



City of Westminster

Committee Agenda

Title: **Housing, Finance and Customer Services Policy & Scrutiny Committee**

Meeting Date: **Monday 26th January, 2015**

Time: **7.00 pm**

Venue: **Rooms 1A, 1B & 1C - 17th Floor, City Hall**

Members: **Councillors:**
Tim Mitchell (Chairman)
Antonia Cox
Paul Dimoldenberg
Peter Freeman
Richard Holloway
Gotz Mohindra
Guthrie McKie
Adnan Mohammed

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal.

**Telephone: 020 7641 3160; email: rsegal@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

The Head of Legal and Democratic Services to report any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

To sign the minutes of the meeting held on 19 November 2014 as a correct record of proceedings.

(Pages 1 - 10)

4. WORK PROGRAMME

Report of the Head of Cabinet Secretariat.

(Pages 11 - 20)

5. UPDATE FROM CABINET MEMBERS

The Cabinet Member for Finance, Corporate and Customer Services will be in attendance to provide a verbal update on progress within the portfolio and receive questions from the Committee.

A briefing note from the Cabinet Member for Housing, Regeneration, Business and Economic Development is attached.

(Pages 21 - 32)

6. CORPORATE PROPERTY ASSET REGISTER

Report of the Executive Director for Growth, Planning and Housing

(Pages 33 - 44)

7. TREASURY MANAGEMENT STRATEGY 2015-2016

Report of the City Treasurer.

(Pages 45 - 68)

Peter Large
Head of Legal & Democratic Services
16 January 2015

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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 **Wednesday 19th November, 2014**, Rooms 5, 6 & 7 - 17th Floor, City Hall.

Members Present: Councillors Tim Mitchell (Chairman), Antonia Cox, Peter Freeman, Richard Holloway, Guthrie McKie, Adnan Mohammed and Murad Gassanly

Also Present: Councillor Melvyn Caplan, Cabinet Member for Finance, Corporate and Customer Services and Councillor Daniel Astaire, Cabinet Member for Housing, Regeneration and Economic Development

Apologies for Absence: Councillor Gotz Mohindra

1 MEMBERSHIP

- 1.1 It was noted that Councillor Murad Gassanly replaced Councillor Paul Dimoldenberg.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Holloway declared that he is a board member of CityWest Homes.

3 MINUTES

- 3.1 **Resolved:** That the minutes of the meeting held on 17 September 2014 were signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME

4.1 RESOLVED:

That the agenda items for the next meeting on the 26th January 2015 be agreed.

4.2 ACTIONS:

1. That the assessment of the implementation of the new customer services contract scheduled for consideration on 27 April be expanded to include the council's website. **(Action for Rebecka Steven, Scrutiny Officer)**
2. That the previously scheduled visit to intermediate housing in Westminster be rescheduled to take place before the end of the municipal year. **(Action for Rebecka Steven, Scrutiny Officer)**
3. That members of the committee be invited to join the membership of the Budget Performance Task Group which will be meeting on the 2 and 5 February to scrutinise the draft budget for 2015-16. **(Action for Rebecka Steven, Scrutiny Officer)**

5 UPDATE FROM CABINET MEMBERS

- 5.1 The Committee received a verbal update from the Cabinet Member for Finance, Corporate & Customer Services on key aspects within the portfolio as follows:
 - 5.1.1 That there continued to be an overspend in the Council's budget which at the time amounted to around £3 million over forecast. This was similar to the position at the same period last year. The Cabinet Member commented that this was not unusual at this stage in the financial year and particularly given the size of the Council's annual budget. Measures were in place to ensure that the budget is placed back on track. As advised previously he was confident that the budget would balance by the year's end.
 - 5.1.2 That work was ongoing to identify the expected required savings of £100m over the next 3 years. The Cabinet Member welcomed the intention of the standing Budget and Performance Task Group to scrutinise and help shape the council's draft budget proposals for 2015-16 prior to submission and consideration by Cabinet and full Council.
 - 5.1.3 In relation to Tri-borough Corporate Services he advised that following the publication of the Critical Friends Board report the council was still awaiting a decision from the London Borough of Hammersmith and Fulham on whether they wish to continue with the Tri-borough partnership. He stated that regardless of their decision of the Council will need to take some decisions regarding corporate services within the next 1-2 months not least to provide some certainty for staff.
 - 5.1.4 That testing the accuracy of systems and processes associated with the new Managed Services Programme continues to make good progress.
 - 5.1.5 That the council continues to develop ever more online reporting opportunities via the council's website to meet the changing way in which many people prefer to do business with the council. The Cabinet Member stated that while the website is fully functional it is important to always look for opportunities to

improve it and add additional functionality. He advised that the website had recently been shortlisted for an award against a number of other websites including those in the private sector. The Cabinet Member was asked about problems where people had been unable to complete parking permit applications online. The Cabinet Member advised that this matter fell within the portfolio of the Cabinet Member for Sustainability and Parking. He undertook to ask her to respond to the member concerned.

- 5.2 The Committee received a written update from the Cabinet Member for Housing, Regeneration, Business & Economic Development on key aspects within the portfolio as follows:
- 5.2.1 That the major reorganisation of Council departments to form a new directorate of Growth, Planning & Housing is ongoing. He advised that the restructure will enable the development of greater links between planning and housing which in turn will provide greater opportunity to influence matters associated with affordable housing considerations on planning applications.
- 5.2.2 That the development of the council's new Housing strategy continues with work currently being focused on the thematic areas. The policy development phase was expected to be completed by late November with a draft strategy available for consideration by the policy and scrutiny committee at its meeting in March. After this it will go out to public consultation with formal adoption by the Council in June.
- 5.2.3 The Cabinet Member was asked about the parameters of the strategy and in particular whether it would encompass private housing. Members also asked how potential conflicts between key themes would be addressed in practice and whether the strategy will include considerations that link to other council services such as how the need for sufficient school places will be met in future years.
- 5.2.4 The Cabinet Member explained that the strategy would focus on how the City Council will provide housing for those who require housing assistance. It would also focus on the wider needs of the city including the Council's broader role in promoting the health and economic wellbeing of residents. The strategy would not focus on the private housing market although inevitably there would be a need to include some private development on certain sites in order to fund the social housing provision.
- 5.2.5 In response to the issue of the potential conflict between the thematic themes the Cabinet Member explained that if the city is to grow and prosper it will be essential to find more places for people to live. London's population is projected to grow significantly in the next few decades which, as a consequence, will require greater densification. While this would not necessarily lead to taller buildings, there will be some services that compete with one another.
- 5.2.6 The Cabinet Member stated that he had hosted a round table discussion earlier in the year which was attended by Tony Travers and Pocket Housing amongst others to help shape and explore key issues such as developing the

intermediate housing market. Since then, a similar session had been held with registered providers. There was also an intention to speak to the Council of Mortgage Lenders in relation to the funding of intermediate housing that make it possible for people to continue living in London and avoid an exodus of talent.

5.2.5 In relation to CityWest Homes, the Cabinet Member advised that its Chief Executive Officer, Nick Barton, would be leaving the organisation at the end of the year. He thanked Mr Barton for his work over the last year.

5.2.6 The Cabinet Member was asked how many acres of brown field sites there were within Westminster which had development opportunities. He advised that while he did not have such statistics there were a number of sites in private ownership such as West End Green where development should but wasn't taking place. The Head of Housing Strategy advised that the council has some landholdings within the Housing Revenue Account where there was some capacity to develop smaller schemes while there were also opportunities as part of the second phase of the housing renewal programme in Church Street. He explained that there were a number of limitations in developing some of Westminster's housing stock such as many properties being either listed or architecturally sensitive.

6 TREASURY PERFORMANCE (HALF YEAR REVIEW)

6.1 In accordance with the Council's Treasury Management practices the committee received a report setting out the Council's half year review of its Treasury Management Strategy for 2014-15.

6.2 Jonathan Hunt, Tri-borough Director of Treasury and Pensions advised that EU and domestic legislation relating to bail-in powers were due to come into force over the next five years, with the UK on the earlier end of that timescale. The bail-in provisions include the ability to take funds from depositors (after shareholders have lost their equity) so as to prevent the need for a future government to use taxpayers' funds to bail out a failing financial institution in the future. As a consequence, early consideration was being given as part of the development of the 2015-2016 Treasury Strategy whether to invest more of the Council's cash investments in investments away from banks.

6.3 Members asked questions on the opportunities for re-financing debt, options for obtaining higher returns on investments with the same level of existing risk, the stability of the institutions where the Council's investments are held and whether the Council has ever invested in the Department for Business and Enterprise backed overseas projects. In response Mr Hunt advised that while it would be desirable to re-pay borrowing early under existing financial agreements this would result in a 30% premium. However, the Council has repaid some debts early where possible. With regard to deposits he advised that the Finance team had looked at but had found it difficult to obtain a better return for the same level of risk. Consideration could be given to investing in corporate short term paper. He did not believe that the Council had ever invested in any Government backed overseas projects and believed that there could be regulatory restrictions on doing so.

6. **Resolved:** That the report be noted.

7 HOUSING ASSOCIATIONS (RSL AND PRP) PERFORMANCE REVIEW

7.1 The Committee received a report that detailed the performance of social landlords who have housing stock in Westminster and the satisfaction levels of their tenants. The report also described approaches to stock rationalisation by social landlords and identified the potential opportunities for stock transfers/swops or management transfers between social landlords in the city and where these rationalisation approaches should be supported by the City Council where they lead to improved performance and satisfaction levels amongst residents.

7.2 The Committee welcomed the following witnesses who had been invited to the meeting to assist Members in their consideration of the issues:

Nick Barton, CEO, CityWest Homes; Andrea Luker, Head of Housing Services, CityWest Homes; Joe Joseph, Director of Residence Services, Peabody; Rebecka Sudworth, Director of Strategy & Communications, Peabody; Grahame Hindes, CEO, Octavia and Andy Belton, Operations Director, Notting Hill Housing Group.

7.3 It was noted that information provided by Peabody regarding their housing stock and operations in Westminster had been circulated to members the day before the meeting.

7.4 The Committee then heard from the witnesses on the subject of stock rationalisation. Andrea Luker advised that CityWest Homes had been managing 617 units for approximately 10 years on the behalf of 4 registered providers. Management of this stock has come about through exceptional circumstances such as providing additional housing through infilling space on existing estates to being handed a block of new build blocks of flats prior to letting. The stock is managed to the same standards as other CityWest Homes properties where residents benefit from the infrastructure that CityWest Homes has in place.

7.5 Joe Joseph informed Members that Peabody managed 3311 homes in Westminster of different tenure of which approximately 83% is social housing. In respect of stock rationalisation he stated that Peabody had made a significant investment in Westminster both in terms of time and money and while it would be open to managing other registered providers stock it wished to retain its own housing. The additional information submitted by Peabody included an assessment of stock rationalisation opportunities in Westminster. This was based on an analysis of RPs in Westminster utilising the statistical data return dataset for 2014 (published by the HCA). It concluded that opportunities in Westminster were limited.

7.6 Grahame Hindes stated that each of the registered providers in attendance had been in existence for approximately 150 years and had their own unique history. He explained that stock rationalisation happens only occasionally due

to either regulatory issue or a unique circumstance such as another housing provider going into bankruptcy. He further explained that most registered providers don't consider their stock on a borough by borough basis. Without a strong incentive he did not believe that more rationalisation was likely to occur.

- 7.7 Andy Belton informed the committee that Notting Hill Housing Group is a London based Housing Association with approximately 30,000 properties. He stated that the organisation had some experience of stock rationalisation in part due to a merger with other organisations based in Bedford and Kent in 2009. It had since disposed of its stock outside of the capital due to its London focus. In terms of the organisation's active asset management he advised that a large number of its holdings were located in the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea. The intention was to dispose of 35 high-value units in these boroughs in order to provide 156 units outside of London. The boroughs in which the disposals occur would receive one nomination while the authority where the new units are located would receive two nominations.
- 7.8 The Committee then discussed the issues of stock rationalisation where a number of views were expressed. This included that the argument for stock rationalisation was not entirely convincing. It was suggested that one of the advantages of registered providers is that they are able to respond more quickly to resident's needs than a local authority. As a consequence more decentralisation was desirable. An alternate opinion expressed was that in terms of management arrangements economies of scale could provide the incentive for registered providers to take on other providers' stock.
- 7.9 In response to member's comments Mr Joseph stated that Peabody was ambitious and was always looking at potential business opportunities. However, he advised that stock rationalisation through management transfers was a partnership issue. Whilst Peabody was proud of its work as a housing association other registered providers would equally be proud of what they did. Moreover, Management transfers were complex for a number of reasons. This included the fact that VAT is payable on the management fee which represents an additional cost to the sector while there would also be an ongoing monitoring role and ongoing payment arrangements for the transferor. Mr Hindes commented that he did not believe there was necessarily a correlation between being a large association with a high number of properties and increased satisfaction levels from residents.
- 7.10 Members discussed the issue of disposals of void affordable homes on the open market by some Registered Providers. A number of views were expressed by Members who drew a distinction between those Registered Providers who were disposing of a limited number of properties and those engaged in large disposal programmes. Views were expressed that trying to prevent the disposal of void stock in Westminster where the proceeds were not ring fenced towards reinvestment in the City, would prevent the wider delivery of affordable housing across London.

