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City of Westminster

Committee Agenda

Title:	**Cabinet**
Meeting Date:	**Monday 10th February, 2020**
Time:	**7.00 pm**
Venue:	**Rooms 18.01 - 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Rachael Robathan (Chairman) Heather Acton Timothy Barnes Melvyn Caplan David Harvey Matthew Green Tim Mitchell Andrew Smith Paul Swaddle, OBE

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

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

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

Email: rsegal@westminster.gov.uk; Tel: 07890 380137
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)

9.	**PAY POLICY 2020-2021** Report of the Director of People Services	**(Pages 235 - 244)**
10.	**CUSTOMER EXPERIENCE AND DIGITAL STRATEGY** Report of the Executive Director, Finance and Resources	**(Pages 245 - 274)**
11.	**SAFEGUARDING ANNUAL REPORT 2019-2020**	**(Pages 275 - 300)**

Stuart Love
Chief Executive
31 January 2020

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CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held on **Monday 21st October, 2019**, Rooms 18.01 & 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Nickie Aiken (Chairman), Richard Beddoe, Iain Bott, Heather Acton, Tim Mitchell, Rachael Robathan and Andrew Smith

Apologies for Absence: Councillor Ian Adams, Councillor Timothy Barnes and Councillor Paul Swaddle OBE

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 **RESOLVED:** The Chairman, with the consent of the Members present, signed the minutes of the meeting held on 15 July 2019 as a true and correct copy of the proceedings.

4 PETITION TO NOT EXTEND THE VICTORIA OPPORTUNITY AREA BOUNDARY

4.1 Councillor Richard Beddoe, Cabinet Member for Place Shaping and Planning, introduced the item. He thanked residents for taking the time to organise the petition on a matter of local importance and acknowledged the additional representations that had been submitted from the Cathedral Area Residents Group, Queen Anne's Gate Residents' Association and Protect Our Pimlico to Cabinet following the publication of the report.

4.2 Councillor Beddoe advised that his recommendation to Cabinet is to agree with the request in the petition not to extend the current Victoria Opportunity Area (VOA) boundary in the new City Plan 2019-2040 beyond the one adopted in the London Plan.

4.3 He clarified the definition of the VOA in the current City Plan (2016) and London Plan given the apparent misunderstanding in the petition and further correspondence about where the actual boundary currently lies and when it was set. He explained that parts of Belgravia, Westminster Cathedral, Christchurch Gardens and Broadway are already within the existing VOA boundary which was agreed in 2011 as part of the council's Core Strategy. This was the local plan before the City Plan and was approved following a full consultation process. Therefore, this meant that Westminster's current VOA complies with the Mayor's London Plan.

4.4 Julia Corkey, Executive Director, Policy, Performance and Communications, confirmed the Cabinet Member's comments. She advised that the description and map of the VOA boundary has remained the same between the adoption of the council's Core Strategy in 2011 and the current City Plan in 2016. The GLA confirmed to the Council in 2011 that the Core Strategy was in conformity with the London Plan. She further advised that the GLA has not made any comments regarding the VOA boundary during the Council's recent consultation on the draft City Plan 2019-2040.

4.5 The Cabinet Member for Place Shaping and Planning hoped that these explanations clarified the situation for local residents groups. He advised that he would be sending more detailed responses to specific points raised in the additional representations that have been received on this matter.

RESOLVED: Agreed to revert to the VOA boundary as defined by the current Westminster City Plan (November 2016)

REASONS FOR DECISION

The changes to the Victoria Opportunity Boundary proposed in the City Plan have been reviewed in light of the concerns raised by the petition as well as by comments received as part of the City Plan consultation. Officers have agreed that there is not a compelling case for such changes in light of the reasons for the opposition and recommend reverting to the boundary set by the current Westminster City Plan (November 2016).

5 WESTMINSTER CITY PLAN SUBMISSION TO SECRETARY OF STATE

5.1 Councillor Richard Beddoe introduced a report that presented the responses to the recent Regulation 19 consultation on the draft City Plan policies and set out the policies where minor modifications will be made to improve the clarity, understanding and application of these policies. He acknowledged that a late representation on the report had been circulated to Cabinet from the Cathedral Area Residents Group.

5.2 Councillor Beddoe explained that, subject to Cabinet's approval, the full schedule of minor modifications would be published alongside a finalised draft of the City Plan and other supporting documents required for Regulation 22 submission to the Secretary of State. The Plan would be submitted for

agreement by Full Council at its meeting on 13th of November. If approved at that point, the plan will then be formally submitted to the Secretary of State for inspection.

5.3 Councillor Rachael Robathan, Cabinet Member for Finance, Property & Regeneration, welcomed the ambitious affordable housing targets in the plan.

5.4 Councillor Tim Mitchell, welcomed the useful consultation responses from residents, amenity societies and residents' associations as well as professional bodies.

5.5 The Leader thanked the officers of the council for their considerable work over the past 18 months to revise the policy framework which will help deliver the council's corporate strategy, City for All. She believed that the plan will help retain neighbourhoods, mixed communities and deliver more affordable housing and growth.

RESOLVED:

1. Cabinet considered the public responses to the Regulation 19 consultation on the draft City Plan policies and noted the schedule of policies where minor modifications will be made in response to the consultation feedback.

2. Agreed to delegate to the Cabinet Member for Place Shaping and Planning responsibility for the preparation of the draft City Plan and the supporting documents required for Regulation 22 submission to the Secretary of State. This will include publication of the schedule of minor modifications as well as addressing in full the other responses to the Regulation 19 consultation (including the legal compliance of the draft Plan and the duty to co-operate in producing the draft plan).

Reasons for Decision

1. The council's corporate strategy, City for All, sets an ambition for Westminster to be a place where people are born into a supportive and safe environment, grow and learn throughout their lives, build fantastic careers in world-leading industries, have access to high quality, affordable homes and retire into the community with dignity and pride.

2. The City Plan is the spatial interpretation of this strategy, providing a framework for all future development in the city. To provide a robust and up to date policy framework for the taking of planning decisions across the city, the council has undertaken a full revision to the City Plan pursuant to Regulation 22 of the Town and Country Planning (Local Planning) (England) Regulations 2012.

6 WESTMINSTER CITY COUNCIL CORPORATE PARENTING STRATEGY

6.1 Councillor Heather Acton, Cabinet Member for Family Services and Public Health, introduced the report on the corporate parenting strategy. The strategy outlines the Council's commitment to meeting the needs of Westminster's Looked After Children, young children and care leavers. It set out the partnerships between the local authority departments, services and associated agencies who are collectively responsible for delivering the commitments.

6.2 Ian Heggs, Bi-Borough Director of Education, explained that the strategy had been developed with young people in care and care leavers.

6.3 Councillor Acton referred to the recent Ofsted inspection of the Council's Children's Services directorate which has been assessed as excellent and along with the Royal Borough of Kensington and Chelsea was the first authority to have sustained and improved upon its previous 'outstanding' rating.

6.4 The Leader congratulated the Bi-Borough Executive Director of Children's Services and her service for the excellent result particularly given the challenging budget pressures over recent years.

RESOLVED:

1. That the Corporate Parenting Strategy be recommended to the full Council for adoption.

2. That the corporate parenting plan is reviewed and refreshed annually to drive the Council's corporate responsibility to ensure looked after children and care leavers get the very best experiences in life.

The Meeting ended at 7.26 pm

CHAIRMAN: _____ **DATE** _____

City of Westminster

Cabinet Report

Decision Maker:	**Cabinet**
Date:	**10 February 2020**
Classification:	**General Release**
Title:	**Business and Financial Planning 2020/21 to 2022/23**
Wards Affected:	**All**
Policy Context:	**To manage the Council's finances prudently and efficiently and to ensure resources support the Council's policy objectives**
Finance Summary:	**This report sets out the Council's medium-term plan for the next three years and proposes a budget for the 2020/21 financial year**
The Report of:	**Gerald Almeroth, Executive Director of Finance Resources** **Tel: 0207 641 2904** **Email: galmeroth@westminster.gov.uk**

1 Executive Summary

1.1 This report brings together the Council's business and financial planning and looks forward over the next three years to set out how it will meet the Council's key objectives under the refreshed City for All strategy, supported by a medium-term financial plan. Cabinet are asked to consider this report and recommend it adoption to Full Council on 4 March 2020.

1.2 The revenue budget for 2020/21 is presented for agreement and for recommendation to Full Council. This will meet the requirement in the Local Government Finance Act 1992 for the Council to set a budget for next year by 11 March in the preceding financial year. The report also recommends the level of council tax for 2020/21 including the Greater London Authority precept.

1.3 The report proposes a balanced budget for 2020/21, which includes a total council tax rise of 3.43% that consists of a general increase of 1.43% and an Adult Social Care precept rise of the allowed 2.00%. At Band D this will result in an annual increase of £6.20 and £8.67 respectively or an equivalent weekly amount of 14.2p and 16.7p per week. The total Westminster element of council tax will therefore rise from £433.34 to £448.21 at Band D.

1.4 The recommended net General Fund budget of £179.977m in broad terms includes a net core funding loss of £4.809m, growth for service specific pressures of £7.972m and other net changes totalling £9.122m, which is proposed to be balanced by savings of £18.899m and a recommended increase in council tax which along with growth in the tax-base is expected to raise £3.004m of income.

1.5 After a balanced budget in 2020/21 (including the proposed increases to 2020/21 Band D council tax) the medium-term financial strategy forecasts a net budget gap after proposed savings from the current budget process of £24.843m in 2021/22 and a further £38.609m in 2022/23. Over the three-year period to 2022/23, this totals £63.452m. This includes indicative assumptions of a negative outcome from the Government's Spending Review and the Fair Funding Review for the distribution of resources across Local Government, the outcome of which will become clearer later in the year.

2 Recommendations

2.1 That Cabinet be recommended to approve the following recommendations to Full Council for consideration at its meeting on 4 March 2020:

City for All

1 that the City for All plan priorities set out in Section 4 are noted and approved;

Council Tax

2 that the council tax for a Band D property be agreed at £448.21 for 2020/21, an increase of £8.67 (2.00%) for the Adult Social Care precept and £6.20 (1.43%) for general purposes;

3 that, subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2020, be as specified in the Council Tax Resolution in Appendix H. That the Precepts and Special Expenses be as also specified in Appendix H for properties in Montpelier Square and the Queen's Park Community Council;

4 that the formal resolution for 2020/21 attached at appendix H including the council tax requirement of £59.477m be agreed;

5 note the proposed Greater London Authority precept (Band D) of £332.07, an increase of £10.00 for the Police element and a further £1.56 for the non-Police element;

6 that the Council continues the Westminster Community Contribution to allow the most expensive (Band H) properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and helping people who are lonely and isolated;

Revenue Budget

7 to note the views of the Budget and Performance Scrutiny Task Group set out in Appendix J;

8 that the proposed General Fund net budget requirement of £179.977m summarised at Appendix C and shown by service (Executive Leadership Team) in Appendix G be agreed;

9 that the savings and growth proposals for 2020/21 to 2022/23 set out in appendix G is approved;

10 that the Equality Impact Assessments included in appendix I be received and noted to inform the consideration of the budget;

11 note the Housing Revenue Account Business Plan 2020/21 and 30-Year Housing Investment Plan also presented to Cabinet on 10 February 2020 that recommends the HRA budget and rent levels for 2020/21

Capital Programme

12 note the Capital Strategy 2020/21 to 2024/25, forecast position for 2019/20 and future years' forecasts summarised up to 2033/34 report also presented to Cabinet on 10 February 2020 that recommends the Council's capital programme and financing

Reserves, Balances and Budget Estimates

13 note the reserves policy as set out in section 10

14 note the views of the Section 151 Officer with regards to estimates underpinning the proposed budget changes and reserves levels in paragraph 10.21;

15 that £5m is earmarked in reserves for investment in green initiatives to support the Climate Emergency declaration;

Treasury Management and Investment Framework

16 note the Treasury Management Strategy report for 2020/21 including the annual investment strategy, borrowing limits and prudential indicators as set out in appendix H of that report.

17 note the 2020/21 Integrated Investment Framework report also presented to Cabinet on 10 February 2020 which sets out future investment decisions.

3 Reasons for Decision

3.1 The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to set a balanced budget and submit budget returns to the Ministry of Housing, Communities and Local Government (MHCLG). Approval of the revenue estimates constitutes authority for the incurring of expenditure in accordance with approved policies.

4 Local Policy Context

4.1 The City for All continues to be the Council's strategic approach to planning its key objectives and policy aims. A full refresh of the key themes and deliverables has taken place as well as a review of the achievements in current year. The medium-term financial strategy is key to supporting the delivery of the City for All objectives and outcomes.

City for All: The Council's strategy and priorities

4.2 Westminster City Council's refreshed strategy, City for All, will set out the Council's ambitions for the future and the plans to achieve them. It will demonstrate a clear set of objectives and outcomes against which residents, businesses and visitors can hold the Council to account.

4.3 Our City for All vision for 2020/2023 will meet post-Brexit challenges head on and will drive forward a relentlessly optimistic programme to make Westminster the best place to live, raise a family, and prosper. Three distinct themes will shape our approach to deliver our promises. We want Westminster to:

- Be a Smart City – using technology to transform council services and how people live and work in our city
- Be Cleaner, Greener and Safer – tackling the climate emergency, and where people feel proud and safe to live and work
- Have Thriving Communities – able to make the most of the incredible opportunities in our city

4.4 Over the last year we have made a substantial progress towards our goal of creating a City for All.

We have created opportunities

- We have delivered 641 modern affordable homes built to the highest standards and continue at pace to deliver 1,850 affordable homes by 2023 in Westminster.

- We supported over 1,000 unemployed residents into work through the Westminster Employment Service. And created 110 apprenticeship opportunities with Westminster based employers.
- We published our most ambitious new City Plan for 2019-2040 to create more affordable homes, more jobs and a greener city. It was submitted to the Secretary of State on 19 November 2019.

We have maintained excellent local services

- Our Children's Services were judged "outstanding" for a second year by Ofsted, one of only two in the country.
- We launched a new housing management service, taking back ownership of the housing stock that CityWest Homes had managed previously since 2002. Westminster residents will now get their chance to help shape the future of housing services.
- We launched our Housing Standards Task Force which has the dedicated job of making sure private renters are protected from rogue landlords.

Caring and supporting the most vulnerable has remained our most important priority

- Our ambitious Homelessness Strategy 2019 to 2024 is open for consultation. It sets out how we plan to prevent and respond to those at risk of losing their home or made homeless in Westminster.
- The Community Contribution Fund, which gives Westminster residents living in high value properties the chance to make a greater contribution to their community, has raised £900k to date.
- Our construction of a new state of the art elderly care home with 84 residences and an additional 31 private apartments is on-track to be completed in June 2020.
- We announced £500,000 of investment in Youth Services across Westminster to help our young people to develop into productive members of society have a massive role to play in the future of the city.

We have made our city healthier and greener

- We have launched a new healthier schools programme, bringing together action on air quality, oral health and obesity to make sure the 42,600 children who live, learn and grow up here get the best start in life.
- We launched the new Recycling Information Hub and rolled out five neighbourhood pilots including the expansion of our 'In It To Win It' campaign, working with local neighbourhoods to achieve a step change in recycling rates across the city.

- We are leading the way with a number of environmental campaigns having introduced the first diesel surcharge, a school's clean air fund and more electric vehicle infrastructure than any other London borough.

We have celebrated the city's diversity and made sure local people are at the heart of every decisions we make

- We have introduced public speaking for the first time at our Planning Committee meetings as part of our initiative to reform the planning system.
- 5,000 people attended the third #MyWestminster Day and the #MyWestminster Programme has granted funding to 106 local organisations for the development of community projects promoting air quality, neighbourhoods, community cohesion and more.

5 Financial Context

National Background

5.1 The last ten years have resulted in many changes for the environment that Local Government operates in. The economic downturn was a key driver for this and presented significant financial challenges for the Council, including:

- grant funding reductions from Central Government;
- demand led pressures impacting services e.g. due to demographic or legislative changes;
- other external factors e.g. Government policy changes as part of managing austerity;
- more recently, wider uncertainty related to the UK's withdrawal from the European Union.

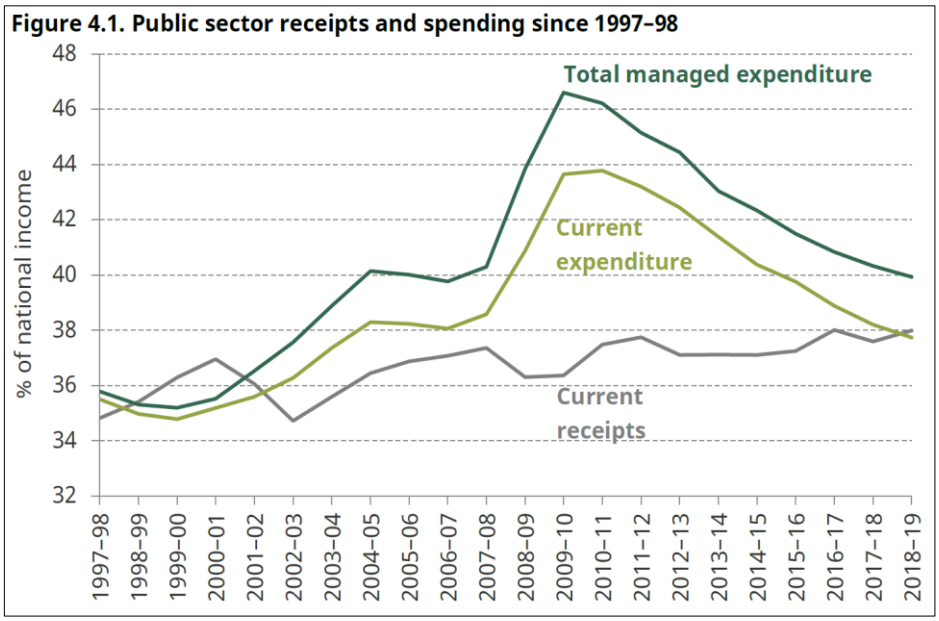
5.2 Reforms to the Local Government funding system and gradual removal of grants have presented additional complexities. The introduction of the Business Rates retention mechanism from 50% retention in 2013/14 intended to incentivise authorities but meant that individual councils would also bear more risk too e.g. from the impact of appeals, wider changes in the local economy outside of the Council's control. Funding was also earmarked from existing grant for New Homes Bonus to further incentivise local authorities to support house building.

5.3 These economic challenges discussed below and reforms to funding have contributed to uncertainty for authorities and this has been reflected in the way in which authorities have set medium-term plans and planned for the delivery of services.

Public Finances

5.4 The Institute of Fiscal Studies (IFS) report that public sector net borrowing or the deficit which is defined as when total government expenditure exceeds receipts over the period 1997/98 to 2018/19 peaked during the height of the economic downturn, but has improved in recent years, specifically:

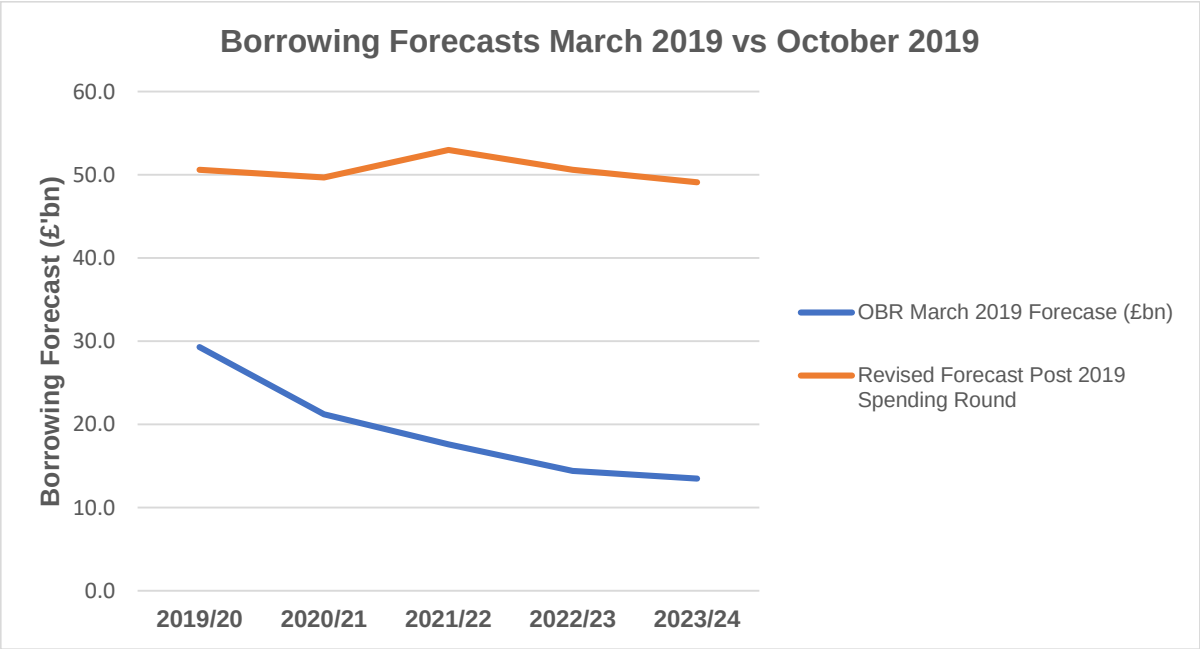
- Government receipts from tax and non-tax have remained broadly stable;
- by 2018/19 the deficit has gradually returned to the levels from before the economic downturn;
- also, in 2018/19 receipts exceeded current spending (i.e. revenue spending).



Source: Institute for Fiscal Studies and Office of Budget Responsibility, "Public Finances Databank" (30 September 2019)

5.5 As a result of the above, Public Sector Net Debt which is the total amount of Government debt owed at a point in time increased as a proportion of national income from c40% in 2008/09 to a peak of c84% in 2016/17.

5.6 The March 2019 Spring Statement reported that public sector borrowing had fallen, however since March 2019 several developments have occurred which will likely reverse the falling level of borrowing. The IFS estimate the movement in borrowing levels from these developments to be as follows:



*Note: Much of the increase in borrowing is due to a restatement of how Student Loan debt is now recognised.

5.7 Part of the increased borrowing is due to commitments from the 2019 Spending Round which will increase departmental revenue spending in 2020/21 by £13.4bn to £18.4bn by 2023/24 over and above the assumptions in March 2019. It should be noted that while the actual departmental spending limits are yet to be determined, the additional funding commitments to the NHS, Schools, Policing etc will very likely mean reductions elsewhere to unprotected services.

5.8 The level of borrowing will also depend upon economic growth meeting forecasts and the stability of the economy once the UK leaves the EU. In August 2019, the Bank of England revised down their projections of growth in the economy due to uncertainties related to the withdrawal from the EU from 1.5% to 1.3% for 2019 and from 1.6% to 1.3% in 2020.

5.9 The IFS concluded in October 2019 that although the deficit is lower than the years of the economic downturn, actual debt as a share of national income is higher than before. To manage this over the long-term would require continued growth in the economy and tax increases or spending reductions in the public sector.

Austerity Measures and London Landscape

5.10 Despite the increased borrowing over the past decade, the austerity measures employed by the Government have meant that Local Government has experienced year on year funding reductions between 2010/11 and 2019/20.

5.11 London Councils' analysis of the Government's funding reductions over this period estimated that:

- English local authorities (excluding the GLA and Fire Authorities) will have lost 60.9% of their core funding;
- London Boroughs will have lost on average 57.4% of their core funding.

5.12 The Council's own analysis on funding losses using settlement data from MHCLG, measured solely on Revenue Support Grant shows significant reductions and is in line with the above:

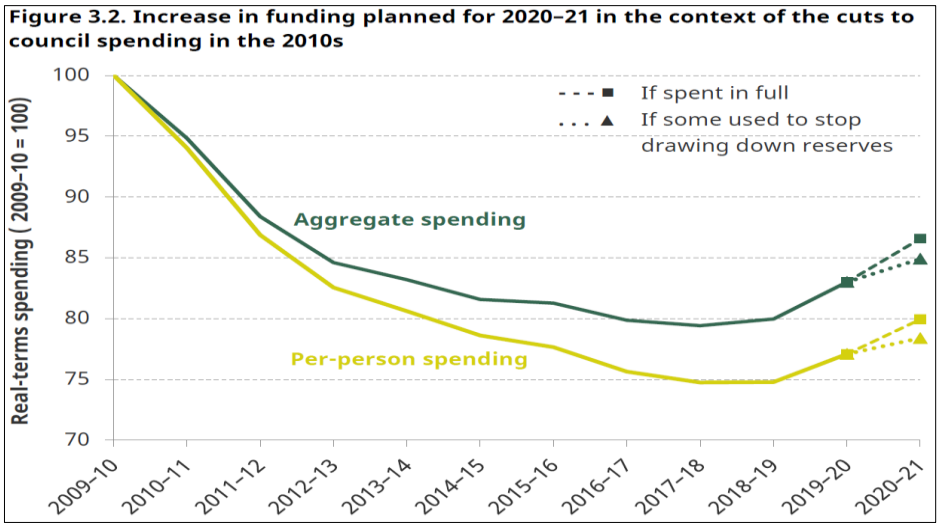
WCC Allocation	2013/14 (£'m)	2014/15 (£'m)	2015/16 (£'m)	2016/17 (£'m)	2017/18 (£'m)	2018/19 (£'m)	2019/20 (£'m)
Revenue Support Grant*	**119.176**	**97.835**	**72.078**	**57.851**	**46.166**	**38.098**	**29.636**
Loss since 2013/14							
Year on Year Reduction	-	(21.341)	(25.757)	(14.226)	(11.686)	(8.068)	(8.462)
Cumulative Reduction							**(89.540)**
% Reduction							**-75.1%**
Loss since SR2015							
Year on Year Reduction				(14.226)	(11.686)	(8.068)	(8.462)
Cumulative Reduction							**(42.442)**
% Reduction							**-58.9%**

*RSG for 2013/14 to 2015/16 has been restated to account for rolled in grants and other changes

Note: Between 13/14 and 17/18, Business Rates increased for inflation, but the Council had losses due to appeals from valuations that were not eligible for compensation from the Safety Net. However, the London Business Rates Pilot Pool in 2018/19 resulted in a share of growth in Business Rates for the Council.

5.13 The funding reductions have inevitably meant that authorities have had to rely more on increases to council tax, generate income through other means, find efficiencies or reduce the scope of some services.

5.14 The IFS estimate that total Local Government spending fell by c20% and spending per person by c25% up to the period 2017/18 (see below). The increased funding from the Spending Round whilst welcome does not mitigate for the cumulative funding losses and reductions to service spending since 2009/10.



Source: Institute for Fiscal Studies: The Outlook for Councils' Funding: Is Austerity Over?

