Public Document Pack

City of Westminster

Committee Agenda

Title:	**Housing, Finance and Corporate Services Policy and Scrutiny Committee**
Meeting Date:	**Monday 15th January, 2018**
Time:	**7.00 pm**
Venue:	**Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR**
Members:	**Councillors:**

Brian Connell (Chairman)	Adnan Mohammed
Paul Church	Jacqui Wilkinson
Nick Evans	Tim Roca
Peter Freeman	Guthrie McKie

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 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; Senior Committee and Governance Officer.

Tel: 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 Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

The Director of Law 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 **(Pages 1 - 10)**

To sign the minutes of the previous meeting as a correct record of proceedings.

4. WORK PROGRAMME **(Pages 11 - 24)**

5. UPDATE FROM CABINET MEMBERS **(Pages 25 - 46)**

An update from the Cabinet Members on key areas within their portfolios are attached.

The Cabinet Member for Housing will be in attendance to answer questions from the Committee.

6. UPDATE ON ROUGH SLEEPING **(Pages 47 - 54)**

Report of the Interim Executive Director, Growth, Planning and Housing

7. CALL IN OF: CHURCH STREET MASTER PLAN DECISION **(Pages 55 - 62)**

Report of the Interim Executive Director for Growth, Planning and Housing

8.	**DRAFT TREASURY MANAGEMENT STRATEGY 2018/19 to 2022/23** Report of The City Treasurer.	**(Pages 63 - 96)**

Stuart Love
Interim Chief Executive
5 January 2018

CITY OF WESTMINSTER

MINUTES

Housing, Finance and Corporate Services Policy and Scrutiny Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Corporate Services Policy and Scrutiny Committee** held on **Monday 6th November, 2017**, Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Brian Connell (Chairman), Peter Freeman, Murad Gassanly, Roca and Guthrie McKie

Also Present: Councillors Tim Mitchell (Cabinet Member for Finance, Property and Corporate Services)

Apologies for Absence: Councillor Paul Church, Councillor Nick Evans and Councillor Adnan Mohammed

1 MEMBERSHIP

1.1 It was noted that Councillor Murad Gassanly had replaced Councillor Jacqui Wilkinson.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest made.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 11 September 2017 be signed by the Chairman as a correct record of proceedings.

4 WORK PROGRAMME

4.1 The committee considered the draft list of suggested items for the next meeting. Barbara Brownlee, Interim Executive Director for Growth, Planning and Housing, advised that a progress report on the housing regeneration programme would be premature and would be better considered in early spring.

4.2 **RESOLVED:**

1. That the agenda items for the next meeting on the 15 January to include the draft Treasury management strategy and a further item to be determined by the chairman in consultation with officers.

2. That the responses to actions and recommendations as set out in the tracker be noted.

5 UPDATE FROM CABINET MEMBERS

5.1 The Committee received written updates from the Cabinet Member for Finance, Property and Corporate Services and the Cabinet Member for Housing on the key issues within their portfolios.

5.2 The Committee submitted questions to the Cabinet Member for Finance, Property and Corporate Services.

Discretionary Housing Payment (DHP) Funding

5.3 The Cabinet Member was asked whether the Council had lobbied the Department for Communities and Local Government (DCLG) on the impact of its decision to reduce the Council's DHP funding for 2017/18 by 47% compared to the previous year. Councillor Mitchell advised that the Council had written to the Minister of State stating that it did not agree with the settlement given the particular characteristics of Westminster's housing market but regrettably only received a standard response in return.

Financial Planning 2018/19 and beyond

5.4 Members asked for an explanation why the revenue budget proposals for 2018/19 and other financial reports were being put forward for the Council's consideration earlier this year than usual. The Cabinet Member advised that the four-year funding settlement that the Council has agreed with Government provides greater financial certainty until 2020. He stated that it is increasingly common for local authorities to consider revenue proposals separately from its spending plans. Many other local authorities are taking decisions in this way. He advised that the Council would trial this approach and review how well it worked.

Legal Services

5.5 The Cabinet Member was asked for details of the business case for the organisational changes to Shared Legal Services and what it will involve. Councillor Mitchell explained that the proposals which were agreed by Cabinet on 30 October and the Royal Borough of Kensington and Chelsea (RBKC) on the 19th October would see the Shared Legal Service merge with LGSS Law Ltd, creating a firm owned by five local authorities. One of the key objectives of the proposals for an alternative business model is to deliver significant financial benefits to the owner councils and this would be achieved through reduced internal legal costs through economies of scale, reduced external legal spend through significantly more work being done in-house and increased income through attracting new external clients by trading surplus capacity.

Managed Services

5.6 Members asked for details of the timeframe for the replacement of the BT Managed Services. Councillor Mitchell explained that a detailed business case will be submitted to the cabinets of both RBKC and the City Council for consideration in late November and early December respectively, to seek agreement to progress with public to public partnership. He advised that it is in the Council's interest to accelerate its exit from the BT contract by the 1 October 2018. The proposal is to join a partnership of two county councils. They do not levy business rates or Council tax so the Council will need to put in place arrangements for those areas not provided by the partnership. In future years if and when additional unitary partners join the partnership they could vote to add these additional services to the system.

5.7 In the absence of the Cabinet Member for Housing, Barbara Brownlee, Interim Executive Director Housing, responded to questions.

Ebury Bridge Regeneration

5.8 Barbara Brownlee was asked whether the Communities Futures Group (CFG) had been established and started to hold meetings. She advised that it had and that an initial meeting had taken place and that a further one was due to be held during the week. She advised that the Council was committed to working wholeheartedly with the CFG on proposals both pre-and post-planning stages. In response to a supplementary question she advised that relevant Ward councillors had been consulted on the CFG and would be updated every six weeks on CFG meetings.

Rough Sleeping

5.9 Members noted that there had been a continued reduction in rough sleeping figures across Westminster and asked about the causes for this. Barbara Brownlee explained rough sleeping numbers are seasonal, reducing in autumn and winter compared to summer. She advised that the Council had a target to keep this figure under 200 at any time.

5.10 **ACTIONS:**

Finance, Property and Corporate Services

1. Advise the committee about the amount of money that has been allocated from the Council's General Reserves to fund DHP payments in the last two years and how much of this money has been used. (**Action for: Martin Hinckley, Head of Revenue and Benefits**)

2. Provide a briefing note on the Council's approach (and that of third party providers) to writing off debt and working across teams to ensure vulnerable residents who owe money to the Council are dealt with sensitively. (**Action for: Steve Mair, City Treasurer**)

3. Provide more information on the contingency plan for the ASC work stream of the digital plan. (**Ben Goward, Interim Head of ICT**)

4. Provide Councillor McKie with a copy of the report previously considered by the committee on the Council's property investment portfolio. He was particularly interested in how commercial rents are set and that the Council has a fair policy for small businesses. (**Action for: Aaron Hardy, Scrutiny Manager**)

5. Add the findings of the 2017/18 staff survey as a potential agenda item on the committee's work programme. (**Action for: Aaron Hardy, Scrutiny Manager**)

Housing

1. With reference to the gas and fire safety update, provide more detail on why Southwark Council disconnected the gas supply to some of their large panel system buildings in August. (**Action for: Tom McGregor, Director of Housing and Regeneration**)

2. Add a review on rough sleeping as a potential agenda item on the committee's work programme. Councillor Roca requested that his concerns at the £2 million reduction in funding for rough sleeping and the loss of 100 bed spaces is relayed to the Cabinet Member for Housing (**Action for: Aaron Hardy, Scrutiny Manager**)

3. Councillor Roca asked that his view that residents should be given a vote on the Ebury Bridge regeneration proposals be forwarded to the Cabinet Member for Housing for consideration (**Action for: Aaron Hardy, Scrutiny Manager**)

6 WESTCO

6.1 The Committee received a report on Westco Trading Ltd, a trading arm of Westminster City Council providing communications, research and strategy services to external clients predominantly within local government.

6.2 The agency was set up in 2007 as a way to trade the best local government communications practices with other Local Authorities (and to a lesser extent, central government and the third sector) and by doing so, provide WCC employees with professional development opportunities and develop new innovation for use within WCC.

6.3 Westco is a limited company selling services to external clients as a commercial venture, generating a financial contribution to the Council in the form of an annual payment back to Westminster at the end of every financial year. Westco has traded successfully since its inception, providing services to over 75 clients.

6.4 There is a growing trend in Local Government as budget pressures grow to progress with establishing trading companies with alternative service delivery models and property being the two key areas of commercial focus within the sector.

6.5 Councillor Tony Devenish, Westco Chairman, provided a presentation on the company's work, turnover and clients and its aspirations over the next two years.

6.6 Councillor Connell informed the committee that Francis Ingham, Director General of the Public Relations and Comms Association (PRCA) and CEO of International Communications Consultancy Organisation ICCO, had been due to attend the meeting as an expert witness but had to send his apologies due to illness.

6.7 Julian Ellerby (Director of Policy & Communications at London Borough of Lambeth and formerly Director of Policy and Communications at Lambeth Council who was involved in the setting up of Lamco) had provided key lines of enquiry the Committee may wish to consider.

6.8 The committee asked about Westco's legal status and whether it had a separate identity from the City Council. Councillor Devenish explained that Westco is wholly owned by the Local Authority. In addition to providing those benefits highlighted in paragraph 6.2 above it can also the Council with highly skilled staff working on client accounts as required. It is non-political in its operations and has provided services to local authorities across the political spectrum.

6.9 Members asked why some of Westco's employees are employed by the City Council and others by Westco on different terms and conditions. Councillor Devenish explained that the majority of staff are employed directly by Westco on more flexible contracts from WCC employees in order to provide flexibility to reflect market requirements. With regards to pay and terms and conditions, he explained that employees that had transferred from other councils under TUPE conditions would remain on those same terms and conditions.

6.10 The Committee asked in the context of Westco's profitability whether it receives space or services from the City Council that it pays for and how these costs are accounted for within its budget. Councillor Devenish stated that the company continually keeps such issues under review. He advised that a consultancy would ordinarily look to achieve a 20-30% margin, whereas Westco aims to achieve a more reasonable figure of 12% although it does provide slightly more preferential rates to organisations that have links to the Council, such as CityWest Homes.

6.11 Councillor Devenish was asked whether having access to Council accommodation in City Hall is helpful to support its requirements. He stated that being located in central London and adjacent to Government departments rather than specifically in City Hall is essential.

6.12 Councillor Devenish was referred to the fact that some local authorities in England Wales have established trading companies with a focus on providing a social value that benefits residents. These include energy distribution, ethical commercial property portfolios and residential care homes. Some Councilors expressed a desire to see a trading body with this form of focus. Ian Farrow, Westco MD, advised that Westco does provide work with a social value. He explained that the company is recognised as a leader in communications and marketing across the local authority sector where it has helped to highlight important issues and run campaigns to recruit much needed carers.

6.13 The Committee was surprised to note that more than half of councils own a trading company, and at the rate it is increasing, full coverage by 2020 is a possibility. In light of this and reducing budgets Members asked whether Westco has a business plan to support its growth aspirations? Councillor Devenish stated that most local authorities that have a trading company are focused on development with some providing procurement expertise. He believed that Westminster was quite unique in its focus. Ian Farrow explained that Westco had launched the Westco Commission to identify the emerging needs for local authorities and how it can help them meet them. He explained that local authorities are focused on expanding economic growth within their areas. In order to grow their services they will need effective marketing and leadership skills, services and resources which Westco can provide.

6.14 **RESOLVED**:

1. The Committee was pleased and interested to hear about the demands for Westco's services and that it had delivered a range of benefits to the City Council including £1,257,389 (up to latest figures 2015-2016) in profit contributions. Members noted that the Westco Commission had worked to identify new service offers to grow the business. Whilst the committee believed from the evidence provided there was still more work required to meet the increased turnover aspirations it recognised that Westco has a reactive and flexible business model.

2. The committee noted with interest the wide range of public sector clients that Westco provided services to and that these included local authorities from across the political spectrum. Evidence of Westco's track record was evidenced by the fact that it retained 70% of its client base.

3. Members have asked for further information to support Westco's assertion that it has helped the City Council to retain talent by providing unique opportunities for professional development. The committee was also less clear about Westco's ability to provide capacity and resilience to the Council in times of need against the commitment to provide services to clients although it noted the assertion that the company has a very extensive network of contacts that it can call upon for expertise and resources.

6.15 **ACTIONS**: The Committee would like a briefing note on:

1. How costs are apportioned/recharged between Westco and the Council;

2. What the retained value of the company is;

3. Why Westco's liabilities have risen sharply; and

4. Evidence to back-up the claim that Westco has helped the Council to retain talent. (**Action for: Ian Farrow, Westco MD and Christos Pishias, Project Manager, Communications**)

7 UPDATE ON CHURCH STREET MASTERPLAN

7.1 The Committee received a report that provided an update on the public consultation on the draft Church Street masterplan which took place between the 7th September and 29th October and informed the Committee about the proposed next steps.

7.2 Barbara Brownlee, Interim Executive Director for Growth, Planning and Housing, introduced the report. She explained that the consultation asked stakeholders for views on the practical implementation of the Church Street Masterplan which is laid out around 4 themes (Health and Wellbeing Board; Homes; Markets and Enterprise and Making Connections).

7.3 Barbara Brownlee summarised the different ways that stakeholders had been engaged, which was set out in paragraph 3.5 and at Appendix B of the report: she also highlighted which elements had worked well and those that had not from which lessons would be learned for future consultations.

7.4 The Committee was provided with the headline consultation feedback. There was a positive response to increasing density, support for a 20 mph zone and more parks and open spaces and the reinstatement of public toilets. Whilst respondents were generally in favour of more affordable housing there were differing views on its location with many not wanting it to be next to where they are living. Leaseholders had enquired how the regeneration would affect them. Concerns had also been raised about the impact of living in the vicinity of on-going development.

7.5 Barbara Brownlee stated that the Council had made a number of pledges to residents. These included that other than in unforeseen circumstances residents would only have to move once; all residents will have a right to return; all existing numbers of social housing will be reinstated; at least 35% of new housing will be affordable and that over 50% of the total housing will be affordable.

7.6 The committee commended the wide range of consultation approaches that had been used and concluded that the consultation process had been well thought out and implemented. It noted some of the approaches that had not worked well and that would not be used in future.

7.7 The delivery of the Church Street Master Plan will run until 2032. Members asked about the merits of having such a long term strategy when government and possibly affordable housing policy will change over this time. Officers were also asked how the Council can meaningfully engage with stakeholders on such a lengthy timeline particularly with those who live in the parts of Church Street where regeneration is not programmed to take place for many years. Barbara Brownlee explained that the regeneration is about the long term stewardship and obligation by the Council for the area. It is not focused just on those presently living in the area but also about future generations. She advised that the principles and commitments previously referred to had been clearly outlined during a meeting with potential development partners.

7.8 Deirdra Armsby, Director of Place Shaping, addressed the committee. She explained that prior to joining the Council she had been Director of Planning and Regeneration at the London Borough of Newham. She provided a perspective on long term regeneration based on her direct experience. She explained that in 2001 Newham began a regeneration of Canning Town which would run over 30 years with very similar aims and principles to the regeneration of Church Street. Since then of a target to build 20,000 homes, 1300 homes had been built. She advised that following the economic downturn in 2008-09 the Council made the decision to defer s106 payments in recognition of the impact on the market. She advised that over the long term the Council will need to recognise and react to what is happening in the market. It should keep its commitments but adapt as required.

7.9 Members stated that some residents wanted to understand the financial elements around viability that would impact on the affordable housing provision. Barbara Brownlee explained that there is a subgroup of the Futures Steering Group (FSG) that is considering such issues and that if members are aware of any residents with a particular interest in participating in this they should let her know.

7.10 **ACTIONS**:

1. Provide the committee with a breakdown of the funding sources and amounts committed to the Church Street Masterplan.

2. Provide the committee with details of the financial business case around viability and the contribution towards affordable housing provision. (**Action for: Barbara Brownlee, Interim Executive Director for Growth, Planning and Housing**)

8 TREASURY PERFORMANCE HALF YEAR STATUTORY REVIEW

8.1 The Committee received a report that updated Members on the delivery of the 2017-2018 Treasury Management Strategy approved by Council on 1 March 2017.