- 7.11 Members asked about the disposal of housing by leaseholders who have bought their homes under 'right to buy' legislation. Officers advised that the City Council has a first refusal to buy such properties which come onto the market. The committee was informed that in the region of 300 such properties come up for sale each year and the Council purchases about 35 to 40 of these properties. With regard to disposals of City Council stock officers advised that this happened infrequently and in small numbers. These disposals rarely occurred because of the desire to capitalise on the value of the property but for other reasons such as the prohibitive cost of refurbishment. Officers advised that where the local authority does dispose of high cost voids, the proceeds of these disposals are being used to provide replacement stock of better quality and in many instances provide more homes than are disposed of.
- 7.12 The committee then turned its attention to the performance data. The committee was informed that the performance data reported by Westminster based Registered Providers (RPs) generally relates to performance data for all their stock (regional and/or national stock) and does not capture specific data relating to their performance and tenant satisfaction levels in Westminster. With regard to residential environmental health Members referred to the fact that some of the housing stock consists of older houses that have been converted in to flats. As the buildings are being used differently to their original design this has led to some residents experiencing noise from neighbouring flats. CityWest Homes had been sounded out about opportunities for partnership working with registered providers to make environmental improvements to properties such as applying render to the rear of buildings and/or replacing single glazed windows to mitigate noise and health-related problems.
- 7.13 Members also commented on the mixed tenure within housing blocks and the need to cater for leaseholders as well as social tenants.
- 7.14 The Committee asked the registered providers whether they would investigate the possibility of providing a shared service whereby their Westminster residents can report environmental health matters and receive a consistent standard of response in a timely manner. Mr Belton responded that he had no objection to the suggestion in principle, however, on a practical level given that many of the registered providers operate on a pan London or even regional level it would be difficult to provide a separate service on a borough by borough basis. Moreover registered providers have ongoing individual service agreements with different contracts, some of which have many years to run. However, he did believe that there were opportunities for sharing some back office services and procurement provision.
- 7.15 **RESOLVED:**
1. The committee has noted the evidence from witnesses regarding stock rationalisation. It acknowledges that registered providers wish to retain their housing stock, that rationalisation can be complex and not always viable or likely to improve housing management services provided to Westminster residents. However, it considers that there is merit in the City

Council exploring with those social landlords who do not have a management office presence in the city, the possibility of sharing Westminster's estate office space or of registered providers establishing a joint facility of their own. Members recognise that it can sometimes be difficult for residents to report and resolve issues at a distance and this would provide an opportunity for residents who desire it to speak to a representative in person. The committee requests that this suggestion is discussed at Westminster's Housing Association Chief Executive's (HACE) group.

2. The committee has also noted that the performance data reported by Westminster based Registered Providers (RPs) generally relates to performance data for all their stock (regional and/or national stock) and does not capture specific data relating to their performance and tenant satisfaction levels in Westminster. The committee recommends that the City Council in partnership with its key RP partners jointly commissions a survey to gather performance data and tenant satisfaction levels in the city and it requests that this proposal is also discussed and a view obtained at the next Westminster HACE group.
3. The committee has further noted that Residential Environmental Health (REHS) has developed a Joint Working Protocol to be entered into between individual RPs and REHS for the investigation of housing and public health service requests from provider tenants. The committee is keen to see all registered providers in Westminster enter into a joint working protocol with REHS.

8 HOUSING REVENUE ACCOUNT - DEBT CAPPING AND RINGFENCING

- 8.1 The Committee received a report that provided details on the Council's Housing Revenue Account (HRA) Business Plan and set out the implications of the HRA debt cap.
- 8.2 The Committee noted that the Government had announced two bidding rounds this year for authorities that wish to borrow above their cap levels. In the first round, Westminster were successful and has approval to borrow an additional £8.6m over 2015-16 and 2016-17. This will support delivery of the Council's Housing Renewal Programme.
- 8.3 Officers were referred to the fact that the Localism Act (2011) included reform of council housing finance from a centrally directed system to a local level. This includes freeing local authorities to set their own increases in council rents rather than having to follow the national guidance formula. Councillor McKie advised that the council still sets rent increases using the latter and that he intended to write to the Cabinet Member and the Executive Director for Growth, Planning & Housing to urge them to depart from this and set a low rental increase next year.

8.4 RESOLVED:

1. Noted the functions of the HRA.
2. Noted the benefits of adopting an active asset management strategy.
3. Noted the limitations placed upon the HRA by the debt ceiling.
4. Noted the wide-ranging benefits that were delivered through the proposed HRA investment programmes.

The Meeting ended at 9.25 pm

CHAIRMAN: _____ **DATE** _____

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Work Programme

Housing, Finance and Customer Services Committee

ROUND ONE (16 June 2014)		
Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development	<ul style="list-style-type: none"> • Cllr Astaire
CityWest Homes – Strategic Plan 2014 – 2019	An assessment of CityWest Homes Strategic Plan for the next five years	<ul style="list-style-type: none"> • Nick Barton, • Chief Executive
Worklessness in Westminster	An examination of the current work undertaken on worklessness by the Council	<ul style="list-style-type: none"> • Ben Denton • Tom Harding

ROUND TWO (17 September, 2014)		
Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Customer Services	A Q&A session with the Cabinet Member for Finance and Customer Service	<ul style="list-style-type: none"> • Cllr Caplan
Finance, Annual Accounts and Forward Planning	An assessment of the annual accounts of the Council and an examination of forward planning.	<ul style="list-style-type: none"> • City Treasurer • Anna D'Alessandro
Tri-Borough Corporate Services Review	An assessment of the Tri-Borough Corporate Services Review	<ul style="list-style-type: none"> • Jane West

ROUND THREE (19 Nov, 2014)		
Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development.	<ul style="list-style-type: none"> • Cllr Astaire
Housing Associations (RSL and PRP) – Performance Review	An opportunity for the Committee to hold to account Housing Association management in relation to performance.	<ul style="list-style-type: none"> • City West, Octavia, Peabody and Notting Hill

Work Programme

Housing, Finance and Customer Services Committee

Housing Revenue Account (HRA) — Debt Capping and Ringfencing	To assess whether the HRA should have a debt cap and whether it should be ringfenced.	<ul style="list-style-type: none"> • Ben Denton • Daniel McCarthy
Treasury Performance (Half Year Statutory Review)	To review treasury performance.	<ul style="list-style-type: none"> • Jonathan Hunt

ROUND FOUR (26 Jan, 2015)

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Customer Services	A Q&A session with the Cabinet Member for Finance and Customer Services	<ul style="list-style-type: none"> • Cllr Caplan
Corporate Property Asset Register	The 2013 /14 Committee wanted to include an item in this year's work programme 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.	<ul style="list-style-type: none"> • Ben Denton • Guy Slocombe
Medium Term Plan	To assess the Council's progress in relation to medium term planning. This item will be incorporated into the work of the Budget Monitoring Task Group.	<ul style="list-style-type: none"> • Steve Mair
Draft Treasury Management Strategy	To assess the draft treasury management strategy prior to submission to Council for approval.	<ul style="list-style-type: none"> • Jonathan Hunt

Work Programme

Housing, Finance and Customer Services Committee

ROUND FIVE (9 March, 2015)

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development	<ul style="list-style-type: none"> • Cllr Astaire
Housing Strategy	An opportunity to scrutinise the new Housing Strategy and consider the responses to the consultation exercise. This will also include information on the supply and allocation of social housing.	<ul style="list-style-type: none"> • Dan McCarthy
Homelessness Duty – Local Connection	A session to assess how effective the homelessness duty is, in relation to the 'local connection' outlined in Section 193 of the Housing Act 1996	<ul style="list-style-type: none"> • Ben Denton • Dan McCarthy

ROUND SIX (27 April, 2015)

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Customer Services	A Q&A session with the Cabinet Member for Finance and Customer Services	<ul style="list-style-type: none"> • Cllr Caplan
Customer Services Contract and website	To assess and monitor the implementation of a new customer services contract.	<ul style="list-style-type: none"> • Julia Corkey
Treasury outturn for 2014/15	Statutory review of the treasury outturn for 2014/15.	<ul style="list-style-type: none"> • Jonathan Hunt

Work Programme

Housing, Finance and Customer Services Committee

Other Committee Events & Task Groups

Briefings	Reason	Date
Intermediate Housing Visits	Site visit to Intermediate Housing in Westminster	to be rescheduled
HOS Visit	Site visit to Housing Options Service (HOS)	25 September
Regeneration Site Visits	Site visit to sites of regeneration in Westminster	29 September
CityWest Site Visit	Site visit to CityWest	2 October
<u>Budget Monitoring Task Group</u>	<p>Members: Cllrs Mitchell, Cox, Mohammed, Dimoldenberg and Freeman.</p> <p><u>Draft Agenda Monday 2 February – 7- 8.45pm</u> Budget Overview City Treasurer Policy Performance and Communications Corporate and Commercial Services</p> <ul style="list-style-type: none"> • HR • IT • Legal and Democratic Services • Procurement • Revenue and Benefits <p>City Management and Communities</p> <ul style="list-style-type: none"> • Waste and Parks • Parking • Public Protection and Licensing • Sports and Leisure • Libraries and Culture <p><u>Draft Agenda Thursday 5 February – 7 – 8.30pm</u> Adults Services</p> <ul style="list-style-type: none"> • Adults • Public Health <p>Children's Services Growth Planning and Housing</p> <ul style="list-style-type: none"> • Corporate Property • Housing • Growth • Planning. 	

Action and Recommendation Trackers

Housing, Finance and Customer Service

Policy and Scrutiny Committee

Date **26 January 2015**

Classification **General**




Report author and **Rebecka Steven, Scrutiny Officer (x3095)**
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1. Introduction

The Housing, Finance and Customer Service Policy and Scrutiny Committee examines the wide range of council services and projects that generally fall within the portfolios of housing, regeneration, business and economic development, finance and customer service.

This document presents the legacy actions and recommendations from this committee that result from or apply to the period between June 2013 and January 2015.

The following colour coding has been applied to assist committee members and others to understand the progress made against each item:

-  Outstanding
-  In progress
-  Complete

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Recommendation Tracker

Housing, Finance and Customer Services Committee

ROUND ONE (16 June 2014)

Agenda Item	Recommendation and responsible officer	Update
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No outstanding recommendations.

ROUND TWO (17 September 2014)

Agenda Item	Recommendation and responsible officer	Update
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No outstanding recommendations.

ROUND THREE (19 November 2014)

Agenda Item	Recommendation and responsible officer	Update
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Item 7 – Housing Associations – RP and RSLs Performance Review

The Committee acknowledged that registered providers wished to retain their housing stock, that rationalisation could be complex and not always viable or likely to improve housing management services provided to Westminster residents. However, it considered that there was merit in the City Council exploring with those social landlords who do not have a management office presence in the city, the possibility of sharing Westminster's estate office space or of registered providers establishing a joint facility of their own. Members recognised that it could be difficult for residents to report and resolve issues at a distance and this would provide an opportunity for

It was agreed at the Housing Association Chief Executive (HACE) Group meeting held on 12th December that a working group would be convened involving City West Homes and Westminster's partner housing associations to explore the possibility of sharing surplus space within the Council's Estate Offices or other Council facilities where housing associations might be able to provide services directly to Westminster tenants. The first meeting of this working group is likely to occur before 31 March 2015. **Complete.**

	<p>residents who desired it to speak to a representative in person. The committee requests that this suggestion is discussed at Westminster's Housing Association Chief Executive's (HACE) group. Fergus Coleman.</p>	
<p>Item 7 – Housing Associations – RP and RSLs Performance Review</p>	<p>The committee recommended that the City Council in partnership with its key RP partners jointly commissions a survey to gather performance data and tenant satisfaction levels in the city and it requests that this proposal is also discussed and a view obtained at the next Westminster HACE group. Fergus Coleman.</p>	<p>It was agreed at the Housing Association Chief Executive (HACE) Group meeting held on 12th December that a working group would be convened involving City West Homes and Westminster's partner housing associations to explore the possibility of sharing surplus space within the Council's Estate Offices or other Council facilities where housing associations might be able to provide services directly to Westminster tenants. The first meeting of this working group is likely to occur before 31 March 2015. In progress.</p>
<p>Item 7 – Housing Associations – RP and RSLs Performance Review</p>	<p>The committee further noted that Residential Environmental Health (REHS) has developed a Joint Working Protocol to be entered into between individual RPs and REHS for the investigation of housing and public health service requests from provider tenants. The committee is keen to see all registered providers in Westminster enter into a joint working protocol with REHS. Fergus Coleman.</p>	<p>This proposal was also raised at HACE on 12th December and there was general support among RPs. Residential Environmental Health will write to all major RPs inviting them to sign up the Joint Working Protocol. Complete.</p>

Action Tracker

Housing, Finance and Customer Services Committee

ROUND ONE (16 June 2014)

Agenda Item	Action and responsible officer	Update
Item 7 – Worklessness	Provide the Committee with a map that outlines the different local employment support programmes, the agencies involved and the money invested to identify whether there are any gaps or overlaps in provision. (Steve Carr – Head of Economic Development)	Information is being collated by officers and will be circulated prior to meeting on 19 November.

ROUND TWO (17 September 2014)

Agenda Item	Action and responsible officer	Update
No outstanding actions.		

ROUND THREE (19 November 2014)

Agenda Item	Action and responsible officer	Update
Item 4 – Work Plan	That the previously scheduled visit to intermediate housing in Westminster be rescheduled to take place before the end of the municipal year. Rebecka Steven (Policy and Scrutiny Officer).	Officers are liaising to set up another visit.
Item 4 – Work Plan	That members of the committee be invited to join the membership of the Budget Performance Task Group which will be meeting on the 2 and 5 February to scrutinise the draft budget for 2015/16. Rebecka Steven (Policy and Scrutiny Officer)	Action Complete.

