



CITY OF WESTMINSTER

MINUTES

Housing, Finance and Customer Services Policy & Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Customer Services Policy & Scrutiny Committee** held on **Monday 26th January, 2015**, Rooms 1A, 1B & 1C - 17th Floor, City Hall.

Members Present: Councillors Antonia Cox, Paul Dimoldenberg, Peter Freeman, Richard Holloway, Gotz Mohindra, Guthrie McKie and Adnan Mohammed

Also Present: Councillor Melvyn Caplan, Cabinet Member for Finance, Corporate and Customer Services

Apologies for Absence: Councillor Tim Mitchell

1 MEMBERSHIP

- 1.1 In Councillor Mitchell's absence Councillor Holloway nominated Councillor Cox to act as chairman for the meeting. Putting the nomination to a vote, it was resolved that:
- 1.2 **RESOLVED:** Councillor Cox be elected as chairman for the meeting.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Cox declared that she is a founder governor of Marylebone Boys School.

3 MINUTES

- 3.1 **RESOLVED:** That the minutes of the meeting held on the 19th November 2014 be signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME

- 4.1 The committee noted that consideration of the council's medium-term financial planning which had due to be considered at the meeting would be

incorporated into the work of the Committee's Budget and Performance Task Group.

4.2 **RESOLVED:**

1. That the agenda items for the next meeting on the 19th March 2015 be agreed.
2. That the responses to actions and recommendations as set out in the tracker be noted.

4.3 **ACTION:** The committee noted that consultation on the draft Housing strategy would not be available for the next meeting on 9 March as planned. Members requested an explanation why the consultation on the Housing strategy has been delayed until summer. (**Action for the Cabinet Member for Housing, Regeneration, Business & Economic Development and the Executive Member for Growth, Planning & Housing**)

5 **UPDATE FROM CABINET MEMBERS**

5.1 The Committee received a verbal update from the Cabinet Member for Finance, Corporate and Customer Services on the following aspects of the portfolio:

5.1.1 That the draft budget proposals for 2015/16 would shortly be scrutinised by the Budget and Performance Task Group. The Committee member commented that the Local Government Finance Settlement was announced by the Secretary of State in December and only covers the 2015/16 financial year. The details of the settlement for Westminster was as expected, in line with the advance indication provided previously. Although no mention was provided about the settlement for 2016/17 it was clear, he suggested, given the announcements made to date that over the next few years there will be continued pressure on local government finances. In response to questions he advised that it was not unusual for the Local Government Finance Settlement to be set annually. Occasionally the government provides a longer term settlement covering 2 to 3 years. This is preferable as it provides greater certainty to local authorities. He stated that there could be some indication about the 2016/17 settlement in the Chancellor's spring budget.

5.1.2 That as advised previously there continued to be at variance in the council's budget for 2014/15 but that he was confident that the budget would balance by the year's end. With reference to the capital programme he explained that it was difficult to predict exactly in which year some projects would be delivered. Some projects, particularly larger ones, involve working with third parties or require planning permission which makes exact timelines and completion hard to determine. He was keen to stress that this issue has no impact on agreed project costs.

5.1.3 That the new Customer Services Contract started in November and while some areas of service delivery need attention the overall provision of services was good.

- 5.1.4 That the use of the transactional functionality on the council's website continues to grow and that improvements to the website continues to be made.
- 5.1.5 The Cabinet Member was asked whether people who report environmental issues through the website (Environmental Action Line) should expect to receive an acknowledgement. Councillor Dimoldenberg reported that he had not received an acknowledgement to issues that he has previously reported. The Cabinet Member advised that an acknowledgement should be provided. He stated that he would look into the matter if details of when the issues were reported could be provided to him.
- 5.2 The committee noted the written update from the Cabinet Member for Housing, Regeneration, Business and Economic Development on key aspects within the portfolio.
- 5.3 **ACTIONS:** The Committee would like written responses on the following issues:

1) **Delivering Housing Renewal** - why there are no firm dates attached to the project milestones for Tollgate Gardens and Ebury Bridge as there are for the other renewal areas?

2) **Bayswater BID** - the committee commented that the area consists of a demographic of businesses that is different to other BID areas which might explain why it has not been successful. It was suggested that any future BID in this area would need to be different in character and nature. The committee asked whether the council has captured information about what did and did not work and any lessons learnt? Looking forward what should be borne in mind when engaging different businesses in this area?

(Action for the Executive Director for Growth, Planning & Housing)

6 CORPORATE PROPERTY ASSET REGISTER

- 6.1 The Committee previously requested that an item in this year's work programme include details about the provision of a Corporate Property Asset Register which should include details of the asset's social or financial return, levels of revenue provided and reasons for any proposed retention or disposal.
- 6.2 The report provided an overview of the development of the Corporate Property Asset Register which included progress made in delivering the new database and the data that the system will include and, by way of appended guidance, adherence to the Local Government Data Transparency Code 2014.