8.2 Since the publication of the report the Bank of England had increased interest rates from 0.25% to 0.50%. The City Treasurer was asked whether the Council had formed a view on the City Council’s borrowing position on the basis that future interest rate rises are likely to occur over the next couple of years? Mr Mair advised that the Council's Capital Review Group would be meeting in the near future to consider a number of scenarios. The Council could for instance enter into a borrowing arrangement based on rates fixed in the near future but not draw down the money until a later date when it needs it.

8.3 The City Treasurer was also asked about the rationale behind the recommendation submitted to Cabinet to reduce the credit rating limit for investments in Supra-national banks and European agencies from AA+/Aa1/AA+ to AA/Aa/AA. He explained that this would provide the Council with opportunities to potentially invest liquid balances at improved returns with limited risks that will contribute to the Council's saving targets.

8.4 Members asked Mr Mair whether the Council's analysis of potential future income included adding a 2% precept towards Adult Social Care to next year's Council Tax demands? He advised that this was a working assumption at this stage but clearly would not be confirmed until March 2018. The finance team regularly analyses income assumptions as well as pressures. The finance team regularly analyses income assumptions as well as pressures had been considered.

8.5 **RESOLVED**: The Committee noted the Annual Treasury Strategy 2017-18 Mid-Year Review, including the cases of non-compliance and the action taken to rectify this; it also noted a number of recommendations to Cabinet (which were agreed on 30.10.2017) that related to changes to investment limits to facilitate changes set out in the Integrated Investment Framework to provide a better return for the City Council.

8.6 **ACTIONS**: Share with the committee a matrix of potential benefits of changes agreed to the investment limits (**Action for: Steve Mair, City Treasurer**)

The Meeting ended at 8.59 pm

CHAIRMAN: ______________________ **DATE** ___________________

This page is intentionally left blank

City of Westminster

Housing, Finance and Corporate Services Policy & Scrutiny Committee

Date:	15 January 2018
Classification:	General Release
Title:	**2017/18 Work Programme and Action Tracker**
Report of:	Director of Policy, Performance & Communications
Cabinet Member Portfolio	Cabinet Member for Housing Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	All
Report Author and Contact Details:	**Aaron Hardy x 2894** **ahardy1@westminster.gov.uk**

1. Executive Summary

1.1 This report presents the current work programme for approval based on discussion at the last meeting and with senior officers. It also presents an update on the action tracker.

2. Key Matters for the Committee's Consideration

2.1 The Committee is asked to:

- Review and approve the draft list of suggested items and prioritise where required
- Note the action tracker at Appendix 2

3. Current Work Programme

3.1 This work programme takes from work programme agreed at the Committee's last meeting and incorporates changes based on the modified agenda for this meeting. It is presented here for Committee to review and amend as appropriate.

If you have any queries about this Report or wish to inspect any of the Background Papers please Aaron Hardy

ahardy1@westminster.gov.uk

APPENDICES:

Appendix 1- Suggested work programme
Appendix 2- Action Tracker

ROUND ONE – 12 June 2017		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A	A Q&A session	
Digital Transformation Programme	To receive an update on current delivery via digital channels and review progress on the Council's digital transformation programme (including website and Report It)	Robin Campbell Maria Benbow
CityWest Homes Transformation	To review the assessment of demand and consultation methodology for estate office closures	Jonathan Cowie Martin Edgerton

ROUND TWO – 11 September 2017		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A	A Q&A session	Cabinet Member for Housing
Supply and Allocation of Affordable and Social Housing		Barbara Brownlee
The Fire Safety of CityWest Homes Housing Stock	To ascertain the position of our stock and ensure that CWH complies with legislative and best practice requirements	Barbara Brownlee Jonathan Cowie

ROUND THREE – 6 November 2017		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A	A Q&A session	Cabinet Member for Finance, Property and Corporate Services
WESTCO	To understand the activities of Westco and their impact on Westminster City Council	Ian Farrow

Church Street Master Plan	An update on the Church Street regeneration programme.	Eleanor Hoyle
Treasury Performance Half Year Statutory Review	A statutory review of treasury performance	Steve Mair

ROUND FOUR – 15 January 2017		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A	A Q&A session	Cabinet Member for Housing
Rough Sleeping	An update on the rough sleeping strategy	Jennifer Travassos and Robert White
Draft Treasury Management Strategy	A statutory assessment of the draft treasury management strategy prior to submission to Council for approval.	Steve Mair
Church Street Masterplan (call-in)	To consider the Church Street masterplan decision called-in by the ward Councillors.	Barbara Brownlee

ROUND FIVE – 26 March 2017		
Agenda Item	**Reasons & objective for item**	**Represented by:**
Cabinet Member Q&A	A Q&A session	Cabinet Member for Finance, Property and Corporate Services
Homelessness Prevention Trailblazer Pilots		

Unallocated Items		
Agenda Item	**Reasons & objective for item**	**Represented by:**
CityWest Homes- Transformation Programme	The committee would like to receive regular updates on the performance of and resident satisfaction with the new operating model and new repairs/major	Martin Edgerton

	works contracts.	
Housing Regeneration programme Progress-report/site visit		Barbara Brownlee
Staff Survey	To review the results of the staff survey and proposed actions.	Lee Witham

Other Committee Events & Task Groups

Briefings	Reason	Date
Budget T/G	Standing task Group to consider the budget of Council	October 2017

This page is intentionally left blank

ROUND THREE 6th NOVEMBER 2017

Agenda Item	Action and responsible officer	Update
Item 5 – Cabinet Member Update	Provide a briefing on the Council's approach to writing off debt and working across teams to ensure vulnerable residents were dealt with sympathetically.	Circulated on 12/12/17
	More information on the contingency plan for the ASC work stream of the digital plan	Circulated on 03/01/17
	Provide a briefing on why CityWest Homes took a different approach to Southwark Council regarding disconnecting the gas supply to large panel system building.	Circulated on 12/12/17
	Send Cllr McKie a previous HFCS report on the investment portfolio strategy (his specific concern was rent for small businesses)	Circulated on 13/11/17
	How much has been spent on DHP from general reserves over past two years?	Circulated on 12/12/17
Item 6 - Westco	Provide a briefing on how costs are apportioned/recharged between Westco and the Council	Circulated on 12/12/17
	Why have Westco's liabilities risen sharply in the past year?	Circulated on 12/12/17

	What is the nominal value of Westco?	Circulated on 12/12/17
	What evidence is there that the Westco model helps recruitment and retention?	Circulated on 12/12/17
Item 7 - Church Street	Circulate results of Church Street Consultation.	Requested
	Circulate the breakdown of Church Street funding committed by the Council	Requested
Item 8 – Treasury Management	Share model of how the Council's approach to risk in investment is affecting it financially – specifically focusing on the possible effect of reducing credit rating limit.	Requested

ROUND TWO 11th SEPTEMBER 2017		
Agenda Item	Action and responsible officer	Update
Item 4 – Work Programme and Action Tracker	Provide the committee with a note on where the responsibilities for scrutinising rough sleeping lie. (Action for: Barbara Brownlee, Interim Executive Director for Growth, Planning & Housing)	Response e-mailed on 3rd October 2017
Item 5 – Cabinet Member Update	Provide the committee with an update on the current position regarding the regeneration of Ebury Bridge. (Action for: Barbara Brownlee, Interim Executive Director for Growth, Planning &	

	Housing)	
	Provide Councillor Church with confirmation of when a new fire safe door will be replaced in a tenant's residence at Kemp House. (Action for: Sarah Stevenson Jones, CWH Head of Health and Safety)	Response e-mailed w/c 9th October.
	Provide Councillor Roca with an update on the consultation programme for the Church Street Masterplan. (Action for: Barbara Brownlee, Interim Executive Director for Growth, Planning & Housing)	Response e-mailed on 5th October 2017
	How many applications have been received for funds from the small business rate relief scheme and for the £1000 allowance for public houses with a rateable value below £100,000? (Action for: Martin Hinckley, Head of Revenue and Benefits)	Response e-mailed on 14th September 2017
	What is the difference in staffing levels at the Council compared to the previous year? (Action for: Lee Witham, Director of People Services)	Response e-mailed on 3rd October 2017
	Provide Councillor Williams with further details regarding the property management contract to GVA. (Action for: Guy Slocombe, Director of Property, Investments and Estates)	Completed
Item 6 - City West Homes and Westminster City Council's Response to Fire Safety Within Council Housing Stock in Light of The Grenfell Disaster	The committee wishes to review on an annual basis the concerns that residents have raised regarding fire safety in the Council's housing stock and how these have been investigated and responded to.	

	That a letter be sent to the Leader of the Council and the Cabinet Member for Housing expressing concerns over the regulatory limitations of freeholders to monitor and enforce fire safety reviews. The note to also highlight the impact of the additional fire safety costs on the HRA Business Plan (Aaron Hardy, Policy and Scrutiny Manager)	Completed – 13th October.
Item 8 - Deputation From the 'Save Our Ebury' Group	That a record of the deputation be forwarded to the Cabinet Member for Housing and the Interim Executive Director for Growth, Planning & Housing with a request that they provide an update to the committee on their plans to meet and engage with stakeholders(Aaron Hardy, Policy and Scrutiny Manager)	Record sent (09/10/17) and response requested

ROUND ONE 12th JUNE 2017		
Agenda Item	Action and responsible officer	Update
Item 5 – Cabinet Member Update	High Value Voids Levy - Inform Members when the government consultation on the formula to determine the payment will take place	Officer advice is that this is now likely to be quietly dropped as there has been a change of Housing Minister.
	Shared Ownership Sales at North Wharf Road - the committee would like to know how many of the shared ownership properties have been sold. (Action for: Barbara Brownlee, Director of Housing & Regeneration)	Response emailed to Members on 31/7/2017
Item 6- Update on the Digital Service and Future Plans	Provide the committee with the plan for the delivery of the 'My Account' programme including key milestones. (Action for: Maria Benbow, Commercial and Digital Transformation Director)	Response emailed to Members on 1/9/2017

	Following the completion of the feasibility phase of the programme in the Committee would like to consider and provide feedback on the outline business case and design solutions prior to these being considered by Cabinet. (Action for: Maria Benbow, Commercial and Digital Transformation Director/Aaron Hardy, Scrutiny Manager)	Ongoing. The feasibility study continues until the end of December. A workshop with members of the Committee can be organized to review some of the findings. The suggested timing for this is Autumn.
Item 7-CityWest Homes-Transformation Programme	The committee would like to receive regular updates on the performance of and resident satisfaction with the new operating model and new repairs/major works contracts. (Action for: Jonathan Cowie/Martin Edgerton, CWH)	This item has been placed on the Committee's work program
	Provide Councillor Church with a note on actions that CWH and the Council are undertaking to protect the residents of Kemp House on Berwick Street from the impact of building works being undertaken beneath the building by a private sector developer. (Action for: Jonathan Cowie/Martin Edgerton, CWH)	Response emailed to members on 17/08/18

ROUND SIX (10 APRIL 2017)		
Agenda Item	Action and responsible officer	Update
Item 5 – Cabinet Member Update	*Provide Councillor Roca with details of Westminster's external legal spend. (Action for: Tasmin Shawkat)*	Response requested
	How will the Council identify the skills gap in each directorate to determine how they should spend their 0.5% contribution on apprenticeships? (Action for: Lee Witham, Director of People	Response emailed to Members on 27/4/2017

	Services	
Item 5- Cabinet Member Update	The committee requested an assessment of the likely impact of the Homelessness Reduction Bill on the Council. (Action for: Barbara Brownlee, Director of Housing & Regeneration	Response e-mailed on 24th October 2017

ROUND FIVE (6 MARCH 2017)		
Agenda Item	Action and responsible officer	Update
Item 5 – Cabinet Member Update	The committee would like details about the Council's IT security strategy to mitigate the threats to the organisation. Members wanted to know whether cloud computing provides the same security as the existing server infrastructure. Action for: Ben Goward, Head of Digital Information)	Awaiting response
	Members would like a note on any changes to business rates and any impact on the Council following an amendment on transitional relief expected to be announced by the Chancellor in tomorrow's spring budget. (Action for: Steve Mair, City Treasurer)	Emailed to members on 13 March 2017
Item - Estate Regeneration Review	Councillor Roca asked about how many homes (social/affordable) the Council will have delivered between 2014 and 2018, i.e. Between the last and next local election. (Action for: Barbara Brownlee, Director of Housing and Regeneration)	Emailed to Cllr Roca by BB on 14.03.2017

Item – HRA Business Plan Review	As the 2017/18 Plan anticipates borrowing to peak in year 7 to £334 m which is equal to the HRA debt cap and reserves reducing to around a minimum level of c £11m for 20 years the committee would like to include a regular update on the HRA Business Plan to its work programme. (Action for: Tara Murphy, Policy & Scrutiny Officer)	Considered as part of 2018/19 budget task group

ROUND FOUR (9 JANUARY 2017)		
Agenda Item	Action and responsible officer	Update
Item 5 – Cabinet Member Update	Provide Members with details of the current and projected year-end underspend in the Council budget and the reasons for this (Action for: Steve Mair, City Treasurer/Martin Hinckley, Head of Revenue and Benefits)	Response emailed to members on 17/08/18
	Provide an analysis of the likely impact of the new business rateable values for West End businesses. Will this require any changes to the Council’s Discretionary Rating Appeals scheme and what changes are anticipated in the number of hardship applications this year? (Action for: Steve Mair, City Treasurer/ Martin Hinckley, Head of Revenue and Benefits)	Emailed to Members 06.03.17
Item 6 – Luxborough Street Development	The Committee has requested information on whether any other schemes with similar sized costs have been aborted in the last 4-5 years. (Action for: Guy Slocombe, Director of Property, Investment and Estates)	Sent to Members on 02.03.17
	Subject to his views, Members would like sight of the Programme Management report commissioned by the Chief Executive. (Action for: Guy Slocombe, Director of Property, Investment and Estates)	Sent to Members on 02.03.17 (confidential paper)

Item 7 – Treasury Performance Half Year Review	That a task group should be established to consider the previously specified Treasury opportunities. Other Treasury opportunities not covered in the TMSS should also be presented for consideration as well as a review of the policy on the countries in which deposits/investments can be invested. (Action for: Tara Murphy, Scrutiny Officer)	Confirming appropriate timescale with officers

ROUND THREE (7 NOVEMBER 16)		
Agenda Item	Action and responsible officer	Update
Item 7 – Re-commissioning the housing options service	RESOLVED: Following careful consideration, the Committee endorsed the overall strategic approach to the reshaping and procurement of the Housing Options Service. It has requested that a further update be provided to the committee as the procurement moves forward. (Tara Murphy identify suitable time for an update to be received by committee)	Listed on 2017/2018 work programme

`

City of Westminster

Housing, Finance and Corporate Services Policy and Scrutiny Committee Briefing

Committee date:	**Monday 15th January 2018**
Author:	**Cllr Rachael Robathan**
Portfolio:	**Cabinet Member for Housing**
Please contact:	**Sarah Banks** **sbanks1@westminster.gov.uk**

1. Fire & Gas Safety

Fire risk assessments

1.1 Contractors Frankham RMS have completed 19 of the 21 extra high level fire risk assessments commissioned by CityWest Homes (CWH) at high rise blocks. CWH are planning to commence feedback to residents in the new-year.

1.2 The fire door replacement contract will be awarded in January 2018, with the schedule of inspections running through until autumn 2018.

Sprinklers

1.3 A feasibility study has taken place in Little Venice tower blocks and a summary report with recommendations has been produced which will form the basis of the paper for consideration by Cabinet and the Policy and Scrutiny Committee. Additional analysis will be undertaken and the options will be ranked, based on need and risk, together with information on the response of other boroughs.

Fire safety regulations

1.4 CWH continue to monitor and review sector best practice working closely with the DCLG and London Fire Brigade, whilst lobbying government to increase the regulation and responsibilities of leaseholders.

1.5 The initial findings from the Dame Hackett led review of Building Regulations was released prior to the Christmas break.

