in the statement of accounts and has an impact on the council's bottom line. MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes. The council will continue to balance the use of capital receipts, internal borrowing and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

13.5. The Council has an on-going capital programme and will continue to invest in capital projects beyond 2024/25 and will therefore need to ensure that funds are set aside for the future cost of borrowing.

14. Risk Management

14.1. Major capital projects require careful management to mitigate the potential risks that can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy.

General Risks

14.2. General risks are those that are faced as a consequence of the nature of the major projects being undertaken. Most of these risks are outside of the Council's control, but mitigations have been developed as part of the business planning and governance process. These risks are set out below along with key mitigations:

Interest Rate Risk

14.3. The Council is planning to externally borrow £455.295m as set out in this Capital Strategy over the next five years. Interest rates are variable and a rise could increase the cost of servicing debt to a level that is not affordable. To mitigate this, the Council has used interest rate forecasts that include a prudent provision against interest rate rises.

14.4. In the event that interest rates rose beyond this forecast plus contingency, the revenue interest cost to the Council would increase for all borrowing not yet entered into (we would typically borrow on fixed rate terms). The forward borrowing arrangement the Council has entered into has mitigated a large extent of this risk, however, a rise of 1% above current interest rate assumptions would cost an extra £4.553m per annum on the full £455.295m borrowed by the end of 2024/25. The extra cost of a 1% rise in interest rates would be £5.018m by 2033/34, if the full projected borrowing of £501.872m were to be realised.

Inflation Risk

14.5. Construction inflation over and above that budgeted by the council's professionals and advisors, and built into project budgets, could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme by approximately £2.5m. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signing of contracts with construction companies and developers through fixed price contracts.

Legislative Risks

14.6. Change in Law Risk – Capital schemes need to comply with the latest law and regulations, changes in which can impact construction costs and may be retrospective in their nature. This risk is mitigated by awareness of pipeline legislative changes and provision of contingencies.

Market Health/Commercial Risks

14.7. Market health / Commercial Values Risk – the Council's capital programme relies on commercial activity as a key supporting strategy. This involves generation of income from property letting, sales receipts and other revenue/capital financial flows such as land deals with developers. In some cases, the Council commits to large projects, based on assumptions about future asset values. Should market movements mean that these assumptions are inaccurate, then the Council may suffer financially. To mitigate this risk, the Council relies on expert advice on future asset values in making its decisions.

14.8. Supplier Financial Stability – construction companies and developers contracting with the Council that experience financial instability pose a significant risk. They may not be able to raise funding to finance operations, and their potential insolvency could lead to a costly process of changing suppliers without any guarantee of remaining within the overall budget. The Council could suffer direct financial loss, and any defects or other issues may not be resolvable as anticipated. To mitigate this risk, the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

Transfer Risk

14.9. When the Council plans and delivers projects it is important to consider the risks associated with the project and whether the Council (or its subsidiaries such as Westminster Housing Investment Ltd) is the best placed to take on that risk. A key consideration for major capital schemes is whether these will be developer led or whether the Council will self-develop. For a developer led scheme the developer will take on a significant proportion of the risks associated with the project. However, the developer will price this risk in, so it will come at a cost. Considerations can include whether there is resource capacity and expertise to take on specific risks in the context of the overall capital programme. The housing subsidiaries are newly incorporated and there may be an initial set-up risk as the company gains experience and embeds its delivery plan.

14.10. Project Risks – risks that relate to the delivery of capital projects, which in many cases can be controlled, influenced or directly mitigated in ways other than making contingencies available. These risks would mostly relate to unforeseen project delays and cost increases which could arise from a range of circumstances. The effective management of these risks is mostly linked to the following strategies:

Project Risks

14.11. Projects are required to maintain a risk register, to ensure effective monitoring.

14.12. Highlight reporting - development projects, as an example, create monthly highlight reports to ensure stakeholders are aware of progress and risks of projects on an on-going basis.

14.13. Appointment of professional teams - the Development team has recruited and retained the services of experts to provide robust planning and review in order to advise on financial feasibility and to ensure timely delivery of projects. Experts also cover key surveying and financial planning roles to give assurance on quality of work and assumptions.

14.14. Risk of Revenue Write Off – the Council commits to feasibility studies on many of its significant capital schemes at the point where spend is revenue in nature or when capital spend may be written off, should the scheme in question not progress. This is managed through careful consideration and approval of all expenditure potentially at risk of revenue write-off. There is a further risk that any projects funded from Flexible use of Capital Receipts (FCR) may not yield the required ongoing revenue savings and therefore may need to be written off to revenue.

15. Financial Implications

15.1. Financial implications are set out in the main body of this report

16. Legal Implications

16.1. The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the council's constitution.

17. Staffing Implications

17.1. None specifically in relation to this report.

18. Consultation

18.1. Consultation and engagement will be carried out on individual schemes within the capital programme where it is considered that there will be an impact on residents or service users that warrants consultation.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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19. Background Papers:

19.1. Capital programme working papers

19.2. Capital Programme Submission Requests for individual projects

20. Appendices

Appendix A(i) – Capital Programme – Cabinet Portfolio (TBC for Full Council)

Appendix A(ii) – Capital Programme – ELT