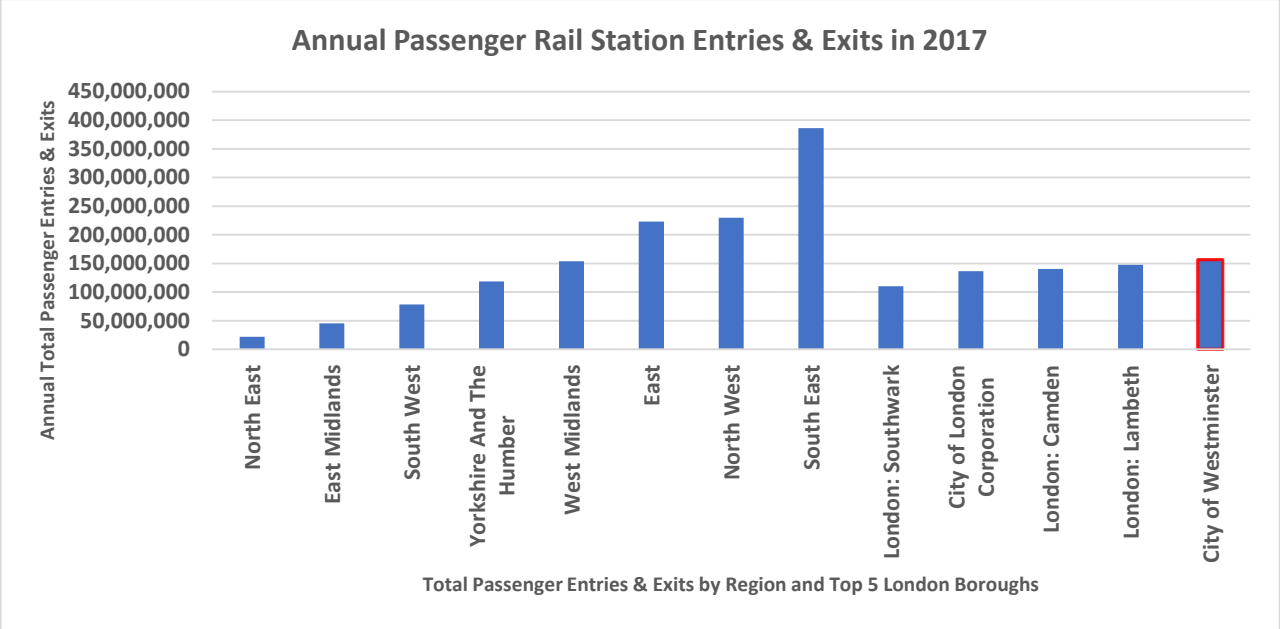
5.15 London and in particular Westminster, provide services in a unique and challenging environment. Based on research from London Councils, London continues to contend with an increase in population since 2010 of c900k people or 11.2%. This growth is more than double that across the rest of England. Since the current funding assessment of needs was last calculated in 2013/14, effectively London has continued to provide services to a larger population without any additional funding. The Fair Funding Review was expected to update this but has been delayed until at least 2021/22.

5.16 The analysis also reveals that of this population growth, there has been:

- a 14% increase in the child population and 18% increase in the over 65's population;
- a 15% (or 480k) increase in the number of households but accompanied by a 52% increase in the number of people in temporary accommodation (c19k households);

5.17 Westminster also has a high daytime ("transient") population estimated to be c1.1m visitors, tourists and workers a day. To exemplify this further, the four mainline rail stations in the borough; Charing Cross, Victoria, Waterloo and Paddington alone accounted for 5.8% (or 157m) of all passenger entries and exits

for rail stations in England in 2017. This was greater than the total of that for all stations within the North-East, East Midlands, South West, Yorkshire and the Humber and the West Midlands:



Source: Office for Rail Regulation

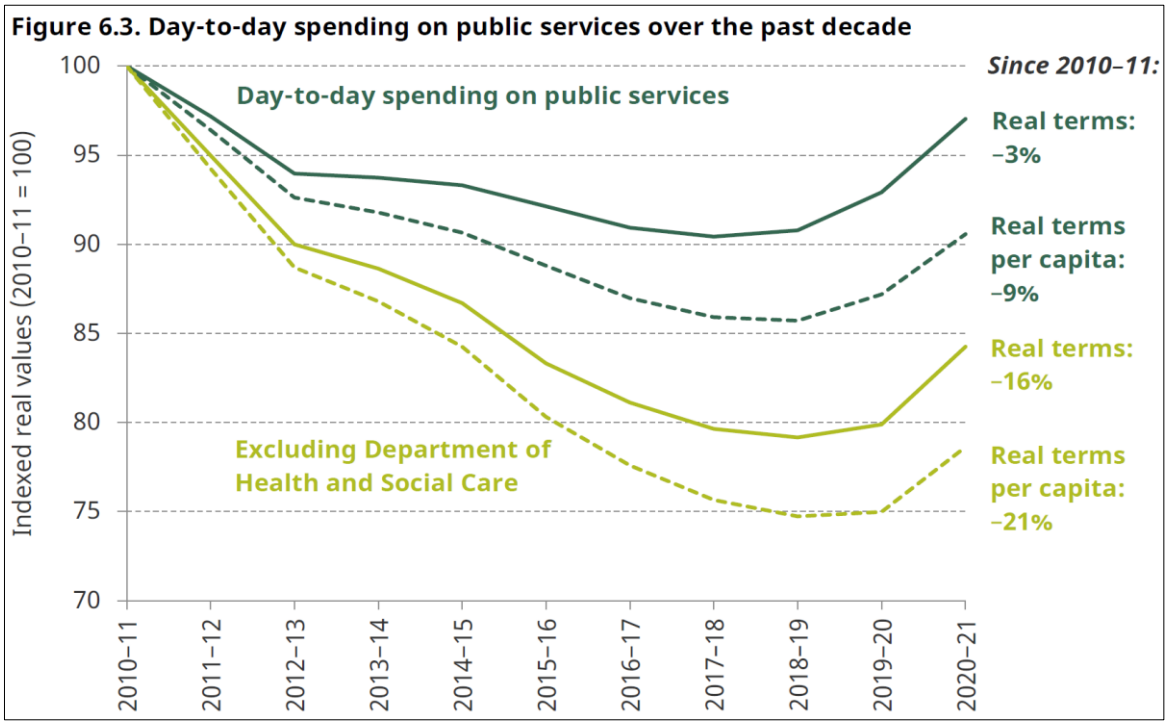
5.18 There is an accepted correlation between growth in population and service demand, but the type of population also has implications on an authority. For instance, a high transient population of tourists and workers generates demand and costs for waste collection and disposal, highways maintenance and community safety, but they are not contributing to the funding of these services as residents of the borough will be. The added complexities from the other demographic changes further increases demands and cost for the Council.

Spending Round and Future Trends

5.19 The increased funding in the Spending Round provided welcome relief to authorities for 2020/21 and suggested an end to austerity, however, this spending increase does little to undo the effects of the prior austerity measures. The higher commitment to public spending will likely mean continued higher borrowing and/or increases to taxation particularly if economic growth fails to meet set targets.

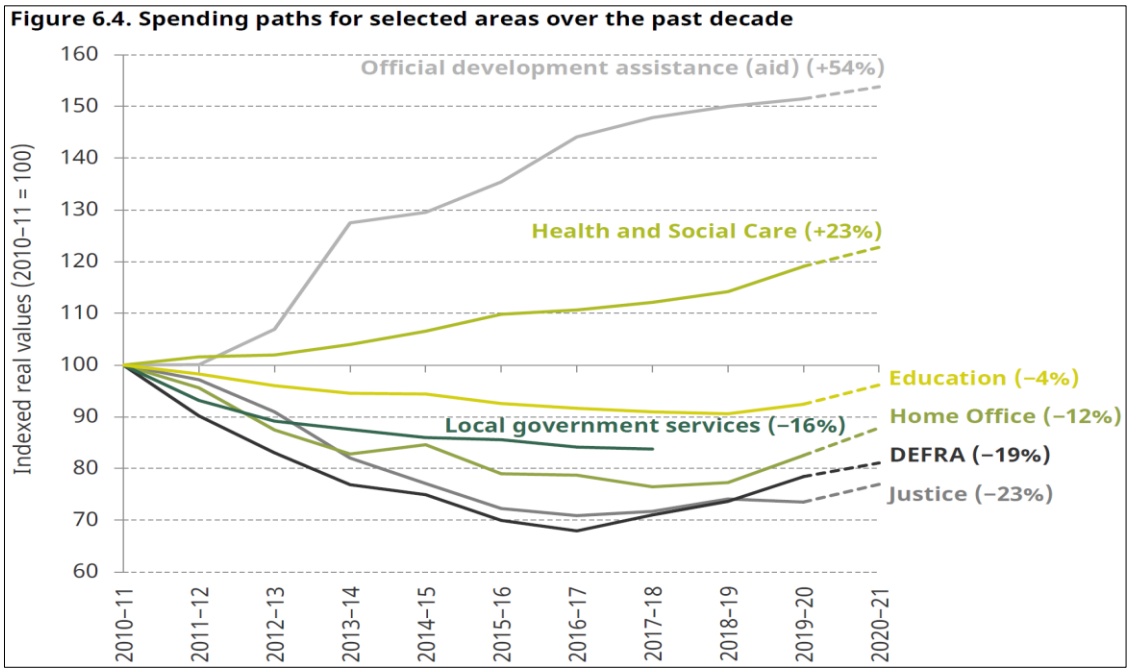
5.20 The IFS estimate that after allowing for the effects of inflation, real terms spending on all public services overall is 3% lower in 2020/21 compared to 2010/11. In fact, spending outside of health is estimated to be 16% lower over this period. However, when the growth in population is factored in, spending per person on all public service is estimated to be 9% lower in 2020/21 compared to 2010/11. The Spending Round increases meant that no Government department had a reduction to their revenue budget for 2020/21. However, the increased spending ability differs greatly across the public sector. This can be attributed to how some areas

of the public sector e.g. Health, Defence, Education and Overseas Aid have either been protected from spending reductions or had capped reductions compared to unprotected areas such as Local Government. Stripping out the increases for Health results in spending in 2020/21 to be 16% below that of 2020/11 (or 21% if the growth in population is factored in):



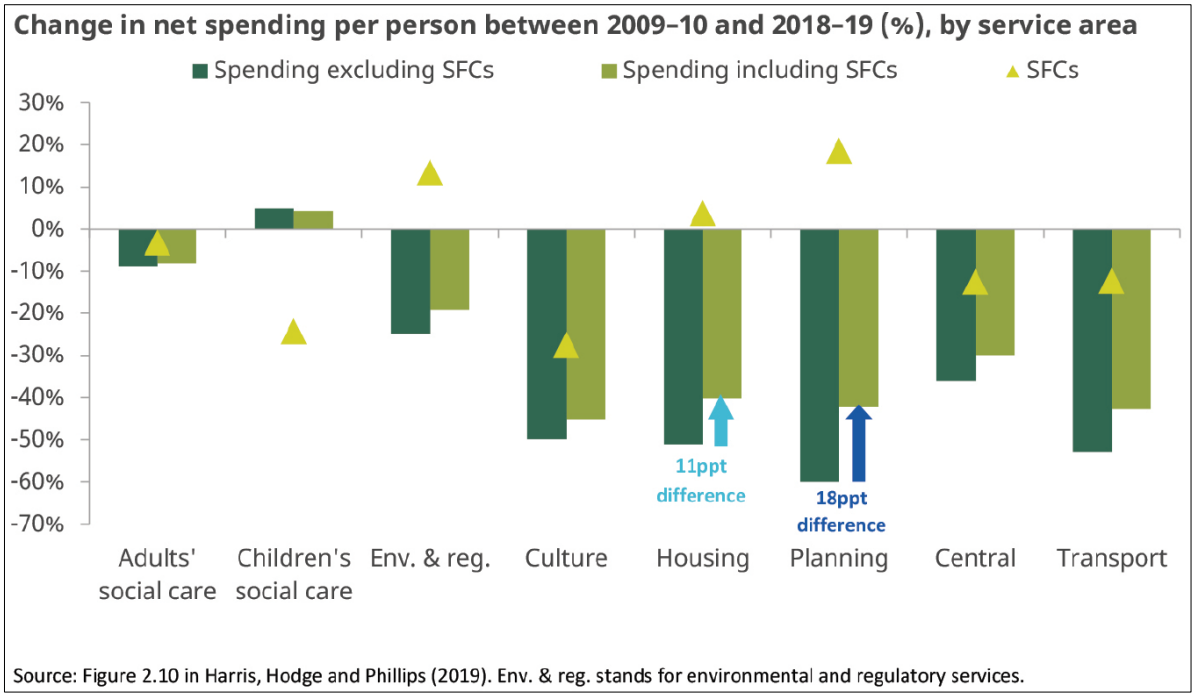
Source: Institute for Fiscal Studies: IFS Green Budget: October 2019

5.21 The spending cuts and protections levied across specific parts of the public sector over the past ten years results in differing positions following the Spending Round increase. The Department of Health and Social Care and Overseas Aid will continue to see a real-terms increase to their budget compared to 2010/11 but Local Government, Education and others will still have lower budgets compared to 2010/11:



Source: Institute for Fiscal Studies: IFS Green Budget: October 2019

5.22 Within Local Government, authorities have managed the reduction in funding and protected certain services by reducing spend in discretionary areas, increased fees and charges where possible Council Tax. The chart below shows the changes in spending within Local Government both including and excluding income from sales, fees and charges (SFC). Unsurprisingly Adult Social Care shows the smallest reduction in spending and Children's Social Care shows a small increase:



Source: Institute for Fiscal Studies: English Local Government Funding: Trends and Challenges in 2019 and Beyond

5.23 Authorities are relying increasingly on income from Retained Business Rates and locally determined council tax to fund services overall. The Government's calculated increase of Core Spending Power assumes growth in council tax base and maximum increases to council tax rates as well as increases to business rates income for inflation.

5.24 The Spending Round for 2020/21 appears to affirm the end to the austerity measures from the past decade, however, public sector spending levels will be determined by economic growth and future policy on whether to increase taxation and/or taxation levels. The outlook appears uncertain at best given that announcements and existing policy appears to:

- favour reducing taxation;
- target a year on year reduction to national debt;
- assume stable economic growth and a smooth withdrawal process from the EU.

5.25 In addition to the increased risks on authorities described above, there are also more service responsibilities and expectations on authorities, but without sufficient additional funding e.g.

- Public Health responsibilities transferred to Local Government in 2013/14 but funding is estimated to be have reduced since then by 5%. However, over the same period, NHS funding has risen by c20% and continues to increase, and;

- authorities also incur cost pressures from supporting people with No Recourse to Public Funds (NRPF) and also from Unaccompanied Asylum - Seeking Children (UASC) up to the age of 25. This is a particular pressure for the Council as there are number of embassies, high commissions and major transport hubs in the borough which attract NRPF and UASC clients, and;

- Homelessness Reduction Act – new policy introduced in 2017 without sufficient funding; the service demand and costs are particularly acute in Westminster and continue to rise under this new legislation. It was estimated to cost c£80m a year in London, but only £14m of new burdens funding was allocated to London boroughs. Based on statistics from the Land Registry, the Council has the 2nd highest average price of housing in London (based average sales price between September 2018 and September 2019). Furthermore, based on ONS data, the Council has the 2nd highest levels of average private monthly rent measured across all property types in the 12 months to quarter 1 of 2019.

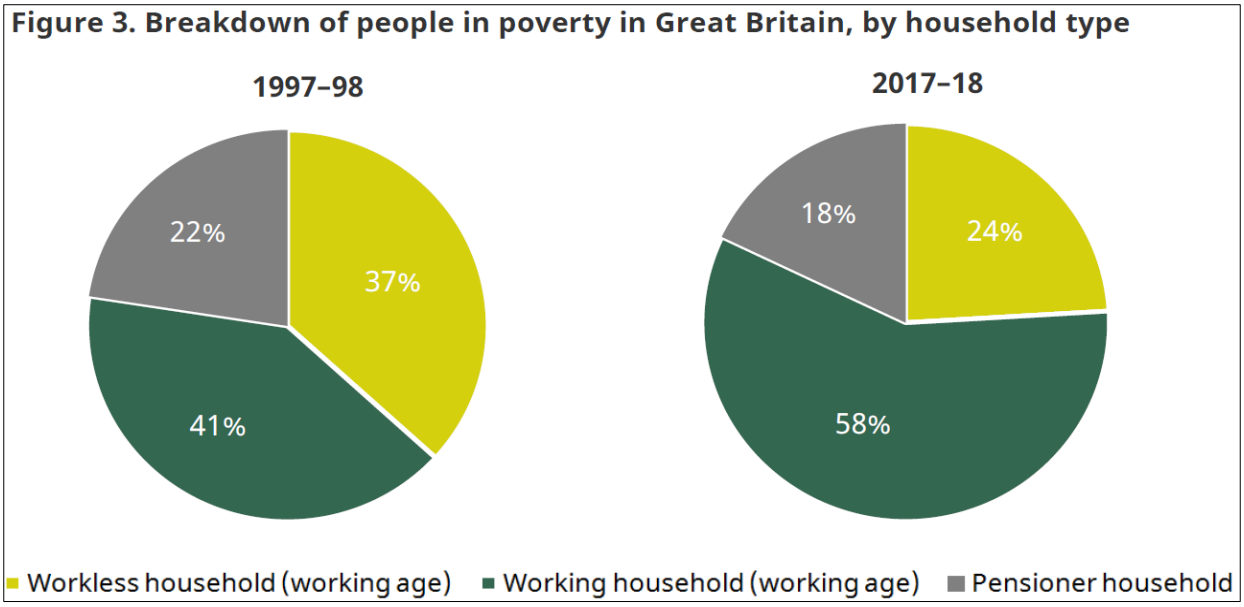
Underlying Economic Challenges

5.26 There are underlying economic challenges unrelated from the withdrawal from the EU and partly related to austerity that could have both direct and indirect implications for Local Government funding and service demands. These include:

a. Productivity and Wage Earnings: since the economic downturn in 2008, productivity growth has been poor. Using ONS data, the IFS calculate that output per hour worked has only grown by 2.9% since 2008 compared to 19% had the growth trend prior to the downturn continued. This lack of growth is critical as average living standards (e.g. wage levels) grow in line with productivity, should living standards stagnate or fall, certain Council services could see more demand.

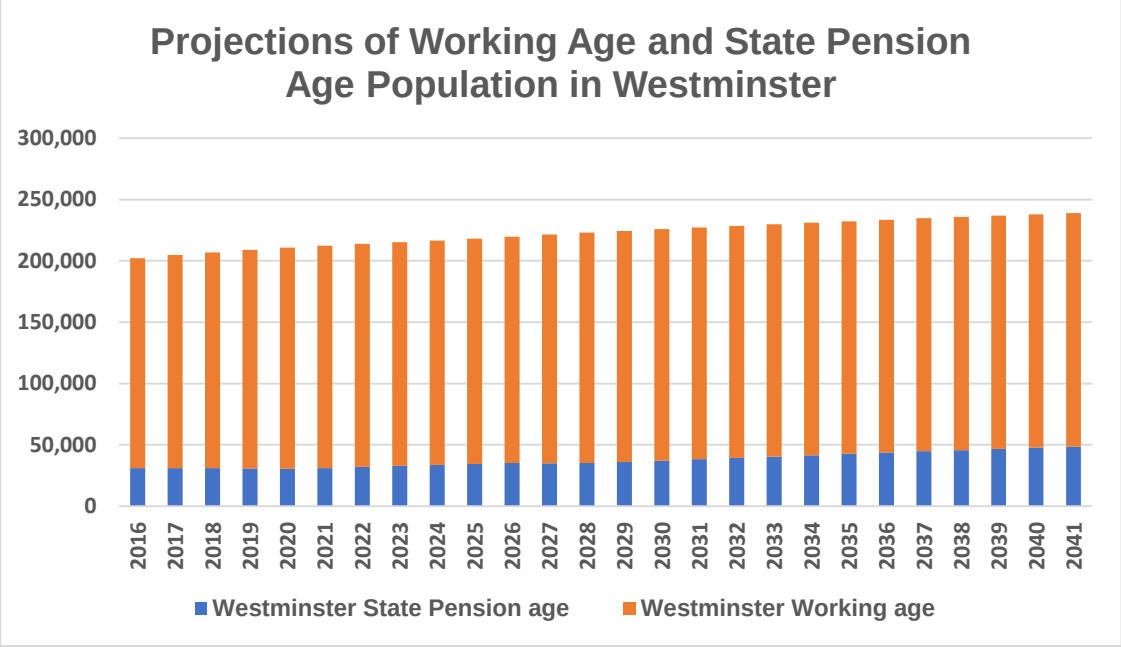
b. Generational Living Standards: the tougher living standards from a) are a particular concern for younger residents (those in their 20s and 30s) who are less able to accumulate wealth than in previous generations. This is exemplified by falling rate of home ownership amongst younger individuals compared to previous decades. The changes in living standards do impact demands for Council services e.g. Temporary Accommodation and the "place-shaping" of boroughs.

c. "Working Poverty": the challenges to living standards and earning potential has also led to a change in the nature of poverty with more working households now experiencing this in addition to pensioners and the unemployed. Whilst the proportions of pensioners and unemployed experiencing poverty appear to have fallen, low-income working households that struggle to earn a level of income above the "poverty line" have increased (see below). The reasons for this increase maybe numerous and the solutions will require policy direction and input from both Central and Local Government.



Source: IFS "Why has in-work poverty risen in Britain?"

d. Demographic Challenges & Public Finance: the growth of an ageing population with more complex needs and the associated impact on public finances is well known within Local Government. Nationally, spending on healthcare and pensions as a proportion of national income has increased from a total of 8.5% to 13.1% over the past 30 years. This equates to £100bn more in spending on these two areas and has been managed by reductions to public spending elsewhere. The projections of Working Age and State Pension Age populations for Westminster are depicted below, the projected increase in State Pension Age residents is estimated to be c56% compared to c11% for Working Age residents (compared to 48% and 16% for England respectively). This level of growth will continue to place pressures on both national and local finances and a fundamental change in policy to either reduce spending elsewhere or reform the level of services delivered in these areas.



Source: ONS 2016 Sub-National Population Projections

e. Climate Change Commitments: all the main political parties have committed to bring the UK's greenhouse gas emissions down to a net zero level by 2050. Aside from the challenges of developing an effective policy and strategy to support this, challenges arise from:

- road transport being the largest single source of greenhouse gas emissions but duty on petrol and diesel having been reduced by 17% over the past 10 years.
- similarly, reduced rates of VAT on household gas and electricity which effectively subsidise household spending. Statistically, poorer households spend a higher proportion of their overall household spending on gas, electricity and petrol or diesel so any increase to current duty or taxation levels on fuels and utilities would make things more difficult for those poorer households.

6 External Influences and Other Updates

Background to 2020/21 Budget Setting

6.1 The 2019/20 finance settlement was the last settlement of the 2015 Spending Review and multi-year settlement offer from MHCLG. A number of decisions were expected to be included in the 2020/21 settlement and were predicated on the following events:

- HM Treasury announcing a Spending Review covering 2020/21 to 2022/23;
- MHCLG completing the Fair Funding Review for 2020/21 and subsequently, and;
- implementing reforms to Business Rates and next phase of retention.

6.2 The underlying assumption for the above was a timely withdrawal from the European Union. However, this has not been the case with three separate extensions to the original withdrawal date of 31 March 2019.

6.3 These delays have meant that the expected three-year Spending Review could not be completed. Instead, this became a one-year Spending Round to set Government Departmental budgets and Local Government funding for 2020/21 only. Subsequently, the Fair Funding Review and Business Rates Reform have been deferred for implementation in 2021/22.

6.4 Also, the announcement of a General Election for 12 December 2019 caused additional complications for Local Government budget setting as the timing of the provisional settlement was originally delayed to an unspecified date. This was finally announced on 20 December 2019.

2020/21 Spending Round

6.5 The Spending Round was announced in early September 2019 and set the Government's budgets for 2020/21, the headline announcements included:

- increased revenue spending for Central Government departments by 4.1% or £13.8bn in 2020/21 compared to 2019/20.Therefore no reduction in revenue and Government departments will see an uplift by at least inflation;
- an announcement of a multi-year Spending Review in 2020 for 2021/22 to 2023/24;
- the reaffirmation of commitments to increase funding for the NHS over 2018/19 levels by £33.9bn by 2023/24, and;
- additional funding for the Home Office including support to recruit 20,000 police officers and for the Criminal Justice System including support to increase prison capacity by 10,000 spaces.

6.6 The key announcements for Local Government included the following:

- an uplift to baseline funding by September 2019 CPI (1.7%);
- an uplift for inflation to the Public Health grant;
- continuation of Better Care Funding streams;
- additional funds aimed at Social Care consisting of £1bn in grants and a continuation of the Adult Social Care Precept at 2.00%;
- additional funding of c£54m for rough sleeping and homelessness, and;
- a three-year commitment now for Schools including in 2020/21 £2.6bn additional funding for primary, secondary and special education needs services.

Office of Budget Responsibility's Statement

6.7 The Office of Budget Responsibility (OBR) is required to provide two five year forecasts a year to assess Government performance against current targets and policy. Legislation sets out that the Chancellor will set the dates for these forecasts with one of them accompanying the Budget announcement. Under current convention, the OBR are given at least 10 weeks' notice for this.

6.8 The Spending Round in September did not include any forecasts from the OBR. The OBR expects to incorporate the Spending Round announcements into its next forecast to accompany the formal Budget announcement. The annual Autumn budget was expected on 6 November 2019, but is now delayed until 11 March 2020.

6.9 The OBR have formally commented on the Spending Round announcements and the Government's fiscal targets to balance the headline budget deficit by the middle of the next decade. They concluded that depending on the type of withdrawal from the EU, the Government may need to revise their economic targets. This suggests a risk that public spending plans may need to be revised should economic projections e.g. growth fail to meet forecasts.

MHCLG Technical Consultation and 2020/21 Provisional Finance Settlement

6.10 In October 2019, MHCLG released a technical consultation on the 2020/21 provisional finance settlement that build on messages within the Spending Round. The expectation based on recommendations from the October 2018 Hudson Review was that provisional settlements should be announced annually no later than the 5 December and the final settlement by 31 January.

6.11 However, due to the delays discussed above, the timing of the 2020/21 finance settlement could not be confirmed until after the election and was finally announced as a written statement on 20 December 2019. The provisional settlement confirmed much of the announcements from the Spending Round and Technical Consultation, namely:

- *Settlement Funding Assessment* – the London Business Rates Pilot Pool ending in 2020/21 after two years. Therefore, the Council reverts to keeping a 30% share of Business Rates (with the GLA and Central Government retaining 37% and 33% respectively). MHCLG propose to uplift the baseline funding level and Revenue Support Grant (RSG) by the Small Business Rates multiplier of 1.63% (which is derived from September 2019 CPI of 1.70%);

- *Council Tax referendum principles* – a limit set at 1.99%, a reduction from the limit set in 2019/20 of 2.99% for the core, general element of Band D. The Council have reiterated concerns to MHCLG on the centrally imposed restrictions upon authorities on council tax, the fluctuating referendum limits and the late confirmation of limits;

- *Adult Social Care Precept* – this was anticipated to end in 2019/20 but has been continued at least until 2020/21 at the previous level of 2%. Whilst this provides an additional source of income, the Council has stated to MHCLG that it should not be a substitute for direct Central Government funding for the national pressures in Social Care;

- *Social Care grant* – additional grant funding totalling £1bn nationally. This grant is now confirmed as being non-ringfenced and so authorities have discretion on its use. Whilst this additional funding is welcomed, the Council has long been calling for more certainty on the longer-term position for Social Care funding e.g. publishing the Social Care Green Paper;

- *Improved Better Care Fund (iBCF)* –the iBCF grant will continue into 2020/21. The previously separate funding for Winter Pressures will roll into the iBCF grant. As with the Social Care grant, the Council welcomes the funding for 2020/21, but needs more certainty for beyond 2020/21;

- *New Homes Bonus (NHB)* – the NHB grant is proposed to continue for 2020/21 with payments tapered to four years as per 2019/20. The baseline threshold for payments remains at 0.4%. A consultation is proposed for Spring 2020 on the future of NHB.