Little Venice towers

1.6 The contractor Wates has removed all of the cladding they can reach using the mobile platforms. To remove the remaining higher panels and the rear panels at Oversley and Polesworth House, a combination of bespoke scaffolding and abseiling will now be used. To ensure the majority of cladding was removed by Christmas, Wates were authorised by the Council's Noise Team to perform work via abseil over two weekends in December between 8am and 5pm.

1.7 Removing the cladding on Oversley House requires a complicated scaffolding construction as it has a residential building attached to the rear of the block. This work will be completed by the second week in January and all cladding removed by the end of January. The waking watch will remain in place to ensure the safety of residents and provide reassurance until the cladding has been removed from all blocks.

Fire Safety Communications

1.8 General fire safety updates and copies of the latest communications sent to residents are available on the CWH website.

2. Regeneration

Church Street

2.1 Following approval of the Church Street Regeneration Programme Masterplan and Next Steps Cabinet Report on the 4th Dec 2017, the decision has been called in at the request of the three ward Councillors for review at the Policy and Scrutiny Committee. A response will be provided to all points raised.

2.2 Following scheme specific consultation on Ashbridge and Cosway, both projects have been submitted for planning.

Ebury Bridge

2.3 Engagement sessions held in late November and mid-December provided the chance for residents to put forward their priorities for any future scheme such as outdoor space, storage and shops. Over 120 residents attended the open invitation drop-ins and met the architects and ranked the elements of the design they saw as most important at Ebury Bridge.

2.4 The Ebury Bridge Community Futures Group has now been established and plays a key role in the development of the project. Over the next two months the group will continue to test options put forward ensuring that any renewal work is desirable and deliverable.

2.5 January will see further increased engagement with Ebury residents around the emerging options for the future of the estate. Residents will visit other regeneration schemes in London and meet with other residents to gauge their feedback on other renewal schemes. It is anticipated that more detailed proposals will be available for residents to view by the end of January/early February.

Tollgate Gardens

2.6 Construction is advancing and remains broadly on track for an overall May 2019 completion date. Practical completion on the first homes is expected in advance of this, with the initial, predominately private, block due to complete in November 2018. The first full social and intermediate block is planned to follow in December 2018.

2.7 Following Grenfell, the installation of cladding to the sole remaining block, Tollgate House, will not proceed. Other planned communal works, including a new entrance and installation of new balustrades, will continue. Construction of the new community centre is advanced with structural work due to complete in March 2018. To provide additional support for residents during the redevelopment programme, a dedicated community engagement resource has been put in place.

Infill Programme

2.8 Construction of the first family homes for delivery is underway with a total of 10 dwellings onsite. Handover of the completed units is programmed to take place from March 2018 through to June 2018.

2.9 Additional properties continue to enter into the design stage and the first phase of the Ward Councillor tours is complete. Potential opportunity sites are undergoing initial feasibility assessment with options and outcomes scheduled for review in February 2018.

3. Affordable Housing

3.1 A total of 72 new build affordable homes have been delivered in Westminster since 31st March 2017, including the 22 new affordable homes recently delivered at Ladbroke Grove by Westminster Community Homes (WCH). In addition, 20 homes have been purchased on the open market for use as affordable housing and works are currently being carried out on these properties to bring them up to letting standard.

3.2 WCH's new affordable housing scheme at Ladbroke Grove provides intermediate homes for rent for local Westminster workers and residents. Weekly rents on 1 bed homes range from £210 to £250 and £285 for a 2 bed. Referrals to these homes will come through Home Ownership Westminster, the City Council's intermediate housing service.

4. Housing Policy

Draft London Plan

4.1 The Mayor has published his draft London Plan for consultation, setting out his policy proposals for the spatial development of London over the period to 2041. On housing, it sets a 10 year (2019-29) housing delivery target for Westminster of 10,100 (1,010 pa) of which it is expected that 5,290 (529 pa) will come from small sites of less than 0.25 hectares.

4.2 The approach the draft takes to affordable housing has already been trailed in the Mayor's draft Housing Strategy and his Supplementary Planning Document on Affordable Housing and Viability reported to previous meetings. It sets a strategic

London wide target for 50% of all new homes to be affordable with an approach to viability that seeks to incentivise provision of 35% or more (50% on public land).

4.3 The Mayor has asked for comments on the draft by 2nd March 2018. Officers are currently reviewing the document and will be preparing a response.

Homelessness Reduction Act 2017 and Draft Homelessness Code of Guidance for Local Authorities

4.4 The Homelessness Reduction Act 2017 places a new duty on local authorities to help prevent the homelessness of all families and single people, regardless of priority need, who are eligible for assistance and threatened with homelessness. The Council's Housing Options teams continue to prepare their services for the new changes, ready for implementation on 3rd April 2018.

4.5 To support local authorities in delivering their new legislative duties, the Department for Communities and Local Government have drafted a Code of Guidance. This is an important document as it sets out how authorities should carry out their homelessness functions under the new law.

4.6 The Council submitted its comments to this consultation on 11th December 2017. The response supported the strengthening of the advice and earlier prevention intervention to be positive and proportionate, and welcomed the emphasis on comprehensive targeted tailored advice and information for those at risk of homelessness.

Funding Supported Housing Policy Statement and Consultation (October 2017)

4.7 DCLG is consulting on a new funding model for supported housing until 23rd January 2018 and the Council will be submitting a response.

London Housing Strategy draft for public consultation

4.8 The Mayor consulted on a new strategy until 7th December and the Council submitted a response.

4.9 Key proposals include supporting more intensive use of London's available land, protecting the Green Belt and prioritising higher density schemes and development on brownfield sites.

5. <u>Homelessness and Rough Sleeping</u>

Housing Options

5.1 Officers have successfully mobilised the new Housing Options service, led by Places for People (PfP), in partnership with Shelter and The Passage.

5.2 The Passage are now fully operational delivering the assessment and advice hub for single people who are homeless or at risk of becoming homeless. Shelter is working across the community to identify customers experiencing some difficulties and the early signs that may lead to homelessness in the future. Shelter's work includes joint working with family services through the Family Hubs programme. This area of work will be further expanded and developed during 2018.

Rough Sleeping & Supported Housing

5.3 Over the last quarter, work has taken place to review what more can be done to support revolving door rough sleepers in hostels who have moved in and out of services without being able to take meaningful steps forward in their lives.

5.4 It is hoped this learning and better understanding of what works for people who have experienced multiple and compounding disadvantage, can support wider work within the Council, especially the One Front Door programme's emphasis on delivering new ways of working with residents accessing multiple Council services, to effect meaningful change.

New Partnerships

5.5 We are working in partnership with Revolving Doors Agency (RDA) to deliver an exciting and innovative peer research project to explore issues around criminality and victimhood within the homeless population. The research will focus on individuals currently living in Westminster supported accommodation and on the streets in Westminster and RDA will work closely with WCC hostel staff and outreach teams to engage individuals. The findings from the researchers will inform service development to better enable and support individuals to speak up when a crime is committed against them or when they are witness to a crime. The research will begin in January 2018 and we expect a report to be complete and published in July 2018.

Young Persons' Supported Housing Pathway

5.6 We have re-tendered and remodelled our Young Persons Supported Housing Pathway which will commence in April 2018. This will incorporate emergency and assessment beds to offer early intervention and prevent street homelessness. There will also be a greater focus on supporting young people to become resilient and move into employment to achieve positive outcomes.

Mental health supported housing

5.7 The Mental Health Supported Housing Pathway is currently under review. We are intending to procure and reconfigure the majority of the commissioned Mental Health services to ensure that all clients with severe and enduring mental illness experience an improved transition through the housing pathway in terms of the level of support they receive and with distinct timescales on move on.

Rough Sleeping count

5.8 Officers facilitated the more recent street count on 23rd November with independent verifiers to ensure consistency and accuracy of reporting. The total number found bedded down was 217; this is a 17% decrease from the same time last year.

Prevention Trailblazer

5.9 We have completed the first phase of our research and key findings include: highlighting a pathway from private rented sector to Housing Options; the need to ask the right questions in order to identify key issues and find effective solutions; and the need for clear messaging from housing/advice providers.

5.10 This research will form the basis of our phase two: understanding of how knowledge is spread through community networks and how we can utilise this for effective early intervention and resilience building.

5.11 Findings from this research will be shared via the Prevention working group.

6 CityWest Homes (CWH)

Service Transformation

6.1 The new frontline operating model, comprising of contact centre and specialist teams, has been in place for nearly 6 months now. Following the launch of the new customer service centre in June, call waiting times have been longer than is acceptable and CWH are continuing to receive more calls than predicted. Continuous changes have been made to improve the service week by week and since the customer service centre launched, CWH have:

- tripled the number of customer service centre staff dealing with repairs calls
- recruited a dedicated team to manage email queries
- provided additional training for staff
- improved IT and phone systems to deal with enquiries more efficiently

6.2 They are also recruiting more staff for January, which is traditionally the busiest month for repairs, and introducing queue buster technology to automatically call residents back in line with their place in the queue so they don’t have to wait on the phone

6.3 Refurbishment of 3 of the 4 Area Service Centres is now complete. Work to the North Area Service Centre in Maida Vale and to CWH’s Head Office will complete in February 2018. The reception desks at Church Street, Grosvenor, Lillington and Longmore, Little Venice, Paddington, St Johns Wood and Westbourne Park have now closed. There has been very little negative feedback from the front office closures.

6.4 CWH launched its refreshed website in June 2017 and it now receives on average 5,300 sessions per week with a session lasting over five minutes. There has been an increase in traffic to the site since September with an additional 750 sessions per week. The contact centre has received almost 1,000 online forms, showing that there is an appetite for online services.

6.5 From December 2017 CWH is starting its roll out of online services across the city, providing access to services at any time and through any device. Tenants and lessees in the pilot area are now able to: contact CWH through a secure digital channel; view rent and service charges; view repairs history (from registration date); view and update contact details; view tenancy details; raise ASB complaints; report feedback on the service; and order swipe card & set up DD.

Major Works contract re-let update

6.6 Leaseholder consultation on the two new major works concluded with 68 observations, all of which are being responded to.

6.7 The contracts, with The United Living for the South and Axis Europe for the North of the borough, are now in the process of being engrossed and remain on programme.

6.8 The appointed contractors will carry out all major works to properties over the next 10 years, with the exception of a small number of schemes procured in the last year that are yet to complete. The new contracts are forecast to deliver an estimated £28m of savings, which will be passed on to both the HRA and leaseholders where appropriate.

7. SHSOP

7.1 The City Council's appointed contractor, Durkan Ltd, are completing design work for the Beachcroft scheme. Onsite works have commenced with hoarding erected and demolition work is due to commence in January.

7.2 A 'Meet the Contractor' event was held on Monday 20th November; 6 residents attended, predominantly from Oak Tree House. Further communications regarding site access arrangements and emergency vehicle access are to be sent to residents.

7.3 The Council is currently working up preferred options for the Carlton Dene and Westmead sites. Following this, a procurement and delivery strategy will be developed, as well as an outline business case recommending approval of the preferred development option.

This page is intentionally left blank

City of Westminster

Housing, Finance & Corporate Services Policy and Scrutiny Committee Briefing

Date:	**Monday 15th January 2018**
Author:	**Cllr Tim Mitchell**
Portfolio:	**Cabinet Member for Finance & Corporate Services**
Please contact:	**Sarah Banks** **sbanks1@westminster.gov.uk**

1. Corporate Finance

Business Rates

1.1 The City Council has provisionally agreed to enter a London Council's organised Business Rates Pool with all the London boroughs and the GLA. The Council was instrumental in limiting the pool duration to 2 years and in the development of a formula for fund distribution. The pool is primarily based on the retention by the pool of the levy that would otherwise have been payable on NNDR growth across London. Based on current growth forecasts from the London boroughs, it is anticipated that the City Council will achieve an extra £3.8m NNDR income in 2018/19 and 2019/20 – but is subject to final forecasts by all London Boroughs in January 2018, and will not be certain until well into 2019/20. Additionally, there will be a strategic investment pot of income for London to use for strategic projects

.

1.2 The Spring Budget introduced three legislative changes relating to NNDR, one of which was a new NNDR Discretionary scheme to compensate businesses most adversely affected by the Revaluation in April 2017.

1.3 The Council was held up as an exemplar in a recent Ministerial statement regarding local authority progress in implementing the government's proposals. However, the Council needs to award its 2017/18 allocation of funding (£11M) by 31 March 2018 in order to avoid having to return the funding to the government. The Council undertook a soft launch of the scheme as it was unclear as to likely demand. This has worked well with £2M being awarded to date. The Council is now working with its Revenue Services contractor to pro-actively contact businesses that could qualify for the relief.

MBA/LGA

1.4 The Council has agreed arrangements with the Municipal Bond Agency (MBA) and the Local Government Association (LGA) to support the former's first bond issue and the latter's investment needs.

Accounts 2017/18

1.5 The Council is aspiring in 2017/18 to meet the challenge of publishing the accounts and pension report on 1 April 2018. Progress to date is positive.

1.6 Improvements are being embedded as normal practice and thereby driving up standards. The 2016/17 accounts have been the subject of a review by Grant Thornton's technical team. Changes required to the 2017/18 accounts as a result are largely cosmetic, meaning that the 2016/17 statements were of a high standard.

1.7 Lessons learnt have been incorporated into interim "hard closes" and the year-end planning and the QA process has been improved further.

Sundry Debtors

1.8 The direct contact project, whereby the Council are supporting service areas to follow-up unpaid invoices by contacting the largest value (non-Adult Social Care) debtors, continues. As at 30 November 2017, approximately £53m has been received/or corrected since 1 April 2017.

1.9 Monthly debt challenge sessions continue with the service areas, focussing on areas of highest debt. The largest debtors are the NHS bodies whose invoice payments are subject to strict cash draw-down rules.

1.10 A pilot exercise with a third party provider to take further action on a small number of lower value debts from across a number of service areas commenced mid-October. Debts of approximately £260k were referred, representing 89 customers and, as at 30 November, approximately £35k had been recovered. The pilot will be reviewed in the new year to assess its success and value for money.

1.11 The route to County Court, which is a last resort action against unresponsive debtors, has been established and will be co-ordinated and managed centrally. No debts have yet been referred.

1.12 The data cleansing strategy has been agreed and activities commenced in preparation for data migration to a new provider finance system (SAP).

Accounts Payable

1.13 Service area compliance with the Council's No PO No Pay policy, which became compulsory from 1st June 2017 (with a few exceptions, which are paid manually), is showing significant improvement with some service areas achieving full compliance for all invoices paid during Period 8 (up to 30/11/2017).

1.14 The team continues to work with service areas to drive improvement in supplier payment performance, which has improved each month. Approximately 94.4% of invoices are paid within 30 days and 98.4% paid within 60 days.

1.15 A suite of data cleansing activities has commenced as part of the preparations for data migration to a new provider for the main finance system (SAP). Supplier accounts to be migrated have been identified and mandatory data fields to meet new operational requirements have been established.

Financial Planning 2018/19 and Beyond

1.16 The Council agreed a comprehensive range of financial reports at its meeting on the 8th November.

1.17 These covered: Revenue budget proposals; Capital programme; Housing revenue account; Integrated investment strategy; Treasury management strategy; Half year treasury management review 2017/18; and Final accounts 2016/17.

Universal Credit

1.18 Universal Credit (UC) is the government's replacement scheme for a number of existing benefits. One of the benefits being replaced is Housing Benefit (HB), which is currently administered by local government.

1.19 The City Council is in on-going discussions with the local DWP, however the issue both parties are facing is that the government is continually changing the scope of Universal Credit (pensioners, temporary and supported accommodation have already been exempted from UC and will remain as HB) and the timing of the transition to UC (a further 3-month delay was announced as part of the recent Budget).

1.20 The current DWP plan is that the Marylebone Job Centre will provide a UC Full Service from June 2018, with the Kensington Job Centre following in December. This will mean that from the point of transfer new claims from eligible residents will move from HB to UC. The existing HB caseload for non-exempt claimants will not transfer in full until 2022.

1.21 The above transition means that our HB caseload will reduce in a phased approach over the next 5 years (subject to any further government changes). The UC exempt categories and the fact that the Council needs to continue to determine Council Tax Support claims will mean that the Council will retain only a slightly smaller caseload, although the removal of the HB element for non-exempt claims will reduce the complexity of the calculation process.