Item 4 – Work Plan	That the assessment of the implementation of the new customer services contract scheduled for consideration on 27 April be expanded to include the council's website.	Action Complete.
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City of Westminster

Housing, Finance and Customer Service Policy and Scrutiny Committee Briefing

Date:	Monday 26th January 2015
Classification:	General Release
Title:	Portfolio Update of Cabinet Member for Housing, Regeneration, Business and Economic Development
Briefing of:	Head of Cabinet Secretariat
Please contact:	Jeremy Day x 5772 jday@westminster.gov.uk

Please find below an update on key areas of activity from the Housing, Regeneration, Business and Economic Development portfolio since the committee last met.

1. Delivering Housing Renewal

The Housing Renewal Strategy was first published in 2010 and contains five overarching priorities:

1. To increase the supply and quality of affordable homes to meet a variety of local needs, including housing for families
2. To improve the quality of the local environment with outstanding green and open spaces and housing that promotes low energy consumption and environmental sustainability
3. To promote a high quality of life for people of all ages and backgrounds, in safe, cohesive and healthy neighbourhoods, supported by a range of high quality housing and excellent community facilities
4. To enable people to maximise economic opportunity in Westminster with support for training, employment and enterprise, and housing tenures which help those in work to remain in the City
5. To create a more distinct sense of neighbourhood, ending the physical divide between Westminster's estates and surrounding local streets

Delivery of the Housing Renewal Strategy focuses on four areas of Westminster – Church Street, Paddington Green, Tollgate Gardens and Ebury Bridge. Following a no vote, Westbourne Green will now no longer be progressed.

As attention moves to the build phase, priorities will include to:

- Ensure the renewal works are of high quality and make a lasting positive impact on their areas
- Maximise the economic benefits and employment opportunities
- Realise Better City Better Lives objectives to create opportunities for people to achieve their potential and live happier, healthier lives.

Whilst these schemes will deliver more than 800 new homes for the city, Westminster's housing stock as a whole is not getting younger, and we will need shortly to consider new targets and priorities to deliver continuous improvement.

Below is a summary of key activity in the renewal areas:

Church Street

Overview

1. Church Street phase 1 gained a 'yes' vote in March 2013, with a voter turnout of 25% and a result that was 85% in favour of the phase 1 regeneration.
2. Planning has now been obtained for 3 sites
 - Lisson Arches – 55 residential units and 1,250sqm of Enterprise space
 - Penn & Lilestone Street – 2,500sqm Health Hub and 2,500sqm of community space, alongside 45 residential units
 - Tresham House – 900sqm of D1 space to re-house Childrens' and Adult services provision freeing up Luton Street for housing led development

Project Milestones

1. I approved the Luton Street development appointment in December 2014. The Bouygues & Londonewcastle consortium are the preferred developer and are entering into contract negotiations at present. The site is capable of delivering around 150 new homes including around 90 new affordable homes. Their tender provided for a planning compliant bid of around 35% net new affordable. The tender designs also currently allows for approximately 1,000sqm of new community space, however the final use and detail of this large area remains to be confirmed. Community Benefit fund studies are now complete and a package of works and costs now agreed to pass over to Bouygues once they take occupation of the site. Market traders' relocation has selected Venables Street as their preferred location for temporary relocation and detailed design is currently being worked up on this site.
2. I have also signed a decision to deliver the Tresham House development. This new modular building will re-house the current Council Services on the Luton Street site namely London Early Years Foundation and Westminster Society for People with Learning Disabilities. The contract has been awarded to WACO modular construction. WACO will take occupation of the site in February 2015

and are due to complete the development by October 2015. The other Children Services provider (Newpin) are currently looking at relocating temporarily to the vacant space at 4 Lilestone Street whilst the original site they were due to be relocated to (Orange Park) is re-tendered on a traditional Design and Build framework, as the previous modular route made the project unviable.

3. Lisson Arches has been put out to tender as a Design and Build project through the Greater London Authority (GLA)'s London Development Panel. The procurement responses are being evaluated and the tender is being created to go out to the shortlist once evaluated. The project team is seeking to start on site in November 2015 subject to service diversion works being complete; WSP Conways are instructed to carry these out.
4. Negotiations are ongoing with the NHS to take a long lease of 2,500sqm in the Penn and Lilestone project and officers are still marketing the enterprise space in Lisson Arches, seeking a suitable partner. Heads of Terms for the Enterprise Space are out to a company called Tech Shop to take the whole building, and waiting for final agreement on these before issuing a lease.
5. Construction work continues to build the three 3-bedroom flats at Orchardson Street with completion of the project is anticipated for March 2015.
6. The Secretary of State's consent has now been granted to dispose of the site on Cosway Street and had previously been granted to remove the educational use. Officers will be presenting options and a recommendation on the preferred disposal/development options at the end of this month to the lead member.
7. The Church Street PID was approved in December 2014.
8. Infrastructure & Public Realm Improvements will commence around the summer of 2015, including arts & culture initiatives, market events and community gardening projects.

Paddington Green

Overview

1. Following a vote in favour of the proposals announced in December 2013, the project team has been developing the procurement documentation to enable the selection of a development partner to take forward the works. The project is expected to deliver around 45 new homes, a new private garden for residents and upgrades to the public realm and common areas of Parsons House.

Project Milestones

2. The GLA Developer framework Panel has been chosen as the best route to market, and 5 developers have expressed an interest in the project and attended a site visit in September 2014.
3. Internal governance documents have been prepared (e.g. Gate1 report) and sensitivity analysis has been carried out to ensure that the Council obtains best value.

4. An initial transport study has been undertaken to assess vehicle access and movement during construction. This has been shared with the working group of residents and stakeholders for their feedback.
5. The tender documents (EOI / ITT) are being prepared in order for the developer competition to commence in January 2015
6. Developers to return ITT's by the end of March 2015.
7. Preferred developer to be selected by April/ May 2015
8. Planning permission expected by October/ November 2015
9. Project on site by January 2016

Tollgate Gardens

Overview

1. Tollgate Gardens Estate residents voted in favour of redevelopment in 2010.
2. The Tollgate Gardens scheme was granted a planning permission for 195 replacement and new homes, 53 refurbished homes and brand new community facilities, built around a new central green space.

Project Milestones

3. Tenant and leaseholder moves continue following resolution to grant planning approval for the scheme in November 2013.
4. The project team has been granted permission to apply to the Secretary of State for a Compulsory Purchase Order (CPO) to ensure vacant possession of the site and in the meantime negotiations to secure possession will continue. The Statement of Reason was submitted in mid-November and CPO notices served.
5. Contractors on the council's developer framework have tendered the project and a Cabinet Member Report has been issued to the Cabinet Member seeking an award of a contract to a preferred developer.

Ebury Bridge

Overview

1. Residents voted in favour of regeneration in May 2013.
2. Planning was approved for the estate in June 2014 to deliver the scheme which includes 271 new replacement and additional homes of mixed tenure, with flats and maisonettes providing larger homes with private balconies or gardens, better layouts and storage space.
3. Overall the Ebury Bridge scheme will create 99 additional homes across the estate.

4. It also includes a new enlarged community facility and non-residential uses at ground and basement level within the new block fronting Ebury Bridge Road, which will be subject to separate approval.

Project Milestones

5. The demolition notices have been issued and the Council is currently working with tenants and leaseholders to secure vacant possession in anticipation of the development.
6. Westminster Community Homes are working with the leaseholders to understand their needs and potentially purchase any properties in the area. A leaseholder pack has been issued to those leaseholders interested in equity loan homes so they can choose their homes in advance of a developer being appointed.
7. Independent support to leaseholders and tenants is offered to residents of the estate through First Call.
8. Negotiations with Soho House have reached a stage where both sides recognize the need to take the scheme forward to a CPO. Soho has agreed that WCC now formally visit their tenants to assess their needs (without prejudice to the outcome of the CPO).
9. Regular meetings with residents will continue over the next few months and a Residents Pack has been sent out to inform leaseholders and tenants about what they can expect in the lead up to and during the regeneration work.
10. I am currently awaiting a report for a Compulsory Purchase Order from council officers.
11. Draft mini tender documents for an ITT from the DFP are being drawn up.

2. Housing Strategy 2015 – 2020

The City Council's current Housing Strategy was prepared in 2006, for the period 2007-12. Key changes to our statutory housing responsibilities and powers, potential changes to the make-up of Westminster's housing market, and the Council's broader role in promoting the health and economic well-being of residents, have made it necessary that we review our housing strategy and debate the policy options available to us.

We have been working on a new Housing Strategy, in consultation with Members and officers within the Council, as well as with external partners. This will be launched in the summer for consultation.

3. Reorganisation

The new department Growth, Planning and Housing will come into full operation at the start of April. Restructuring and recruiting is currently taking place.

4. BIDs

The Government published Regulations on 1 December 2014 to allow for the formal establishment of Property Owner BIDs. These can only be established where there is also an occupier BID (the boundaries have to be precisely the same) and in areas subject to a Supplementary Business Rate. This means that at the moment they can only be established in London where the Mayor levies a Supplementary rate to help fund CrossRail. I have received formal notification that the Heart of London Business Association intends to formally submit two property owner BID proposals in February – one for each of its two BIDs that cover Piccadilly Circus/Leicester Square and Piccadilly/St James's. As with occupier BIDs, the City Council is not required to formally approve them, instead it has a power of veto if they include proposals that are contrary to City Council adopted policy. I expect to make a formal decision on the proposals in March and will then instruct the Chief Executive to hold a ballot on their behalf. HOLBA has requested a ballot in May/June so that if successful the two new property owner BIDs can start on 1 July 2015.

The Bayswater BID closed on 31st December 2014. The Council will not pass any further levy onto the BID. The BID now will wind up, submit final accounts and pass any surplus to the Council and if there is sufficient surplus the Council will then return it to the businesses. There are no current plans to create a new BID in this area but we will work collaboratively with businesses and local groups to support initiatives in the area.

I held a summit with all of the BIDs with some of my cabinet colleagues to discuss ways of more productive joint working and coordination between them and the City Council. I will hold another meeting with them later in the year.

5. Employment

Church Street ESA pilot/Local Employment Action Project

A service manager was recruited into post in December 2015 and is currently engaging with relevant internal and external colleagues so delivery of the pilot can start in early 2015.

Working Capital Pilot

CLF held a successful supplier information event in December attended by approximately 100 individuals from organisations and businesses ranging in size and sector. CLF will make a press announcement 20 January 2015 and begin the tendering process for a supplier shortly afterwards. It is anticipated that contracts will be awarded in May 2015.

JSA Work Programme Leavers (funded via DWP FSF)

Recruitment for the two caseworkers is in progress.

Supporting 1,000 residents from renewal areas into work

Following the successful funding application to the Public Health Investment fund, outcomes for the Westminster works extension programme and the delivery agreement have been agreed. The extension will enable the Westminster Works programme to continue to deliver employment outcomes for residents from the renewal areas with a new focus on those with health barriers to employment.

Tri-borough Employability passport

Tri-borough provision delivered in partnership with business and schools with the aim of advising and training secondary school children in employability skills and general careers awareness. Activities include “employability experiences” which include employer talks, workshops and mini-employability based projects. Six participating schools across tri-borough; two participating Westminster Schools - St Augustine’s and Quintin Kynaston:

- Total number of Westminster pupils engaged from years 8-11 between April and July 2014 : 894
- Total number of Westminster pupils who have had an “employability experience” between April and July 2014: 725

6. West End Partnership

Following the report of the independent West End Commission in 2013, the City Council convened a new West End Partnership. The Partnership brings together the key organisations with responsibilities in the West End of London, including senior public sector figures alongside business, landowner and resident voices, in order to provide stronger leadership, greater coordination and a more influential voice for this economic and cultural heart of the capital. Working through the Partnership Board and a number of working groups, the West End Partnership is taking on the critical challenges and opportunities facing the West End. The Partnership’s work includes developing a vision for the area, coordinating an implementation plan for key projects and influencing national decision-makers to recognise the need for policy that supports the West End’s unique role.

Key issues which the Partnership is addressing include:

- Meeting the challenges and opportunities afforded by Crossrail to improve the West End’s transport and public realm, particularly in key areas such as Oxford Street, including looking at how to work together to identify, prioritise and take forward key schemes
- Encouraging the right development to help the West End continue to thrive as the economic heart of the capital and retain its diverse mix of businesses, whilst harnessing the proceeds of development to promote prosperity and enhance amenity for residents and visitors
- Influencing Government on issues such as planning policy changes which affect the West End

The Partnership Board is continuing work on its vision and implementation plan whilst working with four task groups on specific issues: transport, public realm, the evening and night time experience and marketing and promotion. I sit on the West End Partnership Marketing and Promotion Group which has so far met four times to scope and begin work on a marketing strategy for the West End.

7. Business Hub

Under Better City Better Lives the City Council committed to identify the location and commence work to establish a new enterprise hub in the north of the city to support start ups and micro businesses. There has been a range of activity in paving the way for new enterprise hubs in the north of the city, as detailed below:

London Enterprise Partnership Funding

The Economic Development Unit has gained approval from the London Enterprise Panel (LEP) £1.8m funding contribution to:

- Support the delivery of new business support programmes at existing enterprise spaces (e.g. Maida Hill Place, Hub Westminster).
- Support the delivery of new enterprise space projects in north Westminster (e.g. TechShop / Lisson Grove Enterprise Space).
- Support initiatives to encourage local residents to receive support from existing and planned enterprise space projects.
- Monitor and research the economic impact of the programme.