6.12 The Council also highlighted the following concerns in its consultation response:

- *Negative RSG*, the expectation was that this would be resolved in the 2019 Spending Review. However, the delays to this now mean the Government are again proposing to incur c£160m of funding reductions directly against their own share of Business Rates. The Council queried how:
  a. this will now be accounted for in the implementation of the Fair Funding Review for 2021/22 and creation of a transitionary baseline position;

b. the use of the Government's Central Share of Business Rates to fund the costs of negative RSG reduces other Local Government funding streams elsewhere.

- For beyond 2020/21, the Council highlighted the outdated valuations for the existing Council Tax Bands (A to H) which have not been revalued since the early 1990s and:
  a. the need to extend the Bands to reflect the "premium," higher property values in London;
  b. flexibility in the ASC Precept towards Children's Social Care so in effect this becomes a Social Care Precept. This would be consistent with the new funding announced in 2019/20 and 2020/21.

6.13 Just after the election and prior to the provisional 2020/21 finance settlement, the Queen's Speech was given on 19 December 2020. This contained an overview of the new Government's priorities and manifesto pledges including:

- Business Rates: the government is committed to a fundamental review of business rates and the scope for this will emerge in 2020. Meanwhile a number of immediate changes will take place. The retail discount will increase from one-third to 50 per cent and extend to cinemas and music venues. The duration of the local newspapers discount will also extend and introducing an additional discount for pubs. Business Rates revaluations will be brought forward from 2022 to 2021 and then every three years afterwards, not five years. The more frequent revaluations will ensure that Business Rates bills will reflect properties' current rental values more closely. The Council supports reliefs to businesses to ensure the growth in both local and national economies and reiterates that these reliefs should be fully funded from Central Government. Additionally, the earlier revaluations are welcomed but the Council should be not adversely impacted by delays to decisions on appeals by the Valuation Office Agency.

- Devolution White Paper: for England that will set the strategy for continued local economic growth and increased productivity across the country. This was reiterated in the Budget announcement for 11 March 2020 which cited infrastructure investment across England to "rebalance regional inequalities." The Council welcomes this renewed ambition to enhance devolution across England and wants to ensure that this devolution doesn't just apply to the Metro Mayor level (including the Mayor of London), but also gives local authorities such as Westminster the opportunity to benefit. The Council believes that any additional capital investment for the North should be additional rather than by redistribution.

- Social Care Reforms: Following the additional £1bn of funding for social care announced in the Spending Round, the Government will continue this for every of this Parliament. Whilst there has been additional funding for social care in recent years through grants and the Adult Social Care Precept, these have been typically one-off grants with no guarantee of being received in future years or in the case of the precept is directly charging residents for a national pressure. Furthermore, cross-party consensus will be sought on the proposals for the longer-term future for social care. This is welcome news as the Social Care Green Paper has been delayed several times since April 2017.

- NHS Funding Bill: Legislation will be introduced to enable a multi-year funding settlement for the NHS for the first time which will see NHS funding increase to £33.9bn by 2023/24. This will provide certainty to NHS and enable stronger forward planning, local authorities benefitted from the multi-year settlement offer between 2016/17 to 2019/20 and again calls for confirmation of future settlements to enable the same benefits as the NHS will now receive.

- Environment Bill: this will establish new long term domestic environmental governance and improve air quality by increasing local powers to address sources of air pollution. The government will take steps to meet the net zero greenhouse gas emissions target by 2050. The Bill will also look at creating a comprehensive framework for legally-binding targets, a long-term plan to deliver environmental improvements and a new Office for Environmental Protection. This Bill supports the Council's own priorities as it was first in the country to recognise poor air quality as a serious issue and has long called for tougher environmental measures to improve air quality.

7 Council Service Updates

7.1 The Council is responsible for providing a range of services in the City of Westminster and there are inevitably issues that might impact these services at any given time. Some key updates are presented below for a selection of these services:

Adult Social Care (ASC) Precept

7.2 As per previous years, the Council is permitted to charge an additional precept on its Core Council Tax without the need to hold a referendum for 2020/21 to mitigate cost pressures in Adult Social Care.

7.3 These pressures include market cost pressures and forecast demand growth for care as a result of increasing numbers of older people, people with disabilities and people with long term health conditions that require complex care aligned. There is also added pressure from reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide, along with an increase in homecare costs e.g. through the adoption of the London Living Wage which is necessary to mitigate against the fragile state of the care market and to improve outcomes.

7.4 For 2020/21, the Council has the option to apply 2.00% for the ASC precept. This has been proposed as a recommendation for approval by Full Council as part of this report.

Better Care Fund (BCF)

7.5 The Department of Health and Social Care (DHSC) and MHCLG released the BCF Policy Framework in April 2019. This policy framework for the Fund covers the financial year 2019/20 and retains the same national conditions as before.

7.6 The Clinical Commissioning Groups (CCGs) and local authority officers have worked closely to draft a plan for 2019/20 with clear schedules of joint services, financial commitments, and monitoring arrangements. The plan agrees with our BCF NHS allocation and has benefited from scrutiny and advice from the NHS BCF Programme Team. The total value of the budget in Westminster is £38.7m.

7.7 Officers from the Council and the CCGs have agreed on the following joint work as priorities for the current financial year:

- high-quality care in the community, preventing unnecessary hospital admissions, and ensuring timely discharge;
- joint work on Mental Health Supported Accommodation and Homelessness;
- Advocacy, Carers Services, Advice and Guidance and Prevention;

- aligning the Boroughs and CCG Better Care Fund with Wider Strategic Plans, and;
- use of the iBCF, Winter Pressures, Disabled Facilities Grant funding as enablers for Better Care Fund Plans.

Improved Better Care Fund (iBCF) and Winter Pressures Grant

7.8 The Improved Better Care Fund (iBCF) was introduced in 2017/18. It is paid as a MHCLG grant direct to local authorities and ring-fenced to social care; the grant comes with conditions that it should be pooled into the Better Care Fund. In 2019/20 an additional £3.490m was received taking the total allocation of iBCF to £15.807m.

7.9 The Policy Framework sets out that the following conditions apply to the grant:

- a requirement that local authorities include the funding in their contribution to the pooled Better Care Fund, unless an area has explicit Ministerial exemption from the Better Care Fund;
- a requirement that the funding is used to support adult social care to ensure it has the expected impact at the care front line and;
- that the funding does not replace and should not be offset against the NHS minimum contribution to adult social care.

7.10 According to the iBCF grant determination, the funding can be spent on three purposes. There is, however, no requirement to spend across all three purposes, or to spend a set proportion on each:

- meeting adult social care needs;
- reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready, and;
- ensuring that the local social care provider market is supported.

7.11 For 2020/21, the allocation of iBCF is the same as 2019/20 (not increased for inflation though), but with the ASC Winter Pressures grant rolled into the overall iBCF grant. The ASC Winter Pressures grant in 2019/20 was £1.323m. No allocation of these funds beyond this has been announced but it is envisaged that this will be rolled into the iBCF going forward at a similar level for 2020/21. This funding is currently being used on a range of schemes to ensure capacity is available for people being discharged from hospital who require social care input.

Housing Services (General Fund)

7.12 The Council is involved in providing a wide range of housing related activity including:

- responding to housing need and rough sleeping;
- preventing homelessness and supporting the vulnerable;
- providing housing to the homeless through leasing and acquiring residential units;
- allocating available social and affordable housing, and;
- working with Registered Providers (RPs) of affordable accommodation, developing new homes including new infill sites and delivering estate regeneration plans.

7.13 The Council makes proposals for the allocation of the supply of social housing to meet the Council's statutory obligations, meet the varying demands for social housing and to reduce numbers of people living in Temporary Accommodation (TA).

7.14 The demand for social housing in Westminster continues to outstrip the supply of available accommodation to let, whether as a result of homelessness, overcrowding, priority needs or demand from vulnerable groups. This is particularly the case for units of two bedroom or larger, reflecting the make-up of Westminster's social housing stock. This has risen further since the introduction of the Homelessness Reduction Act 2017.

7.15 Westminster is facing an increasing demand in the numbers of households facing homelessness and requiring assistance, but it is most acute in the provision of TA. This is resulting in significant financial pressures where the Council is required to set aside more financial resources to pay for the costs of TA. The Council has a legal requirement to ensure that homeless households are accommodated in suitable provision in terms of size, cost and location. Properties are generally leased by the Council from the private sector, either directly or through contractors, such as Registered Providers (RP). The cost of leasing properties from landlords in Westminster is higher than the rent paid from tenants via Housing Benefits, which results in the financial pressure.

7.16 The Housing Solutions Service (HSS) provides the Council's statutory housing assessment and advice function. Local authorities have a statutory duty to provide housing under homelessness legislation, where the applicant's immigration status entitles them to this, and they are:

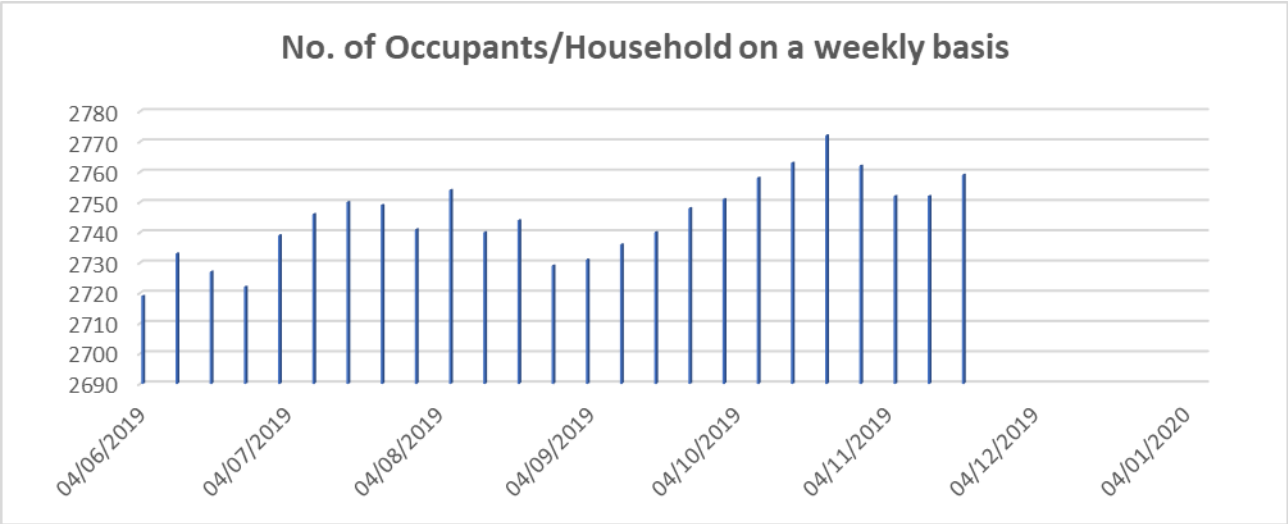
- homeless with no alternative accommodation that is reasonable to occupy;
- in priority need;
- has a local connection (or no local connection elsewhere).

7.17 The Council is required to offer suitable Temporary Accommodation (TA) to accepted homeless households pending allocation. The table below, summarises the numbers of homeless applications and acceptances over the last five years and the increase in the numbers of applicants occupying TA.

Demand Profile	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2019
Homelessness Applications (p.a.)	1,053	954	878	729	2255
Homelessness Acceptances (p.a.)	617	511	496	443	266
Households in Temporary Accommodation	2,397	2,423	2,518	2,521	2,744

7.18 Homeless households are placed in TA whilst applications are assessed and pending a move to more settled accommodation and are charged a rent set by a Central Government formula which has remained unchanged since 2011. TA now comprises c. 2,750 units of accommodation for homeless households provided through over 30 contractors and Council-owned properties purchased for use as TA, funded by the Affordable Housing Fund and borrowing.

7.19 The chart below provides an indicator of TA occupation from June 2019. The greatest demand is for 2 bed properties, followed by 3 bed, with just under half of TA located within Westminster, the remainder located across other London boroughs, with c. 80 properties outside of London:



7.20 Homelessness prevention is a priority for the Council, challenging illegal evictions, providing housing and debt advice and working with households to identify housing solutions including moving into the private rented sector. The Council's legal duties are set out within the recent Homelessness Reduction Act, all policies related to the procurement and allocation of housing are publicly available and the Council's

Housing Caseworkers lead the response to enquiries involving individual households.

7.21 The Council recently updated its policies regarding homelessness prevention and its placement policies to make best use of the private rented sector. As part of this, the Council ensures that:

- There are formal street counts of rough sleepers regularly and in November 2019 found 333 people. The Council commissions 415 specialist bed spaces that take people directly from the streets and one person moves on positively every four days. The Council also commissions upwards of 115 emergency bed spaces on top of hostel provision alongside 30 Housing First flats. There are two street outreach teams; one which focuses on new people arriving on the street and the other focuses on the most entrenched longer-term rough sleepers who either refuse to come indoors or those who are unable to maintain accommodation. Of those who were met for the first time, less than 3% identified Westminster as their last settled base and 75% of people encountered do not spend a second night out on the streets;

- In Westminster, there is a very wide variety of services commissioned to enable vulnerable people to maintain their independence in the community, preventing homelessness and tenancy breakdown. These include 24-hour hostels for rough sleepers, specialist housing for people with severe and enduring mental health issues and learning disabilities, young people (16-25), domestic violence refuges for women and their children, floating support in the community for people to sustain their tenancies and sheltered housing for older people.

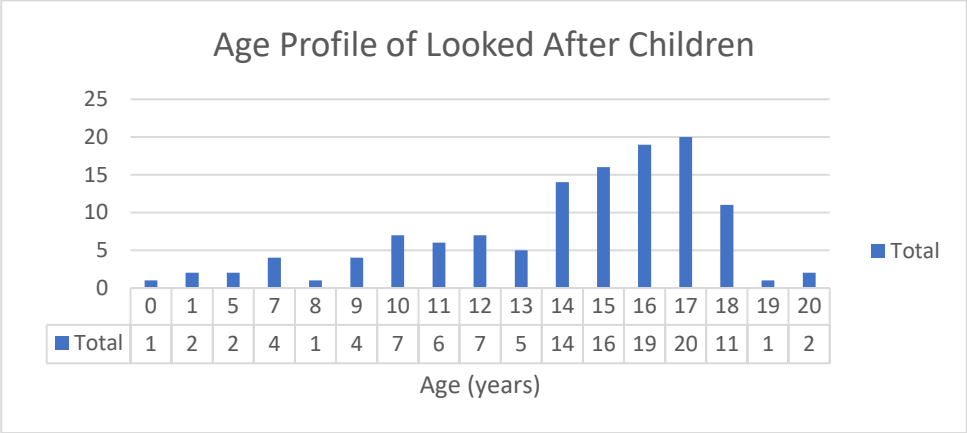
7.22 In 2019/20, the Council expects to complete over 710 lettings of social housing into the Councils own stock that becomes vacant, nominations into registered provider accommodation and newly developed housing. The Council is required to have a public Housing Allocations scheme that sets out how these units are allocated to meet the Council's statutory obligations, meet the varying demands for social housing and to reduce the numbers of people living in Temporary Accommodation. There are currently 4,167 households on the Council's Housing waiting list, of which 2,729 were applicants occupying temporary accommodation. Waiting times vary according to property size but are typically longer for larger units.

7.23 Available properties are generally let through Choice Based lettings where households bid for available properties based on their individual priorities, with additional priority given for homeless households who are working and those with established local connections.

Children's Services – Growth in Care Leavers

7.24 The current age profile of looked after children shows that a large number will be turning 18 in the next financial year, with 43% of the cohort being over 16. This will

put additional pressure on the care leaver budget, the level of which depends on the type and complexity of ongoing support that may be required.



7.25 Regular reviews of young people over 18 has mitigated some of this pressure, with many being moved into their own housing. Whilst the ageing out could also shift costs from looked after children to care leavers, though that depends on the numbers entering, the looked after children population (excluding UASC) has stayed broadly constant in recent years:

	31/03/2017	31/03/2018	31/03/2019
Number of Looked after Children	135	137	134

<u>Unaccompanied Asylum-Seeking Children (UASC) Demographic Demand</u>

7.26 The numbers of UASC presenting in the borough have traditionally been higher than other London Boroughs, due to the borough having Victoria International Coach Station and the majority of embassies located within its boundaries. UASC are subject to a National Transfer Scheme (NTS), with numbers per authority determined on a national basis. A child becomes the responsibility of the Local Authority in which they present as UASC, and they are eligible for the same services and interventions as a resident child when they become looked after. This is demanded under statute by the Children's Act (1989).

7.27 Under the NTS for UASC, the Council has an expected allocation of up to 28 UASC in its care, with any further children above this threshold presenting in the borough transferred to other local authorities. Owing to issues with the NTS, London Boroughs agreed a pan-London Transfer Scheme (LTS) where all boroughs agreed to transfer children internally, up to 0.7% of the local population. As at December 2018, the LTS closed as all 32 London Boroughs were at, or over, capacity.

7.28 Delays in transfers have meant a larger number have remained under the care of the authority. At the end of 2018/19, there were 81 UASC looked after. The number is continuing to grow, and as at the end of October 2019 was 129.

7.29 From April 2019, the Home Office changed the rates local authorities received to fund UASC. The new flat rate of £114 per night is sufficient to fund the cost of the child's accommodation. However, it does not cover the cost of the social work resource required. Additional social workers have been recruited to manage the growth in UASC numbers and the cost for 2020/21 of this will be £0.532m, based on an average caseload of 15 per social worker (caseloads expected under systemic practice). In 2019/20, the practitioner cost has been funded from the Social Care Support Grant.

7.30 WCC has a number of care leavers supported by Children's Services with no recourse to public funds (NRPF) as they were previously UASC in receipt of services from the authority. Under the Children and Social Work Act 2017 they will remain NRPF care leavers up to the age of 25. This number is also increasing, due to the age profile of UASC when they enter – with the majority being over 14. By 2021/22, 50 of the current cohort will be over 18 and move into the care leaver support.

7.31 The grant funding for care leavers is insufficient to cover the cost of their support. The shortfall in 2019/20 is forecast to be £0.355m. This shortfall is modelled to grow to £0.705m by April 2021.

Discretionary Housing Payments

7.32 Tenants receiving either housing benefit or the housing element of Universal Credit (see below) with an entitlement that is less than their rent can apply to the Council for a Discretionary Housing Payment (DHP). Claims are decided after considering the circumstances of the case and in line with the Council's policy.

7.33 National DHP funding for the period April 2016 to March 2021 was set at £800m as part of Summer Budget 2015. The table below shows the annual breakdown over the 5-year period:

Year	National DHP Funding £m
2016/17	150
2017/18	185
2018/19	170
2019/20	155
2020/21	180

7.34 Due to a change in allocation methodology by the DWP, despite the national pot increasing in 2017/18, Westminster and most other London boroughs experienced a reduction in funding at that time. The overall sums then reduced in the following

two years. In the Spending Round 2019, the DWP settlement included £40 million additional DHP funding “to tackle affordability pressures in the private rented sector in England and Wales”. As a result, the total government contribution for England and Wales has increased from £140 to £180 million. Final allocations for 2020/21 are expected in early February 2020, however based on indicative allocations which are open for consultation, there are grounds for anticipating the Government contribution for Westminster could be increasing for 2020/21. An increase is expected because market rents in Westminster are significantly higher than the restricted rents used to calculate housing benefit and the new money government is contributing is intended to address this issue.

7.35 The reduction in central government funding in recent years has required the Council to “top-up” the DHP pot from within its own resources. In 2017/18 the top-up was £532,730 and in 2018/19, £257,530. The Cabinet Member for Finance, Property & Regeneration has agreed to the principle of a further top-up if needed in 2019/20. Quarterly monitoring is in place and at the end of Quarter 3, a straight-line projection indicates a further top-up of £141,170 could be necessary

7.36 Given the possibility the government contribution to DHP could increase for 2020/21, a further review of the DHP policy will be undertaken in the spring of 2020. The review will consider if the Council should continue to assist with the transition into employment and with emergency support to prevent homelessness. Additionally, it will consider if more can be done to proactively assist residents to compliment City for All priorities.

Universal Credit

7.37 The introduction of Universal Credit (UC) was the main element of the Welfare Reform Act 2012. Government has designed UC to improve work incentives by removing the need to claim different benefits depending on whether a person is in work or unemployed. UC also simplifies the welfare system by replacing six existing benefits with a single payment. The Department for Work and Pensions (DWP) administers UC and one of the six benefits it replaces is housing benefit.

7.38 UC is a working age benefit so does not apply to pensioners. From 16 January 2019 a temporary exemption has been put in place for applicants who qualify for the severe disability premium in the benefits UC replaces. This temporary exclusion from UC will remain in place until January 2021.

7.39 For most applicants who pay rent, the housing element of UC replaces housing benefit. However, there are two significant exceptions to this: tenants of supported housing and temporary accommodation provided by a local authority under a homelessness duty will continue to claim housing benefit for assistance with rent whilst receiving UC for day-to-day living costs. DWP has stated the exception for supported accommodation will apply long term, but has not given any indication of how rent for temporary accommodation will be funded in the future. There remains

a possibility that some types of temporary accommodation will eventually be brought into UC.

7.40 The DWP began implementing UC in April 2013 and have adopted a gradual “test and learn” approach. The DWP implement UC through Jobcentre districts rather than local authority boundaries. The national rollout of UC for customers making a new claim for one of the six benefits UC replaces was completed in December 2018.

7.41 The final process for moving existing customers who experience no changes requiring a new claim from their old benefits to UC is still to be decided. Government has, however, stated the transfer of all existing customers will be completed by the end of 2023. DWP estimate this will involve moving 2.09 million customers onto UC and recognise a large number (36%) will be receiving an existing benefit awarded because of disability. Caseload data in July 2019 indicates there are 14,744 existing claims that will eventually move to UC and of these 51% are considered to have a disability. DWP estimate 610 claims in Westminster will move to UC because of a change in circumstances during 2020/21 and the caseload of 14.744 will also reduce over time as households stop claiming housing benefit for other reasons. However, this will still leave a significant number of cases for the managed moved to UC with a greater proportion of households having a disability than the national average.

7.42 In July 2019, DWP commenced a pilot project to move 10,000 existing claimants to UC. The pilot is being undertaken in the Harrogate area and will look at the effectiveness of different agencies, including local authorities, assisting with the transition to UC. The pilot is expected to run for one year and new legislation will have to be passed confirming any practices and procedures DWP intend to implement as a result of the pilot.

7.43 The Council will monitor its housing benefit caseload to establish the effect UC implementation has. As noted above, this will reduce the caseload, but it is too soon to predict whether UC implementation will result in any changes to the demand on the DHP budget. However, the current policy on whether a DHP will be agreed for a UC recipient is the same as for a housing benefit claimant. It should also be noted that local authorities continue to administer claims for Council Tax Support from UC customers. It is likely the Government will implement future changes to UC following the Harrogate pilot. The resulting budgetary effects for the Council will be considered as part of future years’ budget cycles.

8 Non-General Fund Services, Pension Fund and Treasury

8.1 The Council also provides services which are ring-fenced from the General Fund as well as being non-revenue based. Whilst these are not funded by Council Tax or Business Rates, they may have some impact on General Fund services or budget setting itself. These services are discussed below.

Housing Revenue Account (HRA)

8.2 The HRA is a statutory ring-fenced Landlord Account within the Council's overall General Fund, established under the 1989 Local Government and Housing Act. It accounts for the management and maintenance of c.12,000 units of social housing and c.9,000 leaseholders within Westminster. The HRA itself is required to set a balanced budget and must not go into deficit, after taking into account HRA Reserves.

8.3 The management of the Council's Housing Stock has now been brought under the management of the Council as of April 2019. It was previously managed by City West Homes, a Council Arm Length Management Organisation (ALMO) and the decision was made during 2018/19 to bring the service in house. This has provided the Council with direct control over the management of its Housing Stock and to seek to improve the service provision to Council Tenants.

8.4 The HRA will now begin to benefit from the removal of the rent reduction policy where previously the HRA was required to reduce rent by 1% per annum from April 2016 for four years, as stipulated under the Welfare Reform and Work Act 2016. In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent properties of up to CPI plus 1 percentage point from April 2020, for a period of at least five years.

8.5 The HRA continues to invest in its Housing Stock and New social and affordable Housing. The capital programme has provision for £1.75bn worth of investment over the next 30 years. Approximately half of this is earmarked to be spent over the next five years to deliver the Council's Housing aspirations.

8.6 The Housing Investment Strategy and HRA 30-year Business Plan report is being presented to Cabinet concurrently in February and Full Council in March to approve the five-year (2020/21 to 2024/25) capital and revenue budget for the HRA. The proposals will continue to see the capacity of the HRA applied to help deliver the Council's objectives of City for All.

8.7 The Housing Management service will also begin to seek efficiencies now that City West Homes has been brought into the Council. The integration will allow for support services efficiencies along with more controlled management of expenditure. The Government has released a new policy statement on rents for social housing which the Council will review and consider its rents policy to ensure it is in line with regulations and maximise the ability to charge the most appropriate rent. This will allow for re-investment into the Housing stock and ensure homes are maintained to an appropriate standard expected within the Westminster.

8.8 The cost of maintaining the housing stock is likely to increase as we see a reduction in capacity within the market due to shortage of labour and increasing material costs, which is a result of the current uncertainty of the impact of Brexit. Furthermore, the ambitious housing investment strategy will require increased borrowing as a source of financing the investment in regeneration, which will then result in increased borrowing costs within the housing revenue account. This will be proactively managed through generating efficiencies across the revenue account and planned management of the HRA reserves. In the short-medium term HRA reserves will reduce, but these will rise again in years 5-10 as newly constructed social housing schemes are completed.

Public Health

8.9 The Public Health Grant contains a condition to ring-fence the grant to the delivery of the Public Health outcomes that were transferred to local authorities under the Health and Social Care Act 2012. The grant conditions direct the spending of the grant by the Council towards mandated and non-mandated Public Health services.

8.10 The 2019 Spending Round indicated that there will be an increase to the Public Health grant received by local authorities, but the amount is yet to be confirmed. This is estimated to be c£0.8m and will reduce the reliance on the use of reserves for funding Public Health expenditure for at least 2020/21. The impact of this does not affect the level of general fund savings required due to the ring-fenced nature of the grant and earmarked Public Health reserve.

8.11 In 2020/21, £0.7m of savings on contract efficiencies are being delivered without any adverse impact on the delivery of services, with these savings being made from the reduction of surplus capacity within wider Public Health services.

Schools

Dedicated Schools Grant

8.12 The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure supporting the schools' budget. The grant also covers wider support to fund pupils with special educational needs, through an element in the DSG known as the High Needs

block, and for two, three and four-year olds in nursery and associated provision, through the Early Years element. Schools are funded through the DSG, not the General Fund. The National Funding Formula (NFF), which allocates DSG funds to local authorities, was introduced in 2018/19.

8.13 The DSG consists of four separate blocks: schools, central schools services (introduced in 2018/19), high needs and early years. The overall value of the DSG is ring-fenced; however, the four blocks that make up the DSG are not separately ring-fenced. Therefore, movement between blocks is possible subject to specific conditions and limits. Subject to agreement with Schools' Forum, the authority has the ability to transfer funds from the Schools block – this transfer can be up to 0.5% of the total value of the block. Any transfers higher than the 0.5% require Secretary of State approval.

8.14 The Council does not contribute any of its own resources to fund schools but is required to fund the management and administration of education services from Council Tax and funding settlement resources.

8.15 The DSG carry forward from 2018/19 was £2.581m, which included an in year overspend of £1.499m mainly in relation to early years funding adjustments relating to 2017/18. £0.350m of the carry forward is expected to be needed for school restructures, £0.300m for the final 2019/20 early years adjustment and £0.238m for high needs growth. £0.200m will be allocated in total to schools and early years providers.