1.22 Local authorities have been worried in relation to the affect UC will have on their housing rent arrears, although the recent government decision to exclude temporary accommodation from UC should mitigate this issue.

Revenues & Benefits Procurement

1.23 The Council is currently finalising its contract documentation for a procurement of its Revenue & Benefits Service, with a separate procurement for Enforcement Agent services.

1.24 The project is governed by a Project Board and the production of the contract documentation has been developed jointly between Revenue & Benefits, Procurement, external Legal and the Digital team.

Westminster Voluntary Community Contribution

1.25 A consultation questionnaire has been sent to all 15,000 Band H properties seeking views on the proposed voluntary Westminster Community Contribution.

1.26 The questionnaire asks four questions:

- Would you support a Community Contribution scheme (Y/N)?
- Why have you selected this answer?
- How would you like to see the Contribution used?
- What is the estimated value of your property?

1.27 The consultation closed on 15 December after which the results will be analysed.

2. Corporate Property

Investment

2.1 The new property management specification and form of contract is being finalised to be issued before Christmas to the 8 Agents who have expressed an initial interest in submitting a proposal. It is envisaged that final proposals will have been received towards the end of January 2018 with interviews and the final selection to take place over the following 4-6 weeks. The existing contract with GVA is due to expire at the end of March so in order to ensure a smooth handover if another agent is appointed, and to prevent any issues with year-end accounting requirements, it is likely that a 2-3month extension will be sought.

2.2 Asset management of the investment portfolio continues. As at the end of November 2017, the portfolio consisted of 362 assets - 21 are vacant, representing 1.87% of the estimated rental value of the portfolio. This continues to be well within acceptable limits. 13 of these vacant units are not being actively marketed since they are earmarked for redevelopment or form part of regeneration schemes.

2.3 Since the start of the financial year an additional annual income of £647,000 has been secured by way of completing rent reviews and lease renewals.

2.4 The Council has acquired around £0.4bn of property within this financial year. These acquisitions range from operation needs, housing and regeneration to acquisitions for the pension fund. In this financial year to date there have not been any property investment acquisitions undertaken for the General Fund in relation to the Property Investment Programme.

City Hall

2.5 The City Hall programme remains on budget and programme with practical completion expected December 2018. Offers have been received for a letting of floors 1-10 in advance of practical completion and the CAT B fit out plans and recant plans/programme are being formulated.

Operational Property

2.6 The development at Seymour Leisure Centre to include the new Marylebone Library on the same site has been approved. Additionally, the new interim Marylebone Library has been completed at New Cavendish St.

2.7 The Council House lease to the London Business School has been completed, triggering a new initial rent to the Council of £1.2m per annum for a 35-year term.

2.8 The external refurbishment works to Mayfair Library have started and are expected to be completed in April 2018. The internal refurbishment works to Central Reference Library are due to commence in December and are expected to be completed in March 2018.

2.9 The first phase of the Bessborough Children's Hub is due to be completed in Jan 2018.

Major Projects

2.10 The following progress has been made across the Council's General Fund development projects:

- Lisson Grove Programme (including the new WCC offices in Church Street) has been approved to continue to Outline Business Case;
- The Leicester Square Ticket Office was granted planning consent;
- Beachcroft House care home has received approval at FBC stage and enabling works are due to start in the next few weeks;

- The Luxborough Street site has received approval from Councillors to progress the design to Outline Business Case.

3. **Corporate Services**

People Services

3.1 People Services formally briefed EMT on the headline results of Our Voice 2017 for Westminster City Council on the 7th November. People Services have been meeting with each directorate to go through their results in detail and agree on next steps.

3.3 The Head of Operational People Services presented a paper at the Pension Board meeting on 13th November 2017, summarising the performance of our Pension Administrator, Surrey County Council, BT and the admitted bodies' payroll providers for the period June 2017 to August 2017. Performance overall is much improved and the board are happy with the progress made.

3.4 People Services have now agreed a new approach for the Council's performance management culture due to launch in April 2018. Further work is underway to shape how this will work for managers and staff.

3.5 Cohort 6 of Leading the Westminster Way is underway and due to finish in January 2018. A further nine people have now successfully graduated as internal facilitators for the Leading the programme.

3.6 The Council's Central Leadership Team (CLT) attended a Mental Health training session for managers run by Mind, the leading mental health charity for England and Wales. It provided them with useful tools and guidance to support staff experiencing mental health problems and prevent others from doing so. Managers are encouraged to run similar sessions for their teams.

3.7 A successful Loyalty Service Awards ceremony took place on Friday 1st December in the Lord Mayor's reception room; the Lord Mayor and Charlie Parker awarded 14 recipients with a certificate and John Lewis voucher in recognition of their 20-year continuous service with the Council.

Procurement Services

3.8 Following a recommendation by the Chartered Institute of Procurement and Supply, Belfast City Council engaged Westminster Procurement Services (WPS) to deliver three areas of activity: one, to appoint a Senior Manager in Belfast to provide management of the incumbent team for a six-month period; two, to manage the sourcing activity from 5 Strand, relating to a number of key procurement projects; and three, to conduct a review of the existing model for procurement and contracts management in Belfast City Council.

3.9 WPS have now completed a ten-week review of Belfast City Council's operating model, including considerations of four key areas; Category Management & Sourcing, Governance & Standing Orders, Developing Capability and Management Information & Technology, whilst providing an overall view of Belfast City Council's Procurement Effectiveness including an assessment of key risks.

A report was submitted to the Deputy Chief Executive capturing the findings of this review. As a result, ten recommendations were made to the Council and it is hoped that WPS will be engaged to support a further scope of activity to support a reorganisation of procurement in Belfast.

3.10 EMT approved the approach for improving Contract Management and providing increased assurance for all of the Councils contracts. Procurement Services will establish a cross functional programme team to oversee a number of development projects.

3.11 A Programme Manager has been appointed and the programme will commence from January although some work has already commenced.

ICT

3.12 The Tri-to-Bi Borough exit for Children's ICT, including the transfer of the team to Shared ICT Services is on track for the 18th April 2018 from a staff, systems and data perspective.

3.13 Agreement on the transfer of Adults' ICT has also been reached, however the Service has requested postponement of the transfer to 1st April 2019.

3.14 In November, acceptance testing of the digital platform kicked-off with a cross-section of Council stakeholders. The platform is on track to go-live in December.

3.15 A security audit has been procured to conclude 20th December and will support continued compliance to the Public Services Network (PSN) which will be assessed during April 2018. A security consultant from BT joined the team on the 27th of November to prepare the policies & guidance framework and submission to PSN.

3.16 A resourcing partner has been appointed and a recruitment campaign launched with all three leadership posts planned to be appointed to by end of February 2018. Separately, the Bi-borough CIO has been recruited to internally.

3.17 Rollout of Office 2016 will have completed by the end of 2017.

3.18 During February 2018 People Services are implementing increased security controls to access standard Council IT services (e.g. email). This will include a requirement for a second method of authentication (e.g. a code sent via text to users' phones) from non-Council devices.

3.19 By February 2018, the project to upgrade all user devices to Windows 10 will launch, increasing security further and bringing an improved, faster user experience.

3.20 Additional security controls have also been implemented for access to Grenfell systems, which it is now only possible to access from Council premises.

3.21 An initiative has been launched to bring Grenfell data together data from multiple systems into a single data repository; allowing for rapid responses to queries from DCLG and other bodies.

Legal Services

3.22 The merger proposal with LGSS Law is currently on hold and 'go live' is postponed until at least April 2018. It is progressing as much of the project as possible, e.g. implementing the case management system, and are hoping to receive a 'go live' confirmation date by January 2018.

3.23 LBHF staff have moved out of Kensington Town Hall, however the S113 agreement is expected to be in place until the end of March 2018 when it will be concluded by mutual agreement.

3.34 Legal continue with the work on Grenfell Tower, supporting many Council services.

Digital

3.35 The Programme has completed the discovery "As-Is" activity and focus is now on the next phase, which is the creation of the To-Be models based on the customer journeys that have been identified.

3.36 The To-Be opportunities are being put into Rough Order of Magnitude (ROM) business cases and the team is working closely with the directorates to develop and validate these.

3.37 The first ROM to be developed is Permits Phase 1. This development will enable customers to book, pay, amend and cancel parking permits on-line, without the need for back office intervention. Further phases of this solution will consider other types of permit that can be processed and issued through the platform.

3.38 The Digital Transformation Programme Design Authority met for the first time in November. The purpose of the Design Authority is to maintain a consistent, coherent and complete perspective of operating model design, defining the critical interfaces, so that operations can be changed and benefits secured in a coordinated manner across the organisation.

3.39 The Permits phase 1 ROM was discussed at Design Authority with a recommendation to progress to Programme Board (15th December). On approval by the by the Programme Board this ROM will progress to full business case.

3.40 There have been a number of 'cross-fertilisation' workshops, where members of each workstream team, seconded into the programme to represent their directorates, discuss the opportunities in each of their areas. This has identified a number of themes that cut across the organisation and these will be worked up into ROMs and added to the list of opportunities that the programme can deliver.

3.41 The MyWestminster (previously My Account) development has continued through October and November, with the soft launch now scheduled for January. Working together with Pythagoras, the 3rd party developer, the team is approaching the completion of a number of forms and the MyWestminster account, with extensive testing having taken place through November and early December.

3.42 There has been widespread engagement with colleagues, members and residents, including sessions in libraries across the borough and positive feedback has been received as well as some valuable insight for how to improve the experience for citizens.

3.43 The development of the Contact Strategy has continued and when complete, this will provide Westminster with a clearly defined approach, governance and structure to manage contact volumes across all channels including voice, online, offline and face-to-face.

MSP

3.44 On the 4th December the Cabinet formally decided that WCC would join The Hampshire Partnership as a replacement for BT for the provision of Finance, Payroll and HR Services.

3.45 The Hampshire Partnership, which consists of Hampshire County Council, Hampshire Constabulary, Hampshire Fire & Rescue and Oxfordshire County Council, has been operating successfully for a number of years and has a proven track record of setting up and delivering services to local government from their integrated business centre in Winchester. The targeted move date over to the new service is by the autumn of next year.

This page is intentionally left blank

City of Westminster

Housing, Finance and Corporate Services Policy and Scrutiny Committee

Date:	15 January 2018
Classification:	General Release
Title:	Rough Sleeping
Report of:	Barbara Brownlee, Executive Director of Housing and Regeneration
Cabinet Member Portfolio	Portfolio (as listed at www.westminster.gov.uk/cabinet)
Wards Involved:	All
Policy Context:	Better City Better Lives Priority
Report Author and Contact Details:	Jenny Travassos x 6572 **jtravassos@westminster.gov.uk**

1. Executive Summary

1.1 The purpose of this report is to inform the Committee on issues related to rough sleeping in the City of Westminster alongside an update on the recently published 2017-2022 Rough Sleeping Strategy.

1.2 Westminster sees the highest number of rough sleepers in the UK, which last year totalled just under 2800 individuals encountered by outreach services. Reducing rough sleeping and addressing the associated behaviours of the day time street population is a priority for the council in a time where many local authorities are seeing an increase of people on the streets.

1.3 The new strategy will operate in the context of the national focus on reducing numbers of people finding themselves on the streets following a tenancy ending and implementing the new Homelessness Reduction Act from the 1st April.

2. Key Matters for the Committee's Consideration

2.1 The Committee is asked to consider the following points:

2.2 Given approximately 95% of new rough sleepers do not originate in or have a local link to Westminster, does the Committee wish to support our supported reconnection working policy or are there alternative approaches that we should consider?

2.3 There are a multitude of messages about rough sleeping and the associated behaviours that have been developed over the years to inform business, visitors/tourists and residents of how they can help; this includes Street Link as the key mechanism to report people sleeping rough, the police for anti-social behaviour and WCC's 'Report it' on our website to report detritus left behind. Does the Committee have any recommendations on how we can align our messaging to the public about what help is available and how to support our work?

2.4 The Strand sees up to 80 independent soup runs operate each month and this provides a range of challenges from sustaining people in their street based lifestyle to significant complaints around environmental issues. Northbank BID is particularly affected and we are in regular communication about an appropriate response. In the past we have tried to enforce against some of the negative behaviours such as parking breaches, poor waste disposal and the ASB associated with large groups, however, these have had limited impact. We have also sought to bring them around the table using faith based groups such as Housing Justice, again this has had minimal impact. Does the committee have a recommendation or suggestion for soup run operations in Westminster?

3. Background

3.1 Rough Sleeping Team

The Rough Sleeping Team sits within the Prevention Team in GPH and consists of 2 Commissioning Managers, an accommodation pathway manager, a police officer and a project management and evaluation officer. The team commission just over £6m of support services for rough sleepers that includes:

- 414 bed spaces in specialist accommodation
- 10 (soon to be 20) Housing First flats
- Street based outreach
- Homeless Health Coordination Project
- Joint Homelessness Team (provides mental health support and assessment)
- Other added value services

3.2 Street Population and Rough Sleepers

3.2.1 There is a common misconception that the people who are seen during the day engaging in begging, on street drug use and other forms of anti-social behaviour are *all* rough sleepers; in fact, we know from our interactions that many are housed in hostels/flats both here and in other boroughs.

3.2.2 The rough sleeping figures shown in the next section (Section 4) show the numbers of people who were found bedded down at night by outreach workers.

3.2.3 To address the issues of the day time street population, officers in Public Protection and our team have worked in partnership to develop the social care and enforcement model which has resulted in a number of initiatives;

3.2.4 Regular operations in 'hot spot' areas - outreach, City Inspectors and police officers' conduct intelligence led operations. Each person's social care records are checked to ensure that they are engaged with services and ensure communication with the area where they live, alert our commissioned hostels to the behaviour of some of their residents in order to form an action plan and where people *are* rough sleeping we work to ensure they are offered a route away from the street

3.2.5 A police officer becoming embedded in the team – this has enabled a close link to the police, numerous training sessions for dedicated ward officers and support on complex issues involving drug dealing and supply. He also runs an early intervention model within the hostels to divert people away from serious crime

3.2.6 Street Population Action Groups (SPAG) - the main forum for the discussion and problem solving oversight of those that are considered part of the 'street population' and associated problematic hot spot locations across Westminster. These meetings fall under the 'Locations Board' of the Safer Westminster Partnership governance structure. The SPAG has consolidated existing forums where street population issues were discussed to ensure that partnership approaches are consistent, action-focused, and social-care is balanced with enforcement as required

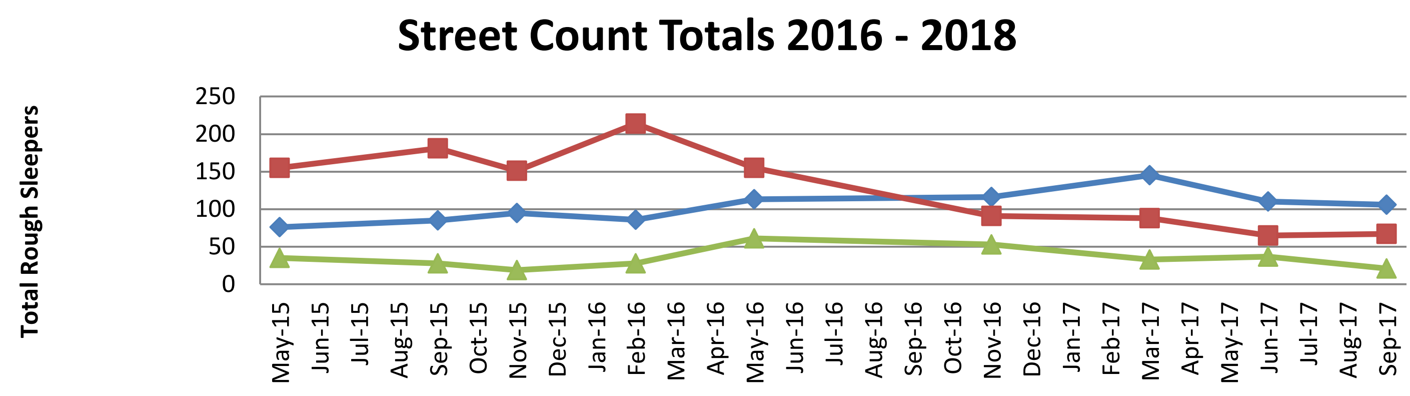
3.2.7 The Leader has recently announced funding towards the Westminster Integrated Streets Engagement (WISE) team which will conduct regular day time shifts to engage with the street population, manage cases of persistent offenders and use enforcement tactics where needed. Most importantly, the team will aim to replicate success of outreach teams in implementing the same social care focus and partnerships for the day time street population

3.2.8 To address the day time issues, officers worked in partnership with Members to develop the award winning campaign, Real Change which was aimed at supporting members of the public and businesses to make informed choices about whether to give to people begging. Within the new strategy, there are plans to review the campaign materials and run it again at strategic points throughout the year.