Delivery of the programme will begin in the fourth quarter of 2014/15.

Venture #382

The Economic Development Unit is working with Vital Regeneration who have been offered a short-term license to occupy 382 Edgware Road, on the corner of Church Street. The space will open later this month as a pop-up enterprise space until at least May 2015, in one of the early private redevelopments in the heart of the Church Street regeneration area.

Enterprise is an instrumental ingredient for regeneration and growth in Westminster—piloting an enterprise space at 382 will enable us to:

- Demonstrate the potential for enterprise spaces in north Westminster
- Pilot space configuration proposals that will inform local developments
- Enable existing entrepreneurs on the HELP Enterprise initiative who are looking for space to grow their businesses - proving the efficiency of an enterprise programme linked to an enterprise space.
- Act as a feeder to other enterprise space projects e.g. Hub Westminster
- Test ways to engage local residents who want support to start or grow a business
- Consult with residents on enterprise needs during phase 2 of the Church Street regeneration plans.

We risk developing a successful space that then leaves businesses homeless after 6 months. In order to mitigate risks and provide positive progression opportunities, Vital Regeneration will:

- Strengthen the cohort to benefit from mainstream space provision and provide visits to other spaces.
- Signpost businesses to other locations including Vitals' existing community space provision.
- Act as a feeder for other enterprise spaces (eg Hub Westminster) Our obligation and duty of care will persist for those who have been accepted at #Venture382. Progression routes will be identified with each individual in one to one and group sessions with Vital's enterprise team.

Venables Street

The Economic Development Unit is working with Housing to bring forward 17-20 'container' enterprise units above proposed new storage space for Church Street market traders. The opportunity for potential operators to manage these spaces has been

circulated widely and expressions of interest will be considered at the end of January 2014. The units, subject to planning permission, would be similar to the successful 'Trinity Buoy Wharf' enterprise container unit scheme in east London. Incentives would encourage local people to take up these new affordable workspace opportunities.

Maida Hill Place

Maida Hill Place support aspiring food entrepreneurs from all backgrounds to start and establish their food businesses. They provide commercial kitchen space, pop-up restaurant space, café space. They will be providing training, workshops, mentoring and supply chain opportunities support (the 'IncubEAT' programme) for early stage food businesses as part of the Places of Work programme.

Throughout 2014, Maida Hill Place strengthened their staff team and have supported over 60 food entrepreneurs, exceeding business support targets of 33 per annum. However, Maida Hill Place requires better capitalisation and officers are supporting Maida Hill Place to develop proposals for match funding. In January 2015, Maida Hill Place is delivering a month of themed food business events on the topic of vegetarian food in partnership with Kei's Kitchen, Raw Happy and Funky Gourmet.

Soho Create

Preparations for the second festival are going well and Sir John Hegarty has joined as the new Chairman of Soho Create. Tom Harvey, Chief Executive of Soho Create, has been working very well with the EDU and Policy and Communications around the 'Soho Gentrification' debate.

Lisson Grove Enterprise Space / TechShop

PQQs are being evaluated and the full tender brief is being worked up for the construction of the Lisson Arches development which will be issued within the next 2 months. On-site date is expected to be November 2015 with a 2 year build programme projected, subject to successful diversion of services infrastructure in April and June.

As a result of the delays to the construction of the Lisson Arches development, the EDU is now beginning to work with TechShop to try and identify a pop-up space opportunity that would enable TechShop to get established and progress key sponsor conversations in relation to the long term ambition to take on the enterprise space at Lisson Grove. The EDU has had an initial meeting with University of Westminster about potential spaces, and will look at options within their portfolio and elsewhere in Q4 2014/15.

Other Civic Enterprise Fund project updates

HELP Enterprise

HELP Enterprise is a 3-year pilot project assisting 100 residents in temporary accommodation to become self-employed. The primary methods of support include training, intensive coaching, volunteer business mentoring, equity finance and housing with fixed tenure for some of the participants. HELP Enterprise is led by Vital Regeneration and is co-funded between Westminster City Council, BNP Paribas and Dolphin Square Foundation.

The project started in January 2014 and in its first 9 months has assisted 76 residents in temporary accommodation, resulting thus far with 7 starting a business (a good portion of which are long-term unemployed). 31 volunteer businesses mentors are active (mainly from BNP Paribas). The project's next step is for the Council to support Vital Regeneration take on a 3,600 sq ft temporary enterprise space (see 'Venture #382' update above) for some of the participants to run their business from, and to form a

subsidiary trading company that can make small commercial investments in the participant's businesses, with the support of BNP Paribas.

Below is a template example of the type of case studies that will be seen:

Case Study – HELP Enterprise



Person: Nofel Tahir
Company: Market stall trader

Before - Nofel Tahir, his wife and three children are in temporary accommodation and are at risk of homelessness.

Support - HELP Enterprise have met with Nofel Tahir, providing coaching, mentoring and training services.

Result - Nofel Tahir has developed a business plan, gained a food Hygiene Certificate and has an understanding of the regulations relating to his business.

Going Forward - HELP Enterprise will support Nofel Tahir to complete his business planning, award him a small test trading grant then support him to build his business. If things go well, he'll have the opportunity to gain equity finance from HELP Enterprise, to enable his business to grow to a level in which he can earn a decent wage and move out of temporary accommodation.

Broadband

I have commissioned a review of the poor provision of superfast broadband services for small firms and residents in the city. This is being considered at the Environment Policy & Scrutiny Committee on 19th January. The Economic Development Unit is working with business groups and providers to find solutions to this problem.

Ready Westminster

OneEBP and Ready Unlimited are working together to fulfil the Better City Better Lives commitment to integrate enterprise into the curriculum at Westminster's primary schools. Initial feedback on the concept from schools has been very positive. They will apply a successful methodology developed by Ready Unlimited in multiple areas across the UK.

Business Information Points

Business Information Points continue to provide business support services for over 10,000 people each year. Led by Westminster Libraries, their primary methods of support include the provision of high quality business information (trade journals, books and business databases), business events and research services. In the most recently reported quarter (Q2 2014-15), they exceeded their targets, having 2,837 in-library participations, 9,210 online business database usages and 11 business events which had 258 attendances. The current delivery agreement finishes in March 2015. The EDU has met with the Business Information Points team to identify and prioritise ways in which BIPs could be improved from April 2015 onwards. The next stage is to work with the operational team to design and support a 2015-17 programme.

Neighbourhood Enterprise

The Neighbourhood Enterprise project at Westminster Enterprise Centre led by Paddington Development Trust has just completed a targeted project we funded that has supported 39 people move from unemployment into self-employment. Their primary support services include training and mentoring. This has been at a cost of approximately £1.5K per job, which compares favourably with other employment support projects. The next stage is to hold a strategy workshop session with the team in January 2015 to explore their plans and how the Council might be able to support their specialist area of work going forward.

Youth Enterprise

The Cut Magazine youth enterprise project helps young people from disadvantaged backgrounds gain valuable work experience in an entrepreneurial environment and support to gain jobs and further training. It is a highly regarded initiative delivered from Stowe Centre that is no longer in receipt of core funding from the Council, but we plan provide a small grant to the project in order to support the team develop new income streams that will help the secure the project's ongoing financial sustainability.

Great Western Studios

Great Western Studios repaid their loan from the Civic Enterprise Fund in full, having recently found new private sector financial backers who will be supporting the expansion of GWS to provide another floor of studio spaces.

Hub Westminster

An independent evaluation of Hub Westminster completed by Adroit Economics has identified a very strong economic return on investment. Since October 2011, Hub Westminster members have created 224 jobs (net attributable to support they have received at the Hub), at a cost to the state of £1.6K per job (comparing with typical past RDA performance of £10K-£20K per job, generating £5M net additional GVA, and is forecast to generate 1,339 new jobs over the next 10 years.

Church Street Enterprise Programme Design

As part of the wider Church Street Renewal Programme, officers are in the process of designing an enterprise programme to inspire, engage and support local residents engage in entrepreneurship. So far we've tested and refined some of the initial most promising features of the programme through four events, as follows:

- "Food Enterprise Fair" event on 24 October 2014 attended by many people, of which 64 were surveyed. This event included 8 Westminster based food entrepreneurs having food stalls and 9 speakers (who are engaged in the London food start up sector). This identified the most significant barriers to successful food focused self-employment to be lack of access to advisers, kitchen space and finance. Emerging findings indicated the desire for a weekly hot food market on the Church Street triangle space, having featured stalls at the market for early stage entrepreneurs to sell and the value of a signposting service for other relevant business support organisations and suppliers.
- "Hands-On Maker Faire" event on 1 November 2014 was very popular with local residents and attended by a wide range of age groups, with 57 attendees surveyed. This identified that 88% of participants would be interested in making use of a maker space if there was one available in North Westminster, which highlighted the local appetite for a local maker space as well as the opportunity for make focused meet-up groups.
- "Youth Enterprise Weekend" event from 14-16 November 2014 attended by 35 north Westminster young people aged 16-24 years, who pitched their business ideas, formed

groups around successful ideas, developed the ideas in cohorts with experts then pitched the refined business idea to industry experts. It was held in collaboration with Google 4 Entrepreneurs and Startup Weekend. One of the winning teams was given complementary membership at Hub Westminster for 2 months.

- “Be Your Own Boss” event on 3 December 2014 attended by 25 residents who met with industry experts, brainstormed marketing strategies and networked amongst themselves. Emerging findings indicated the importance of strengthening interagency communications, trailing a co-working space in Church Street and exploring adjunct self-employment modules and/or improvements to existing / emerging enterprise programmes.



Housing, Finance and Customer Services Policy and Scrutiny Committee

Date:	26 January 2015
Classification:	General Release
Title:	Corporate Property Asset Register
Report of:	Guy Slocombe (Head of Investment, Corporate Property)
Cabinet Member Portfolio	Finance, Corporate and Customer Services
Wards Involved:	All
Policy Context:	Corporate Property
Report Author and Contact Details:	Guy Slocombe x5465 gslocombe@westminster.gov.uk

1. Executive Summary

This report gives a summary of development of the Corporate Property Asset Register and, by way of appended guidance, adherence to the Local Government Data Transparency Code 2014

2. Key Matters for the Committee's Consideration

- Is Corporate Property fulfilling its requirement from the Committee to produce a Property Asset Register?
- How will the Register demonstrate financial and social returns generated by the Council's commercial property assets?
- Will the Register identify how each property is occupied and for what purpose – investment/service provision?
- Will this enable the Council to adhere to central Government's Local Government Data Transparency Code 2014?

3. Background

The 2013 /14 Committee wanted to include an item in this year's work programme 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.

This report and questions, under part 2 above, for the Committee's consideration aim to inform the Committee of progress made in delivering the new database and the data that the system will include. In addition and supplemental to the primary purpose of this report, we cover the subsequent introduction of the Local Government Data Transparency Code 2014 and the information the Council is compelled to make available and which will be managed by the database.

The database is not yet fully live. Accordingly this report will provide the Committee with an introduction to the database and an update of the progress being made in its delivery.

More broadly, our asset management objective is to deliver more effective active management of the portfolio. The Council is blessed with a substantial portfolio capable of generating income growth to contribute positively to the Council's financial position. Revenue gains from assets held within the HRA will support the Council's housing policies and from the General Fund will support delivery of the Council's wider services.

In the course of the last year, Corporate Property has recovered £5m of aged debt, grown property income by £900k and has identified c. £500m of development projects which will deliver a combination of improved Council services, new housing and further revenue to support the Council's budget.

We are focussed on strategies which will provide best returns from the Council's investment holdings and also contribute to more vibrant high streets, offering better choices for communities and also supporting new and independent business enterprises.

Managed Services Programme –

Tri-Borough Asset Management and Property Programme

Implementation of TechForge as a common data standards and systems for the management of property asset data

In order to manage data pertinent to the Council's Property Portfolio, the Council has joined RBKC and LBHF to create a centralised property asset data management system that will be a singular Tri-Borough property register with aligned standards and processes.

The preservation of a singular Tri-Borough property asset register will facilitate accurate, consistent and immediately accessible property data for

- a) Tri-Borough Finance capital asset registers,

- b) Tri-Borough facilities management systems, and
- c) Property portfolio oversight and management by the Tri-Borough Asset Management Property Board (TBAMB).

The initial scope of the system will include the investment and operational portfolios. though Tri-Borough may also decide to include other services areas, such as Social Housing and Schools in time.

