



CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held on **Monday 15th October, 2018**, Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Nickie Aiken (Chairman), Heather Acton, Ian Adams, Richard Beddoe, David Harvey, Tim Mitchell, Rachael Robathan, and Andrew Smith,

Also Present: Councillors Melvyn Caplan, Angela Harvey and Gotz Mohindra

1 WELCOME

1.1 The Leader welcomed everyone to the meeting.

2 DECLARATIONS OF INTEREST

2.1 Councillor Angela Harvey declared that she is a Board Director of CityWest Homes.

3 MINUTES

3.1 The Leader, with the consent of the Members present, signed the minutes of the meeting held on 9 July 2018 as a true and correct record of the proceedings.

4 2019-2020 BUDGET PROPOSALS

4.1 Steve Mair, City Treasurer, introduced the report. He explained that detailed proposals were once again being submitted earlier than in previous years in order to allow for longer implementation and therefore achieve full year effect of savings.

4.2 Councillor Melvyn Caplan, Chairman of the Budget and Performance Task Group, addressed the meeting. He drew attention to the notes of the Task Group's meetings included in the report. He confirmed that the Task Group had undertaken detailed work and had found the budget to be robust. He explained that the Task Group had for the first time held a dedicated meeting on reviewing the capital programme. More detailed scrutiny on managing the Council's capital programme will be considered by the Housing, Finance &

Customer Services Policy and Scrutiny Committee at its November meeting. The task group had considered the income proposals to be both reasonable and achievable. He commented that the economic climate is such that the Council should not be over reliant on elements that it cannot control. He thanked the Members and Officers who had given a significant amount of time to the scrutiny process.

4.3 The Leader thanked the Task Group and officers for all of their detailed work. This was supported by Councillor Robathan who commented that a significant amount of work had been undertaken to identify the required level of savings due to the very significant reduction in grant funding. The proposals had been rigorously reviewed with all Council colleagues. She expressed gratitude to the City Treasurer and his team for their work.

4.4 **Resolved:**

1. That having considered and had regard to the Equality Impact Assessments (EIA) in Annex B to the report and considered the views of the Budget and Performance Task Group set out in Annex A to the report, that the Cabinet recommended to Full Council the following:
 - the budget proposals, set out in Annexes B and C to the report, for the 2019/20 budget where relevant external consultations have been completed (remaining consultations are on savings items outlined in 19.1 and as reviewed by the Budget and Performance Task Group as detailed in Annex A;
 - in principle, the budget proposals for the 2019/20 budget where relevant external consultations have not been completed as separately listed in Section 19 are approved. Such proposals will be further considered, by Full Council on 6 March 2019, once all consultations and EIAs (Equality Impact Assessments) have been completed.
 - the financial regulations noted in Section 19.6 and set out at Annex D to the report.
2. Agreed to receive a further report in February 2019 which will finalise the budget for 2019/20 for approval by Council on 6 March 2019.

Reasons for Decision

1. The presentation of this budget proposals report offers an early opportunity to note and approve budget changes for the 2019/20 financial year.
2. All proposals have been assessed for whether they require consultations and equality impact assessments, whether these have been completed or not and, where they have not been completed,

timescales for completion. Completed EIAs are available to all members at Annex B.

5 CAPITAL STRATEGY 2019-2020 TO 2023-2024, FORECAST POSITION FOR 2018-2019 AND FUTURE YEARS' FORECASTS SUMMARISED UP TO 2032-2033

- 5.1 Steve Mair, City Treasurer, stated that the Capital Programme is ambitious and reflects and supports the strategic aims and vision of the Council as defined in its City for All Programme. He referred Cabinet to the governance processes to manage the programme which were set out in the report.
- 5.2 Councillor Robathan stated that it is correct and right for the Council to have an ambitious capital programme so that residents, businesses and visitors have the confidence that the necessary infrastructure is being delivered to enable the city to grow and thrive. She commented that the capital programme has not always received same level of focus as the revenue element of the budget and that in the past there had been challenges in delivery. A Programme Management Office had been established to provide a stable framework and robust governance to support and oversee all project teams and stakeholders to improve the probability of successful delivery of projects. The programme will be kept under review by the Capital Review Group on a regular basis.
- 5.3 The Leader of the Council referred Cabinet to paragraph 10.16 of the report which set out the Place Shaping capital budget to fund the Oxford Street District programme.

Recommendations

That Council be recommended:

1. To approve the capital strategy as set out in the report.
2. To approve the capital expenditure for the General Fund as set out in Appendix A to the report for 2019/20 to 2023/24 and future years to 2032/33.
3. To approve the capital expenditure forecasts for the General Fund as set out in Appendix A to the report for 2018/19 (Period 4).
4. To approve the expenditure forecast for 2018/19 (Period 4) for the HRA as set out in Appendix B to the report.
5. To approve that in the event that any additional expenditure is required by a capital scheme over and above this approved programme the revenue consequences of this will be financed by revenue savings or income generation from relevant service areas.
6. To approve that all development and investment projects, along with any significant projects follow the previously approved business case governance process as set out in paragraphs 5.1 and 6.5 to 6.14 to the report.