3.3 **Picture of Rough Sleeping in Westminster**

3.3.1 In 2016-17, our services found 2767 individuals sleeping rough; of which 63% didn't spend a second night out. This is an extraordinary achievement given the volume and shows the interventions and rapid response approach is working.

3.3.2 The street outreach team, WCC officers and the Met conduct a snap shot street audits every quarter with volunteer independent verifiers and the numbers have remained comparatively similar over the more recent counts:



	May-15	Sep-15	Nov-15	Feb-16	May-16	Nov-16	Mar-17	Jun-17	Sep-17
UK National	76	85	95	86	113	116	145	110	106
Foreign National	155	181	151	214	155	91	88	65	67
Unknown	35	28	19	28	61	53	33	37	21

3.3.3 Of the 273 **new** individuals rough sleeping in Westminster during July- Sept '17, 77% had no second night out and 96% had no more than two nights out, with 68 individuals being referred to the three No Second Night Out hubs across London, the Connections at St Martin's Night Centre, Passage House Assessment Centre or the newly opened Green Room run by St Mungo's for female rough sleepers. Many new rough sleepers simply do not return to the street after they have been encountered and return to accommodation in their home area.

.

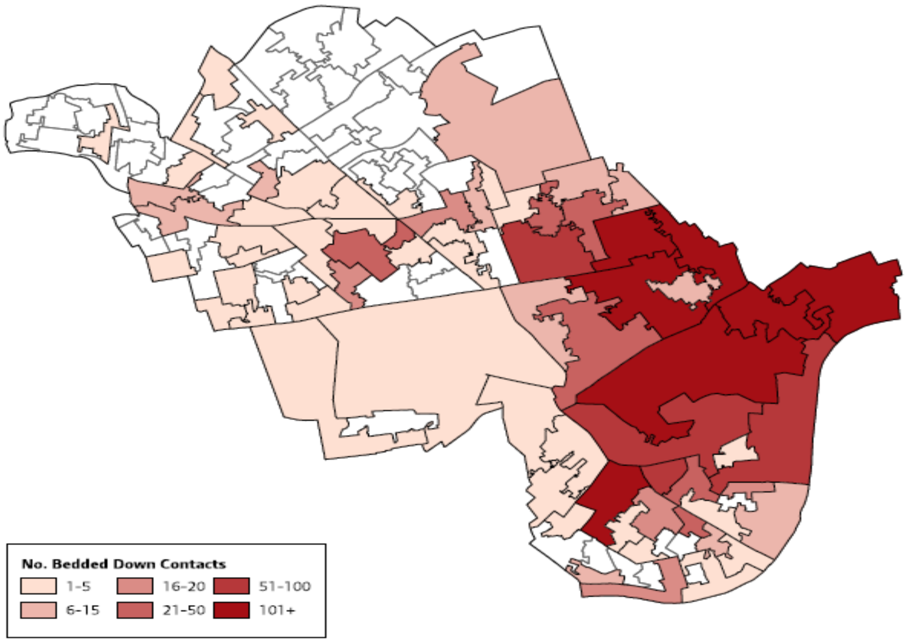
3.4 **Why do people rough sleep in Westminster?**

3.4.1 There are a number of reasons why people find themselves on the streets and when service users are asked, we suspect the answer you receive depends on who you ask and when. The recurring issue we have is that very few rough sleepers originated here and understanding reasons why people come here can be difficult. In the main, the feedback we get from professionals and rough sleepers is that:

- Availability of drugs (this is a key issue) in Central London
- Availability of services such as day centres and outreach workers
- Tourists and businesses who provide food and money freely
- A very large number of independently run food/clothing offers ('soup runs') in key areas
- High rates of night time activity which helps people to feel safe when sleeping
- An established rough sleeping community that can and does become a 'family'.

3.5 Locations of Rough Sleepers found in Westminster

3.5.1 From the map below, the Committee may note that there are concentrated areas where individuals are found to be bedding down at night. These tend to be areas that have transport hubs, high levels of footfall and where the night time economy is prominent.



3.6 Partnership working to reduce rough sleeping in Westminster

3.6.1 We are pleased to have been successful in securing £600,000 from the DCLG to support the opening of the Passage House Assessment Centre and further secured £180,000 to open a service called the Green Room which is specifically designed to be a safe space for female rough sleepers who are at risk on the streets from domestic and sexual violence.

3.6.2 We have worked closely with the GLA to support the delivery of the new Social Impact Bond. We have negotiated 149 nominations for SIB which will see each identified long term rough sleeper receive dedicated support from a member of St Mungo's or Thames Reach SIB worker. We estimate this to have an added value of at least £100,000 a year (on top of the £1.1m/ year we spend on street outreach) and are working alongside the Mayor's Office and the providers to ensure the individuals get the support they need to sustain a route away from the streets.

3.6.3 A new service called Safe Connections was recently awarded to Thames Reach by the GLA and will see a dedicated team deliver enhanced reconnection support to individuals on the streets of London. Again, Westminster supports this initiative and will benefit from additional support from the team and we are currently looking at how they may co-locate with the Westminster Assessment Centre at Passage House.

3.6.4 We are a member of the Mayor's No Nights Sleeping Rough Taskforce and attend the GLA Rough Sleeping Leads group, thereby giving us a leading voice in shaping pan London rough sleeping strategies and provision.

3.6.5 We have recently formed the West End Partnership Board to work with colleagues in Camden to address shared street population based challenges.

3.7 The 2017-2022 Rough Sleeping Strategy

3.7.1 The strategy was released in late 2017 and outlines our 3 key priorities for reducing rough sleeping:

- Priority A: Where it is possible for us to do so, prevent people from rough-sleeping in the first place
- Priority B: Supporting people to rebuild their lives
- Priority C: Rough Sleepers who refuse to engage and pose a danger to themselves or others are subject to enforcement action with a view to changing their behaviour

3.7.3 We have already made some great strides in meeting our commitments in the strategy, some of which are highlighted below;

3.7.4 Launched the new Assessment Centre which has seen over 160 people through the door in 9 months of operation; 64% of the individuals have been successfully assessed, offered a route away from the street and accepted into alternative accommodation.

3.7.5 Key pieces of work with Central London CCG to reduce the amount of people both frequently attending A&E and those who self-discharge back to the streets have included a monthly Multi-Disciplinary team meeting with the 2 specialist GP practices, a frequent attenders meeting with Imperial Trust and better links with discharge teams in both the Gordon Hospital and St Mary's.

3.7.6 Implemented the on-line Westminster assessment and referral form (WARF) on CHAIN (the pan-London database) which enables on-street referrals to be made into accommodation, tracking of individuals through the pathway and the person's history and support needs to travel with them through services. The final point is hugely supported as it stops our service users having to repeat their 'story' at each point.

3.7.7 Implemented 10 units of Housing First flats in partnership with Sanctuary Housing Association and will be adding 10 additional units in 2018

3.7.8 Opened a new service called the Green Room, run by St Mungo's. This service is for female rough sleepers a 'safe space' to escape domestic or sexual violence. It offers a therapeutic respite space for vulnerable women to make decisions on what steps they would like to move away from violent or manipulative relationships.

3.7.9 We commissioned a new service called Hopkinson House for people who are serially excluded from our other services due to behavioural issues. They take couples, dogs and singles with multiple and complex needs – this has enabled them to break down perceived barriers to moving in and focus on stabilisation

4. Health and Wellbeing Implications

4.1.1 Rough Sleepers and vulnerably/temporarily housed people experience some of the poorest health outcomes. Often, service users experience multiple complex health needs (physical, mental and substance misuse). The ever changing landscape of the healthcare system, housing service providers and staffing teams means it is important to maintain a high standard of joint working to ensure service users receive the best health outcomes.

5. Financial Implications

There are no financial considerations in the report.

6. Risks and Mitigations

There are no risks or mitigations to consider in the report

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Jenny Travassos x6572 jtravassos@westminster.gov.uk

This page is intentionally left blank

City of Westminster

Housing Finance and Corporate Services Policy and Scrutiny Committee Report

Date:	**15 January 2018**
Classification:	**For General Release**
Title:	**Call-in of: Church Street Master Plan**
Report of:	**Barbara Brownlee, Executive Director, Growth Planning & Housing**
Financial Summary:	**The report, the subject of this call-in sets out the financial details**
Report Author and Contact Details:	**Barbara Brownlee** **Executive Director, Growth Planning & Housing** **Email: bbrownlee@westminster.gov.uk**

1. Executive Summary

1.1 On 4 December 2017 the Cabinet made the following executive decisions in respect of the Church Street Masterplan:

(i) That Appendix 3 of the Cabinet Report be exempt from publication under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information which should be exempt from publication in that it contains information relating to the business and financial affairs of the authority

(ii) That Cabinet noted the Church Street Masterplan Consultation Report and on the basis of the proposed amendments to that document as a result of the consultation approved the Church Street masterplan as the Council's delivery framework for the regeneration programme in Church Street.

(iii) That Cabinet noted that further consultation will need to be undertaken on each area where a CPO may in the future be required on the full range of options to include the "do nothing" or maintenance only and refurbishment options as well as development options.

(iv) That authority is delegated to the City Treasurer to enter into a funding agreement with the Greater London Authority to formalise the terms of the second phase of the Edgware Road Housing Zone funding.

(v) That authority is delegated to the Executive Director of Growth, Planning and Housing to approve acquisitions by the Council to acquire all leasehold interests in the blocks proposed for demolition (if a development option is approved in the future) situated within sites A, B and C, that are in addition to those identified in the Futures Plan where approval exists to offer the compensation policies within the Council's Policy on Leaseholders in Housing Renewal Area, designated as Church Street site 2, Blackwater House and Eden House, by agreement at market price.

(vi) That authority is delegated to the Executive Director of Growth, Planning and Housing to approve spending on feasibility activity in line with the HRA business plan.

1.2 The Members of the Church Street Ward have subsequently exercised their right that the decision be "called-in" for scrutiny by the Committee.

2. Recommendation

2.1 That the Committee reviews the decision outlined above and, in this instance, agrees one of the following options:

(a) To endorse the decision made by the Cabinet.

(b) To refer the matter back to the Cabinet for reconsideration.

3. Background

3.1 On 5 December 2017 notice of this decision was published in accordance with the Council's Constitution. This is set out in Appendix A.

3.2 On 11 December 2017 a valid call-in from Councillors Barbara Grahame, Aicha Less and Aziz Toki was received. Set out below is a note provided by the Councillors setting out the background to the reasons for the call-in together with a detailed response:

Q1. Height of Buildings: any final decision should await finalisation of the council's own policy document "Building Height: Getting the right kind of growth for Westminster" is completed. We certainly want the right kind of growth in Church Street. Meanwhile there is no rationale offered for the demolition of Kennet House, a popular 15 storey block on the North side of Church Street, and replacing it with a 16 storey block on the South Side that will cast a shadow over the street market.

Response:
The “Building Height” consultation response is feeding into the preparation of policies for the new City Plan on Building Height. The outcomes of the consultation will be factored into the design as it progresses.

The masterplan sets out the framework for development in Church Street, it is not a final decision on any demolition proposal or new building locations or heights. As noted in the Cabinet Report, further consultation and analysis is required and will be undertaken to inform the recommendations to Cabinet on the final scale and scope of the masterplan.

Q2. The updated masterplan does not comment on the retention of Westminster Adult Education Service in Westminster which is supported in the consultation. The service is hugely important in supporting regeneration, if the Masterplan is to be anything more than a building scheme.

Response:
Consultation responses asked for assurances on the reprovision of WAES. This is highlighted in page 29 of the Consultation Report – “Specify intentions around re-providing both Church Street library and Westminster Adult Education provision in consultation with service providers and users”. Page 39 of the updated Masterplan now includes this line: “New opportunities for jobs and training including the provision of the future needs of Westminster Adult Education Services in the area on one of the new masterplan sites.

WEAS has noted in the formal response to the Consultation that they have been assured that it is the intention to re-provide the adult education services.

Q3. Demolition on such a large scale versus renovation is not dealt with, and no information is given about which blocks are in such poor condition that they cannot be retained. Large scale demolition is notoriously detrimental especially in a high density area such as Church Street. Residents and businesses in blocks which are not to be demolished will be unnecessarily disturbed.

Response:
The 2012 Futures plan proposed 776 new homes. The increase to 1,750 new homes in the current proposal has been achieved in part due to additional homes being proposed for demolition than in the futures plan. This achieves better Place shaping through providing comprehensive neighbourhood infrastructure along with significant uplift in the quality, quantity and tenure range of new homes.

The proposal for demolition of existing units in the masterplan was arrived at via a comprehensive review of the area and in conjunction with the City for All Programme and City Plan. The masterplan produces 1,750 new homes, of which 50% will be Affordable Housing as defined by the Department for Communities and Local Government. The homes of existing tenants will be re-provided at social rent levels per the Mayor of London draft good practice guide for estate regeneration.

A requirement for further consultation based on the advancing design and analysis is noted in Section 9, Financial Implications.

The requirement for further information on the impact and approach to the market was noted in the Church Street Masterplan Consultation Report, and further information is provided on page 66 of the masterplan.

Q4. Housing tenure is crucial to the regeneration of Church Street. The updated Masterplan does not reflect the Mayor's Policy, the aim of 50% affordable housing, despite financial support and the Housing Zone. The reality of existing residents being unable to buy or rent so-called affordable housing. Existing tenants must not be driven out. Current over-crowing should be eliminated. The new policy for Leaseholders in regeneration areas needs careful monitoring. The current positive attitude to regeneration in Church Street will not survive if these issues are not properly considered and re-considered as need be.

Response:
The current proposed masterplan will deliver 50% affordable housing. This is detailed on page 98 of the Church Street masterplan. Of the 1,756 new homes proposed (rounded to 1,750 for publication), 891 are Affordable and 865 are for private sale, representing 50.7% Affordable Housing. Note that 100% of social housing demolished to enable the regeneration of Church Street will be re-provided on the same terms, in addition to new social housing being provided.

The number of new homes proposed for Church Street sites A, B, and C in the masterplan are per the number of new homes specified in the conditions of the GLA Edgware road Housing Zone funding.

The Cabinet Report Financial implications (8.3) note that the proposed Leaseholder Policy will impact upon the masterplan and the full impact will be known when the Leaseholder policy is finalised.

It is a fundamental objective of the masterplan to address the current and future needs of the Church Street residents, this informed the brief to the masterplan team and will continue to be a fundamental objective and consideration as the detail plans progress.

Q5. Demolition of Supported Housing, such as Lambourne House, is added to the Masterplan without any evidence that it will be replaced in the new scheme. Relocation of these residents will be particularly complex and needs mentioning in the Masterplan.

Response:
The provision of Supported Housing needs is noted on Page 36 of the Masterplan "Schemes will also provide a range of housing tenures and types to meet the needs of the existing and future population, which could include a range of affordable rented products, sheltered or supported housing or extra care housing. The need to meet this range of requirements is one of the key

reasons that the sites proposed are more comprehensive than in previous proposals for the area"

Q6. Protection of historic buildings: the Masterplan emphasis is so much on the 60s buildings, protecting much-loved historic buildings is barely mentioned. The gabled buildings on Edgware Road between Church Street and Marylebone Road, the Schoolkeeper's House on Cosway Street, Victorian and Georgian Houses and pubs will be defended by residents.