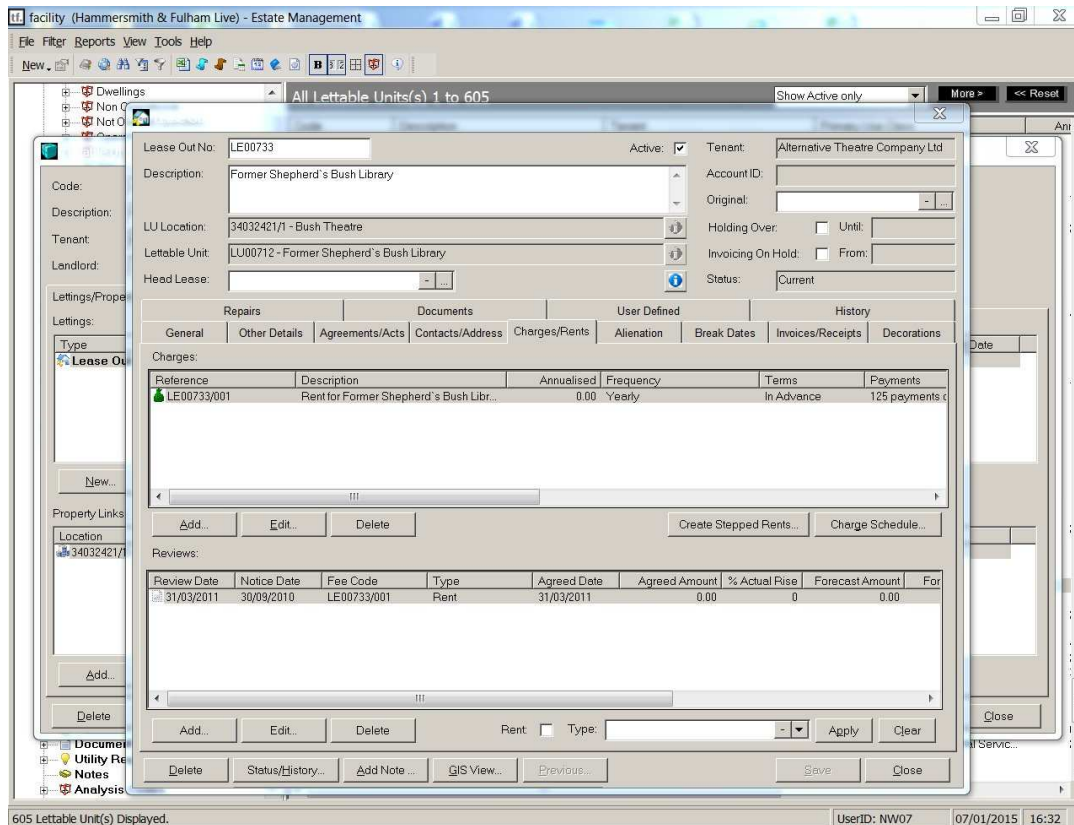
Though a Tri-Borough initiative, a key consideration is the ability to maintain necessary sovereignty for data and information for each of the Councils.

Key organisational benefits:

- A central repository of necessary information to enable professional decision-making.
- Support the strategic management of the Tri-Borough portfolios to ensure that best value is achieved.
- Consistency in standards and processes in compliance with CIPFA requirements for the management of property assets.
- Standardisation in the data and information used to manage and to report on Tri-Borough Property Assets.
- Supply core property data to systems used for Tri-Borough Facilities Management and Finance services.

Primary Activities:

- Estate Management Portfolio Management
- Document Management
- Void Management
- Lease Management
- Investment & Corporate /Operational Asset Register Management
- Reporting and Data/ Info. Repository
- Acquisitions and Disposals
- Valuations



Introduction

WCC had previously agreed three phases for the implementation of the Property Asset Data Management (PADM) system with an initial system installation, a database go-live and a 'front-facing' website go-live.

However, there are a number of issues, risks and dependencies, which means that some of the data required will not be ready for migration to the new system by the required date.

It is therefore proposed to have five phases for implementation which will be as follows:

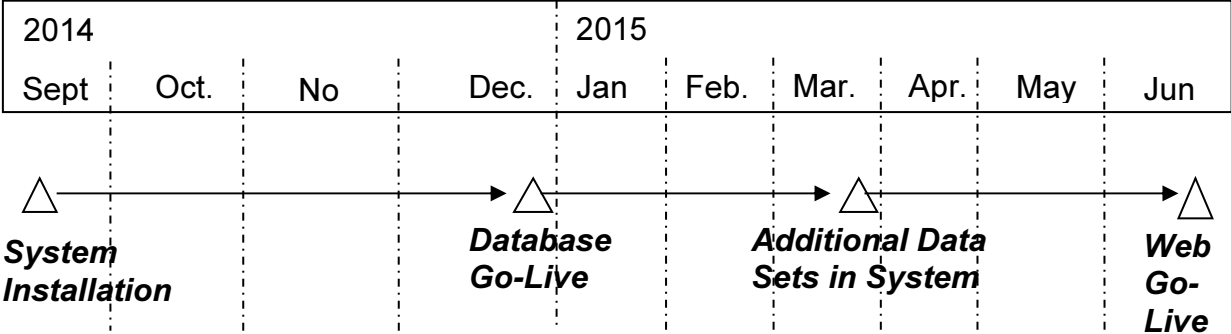
- 1) An initial system installation.
- 2) A database go-live.
- 3) Additional property information and data.
- 4) A 'front-facing' website go-live.
- 5) Site visits and historical document searches.

WCC have completed the first and second phases, phase 2 being completed in December 2014.

The scope of the property system has been limited to the operational and investment portfolios initially.

This system will interface with Lot 1 (Finance and HR services) of the shared Managed Services Programme (MSP).

Project Timeline and Activity (add timeline)



The first phase (system Installation) was completed on the 1 September 2014. Prior to system installation a significant volume of work was required to cleanse and collate WCC property data, and to ensure that it was aligned with the Tri-Borough data standards.

This has been followed by a period of data collation and cleansing, testing and training prior to the initial go-live of the system in December 2014. This will ensure that WCC’s instance of the TechForge system will be prepared for the financial year-end on the 31 March 2015 and is reconciled with finance fixed asset systems. This will be followed by further data and document collation, cleansing and alignment for additional property data sets in January and March 2015.

Once this is complete the TF Web ‘front-facing’ solution will be developed between April and June 2015. This will require a period of refining reporting and business intelligence requirements and establishing the processes to support related functions across the Tri-Borough.

Once these phases are complete it will allow a more detailed project (the fifth phase) to start on the collation and reconciliation of property asset data and information to legal, historical and national records. This includes national land registry records, Land and Property Terrier records, microfiche documents etc...

This phased approach will allow WCC to achieve a complete view of property information, ensure effective reporting and manage the activity required to implement the system.

Reporting Phases (main questions)

The following sets out the main reports that the WCC PADM system will be able to provide at each phase of implementation. They are phrased as questions that the report will be able to help to answer.

Database Go-Live - December 2014

- What are the core sites, and assets or properties that WCC have a legal or financial interest in?
- Where are those assets located?

- What is the capital asset value of the core assets and properties?
- What is the Council's investment portfolio and rent roll?

Additional Data and Information - March 2015

- What are the running costs of the portfolio?
- Which Department is the lead for each site and property or asset?
- What is the Council's energy utility usage?
- What are the planning restrictions on the core list of sites and assets or properties?

Web 'Front-Face' Go-Live June 2015

- Online customised reports for groups of data customers (produced from live database).
- Detailed legal information about sites and assets or properties.
- What is the Council's energy usage for sites and assets or properties?

Progress to Date

The order forms and contract for the TechForge system were executed for WCC on the **29 May 2014**.

The system has been installed and setup for WCC since September 2014. The core list of property assets has been cleansed, aligned to the Tri-Borough data structures and migrated to the system for the main properties in which WCC has a legal or financial interest (operational and investment portfolios only). This excludes wayleaves and substations at present.

Core Property Records Update

1152 property records were initially identified

884 of these have been loaded into the TF system as 696 sites and 888 property assets.

216 still need to be loaded into the system, 213 of these are wayleaves, substations, advertising hoardings, open spaces or gardens. Three properties are yet to be reconciled with existing property schedules.

52 records have been identified as duplicates.

The addresses, naming conventions and allocation of Gazetteer UPRNs or local property sub-codes for properties have been allocated.

With the core property list in the system the framework for which all property data is then recorded against has been established.

Initial system training is underway for key system users with the supplier on the following areas:

Property Register

Overview and Navigation
System Administration
Core Property Register
Reporting
Plant and Estates
GIS (URL link)
CAD Sync

In addition, data sets for estates and lease management data and valuations have been cleansed, transposed to data migration templates and are about to be submitted to the supplier.

Estates and Lease Management Data

1028 records have been identified.

807 of these have been allocated their respective UPRN or TF code to identify them with the correct site and asset or property.

221 records have not been allocated a UPRN or TF Code; 202 of these are Wayleaves or substations and 19 are still to be allocated.

Work has also started on the development of ICT system interfaces, a Tri-Borough Virtual Data Team, revising the data standards, and mapping property reporting and business intelligence requirements.

4. Risks, Issues, and Dependencies

The implementation of the TechForge PADM system at WCC faces a number of risks, issues and dependencies.

WCC property data is not aligned across relevant ICT systems and there are issues with naming conventions for properties. This will require a large amount of resource time to cleanse and align property data 'one line at a time'.

The property standards and structure for property data agreed by the Tri-Borough are not fully in place for WCC. This area of work was expected to be completed by a previous supplier; however was not completed to the level that is required.

WCC have now recruited to the post of a Property Information Manager who will lead on this area of work. The above work has been started by existing property services staff and the Managed Services Lot 3 project team, within existing workloads.

The ICT system that is currently used by Amey (the Council's facilities management contractor) needs to be aligned with the Tri-Borough property data standards. A mapping, gap analysis and quality assurance exercise needs to be completed with Amey and the Link to identify any possible data transfer issues between ICT systems.

The property services department are currently undertaking a review of all way-leaves and sub-stations. The data relating to these is dependent on the completion of this review and is not expected to be completed until April 2015.

The MSP Lot 1 HR and Finance system (Agresso Business World Solutions) is planned to go-live on the 1 April 2015. The PADM MSP Lot 3 TF system will be dependent on this system for the provision of Finance information relating to property services (income, expenditure, rent collection and debt management etc...).

Property assets within the operational and investment property portfolios have a significant financial value. Any errors will result in misinformation and could potentially leave the property services department in a vulnerable position during a statutory audit.

5. Health and Wellbeing Implications

There are no health and wellbeing implications

6. Financial Implications

Through the fulfilment of a the property strategy which provides greater focus on the income generation and also efficient use of the Council's operational portfolio, Corporate Property can make a substantial contribution to the Councils financial position.

7. Risks and Mitigations

The report does not contain proposals or plans with associated risks beyond those identified that are pertinent to the programme.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Guy Slocombe x 5465
gslocombe@westminster.gov.uk

BACKGROUND PAPERS

Local Government Transparency Code 2014

Appendix 1

Local Government Transparency Code 2014

Please note as follows an extract from the Local Government Transparency Code 2014.

- **Part 2: Information which must be published annually**

Local authority land

- Local authorities must publish details of all land and building assets including:
 - all service and office properties occupied or controlled by user bodies, both freehold and leasehold
 - any properties occupied or run under Private Finance Initiative contracts
 - all other properties they own or use, for example, hostels, laboratories, investment properties and depots
 - garages unless rented as part of a housing tenancy agreement
 - surplus, sublet or vacant properties
 - undeveloped land
 - serviced or temporary offices where contractual or actual occupation exceeds three months, and
 - all future commitments, for example under an agreement for lease, from when the contractual commitment is made.
- However, information about the following land and building assets are to be excluded from publication:
 - social housing
 - rent free properties provided by traders (such as information booths in public places or ports)
 - operational railways and canals
 - operational public highways (but any adjoining land not subject to public rights should be included)
 - assets of national security, and
 - information deemed inappropriate for public access as a result of data protection and/or disclosure controls (eg. such as refuge houses).
- To avoid data protection issues it is recommended that the specific location details of social housing is not included in the published list.

- Local authorities should use the official postal address. Exceptionally, where this is not available, local authorities should use the address they hold for the asset.
- For each land or building asset, the following information must be published together in one place:
 - Unique Property Reference Number
 - Unique asset identity - the local reference identifier used by the local body, sometimes known as local name or building block. There should be one entry per asset or user/owner (eg. on one site there could be several buildings or in one building there could be several users floors/rooms etc – where this is the case, each of these will have a separate asset identity). This must include the original reference number from the data source plus authority code
 - name of the building/land or both
 - street number or numbers - any sets of 2 or more numbers should be separated with the '-' symbol (eg. 10-15 London Road)
 - street name – this is the postal road address²¹
 - post town
 - United Kingdom postcode
 - map reference – local authorities may use either Ordnance Survey or ISO 6709 systems to identify the location of an asset, but must make clear which is being used. Where an Ordnance Survey mapping system is used (the grid system) then assets will be identified using Eastings before Northings. Where geocoding in accordance with ISO 6709 is being used to identify the centre point of the asset location then that reference must indicate its ISO coordinates
 - whether the local authority owns the freehold or a lease for the asset and for whichever category applies, the local authority must list all the characteristics that apply from the options given below:
- *for freehold assets:*
 - occupied by the local authority
 - ground leasehold
 - leasehold
 - licence
 - vacant (for vacant properties, local authorities should not publish the full address details and should only publish the first part of the postcode²²).
- *for leasehold assets:*
 - occupied by the local authority

- ground leasehold
- sub leasehold
- licence.
- *for other assets:*
 - free text description eg. rights of way, access etc.

whether or not the asset is land only (i.e. without permanent buildings) or it is land with a permanent building.