7. To approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced.
8. To approve that contingencies in respect of major projects are held corporately, with bids for access to those contingencies to be approved by the Capital Review Group (CRG) in the event that they are required to fund capital project costs, as detailed in Sections 12.11 to 12.14 to the report.
9. To approve the council plans to continue its use of capital receipts to fund the revenue costs of eligible proposals (subject to full business cases for each project). This comes under the MHCLG Guidance on the Flexible Use of Capital Receipts (FCR), if considered beneficial to the Council's finances by the City Treasurer at year-end. (The Council's strategy for flexible use of capital receipts is outlined in section 11 to the report)
10. To approve the use of a further £7.193m of flexible use capital receipts to fund revenue costs associated with City Hall, Network and Telephony Transformation and Technology Refresh projects as detailed in section 11.9 and 11.14 to 11.24 to the report.
11. To approve the Council's proposal to make use of £400m of forward borrowing to finance the capital programme and subsequently reduce the longer-term revenue impact.
12. To approve the financing of the capital programme and revenue implications as set out in paragraphs 14.1 to 14.33 to the report.
13. To approve the financing of the capital programme being delegated to the City Treasurer at the year end and to provide sufficient flexibility to allow for the most effective use of Council resources.

Reasons for Decision

The Council is required to set a balanced budget, and the capital programme, together with the governance process, which monitors and manages the programme, forms part of this process.

6 HOUSING INVESTMENT STRATEGY AND HOUSING REVENUE ACCOUNT BUSINESS PLAN 2019-2020

- 6.1 Barbara Brownlee, Executive Director, Growth, Planning and Housing advised that the report set out particularly ambitious plans to improve the Council's housing stock and deliver increased affordable housing targets.
- 6.2 Barbara Brownlee explained that the plan did not account for the removal of the HRA borrowing cap as this was announced following the publication of the agenda. Nor did it reflect the true cost of delivering the regeneration of the Ebury Bridge Estate. A report on the latter containing an updated budget will be presented to a future Cabinet meeting.

- 6.3 Barbara Brownlee highlighted that the Council is operating close to the current borrowing cap. She commented that while the removal of the cap is a very positive step, the Council can only borrow what it can afford. The plan will be reviewed in light of this change and a report on this will be presented to Cabinet at its meeting in February. The current plan can deliver all of the housing priorities defined in the Council's City for All programme. This will, however, depend on Capital Receipts coming in. She advised that Housing Officers were working closely with Finance colleagues to ensure that these come in on schedule.
- 6.4 Councillor Rachael Robathan stressed that the Council is committed to delivering more affordable homes and is on track to do so. She acknowledged that any further borrowing as a result of the removal of the cap would need to be subject to prudential considerations. The removal of the cap, which was welcomed by the Leader, provides the Council with greater flexibility rather than having to make the difficult choice between undertaking maintenance of its existing stock or developing affordable homes.

Resolved:

1. That the indicative HRA capital programme budgets for 2019-2020 to 2023-2024 set out in Appendix B of the report be noted.
2. That the indicative HRA revenue budget for 2019-2010 (Section 11 and Appendix C to the report) be noted.

Reasons for Decision

The plans outlined in the report will enable the Council to invest in maintaining and improving the existing stock of homes and neighbourhoods within its management, while also delivering wider benefits to the City's residents and businesses. The financial plan will ensure the housing stock continues to meet the housing needs with which the city is faced; and ensure the HRA remains sustainable and viable over the long term. This plan has been developed within existing borrowing limits.

The budgets are due for noting at this point before formal Council approval in March 2019. Further review will be undertaken during the intervening period to model the impact of any changes to capital or revenue programmes. This will ensure the approved HRA programme will be as robust as possible at that point in time. The following will be reviewed in advance of budgets being formally presented for approval:

- Details of the Government announcement on the removal of the borrowing cap and any other associated measures that may be brought in.
- Ebury Bridge delivery assumptions will be refined which may change the impact on the HRA. A paper is anticipated to go to Cabinet in the autumn and any resulting changes to the delivery model fed into the business plan.

- Whilst the plan is affordable within existing limits, there is little or no headroom over the first 10 years of the plan. Therefore further work would be undertaken to try to increase the headroom to build in additional mitigation against risk.
- Subject to the detail of the recent government announcement however, this may no longer be necessary.
- Subject to the detail on the announcement, it may be possible to revisit scheme phasings as well as how much can be undertaken within the business plan.

7 TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2019-2020 TO 2023-2024

Steve Mair, City Treasurer, explained that this was an annual report as required by financial regulations.