Response:
Concerns regarding the protection of historic buildings were not a key theme of the Consultation. However, the retention and celebration of buildings of architectural merit and historical significance is a key theme of the masterplan.

A detailed assessment of the historic buildings in the areas was undertaken in order to inform the masterplan. Further to consultation feedback, an additional study has been undertaken specifically in regard to the Edgware Road frontage, this will inform the consideration of future options. The consultation feedback noted a commitment to consider all options for the Edgware Road frontage.

All feedback regarding buildings of historical and architectural merit feedback were noted and will inform the future design considerations. As a custodian of extensive listed buildings and Conservation areas across the borough, the Council is highly experienced in dealing with development in sensitive areas. It is therefore confident that sensitive design solutions will be achieved.

Q7. The Regeneration Base at 99 Church needs to be reconsidered if it is to be capable of co-ordinating the roll-out of the Masterplan. It has not been able to establish its credibility with residents, traders, retailers or other stakeholders and seems understaffed and timid. Even committee papers for the Futures Steering Group stretch its capability.

Response:
The effectiveness and output of the Regeneration base is considered by Officers to have the resources, support and expertise required.

The Church Street Masterplan Consultation noted the high levels of resident and Business engagement undertaken by the Consultation Team based in 99 Church Street. Feedback has been taken on board regarding FSG papers and is being implemented with the FSG Chair.

The Church Street Masterplan consultation process and output were presented to the Policy & Scrutiny committee on the 6th November 2017. In the published minutes, the committee commended the wide range of consultation approaches that had been used and concluded that the consultation process had been well thought out and implemented.

Q8. Regrettably co-ordination between Ward councillors and City Hall is non-existent. Regular meetings between leading officers and councillors and leading residents and stakeholders should be considered.

Response:
The Church Street Futures Group (CSFG) and its sub groups provide information, advice, scrutiny and influence around the delivery of the vision for Church Street. Membership includes residents (both tenants and leaseholders), businesses, and local organisations representing the voluntary and statutory sectors, along with Church Street Ward Councillors and the Cabinet Member for Housing. The CSFG and Operations, People and Places Working Groups meet on a bi-monthly basis. This is set out in the agreed CSFG Charter.

3.3 The options available to the Committees are:

Option A: Endorse the decision taken by Cabinet.

Option B: Refer the decision back to the Cabinet. They should then reconsider the decision having regard to the views of the Policy and Scrutiny Committee within 10 working days, amending the decision or not, adopting a final decision. This option will have financial implications noted in section 4.1.

3.4 Further information on the project is set out at Appendix B to this report. This is the full report considered by the Cabinet on 4 December and may assist with answering questions from the Committee.

4. Financial Implications

4.1 It is a condition of the £23.5m Greater London Authority Edgware Road Housing Zone funding that WCC are in Contract with the GLA by the 31st of January 2018.

4.2 The Financial Implications of the Church Street Cabinet Report are set out in Appendix B.

5. Legal and Constitutional Implications

5.1 The Legal Implications of the Church Street Cabinet Report are set out in Appendix B.

5.2 The Council’s call in arrangements are set out in the constitution. These comply with the constitutional requirements. The options available to the committee are set out in Section 2 above. The third option set out in the constitution (referral to full Council) does not apply as the decision of the Cabinet is, in the view of the interim Chief Executive, in compliance with the Council’s Budget and Policy Framework.

Background Papers: None

Appendices:

Appendix A

The notice of decision in accordance with the Council's Constitution for the report considered by the Cabinet (5.12.17)

http://committees.westminster.gov.uk/ieDecisionDetails.aspx?ID=811

Appendix B

The report considered by the Cabinet (4.12.17)

http://committees.westminster.gov.uk/ieListDocuments.aspx?CId=130&MId=4199&Ver=4

This page is intentionally left blank

HOUSING, FINANCE & CORPORATE SERVICES POLICY AND SCRUTINY COMMITTEE

City of Westminster

Date:	15 January 2018
Status:	General Release
Title:	Treasury Management Strategy Statement for 2018/19 to 2022/23
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cabinet Member for Finance, Property and Corporate Services
Financial Summary:	The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that: 1. Its capital investment plans are prudent, affordable and sustainable; 2. The financing the Council's capital programme and ensuring that cash flow is properly planned 3. Cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.
Report of:	Steven Mair, City Treasurer

1. EXECUTIVE SUMMARY

1.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code for Capital Finance in Local Authorities 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.

1.2 The Act also requires the Council to set out a statement of its treasury management 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 Treasury Management Strategy Statement and Annual Investment Strategy must both have regard to guidance issued by the DCLG and must be agreed by the full Council.

1.3 This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2018/19 to 2022/23, and Annual Investment Strategy (AIS) for the year ended 31 March 2019, together with supporting information.

1.4 The TMSS and AIS form part of the Council's overall budget setting and financial framework, and will be finalised and updated as work on the Council's 2018/19 budget is progressed in January and February 2018.

2. RECOMMENDATIONS

2.1 The Committee is asked to note and provide any comments on the following elements of the proposed TMSS and AIS prior to their submission to Cabinet on the 19 February 2018:

- The Treasury Management Strategy Statement set out in sections 5 to 7;
- The prudential Indicators set out in section 8;
- The overall borrowing strategy and borrowing limits for 2018/19 to 2022/23 as detailed in section 6;
- The Investment strategy and approved investments set out in Appendix 1;
- The Minimum Revenue Provision Policy set out in Appendix 2.
- The adoption of the CIPFA treasury management code of practice revised December 2017 update (appendix 3)

3. REASONS FOR DECISIONS

3.1 To comply with the Local Government Act 2003, other regulations and guidance and to ensure that the Council's borrowing and investment plans are prudent, affordable and sustainable and comply with statutory requirements.

4. BACKGROUND INFORMATION

4.1 The Council is required to operate a balanced budget, which broadly means that monies received during the year will cover expenditure. The function of treasury management is to ensure that:

- The Council's capital programme and corporate investment plans are adequately funded;
- Cash is available when it is needed on a day to day basis, to discharge the Council's legal obligations and deliver Council services;
- Surplus monies are invested wisely.

4.2 The Council has formally adopted CIPFA's Code of Practice on Treasury Management, and follows the key requirements of the Code as set out in Appendix 3.

4.3 The TMSS covers three main areas summarised below:

4.3.1 Capital spending

- Capital spending plans
- Other investment opportunities
- Capital Finance Requirement (CFR) projections
- Affordability
- The Minimum Revenue Provision (MRP) policy (Appendix 2)

4.3.2 Borrowing

- Overall borrowing strategy
- Prospect for interest rates
- Limits on external borrowing
- Maturity structure of borrowing
- Policy on borrowing in advance of need
- Forward Borrowing
- Debt rescheduling

4.3.3 Managing cash balances

- The current cash position and cash flow forecast
- Prospects for investment returns
- Council policy on investing and managing risk
- Balancing short and longer term investments
- Improving investment returns

4.4 The Annual Investment Strategy (AIS) at Appendix 1 provides more detail on how the Council's surplus cash investments are to be managed in 2018/19. Approved schedules of specified and non-specified investments will be updated following consideration by Members and finalisation of 2018/19 budget plans.

5. SECTION 1 - CAPITAL SPENDING

Capital spending plans

5.1 Table 1 summarises the Council's capital expenditure plans, both in terms of those agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current expectations about whether these plans are to be financed by capital or revenue resources.

5.2 Compared with the forecast in the 2017/18 TMSS General Fund capital spend has slipped back by around £69m in 2016/17 to 2017/18 and there remains an element of further slippage in future years. The risks are that:

- continued slippage in new starts will push borrowing requirements to later years when interest rates are forecast to be higher than currently;
- slippage in the programme of capital receipts may increase the need to borrow in the medium-term.

Table 1 Capital spending and funding plans

2016/17 Actual £m		2017/18 Forecast £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	Total £m
	Expenditure							
118	General Fund	301	407	428	282	208	122	1,748
58	HRA	98	175	201	177	96	146	893
176	**TOTAL**	**399**	**582**	**629**	**459**	**304**	**268**	**2,641**
	Funding							
	General Fund							
(60)	Grants & Contributions	(128)	(155)	(197)	(135)	(83)	(51)	(749)
(4)	Capital Receipts Applied	(84)	0	(22)	(21)	(57)	(72)	(256)
	HRA							
(8)	Grants & Contributions	(4)	(24)					(28)
(15)	Capital Receipts Applied	(24)	(76)	(88)	(101)	(43)	(74)	(406)
(23)	Major Repairs Reserve	(21)	(21)	(21)	(21)	(21)	(21)	(126)
(1)	Revenue Financing	(49)	(41)	(45)	(55)	(32)	(51)	(273)
(111)	**TOTAL**	**(310)**	**(317)**	**(373)**	**(333)**	**(236)**	**(269)**	**(1,838)**
65	**Net finacing need for the year**	**89**	**265**	**256**	**126**	**68**	**(1)**	**803**

Other investment opportunities

5.3 As well as investing in assets owned by the Council and used in the delivery of services, the Council also invests, where appropriate, in:

- Infrastructure projects, such as green energy;
- Loans to third parties;
- Shareholdings in limited companies and joint ventures.

5.4 Such investments are treated as expenditure for treasury management and prudential borrowing purposes even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities will be agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Investment Strategy.

5.5 In addition the Council has a substantial commercial property portfolio which forms part of the investment strategy. In previous years, the Council has invested in traditional asset classes of offices, retail and industrial/logistics, which meet the Council's requirements for the income to be secure and reliable and the investments low risk.

5.6 Following a Cabinet decision in late 2015, the Council allocated funds to invest in commercial property commencing 2016/17. The aim is to diversify the property portfolio into sectors that have historically been considered alternatives but are increasingly being viewed as mainstream. The strategy focuses on increasing the income generated by the Council from its property holdings while also improving the quality of the Council's current portfolio. The Council has investigated a number of potential projects during 2017/18, although none of these have started development as of yet. These will be further progressed in 2018/19 within the overall context of the Council's annual investment strategy.

Capital Financing Requirement (CFR)

5.7 The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. Essentially it measures the Council's underlying borrowing need. Each year, the CFR will increase by the amounts of new capital expenditure not immediately financed.

5.8 Table 2 overleaf shows that the CFR will increase over the medium term. Consequently, the capital financing charge to revenue will increase, reflecting the capital spending plans.

Table 2 Capital Financing Requirement forecast

2016/17 Actual £m		2017/18 Forecast £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
	CFR as at 31 March						
260	General Fund	349	601	810	936	1,004	1,003
261	HRA	261	274	321	321	321	321
521	**TOTAL**	**610**	**875**	**1,131**	**1,257**	**1,325**	**1,324**
	Annual Charge						
51	General Fund	89	252	209	126	68	(1)
11	HRA	0	13	47	0	0	0
62	**TOTAL**	**89**	**265**	**256**	**126**	**68**	**(1)**
	Reason for Change						
65	Net financing	93	269	264	142	85	16
(3)	Less MRP	(4)	(4)	(8)	(16)	(17)	(17)
62	**TOTAL**	**89**	**265**	**256**	**126**	**68**	**(1)**

5.9 Table 3 below confirms that the Council's gross debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current year 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.

Table 3 Borrowing compared to the Capital Financing Requirement

2016/17 Actual £m		2017/18 Forecast £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
251	Gross Projected Debt	251	221	234	466	642	640
521	Capital Financing Requirement	610	875	1,131	1,257	1,325	1,324
270	**Under / (over) borrowing**	**359**	**654**	**897**	**791**	**683**	**684**

Affordability

5.10 The objective of the affordability indicators is to ensure that the level of investment in capital assets proposed remains within sustainable limits, and in particular, the impact on the Council's "bottom line" as reflected in the impact on council tax and rent levels. Table 4 below sets out the expected ratio of capital financing costs to income for both General Fund and HRA activities:

Table 4 Ratio of capital financing costs to income

2016/17 Actual %		2017/18 Forecast %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
0.32	General Fund	(2.50)	(0.61)	7.05	11.67	12.80	12.04
31.25	HRA	30.11	28.68	29.87	31.17	30.50	29.68

5.11 For the next two years, gross capital financing charges (loan interest, MRP and finance and PFI payments) for the General Fund capital programme are largely outweighed or balanced by income from investments and the commercial property portfolio. However, in future years the Council will begin to incur increasing capital financing charges in line with the forecast increase in the General Fund CFR in Table 2.

5.12 The capital financing charges arising from the HRA capital programme increase in line with the forecast increase income, hence capital charges as a proportion of the HRA net revenue stream remain fairly steady.

5.13 Table 5 below sets out the Incremental impact of the capital programme on council tax and housing rents.

Table 5 Impact of capital investment decisions on council tax and housing rents

2016/17		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£		£	£	£	£	£	£
(13.63)	Increase / (Decrease) in Council Tax(band D) per annum	(36.03)	(8.40)	97.47	161.42	176.98	166.42
(1.19)	Increase / (Decrease) in housing rent per week	(2.94)	(0.64)	2.05	4.29	0.31	1.36

5.14 For the General Fund capital programme, although the ratio of capital financing costs to income is relatively low as shown in Table 4 above, there is a much greater impact on council tax as shown in Table 5, because the Council has a very low council taxbase. The decreases in 2017/18 and 2018/19 of £36.03 and £8.40 per Band D council tax respectively, reflects the reduction in capital financing costs over the next two years, and the subsequent increase reflects the increase in capital charges as the capital programme progresses.

5.15 The capital charges from the HRA capital programme increase is gradual and therefore there is relatively little impact on weekly housing rents between years as shown in Table 5.

6. SECTION 2 - BORROWING

Overall borrowing strategy

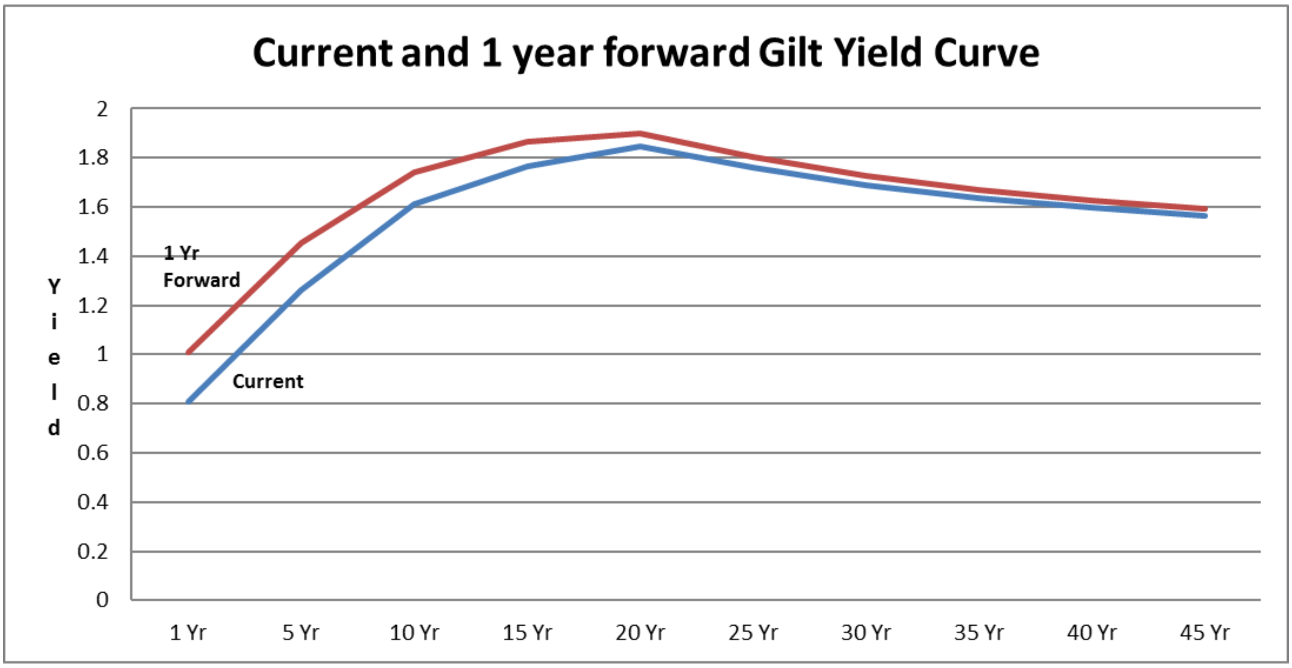
6.1 The Council's main objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio. The key factors influencing the 2018/19 strategy are:

- forecast borrowing requirements,
- the current economic and market environment, and
- interest rate forecasts.