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City of Westminster

Committee Report

Decision Maker:	Housing, Finance and Customer Services Policy & Scrutiny Committee
Date:	Monday 26 January 2015
Classification:	For General Release
Title:	Treasury Management Strategy for 2015/16, including Prudential Indicators and Statutory Borrowing Determinations
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently
Financial Summary:	<p>The Annual Treasury Management Strategy sets out the Council's strategy for investing its cash balances, and borrowing within appropriate risk parameters. The Council's investment priorities are to ensure the security of capital, the liquidity of its investments and an optimum return on its investments commensurate with proper levels of security and liquidity, while financing the Council's capital programme and ensuring that cash flow is properly planned. The strategy also sets out the Council's guidelines for ensuring the Council's capital investment plans are prudent, affordable, and sustainable.</p>
Report of:	Steven Mair, City Treasurer Tel: 020 7641 2904 Email: smair@westminster.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 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.
- 1.2 These strategies and statements have been prepared in accordance with the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes.
- 1.3 The Council's investment strategy remains to invest cash balances with highly rated bodies and external funds. Continued diversification of investment instrument and counterparty as a way of mitigating risk (while generating some form of return) remains key. There is also uncertainty around the implications of the so-called bank bail-in regulations which are being introduced on a phased basis in some EU countries (including UK) to prevent a future bail out of a financial institution by the relevant Government. Such implications may include what this will mean for bank credit ratings, the perceived (and possibly actual) increase in bank risk for depositors, the timing of any introduction as well as increased market concerns within and between jurisdictions.
- 1.4 The Borrowing Strategy is to finance the Council's capital programme, minimise revenue costs and maintain an under borrowed position.
- 1.5 The Council's medium term plan includes revenue budget provision to meet the capital financing costs based on the Capital Programme and the recommended option for the Minimum Revenue Provision.

2. RECOMMENDATIONS

- 2.1 That the Committee notes the paper and that Officers are seeking views from the Committee on the contents of the paper prior to submission to Cabinet in February and Council before 31 March.
- 2.2 That the Committee notes that the recommendations to Cabinet and Council will be as follows:

That the Council approves:

- (i) The proposed Treasury Management Strategy, the Annual Investment Strategy and the Borrowing Strategy for 2015/16 (as set out in this paper);
- (ii) The Minimum Revenue Provision proposal for 2015/16, as set out in section 8 and appendix 3;
- (iii) The proposed Prudential Indicators, as set out in section 7; and
- (iv) The Treasury Management Policy Statement as set out in Appendix 1.

3. REASONS FOR DECISIONS

- 3.1 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.

4. BACKGROUND INFORMATION

- 4.1 The Treasury management service has two main functions, these are to:

- (i) Ensure that cash flow is adequately planned with cash being available when required and that surplus monies are invested in low risk counterparties or financial instruments commensurate with the Council's treasury management strategy; and
- (ii) Finance the Council's capital programme which requires longer term cash flow planning and borrowing assessments.

- 4.2 Both require robust financial management and rigorous cash flow modelling which feed into the Council's Medium Term Planning.

- 4.3 The Council's investment and borrowing policies are governed by the Local Government Act 2003 and the Secretary of State's Investment Code. These contain regulations backed up by various Codes of Practice. The Revised CIPFA Treasury Management Code of Practice 2009 and the Secretary of State's Investment Code, both require the s151 Officer to present an Annual Treasury Management Strategy ("TMS") which includes an Annual Investment Strategy, for the forthcoming year for approval by the full Council, before the beginning of each financial year. Further primary requirements of the Code are as follows:

- (i) creation and maintenance of Treasury Management practices which set out the manner in which the Council will achieve its policies and objectives
- (ii) receipt by the Council of a mid-year Treasury Review and an annual report in addition to the Treasury Management annual strategy
- (iii) delegation by the Council of the scrutiny of the strategy and policies, for Westminster this is the Housing and General Purposes Body and for implementing, monitoring and administering treasury management decisions, which for Westminster is the City Treasurer.

- 4.4 While this paper sets out the Investment Strategy to be followed for the Council's cash balances, the Council also undertakes significant investment in other areas (e.g. Property, supporting start-up businesses in the borough) through a portion of its cash balances that occur outside the Treasury investment function per se. This is following detailed business case appraisal and member approval.

- 4.5 The City Council has also implemented the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 requiring Full Council to approve an Annual Statement of Minimum Revenue Provision which is the amount set aside from revenue for the repayment of debt principal relating to the General Fund only. This is set out in further detail in section eight below.

4.6 The revised CIPFA Prudential Code for Capital Finance in Local Authorities sets out indicators that are to be used to support capital expenditure plans and treasury management decisions. The Prudential and Treasury Indicators have to be set by the full Council when the budget is set and are monitored during the year.

4.7 This report deals with the following Treasury Management issues:

- The Current Treasury Position
- The Annual Investment Strategy
- Capital and borrowing plans (including Treasury Limits, Prudential Indicators 2015/16 – 2017/18 and Related Matters)
- Minimum Revenue Provision
- Governance

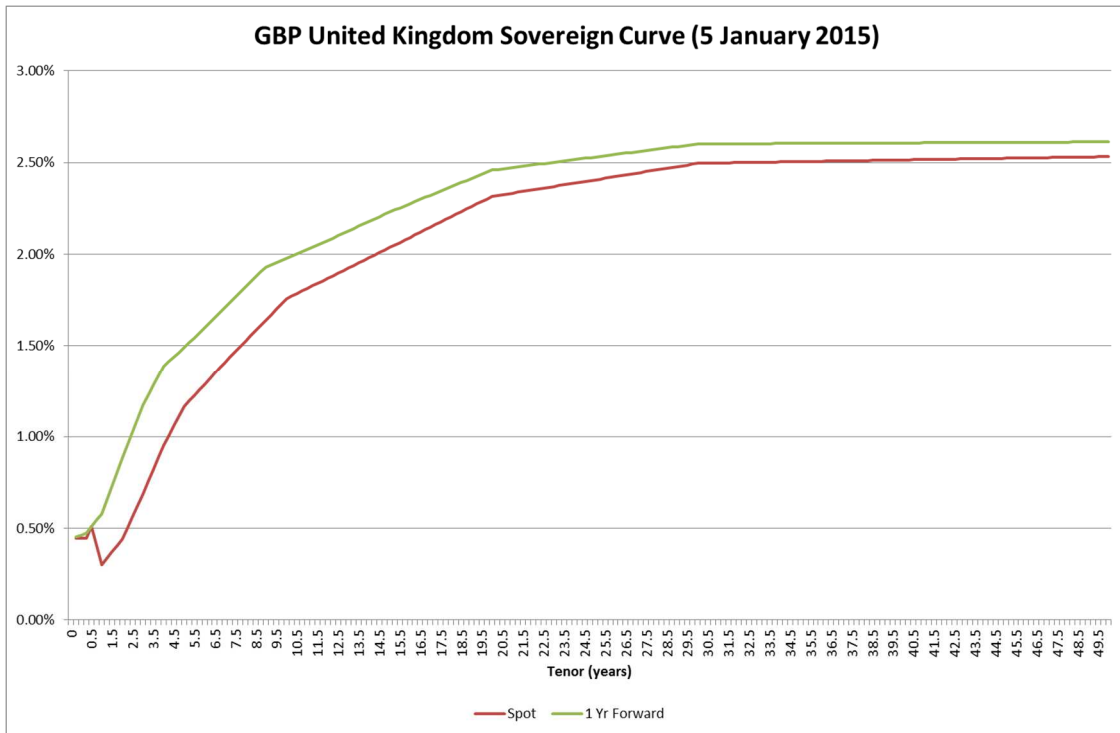
5. CURRENT TREASURY POSITION

5.1 Under the Council's Treasury Management Policy (produced in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services), the Council is required to have a Treasury Management Strategy (TMS) approved by the full Council on at least an annual basis. The TMS sets out the framework under which the Council manages its treasury investment activities.

5.2 Over recent years, the Council has benefited from strong cash balances, and the returns due to the then prevailing interest rates. However the financial crisis and subsequent economic changes have had a marked impact on the financial environment (including lower interest rates) within which the Council operates.

5.3 At the end of period 9, (31 December 2014), the Council had total cash investments totalling £524 million. These are used to fund day to day service operations, support capital funding requirements and payments for services accrued but unpaid. Cash levels will decline over the remainder of the year due to the timing of the business rate collection cycle (limited collection during January to March).

5.4 The projections for interest rates remain low in the short term, with Bank of England overnight rate remaining at 0.5% for up to 12 months. However, market rates remain very volatile and are affected by Quantitative Easing (continuing, unchanging or reducing) and perceived safe-haven status of the UK, keeping rates low against risk of macro-economic issues (particularly in Europe) and inflation risk pushing rates higher. The graph below shows the current UK Gilt Curve, together with the one-year forward Gilt curve (i.e. current market expectations for the Gilt rates in 12 months' time). The current expectation is that Gilt rates will be slightly higher (up to 0.50%) for all tenors in a year's time, compared with today.



Source: Bloomberg data

- 5.5 The Council's treasury portfolio position at 31 March 2014, with forward projections is summarised below. Table 1 below shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.
- 5.6 Table 1 shows the forecast position of gross borrowing as at 31/03/2015 at £328.3 million and an under borrowed position of £65.9 million. Council is asked to note the expected year end position.

Table 1 – Current & Forecast Treasury Portfolio

£m	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Gross Debt					
External Debt	319.3	306.4	328.3	396.1	461.22
Other Long Term Liabilities (OLTL)	23.05	21.66	19.94	17.79	15.12
Actual Gross Debt at 1 April	342.60	306.31	348.24	413.89	476.34
Expected changes in Debt	(34.60)	10.82	7.93	80.34	98.90
Expected Change in OLTL	(1.39)	(1.72)	(2.14)	(2.67)	(3.35)
Actual Gross Debt at 31 March	306.36	328.3	396.1	461.22	572.99
Capital Financing Requirement	383.39	394.21	402.13	482.47	581.38
(Under) / over borrowing	(77.03)	(78.80)	(48.10)	9.09	(9.49)

- 5.7 Table 1 above shows the Council will need to take out significant borrowings during 2015/16 to 2018/19 if the capital programme spends in accordance with the anticipated profile.

5.8 There are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. It is clear from the table above that the Council's gross borrowing position is well within these limits.

6. ANNUAL INVESTMENT STRATEGY

6.1 This section sets out the Council's annual investment strategy for 2015/16 and notes any proposed changes from the 2014/15 Treasury Management Strategy, the table below summarises the maximum amounts and tenors of investments that the Council can hold. The table also shows the maximum proposed limits that officers can work within

Table 2 – Maximum Amounts and Tenors of Investments

Institution Type	Minimum Credit Rating Required (S&P / Moodys / Fitch)	Maximum Individual Counterparty Investment limit (£m)	Maximum tenor of deposit / investment	Treasury Management Strategy 2014/15
DMO Deposits	UK Government Rating	Unlimited	6 months	No change
UK Government (Gilts / T-Bills / Repos)	UK Government Rating	Unlimited	Unlimited	No change
Supra-national Banks	AA+ / Aa1 / AA+	£200m	5 years	£100m / 3 years
European Agencies	AA+ / Aa1 / AA+	£200m	5 years	£100m / 3 years
Network Rail	UK Government Rating	Unlimited	Oct 2052	No change
TfL	AA-/Aa3/AA-	£100m	5 years	3 years
GLA	NA	£100m	5 years	3 years
UK Local Authorities	NA	£50m per Local Authority, £100m in aggregate	3 years	No change
GBP denominated Commercial Paper issued by UK and European ¹ corporates	A-1 / P-1 / F-1	£40m per name, £200m in aggregate	Six months	£20m per name / £100m in aggregate. Extended for 15/16 to cover European ¹ corporates
Money Market Funds MMF	AAA / Aaa / AAA be AAA by at least two of the main credit agencies	£70m per fund manager, £300m in aggregate	Three day notice	£50m per fund, £200m in aggregate
Enhanced Money Funds	AAA / Aaa / AAA by at least one of the main credit agencies	£25m per fund manager, £75m in aggregate	Up to seven day notice	£50m in aggregate
Covered Bonds	AA+ / Aa1 / AA+ of the bond issue; investment grade of underlying issuer	£100 million	5 years	NEW

¹ Subject to paragraph 6.15 below.

Institution Type	Minimum Credit Rating Required (S&P / Moodys / Fitch)	Maximum Individual Counterparty Investment limit (£m)	Maximum tenor of deposit / investment	Treasury Management Strategy 2014/15
UK Bank (deposit or Certificates of Deposit)	AA- / Aa3 / AA- and above (or UK Government ownership of greater than 25%), subject to minimum ST ratings	£75m	5 years	3 years; CD a new asset class
UK Bank (deposit or Certificates of Deposit)	A- / A3 / A- and above, subject to minimum ST ratings	£50m	3 years	Six months; CD a new asset class
Non-UK Bank (deposit or Certificates of Deposit)	AA- / Aa2 / AA- and above, subject to minimum ST ratings	£50m	5 years	One year; CD a new asset class
Non-UK Bank (deposit or Certificates of Deposit)	A / A2 / A and above, subject to minimum ST ratings	£35m	3 years	Six months; CD a new asset class

6.2 The remainder of this section covers the following in further detail:

Current investment types

Changes for the 2015/16 Treasury Management Strategy

- Commercial paper to cover European corporates
- Covered bonds
- Certificates of deposit

Proposed changes to investment limits and tenors

Non-specified investments

Country of domicile

External managers

Current Investment Types

6.3 As per the 2014/15 Treasury Management Strategy, it is proposed that for 2015/16 the Council can continue to invest in financial institutions, external funds and certain capital market instruments as set out below. All investments would be in Sterling. The investment types listed below are as per the current TMS:

- (i) investment with the Debt Management Office with no financial limit (UK Government guaranteed)
- (ii) investment in financial institutions of a minimum credit rating, with the parent company domiciled only in jurisdictions as per paragraphs 6.15-6.17 below;
- (iii) investment in UK Treasury Bills (T-Bills) and Gilts (conventional and indexed-linked) both fixed and floating rate;
- (iv) investments in UK Government repurchase agreements (“Repos” and “Reverse Repos”);
- (v) investments in UK local authorities;
- (vi) investment in close to maturity AAA-rated corporate bonds and commercial paper backed by UK Government guarantees (fixed and floating rate);

- (vii) investment in supra-national AAA-rated issuer bonds and commercial paper (fixed and floating rate);
- (viii) investment in AAA-rated Sterling Money Market Funds and longer term funds; and
- (ix) investment in commercial paper (“CP”) of UK domiciled entities with minimum short term credit rating of A1/P-1/F-1.