- 6.3 Guy Slocombe, Head of Investment, Corporate Property, was asked how existing information is being transferred to the new asset register, the safeguards in place to ensure that information isn't lost or inaccurate and the testing involved to mitigate IT risks. Mr Slocombe explained that transfer of the investment property portfolio data was currently taking place and that safeguards and checks were in place. Operational property data would be transferred after this on a service by service basis.
- 6.4 The committee was informed that the council's operational property requirements currently cost £25 million per annum. Mr Slocombe advised that the Council's intention is to reduce its operational footprint and make increased efforts to share property requirements with Tri-Borough partners to maximise operational efficiency. Concurrently the Council aims to maximise the income it generates from its investment property portfolio. Members asked for a breakdown of the Council's current corporate property operational costs.
- 6.5 Mr Slocombe was asked why the register would not include data about the Council's social housing stock which is a viable asset. He explained that the Council's social housing portfolio is managed separately by CityWest Homes as an Arms Length Management Organisation (ALMO) and that it has its own property asset database. However, he saw no reason why this data could not be included in future if desired. The committee was informed that the space CityWest Homes occupies for its operational activities are also controlled directly by it on separate leases and are not part of the council's operational property portfolio. The committee suggested that the Head of Investment speaks to CityWest Homes about including details of its operational portfolio within the asset register.
- 6.7 Members also asked the Head of Investment about future decisions on surplus operational space and the possibility of sharing or subletting space with other public sector bodies. Mr Slocombe stated that the proposal raised many questions and the issue of whether to dispose of surplus property or sublet it to other public sector bodies required detailed consideration. The Cabinet Member for Finance, Corporate & Customer Services commented that the City Council already sublets space within City Hall to the NHS and was open to sharing space within its estate with other public sector bodies where mutually beneficial. One of the issues is that decision-making within other organisations can operate at a different speed to the Council and that the council may not always be in a position to wait for such decisions bearing in mind its duties to maximise its operational efficiency.
- 6.8 **RESOLVED:** That the report to be noted.
- 6.9 **ACTION:** Provide Councillor Mohindra with a breakdown of the council's annual operational property costs. (**Action for Guy Slocombe, Head of Investment, Corporate Property**)

7 TREASURY MANAGEMENT STRATEGY 2015-2016

- 7.1 The Council is required under the Local Government Act 2003 (as amended) and other regulations to approve an Annual Treasury Management Strategy to cover: Borrowing Strategy, Investment Strategy and set Prudential Indicators together with borrowing limits for the next three years. In addition, the Council must approve an annual Minimum Revenue Provision Statement.
- 7.2 The Committee considered the draft strategy as set out in the report and in the ensuing discussion asked questions and explored options in relation to the proposed investment and borrowing strategies as follows:

Annual Investment Strategy

- 7.2.1 What emphasis is placed on credit ratings when selecting institutions for investment purposes?

Jonathan Hunt, Director of Corporate Finance and Investment, advised that credit ratings are used as a starting point when assessing investment opportunities after which further detailed research is undertaken on the institution by the finance department before a final decision is made.

- 7.2.2 Whether consideration has been given to moving from fixed management fees to those which are indexed linked so that costs reflect performance?

Mr Hunt stated that index linked management fees are used frequently in managing the Council's pension fund and in relation to equity, property or fixed income investments. They tend not to be used in relation to Treasury Management cash investments as some of the funds tend to be more volatile. In addition most institutions would require a cash investment to be deposited for a minimum period of six months before they will consider introducing an indexed linked management fee structure.

- 7.2.3 Whether an early announcement on the impact of the bank bail-in regulations will lead to a change in the proposed investment instruments?

The committee was informed that as a result of the implications the proposals for 2015/16 build on the Treasury Management Strategy for 2014/15 and make a recommendation to move away from a dependency on bank deposits to more tradable instruments such as commercial paper or bonds.

- 7.2.4 Whether the investment strategy includes the option to buy debt positions in banks? Whether the council has considered investing in Contingent Convertible (COCO) bonds?

The Committee was informed that covered bonds have been included as part of the changes for the 2015/16 Treasury Management Strategy to facilitate such an option. Mr Hunt stated that while the council does not invest in COCO bonds at present he would undertake research as to their potential inclusion within a future investment strategy.

- 7.2.5 In relation to quantitative easing, whether consideration has been given to investing in European Central Bank (ECB) bonds?

Mr Hunt advised that under UK regulations local authorities are only allowed to invest in sterling although subject to explicit approval in the Treasury Management Strategy, may invest in non-sterling currency. However, given the vast majority of the Council's direct costs are in sterling, non-sterling investment is not considered appropriate at the moment. The council could buy bonds issued by the European Investment Bank (EIB) or similar European institutions.

Borrowing Strategy

- 7.2.6 As the council is currently in an under borrowed position and given that interest rates are unlikely to rise in the short term whether it would be prudent to borrow slightly more now at lower fixed rates?

The Cabinet Member for Finance, Corporate & Customer Services commented that as it is not expected that there will be a large spike in interest rates the council can consider such a decision should such indications present themselves at a later date.

- 7.2.7 Whether all existing debt was repayable under fixed rates and whether it was possible for the council to pay back its debts early?

The committee was informed that all existing debts were repayable under fixed rate agreements although some loans were Lender Option Borrower Option (LOBO) loans where the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility. Members were further informed in relation to Public Works Loan Board (PWLB) loans that there was a punitive rate for early repayment or refinancing.

- 7.2.8 **RESOLVED:** That the Treasury Management strategy for 2015/16 be noted.

- 7.2.9 **ACTION:** Provide Councillor Dimoldenberg with a breakdown of the property purchased by the council as temporary accommodation provision over the last 18 months. (**Action for the Director of Corporate Finance and Treasury Management**)

The Meeting ended at 8.26 pm

CHAIRMAN: _____

DATE _____