6.2 The Council is currently maintaining an under-borrowed position. This means that capital expenditure has not been fully funded from loan debt as other funding streams (such as government grants and 3rd party contributions, use of Council reserves and cash balances and capital receipts) have been employed where available. This policy has served the Council well over the last few years while investment returns have been low and counterparty risk has been relatively high.

Prospects for Interest Rates

6. 3 However, the borrowing position needs to be kept under review to avoid incurring higher borrowing costs in future years when the Council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt. Market commentators are forecasting an increase in interest rates across all maturities (see graph below) – though a limited increase rather than a material change. More detail on their interest rate forecasts is at Appendix 4.



Source: Bloomberg

6.4 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury borrowing decisions. The Treasury Management team will continue to monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances (within their approved remit).

6.5 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.

6.6 In the event that interest rates rose beyond the forecast used in the capital programme the revenue interest cost to the Council would increase. A rise of an extra 1% per year during the Council's peak borrowing period of 20/21 – 21/22 would cost an additional £4.1m in interest payments per annum from 22/23.

Limits on external borrowing

6.7 The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 6 below. The limits have been increased by 10-20% per annum compared with the 2017/18 TMSS to reflect slippage in the capital programme from previous years. The limits are:

- **Authorised Limit for External Debt (Prudential Indicator 7a)** – This is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term.

- **Operational Boundary (Prudential Indicator 7b)** – This is the limit which external debt is not normally expected to exceed. The boundary is based on current debt plus anticipated net financing need for future years.

Table 6 Overall borrowing limits

2016/17 Actual £		2017/18 Forecast £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
	Authorised Limit for External:						
612	Borrowing and other long term liabilities	610	875	1,131	1,257	1,325	1,324
	Operational Boundary for:						
270	Borrowing	276	243	257	513	706	704
12	Other long term liabilities	11	11	11	10	10	10
282	**Total**	**287**	**254**	**268**	**523**	**716**	**714**

6.8 In addition, borrowing for the HRA has to remain within the HRA Debt Limit (prescribed in the HRA Self-Financing Determinations 2012) as detailed in the table below. Borrowing for the HRA is measured by the HRA CFR.

Table 7 HRA borrowing

2016/17		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£		£	£	£	£	£	£
334	HRA Debt Limit	334	334	334	334	334	334
261	HRA CFR	261	274	321	321	321	321
73	**Headroom**	**73**	**60**	**13**	**13**	**13**	**13**

6.9 The City Treasurer reports that the Council complied with these indicators in the current year and does not envisage difficulties for the future.

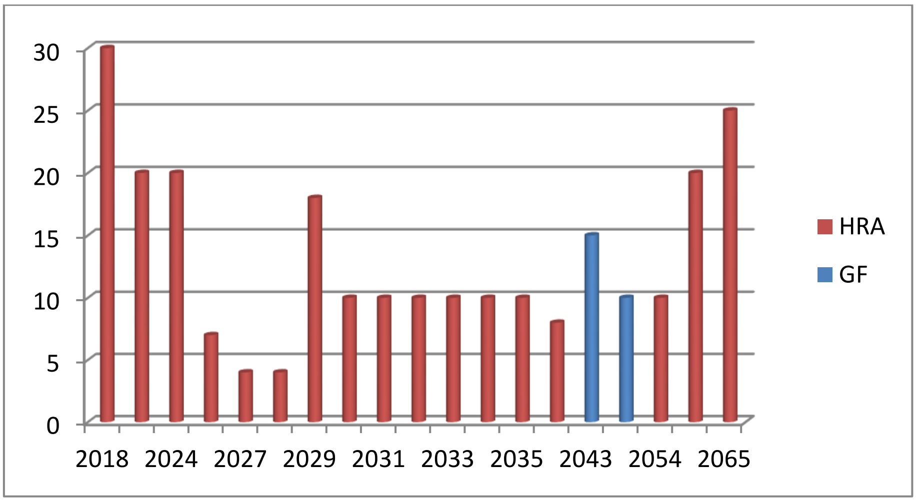
Maturity structure of borrowing (Prudential Indicator 10)

6.10 Managing the profile of when debt matures is essential for ensuring that the Council is not exposed to large fixed rate sums falling due for re-financing within a short period, and thus potentially exposing the Council to additional cost. Table 8 below sets out current upper and lower limits for debt maturity which are unchanged from 2017/18. The chart below shows the principal repayment profile for current council borrowing remains within these limits.

Table 8 Debt maturity profile limits

Actual maturity at 30 Sept 2016		upper limit	lower limit
%		%	%
0	under 12 months	40	0
12	12 months and within 24 months	35	0
8	24 months and within 5 years	35	0
11	5 years and within 10 years	50	0
69	10 years and above	100	35

Maturity profile of long-term borrowing



6.11 The Council has £70 million of LOBO (Lender Option Borrower Option) debt, none of which matures 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 need to be considered for re-financing.

6.12 In the event that there is a much sharper rise in long and short term rates than currently forecast, then the balance of the loan portfolio will be re-visited with a view to taking on longer term fixed rate borrowing in anticipation of future rate rises.

Policy on Borrowing in Advance of Need

6.13 The Council has the power to borrow in advance of need in line with its future borrowing requirements under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended. 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.

6.14 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.

Forward Borrowing

6.15 The Council has the ability to borrow at a future date for an agreed price now. This is appropriate for when the Council knows that it will be required to borrow in the future and wishes to lock in certainty of interest rate cost. The reason for doing this is that the cost of borrowing can fluctuate and may increase for the Council over a period of time. This does mean that the interest rate may be higher than what can be agreed for drawdown today.

6.16 The Council incorporates this option as part of a wider borrowing strategy, and will elect to forward borrow when it deems it to be a value for money option.

Debt Rescheduling

6.17 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be 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 cost of debt repayment (premiums incurred).

6.18 The reasons for any rescheduling to take place will include:

- generating cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.

6.19 Consideration will also be given to identifying the 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.

6.20 Any rescheduling will be reported.

7. SECTION 3 - MANAGING CASH BALANCES

The current cash position and cash flow forecast

7.1 Table 9 below shows that cash balances have increased by £382m in the past nine months which is mainly due to income such as council tax, business rates and grants received in advance. This is expected to be closer to £800m by year end.

Table 9 Cash position at 31 December 2017

As at 31 March 2017			As at 31 December 2017	
Principal	Average Rate		Principal	Average Rate
£m	%		£m	%
		Investments		
884	0.54	Specified	1,219	0.47
25	1.52	Non-Specified	74	0.42
909	**2**	**Total**	**1,293**	
		Borrowing		
181	4.75	Public works loan Board	181	4.75
70	5.08	Market Loans	70	5.08
251		**Total**	**251**	

7.2 The medium-term cash flow forecast (see below) shows that the Council has a substantial positive cash flow position with an average cash position fluctuating around £500m for the medium-term. The reason for the high cash balance is largely due to business rates and the amount held pending rating appeals of which are uncertain, and have been excluded from the table below.

Table 10 Medium-term cashflow forecast

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**909**	**732**	**591**	**445**	**477**	**525**
Movement in Cash						
Capital Receipt	108	76	110	122	100	146
Grants & Contributions	132	179	197	135	83	51
Revenue Financing / MRR	70	62	66	76	53	72
Cash In	**310**	**317**	**373**	**333**	**236**	**269**
Other Cash movements	(54)	11	(41)	(43)	(12)	(40)
HRA cash movements	(34)	1	(7)	1	0	0
Capital Programme	(399)	(582)	(629)	(459)	(304)	(268)
Cash Out	**(487)**	**(570)**	**(677)**	**(501)**	**(316)**	**(308)**
Borrowing	0	0	13	247	181	0
Repayment of debt	0	(30)	0	(15)	(5)	(2)
Balance 31 March	**732**	**449**	**300**	**509**	**573**	**484**
Average Balance	**821**	**591**	**445**	**477**	**525**	**505**

7.3 The Council aims to manage daily cash flow peaks and troughs to achieve a nil current account balance throughout the year. As such the average yearly surplus cash balances should be fully invested throughout.

Prospects for Investment Returns

7.4 Investment returns on cash-based deposits are likely to remain low during 2018/19 and beyond, despite the bank base rate rising to 0.5% on 2 November 2017. Borrowing interest rates were on a downward trend during most of 2016; they fell sharply to historically low levels after the EU exit referendum and then even further after the MPC meeting of August 2016 when a new package of quantitative easing purchasing of gilts was announced. As inflationary pressures have mounted in the past year the prospect of further interest rate rises have now increased. However, despite the November 2017 rate rise from the bank of England, the PWLB 25-year loan rate has fallen from 2.83% on 29 September 2017 to 2.67% on 12 December 2017.

7.5 Gilt yields remain volatile over concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The Council is therefore committed to investigating and pursuing asset backed securities and other alternatives to cash-based investments where it is considered prudent to do so.

Council policy on investing and managing risk

7.6 The aim is to manage risk and reduce the impact of any adverse movement in interest rates on the one hand but at the same time not setting the limits to be so restrictive that they impair opportunities to reduce costs or improve performance.

Balancing short and longer term investments

7.7 During the first half of 2017/18 investment of surplus funds for more than 364 days totalled £73m which was well within the upper limit for such investments of £450m.

Table 11 Investment limit

2016/17 Actual £		2017/18 Forecast £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
	Upper limit for fixed interest rate exposure						
251	Net principal re fixed rate borrowing	610	875	1,131	1,257	1,325	1,324
	Upper Limit for variable rate exposure						
0	Net Principal for variable rate borrowing	0	0	0	0	0	0
73	Upper Limit for principal sums invested for more the 364 days	450	450	450	450	450	450

Improving Investment Returns

7.8 An investment task force was set up to ensure that the Council made best use of its resources and ensure value for money was being achieved in its investment strategy. The task force contains both Council Members and Officers.

7.9 The task force met on 13 September 2017 to perform an in depth review on the Council's wider investment framework document and provide suggestions improvements. The review looked at the council's property portfolio, short and long term treasury investments, governance arrangements and the impact of investing in the pension fund.

7.10 After the meeting the following recommendations were made:

- The pension fund should be used as a benchmark for all Council investments due to the high long term rate of return.

- Council wide investments should aspire to match inflation

- Property and alternative investments should be focused initially within the borough, with out of borough investments considered as they arise subject to member decision.

- Investments in out of borough property should be considered individually and outweigh the benefits of investing in Borough (which can include non-commercial benefits e.g. Place making) and in a diversified property fund. Individual decisions should be subject to cabinet member approval.

- Governance arrangements for the investment strategy should be closer aligned to the Pension Fund Committee. The body responsible can then report to the council where formal decisions on the investment strategy will be taken.

7.11 These recommendations remain under review in relation to the investment framework and investment governance arrangements going forward.

8. SUMMARY OF PRUDENTIAL INDICATORS (PIs)

8.1 The purpose of prudential indicators (PIs) is to provide a reference point or "dashboard" so that senior officers and Members can:

- easily identify whether approved treasury management policies are being applied correctly in practice and
- take corrective action as required.

8.2 As the Council's s151 officer, the City Treasurer has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

8.3 The City Treasurer has confirmed that the PIs set out below are all expected to be complied with in 2017/18 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2018/19.

PI ref	Para ref		2016/17 actual	2017/18 forecast	2018/19 proposed
1	5.2	Capital expenditure	£176m	£399m	£582m
2	5.8	Capital Financing Requirement (CFR)	£521m	£610m	£875m
3	5.9	Net debt vs CFR	£270m underborrowing	£359m underborrowing	£654m underborrowing
4	5.10	Ratio of financing costs to revenue stream	GF 0.32% HRA 31.25%	GF (2.5)% HRA 30.11%	GF (0.61%) HRA 28.68%
5	5.12	Incremental impact of new capital investment decisions on council tax	£11.56 decrease in Band D council tax charge per annum	£36.03 decrease in Band D council tax charge per annum	£8.40 decrease in Band D council tax charge per annum
6	5.12	Impact of new capital investment decisions on housing rents	£13.63 decrease in average rent per week	£2.94 decrease in average rent per week	£0.64 decrease in average rent per week
7a	6.7	Authorised limit for external debt	£612m	£610m	£875m
7b	6.7	Operational debt boundary	£282m	£287m	£268m
7c	6.8	HRA debt limit	£334m	£334m	£334m
8	7.3	Working capital balance	£150m	£0m	£0m
9	7.7	Limit on surplus funds invested for more than 364 days (i.e. non-specified investments)	£25m	£100m	£450m
10	6.10	Maturity structure of borrowing	Upper limit under 12 months - 40% Lower limit 10 years and above - 35%	Upper limit under 12 months - 40% Lower limit 10 years and above - 35%	Upper limit under 12 months - 40% Lower limit 10 years and above - 35%

9. LEGAL IMPLICATIONS

9.1 The Director of Law comments that the legal requirements are set out in the 2003 Act, and in the subordinate legislation. The City Treasurer, as section 151 officer, has confirmed (paragraph 8.2) that the PIs are expected to be met in the current year.

Legal comments added by David Walker, Principal Solicitor, 020 7361 2211

10. APPENDICES

1 Annual Investment Strategy

2 Minimum Revenue Provision (MRP) Policy

3 CIPFA Requirements

4 Prospect for Interest Rates/ Economic Update

BACKGROUND PAPERS

Treasury Management Strategy Statement 2017/18 (Approved by Council March 2017)

1. Section 3 Local Government Act 2003
2. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended
3. DCLG Guidance on Minimum Revenue Provision 2012
4. DCLG Guidance on Local Government Investments – March 2010
5. CIPFA Prudential Code for Capital Finance in Local Authorities, 2011
6. CIPFA Treasury Management Code of Practice, 2011

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

Steven Mair, City Treasurer

Tel: 020 7641 2904

Email: smair@westminster.gov.uk

ANNUAL INVESTMENT STRATEGY

1. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the first half of the current year, the Council's average investment balance has been around £1,184m and the cash flow projections show this pattern is expected to continue in the forthcoming year. Investments are made with reference to the core balance, future cash flow requirements and the outlook for interest rates.

2. The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Investment Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then yield.

3. In accordance with the above guidance and to minimise the risk to investments, the Council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties which will provide security of investments, enable diversification and minimise risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Investment returns expectations

4. The Bank Rate was cut in August 2016 from 0.50% to 0.25%. Subsequently the MPC has now increased the Bank Rate by 0.25% to 0.50% in November 2017. The question still remains as to whether or not they will stop at this point for a lengthy pause, or will launch into a series of further rate increases in 2018. The Bank Rate forecasts for financial year ends (March) are:

   2018/19: 0.50%
   2019/20: 0.75%
   2020/21: 1.00%
   2021/22: 1.25%
   2022/23: 1.50%

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows

   2018/19: 0.50%
   2019/20: 0.75%
   2020/21: 1.00%
   2021/22: 1.25%
   2022/23: 1.50%

Investment time limits

6. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2018/19, the proposed limit of investments for over 364 days is £450m as set out in table 11 of the TMSS.

Investment Policy

7. The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

8. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness Policy

9. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

10. The City Treasurer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

11. The Council takes into account the following relevant matters when proposing counterparties:

- the financial position and jurisdiction of the institution;
- the market pricing of credit default swaps[1] for the institution;
- any implicit or explicit Government support for the institution;
- Standard & Poor's, Moody's and Fitch's short and long term credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries; and
- Core Tier 1 capital ratios[2].

---

[1] Credit Default Swaps (CDS) are tradable 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.

[2] 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%.

12. Changes to the credit rating will be monitored and in the event that a counterparty is downgraded and does not meet the minimum criteria specified in Appendix 1, the following action will be taken immediately:

- no new investments will be made;

- existing investments will be recalled if there are no penalties; and

- full consideration will be given to recall or sale of existing investments which would be liable to penalty clause.