6.4 For 2015/16, it is proposed to remain with these investment criteria as above, as well as add some new investments set out in paragraph 6.5 below. In determining whether to place deposits with any institution or fund, investments will remain within the limits set out above, but the Director of Corporate Finance and Investment will take into account the following relevant matters when proposing how much to invest within the limit set out above:

- (i) the financial position and jurisdiction of the institution;
- (ii) the market pricing of credit default swaps² for the institution;
- (iii) any implicit or explicit Government support for the institution;
- (iv) Standard & Poor’s, Moody’s and Fitch’s short and long term credit ratings; and
- (v) core Tier 1 capital ratios³.

Changes for the 2015/16 Treasury Management Strategy

6.5 Officers are proposing various changes to the 2015/16 Treasury Strategy, in part to continue to reduce reliance on the Debt Management Office and to provide some flexibility for better investment returns, within the structure of a cautious investment outlook. Continued diversification of investment instrument and counterparty as a way of mitigating risk (while generating some form of return) remains key. There is also uncertainty around the implications of the so-called bank bail-in regulations which are being introduced on a phased basis in some EU countries (including UK) to prevent a future bail out of a financial institution by the relevant Government. Such implications may include what this will mean for bank credit ratings, the perceived (and possibly actual) increase in bank risk for depositors, the timing of any introduction as well as increased market concerns within and between jurisdictions.

6.6 As a result of the developments in the paragraph above, the proposals for 2015/16, while building on the Treasury Management Strategy for 2014/15, make a recommendation for the use of Commercial Paper (CP) for European corporates, Covered Bonds and Certificates of Deposit (CDs) as well as adjusting limits and tenors for existing investment classes. The tenors and minimum credit ratings for the various investment classes are set out in the table 2 above.

² Credit Default Swaps (CDS) are tradeable instruments where the buyer receives a pay-out from the seller if the party to whom the CDS refers (often a financial institution) has a “credit event” (e.g. default, bankruptcy, etc.). The price of the CDS gives an indication to the market’s view of likelihood – the higher the price the more likely the credit event.

³ The Tier 1 capital ratio is the ratio of a bank’s core equity capital to its total risk-weighted assets (RWA). Risk-weighted assets are the total of all assets held by the bank weighted by credit risk according to a formula determined by the Regulator (usually the country’s central bank). Most central banks follow the Basel Committee on Banking Supervision (BCBS) guidelines in setting formulae for asset risk weights. The Core Tier 1 ratios for the four UK banks that WCC uses are: Barclays: 10.2%, HSBC: 11.2%, Lloyds: 12.0% and RBS: 10.8%.

Commercial Paper issued by European corporates

- 6.7 While the Council has invested in CP from UK entities (mainly Network Rail and TfL), there are large globally recognised European companies that issue Sterling CP. The company would need to be domiciled in European countries as set out in paragraphs 6.15 – 6.17. Given the current investment return, low risk and further diversification (as well as a continued Sterling investment) such an investment fits within the Council’s approach to investment in recent years. As noted elsewhere in this paper, investment in commercial paper would require minimum short term credit rating of A1/P-1/F-1.

Covered Bonds

- 6.8 Covered bonds are debt instruments issued by a financial institution, but where security has been granted over a pool of underlying assets (e.g. a pool of mortgage loans or public-sector debt) to which investors have a preferential claim in the event of default. The covered bond issue would be rated by the rating agencies, and while the issuer would be allowed to “swap” some of the underlying collateral, it is up to an independent custodian / agent to validate that what is being taken out of the pool is of no worse status than that being switched in. The issuance of covered bonds enables financial institutions to obtain lower funding in order grant mortgage loans for housing and non-residential property as well as to finance public debt.

Certificates of deposit

- 6.9 Financial institutions as well as offering loans, also borrow through the issuance of Certificates of Deposit (CD). These are tradeable instruments where the issuer borrows at a set rate for an agreed length of time, before repaying the principal at maturity. CDs tend to have shorter length tenors than bonds, and enable an investor to manage more actively any credit / counterparty exposure, rather than waiting for a fixed term deposit to mature.

Proposed changes to investment limits and tenors

- 6.10 Given investments to date, the shape of the current yield curve, the likely low level of interest rates for the immediate future and the opportunities for investment, it is proposed that limits and tenors of investment are extended for many investment types – both in tenor and / or investment limit.
- 6.11 Such changes would allow the Council to invest in longer maturities and take advantage in any yield pick-up as well as reducing reliance on the banking institutions – at the moment, there is uncertainty on the timing and impact of any introduction of bail-in regulations. It would be prudent for the Council to be able to remove direct reliance on such an asset class without impacting return too severely.
- 6.12 The graph in paragraph 5.4 above shows a steep current and one-year forward yield curve, and that higher returns for tenors up to five years (for a core level of cash) would provide greater returns rather than a shorter investment. Given the predicted rise in interest rates however, the Council while wanting to take advantage of higher rates for longer duration investments will also want to benefit from a rise in rates when they occur rather than locked in to then lower yielding investments.

Specified and Non-specified investments

- 6.13 Under section 15(1) of the Local Government Act 2003, restrictions are placed on Local Authorities around the use of specified and non-specified investments. A specified investment is defined as an investment which satisfies all of the conditions below:
- (i) The investment and any associated cash flows are denominated in sterling;
 - (ii) The investment has a maximum maturity of one year
 - (iii) The investment is not defined as capital expenditure; and
 - (iv) The investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.
- 6.14 A non-specified investment is any investment that does not meet all the conditions above. The only likely non-specified investment that the Council may make is for any investment greater than one year as set out in the table above. For such an investment, a proposal will be made by the Director of Corporate Finance and Investments, to the s151 Officer after taking into account cash flow requirements, the outlook for short to medium term interest rates and the proposed investment counterparty.

Country of Domicile

- 6.15 The current TMS allows deposits / investments with financial entities domiciled in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, UK and USA. This list will remain for 2015/16.
- 6.16 For Commercial Paper and bonds issued by supra-nationals and European agencies, the entities must be domiciled in countries listed above.
- 6.17 For Commercial Paper for UK and European corporates, the entities must be domiciled in the EU countries named in paragraph 6.15 above.

External managers

- 6.18 Apart from the various money market and enhanced money funds, where invested amounts are managed directly by officers, approximately £10 million was placed on longer-term (greater than one year) deposits through Tradition (an advisor / broker used at the time), an intermediary between the banks and potential depositors.
- 6.19 All other investments are now managed directly by the treasury team on behalf of the City Treasurer who may make use of market intermediaries such as brokers or other advisors as necessary.

7. CAPITAL AND BORROWING PLANS (including Treasury Limits, Prudential Indicators 2015/16 – 2017/18 and Related Matters)

Capital Plans

- 7.1 The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist Members overview and confirm capital expenditure plans. These indicators as per the Capital Programme include previous

years' actual expenditure, forecast expenditure for this current year and estimates for the next three year period.

- 7.2 Linked to the above the Council is continuously reviewing the capital programme and its financing in accordance with new and emerging priorities and the current severe financial climate. Both to ensure that it maintains prudent financing of the programme combined with delivering a programme which is priority driven and which meets the needs of the City

Capital Expenditure Estimates

- 7.3 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Council is asked to approve the capital expenditure forecasts which align to the capital strategy for 2015/16 onwards as set out in the table below:

Table 3 – Capital Expenditure Estimates

£m	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
HRA	30.02	68.00	93.39	83.29	60.30
General Fund	74.83	127.91	184.23	114.64	103.94
Total	104.85	195.90	277.62	197.76	164.24

- 7.4 Table 4 below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing). The borrowing need for 2015/16 is £98.7m. This will however change if there is a change to the spending profile of the capital programme.

Table 4 – Funding of the Capital Programme

£m	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Capita Receipts	3.79	10.51	39.77	50.61	33.64
Capital Grants	51.83	66.88	87.84	20.82	1.72
Revenue	26.58	54.10	51.32	26.48	26.66
Total	82.20	131.49	178.93	97.91	62.02
Net Financing Need for the Year	22.65	64.73	98.69	99.84	102.22

The Council's Borrowing Need (the Capital Financing Requirement)

- 7.5 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 7.6 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.
- 7.7 The CFR includes any other long term liabilities (e.g. Private Finance Initiative (PFI) schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to borrow separately for these schemes. The Council currently has £19.93m of such schemes within the CFR, decreasing to £17.79m in 2015/16. The Council is requested to approve the CFR projections.

Table 5 – Capital Financing Requirement (CFR)

£m	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
HRA	276.12	275.87	278.17	284.37	284.38
General Fund	107.27	118.34	123.96	198.10	297.00
Total	383.39	394.21	402.13	482.47	581.38
Movement in CFR represented by					
Net movement in financing need for the year	12.88	10.82	7.93	80.34	98.90
Additions (net)	22.65	64.73	98.69	99.84	102.22
Less MRP	(9.77)	(53.91)	(90.77)	(19.50)	(3.32)
Movement in CFR	12.88	10.82	7.93	80.34	98.90

Affordability Prudential Indicators

7.8 The previous sections cover the overall capital programme and control of borrowing prudential indicators, but within this framework, prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

7.9 The Council is asked to approve the following indicators:

a) Ratio of financing costs to net revenue stream: This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this report.

Table 6 – Ratio of net financing cost to net revenue stream

£m	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Revenue Stream					
HRA	103.16	113.37	118.10	121.44	125.99
General Fund	240.59	225.29	200.60	178.10	166.60
TOTAL	343.75	338.66	318.70	299.54	292.59
Financing Costs					
HRA	12.83	12.97	13.73	14.77	14.77
General Fund	6.29	7.24	7.99	8.37	13.37
TOTAL	19.12	20.21	21.72	23.14	28.14
Ratio (%)					
HRA	12.44	11.44	11.63	12.16	11.72
General Fund	2.62	3.22	4.49	4.7	8.03
Combined Ratio	5.57	5.97	6.82	7.73	9.62

b) Incremental impact of new capital investment decisions on council tax and housing rents: Table 7 shows the effect of the totality of the Council's capital plans currently being considered and shows the impact on Council Tax that would result, holding all other things constant. This indicator should reflect the revenue impact of capital schemes.

Table 7 – Incremental impact of new capital investment decisions on Council Tax

£	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
For Band D Council Tax	Base	7.83	13.95	10.94	48.88
For average weekly Housing Rents	Nil	-0.07	-0.04	-	0.02

7.10 The above calculation is based on Band D equivalent properties, using the approved tax base for 2015/16 of 121,891 properties.

Borrowing

7.11 The capital expenditure plans set out in the Council Tax Report provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Treasury Limits for 2015/16 to 2017/18

7.12 The "Prudential Code" as set out by CIPFA (Local Authority Capital Financing Regulations 2003 reg. (2)) requires the Council to determine its authorised limit and operational boundary for external debt for the next three years.

Operational Boundary

7.13 The proposed operational boundary for 2014/15 to 2016/17 is set out in Table 8 below. The boundary reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows, and the Capital Financing Requirement. This boundary will be used as a management tool for on-going monitoring of external debt, and may be breached temporarily due to unusual cash flow movements. Such an event would be reported to the Cabinet Member. However a sustained or regular trend above the operational boundary should trigger a review of both the operational boundary and the authorised limit.

Table 8 – Operational Boundary

£m	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	283.3	466	496	526	556
Long Term Liabilities	18.0	24	24	24	24
Total	301.3	490	520	550	580

Authorised Limit

7.14 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external

debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

7.15 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

7.16 Council is asked to approve the following authorised limit:

Table 9 – Authorised Limit

£k	2013/14 Actual	2014/15 Forecast	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Borrowing	283.3	486	516	546	576
Long Term Liabilities	18.0	24	24	24	24
Total	301.3	510	540	570	600

Public Sector Lending Agencies

7.17 The Public Works Loan Board (PWLB) lending rates are based on the UK Government borrowing rate, and have a margin of 1% over those rates. The graph in paragraph 5.4 shows the current Gilt rates and one-year forward rates. Thus PWLB rates are expected to gradually increase during the year. Rates on loans of less than ten years duration are expected to be substantially lower than longer term PWLB rates offering a range of options for new borrowing which will spread debt maturities away from a concentration in long dated debt. There is likely to be little difference between 25 year and 50 year rates thus loans in the 25-30 year periods could be seen as being more attractive than 50 year borrowing as the difference between the PWLB new borrowing and early repayment rates is considerably less.

7.18 Technically, the PWLB is responsible to its commissioners which are notionally considered to be arms-length from the Debt management Office and HM Treasury. However, the government has published legislative proposals to abolish the PWLB commissioners and transfer their functions to another body

7.19 Ministers have tabled an amendment to the Infrastructure Bill which would allow them to make an order under the Public Bodies Act 2011 to enact any change. HM Treasury have said that the reform was restricted to governance of the PWLB and would not affect the range of products available to councils.

7.20 The Local Government Association has also been instrumental in establishing a Municipal Bond Agency, of which the Council is a founding shareholder. The Agency plans lend to local authorities with funds raised in the capital markets and from other sources. The agency is in the early stages of being set up, and has not yet made any loans or borrowings.