Implementation of the National Funding Formula (NFF)

Schools and high needs block

8.16 The Department for Education (DfE) introduced the NFF for schools, high needs and central school services from 2018/19 to distribute resources to Local Authorities (LAs). The NFF may be fully implemented in 2021/22, however it is more likely to be implemented in 2022/23, subject to primary legislation by Central Government. The introduction of the NFF represents a significant change and is likely to lead to some schools benefiting from an increase in funding and others having funding which is protected at a historical level.

8.17 LAs will continue to set local funding formula to determine individual schools' budgets in 2020/21 and the Secretary of State confirmed on 3 September 2019 the government's intention to move to a 'hard' NFF for schools – where budgets will be set by a single, national formula. The Education and Skills Funding Agency (ESFA) recognises that this will represent a significant change and will work closely with LAs, schools and others to make this transition as smoothly as possible. As a first step towards hardening the formula, from 2020/21 the government will make the use of the national minimum per pupil funding levels, at the values in the school NFF, compulsory for local authorities to use in their own

funding formulae. The minimum per pupil funding levels within the NFF for 2020/21 is £5,000 for secondary schools and £3,750 for primary schools. All Westminster Schools will receive per pupil funding above this level in the locally agreed formula for 2020/21.

Central school services block in 2020/21

8.18 The central school services block within the DSG will continue to provide funding for LAs to carry out central functions on behalf of compulsory school age pupils in state-funded and maintained schools and academies in England. Westminster's funding shows a reduction of £0.058m.

8.19 The block will continue to cover the two distinct elements of ongoing responsibilities and historic commitments. The DfE continues to reduce the historic commitments element of the central school services funding block where authorities' expenditure has not reduced. This is likely to further reduce WCCs allocation in future years.

Westminster Dedicated Schools Grant (DSG) Funding Allocations 2020/21

Block	2019/20	2020/21	Change	% Change
Schools	£112.171m	£115.665m	+£3.494m	+3.1%
High Needs	£26.413m	£29.062m	+£2.649m	+10.0%
Central School Services	£1.086m	£1.026m	-£0.060m	-5.5%
Early Years*	£13.491m	£14.658m	£1.167m	+8.6%
Total	**£153.161m**	**£160.410m**	**£7.249m**	**+4.7%**

Allocations are before deduction for academies including for High Needs Places

*Early years 2020/21 allocation is the initial allocation and the per pupil rate for 3 and 4 year olds remains unchanged from 2019/20

8.20 The DSG allocations show an overall increase of funding of 4.7% equivalent to £7.249m in 2020/21.

8.21 Individual schools will see an increase in funding in 2020/21of 3.5% on average, providing there is no decrease in pupil numbers. The Minimum Funding Guarantee (MFG) will ensure that all schools have an increase of at least 1.84% per pupil.

8.22 The 2018/19 year-end closing position for the LA-maintained primary and secondary schools was a collective balance of £3.289m. For 2019/20 ten schools are projecting a year end deficit. Any school in this situation is given officer support to set a sustainable budget commensurate with their resource levels and to operate within this.

8.23 The schools block funding is £115.665m based on the October 2019 pupil count. Pupil numbers from the maintained sector and nine academies indicate a total reduction of 61 pupils, made up of minus 272 in primaries and plus 211 in secondaries. As school funding is pupil-based this represents a cost pressure for schools with falling rolls.

8.24 Schools in England report that they are facing rising cost pressures, especially from increased staffing costs including the support for children with Special Educational Needs (SEN). The spending pressures that schools face, particularly those with falling pupil numbers, make it imperative for the service to work with schools to ensure that they are equipped to face the challenges ahead and to insulate the local authority.

Early Years Block

8.25 The Early Years Block of the DSG funds the government's Free Early Education Entitlement (FEEE). Through this scheme, the borough's early years providers are funded to deliver up to 30 years of free early years education and childcare to three and four-year olds, and up to 15 hours of free early years education and childcare to disadvantaged two-year olds.

8.26 Funding for early years pupil premium (EYPP), the disability access fund (DAF) and supplementary funding for the borough's maintained nurseries is also provided through the Early Years Block.

8.27 The initial funding allocation announced each December is based on census numbers, and revised budgets for 2019/20 rose from £13.396m in 2018/19 to £14.637m in recognition of increased take up of the entitlement for three and four-year olds.

8.28 The Government announced an additional £66m of funding for Early Years nationally from 2020/21 in the recent Spending Round. Some of the additional investment will go to ensuring early years providers can support some of the most disadvantaged children and Westminster's hourly rate of funding for two-year olds will increase by 8p to £6.58 as a result. This represents a direct increase for all providers with this cohort of children. Westminster's Early Years National Funding Formula (EYNFF) rate for three and four-year olds remains at £7.86 per hour for 2020/21. This rate is subject to deductions for deprivation, special educational needs and central services budgets, which are administered at source, and the new rate is therefore not expected to differ significantly from this year's hourly funding rate of £6.54.

8.29 Aside from the increase to the rate for two-year olds and the commitment to fund the maintained nursery supplement for a further year, any further financial gains are unlikely despite the government's investment.

8.30 Officers will consult with School's Forum in the new year once budgets for 2020/21 have been announced and providers will receive the new funding rates in March 2020.

Pupil Premium

8.31 The 2020/21 pupil premium funding rates have not yet been announced. This funding is for each child registered as eligible for free school meals at any point in the last six years. The per pupil figures for 2019/20 are £1,320 per primary school pupil and £935 per secondary school pupil.

8.32 For Pupil Premium Plus, in 2019/20 for each pupil identified in the spring school census as having left local authority care because of adoption, a special guardianship order, a child arrangement order or a residence order, schools receive £2,300 per eligible pupil.

8.33 Pupil premium for three and four year old children is at a rate of £300 in 2019/20 per eligible child. Schools can decide how they use the pupil premium and have to report on use each September on their individual school's website. There is no onus on the Council to monitor or capture this information, it is a school's responsibility.

Academies and Free Schools

8.34 Westminster schools that convert to academy status or newly established free schools obtain their funding directly from the Education and Skills Funding Agency (ESFA). These schools receive a school budget share equivalent to the budget they would have received if they were a Westminster school. This is funded in most cases by an adjustment to the DSG received by the Council and deducted from the School's block. There are no further academy conversions in the pipeline in WCC.

Pension Fund

8.35 The City of Westminster Pension Fund includes the City Council's pension obligations as well as those for a number of other admitted and scheduled bodies, including academies.

Triennial Valuation

8.36 The triennial valuation of the Pension Fund was completed by the Council's actuary as at 31 March 2019. The latest actuarial report values the future liabilities of the Pension Fund and sets the employer's contribution rate for the three years 2020/21 to 2022/23. A final version will be agreed by the Pension Fund Committee in early 2020.

8.37 The actuary reported that the employer's contribution rate was required to rise from 15.7% to 16.8% with effect from 1 April 2020 in order to fully fund the cost of active members. The impact of this change on the Council's ongoing revenue budget will cost £1m per annum more than 2019/20 contribution rates

8.38 As well as needing to make contributions into the Pension Fund for active members, the Council is required to make contributions to address an historic funding deficit. The latest triennial valuation, however has shown that the Pension Fund as a whole is now almost in surplus, with a deficit of just £1.5m compared with a £285m deficit at 31 March 2016.

8.39 It should be noted however that the Council as an employer within the overall fund is expected to still be in deficit of £132m as at March 2020. While the Council is in deficit, it incurs an interest cost which it would not if it were fully funded. The cost of this interest increases the total contributions required to be made by the Council throughout the period until the deficit is repaid.

8.40 Options to reduce this deficit and the consequent interest costs were explored with the actuary in 2017 and previously reported to Council. These being:

- a total of £30m cash injection;
- together with increases of £4.0m per annum for each of the years 2017/18 to 2019/20, followed by more measured increases thereafter to account for the impact of inflation.

8.41 This strategy provided an optimal mix of maintaining annual affordability whilst also offering the greatest saving in overall cost. As a result of this action, and with market increases in equity values, the funding level has increased to 100% for the Pension Fund as a whole.

Future deficit reduction strategy

8.42 Building on the above work, it was agreed previously at Council the second stage of paying off the Council's deficit would be made with a one off estimated £150m cash injection post 2019 to pay off the remaining deficit in full. This would be funded as a prepayment and amortised at £11m per year over 14 years, saving £11m per annum from the Council's £22m per annum deficit recovery budget. With the updated 2019 valuation figures now, the strategy can be slightly amended to the following:

- a £22m deficit repayment during 2020/21 funded from existing budgeted resources, and;
- a £110m one-off cash payment in 2021/22 to be amortised over 10 years.

Pension Fund Governance

8.43 The Local Pension Board continues to operate alongside the Pension Fund Committee as a scrutiny function and reports on its activities to the Pension Fund Committee and Full Council. The Board, comprised of both employer and employee representatives, is required to assist the Council to ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.

8.44 The Pension Fund continues to work with the London Collective Investment Vehicle (LCIV). All local government pension schemes in England and Wales are required to form investment pools of at least £25bn with investment manager appointment and monitoring decisions undertaken at pool level. Westminster and all the other London Boroughs are members of the LCIV, set up to facilitate joint procurement of investment managers, with the objective of achieving significant savings and enhancing net of fees returns. Originally two of the Westminster fund's existing investment mandates were transferred to the LCIV and a third was subject to a London wide fee arrangement that substantially reduced manager fees.

8.45 The Pension Fund has now transferred £91m to the London CIV to establish its first Multi Asset Credit fixed income allocation. This was made to diversify the Fund and reduce equity risk. The Pension Fund has also liquidated its active UK Equity portfolio with Majedie (approximately £290m in value) and transferred to a passive Global Equity portfolio with Legal and General. This is a temporary allocation, pending a future Pension Fund Committee decision on asset allocation that will flow from an investment strategy review, following the conclusion of the 2019 triennial actuarial valuation.

Cash and Financing

8.46 An annual Treasury Management Strategy Statement (TMSS) is presented to Full Council as part of the budget process each year, following discussions at other committees, including Scrutiny. The purpose of the TMSS is to set the strategy framework, boundaries and limitations for borrowing and investment decisions over the next year and the two subsequent years to ensure security, liquidity and yield.

8.47 There is currently no forecast for additional external borrowing in 2020/21 due to the current level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA). Looking to the longer term, the Council has arranged forward loans for a total of £400m to finance future capital financing commitments. The first of these loans will commence in March 2022 and the others are phased into 2023.

8.48 The annual investment strategy was set in the current continuing environment of low interest rates that has significantly reduced the capacity to generate investment yield from short-term cash balances. Various opportunities to diversify the treasury portfolio, ensure the security of cash balances, ensure appropriate liquidity to meet Council obligations as and when required, and enhance yield continue to be investigated.

8.49 Monitoring of treasury activity is a key control to ensure that dealing accords with the approved TMSS. In addition to half yearly reports on activity to Full Council and Scrutiny Committee, weekly updates are provided to the Section 151 officer and monthly reviews of the investment portfolio are undertaken by the Council's treasury advisor, Link Asset Services, and the Council's investments are benchmarked against other local authority investments.

8.50 To support the TMSS, the Council has devised a holistic strategic investment framework in order to manage its investment portfolio as one, across investment properties and treasury management. The Investment Executive comprising of Members and officers was set up to implement, monitor and report on the investment strategy.

8.51 The investment framework sets out in detail the longer-term investment plan to manage investments in relation to long term capital spend and cash requirements, diversify to reduce risk, ensure security of capital and future-proof against possible economic downturns.

Treasury Management and Future Economic Outlook

8.52 The Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% in 2019 due to the ongoing uncertainty over the UK's exit from the EU. In its meeting on 1 August 2019, the MPC became concerned about the outlook for both the global and domestic economies. This uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year.

8.53 Investment returns are likely to remain low during 2020/21 with little increase in the following two years.

8.54 Borrowing interest rates were on a major falling trend during the first half of 2019/20 to historically low levels. The Public Works Loan Board subsequently increased the cost of all new loans by 1% in October 2019. This increase requires a rethink of local authority treasury management strategy and alternative sources of borrowing.

8.55 The September 2019 MPC meeting raised more concern about global growth and the effect that prolonged uncertainty is likely to have on growth. Impacts of Brexit and the general economic conditions will be monitored closely.

9 2019/20 Financial Performance and Future Budget Gap

2019/20 Financial Forecast

9.1 As at Period 8 (November), General Fund service area revenue budgets are projected to underspend by £0.761m by year-end. All variances are subject to continued active management throughout the financial year.

9.2 The main areas contributing to the period 8 net underspend are as follows:

- Finance and Resources: net underspend of £1.660m which is largely due to over recovery of interest earnings of due to average cash balances being higher than budgeted for and savings on the revenue and benefits contract;
- Adult Services: underspend of £0.320m due to demand for placements and packages being lower than anticipated;
- Policy, Performance and Communications: net underspend of £0.119m which is largely due to the careful management of staffing vacancies;
- City Management and Communities: net overspend of £0.400m which is mostly due to a shortfall in income on parking;
- Children's Services: net overspend of £0.838m, which is related to an increase in demand from carers for short breaks and respite placements activity, salaries and passenger transport costs.
- Growth, Planning and Housing: net overspend of £0.100m which relates to additional costs charged within Rough Sleeping and Commissioned Support, an overspend on TA in the current year is being covered by utilising flexibility within homelessness grant funding.

9.3 The Housing Revenue Account is forecasting an overall surplus of £4.057m. However, this is an adverse variance of £5.736m compared to budget. This is mostly due to a shortfall in leaseholder services income and lessee charges for the year, which is mainly a profiling issue.

General Fund Revenue Budget Gap

9.4 The Council's modelling for the forecast of the Medium-Term Financial Plan (MTFP) is informed by a number of factors:

- estimated losses to the Settlement Funding Assessment level and other government grants through the Fair Funding Review in 2020;
- additional income from council tax from growth in the tax-base, improvement in recovery % and a recommended increase to Band D in 2020/21;
- estimates of inflation (both pay and contract);
- unavoidable service cost pressures and investment in policy areas;
- Council-wide cost-cutting pressures and an allowance for risks, and;
- capital financing revenue impacts.

9.5 Arising from this then sets the gross savings requirement needed to balance the budget for future years. The estimated budget gaps particularly for beyond 2020/21 will be subject to change depending on the outcomes of Government decisions e.g. the Spending Review, Fair Funding Review, finance settlements and other policy related decisions.

9.6 The proposed budget changes for approval in this report i.e. budget gap, service specific pressures and savings for 2020/21 to 2022/23 and their impact on overall service budgets are presented in Appendices A to G in more detail.

9.7 For 2020/21 to 2022/23, the Council has determined that savings will be required due to the following budget gaps, and these are discussed further below.

Reference	Budget Gap	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
A	**Net Loss in Retained Business Rates**	4.809	4.809	4.809	14.427
B	**Council Tax Income**	(3.004)	(0.570)	(0.576)	(4.150)
C	**Other Grants and Funding Changes**	(2.393)	13.256	9.918	20.781
D	**Inflation**	7.672	7.986	8.404	24.062
	Capital Financing	2.500	2.600	2.700	7.800
E	**Corporate Pressures**	7.343	2.063	7.434	16.840
F	**Service Specific Pressures**	7.972	3.876	10.000	21.848
G	**Review of Budget Contingencies**	(6.000)	0.000	0.000	(6.000)
	Estimated Budget Gap	**18.899**	**34.020**	**42.689**	**95.607**
	Savings Proposed to Date	(18.899)	(9.177)	(4.080)	(32.156)
	Savings to be Identified	0.000	(24.843)	(38.609)	(63.452)
	Balanced General Fund	**0.000**	**0.000**	**0.000**	**0.000**

- **Estimated Core Funding Losses (Ref A):** the three-year Spending Review and the Fair Funding Review (which have been delayed until at least 2021/22) were anticipated to result in further core funding losses for 2020/21 and have been reflected in the budget gap.

- **Council Tax Income (Ref B):** The Council's share of council tax income is based on three variables:

  a. rate of council tax for the year e.g. Band D payable by residents;
  b. the tax base i.e. number of Band D equivalent dwellings;
  c. the % collection rate.

  Based on the final tax-base and assumption that the changes to Band D for 2020/21 included in the recommendations to this report and discussed in Section 11 are approved the total additional funding from council tax income is calculated as £1.066m from tax-base growth and £1.937m from the change in Band D

- **Other Grants and Funding Changes (Ref C):** an estimate of grants outside of the core settlement funding and other losses has been made. This includes the gain from the new Social Care grant and net loss in the New Homes Bonus grant for 2020/21.

- **Inflation (Ref D):** inflation for staff pay and against service contracts result in unavoidable cost pressures for services but the exact amount is often unknown until later in the financial year. An allowance for these has been estimated as follows:

Breakdown	2020/21 £'m	2021/22 £'m	2022/23 £'m
Pay Inflation	2.397	2.445	2.494
Contract Inflation	5.275	5.541	5.910
Total Inflation	**7.672**	**7.986**	**8.404**

- **Corporate Pressures (Ref E):** in previous years, the budget gap has included an estimate of emerging Council wide pressures, examples have included:

  - grant losses e.g. Housing Benefit and Council Tax Administration grants;
  - business Rate pressures on Council owned buildings;
  - uncontrollable increases in utilities costs;
  - potential increases against levies e.g. LPFA, Environment Agency and Lee Valley Regional Parks Authority.

- **Service Specific Pressures (Ref F):** these are growth for unavoidable service pressures and are listed in more detail in Appendices G

  Review of Budget Contingencies (Ref G):the 2015 Spending Review set out Central Government budgets and Local Government funding levels for 2016/17 to 2019/20. Annually, internal estimates and decisions were also made on resources needed to manage potential cost pressures and service demands. This included budgets for Council-wide risks and centrally provided pressures. A review of central budget contingencies approved in previous years' budget setting identified £6m that is being offered up as savings for 2020/21

9.8 The table below summarises the net change in the General Fund budget and is presented in more detail in appendices A to C. Appendices D and G list the individual budget changes for 2020/21 from the budget gap, service specific pressures and proposed savings.

Summary Change in General Fund Budget	£'m
2019/20 Net GF Service Budgets	181.782
Less Changes in 2020/21 Core Funding:	
Settlement Funding Assessment	4.809
Council Tax Income	(3.004)
Net Reduction in Core Funding	1.805
2020/21 Proposed Net GF Service Budgets	179.977
Funded By:	
Settlement Funding Assessment	(120.501)
Council Tax Income	(59.477)
2020/21 Total Core Funding	(179.977)
2020/21 Balanced GF Budget	0.000

Approach to Meeting the Budget Gap

9.9 Previously, the Council set its budget using an incremental budget setting process based around "star chamber" meetings. Reports have been produced with budget options being worked up on an iterative basis. A revised approach to the MTFP has been taken for 2020/21 which has led to the Council putting forward a three-year financial strategy covering 2020/21 to 2022/23

9.10 The process for 2020/21 to 2022/23 began in early Summer 2019 and involved a review of all Council services. Members recognised that no service could be out of scope and that difficult decisions would be needed on the future shape of services. Furthermore, a new strategic approach focussed on the prioritisation of key services and outcomes has been adopted which builds on the achievements of City for All.

9.11 The review of savings proposals and pressures for the three-year period have undergone a thorough internal review process including reviews held between Cabinet portfolio holders, Executive Directors, the S151 Officer and finance officers, and the Chief Executive. There have been discussions between members of the Corporate Budget Group and representatives of each of the Directorates and Equality Impact Assessments have been undertaken for all savings proposals (see Appendix I). This work has then culminated in a formal scrutiny process conducted by the Budget & Performance Task Group on 16, 20 and 21 January 2020, for which the summary report and minutes of the three sessions held are incorporated into this report in Appendix J. The proposals put forward for approval in this report therefore help to deliver a balanced budget for 2020/21 and reduce the gap for the subsequent two years of 2021/22 and 2022/23. Work will continue during 2020/21 in order to reduce the residual gap further and subsequent savings identified will be brought back for approval in next year's budget setting report.

10 Risks and Budget Robustness

General Risks

10.1 The Council is a large, complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. These require considerable on-going monitoring and review particularly in light of the challenging financial climate. With this in mind, the Council has recognised the on-going need to identify risks and have measures in place to mitigate should they occur (many risks by their nature can never be completely removed). Sections 7 and 8 in this report provide background to some of the issues and hence risks being faced by the Council's services.

10.2 The Council's revenue related risks include:

- general risks;
- funding related risks e.g. Fair Funding;
- interest rate risk;
- inflation risk;
- change in law risk;
- commercial values risk, e.g. income rental values;
- contract failure risk and step-in obligations for the Council.

10.3 The Council has built processes into the MTFP to risk assess each budget proposal. For example, as per previous years, a Corporate Budget Group consisting of representatives from the Finance & Resources, People Services, Policy, Communications, Legal Services, Procurement representatives have met to review the budget proposals.

10.4 While the Corporate Budget Group meets to ensure the over-arching issues are robustly considered, a full suite of meetings is arranged at various levels to ensure all stakeholders fully understand the MTFP process and their savings proposals. Various meetings take place including Members, Executive Directors and finance officers.

10.5 These reviews are to enable this cross section of officers to ensure all budget proposals are:

- fully evaluated for any legal, people service and procurement issues;
- assessed thoroughly to ensure if stakeholder consultations are needed and if so to make sure these are completed in time;
- appropriately challenged to ensure they are feasible.

10.6 Risks related to the capital programme and pensions and treasury are specifically addressed and discussed separately e.g. in the Capital Strategy Report and the Treasury Management Strategy Statement.

10.7 The 2020/21 revenue budget has been prepared on the basis of robust estimates and adequate financial balances and reserves over the medium term. As part of on-going reviews for these, the Finance & Resources directorate leads on:

- Monthly budget monitoring and financial challenge to ensure budget options are being adhered to and that any other base budget variances, risks and opportunities are being suitably identified and mitigated; and

- continuing to replenish reserves and balances towards an appropriate level in order to provide an adequate buffer for one-off pressures, downturns in the economy or to provide sufficient time to identify on-going mitigations in a systematic way. This is discussed further in Section 10.

Reserves and Balances

10.8 Local authorities hold two categories of reserves, usable and unusable:

- Usable reserves are defined as those that the Council could utilise to fund capital or revenue expenditure. Some of these reserves could be applied generally but others will have stipulations attached on their use;
- Unusable reserves hold unrealised gains or losses for assets not yet disposed of and accounting adjustments, which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.

10.9 The Council's usable reserves can be grouped into the following sub-categories:

- General Reserves – working balances held to ensure long term solvency and to mitigate risks e.g. the General Fund balance and the Housing Revenue Account balance;
- Earmarked Reserves – to fund specific projects or as a means to build up funds for known contingencies. e.g. the Insurance reserve;
- Ring-fenced Reserves – carried forward balances or grant funding which have certain conditions or restrictions attached to them preventing their general use by the Council e.g. Schools balances; and
- Capital Reserves – amounts held to finance capital expenditure e.g. receipts from asset disposals and capital grants.

10.10 The use of general and earmarked revenue reserves cannot be regarded as a sustainable medium-term strategy to fill the gap from core funding reductions. This is because a usable reserve is a finite, cash balance which can only be used once whereas the reduction in core funding is a permanent year-on-year loss to the Council's base budget.

General Reserves

10.11 In line with other Local Authorities and the law, the Council holds a general reserve on its balance sheet. The balance of this reserve as at 31 March 2019 was £62.782m. The Council holds this general reserve to:

- comply with the law;
- provide funds for emergencies or other unexpected requirements for funds;
- mitigate against risks faced in day to day operations;
- provide a balance to insulate it from the need to borrow on a short term basis due to uneven cashflows.

Legislation, Role and Responsibility

10.12 When considering what level of general reserve to hold, the following relevant and applicable legislation and regulation has been taken into account:

- *Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992* require billing authorities (i.e. the Council) to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Specifically, *sections 31A and 42A* require local authorities to set a balance budget including an adequate level of reserves;
- *Section 25 of the Local Government Act 2003* requires the Chief Financial Officer or for WCC, the Section 151 officer to report on the adequacy (or otherwise) of reserves and the robustness of estimates supporting the budget;
- *Section 26 of the Local Government Act 2003* requires that when setting the budget requirement the reserves include a minimum level for controlled reserves – this minimum level is determined by the Section 151 officer;
- *Section 27 of the local Government Act 2003* requires the Section 151 officer to report on the inadequacy of controlled reserves – i.e. when it appears to the Section 151 officer that the level of a controlled reserve is inadequate or likely to become inadequate.

10.13 In summary, primary legislation requires the Council to:

- Empower the Section 151 officer to report on the adequacy of reserves and determine an appropriate minimum level;
- Set a balanced budget with due regard to the level of reserves held.

The Council's Section 151 officer is charged with determining the overall level of general reserves. This position is reviewed annually and is a key part of the formal budget setting process.

10.14 This responsibility is set out in paragraph 2.1 of the Council's Financial Regulations which state that the Section 151 officer is responsible for:

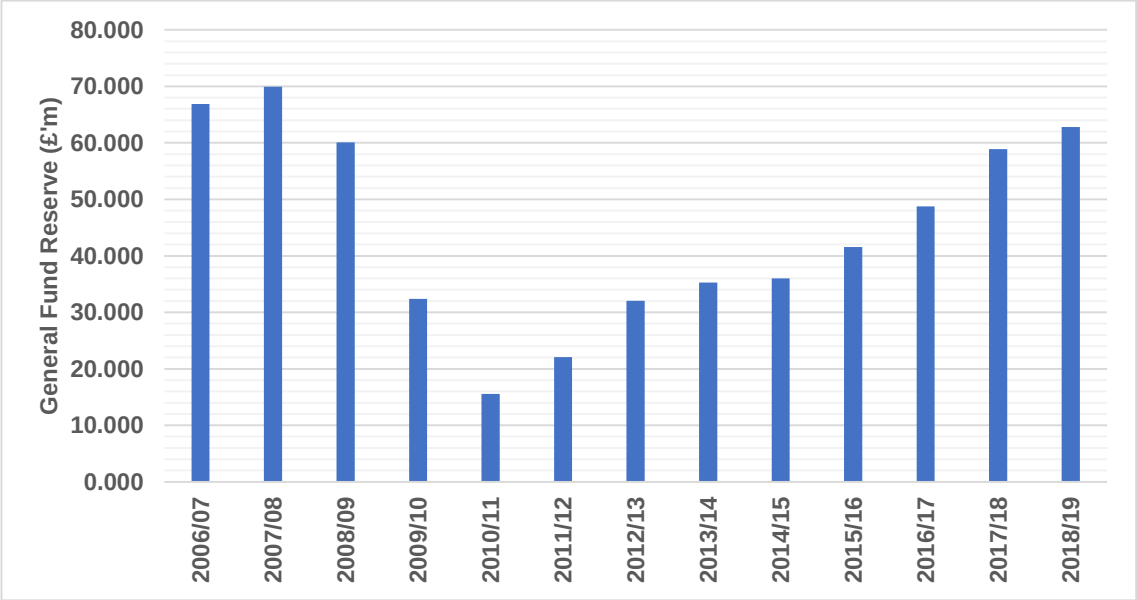
- *"Advising the Cabinet and Council on a prudent level of reserves for budget purposes, and ensuring any appropriate contingency provisions are maintained"*

10.15 Paragraph 3.2 also states that:

- *"Responsibilities of the Section 151 officer include preparing the Revenue Budget, and reporting to the Council on the robustness of the estimates and the adequacy of reserves"*

General Reserve Movements

10.16 The graph below illustrates the movement of general reserve since 2006/07. The Council has faced a number of challenges during this time including significant turbulence in the wider economy.