Resolved:

2.1 The Council be recommended to approve:

- the Treasury Management Strategy Statement;
- the borrowing strategy and borrowing limits for 2019/20 to 2023/24 set out in sections 5 to 7 to the report;
- the prudential Indicators set out in section 8 to the report;
- the Annual Investment strategy and approved investments set out in Appendix 1 to the report;
- the Minimum Revenue Provision Policy set out in Appendix 2 to the report.

Reasons for Decisions

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.

8 INTEGRATED INVESTMENT FRAMEWORK 2019-2020

Steve Mair, City Treasurer, introduced the report. He advised that this is the second framework that brings together all of the Council's investments into a single, holistic framework in order to obtain better value for money.

Resolved:

That the Council be recommended to:

- a) approve and implement the Integrated Investment Framework set out in the report;
- b) approve that the target for the overall return on Council investments should aspire to match inflation;

- c) approve that the benefits of investing in the Pension Fund should be used as a benchmark when evaluating other investments;
- d) adopt the asset allocation percentages set out in the Framework and work towards achieving these;
- e) agree that the overarching objective of this Framework is to achieve an overall return on Council investments aspiring to match inflation and to reduce costs and liabilities, whilst maintaining adequate cash balances for operational purposes, and not exposing the capital value of investments to unnecessary risk;
- f) approve that investments allocated to out-of-borough property developments should be considered individually and should outweigh the benefits of investing in-borough (which can have a number of non-commercial benefits, e.g., place making) and in a diversified property fund. Individual decisions should be subject to Cabinet Member approval;
- g) approve that the property and alternative asset allocation should focus on in-borough, with out of borough options being explored as and when they arise and subject to Cabinet Member approval;
- h) the Investment Executive to implement, monitor and report on the investment strategy.

Reason for Decision

The implementation of an Integrated Investment Framework will influence investment decisions going forwards and deliver added value to Council services. The report identified the potential for future improved returns.

9 STRATEGIC OPTIONS FOR CITYWEST HOMES

- 9.1 Having declared a prejudicial interest, Councillor Angela Harvey left the room during the consideration of the item.
- 9.2 Barbara Brownlee, Executive Director of Growth, Planning and Housing, summarised the background to the proposals to return the housing management functions outsourced to CWH to the Council's direct control. She reported that discussions had been held with the CWH board who had indicated a willingness to work with the Council to terminate the management agreement by 1st April 2019. She explained that should Cabinet approve the proposals, not everything would be completed by this date.
- 9.3 Councillor Andrew Smith, Cabinet Member for Housing and Customer Services, referred to residents' dissatisfaction with the service provided by CWH and performance since last summer. This had resulted in an independent review of CWH being commissioned by the Leader and Councillor Robathan in March 2018. He stated that CWH had developed a management culture that was not delivering what the Council expected and did not align with the Council's resident led approach to the management of the housing service. He believed that bringing the housing management

function back in-house will address this. He recognised that there were some talented officers at CWH as well as innovation which the Council wants to retain. He stated that all residents would be consulted on reshaping the service and how services could improve.

RESOLVED:

That Cabinet agreed:

1. Urgent steps be taken to return the housing management function outsourced to CWH to the Council's direct control, as follows:
 - (i) The Council will seek a mutual agreement with CWH to terminate the management agreement with effect from 1st April 2019; and
 - (ii) In case that mutual agreement cannot be reached then the Council will give unilateral notice to CWH to terminate the management agreement with effect from as soon as possible after 1st April 2019.
 - (iii) The Council will continue to engage with its tenants and leaseholders on the future provision of housing management services and how these services can improve.
 - (iv) In line with (iii) above, the Council will undertake a review of the housing service provision and consult on a potential revised structure for the service with the aim of embedding a new culture centred on high performance and excellent customer service. This will be in consultation with all relevant parties.
 - (v) Authority is delegated to the Executive Director, Growth, Planning and Housing to take all steps and to execute all documents required to achieve the above outcomes and in order to ensure the smooth transition of the transfer of housing services back in-house.
 - (vi) Authority is delegated to the Executive Director, Growth, Planning and Housing to agree in respect of any contract to which CWH is a party and which the Executive Director considers could be of assistance to the council in delivery of the housing management services and performance of its relevant function, that such contact is novated to the council or held on trust for the benefit of the council and that any such novation or trust may be executed on behalf of the council by the Director of Law.

Reasons for Decision

CWH has experienced serious and ongoing service problems in a number of key areas particularly repairs and maintenance, the contact centre and responses to complaints and other queries from residents and Councillors.

It is in the best interests of tenants and leaseholders and in line with feedback from tenants and residents' groups for the Council to seek a mutual agreement with CWH to terminate the management agreement with effect from 1st April 2019 and transfer housing services back in-house.

The Meeting ended at 7.32 pm

CHAIRMAN: _____

DATE _____