Specified and Non-specified investments

13. The DCLG Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions 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:

- The investment and any associated cash flows are denominated in sterling;
- The investment has a maximum maturity of one year;
- The investment is not defined as capital expenditure; and
- 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.

14. A non-specified investment is any investment that does not meet all the conditions above. In addition to the long-term investments listed in the table at the end of Appendix 1, the following non-specified investments that the Council may make include:

- **Green Energy Bonds** - Investments in solar farms are a form of Green Energy Bonds that provide a secure enhanced yield. The investments are structured as unrated bonds and secured on the assets and contracts of solar and wind farms. Before proceeding with any such investment, internal and external due diligence will be undertaken in advance of investments covering the financial, planning and legal aspects.

- **Social Housing Bonds** – Various fund managers facilitate the raising of financing housing associations via bond issues. The investment is therefore asset backed and provides enhanced returns. Officers will need to undertake due diligence on each potential investment in order to understand the risks and likelihood of default.

- **Asset Backed Securities (ABS) / Residential Mortgage backed securities (RMBS)** – As these securities by their nature are asset backed they are regarded as low risk should a default take place, but have a higher return. These are available for direct investment, or as pooled / segregated assets managed by a third party fund manager. In the event of a fund manager option being selected, this would need to be procured through a proper procurement process.

- **Loans** - The Council will allow loans (as a form of investment) to be made to organisations delivering services for the Council where this will lead to the enhancement of services to Westminster Stakeholders. The Council will undertake due diligence checks to confirm the borrower's creditworthiness before any sums are advanced and will obtain appropriate levels of security or third party guarantees for loans advanced. The Council would expect a return commensurate with the type, risk and duration of the loan. A limit of £50 million for this type of investment is proposed with a duration commensurate with the life of the asset and Council's cash flow requirements. The operator of Westminster's leisure centres is seeking to borrow £1.25 million to finance a refurbishment of the leisure centres and this category would be the first call on this type of investment opportunity. All loans would need to be in line with the Council's Scheme of Delegation and Key Decision thresholds levels

- **Shareholdings in limited companies and joint ventures** – The Council invests in three forms of company:

  - Small scale businesses funded through the Civic Enterprise Fund aimed at promoting economic growth in the area. Individual investments are no more than £0.5m and the aim is for the Fund to be self-financing over the medium-term.

  - Trading vehicles which the Council has set up to undertake particular functions. These are not held primarily as investments but to fulfil Council service objectives. For example, CityWest Homes is a company limited by guarantee to run the housing arms-length management organisation. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break even.

  - Trading vehicles held for a commercial purpose where the Council is obliged to undertake transactions via a company vehicle. These will be wholly owned subsidiaries of the Council with the aim of diversifying the investment portfolio risk.

15. For any such investments, specific proposals will be considered by the Director of Treasury and Pensions, and approved by the s151 Officer after taking into account:

    - cash flow requirements
    - investment period
    - expected return
    - the general outlook for short to medium term interest rates
    - creditworthiness of the proposed investment counterparty
    - other investment risks.

16. The value of non-specified investments will not exceed their Investment allocation. The Council must now formulate a strategy that allocates its cash in the most effective manner to short, medium and long term non-specified investments.

Country of Domicile

17. The current TMSS allows deposits / investments with financial entities domiciled in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA. This list will be kept under review and any proposed changes to the policy reported to the next meeting

Schedule of investments

18. The criteria for providing a pool of high quality short, medium and long-term, cash-based investment counterparties along with the time and monetary limits for institutions on the Council's counterparty list are in the table overleaf:

All investments listed below must be sterling denominated*

Investments	Minimum Credit Rating Required (S&P/Moody's/Fitch)	Maximum Individual Counterparty Investment Limit (£m)	Maximum tenor
DMO Deposits	Government Backed	Unlimited	6 months
UK Government (Gilts/T-Bills/Repos)	Government Backed	Unlimited	Unlimited
Supra-national Banks, European Agencies	LT: AA/Aa/AA	£200m	5 years
Covered Bonds	LT: AA/Aa/AA	£300m	10 years
Network Rail	Government guarantee	Unlimited	Oct 2052
TfL	LT: AA/Aa/AA	£100m	5 years
GLA UK Local Authorities (LA) Local Government Association (LGA)	N/A	GLA : £100M	5 years
		LA: £100m per LA, per criteria £500m in aggregate	3 years
		LGA: £20m	15 years
Commercial Paper issued by UK and European Corporates	ST: A-1/P-1/F-1	£40m per name, £200m in aggregate	6 months
Money Market Funds (MMF)	LT: AAA/Aaa/AAA By at least two of the main credit agencies	£70m per Fund Manager £300m in aggregate	3 day notice
Ultra Short Dated Bond Funds (USDBFs)	LT: AAA/Aaa/AAA By at least one of the main credit agencies	£25m per fund manager, £75m in aggregate	Up to 7 day notice
Collateralised Deposits	Collateralised against loan	£100m	50 years
Social Housing Bonds	Due Diligence	£200m	10 years
Asset backed securities (ABS) and Residential mortgage backed securities (RMBS)	Asset Backed / Due Diligence	£200m	10 years
UK Bank (Deposit or Certificates of Deposit)	LT: AA-/Aa3/AA- ST: F1+	£75m	5 years
UK Bank (Deposit or Certificates of Deposit)	LT: A-/A3/A ST: F1	£50m	3 years
Non-UK Bank (Deposit or Certificates of Deposit)	LT: AA-/Aa2/AA- ST: F1+	£50m	5 years
	LT: A/A2/A ST: F1	£35m	3 years
Green Energy Bonds	Internal and External due diligence	Less than 25% of the total project investment or maximum £20m per bond. £50m in aggregate	10 years
Rated UK Building Societies	LT: A-/A3/A ST: F1	£10m per Building Society, £50m in aggregate	1 year
Loans to organisations delivering services for the Council	Due diligence	£50m in aggregate	Over the life of the asset
Sovereign approved list (AA rated and above): Australia, Canada, Denmark, Finland, France, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA			

Rationale for investment limits

19. Debt Management Office (DMO): Unlimited. The DMO is an executive agency of Her Majesty's Treasury. Being fully UK government backed, the DMO is the ultimate low risk depositary. Being ultra-low risk, the investment return is very low.

20. UK Government Gilts/T-Bills/Repos: Unlimited. UK Government gilts are regarded by the market as high quality and ultra-low risk. Being ultra-low risk, the investment return is very low.

21. Supra-national Banks, European Agencies: £200m limit. A supra-national bank is a financial institution, such as the European Investment Bank or the World Bank, whose equity is owned by sovereign states. Being owned by overseas states, they are regarded as being very low risk, but not in the same safe risk category as UK. The investment return is very low.

22. Covered Bonds: £300m limit. Covered bonds are debt securities issued by a bank or mortgage institution and collateralised against a pool of assets that, in case of failure of the issuer, can cover claims at any point of time. They are subject to specific legislation to protect bond holders. With slightly more risk. the investment return is higher than UK Gilts.

23. Residential Mortgage Backed Securities (RMBS): £200m limit. A residential mortgage backed security is a pool of mortgage loans created by banks and other financial institutions. The cash flows from each of the pooled mortgages is packaged by a special-purpose entity into classes and tranches, which then issues securities and can be purchased by investors. Being asset backed, they are regarded as being reasonably low risk should a default take place, but with a higher return.

24. Network Rail: Unlimited. Network Rail is the owner and infrastructure manager of most of the rail network in England, Scotland and Wales. Having a UK government guarantee, they are regarded as being reasonably low risk with a lower investment return.

25. Transport for London (TfL): £100m limit. Transport for London is a local government body responsible for the transport system in Greater London. Its parent organisation is the Greater London Authority (GLA). Being a GLA owned entity, the investment is regarded as safe and the return is low.

26. Greater London Authority (GLA): £100m limit. The Greater London Authority is the top-tier administrative body for Greater London, consisting of a directly elected executive Mayor of London and an elected 25-member London Assembly. Being categorised alongside UK local authorities, the investment is regarded as safe and the return is low.

27. UK Local Authorities: £100 limit per authority, £500m in total. This has been increased from £200m on the basis that local authorities have always been regarded as safe counterparties. As an additional safeguard, each new local authority counterparty will be subject to checks regarding latest accounts, audit opinion, financial projections, and financial reputation. There are 326 billing authorities with tax-raising powers in England, consisting of 201 non-metropolitan district councils, 55 unitary authority councils, 36 metropolitan borough councils, 32 London borough councils, the City of London Corporation and the Council of the Isles of Scilly. Additionally, there are levying authorities, consisting of 45 police authorities, 52 fire authorities and six waste disposal

authorities. Having never defaulted in history, UK local authorities and levying authorities are regarded as safe and the return is relatively low. Each new counterparty should be subject to check of latest accounts, any audit issues reported in the latest ISA260 reports, the latest budget position reported to council (to identify if there any potential financial health issues) and officer knowledge of the authority's latest financial reputation.

28. Local Government Association: £20m. The Local Government Association (LGA) is a charitable organisation, funded largely from subscriptions, which comprises local authorities in England and Wales, representing the interests of local government to national government. 435 authorities are members of the LGA as of 2016, including 349 English councils and the 22 Welsh councils, as well number of smaller authorities including fire authorities and national parks. Despite being an entity which represents local authorities, the entity is not regarded as risk free as local authorities and therefore the limit is lower at £20m.

29. Commercial Paper issued by the UK and European Corporates: £40m per name, £200m in total. Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Investment is confined to high quality investment grade corporates. The risk and investment return are higher than the sovereign categories.

30. Money Market Funds (MMF): £70m per manager, £300m in total. Money market funds are open-ended funds that invests in short-term high quality debt securities such as Treasury bills and commercial paper. Money market funds are widely regarded as being as safe as bank deposits, yet providing a higher yield. Being well diversified but investing with higher risk counterparties and instruments, the risk and investment return are higher.

31. Ultra short dated bond funds (USDBFs): £25m per manager, £75m in total. Enhanced money market funds increase returns via increasing interest rate, credit and liquidity risk in order to enhance the return. Being well diversified reduces the impact of a single default within the portfolio.

32. Collateralised Deposits: £100m. In lending agreements, collateral is a borrower's pledge of specific property to a lender to secure repayment of a loan, serving as a lender's protection against a borrower's default. Being asset backed, they are regarded as being reasonably low risk should a default take place, but with a higher return.

33. UK Bank Deposits: £75m per bank. Banks have become a riskier counterparty since the recent bail outs of Lloyds and RBS. The Financial Services (Banking Reform) Act 2013 confers on the Bank of England a bail-in stabilisation option for the resolution for banks and building societies, ensuring that shareholders and creditors/depositors of the failed institution, rather than the taxpayer, meet the costs of the failure. Despite the bail-in risk, the return on UK bank deposits is relatively low.

34. Non-UK Bank Deposits: £50m (Sterling deposits only) per bank. Overseas banks incorporated in the UK provide a number of options for high quality institutions with returns largely similar to UK banks.

35. Green Energy Bonds: £20m per bond, £50m in total (subject to due diligence). This comprises of finance for the supply of electricity from renewable energy sources, particularly in areas such as energy storage and electric vehicle networks. This category is greater risk and will provide an enhanced return. Use should be made of

regulated markets where available in order to provide additional investment security and risk reduction.

36. Social Housing Bonds: £200m in total. Housing associations are increasingly issuing public bonds, secured against social housing assets, to meet financing requirements. This category is greater risk and will provide an enhanced return.

37. Rated Building Societies: £10m per building society, £50m in total. Same rationale as UK banks, see above.

38. Loans to organisations delivering services to the Council: £50m in total. Assessed individually and subject to due diligence. At markets rates of interest and reflecting the risk of the borrower, this will offer an enhanced rate of return.

Minimum Revenue Provision (MRP) Policy

1. Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.

2. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2003) requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

3. The Council is recommended to approve the following MRP Statement:

   - For capital expenditure incurred before 1 April 2007, MRP will be calculated using Option 1 (the 'Regulatory Method') of the CLG Guidance on MRP. Under this option MRP will be 4% of the closing non-HRA CFR for the preceding financial year.

   - For all capital expenditure incurred after 1 April 2007 financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon the asset life method under Option 3 of the DCLG Guidance.

   - In some cases, where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.

   - A voluntary MRP may be made from either revenue or voluntarily set aside capital receipts.

   - Estimated life periods and amortisation methodologies 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, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

- Charges included in annual PFI or finance leases to write down the balance sheet liability shall be applied as MRP.

- Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

- If property investments are short-term (i.e. no more than 4 years) and for capital appreciation, the Council will not charge MRP as these will be funded by the capital receipt on disposal.

4. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. For the Council this is componentised based on the life of component and the gross replacement cost within the overall existing use value – social housing of the HRA stock.

CIPFA requirements

The Council has formally adopted CIPFA's Code of Practice on Treasury Management (updated November 2011) and complies with the requirements of the Code as detailed in this appendix. There are no changes to the requirements to be formally adopted in the 2017 update, these are listed below:

- Maintaining a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities.

- Maintaining a statement of Treasury Management Practices that sets out the manner in which the Council will seek to achieve these policies and objectives

- Presenting the Full Council with an annual TMSS statement, including an annual investment strategy and Minimum Revenue Provision policy for the year ahead (this report) a half year review report and an annual report (stewardship report) covering compliance during the previous year

- A statement of delegation for treasury management functions and for the execution and administration of statement treasury management decisions. (see below).

- Delegation of the role of scrutiny of treasury management activities and reports to a specific named body. At Westminster City Council this role is undertaken by the Housing, Finance and Corporate Services Policy and Scrutiny Committee.

Treasury Management Delegations and Responsibilities

The respective roles of the Council, Cabinet, Housing, Finance and Corporate Services Policy and Scrutiny committee and Section 151 officer are summarised below. Further details are set out in the Treasury Management Practices.

<u>Council</u>

Council will approve the annual treasury strategy, including borrowing and investment strategies. In doing so Council will establish and communicate their appetite for risk within treasury management having regard to the Prudential Code

<u>Cabinet</u>

Cabinet will recommend to Council the annual treasury strategy, including borrowing and investment strategies and receive a half-year report and annual out-turn report on treasury activities.

Cabinet also approves revenue budgets, including those for treasury activities.

<u>Housing, Finance and Corporate Services Policy and Scrutiny Committee</u>

This committee is responsible for ensuring effective scrutiny of the Treasury strategy and policies.

<u>Section 151 Officer</u>

Council has delegated responsibility for the implementation and monitoring of treasury management decisions to the Section 151 Officer to act in accordance with approved policy and practices. The s151 Officer has full delegated powers from the Council and is responsible for the following activities:

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

Director of Treasury and Pension Fund

Has responsibility for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

Treasury Team

Undertakes day to day treasury investment and borrowing activity in accordance with strategy, policy, practices and procedures.

Training

The CIPFA code requires the s151 officer to ensure that Members with responsibility for making treasury management decisions and for scrutinising treasury functions to receive adequate training. The training needs of all officers are reviewed periodically as part of the Learning and Development programme. Officers attend various seminars, training sessions and conferences during the year and appropriate Member training is offered as and when needs, and suitable opportunities, are identified.

Prospects for Interest Rates

1. The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

2. Capita Asset Services undertook its last review of interest rate forecasts on 9 August 2017 after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate “over the coming months”. Such an increase was implemented on 2 November 2017. The question is now as to whether the MPC will stop , or whether they will embark on a series of further increases in Bank Rate during 2018.

3. The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

4. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
   - UK economic growth and increases in inflation are weaker than we currently anticipate.
   - Weak growth or recession in the UK’s main trading partners - the EU and US.
   - Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
   - A resurgence of the Eurozone sovereign debt crisis.
   - Weak capitalisation of some European banks.
   - Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

5. The potential for upside risks to current forecast for UK gilt yields and PWLB rates, especially for longer term PWLB rates include;

- The pace and timing of increases in the Fed. Funds Rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.

- UK inflation returning to significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Economic Update

6. **UK.** After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. . The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

7. The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the

EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

8. The MPC have subsequently increased the Bank Rate to 0.5% in November. The big question now is whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

9. **EU.** Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

10. **USA.** Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

11. **Chinese economic growth** has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

12. **Japan** is struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

This page is intentionally left blank