10.17 Between 2008/09 to 2010/11 the general reserve balanced decreased by £54.352m. If this had occurred again over a three-year period starting from 2017/18, the Council would have a general reserve balance of just £8.430m. This would be an undesirable position for the Council placing it in financial vulnerable position where its position to withstand any further unexpected financial shocks would be severely constrained.

General Reserves Level

10.18 Based on the information contained within the paragraphs above the Section 151 officer's judgement is that general reserves are considered adequate at a level of £62.782m as at the date of this report.

10.19 This is based on the following considerations:

- it allows the Council to mitigate any macro-factors which cannot necessarily be forecasted or influenced but will impact the Council, e.g. inflation levels.
- the wider economy which appears currently to be stable although significant uncertainties remain;
- the Council's framework of governance and controls has been assessed by the Auditor as being satisfactory;

10.20 However, there are a number of other factors which suggest that it would be desirable to increase the level of the balance at the earliest opportunity as set out above. At this point it is considered that a general reserve balance of at least £70m would be a prudent and advisable position, based on the current economic climate.

10.21 It is not considered at this point that further budget reductions should be made to accommodate an increase in reserves. However, any available resources which become available from the following sources should be added to the general reserve where possible:

- in year revenue underspends as reported through the monthly revenue monitor to Cabinet;
- one off revenue funds which become available e.g. one-off unbudgeted income;
- any other available resources which become available on an unforeseen or unbudgeted basis.

To summarise, the assessment of risks in the budget setting process and the paragraphs above discuss the level of reserves. The Section 151 Officer considers the estimates underpinning the proposed budget changes and reserves level to be robust and compliant with the legislation and Council's Financial Regulations to set a balanced budget for 2020/21.

Climate Emergency

10.22 The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Whilst there are a number of green actions that the Council is already taking, there is a need to work these through over the medium term and to develop other initiatives to tackle this. Therefore, there is a recommendation to set aside £5m from reserves to form a green investment fund. This will sit alongside the carbon offset fund, which currently has a balance of £1m in and is expected to rise to £2m in the near future through the development planning process. The Council will look to other green external funding arrangements to lever in further resources to add to maximise the impact. It is envisaged that actions to meet net zero carbon emissions in the future will require significant levels of funding.

11 Council Tax, Business Rates and Levies & Precepts

Council Tax

11.1 The Council Tax Base (the number of Band D equivalent properties estimated to be billable for the year 2020/21) was considered by Cabinet in December 2019 and approved by Full Council on the 22 January 2020. The yield derived from the Council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.

11.2 The Welfare Reform Act 2012 replaced the previous Council Tax Benefits scheme with a locally determined Council Tax Reduction scheme. In setting the tax base for 2020/21, Council also approved the continuation of the existing Local Council Tax Reduction Scheme which ensures those eligible have their Council tax liability fully funded.

11.3 The number of properties (and mix of properties within each banding) has increased over the current year's tax base as the result of a combination of new properties being brought into use; alterations to existing properties changing their valuation, and changes to the numbers of residents entitled to funding via the Local Council Tax Reduction Scheme. The tax base for the whole of the City of Westminster has increased from 130,319.70 to 132,698.31 Band D equivalent properties – an increase of 2,378.61 (a 1.83% increase).

11.4 As well as collecting council tax for the Council's own purposes, the Council is responsible for collecting it for both major and minor preceptors. The change in the tax base for each body is set out in the table below:

Financial Year	Queen's Park Community Council (No.)	Montpelier Square Garden Committee (No.)	Rest of the City of Westminster (No.)	Whole of the City of Westminster (No.)
2019/20	3,496.10	97.61	126,725.99	130,319.70
Change	58.04	-0.53	2,321.10	2,378.61
2020/21	**3,554.14**	**97.08**	**129,047.09**	**132,698.31**

11.5 All other things being equal, the overall increase in the tax base has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Every 1% growth in the base generates c£0.565m of Council Tax income. As part of the MTP process for 2020/21, additional income was estimated for Council Tax base growth and from the increase in the collection rate from 96% to 97%.

11.6 The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of Council tax (effectively the Band D amount) is excessive. The Secretary of State

has, under regulations, determined that an increase of 2.00% (excluding the Adult Social Care precept) or more would constitute an excessive increase for 2020/21.

11.7 Should a local authority wish to propose a budget that increases the Band D amount by more than this threshold, it is additionally required to prepare an alternate budget that does not breach that limit and to hold a referendum of its residents who would be able to determine which budget proposal they wished to be implemented. Holding such a referendum would involve considerable cost.

11.8 Rising inflation has the impact of eroding the real purchasing power of the Council Tax yield. The latest ONS official inflation rate for December 2019 report CPI at 1.30%.

11.9 The maximum amount that the Council can increase on its own element without triggering a referendum is 1.99% (excluding the Adult Social Care precept). The table below sets out the additional income that would be generated by incremental increases up to the maximum level:

	Modelled Changes to WCC Band D					
Modelled Changes to Band D (£)	**0.00%**	**1.00%**	**1.30%**	**1.50%**	**1.99%**	**2.00%**
2019/20 Approved Band D (£)	**433.34**	**433.34**	**433.34**	**433.34**	**433.34**	**433.34**
Increase (£)	0.00	4.33	5.63	6.50	8.62	8.67
2020/21 Modelled Band D (£)	**433.34**	**437.67**	**438.97**	**439.84**	**441.96**	**442.01**
Weekly Cost of Change over 2019/20 (£/week)	**0.00**	**0.08**	**0.11**	**0.13**	**0.17**	**0.17**
Additional Council Tax Income Change (£'m)	**0.000**	**0.564**	**0.734**	**0.847**	**1.123**	**1.130**

Note: The analysis above is calculated on the 2019/20 tax-base to show the impact of changes to Band D only

11.10 The schedules accompanying this report set out the financial implications on the Council's overall budget of increasing the general Council Tax amount for 2020/21 by 1.43% over that of 2019/20 Band D Council Tax. This is the average in CPI for Quarter 4 of 2019. Cabinet is therefore asked to recommend a 1.43% increase for the General Element of 2020/21 Band D Council Tax to fund GF services and emerging pressures.

11.11 The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA on 29 January 2020 and this will be finally approved by the Assembly on 24 February 2020. Currently, the Mayor's proposed budget recommends an increase to the 2020/21 Band D equivalent charge from £320.51 to £332.07. This consists of a £10.00 increase in the policing element and £1.56 increase in the non-police element of the precept. This is the maximum amount the Mayor can increase it by without holding a referendum. A verbal update will be provided regarding the outcome of the London Assembly decision as required.

11.12 Queen's Park Community Council notified the Council that their precept for 2020/21 would remain unchanged at £46.38 (Band D equivalent).

11.13 The Montpelier Square Garden Committee has notified the Council of their intention to increase the income for their special expense for residents in their area for 2020/21 to 642.77.

11.14 Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding from Council Tax to support spending on Adults Social Care activities which would otherwise have been unaffordable.

11.15 As set out in this report earlier there are continuing growing pressures in the Adult Social Care service and so to maximise the opportunity to provide essential funding for the service whilst keeping the increases to the taxpayer manageable and affordable, the spreading of this additional charge to an equal 2.00% per annum was considered to be the most appropriate.

11.16 The collective impact of the proposed changes discussed above to the WCC Band D amount from an increase of 1.43% for the Core Element and 2.00% for Adult Social Care) for 2020/21 is additional income of £3.004m i.e.:

	2019/20	2020/21
Approved Band D (£)	**433.34**	
1.43% Core Increase (£)		6.20
2.00% ASC Precept Increase (£)		8.67
Proposed Band D (£)		**448.21**
Tax Base: No. of Band D Equivalent Dwellings	**130,319.70**	**132,698.31**
Income from Council Tax (£)	**56,472,739**	**59,476,710**
Increase Income Due:		
Changes to Band D Rate (£)		1,937,854
Growth in the Tax-Base (£)		1,066,117
Total Additional Council Income (£)		**3,003,971**

11.17 The table below summarises all the proposed changes to Council Tax and impacts on residents:

Band D Breakdown:	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
WCC: General Element @1.43% increase (£)	439.54	439.54	439.54	
WCC: ASC Precept @2.00% (£)	8.67	8.67	8.67	
Sub-Total	**448.21**	**448.21**	**448.21**	
Greater London Authority Precept (£)	332.07	332.07	332.07	
Queen's Park Community Council (£)	46.38	0.00	0.00	
Montpelier Square Special Expense (£)	0.00	642.77	0.00	
Total Band D Amount (£)	**826.66**	**1,423.05**	**780.28**	
2020/21 Council Tax Base (No. of Band D Equivalents):	**3,554.14**	**97.08**	**129,047.09**	**132,698.31**
Westminster City Council (£)	1,593,001	43,512	57,840,196	59,476,710
Greater London Authority Precept (£)	1,180,223	32,237	42,852,667	44,065,128
Queen's Park Community Council Precept (£)	164,842	0	0	164,842
Montpelier Square Special Expense (£)	0	62,400	0	62,400
Total Council Tax Income Billable (£)	**2,938,066**	**138,150**	**100,692,863**	**103,769,079**

Long Term Empty Property Premium

11.18 The Local Government Finance Act 2012 allows local authorities to set a Long-Term Empty Property Premium for properties that have been empty for at least 2 years. The premium is currently (for 2019/20) set at 100% of the normal Council Tax, which means that the overall charge is double the standard Council Tax for the relevant Council Tax band.

11.19 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allows local authorities to increase the Premium between 2020/21 and 2021/22.

11.20 The current 100% premium on the Council's 166 properties that have been empty for over 2 years provides around £99K per annum in additional Council Tax income. The premium in 2020/21 will increase this figure by £46K. There are only 70 (out of the 166 properties which have been empty for 2 years or more) that have been empty for more than 5 years and as the Premium is currently (in 2019/20) already set at 100%, the increase in 2020/21 will only affect these 70 properties.

11.21 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 amends the maximum premium level for 2020/21 and for 2021/22 as below (a decision on the level of premium for 2021/22 is not required as part of this report):

2020/21

Properties empty between 2 years - 5 years: 100% Increase
Properties empty over 5 years: 200% Increase

2021/22

Properties empty between 2 years - 5 years: 100% Increase
Properties empty between 5 years – 10 years: 200% Increase
Properties empty over 10 years: 300% Increase

11.22 The Council considers that a decision to implement the maximum Premium aligns with the Council's current City for All agenda and the Council's aim of a fairer Council Tax system for all residents.

The Collection Fund

11.23 Statutory regulations require local authorities to account for annual Council Tax / Business Rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any variance between the originally estimated net Council Tax / Business Rates yield and what is actually achieved in year is not immediately recognised and is held on the balance sheet to be distributed in subsequent years. The effect of these regulations is that for 2020/21 the above estimates will represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

Business Rates

11.24 The Council was part of the 2018/19 and 2019/20 business rates pilot scheme. However, the Government have announced that 2019/20 will be the final year of the pilot scheme. Therefore, Councils will return to the business rates shares as at 2017/18, highlighted in the table below.

	13/14	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
London Boroughs	30%	30%	30%	30%	30%	64%	48%	30%
GLA	20%	20%	20%	20%	37%	36%	27%	37%
Central Government	50%	50%	50%	50%	33%	0%	25%	33%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

11.25 However as permitted since the introduction of business rates retention scheme in 2013/14, London councils will pool business rates and reduce the levy paid to central government, hence retaining more growth locally. The decision to pool business rates with other London councils was agreed by the Cabinet Member for Finance, Property and Regeneration on 21 January 2020. In 2020/21 London Borough Councils will have a 30% share of the business rates. The pool will pay a levy on growth of 19% compared to Westminster paying 50% if it went alone. In

effect the difference of 31% gained from Westminster will be kept in the pool rather than paid over to central government and will be distributed between all London Councils. This will apply to all levy paying authorities within the pool.

11.26 The principle distribution mechanism will ensure that councils receive what they would have received outside the pool plus a share of the growth retained within the pool. Based on the latest forecast produced by London Councils the pool can retain approx. £25.4m. Westminster City Council's share of that gain will be approx. £0.6m

11.27 Other than the small financial benefit, there will be strategic benefits in continuing to pool business rates, London Councils commented that maintaining a collaborative arrangement for a further year would be likely to give London authorities a more influential voice about the eventual design of the full 75% scheme which is now due to be implemented in 2021/22.

11.28 There may be an opportunity to use the 2020/21 pool to influence growth measurement in the alternative business rates model due to be introduced in 2021/22. Detail on the alternative model is sparse at present but there may be insights we could gain to ensure London retains as much growth as possible in the new scheme.

11.29 The business rates pilot has already provided a platform for London authorities to work together and improve their understanding of how the technical business rates system works. This working relationship will continue in 2020/21.

Levies and Special Charges

11.30 Three bodies recover their net cost by way of a levy on local authorities – this charge is thus separately identified within the Council Tax charged by those local authorities. The three bodies are:

- Environment Agency – recover the cost of flood defence works across the Thames region;
- Lee Valley Regional Park Authority – recover the cost of running the Lee Valley park facilities to the North West of London; and
- London Pensions Fund Authority – recover the pension costs arising from the abolition of the Greater London Authority.

11.31 At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2020/21 levies. Therefore, the 2019/20 levy charges are included in the budget options being recommended in this report. Should these organisations provide the notifications to the Council for the 2020/21 levy charges after the dispatch of this agenda item and before the meeting itself, a verbal update will be provided.

12 Legal Implications

12.1 The function of calculating the City Council's budget requirement and the City Council's element of the Council Tax, and the function of setting the Council Tax, are the responsibility of the full Council. The function of preparing estimates and calculations for submission to the full Council is the responsibility of the Cabinet.

12.2 In coming to decisions in relation to the revenue budget (and the Council Tax), the Council and its officers have various statutory duties. In general terms, the Council is required by the Local Government Finance Act 1992 to make estimates of gross Revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget (and Council Tax). The amount of the budget requirement must be sufficient to meet the City Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget.

12.3 The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account.

12.4 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the report of the Section 151 Officer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Section 10, where it is stated that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial balances and reserves over the medium term are adequate.

12.5 Some savings proposals may only be delivered after specific statutory or other legal procedures have been followed and/or consultation taken place. Where consultation is required the Council cannot rule out the possibility that they may change their minds on the proposal as a result of the responses to a consultation, and further reports to Cabinet or cabinet member (as appropriate) may be required.

12.6 Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 13. In developing a final set of proposals for consideration, officers have had regard to how the equality duty can be fulfilled in relation to the proposals overall. However further detailed equality impact assessments may be required for specific proposals as identified by each directorate prior to final decisions being made.

12.7 Section 106, Local Government Finance Act 1992, applies to Members where:

- they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and

- any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

12.8 In these circumstances, any such Members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Such Members are not debarred from speaking. Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

12.9 The use of General Fund and HRA (non-Right to Buy) capital receipts funds to fund transformation projects detailed in this report is compliant with the Statutory Guidance on the Flexible Use of Capital Receipts (updated) issued under section 15(1)(a) of the Local Government Act 2003 (which authorities are required to have regard to). The guidance applies with effect from 1 April 2016 to 31 March 2021.

12.10 Under powers contained in the Localism Act 2011, the Government can require compulsory referenda on Council Tax increases above limits it sets. For 2020/21, the referendum threshold is 2.00%. The proposal is within the threshold change: the Council will therefore not be required to hold a referendum.

12.11 In addition to the referendum threshold, the Government has also announced a threshold of an additional 2.00% for authorities with Adult Social Care responsibilities. The borough needs to raise Council Tax on this account for 2020/21 and is therefore proposing to implement the precept.

13 Equalities Implications

13.1 Under the Equalities Act 2010 the Council has a legal duty to pay “due regard” to the need to eliminate discrimination and promote equality with regard to the protected characteristics of age, disability, gender reassignment, marriage/ civil partnership, pregnancy/ maternity, race, religion or belief and sexual orientation.

13.2 The equality duties do not prevent the Council from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop the Council from making decisions which may affect one group more than another. The law requires that the duty to pay “due regard” be demonstrated in the decision-making process.

13.3 A screening of all budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments (EIAs) are included in Appendix I. Where it has been identified that a proposal may have an adverse impact on people who share a protected characteristic, an assessment of the impact has been undertaken to ensure that “due regard” is paid to the equality duties as required by statute. Where budget proposals required a full EIA to be undertaken, these have been published and shared with the Budget & Performance Task Group to ensure they form part of the budget scrutiny process.

Appendices

A. Illustrative Gross Income Budgets 2019/20 and 2020/21*
B. Illustrative Gross Expenditure Budgets 2019/20 and 2020/21*
C. Illustrative Net Budgets 2019/20 and 2020/21*
D. Summary of 2020/21 Budget Gap
E. Overview of Budget Changes by Cabinet Member and Executive Leadership Team*
F. Summary of 2020/21 Service Budget Changes by Cabinet Member*
G. Summary of 2020/21 Service Budget Changes by Executive Leadership Team
H. Council Tax Resolution
I. Equality Impact Assessment Summary
J. Budget and Performance Task Group Meeting Notes

***Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Background Papers

2019/20 Budget and Council Tax Report – Council Meeting 06 March 2019

Capital Strategy 2019/20 to 2023/24, forecast position for 2018/19 and future years' forecasts summarised up to 2032/33 – Council Meeting 06 March 2019

Treasury Management Strategy Statement for 2019/20 to 2023/24 – Council Meeting 06 March 2019

Integrated Investment Framework 2019/20 – Council Meeting 06 March 2019

If you have any queries about this report or wish to inspect any of the background papers, please contact: Gerald Almeroth 0207 641 2904 or at galmeroth@westminster.gov.uk

Appendix A - Illustrative Gross Income Budgets and Proposed Changes 2019/20 to 2020/21

This presents the current and proposed gross income budgets by Cabinet Member* and Executive Leadership Team

Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.

Executive Leadership Team	2019/20 Budget £'m	Budget Gap £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2020/21 Budget £'m
Executive Director of Finance & Resources	(59.899)	(2.393)	0.000	(6.169)	(68.461)
Director of Policy, Performance and Communications	(8.011)	0.000	0.350	(0.097)	(7.758)
Executive Director Adult Services	(71.225)	0.000	0.000	0.000	(71.225)
Executive Director of Children's Services	(100.143)	0.000	0.115	(0.230)	(100.258)
Executive Director of City Management and Communities	(138.327)	0.000	2.200	(5.170)	(141.297)
Executive Director of Growth, Planning and Housing	(275.997)	0.000	0.000	(1.098)	(277.095)
Public Health	(32.316)	0.000	0.000	0.000	(32.316)
Sub-Total Gross Service Income	**(685.918)**	**(2.393)**	**2.665**	**(12.764)**	**(698.410)**
Core Funding:					
Settlement Funding Assessment	(125.310)	4.809	0.000	0.000	(120.501)
Council Tax Income	(56.473)	(3.004)	0.000	0.000	(59.477)
Sub-Total Core Funding Income	**(181.782)**	**1.805**	**0.000**	**0.000**	**(179.977)**
Total Gross Income	**(867.700)**	**(0.588)**	**2.665**	**(12.764)**	**(878.387)**

Appendix B - Illustrative Gross Expenditure Budgets and Proposed Changes 2019/20 to 2020/21

This presents the current and proposed gross expenditure budgets by Cabinet Member* and Executive Leadership Team

**Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Executive Leadership Team	2019/20 Budget £'m	Budget Gap £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2020/21 Budget £'m
Executive Director of Finance & Resources	120.011	11.515	3.098	(2.804)	131.820
Director of Policy, Performance and Communications	18.169	0.000	0.000	(0.320)	17.849
Executive Director Adult Services	125.481	0.000	0.000	(1.050)	124.431
Executive Director of Children's Services	132.144	0.000	1.209	(0.590)	132.763
Executive Director of City Management and Communities	138.532	0.000	1.000	(0.696)	138.836
Executive Director of Growth, Planning and Housing	302.076	0.000	0.000	(0.675)	301.401
Public Health	31.287	0.000	0.000	0.000	31.287
Sub-Total Gross Expenditure	**867.700**	**11.515**	**5.307**	**(6.135)**	**878.387**
Core Funding:					
Settlement Funding Assessment	0.000	0.000	0.000	0.000	0.000
Council Tax Income	0.000	0.000	0.000	0.000	0.000
Sub-Total Gross Expenditure	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Total Gross Expenditure	**867.700**	**11.515**	**5.307**	**(6.135)**	**878.387**

Appendix C - Illustrative Net Budgets and Proposed Changes2019/20 to 2020/21

This presents the resulting current and proposed net expenditure budgets based on Appendices A and B by Cabinet Member* and Executive Leadership Team

** Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Executive Leadership Team	2019/20 Budget £'m	Budget Gap £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2020/21 Budget £'m
Executive Director of Finance & Resources	60.112	9.122	3.098	(8.973)	63.359
Director of Policy, Performance and Communications	10.158	0.000	0.350	(0.417)	10.091
Executive Director Adult Services	54.256	0.000	0.000	(1.050)	53.206
Executive Director of Children's Services	32.001	0.000	1.324	(0.820)	32.505
Executive Director of City Management and Communities	0.205	0.000	3.200	(5.866)	(2.461)
Executive Director of Growth, Planning and Housing	26.080	0.000	0.000	(1.773)	24.307
Public Health	(1.029)	0.000	0.000	0.000	(1.029)
Sub-Total Net Service Budget	**181.782**	**9.122**	**7.972**	**(18.899)**	**179.977**
Funded By:					
Settlement Funding Assessment	(125.310)	4.809	0.000	0.000	(120.501)
Council Tax Income	(56.473)	(3.004)	0.000	0.000	(59.477)
Sub-Total Core Funding	**(181.782)**	**1.805**	**0.000**	**0.000**	**(179.977)**
General Fund Balance Budget	**0.000**	**10.927**	**7.972**	**(18.899)**	**0.000**

Appendix D Budget Gap

This presents the calculated budget gap which is the driver for the proposed savings by services

Budget Gap	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Net Loss in Retained Business Rates	4.809	4.809	4.809	14.427
Council Tax Income	(3.004)	(0.570)	(0.576)	(4.150)
Sub-Total Core Funding Changes	**1.805**	**4.239**	**4.233**	**10.277**
Service Specific Pressures	7.972	3.876	10.000	21.848
Sub-Total Service Pressures	**7.972**	**3.876**	**10.000**	**21.848**
Other Grants and Funding Changes	(2.393)	13.256	9.918	20.781
Inflation	7.672	7.986	8.404	24.062
Capital Financing	2.500	2.600	2.700	7.800
Corporate Pressures	7.343	2.063	7.434	16.840
Review of Budget Contingencies	(6.000)	0.000	0.000	(6.000)
Sub-Total Other Budget Changes	**9.122**	**25.905**	**28.456**	**63.483**
Estimated Budget Gap	**18.899**	**34.020**	**42.689**	**95.607**
Savings Proposed to Date	(18.899)	(9.177)	(4.080)	(32.156)
Savings to be Identified	0.000	(24.843)	(38.609)	(63.452)
Balanced General Fund	**0.000**	**0.000**	**0.000**	**0.000**

Appendix E - Summary of 2020/21 Budget Changes by Cabinet Member* and Executive Leadership Team

**Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.*

Appendix F - Summary of 2020/21 Service Budget Changes by Cabinet Member*

This details the budget changes by Cabinet Member for 2020/21

Details of budgets and changes by Cabinet Member will be finalised and tabled as an amendment for Full Council on 4 March 2020 following the changes to Cabinet announced on 27 January 2020.