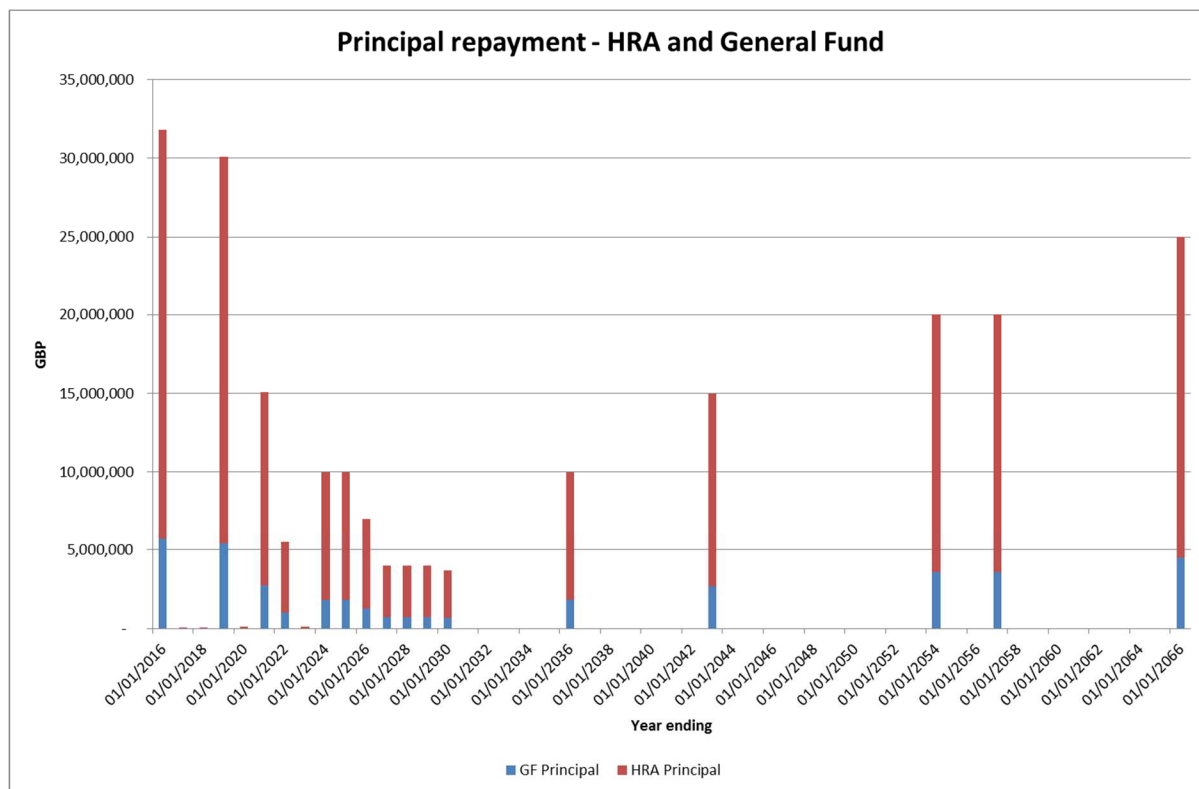
Borrowing Strategy

7.21 The factors that influence the 2015/16 strategy are:

- The increasing Capital Financing Requirement as per Table 4

- The interest rate forecasts
- Aiming to minimise revenue costs to minimise the impact on Council Tax.
- The impact of the Council's Investment Programme

- 7.22 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high, however as interest rates are low, consideration will be given to taking advantage of this by securing fixed rate funding and reduce the under borrowed position.
- 7.23 Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 treasury operations. The Treasury Management team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.
- 7.24 If it were considered that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- 7.25 If it were considered that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.
- 7.26 The gross borrowing requirement in Tables 4 and 5 above show, based on current estimates, that the Council will need to take out a significant amount of new borrowings from 2016/17, to support the capital programme. Any new borrowing taken out will be completed with regard to the limits, indicators and interest rate forecasts set out above.
- 7.27 The chart below shows the principal repayment profile for the Council's current borrowings. Based on current interest rates it is not anticipated that these loans will require refinancing.



- 7.28 The Council has £70 million of LOBO (Lender Option Borrower Option) debt, none of which has final maturity in the near future. Were the lender to exercise their option, Officers will consider accepting the new rate of interest or repaying (with no penalty). Repayment of the LOBO may then require re-financing at the prevailing market rates.
- 7.29 The General Fund has not incurred any new borrowing in the current financial year and has repaid five loans totalling £1.4 million. Given the prevailing low level of interest rates, Officers may consider voluntary early repayment of borrowing as a way of making more efficient use funds in the short term.
- 7.30 The General Fund may increase external borrowing by up to £150 million to assist in the financing of temporary accommodation provision. Any increase in external borrowing will be within the Council's Authorised Limit as set out in this paper.
- 7.31 Members will recall that, from 2017/18, Service Areas will be charged in full for the revenue consequences incurred from borrowing to fund their capital expenditure. This will ensure that the cost of spending decisions are taken into account when considering all programmes of work and will make sure the programme is fully financed on an on-going basis. Based on the current projections, it is estimated that the annual cost of borrowing will be £17.7m by 2020.

Treasury Management Prudential Indicators – Limits on Activity

- 7.32 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Table 10 – Limits on Interest rate exposures

	2014/15	2015/16	2016/17
Borrowing			
Fixed interest rate exposures	100%	100%	100%
Variable interest rate exposures	50%	50%	50%
Investments			
Fixed interest rate exposures	50%	50%	50%
Variable interest rate exposures	100%	100%	100%

- 7.33 Table 11 below sets out the proposed upper and lower limits on maturity structure of fixed rate debt, for 2015/16. The maturity structure guidance of LOBO's (Lender Option Borrower Option) changed in 2011. As per the Revised Prudential Code 2011, the call date is now deemed to be the maturity date. LOBO's are classed as fixed rate debt until the call date. Within the next 12 months 2015/16 up to 80% of LOBO debt will reach its call date, however it is not anticipated that these loans will be called by the institutions and require refinancing.

Table 11 – Upper and lower limits on maturity structure of fixed rate debt

(%)	Upper limit	Lower limit
Under 12 months	40	0
1-2 years	35	0
2-5 years	35	0
5-10 years	50	0
10 years and over	100	35

- 7.34 Table 12 below sets out the limits of funds that may be invested for more than one year. As at 31 December 2014, the Council had approximately £25 million as an investment for more than one year (in a UK Gilt). Given the proposed strategy, it is likely that the amount on deposit for more than one year will increase in 2015/16.

Table 12 – Limit on Investments for periods over 364 days

£ million	2013/14 (actual)	2014/15	2015/16	2016/17	2017/18
Total principal sums invested for more than 364 days	34.6	300	300	300	300

Policy on Borrowing in Advance of Need

- 7.35 The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 7.36 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

- 7.37 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 7.38 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
 - helping to fulfil the treasury strategy;
 - enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility).
- 7.39 Consideration will also be given to identifying if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt

8. MINIMUM REVENUE PROVISION

- 8.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (the Regulations) require the Council to approve a Minimum Revenue Provision (MRP) Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits.
- 8.2 It is proposed to continue with the MRP Policy as put in place last year where provision uses the Regulatory method for all borrowing prior to 1 April 2008 and the Asset Life method, for borrowing under the Prudential Code from 1st April 2008.
- 8.3 The Asset Life method is calculated using an annual charge, either in equal instalments over the life of the asset, or using an annuity method. A benefit of this alternative is the MRP becomes chargeable either in the year following capital expenditure or in the year the asset comes into service, making some complex capital expenditure schemes more affordable.

8.4 Under the Asset Life Method the Council must make an assessment of the life of the asset to which the capital expenditure financed by debt relates. The majority of the Council's capital expenditure relates to infrastructure and buildings assets. It is proposed that a life of 30 years is used for infrastructure assets, 40 years for buildings assets with potential to increase the term for specific assets if the underlying facts lead to a positive rationale. This assessment is based on information contained within the Transportation Asset Management Plan (for infrastructure assets) and a reasonably prudent estimate of the average life of building structures within our property portfolio

8.5 There is no statutory requirement to make MRP in respect of HRA borrowing.

8.6 The s151 Officer therefore recommends the adoption of the methods listed above for calculating Minimum Revenue Provision for 2015/16. The Minimum Revenue Provision Policy Statement 2015/16 is included in Appendix 3.

9. GOVERNANCE

9.1 The revised CIPFA Treasury Management Code requires the Council to outline a scheme of delegation thereby delegating the role of scrutiny of treasury management strategy and policy to a specific named body. In this way treasury management performance and policy setting will be subject to proper scrutiny. The Code also requires that members are provided with adequate skills and training to effectively discharge this function.

9.2 The role of the s151 officer has the authority pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000:

9.3 The s151 Officer may authorise officers to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the s151 Officer and must be taken in his name and he shall remain accountable for such decisions.

9.4 The s151 Officer has full delegated powers from the Council and is responsible for the following activities:

- (i) Investment management arrangements and strategy;
- (ii) Borrowing and debt strategy;
- (iii) Monitoring investment activity and performance;
- (iv) Overseeing administrative activities;
- (v) Ensuring compliance with relevant laws and regulations;
- (vi) Provision of guidance to officers and members in exercising delegated powers.

Monitoring and Reporting

9.5 The treasury management activities during the year will be included in monitoring reports to the Housing, Finance & Customer Services Policy and Scrutiny Committee.

9.6 The Council's Treasury Management Strategy will be approved annually by full Council and there will also be a mid-year report.

9.7 The aim of these reporting arrangements is to ensure that those with responsibility for treasury management appreciate fully the implications of treasury management policies and activities and those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. The Council will adopt the following reporting arrangements in accordance with the requirements of the revised Code:

Area of Responsibility	Council / Committee / Officer	Frequency
Treasury Management Strategy / MRP Policy	Full Council	Annually, at a meeting before the start of the financial year.
Scrutiny of Treasury Management Strategy	Housing, Finance & Customer Services Policy and Scrutiny Committee	Annually
Treasury Management Strategy – mid-year report	Housing, Finance & Customer Services Policy and Scrutiny Committee	Annually after first half of the financial year
Treasury Management Strategy / MRP Policy – updates/revisions at other times	1. Housing, Finance & Customer Services Policy and Scrutiny Committee; and then 2. Full Council	As and when required
Annual Treasury Outturn Report	1. Housing, Finance & Customer Services Policy and Scrutiny Committee; and then 2. Full Council	Annually, by 30 September following year-end
Treasury Management Practices	City Treasurer	Quarterly
Treasury Management Monitoring Reports	Cabinet Member for Finance and City Treasurer	Monthly

10. BACKGROUND AND FINANCIAL AND LEGAL IMPLICATIONS

10.1 The Local Government Act 2003 requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. These are contained within this report.

10.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. The Annual Investment Strategy must have regard to guidance issued by CLG and must be agreed by the full Council.

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

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11. BACKGROUND PAPERS

Treasury Management Strategy 2014/15 (Approved by Council March 2014)

1. Revised CIPFA Treasury Management Code of Practice 2009
2. Local Authorities (Capital Finance and Accounting) (England) Regulation 2008
3. Section 3 Local Government Act 2003
4. CLG Guidance on Local Government Investments – March 2004

APPENDIX 1

THE TREASURY MANAGEMENT POLICY STATEMENT

INTRODUCTION

The CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes issued as a revised version in 2009 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council.

The City of Westminster Council defines its treasury management activities as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

The Council regards the prime policy objective of its investment activities as to practice safety and liquidity and to avoid exposing public funds to unnecessary or unquantified risk. The Council views the pursuit of optimum performance from the investment of legitimate surplus funds as a secondary objective.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on risk implications for the organisation.

The Council also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, always in the context of effective risk management.

BACKGROUND

The Council revenues from its operations, capital receipts together with certain taxes and Government grants. Due to the timing of income and expenditure cashflows, the Council’s cash flows generate balances, which are available for investment. This policy sets out the parameters within which Officers will operate to manage these cash flows in accordance with the Local Government controls applicable from time to time.

SCOPE

This policy will be operated through the s151 Officer (delegated to the Director of Corporate Finance and Investment) and will be applied to all parts of Westminster Council. The Council and its subsidiary companies will have no authority to invest or borrow, or enter into credit arrangements, without the written consent of the s151 Officer, after taking advice from the Director of Corporate Finance and Investment.

RESPONSIBLE OFFICERS

The s151 officer is responsible for advising the Council on investments, borrowing, and capital financing and also for the establishment and operation of banking arrangements necessary for the Council’s business, as well as ensuring the execution of this policy is

consistent with legislation. On an operational basis this will be discharged through the Director of Corporate Finance and Investment.

APPENDIX 2

MINIMUM REVENUE PROVISION POLICY STATEMENT 2015/16

The Council implemented the revised Minimum Revenue Provision (MRP) guidance in 2008/09, and assess its MRP for 2008/09 onwards in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The major proportion of the MRP for 2012/13 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 (Regulatory Method) of the guidance.

The s151 Officer therefore determines to use option 1 for pre-2008 debt. The determination depends on the most appropriate method of making a prudent provision, after having had regard to the guidance.

Certain expenditure reflected within the debt liability at since 2008 will, under delegated powers, be subject to MRP under option 3 (Asset Life Method), which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method.

The estimated life of assets will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

The Council reserves the right to revisit its MRP policy during the year as per statutory instrument 414 (2008).