Appendix G - Summary Service Budget Changes by ELT 2020/21 to 2022/23

This details the budget changes by Executive Leadership Team

	Budget Change: Growth for Service Specific Pressures	2020/21 £'m	2021/22 £'m	2022/23 £'m*	Total £'m
	Impact of demographic, complexity and acuity pressures	2.576	2.621	TBC	5.197
	Transition pressures – children with learning disabilities eligible for social care support	0.292	0.315	TBC	0.607
	Sub-Total Executive Director Adult Services	**2.868**	**2.936**	**0.000**	**5.804**
	Passenger Transport: Demographics, Acuity and Market Forces	0.220	0.250	TBC	0.470
	Short Breaks Respite Placement Demographics, Acuity and Market Forces	0.041	0.043	TBC	0.084
	Joint Funded Placement Demographics, Acuity and Market Forces	0.043	0.044	TBC	0.087
	LAC and Care Leaving Placements Complexity, Acuity and Market Forces	0.405	0.423	TBC	0.828
	Regional Adoption - Loss of Adoption Traded Income	0.115	0.000	TBC	0.115
	Youth Services Investment	0.500	0.000	TBC	0.500
	Sub-Total Executive Director Children's Services	**1.324**	**0.760**	**0.000**	**2.084**
	Procurement: commercial trading of procurement services	0.050	0.000	TBC	0.050
	Property: increase in rents payable	0.180	0.180	TBC	0.360
	Sub-Total Finance and Resources	**0.230**	**0.180**	**0.000**	**0.410**
	Parking: paid for parking income shortfall	2.200	0.000	TBC	2.200
	Waste and Parks: bringing public conveniences in house	0.400	0.000	TBC	0.400
	Waste and Parks: reduced income from sale of recyclables due to changing global markets	0.600	0.000	TBC	0.600
	Estimated Pressures*	0.000	0.000	10.000	10.000
	Sub-Total Executive Director of City Management and Communities	**3.200**	**0.000**	**0.000**	**3.200**
	City Promotions, Events and Filming: Downturn in the Events and Filming and Outdoor Media income	0.350	0.000	TBC	0.350
	Sub-Total Director of Policy, Performance and Communications	**0.350**	**0.000**	**0.000**	**0.350**
	Total Service Specific Pressures	**7.972**	**3.876**	**0.000**	**11.848**

*A projection of pressures has been made for 2022/23 and is being held centrally pending further review

Ref	Budget Change: Savings Proposed by Executive Leadership Team	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
1.40	Review of Contracts	(0.450)	(0.350)	0.000	**(0.800)**
1.60	Improved Market Management	(0.300)	(0.100)	0.000	**(0.400)**
1.70	Bi-Borough Process and Policy Review	(0.100)	0.000	0.000	**(0.100)**
1.80	Promoting Independence	(0.200)	(0.200)	0.000	**(0.400)**
	Sub-Total Executive Director Adult Services Savings	**(1.050)**	**(0.650)**	**0.000**	**(1.700)**

Ref	Budget Change: Savings Proposed by Executive Leadership Team	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
2.10	Education Funding and Efficiencies	(0.090)	(0.125)	(0.125)	**(0.340)**
2.20	EHCP / Joint Funding Strategy	(0.120)	(0.250)	(0.250)	**(0.620)**
2.30	Move on Accommodation	(0.200)	(0.400)	0.000	**(0.600)**
2.40	MASH/LSCB	(0.050)	(0.100)	0.000	**(0.150)**
2.50	Joint Working Opportunities	(0.110)	(0.130)	(0.050)	**(0.290)**
2.5a	Pre-Birth to Five Service Redesign	(0.150)	(0.350)	(0.250)	**(0.750)**
2.60	Strategic Approach to Legal Services	(0.050)	0.000	0.000	**(0.050)**
2.70	Passenger Transport Alternative Delivery Mechanisms	(0.050)	0.000	0.000	**(0.050)**
	Sub-Total Executive Director Children's Services Savings	**(0.820)**	**(1.355)**	**(0.675)**	**(2.850)**
3.10	Sports and Leisure Contract	(2.200)	(0.700)	(0.100)	**(3.000)**
3.17	Public Protection and Licensing Fees & Charges	(0.300)	0.000	0.000	**(0.300)**
3.18	Late Night Levy	0.000	(0.500)	0.000	**(0.500)**
3.31	Libraries Transformation	0.000	(0.300)	(0.450)	**(0.750)**
3.32	Future City Management	(0.215)	(0.980)	(1.250)	**(2.445)**
3.33	Sayers Croft Commercial Review	0.000	0.000	(0.020)	**(0.020)**
3.34	Highways Fees and Charges Review	(0.690)	(0.040)	0.000	**(0.730)**
3.35	Implementation of SMART Lighting	(0.280)	(0.060)	(0.060)	**(0.400)**
3.36	Car Club Income	(0.160)	0.000	0.000	**(0.160)**
3.36	Compliance Led Enforcement Protocols	(1.440)	0.000	0.000	**(1.440)**
3.37	Championing Innovation in Highways Maintenance and Management	0.000	(0.250)	0.000	**(0.250)**
3.38	Strategic Review of Household Waste Collection	(0.030)	(0.280)	(0.250)	**(0.560)**
3.39	Strategic Review of Street Cleansing Provision	(0.171)	(0.158)	(0.158)	**(0.487)**
3.40	Review of Registrars Service Offer and Delivery	(0.050)	(0.050)	0.000	**(0.100)**
3.41	Parks - Surrender Leasehold Sites	(0.030)	(0.030)	0.000	**(0.060)**
3.43	Commercial Waste Income Opportunities	(0.300)	0.000	0.000	**(0.300)**
	Sub-Total Executive Director of City Management and Communities Savings	**(5.866)**	**(3.348)**	**(2.288)**	**(11.502)**
4.10	Landlord Incentive Payments	(0.075)	(0.075)	0.000	**(0.150)**
4.20	Targeted Purchases for Vulnerable Households	(0.070)	(0.186)	(0.023)	**(0.279)**
4.30	Capital Letters - Pan London	(0.200)	(0.400)	0.000	**(0.600)**
4.50	Procurement efficiency savings	(0.250)	0.000	0.000	**(0.250)**
4.70	TA Purchase Programme	(0.094)	(0.188)	(0.094)	**(0.376)**
4.80	Planning Income	(0.750)	0.000	(0.500)	**(1.250)**
4.11	Rental income from Intermediate Housing	(0.184)	0.000	0.000	**(0.184)**
4.12	Place Shaping and Town Planning - Service Improvements	(0.150)	(0.150)	0.000	**(0.300)**
	Sub-Total Executive Director of Growth, Planning and Housing Savings	**(1.773)**	**(0.999)**	**(0.617)**	**(3.389)**
5.20	Outdoor Advertising	(0.097)	(0.550)	0.000	**(0.647)**
5.30	PPC - Non-pay Efficiencies	(0.320)	0.000	0.000	**(0.320)**
	Sub-Total Director of Policy, Performance and Communications Savings	**(0.417)**	**(0.550)**	**0.000**	**(0.967)**

Ref	Budget Change: Savings Proposed by Executive Leadership Team	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
6.10	Review of the Finance and Resources Budgets	(0.583)	0.000	0.000	**(0.583)**
6.20	Revenue & Benefits – Contract Re-procurement	(1.400)	0.000	0.000	**(1.400)**
6.30	Technology Refresh	0.000	(0.375)	0.000	**(0.375)**
6.40	Network and Telephony	(0.300)	(0.300)	0.000	**(0.600)**
6.60	Small Cell Revenues	(0.700)	0.000	0.000	**(0.700)**
6.70	Finance & Resources Workforce Review	(0.495)	0.000	0.000	**(0.495)**
6.80	Investment Property Growth	(0.650)	(1.500)	(0.500)	**(2.650)**
6.90	Bi-Borough Treasury Management Fees	(0.045)	0.000	0.000	**(0.045)**
6.11	Review of Debt Collection Process & Performance	(0.100)	(0.100)	0.000	**(0.200)**
6.12	Transformation Savings - Procurement Services	(0.200)	0.000	0.000	**(0.200)**
7.10	Continuing Grant not Budgeted	(4.500)	0.000	0.000	**(4.500)**
	Sub-Total Finance and Resources Savings	**(8.973)**	**(2.275)**	**(0.500)**	**(11.748)**
	Total Savings Proposed	**(18.899)**	**(9.177)**	**(4.080)**	**(32.156)**

Summary:				
Total Service Specific Pressures	7.972	3.876	10.000	**21.848**
Budget Gap - Core Funding Changes (See Appendix D)	1.805	4.239	4.233	**10.277**
Budget Gap - Other Changes (See Appendix D)	9.122	25.905	28.456	**63.483**
Total Savings Proposed	(18.899)	(9.177)	(4.080)	**(32.156)**
Savings to be Identified	0.000	(24.843)	(38.609)	**(63.452)**
Balanced General Fund Budget	**0.000**	**0.000**	**0.000**	**0.000**

Appendix H

Council Tax Resolution

The Council is recommended to resolve as follows:

1. It should be noted that on the 22 January 2020, the Council calculated the Council Tax Base for 2020/21:

   a) For the whole Council area as **132,698.31** [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"]; and

   b) For dwellings in the Montpelier Square area as **97.08**

   c) For dwellings in the Queen's Park Community Council area as **3,554.14**

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2020/21 (excluding Special Expenses) is **£59,476,710**

3. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:

   a) **£878,386,970.73** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it.

   b) **£818,847,861.20** being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

   c) **£59,539,109.53** being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).

   d) **£448.68** being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the Basic Amount of its Council Tax for the year (<u>including Special Amounts</u>)

   e) **£62,400** being the amount of the Montpelier Square Garden Committee special item referred to in Section 34(1) of the Act.

f) **£448.21** being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of the Council Tax for the year for those dwellings in those parts of the area to which no special item relates.

4. To note that the Greater London Authority have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Council's area as indicated in the table below:

Band	Greater London Authority (£)
A	221.38
B	258.28
C	295.17
D	332.07
E	405.86
F	479.66
G	553.45
H	664.14

5. To note that the Queen's Park Community Council have issued a precept to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwelling in the Queen's Park Community Council area as indicated in the table below:

Ratio	Band	Queen's Park Parish Council Precept (£)
6	A	30.92
7	B	36.07
8	C	41.23
9	D	46.38
11	E	56.69
13	F	66.99
15	G	77.30
18	H	92.76

6. To note that the Montpelier Square Garden Committee Special Expense for each category of dwelling as indicated in the table below:

Ratio	Band	Montpelier Square Garden Committee (£)
6	A	428.51
7	B	499.93
8	C	571.35
9	D	642.77
11	E	785.61
13	F	928.45
15	G	1,071.28
18	H	1,285.54

7. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2020/21 for each part of its area and for each category of dwellings:

Westminster Council Requirement, Special Expenses and Local Precept

Ratio	Band	Queen's Park Parish Council Precept (£)	Montpelier Square Garden Committee (£)	All Other Parts of Westminster City Council (£)
6	A	329.73	727.32	298.81
7	B	384.68	848.54	348.61
8	C	439.64	969.76	398.41
9	D	494.59	1,090.98	448.21
11	E	604.50	1,333.42	547.81
13	F	714.40	1,575.86	647.41
15	G	824.32	1,818.30	747.02
18	H	989.18	2,181.96	896.42

Westminster Council Requirement, Special Expenses and All Precepts

Ratio	Band	Queen's Park Parish Council Precept (£)	Montpelier Square Garden Committee (£)	All Other Parts of Westminster City Council (£)
6	A	551.11	948.70	520.19
7	B	642.96	1,106.82	606.89
8	C	734.81	1,264.93	693.58
9	D	826.66	1,423.05	780.28
11	E	1,010.36	1,739.28	953.67
13	F	1,194.06	2,055.52	1,127.07
15	G	1,377.77	2,371.75	1,300.47
18	H	1,653.32	2,846.10	1,560.56

8. That the Section 151 Officer be authorised to collect (and disperse from the relevant accounts) the Council Tax and the National Non-Domestic Rate and that whenever the office of the Section 151 Officer is vacant or the holder thereof is for any reason unable to act, the Chief Executive or such other authorised post-holder be authorised to act as before said in his stead.

9. That notice of amounts of Council Tax be published.

10. That the Council does not adopt a special instalment scheme for Council tenants.

11. That the Council offers as standard the following patterns for Council Tax and National Non-Domestic Rate: payment by 1, 2, 4, 10 or 12 instalments and that delegated officers have discretion to enter into other agreements that facilitate the collection of Council Tax and National Non-Domestic Rate.

12. That the Council does not offer payment discounts to Council Taxpayers.

13. That the Council resolve to charge owners for Council Tax in all classes of chargeable dwellings prescribed for the purposes of Section 8 of the Act.

Appendix I Equality Impact Assessments Summary

The Council has a duty to ensure that all policy decisions are considered to assess whether they have any equality impacts. All budget changes set out in this report have been screened to ensure impacts have been considered where appropriate.

An Equalities Impact Assessment (EIA) has been produced to review each of the savings initiatives of the 2020/21 budget, for either the initial assessment only if no equalities impact was determined, or a full EIA if an impact was detected. A series of additional appendices covering each of the service areas have been produced.

Additionally, a lever arch file containing the EIAs for all savings proposals was held by the Member Services team at 64 Victoria Street and was available for Councillors to review between 9am and 5pm, Monday to Friday, up until the date of the full Council meeting on the 4 March 2020.

Members are requested to ask anyone from the team for access to the file if they wish to see them. In order for all Members to have access to these, the file cannot be taken out of the building. All assessments were also made available at the Budget and Performance Task Group meetings held on the 16th, 20th and 21st of January 2020 and all Full EIAs are available on the Council's committees website alongside the agendas and papers for these meetings.

A summary of all the assessments is presented below:

		2020/21	2021/22	2022/23	Total	Assessment for Need of EIA Completed?	EIA Type Completed
Ref	**Description**	**£'m**	**£'m**	**£'m**	**£'m**		
	ADULTS SOCIAL CARE						
1.4	Review of Contracts	0.450	0.350	-	0.800	**Yes**	**Full**
1.6	Improved Market Management	0.300	0.100	-	0.400	**Yes**	**Part**
1.7	Bi-Borough Process and Policy Review	0.100	-	-	0.100	**Yes**	**Part**
1.8	Promoting Independence	0.200	0.200	-	0.400	**Yes**	**Part**
	Adults Total	**1.050**	**0.650**		**1.700**		
	PUBLIC HEALTH						
PH1	Increased public Health Grant Income	0.788	**-**	**-**	**-**	**Yes**	**Part**
PH2	Reduction in Commissioned Service Expenditure	0.656	**-**	**-**	**-**	**Yes**	**Full**
	Public Health Total	**1.444**	**-**	**-**	**1.444**		
	GROWTH, PLANNING & HOUSING						
4.1	Landlord incentive payments	0.075	0.075	-	0.150	**Yes**	**Part**
4.2	Targeted purchases for vulnerable households	0.070	0.186	0.023	0.279	**Yes**	**Part**
4.3	Capital Letters - pan London	0.200	0.400	-	0.600	**Yes**	**Part**

4.5	Procurement Efficiency Savings	0.250	-	-	0.250	**Yes**	**Part**
4.7	TA purchase programme	0.094	0.188	0.094	0.376	**Yes**	**Part**
4.8	Planning Income	0.750	-	0.500	1.250	**Yes**	**Part**
4.11	Rental income from Intermediate Housing	0.184	-	-	0.184	**Yes**	**Part**
4.12	Place Shaping and Town Planning - Service Improvements	0.150	0.150	-	0.300	**Yes**	**Full**
	GPH Total	**1.773**	**0.999**	**0.617**	**3.389**		
	CITY MANAGEMENT & COMMUNITIES						
3.1	Sports and leisure contract	2.200	0.700	0.100	3.000	**Yes**	**Part**
3.32	Future City Management	0.215	0.980	1.250	2.445	**Yes**	**Part**
3.36	Review of Parking	1.600	-	-	1.600	**Yes**	**Part**
3.31	Libraries transformation	-	0.300	0.450	0.750	**Yes**	**Part**
3.34	Highways Fees and Charges Review	0.690	0.040	-	0.730	**Yes**	**Part**
3.38	Strategic review of household waste collection	0.030	0.280	0.250	0.560	**Yes**	**Part**
3.18	Late Night Levy	-	0.500	-	0.500	**Yes**	**Part**
3.39	Strategic review of street cleansing provision	0.171	0.158	0.158	0.487	**Yes**	**Part**
3.35	Implementation of SMART Lighting	0.280	0.060	0.060	0.400	**Yes**	**Part**
3.43	Commercial waste income opportunities	0.300	-	-	0.300	**Yes**	**Part**
3.17	Public Protection and licensing fees and charges	0.300	-	-	0.300	**Yes**	**Part**
3.37	Championing Innovation in Highways Maintenance and Management	-	0.250	-	0.250	**Yes**	**Part**
3.4	Review of Registrars Service Offer and Delivery	0.050	0.050	-	0.100	**Yes**	**Part**
3.41	Parks - surrender leasehold sites	0.030	0.030	-	0.060	**Yes**	**Part**
3.33	Sayers Croft Commercial Review	-	-	0.200	0.200	**Yes**	**Part**
	CMC Total	**5.866**	**3.348**	**2.288**	**11.502**		
	POLICY, PERFORMANCE & COMMUNICATIONS						
5.2	Outdoor Media	0.097	0.550	-	0.647	**Yes**	**Part**
5.3	PPC - non-pay efficiencies	0.320	-	-	0.320	**Yes**	**Part**
	PPC Total	**0.417**	**0.550**	**-**	**0.967**		
	CHILDREN'S SERVICES						
2.1	Education Funding and Efficiencies	0.090	0.125	0.125	0.034	**Yes**	**Part**
2.2	EHCP / Joint Funding Strategy	0.120	0.250	0.250	0.620	**Yes**	**Part**
2.3	Unaccompanied Asylum Seekers' Pathway in Children's Services	0.200	0.400	-	0.600	**Yes**	**Full**
2.4	MASH/LSCB	0.050	0.100	-	0.150	**Yes**	**Part**
2.5	Joint Working Opportunities	0.110	0.130	0.50	0.290	**Yes**	**Part**
2.5a	Pre-Birth to 5 alignment	0.150	0.350	0.250	0.750	**Yes**	**Part**
2.6	Strategic Approach to Legal Services	0.050	-	-	0.050	**Yes**	**Part**
2.7	Passenger Transport Alternative Delivery Mechanisms	0.050	-	-	0.050	**Yes**	**Part**
	Children's Total	**0.820**	**1.355**	**0.675**	**2.850**		

	FINANCE & RESOURCES						
6.1	Review of the Finance and Resources budgets	0.583	-	-	0.583	**Yes**	**Part**
6.2	Revenue & Benefits – contract re-procurement	1.400	-	-	1.400	**Yes**	**Part**
6.3	Technology Refresh	-	0.375	-	0.375	**Yes**	**Part**
6.4	Network and Telephony	0.300	0.300	-	0.600	**Yes**	**Part**
6.6	Small Cell revenues	0.700	-	-	0.700	**Yes**	**Part**
6.7	Finance & Resources workforce review	0.495	-	-	0.495	**Yes**	**Part**
6.8	Investment property growth	0.650	1.500	0.500	2.650	**Yes**	**Part**
6.9	Tri-Borough Treasury Management Fees	0.045	-	-	0.045	**Yes**	**Part**
6.11	Review of Debt Collection Process & Performance	0.100	0.100	-	0.200	**Yes**	**Part**
6.12	Transformation Services-Procurement restructure	0.200	-	-	0.200	**Yes**	**Part**
7.1	Continuing grant not budgeted	4.500	-	-	4.500	**Yes**	**Part**
	Finance and Resources Total	**8.973**	**2.275**	**0.500**	**11.748**		

Appendix J Budget and Performance Task Group Summary Report and Meeting Minutes

Budget Task Group – Summary Report on 2020/21 Budget Scrutiny

1. Executive Summary - The Scrutiny Process

The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Performance Task Group as a standing group, with the following Terms of Reference:
"to consider, on behalf of the Policy and Scrutiny Committees, budget options and draft business plans and estimates at the appropriate stages in the business planning cycle and to submit recommendations / comments to the cabinet and/or cabinet members."
Cabinet must take into account and give due regard of any views and recommendations from the Budget and Performance Task Group in drawing up firm budget proposals for submission to the Council, and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet's response.
The Task Group examined five key themes:

- the potential impact of savings proposals on affected groups
- whether or not the budget proposals would affect the Council's ability to fulfil its legal obligations
- the need to identify and address potential optimism bias (over-confidence about the ability to secure third party income)
- the need to examine the Capital Programme as closely as the revenue budget
- the potential impact of any external factors.

The minutes of the Task Group's meetings are attached to this summary.
The Task Group would like to offer its thanks to the officers of all directorates for the rigour and commitment that went into preparing papers and Equality Impact Assessments for the Task Group's meetings, answering members' questions and following up on requests.

2. Overall Budget

The overall 2020/21 draft budget appears robust. Officers provided assurances on a number of points raised by members across all Directorates, including in relation to managing changing service demand priorities, and around the deliverability of a number of projects.

3. Risks

Despite the overall confidence in the draft budget there are a number of risks which the task group wishes to highlight. While the Fair Funding Review is still ongoing, there is uncertainty about how local government will be funded in future and what factors will be weighted when apportioning that funding.

Demographic factors will affect service demand. For example, Westminster has an aging population that will put increasing pressure on services in Adult Social Care.

4. General Observations

Westminster City Council has a large and ambitious capital programme that is vital to delivering some the council's key priorities. Given this commitment, the council decided it was important to secure a borrowing deal that secured borrowing at historic lows as there is always a danger that rates will increase. The council has signed up to a series of forward borrowing agreements for which it was able to secure an average rate of 2.6% which is cheaper than rates offered by the PWLB. The drawdowns of these facilities do not begin until 2022/23.

5. Positive Observations

The Task Group noted that the papers prepared for them presented the budget in a clear and accessible way.

The Task Group found clear examples of avoiding optimism bias and risk management. For example, the council annually reviews its estimates about how much money it will receive from both the Affordable Housing Fund and Section 106 contributions. In terms of risk management, for each of the council's key capital programmes there is a 5% project contingency budgeted. The council also has a further central contingency allowance of 10-15% for major schemes and a general corporate contingency of £10 million per annum.

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Thursday 16th January 2020**, in room 18.12, City Hall, 64 Victoria Street.

Members Present: Cllr Melvyn Caplan (Chairman), Cllr David Boothroyd, Cllr Peter Freeman, Cllr David Harvey, Cllr Adam Hug and Cllr Karen Scarborough.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Barbara Brownlee (Executive Director of Growth, Planning and Housing), Neil Wightman (Director of Housing), Sarah Newman (Executive Director of Bi-Borough Children's Services), Ian Heggs (Bi-Borough Director of Education), James Partis (Programme Lead – Better Care Fund), Sara Sutton (Executive Director of City Management and Communities)

1. Welcome and Apologies

1.1 Cllr Tony Devenish sent his apologies.
1.2 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Capital Budget Overview 2020/21

3.1 Gerald Almeroth presented the capital budget overview:

- Members enquired about the process the council goes through to ensure it is comfortable with ongoing revenue commitments. Members heard there is a rigorous three step process for assessing capital schemes. An important part of this process is understanding the revenue implications of a scheme. Where appropriate, the council may look holistically at connected sites and group them into one business case.

- Members asked the council to provide them with assurance that the borrowing that has been locked in is appropriate. They heard that council has a significant capital programme. Given this commitment, the council decided it was important to secure some of the required borrowing in advance as there is always a danger that rates will increase. The council has signed up to a series of forward borrowing agreements for which it was able to secure an average rate of 2.6% which is cheaper than current rates since the PWLB rate increase. It does not plan to take the money for three or four years. However, it must draw the loans down by the agreed date (either three or four years depending on the agreement).
- Members asked for some more information about the flexible use of capital receipts. They heard that the Government has allowed councils to use capital receipts for revenue spending, but there are rules around what councils must use this money for. It must be for some sort of transformation that will ultimately reduce revenue spending over time. One of the things the council has used this for is paying down the pension deficit.
- Members heard the council annually reviews its estimates about how much money it will receive from both the Affordable Housing Fund and Section 106 contributions to avoid optimism bias.
- Members asked about how the council deals with miscalculations of capital project budgets. They heard the council uses industry standard project management contingency setting. For each of the key programmes there is a 5% contingency. The council also has a further central contingency allowance for major schemes and a general corporate contingency of £10 million per annum.

4. Adult Social Care and Public Health 2020/21 Capital Budget

4.1 James Partis presented the Adult Social Care and Public Health 2020/21 Capital Budget:

- Members asked about any investments being made in a new social care IT system. They heard that there is a two-year programme to explore the procurement of new social care management IT system. The timing has been deliberately staged to coincide with the corporate ICT programme.

5. Children's and Family Services 2020/21 Capital Budget

5.1 Sarah Newman presented the Children's and Family Services 2020/21 capital budget:

- Members noted there is pressure on secondary school places, but a surplus of primary school places. They heard that the council is profiling the numbers of children going through primary schools, so it understands the number of places that will be required in secondary schools. The council is working with schools about how it can creatively manage changing demographics.
- In terms of secondary and primary education, members asked whether the council would be able to access the grant funding it needs into the future. They

heard that while funding is tight, the council uses it creatively and looks for flexibility in the system. For example, primary schools increasingly have surplus space which could be used to meet the rising need for Special Education Needs (SEN) provision.

- Members enquired about secondary school places that were being filled by students from outside Westminster. Considering the pressure on secondary school places, they asked whether these should be filled by Westminster residents. They heard that under current law academies and free schools are able to offer more places if they choose to. The council receives basic need funding based on projections submitted to the Department for Education and must decide whether it works with an academy to invest space for more places.

6. City Management and Communities 2020/21 Capital Budget

6.1 Sara Sutton presented the City Management and Communities (CMC) capital budget:

- Members asked whether any investments were being made into technology to improve how the council manages waste. While not featured in this budget, the council would be looking at emerging green technology as part of a wider review of Smart Cities. This would cover waste and other areas like air quality. Members noted that, given the climate emergency, providing some of the figures for these potential schemes would help communicate what the council is doing in the environmental space. They heard the council was discussing a paper on green financing. There are also discussions with Cabinet about the potential of setting aside money in a reserve for a green investment fund.
- Members asked whether the public realm schemes posed any financial risk to the council. They heard that most of the public realm schemes are funded through either section 106 or 278 contributions. The schemes represent very little risk to the council as a contingency is generally factored in to them and the council undertakes an ongoing review of costs.
- Members asked whether changes in weather patterns, for example heavier rain which impacts on infrastructure, were factored into the council's projections. They heard that it affects the profile of work, particularly emergency and reactive work. The council hopes its new system LiDAR, which makes an assessment on the carriage-way using artificial intelligence, will help manage this. The council has also published its strategic flood risk assessment, which is part of the consideration for what the council might need to do in the future.
- Members asked about costing for the Seymour/Marylebone Library re-location project. They heard that based on the latest review, the costing looked about right. However, the council is also looking for external funding opportunities to bring this down.

7. Growth, Planning and Housing 2020/21 Capital Budget

7.1 Barbara Brownlee presented the Growth, Planning and Housing 2020/21 capital budget:

- Members noted the slippage of the Oxford Street programme and said the private sector may be reluctant to start making investments until it sees progress from the council. Members heard that the delay is partly due to the procurement period taking longer than expected. However, detailed costing for the programme has now being done and a programme director and contractor are now in place.
- Members asked whether there was a risk that private sector would not come through with expected investments for the Oxford Street Programme after the council had already started its planned investments. Members heard that all of the commitments the council has made would be funded by council funds. The funds from private sector are not yet assumed.
- Members asked for an update on the Huguenot House scheme. They heard it is a complicated scheme, but the council is in a better position now. It had previously looked at it from a purely property angle but is now approaching it from a wider development perspective. The figure of £60.124m is derived from an options appraisal. Members noted that this may not ultimately be the option the council goes ahead with, so this figure may change.
- Members asked how the council ensured it had the appropriate number of people resources. The council has expanded its development team, many of whom have learnt their trade at the council. The council also contracts people with particular experience as required.
- Members asked about rent levels for Targeted Housing for Vulnerable Households. The council said it would write to the task group with the information.

8. Westminster Housing Investments Limited 2020/21 Capital Budget

8.1 Barbara Brownlee presented the Westminster Housing Investments Limited 2020/21 capital budget:

- Members asked about the time period for loans to the WHIL. They heard the loans are not external borrowing—it is the council lending the money. The length depends on what the loan is for, with the development loans being about 3 – 5 years and the acquisition loans being longer.
- Members asked about transferring schemes between the Housing Revenue Account and the WHIL. The council does do this. Members heard the WHIL gives the council flexibility to fund schemes in the most appropriate way.

9 Growth, Planning and Housing – Housing Revenue Account 2020/21 Capital Budget

9.1 Barbara Brownlee presented the Housing Revenue Account (HRA) 2020/21 capital budget:

- Members asked how the council decides on the borrowing level for the HRA now that the borrowing cap has been removed. The council assesses affordability by making sure that financing costs over time are able to be covered whilst ensuring that there is no impact on other operational requirements of the HRA. The capital schemes are planned out over a period of time, are part of a 30-year business plan and are regularly reviewed.
- Members asked whether the council was comfortable that it has enough money to invest in major works to its existing housing stock. The council has an asset strategy which it reviews regularly. It also looks at the council's responsive repairs spend so it can invest money through the capital programme and save on an expensive repairs programme.
- In relation to the Infills programme, members noted that it seems to take a long time between identifying a site and work actually starting on the site. Members heard that the council has learnt a lot from the first round and now has a good internal process. The council has also built up relationships with good designers and contactors. This should contribute to a slicker process in future. There are about six sites with work happening and a number that have been completed.

10. Finance and Resources 2020/21 Capital Budget

10.1 Gerald Almeroth presented the Finance and Resources 2020/21 capital budget:

- Members asked how decisions are made around the property investment fund. They heard that all decisions go through a transparent process and if it was a significant scheme there would be a Cabinet Member report on it. The council needs to make sure the scheme is sound, and that it has thought about any risks within the scheme.
- Members asked about the timelines around the strategic purchasing of land for developments. The council generally takes a long view about purchasing land to unlock future developments. For example, it has recently put in an offer for a disused petrol station near the Ebury Bridge development.

11. MEETING CLOSE

11.1 The Meeting ended at 20:40

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Monday 20th January 2020**, in room 18.08, City Hall, 64 Victoria Street.

Members Present: Cllr Melvyn Caplan (Chairman), Cllr David Boothroyd, Cllr Tony Devenish, Cllr Murad Gassanly, Cllr Jonathan Glanz, Cllr Adam Hug, and Cllr Karen Scarborough.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Barbara Brownlee (Executive Director of Growth, Planning and Housing), Neil Wightman (Director of Housing), Bernie Flaherty (Bi-Borough Executive Director of Adult Social Care and Health), Houda Al-Sharifi (Interim Director of Public Health), James Partis (Programme Lead – Better Care Fund), Sara Sutton (Executive Director of City Management and Communities)

1. Welcome and Apologies

1.3 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Budget Overview 2020/21

3.1 Gerald Almeroth presented the budget overview:

- Members were advised about the financial outlook for local government, which had helped to inform the Council budget gap from 2020/21 to 2022/23, and the subsequent savings requirement over the next three financial years.

- The forecasted savings for years 2021/22 and 2022/23 are less than 2020/21. Members asked whether this was normal, given that all the potential savings for future years would not have been identified. They heard this is normal practice. Furthermore, the £2.5m gap for this year is fairly small. However, looking ahead, it is important to have a clear view of the medium-term position.
- Members heard that while the income from business rates has gone up in the last five years, income from the Revenue Support Grant (RSG) has gone down.
- Members asked about the impact of London Business Rates Pool ending. The council has received about an additional £5m from being in the pool and expects this figure to go down to about £0.6m.
- Members heard that the Government has not released modelling data for the Fair Funding Review. However, there are key factors that the council is aware of—for example, remoteness. Although at this stage, it is unclear what weighting these factors would receive.
- Some council wide issues are budgeted for centrally until required. Members asked whether the council was able to identify some of those issues now, for example, pressures from the London living wage. They heard that the estimate in the budget for the London living wage is £3.1m over two years. However, it could vary from that number.
- Members heard that the inflation rate of 2% is a general assumption. In making this assumption the council closely monitors real pressures. For example, changes in prices for social care and IT costs.
- Members asked whether a move to annual revaluations of business rates was good for the council in terms of income. Members heard this is a positive thing, as it keeps business rates in step with the economic situation.
- Members noted that some directorates had identified more savings than others. They sought assurance that all directorates were being challenged to come up with efficiencies. The council believes they are. Furthermore, the savings that have been put forward are a result of a single year process. Over the coming years the council will be looking to spread opportunities for savings across the directorates.

4. Adult Social Care and Public Health 2020/21 Budget

4.1 Bernie Flaherty and Houda Al-Sharifi presented the Adult Social Care and Public Health 2020/21 budget:

- Members heard that the number of residents in Westminster that are over 65 is increasing year on year.
- The council estimates that the number of clients known to Adult Social Care will lead to a 1.6 percent increase for the next few years.
- Members asked whether the council was thinking about how savings and efficiencies could be generated in future years. Members heard that a new social care system is being developed that would generate savings. The new system will involve elements such as strength-based practice.
- Members heard that there is ongoing work to assess further potential savings in the Adult Social Care budget over the next four years.

- Members noted that the Government has indicated its intention to remove ring fencing for public health budgets. Members heard it could end up as part of the Fair Funding Review.
- Members asked why the council was not using more of the public health reserve for investing in preventative health. They heard that, while at the beginning the reserve may have been set up as a contingency fund, it is now being used to supplement general public health spending. Consequently, the level of the reserve is on a downward trajectory.
- A sexual health screening contract will end in 2020/21. Members sought assurance that there would be sufficient alternative provision of the services that the contract covered. Members heard there would be a diversity of provision. Furthermore, the contract had performed poorly and the decision to end it was by mutual agreement with the provider. Members noted that many providers are at capacity.

5. Growth, Planning and Housing 2020/21 Budget

5.1 Barbara Brownlee presented the Growth, Planning and Housing 2020/21 budget:

- Members noted that the planning budget is in deficit because, under statute, the council cannot not charge fees at a level that fully recovers costs. Members heard that this has long been a lobbying issue for local government. However, the council is doing work to generate savings. This includes bringing Planning and Place Shaping together and reviewing two parts of the planning process where the council has control over what it charges.
- Members asked what proportion of the general fund budget is spent on temporary accommodation. They heard the net budget is about £4.5m. However, the council is contributing more from other sources such as the flexible homelessness support grant. All together it is about £8.8m.
- Members asked whether the profit from purchasing properties for Intermediate Housing and Temporary Accommodation purposes provided the Council with the optimal level of profit. Members heard that the Council is optimising income based on what the properties are intended to be used for. However, if more profit could be generated from the purchase programme then the Council would assess this.
- Members noted that the Westminster Adult Education Service (WAES) has to move premises in the coming years. However, they heard this would not impact on WAES's financial position.
- Members were interested in how the council deals with the rise and fall in numbers of planning applications. They heard that the council has a well-staffed department. In the past, it had not been caught out during busy times. It noted that the number of planning applications is hard to predict and there is not a strong correlation between the economy and the number of applications. Therefore, the council takes a prudent approach.

6. Housing Revenue Account 2020/21 Budget

6.1 Barbara Brownlee presented the Housing Revenue Account 2020/21 budget:

- The budget documents say that savings have not been identified yet as the Housing Team have been focused on incorporating the functions from CityWest Homes into the council, but that there will be a review to identify savings from 2021/22. However, members heard that savings from a restructure of top layer staff will actually lead to a saving of about £0.5m. A restructure of the next layer will be carried out next year.
- Members asked how the council deals with repair maintenance and skills shortages. The council is working with its term contractors. They have a strategy of trying to exit completely from the sub-contractor market, so they have much more control of their direct labour force. However, they still maintain some flexibility, particularly for specialist trades.

7. City Management and Communities 2020/21 Budget

7.1 Sara Sutton presented the City Management and Communities 2020/21 budget:

- Members asked about vacancy rates. They heard that a 5% vacancy rate was factored into the budget.
- Members heard the council has made a number of assumptions when coming up with the Late-night levy figure as there are likely to be a number of exemptions from the levy.
- Members asked what is driving the savings around sport centre contracts. They heard that it is mainly due to an increase in management fees which was already assumed on the basis of the contract signed.
- Members asked whether the council was considering emissions-based parking charges. The council is looking at options around this, but not for the coming year. Going forward, the council would be looking at its overall parking policy in the context of the climate emergency.
- There has been an increase in the charge for bulky waste. Members heard that there did not appear to be any unintended consequences from the increase. Westminster is about middle of the table in comparison to other boroughs in terms of the amount it is charging. Subject to review, the council is looking at a stepped increase to the charge.

11. MEETING CLOSE

11.1 The Meeting ended at 20:30

CITY OF WESTMINSTER **MINUTES**

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Tuesday 21st January 2020**, in room 18.08, City Hall, 64 Victoria Street.

Members Present: Cllr Melvyn Caplan (Chairman), Cllr David Boothroyd, Cllr Margot Bright, Cllr David Harvey, and Cllr Karen Scarborough.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Julia Corkey (Executive Director of Policy, Performance and Communications), Ezra Wallace (Director of Policy and Projects), Sarah Newman (Executive Director of Bi-Borough Children's Services)

1. Welcome and Apologies

1.4 Cllr Adam Hug and Cllr Tony Devenish sent their apologies.
1.5 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Policy, Performance and Communications 2020/21 budget

3.1 Julia Corkey presented the Policy, Performance and Communications 2020/21 budget:

- Members noted that in future budget documents it would be helpful to split the ward budgets and members expenses budget from the Cabinet Secretariat and Members and Committee Services budget.
- Members asked about the directorate's process for reviewing its budget. They heard that the senior management team had been through a review process over the past year which looked at all the staffing and non-pay budgets. The current budget reflects both the pressures and the underspend — in the past they had been recorded as off-setting each other, but members heard the way they will now be shown in the budget will be a more accurate reflection. The directorate was also reorganised last year and undertook a zero based budgeting exercise to agree the required level of staff to deliver the functions of the directorate.

- Members heard that advertising income from the council's outdoor sites is split across the directorate. It is used to off-set the cost of things like communications and events that the council funds. There are two prime generators of income from outdoor media sites — the Piccadilly Underpass and the Flame on the Westway.
- Members queried what the non-pay efficiencies were, as this was reflected against the "Policy and Projects" budget. They heard that this was related to expenditure on one off projects and research. They heard that the Policy and Projects category included expenditure on projects, campaigns and research. The saving may cover items of expenditure across the directorate.
- Members noted that sometimes the council may have to run a campaign on an unexpected issue; they asked where the money would come from in this situation, if a saving was being put forward by the directorate. They heard that going forward the process would involve the directorate having a conversation with the Finance department so that the required spend could be allocated to the appropriate directorate or given a one-off budget (as opposed to it being a part of PPC's ongoing budget).

2. Children's Services 2020/21 budget

2.1 Sarah Newman presented the Children's Services 2020/21 budget:

- Members asked where the risks were in the budget. They heard the directorate had tried to be sensible with its saving proposals. They have not sliced off small amounts from the various budgets, but instead have looked at how services can be delivered more effectively. For example, streamlining the pre-birth to 5 pathways to ensure there is no duplication.
- Members asked what the net cost is for the council is for Unaccompanied Asylum Seeking Children (UASC). They heard it is about £0.6m. Members then asked what discussions were happening with Central Government about apportioning cost in this area. The council is working with the hardest hit London authorities. It is also meeting regularly with the Home Office to highlight the pressures. The council is also making the point to government that it regionalised the adoption process, and therefore, it could also make sense to regionalise the processes around UASC.
- Members asked whether the council is looking at more money for youth services. They heard the council is looking at how it utilises what it has got in the best way so that the whole system is working. For example, the inclusion pilot which is working to keep children in schools.
- Members asked what efficiencies would drive savings in the education department. The council is looking at its offer to individual schools. It is developing a new SLA, whereas schools had previously bought their data packages from external providers that charged a lot. There has also been an increase of £2m for early years provision, and while that mostly goes direct to providers the council can retain 5% for delivery of services.
- Members noted some reduction in the spend on legal services. They heard that most of this was a result of practitioners representing themselves in tribunals as many had observed that legal support in these circumstances was not adding much value.
- Members asked where the council was in terms of its contractual position for passenger transport. The contract is tight in terms of performance, but it is the demand for the service that is driving the cost. The council is being strong on ensuring there is a robust eligibility policy.

3. Finance and Resources 2020/21 budget

3.1 Gerald Almeroth presented the Finance and Resources 2020/21 budget:

- Members asked about the assumptions the council has made around interest rates. The council's assumptions are based on its knowledge of what is happening in the present economic conditions. It does get advice from consulting professionals. Currently the council's average rate of return is about 1.1%. The council has to keep a lot of its money liquid as well as being very conscious of risk. Also, the recent PWLB rate rise of 1% has pushed up the rate of return in the local authority market which has resulted in the council being able to lend money to other councils at about 1.8%.
- Members noted that Property Services had been bought into the Finance and Resources Directorate. They asked what the directorate's process was around this? Members heard the fundamental job in Property is to make sure the council's assets are sufficient for what is needed and in the right condition to deliver what the council wants out of them. The council has developed a corporate landlord model. This is to help ensure the council as a whole is using its assets in the right way.
- Members asked about new the Capita contract for which the council is paying less than what it previously paid. Members heard that Capita wanted to keep the contract as it likely views the council as one of its flagship clients. It has also undergone a digital transformation to move processes to its own system, so it does not not have to pay a licence fee to an external company.
- Members were interested in the processes around the council's procurement service and how to make it successful. The council has implemented a business partner model that is aligned to the council's services and what they want to achieve. The council is also moving towards having the procurement team involved in major projects/programmes from the beginning. Members asked how the procurement team ensures that the client (the council) has enough expertise to properly define what it needs when procuring contracts. The procurement team has people working closely with the directorates from the start and who are part of the planning process.

11. MEETING CLOSE

11.1 The Meeting ended at 19:50pm.

City of Westminster

Cabinet

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

1. Executive Summary

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

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

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

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

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

2. Recommendations

That the Cabinet be recommended:

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

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

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

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

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

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

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

3. Reasons for Decision

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

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

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

4. Policy and Contextual Background

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

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

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

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

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

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

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

- The Council's investment in our core infrastructure of carriageways, footways, lighting and bridges, recognises the commitment the council has to manage the performance, risk and expenditure on its infrastructure assets in an optimal and sustainable manner throughout their lifecycle, covering planning, design, development, operation, maintenance and

disposal. This programme ensures our infrastructure is in a safe and reliable condition, is efficiently managed and means our residents and visitors can enjoy clean, high quality streets.

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

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

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

5. The Council's Assets

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

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

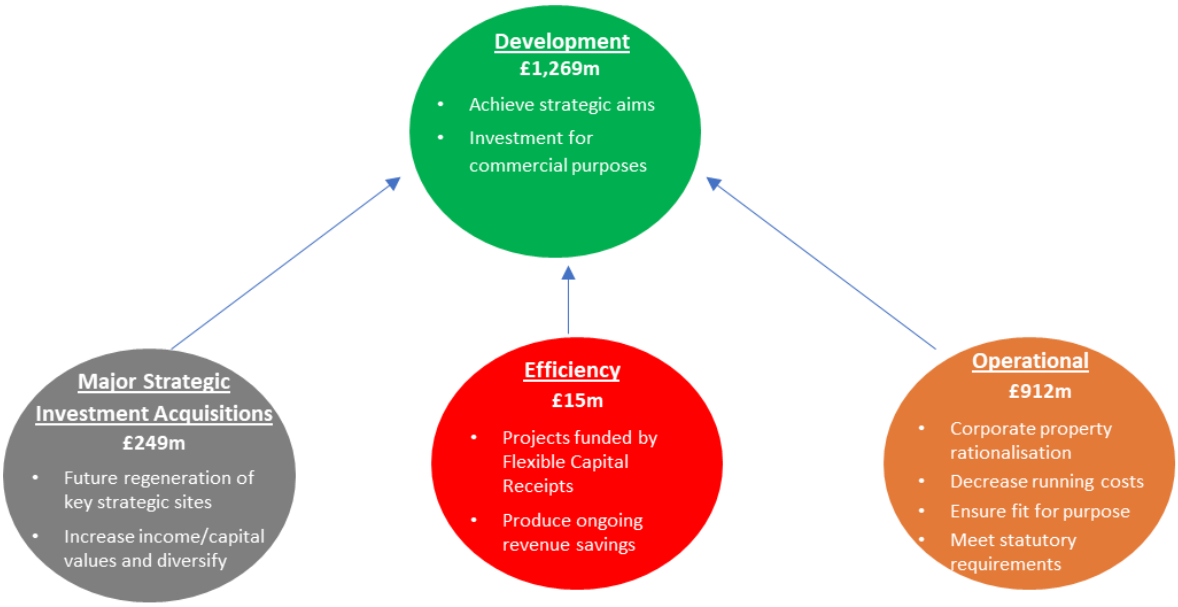
5.2. Based on the Council's current level of assets, the capital strategy as outlined in this report could significantly increase the Council's asset base over the next 15 years across the General Fund and HRA.

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

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

6. Overview of Delivery Strategies

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



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

Development

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

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

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

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

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

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

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

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

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

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

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

Major Strategic Investment Acquisitions

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

Property Investment Strategy

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

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

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

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

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

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

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

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

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

Efficiency

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

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

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

Rules of Qualification

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

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

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

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

Operational

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

- Land and Buildings
- Infrastructure

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

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

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

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

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

7. Capital Budget Setting & Prioritisation

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

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

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

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

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

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

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

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

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

8. Governance

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

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

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

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

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

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

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

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

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

9.1. Overview of overall capital figures and breakdown by ELT

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

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

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

10. Key Projects & Programmes

Education

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

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

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

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

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

Social Care

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

Customer Experience & Digital

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

Planned Preventive Maintenance/ Structural Works

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

Public Realm Schemes

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

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

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

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

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

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

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

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

Property Capital Programme

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

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

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

General Fund Housing

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

Development/Regeneration Programme

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

Beachcroft

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

Dudley House

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

Huguenot House

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

Lisson Grove Programme

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

Luxborough Street

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

Moberly and Jubilee Sports Centres

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

Carlton Dene and Westmead

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

Queen Mother Sports Centre (QMSC)

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

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

HRA Business Plan

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

10.23. The HRA will play a significant role in the delivery of the Housing Programme and will work with the Council's General Fund and the wholly owned subsidiaries to ensure the aspiration of the housing plan is delivered. The planned capital spend

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

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

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

Westminster Housing Investments Limited (WHIL)

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

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

10.28. The specific business objectives are:

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

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

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

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

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

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

WHIL Development Programme

10.34. The development programme consists of 3 schemes:

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

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

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

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

Acquisitions

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

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

Financial Performance

Luton Street

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

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

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

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

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

Jubilee Phase 2

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

11. Capital Funding

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

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

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

Grants

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

Capital Contributions

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

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

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

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

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

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

Capital Receipts

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

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

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

Direct Revenue Financing

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

Borrowing

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

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

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

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

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

Table 2: Forward Borrowing Summary

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

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

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

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

Table 3: Funding of the Capital Programme

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

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

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

Table 4: Analysis of Proposed External Funding

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

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

13. Revenue Implications of the Programme

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

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

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

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

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

Minimum Revenue Provision (MRP)

13.4. MRP is applied where the council has to set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP replaces other capital charges (e.g. depreciation) in the statement of accounts

and has an impact on the council's bottom line. MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes. The council will continue to balance the use of capital receipts, internal borrowing and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

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

14. Risk Management

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

General Risks

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

Interest Rate Risk

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

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

Inflation Risk

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

Legislative Risks

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

Market Health/Commercial Risks

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

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

Transfer Risk

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

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

Project Risks

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

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

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

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

15. Financial Implications

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

16. Legal Implications

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

17. Staffing Implications

17.1. None specifically in relation to this report.

18. Consultation

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

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

Gerald Almeroth, Executive Director – Finance and Resources

galmeroth@westminster.gov.uk

19. Background Papers:

19.1. Capital programme working papers

19.2. Capital Programme Submission Requests for individual projects

20. Appendices

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

Appendix A(ii) – Capital Programme – ELT

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Appendix A (i) - Capital Programme 2020/21 to 2024/25, Forecast Position for 2019/20 and future years' forecasts summarised up to 2033/34 by ELT Portfolio

	2019/20			2020/21			2021/22			2022/23			2023/24			2024/25			Future Years			Grand Total		
	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Total Spend	Total External Funding	Total Net
ARK ATWOOD PHYSICAL PROVISION	20	(20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	(20)	-
BARROW HILL ACCESS AND SAFEGUARDING	31	(31)	-	39	(39)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	(70)	-
BEACHCROFT PLAYGROUND AND MULTI USE GAMES AREA	100	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	(100)	-
CHURCHILL GARDENS BENCH	8	(8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	(8)	-
COLLEGE PARK AND QUEEN ELIZABETH 2 FIRE DOORS	137	-	137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	137	-	137
COLLEGE PARK AND QUEEN ELIZABETH 2 SECURITY AND UPGRADES	73	(73)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73	(73)	-
EDWARD WILSON ASD AND INTERNAL BUILDING RESTRUCTURE	-	-	-	50	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	(50)	-
GATEWAY ACCESS	35	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35	(35)	-
GATEWAY REMODEL ASD	11	(11)	-	19	(19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30	(30)	-
HALLFIELD ASD	20	(20)	-	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	(170)	-
HALLFIELD HEATING AND DISTRIBUTION	177	-	177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	177	-	177
HALLFIELD OUTREACH	20	(20)	-	300	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320	(320)	-
HALLFIELD SITE IMPROVEMENTS	935	(935)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	935	(935)	-
KING SOLOMON SCHOOL EXPANSION	3,563	(3,563)	-	1,973	(1,973)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,536	(5,536)	-
MILLBANK- WINDMILL ASD PROVISION	167	(167)	-	333	(333)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	(500)	-
PIMLICO ACADEMY	-	-	-	-	-	-	7,300	(7,300)	-	-	-	-	-	-	-	-	-	-	-	-	-	7,300	(7,300)	-
PORTMAN - BOILER AND DISTRIBUTION	1,476	(362)	1,114	1,476	(362)	1,114	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,952	(724)	2,228
QUEEN ELIZABETH 2 ASD CLASS BUILD	-	-	-	250	(250)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	(250)	-
REACTIVE CAPITALISED MAINTENANCE WORKS	1,059	-	1,059	500	-	500	500	-	500	340	-	340	100	-	100	-	-	-	-	-	-	2,499	-	2,499
REMODELLING OF EARLY HELP/CHILDREN'S SERVICES INVESTMENT	-	-	-	250	-	250	60	-	60	60	-	60	-	-	-	-	-	-	-	-	-	370	-	370
ROBINSFIELD ASD PROVISION	33	(33)	-	17	(17)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	(50)	-
SCHOOLS MINOR WORKS PROJECTS	549	(549)	-	400	(400)	-	400	(400)	-	400	(400)	-	400	(400)	-	-	-	-	-	-	-	2,149	(2,149)	-
SEN WILBERFORCE PRIMARY LIFT	100	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	(100)	-
SEN CASE MANAGEMENT SYSTEM	208	-	208	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	208	-	208
SOCIAL CARE SYSTEM REPROCUREMENT	200	-	200	600	-	600	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000
ST AUGUSTINE'S CE SCHOOL – FIRE DOOR UPGRADE	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
ST GEORGE'S SCHOOL EXPANSION	1,017	(1,017)	-	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,167	(1,167)	-
ST MARYLEBONE BRIDGE SEATING	125	(125)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125	(125)	-
ST MARYLEBONE BRIDGE SPECIAL SCHOOL EXPANSION	600	(600)	-	11,233	(9,701)	1,532	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,833	(10,301)	1,532
TRESHAM CENTRE UPGRADE	131	(131)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131	(131)	-
CHILDREN'S SERVICES TOTAL	**10,945**	**(7,900)**	**3,045**	**17,740**	**(13,744)**	**3,996**	**8,460**	**(7,700)**	**760**	**800**	**(400)**	**400**	**500**	**(400)**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**38,445**	**(30,144)**	**8,301**
20 GROSVENOR SQUARE	223	(223)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	223	(223)	-
ABELL AND CLELAND PUBLIC REALM	200	(200)	-	749	(749)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	949	(949)	-
ACTIVEWESTMINSTER PROJECT	-	-	-	380	-	380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380	-	380
BAKER STREET TWO WAY	1,608	(1,380)	228	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,608	(1,380)	228
BERKELEY SQUARE NORTH	2,000	(2,000)	-	1,115	(1,115)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,115	(3,115)	-
BOND STREET	1,289	(1,168)	121	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,289	(1,168)	121
BOND STREET WESTERN TICKET HALL	30	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30	(30)	-
BUSINESS PROCESSING AND TECHNOLOGY CONTRACT - PARKING	100	-	100	250	-	250	3,250	-	3,250	-	-	-	-	-	-	-	-	-	-	-	-	3,600	-	3,600
CCTV CRIME AND DISORDER ESTATE	158	-	158	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158	-	158
CEMETERIES IMPROVEMENTS	46	-	46	110	-	110	60	-	60	60	-	60	50	-	50	50	-	50	-	-	-	376	-	376
CHRISTCHURCH GARDENS	2,200	(2,200)	-	1,300	(1,300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,500	(3,500)	-
CLEVELAND ROW PUBLIC REALM	100	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	(100)	-
CYCLE SCHEMES	3,536	(3,536)	-	2,450	(2,450)	-	2,000	(2,000)	-	1,400	(1,400)	-	-	-	-	-	-	-	-	-	-	9,386	(9,386)	-
DEVELOPER SCHEME - SECTION 106	-	-	-	350	(350)	-	200	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	550	(550)	-
DEVELOPER SCHEMES	3,947	(3,484)	463	6,000	(6,000)	-	5,000	(5,000)	-	5,000	(5,000)	-	5,000	(5,000)	-	5,000	(5,000)	-	-	-	-	29,947	(29,484)	463
DISABLED FACILITIES GRANT PROGRAMME	1,297	(1,297)	-	1,828	(1,524)	304	1,828	(1,524)	304	1,828	(1,524)	304	1,828	(1,524)	304	1,828	(1,524)	304	-	-	-	10,437	(8,917)	1,520
DUKE STREET PUBLIC REALM	90	(90)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90	(90)	-
EAST MAYFAIR PUBLIC REALM SCHEME	500	(500)	-	1,500	(1,500)	-	2,655	(2,655)	-	-	-	-	-	-	-	-	-	-	-	-	-	4,655	(4,655)	-
ELECTRIC VEHICLE CHARGING INFRASTRUCTURE	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-
EV RAPID CHARGING INFRASTRUCTURE	-	-	-	1,250	(200)	1,050	1,685	(200)	1,485	2,290	-	2,290	3,154	-	3,154	4,311	-	4,311	-	-	-	12,690	(400)	12,290
GLASSHOUSE STREET	20	(20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	(20)	-
GOLDEN JUBILEE FOOTBRIDGES IMPROVEMENTS	-	-	-	75	-	75	100	-	100	325	-	325	-	-	-	-	-	-	-	-	-	500	-	500
HARROW ROAD /LADBROKE GROVE	300	(300)	-	657	-	657	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	957	(300)	657
HARROW ROAD BRIDGE CATHODIC PROTECTION	797	-	797	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	797	-	797
HEALTH AND WELLBEING PROJECTS	1,431	(667)	764	1,223	(100)	1,123	250	(100)	150	250	(100)	150	250	(100)	150	250	(100)	150	250	(100)	150	3,904	(1,267)	2,637
HIGHWAYS INNOVATION	-	-	-	750	-	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	-	750
ISOLATED PITCHES ELECTRICS	50	-	50	450	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
JERMYN STREET	883	(883)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	883	(883)	-
LEISURE FACILITIES CAPITAL INVESTMENT PROGRAMME	905	(489)	416	665	-	665	665	-	665	665	-	665	665	-	665	665	-	665	665	-	665	4,895	(489)	4,406
LEISURE REVIEW MAINTENANCE	750	-	750	350	-	350	600	-	600	600	-	600	600	-	600	600	-	600	-	-	-	3,500	-	3,500
LIBRARIES 6 YEAR REDECORATION PROGRAMME	1,110	-	1,110	750	-	750	500	-	500	500	-	500	500	-	500	500	-	500	-	-	-	3,860	-	3,860
LIBRARIES IT/SMART OPEN	-	-	-	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200
LOANABLE LIBRARY TABLETS SOLUTION	-	-	-	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	50
LOCAL SAFETY AND TRAFFIC MANAGEMENT SCHEMES	2,220	(984)	1,236	1,350	-	1,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,570	(984)	2,586
MAJOR SCHEMES	3,900	(3,900)	-	9,552	(9,552)	-	17,531	(16,031)	1,500	16,850	(16,850)	-	8,000	(6,000)	2,000	3,000	(3,000)	-	-	-	-	58,833	(55,333)	3,500
MARYLEBONE LOW EMISSION NEIGHBOURHOOD (LEN)	500	(500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	(500)	-
NEAT STREETS	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-
NEW LEISURE CENTRES FFE	-	-	-	390	-	390	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	890	-	890
NEWPORT PLACE	718	(496)	222	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	718	(496)	222
NORTH AUDLEY STREET	256	(256)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	256	(256)	-
OLD MARYLEBONE TOWN HALL ROLLING REDECORATION PROGRAMME	-	-	-	135	-	135	20	-	20	71	-	71	76	-	76	77	-	77	-	-	-	379	-	379
OPEN SPACES STRATEGY AND PARKS CAPITAL WORKS	447	-	447	200	-	200	200	-	200	200	-	200	200	-	200	200	-	200	-	-	-	1,447	-	1,447
OXFORD STREET PHASE ONE	1,616	-	1,616	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,616	-	1,616
PADDINGTON ENVIRONMENTAL AND PLACE PLAN	81	(81)	-	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	581	(81)	500
PICCADILLY UNDERPASS	200	-	200	3,505	-	3,505	864	-	864	-	-	-	-	-	-	-	-	-	-	-	-	4,569	-	4,569
PLANNED PREVENTATIVE MAINTENANCE - BRIDGES	100	-	100	1,060	(275)	785	1,060	(275)	785	1,065	(275)	790	1,090	(280)	810	1,090	(280)	810	-	-	-	5,465	(1,385)	4,080

	2019/20			2020/21			2021/22			2022/23			2023/24			2024/25			Future Years			Grand Total		
	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Total Spend	Total External Funding	Total Net
PLANNED PREVENTATIVE MAINTENANCE - BRIDGES AND STRUCTURES	1,137	-	1,137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,137	-	1,137
PLANNED PREVENTATIVE MAINTENANCE - HIGHWAYS	6,282	-	6,282	6,576	-	6,576	6,773	-	6,773	6,976	-	6,976	7,186	-	7,186	7,401	-	7,401	-	-	-	41,194	-	41,194
PLANNED PREVENTATIVE MAINTENANCE - LIGHTING	5,501	(200)	5,301	5,935	-	5,935	5,657	-	5,657	2,709	-	2,709	2,624	-	2,624	2,702	-	2,702	-	-	-	25,128	(200)	24,928
PORCHESTER - MAIN POOL CAPITAL WORKS	220	-	220	1,180	(100)	1,080	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,400	(100)	1,300
PORTMAN SQUARE	580	-	580	920	-	920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	-	1,500
PROTECTIVE MEASURES	5,150	(5,150)	-	9,663	(8,513)	1,150	16,523	(7,323)	9,200	5,650	-	5,650	-	-	-	-	-	-	-	-	-	36,986	(20,986)	16,000
PUBLIC CONVENIENCES RENOVATION PROGRAMME	-	-	-	1,000	-	1,000	3,000	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	4,000	-	4,000
PUBLIC REALM IMPROVEMENT SCHEMES	2,758	(1,874)	884	2,653	(1,053)	1,600	4,000	-	4,000	580	-	580	-	-	-	-	-	-	-	-	-	9,991	(2,927)	7,064
SAFE AND SECURE RENOVATION	304	-	304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	304	-	304
SAYERS CROFT REFURBISHMENTS	375	(250)	125	90	-	90	90	-	90	90	-	90	90	-	90	90	-	90	90	-	90	915	(250)	665
SCHOOL SAFETY	-	-	-	680	(211)	469	695	(50)	645	575	(50)	525	50	(50)	-	50	(50)	-	-	-	-	2,050	(411)	1,639
SEYMOUR LEISURE CENTRE (MARYLEBONE LIBRARY)	251	-	251	-	-	-	-	-	-	25,000	-	25,000	-	-	-	-	-	-	-	-	-	25,251	-	25,251
SHERWOOD STREET FOOTWAY WIDENING	500	(500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	(500)	-
ST GEORGE'S DRIVE / WARWICK WAY JUNCTION	220	(220)	-	180	(180)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	(400)	-
ST JAMES'S PALACE FORECOURT	50	(50)	-	-	-	-	1,450	(1,450)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	(1,500)	-
STREET BASED SERVICES	-	-	-	710	-	710	665	-	665	-	-	-	-	-	-	-	-	-	-	-	-	1,375	-	1,375
STREET TREE PLANTING AND MANAGEMENT	-	-	-	500	-	500	1,000	-	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	2,500	-	2,500
STREET TREES - NEW PLANTING	422	-	422	791	-	791	381	-	381	318	-	318	318	-	318	318	-	318	-	-	-	2,548	-	2,548
STRUTTON GROUND	750	(750)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	(750)	-
THAYER/MANDEVILLE PLACE	190	-	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	190	-	190
TRAFFIC MANAGEMENT AND ROAD SAFETY	-	-	-	50	(50)	-	10	(10)	-	500	(500)	-	500	(500)	-	500	(500)	-	-	-	-	1,560	(1,560)	-
TRANSPORT INITIATIVES	-	-	-	3,112	(3,112)	-	2,983	(2,983)	-	2,993	(2,993)	-	2,993	(2,993)	-	3,003	(3,003)	-	-	-	-	15,084	(15,084)	-
TREE PRESERVATION REPLACEMENT PROGRAMME	-	-	-	50	-	50	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
ULTRA LOW EMISSION ZONE COMPLY	712	(102)	610	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	712	(102)	610
VICTORIA EMBANKMENT MOORING RINGS	580	(297)	283	633	-	633	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,213	(297)	916
VICTORIA EMBANKMENT STURGEONS	13	-	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	-	13
WALKING IMPROVEMENTS	-	-	-	578	(578)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	578	(578)	-
WASTE CONTAINERS	110	-	110	140	-	140	140	-	140	140	-	140	140	-	140	140	-	140	-	-	-	810	-	810
WASTE FLEET PROCUREMENT	-	-	-	-	-	-	42,000	-	42,000	-	-	-	-	-	-	-	-	-	-	-	-	42,000	-	42,000
WATERLOO AND GOLDEN JUBILEE BRIDGE	1,308	(75)	1,233	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,308	(75)	1,233
WATERLOO BRIDGE STREETSCAPE	-	-	-	500	-	500	3,000	-	3,000	3,000	-	3,000	1,500	-	1,500	-	-	-	-	-	-	8,000	-	8,000
ZERO EMISSIONS VEHICLES	-	-	-	3,000	-	3,000	1,500	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	4,500	-	4,500
CITY MANAGEMENT & COMMUNITIES TOTAL	**61,321**	**(34,552)**	**26,769**	**78,085**	**(38,912)**	**39,173**	**128,885**	**(39,801)**	**89,084**	**80,635**	**(28,692)**	**51,943**	**36,814**	**(16,447)**	**20,367**	**31,775**	**(13,457)**	**18,318**	**1,005**	**(100)**	**905**	**418,520**	**(171,961)**	**246,559**
CITY HALL REVENUE COSTS	**2,608**	**-**	**2,608**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	2,608	-	2,608
NETWORK AND TELEPHONY TRANSFORMATION	850	-	850	375	-	375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,225	-	1,225
TECHNOLOGY REFRESH	50	-	50	700	-	700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	-	750
CAPITALISATION OF PENSION CONTRIBUTION	10,000	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	-	10,000
FCR TOTAL	**13,508**	**-**	**13,508**	**1,075**	**-**	**1,075**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,583**	**-**	**14,583**
20 IN-BOROUGH ACQUISITIONS FOR TEMPORARY ACCOMMODATION	**-**	**-**	**-**	**5,000**	**(5,000)**	**-**	**5,000**	**(5,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	10,000	(10,000)	-
21 – 23 FARM STREET	129	-	129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129	-	129
BEACHCROFT	15,681	-	15,681	2,466	-	2,466	470	-	470	151	-	151	-	-	-	-	-	-	-	-	-	18,768	-	18,768
CARLTON DENE	1,052	-	1,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,052	-	1,052
CHURCH STREET REGENERATION HUB	350	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	350
CHURCH STREET ACQUISITIONS	4,184	-	4,184	1,828	-	1,828	2,949	-	2,949	5,365	-	5,365	15,575	-	15,575	18,098	-	18,098	70,440	-	70,440	118,439	-	118,439
CHURCH STREET DISTRICT HEATING NETWORK (DHN)	430	-	430	500	(1,490)	(990)	4,630	(2,070)	2,560	473	(400)	73	6,747	(1,000)	5,747	4,328	(3,940)	388	-	-	-	17,108	(8,900)	8,208
CHURCH STREET GOOD GROWTH – TRIANGLE PROJECT	150	-	150	1,950	(1,950)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,100	(1,950)	150
CHURCH STREET GREEN SPINE	1,100	(1,050)	50	5,000	(2,000)	3,000	1,130	(500)	630	-	-	-	-	-	-	-	-	-	-	-	-	7,230	(3,550)	3,680
CONNECT WESTMINSTER (BROADBAND)	1,100	(550)	550	920	(460)	460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,020	(1,010)	1,010
DUDLEY HOUSE	3,739	(2,573)	1,166	931	-	931	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,670	(2,573)	2,097
ENTERPRISE PROGRAMME	1,044	-	1,044	5,000	(1,000)	4,000	7,500	(1,000)	6,500	2,500	(1,000)	1,500	-	-	-	-	-	-	-	-	-	16,044	(3,000)	13,044
GREENING IMPROVEMENTS TO HALL PLACE	-	-	-	100	-	100	500	-	500	3,850	-	3,850	-	-	-	-	-	-	-	-	-	4,450	-	4,450
HOUSING SERVICES DIGITISATION	-	-	-	282	-	282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	282	-	282
HOUSING INVESTMENT IN DISCHARGE OF DUTY	4,000	-	4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,000	-	4,000
HUGUENOT HOUSE	350	-	350	1,600	-	1,600	1,910	-	1,910	560	-	560	37,422	-	37,422	-	-	-	1,027	-	1,027	42,869	-	42,869
HUGUENOT HOUSE ACQUISITIONS	3,999	-	3,999	4,000	-	4,000	14,632	-	14,632	-	-	-	-	-	-	-	-	-	-	-	-	22,631	-	22,631
LEISURE REVIEW	100	-	100	1,465	-	1,465	-	-	-	-	-	-	-	-	-	-	-	-	125,035	-	125,035	126,600	-	126,600
LISSON GROVE	1,546	-	1,546	2,000	-	2,000	4,924	-	4,924	53,591	-	53,591	53,624	-	53,624	17,735	-	17,735	52,895	-	52,895	186,315	-	186,315
LISSON GROVE ACQUISITION	-	-	-	4,800	-	4,800	6,800	-	6,800	-	-	-	-	-	-	-	-	-	-	-	-	11,600	-	11,600
LUXBOROUGH STREET	427	-	427	1,000	(2,462)	(1,462)	6,088	(2,462)	3,626	-	-	-	-	-	-	-	-	-	-	-	-	7,515	(4,924)	2,591
MOBERLY AND JUBILEE SPORT CENTRES	238	-	238	3,000	-	3,000	850	-	850	-	-	-	-	-	-	-	-	-	-	-	-	4,088	-	4,088
NEW HOME BONUS PLACES OF WORK	-	-	-	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-
OPEN SPACES GREENER PLACES	210	(25)	185	200	(25)	175	200	(25)	175	200	(25)	175	200	(25)	175	200	(25)	175	-	-	-	1,210	(150)	1,060
OXFORD STREET DISTRICT	10,000	-	10,000	10,500	-	10,500	60,000	-	60,000	50,000	-	50,000	17,000	-	17,000	-	-	-	-	-	-	147,500	-	147,500
PLACESHAPING PROJECTS	600	(600)	-	5,590	-	5,590	5,500	-	5,500	2,750	-	2,750	-	-	-	-	-	-	-	-	-	14,440	(600)	13,840
SIR SIMON MILTON UNIVERSITY TEC	462	(419)	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	462	(419)	43
SOHO PLACE PLAN	500	-	500	1,000	-	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	2,500	-	2,500
STRAND ALDWYCH	950	(191)	759	2,963	-	2,963	10,216	-	10,216	10,216	-	10,216	7,372	-	7,372	-	-	-	-	-	-	31,717	(191)	31,526
STREET MARKETS IMPROVEMENT PROGRAMME	-	-	-	135	-	135	85	-	85	-	-	-	-	-	-	-	-	-	-	-	-	220	-	220
TEMPORARY ACCOMMODATION PURCHASES (IN-BOROUGH)	11,859	(11,859)	-	2,890	(2,890)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,749	(14,749)	-
TARGETED HOUSING PURCHASE SCHEME FOR VULNERABLE HOUSEHOLDS	-	-	-	11,000	-	11,000	11,000	-	11,000	-	-	-	-	-	-	-	-	-	-	-	-	22,000	-	22,000
TEMPORARY ACCOMMODATION ACQUISITIONS	4,560	-	4,560	1,111	-	1,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,671	-	5,671
THE LODGE	-	-	-	120	(710)	(590)	1,000	-	1,000	204	(710)	(506)	-	-	-	-	-	-	-	-	-	1,324	(1,420)	(96)
WESTMINSTER COMMUNITY HOMES AFFORDABLE HOUSING FUND PROGRAMME	19,142	(19,142)	-	1,500	(1,500)	-	2,500	(2,500)	-	4,500	(4,500)	-	1,750	(1,750)	-	-	-	-	-	-	-	29,392	(29,392)	-
WALTERTON AND ELGIN COMMUNITY HOMES (WECH) OPEN SPACE	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
WEST END PARTNERSHIP PROGRAMME 2019/20-2023/24	175	(60)	115	800	(60)	740	300	(60)	240	250	(60)	190	225	(60)	165	-	-	-	-	-	-	1,750	(300)	1,450
WESTMEAD	2,156	-	2,156	1,757	-	1,757	11,000	-	11,000	13,000	-	13,000	2,294	-	2,294	-	-	-	-	-	-	30,207	-	30,207
GROWTH, PLANNING & HOUSING TOTAL	**90,333**	**(36,469)**	**53,864**	**81,558**	**(19,697)**	**61,861**	**160,184**	**(13,617)**	**146,567**	**147,610**	**(6,695)**	**140,915**	**142,209**	**(2,835)**	**139,374**	**40,361**	**(3,965)**	**36,396**	**249,397**	**-**	**249,397**	**911,652**	**(83,278)**	**828,374**
WESTMINSTER HOUSING INVESTMENTS LIMITED (WHIL) INVESTMENT	11,911	-	11,911	29,475	-	29,475	55,739	-	55,739	36,176	-	36,176	6,499	-	6,499	-	-	-	95,807	-	95,807	235,607	-	235,607
LUTON STREET INVESTMENT	-	-	-	15,063	-	15,063	12,937	-	12,937	-	-	-	-	-	-	-	-	-	-	-	-	28,000	-	28,000

	2019/20			2020/21			2021/22			2022/23			2023/24			2024/25			Future Years			Grand Total		
	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Total Spend	Total External Funding	Total Net
WHIL TOTAL	**11,911**	**-**	**11,911**	**44,538**	**-**	**44,538**	**68,676**	**-**	**68,676**	**36,176**	**-**	**36,176**	**6,499**	**-**	**6,499**	**-**	**-**	**-**	**95,807**	**-**	**95,807**	**263,607**	**-**	**263,607**
LUPUS STREET	**80**	**(80)**	**-**	**247**	**(247)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	327	(327)	-
MOBILE WORKING	-	-	-	70	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	(70)	-
HEALTH INTEGRATION	-	-	-	200	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	(200)	-
FRAMEWORKING UPGRADE TO MOSAIC	77	(77)	-	366	(366)	-	200	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	643	(643)	-
BARNARD LODGE AND FLOREY	182	(182)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	182	(182)	-
CUSTOMER SELF SERVICE DIGITAL ENHANCEMENT	61	(61)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61	(61)	-
PEOPLE FIRST WEBSITE	100	(100)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	(100)	-
ADULT'S SERVICES TOTAL	**500**	**(500)**	**-**	**883**	**(883)**	**-**	**200**	**(200)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,583**	**(1,583)**	**-**
BUSINESS INTELLIGENCE AND DATA ANALYTICS	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
CAPITAL CONTINGENCY	10,000	-	10,000	2,370	-	2,370	23,713	-	23,713	20,454	-	20,454	26,073	-	26,073	17,999	-	17,999	119,705	-	119,705	220,314	-	220,314
CITY HALL - MAJOR REFURBISHMENT	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000
CLOUD MOVE	-	-	-	500	-	500	250	-	250	100	-	100	-	-	-	-	-	-	-	-	-	850	-	850
COSWAY STREET	750	-	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	-	750
ENERGY MONITOR & TARGET	200	-	200	588	-	588	100	-	100	100	-	100	100	-	100	100	-	100	-	-	-	1,188	-	1,188
END USER COMPUTING REFRESH	431	-	431	380	-	380	160	-	160	2,260	-	2,260	200	-	200	200	-	200	7,023	-	7,023	10,654	-	10,654
FORWARD MAINTENANCE PLAN – MINOR / CORRECTIVE WORKS	-	-	-	300	-	300	250	-	250	200	-	200	200	-	200	200	-	200	-	-	-	1,150	-	1,150
FUTURE YEAR NET SPEND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400,000	-	400,000	400,000	-	400,000
INVESTMENT PORTFOLIO ASSET MANAGEMENT	400	-	400	300	-	300	250	-	250	200	-	200	200	-	200	200	-	200	-	-	-	1,550	-	1,550
INVESTMENT PORTFOLIO INCOME SECURITY	-	-	-	1,000	-	1,000	1,250	-	1,250	1,500	-	1,500	1,500	-	1,500	1,500	-	1,500	-	-	-	6,750	-	6,750
IT INFORMATION SECURITY MANAGEMENT	-	-	-	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	-	250
OPERATIONAL PROPERTY MAINTENANCE MAYFAIR LIBRARY	168	-	168	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	168	-	168
OPERATIONAL PROPERTY MAINTENANCE	2,517	-	2,517	3,750	-	3,750	3,750	-	3,750	3,750	-	3,750	3,750	-	3,750	3,750	-	3,750	-	-	-	21,267	-	21,267
LIBRARIES WIFI UPGRADE	-	-	-	75	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75	-	75
LISSON GROVE IMPROVEMENT-INFRASTRUCTURE	190	-	190	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	190	-	190
LISSON GROVE REFURBISHMENT	1,983	-	1,983	4,917	-	4,917	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	7,000	-	7,000
MINIMUM ENERGY EFFICIENCY STANDARD (MEES) COMPLIANCE	174	-	174	50	-	50	25	-	25	100	-	100	25	-	25	25	-	25	-	-	-	399	-	399
NOVA LIBRARY	-	-	-	100	-	100	300	-	300	4,525	-	4,525	75	-	75	-	-	-	-	-	-	5,000	-	5,000
OFFICE365 TENANCY SEPARATION	-	-	-	100	-	100	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200
OUTDOOR MEDIA PHASE II	-	-	-	650	-	650	850	-	850	-	-	-	-	-	-	-	-	-	-	-	-	1,500	-	1,500
PROPERTY INVESTMENT SCHEMES	20,000	-	20,000	-	-	-	-	-	-	100,000	-	100,000	-	-	-	-	-	-	-	-	-	120,000	-	120,000
REFURBISHMENT OF CORONERS COURT	90	-	90	1,073	-	1,073	1,686	-	1,686	29	-	29	-	-	-	-	-	-	-	-	-	2,878	-	2,878
SMART CITIES	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
VARIOUS PROPERTIES CAPITALISED SALARIES	579	-	579	832	-	832	857	-	857	882	-	882	909	-	909	936	-	936	-	-	-	4,995	-	4,995
WEBSITE RE-PLATFORM	-	-	-	300	-	300	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	400	-	400
DIGITAL TRANSFORMATION	-	-	-	2,500	-	2,500	2,500	-	2,500	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	5,000
DATA CENTRE REFRESH	142	-	142	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	142	-	142
PARKING AND INTEGRATED STREET MANAGEMENT	65	-	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	65
DATA NETWORK REFRESH	165	-	165	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165	-	165
MEETING ROOMS REFURBISHMENT	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
COUNCIL HOUSE LEASE DISPOSAL COSTS	20	-	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20	-	20
FORWARD MANAGEMENT PLAN	1,153	-	1,153	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,153	-	1,153
MANDELA WAY UPGRADE 2	398	-	398	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	-	398
FINANCE AND RESOURCES TOTAL	**40,525**	**-**	**40,525**	**20,335**	**-**	**20,335**	**36,241**	**-**	**36,241**	**134,100**	**-**	**134,100**	**33,032**	**-**	**33,032**	**24,910**	**-**	**24,910**	**526,728**	**-**	**526,728**	**815,871**	**-**	**815,871**
GRAND TOTAL	**229,043**	**(79,421)**	**149,622**	**244,214**	**(73,236)**	**170,978**	**402,646**	**(61,318)**	**341,328**	**399,321**	**(35,787)**	**363,534**	**219,054**	**(19,682)**	**199,372**	**97,046**	**(17,422)**	**79,624**	**872,937**	**(100)**	**872,837**	**2,464,261**	**(286,966)**	**2,177,295**

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City of Westminster

Meeting or Decision Maker:	Cabinet
Date:	10th February 2020
Classification:	General Release
Title:	Housing Revenue Account Business Plan 2020/21 and 30-Year Housing Investment Plan
Wards Affected:	All
City for All:	This report addresses the income and expenditure on the Council's current housing stock and the investment in new housing, non-residential buildings and public realm in regeneration areas and as such has a major impact upon the City for All policy.
Financial Summary:	This report presents a 30-year Business Plan for the Housing Revenue Account with consideration for both the Capital and Revenue position. The Revenue Business plan, over a 5-year position, projects gross income of £593.07m and gross expenditure of £584.37m. The HRA Capital Position provides for a total capital investment of £896m over the next 5 years and a total of £1.754bn over the 30 years. The Business Plan demonstrates that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30-year period.
Report of:	Barbara Brownlee, Executive Director of Growth, Planning and Housing and Gerald Almeroth, Executive Director of Finance & Resources

1. Executive Summary

1.1 This report presents the Housing Investment Plan and 30-year Housing Revenue Account (HRA) Business Plan. The City Council's investment plans are ambitious and will deliver a range of lasting benefits for the City, its residents and wider community members. The Council has large ambitions to provide additional social and intermediate homes whilst ensuring the current housing stock is maintained at decent levels. As at November 2019 the Council owns 20,791 social dwellings of which c11,800 were tenanted (56%) and 8,991 were leased (44%). The stock number are expected to grow to 21,030 units by the end of 2019/20 with further increases to stock number as New Build properties are completed.

1.2 Whilst the HRA business plan is for a period of 30 years, more focus is on the medium-term (five years) as there is more certainty on costs, demands, resources and pressures, which will enable the prioritisation of housing investment. However, the view of the medium term is also considered in the light of the strategic objectives of the Council and the impact of Government policies on rents, disposals and regeneration.

1.3 The HRA is expected to collect approximately £107.00m in income in 2020/21 which will be across a range of income streams with majority of this coming in from Dwelling Rent at £77.80m. Further details of the income streams are provided for within the Section 7 of this report.

1.4 The HRA is expected to spend approximately £111.35m on various upkeep of its housing stock and for various other business support requirements. The largest spend will be towards supporting the management of the housing services, supporting housing tenants, repairs and maintenance and long-term asset management, totalling £73.31m. Further details of the expenditure and income streams are provided for within the Section 7 of this report.

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

1.6 The HRA will play a significant role in the delivery of the Housing Programme and will work with the Council's General Fund and the Council's Wholly Owned Companies to ensure the aspiration of the housing plan is delivered. The planned capital spend for 20/21 is £187m with a total of £1.754bn planned to be spent over the 30-year business plan. This is an increase of £163m since the February 2019 HRA budget report. This programme will be funded using various funding sources, including the use of the Affordable Housing Fund (AHF), Capital Receipts and

HRA Borrowing. Further details of the Capital Programme are detailed within Section 8.

1.7 With house building costs rising significantly over the past few years and the sales market seeing a slowing down, this has had a significant impact on scheme viability and value for money considerations for the Build Programme. Nonetheless, the Council will proactively look at cost effective financing options including applying its affordable housing fund efficiently and take advantage of the lifting of the HRA borrowing cap along with the current low interest rates. Of the total £1.754bn of capital allocation, a total of £932m will be spent on Regeneration and New Build Programme.

1.8 In addition to the Regeneration and New Build Programme, the Council is looking to spend £822m on Major Works Capital Programme. The Major Works Capital programme will focus on maintaining and bringing the Westminster Housing Stock to decent standards and will include spending on Fire Safety, Major Decorations, Electricals and Mechanical works.

1.9 Despite the uncertainties and pressure on resources, the Council remains committed to improving or renewing, as appropriate it's older housing stock and increasing housing supply. The Leader has made a commitment to deliver at least 1,850 affordable homes in Westminster by 2023 and the Council is on track to exceed this target. Current projections are that 2,144 new affordable homes will be delivered by 2023/24. Further analysis of this can be found in sections 5.4, 5.5 and Table 1 in this report.

1.10 The Council's HRA supply plans are dependent on significant levels of both capital receipts and receipts into the AHF continuing. The impact of changes to either of these, as seen this year, will mean the Council needing to look at other mitigations such as scaling back activity or using an alternative to the HRA. The Council wholly owned housing company will also enable some of these impacts to be mitigated.

1.11 Since April 2019 the Council has now fully transferred over all housing services previously managed by City West Homes. Over the next 12 months the Housing Department, along with support services to Housing, will be looking at re-organising the services and resources to ensure the Housing Department is best placed to support the Council's Tenants and Leaseholder whilst ensuring value for money is achieved. This will further generate operational efficiencies and lead to savings that will provide additional funding to support the front-line services.

2. Recommendations

2.1 Approve the HRA revenue budget for 2020-21 (Table 2 and Appendix 3)

2.2 Note the HRA 5-year revenue budgets for 2020-21 to 2024-25 (Table 2 and Appendix 2)

2.3 Note the HRA 30-year revenue budgets for 2020-21 to 2049-50 (Appendix 3)

2.4 Approve the HRA 5-year Capital Programme for a total of £895.99m (Table 3).

2.5 Note the 30-year Capital Programme for 2020-21 to 2049-50 (Appendix 4)

2.6 Note a rent increase of 2.7% from April 2020 as applicable under the Welfare Reform and Work Act 2016.

2.7 Note the HRA reserves and balances for the 5-year Business Plan (Table 6).

3. Reasons for decision

3.1 The Local Government and Housing Act 1989 Section 76 requires Local Authorities with a Housing Revenue Account (HRA) to set a budget for the account, which is based on best assumptions, that avoids a deficit and keeps the HRA under review.

3.2 The budget has developed from a review of the baseline budget, current expenditure on Housing services and capital investment to maintain, improve and expand the Housing Stock.

3.3 The report outlines how the HRA is facilitating the City Council's commitment to provide 1850 affordable homes through various HRA resources, including the use of the AHF, Capital Receipts, GLA Grant Funding and HRA Borrowing as well as ensuring that the Council maintains safe homes and neighbourhoods by investing over £1.754bn in existing Council homes over the next 30 years.

4. Key Implications

4.1 The report highlights the Financial Plan for the HRA and provides an indication of the future level of HRA reserves, based on assumed rent changes, efficiencies and other variables as set out in the report.

4.2 The Government rent reduction policy to reduce Social housing rents by 1%, which has been in existence since 2016/2017, now comes to an end in March 2020. The government has proposed to allow rent increases of CPI+1% from April

2020 for five years, which has been incorporated into the revenue forecasts in Table 2 and Appendix 2 & 3.

5. Background

5.1 The HRA covers revenue expenditure and income relating to the Council's own housing stock. It is an account that is ring fenced from the Council's General Fund as required by the Local Government and Housing Act 1989, which specifies the items that can be charged and credited to it. The account must include all costs and income relating to the Council's landlord role (except in respect of leased accommodation, for households owed a homeless duty, and in respect of accommodation provided other than under Housing Act powers). The Council has a legal duty to budget to ensure the account remains solvent and to review the account throughout the year.

5.2 The Council's *Housing Investment Strategy*, approved by Cabinet in 2012, centres on delivering three key programmes:

- Investment to maintain and improve existing council-owned homes;
- Delivery of new affordable homes; and
- Implementation of the initial phases of the housing regeneration programme.

Each year, the Council reviews, updates and approves its 30-year business plan in line with best practice. This report summarises the latest 30-year HRA Business Plan and sets out for Council the updated and re-profiled capital expenditure proposals. The update also outlines how the Council plans to finance the capital programme including use of surplus capital receipts, Affordable Housing Fund, grants and HRA borrowing.

5.3 Historically, the majority of new affordable homes delivered in the City has been by private developers as part of their s106 planning obligations, or through direct delivery by Registered Providers. The Council has also supplemented the delivery of affordable homes through open market purchases of individual homes.

5.4 The HRA is providing an increasing role in the delivery of new affordable homes especially through regeneration and the delivery of infill sites The City for All target of 1,850 new affordable homes by 2023 is on track, with 2,144 units forecast to be delivered, as set out in Table 1. 646 of these affordable homes have so been delivered with a further 1,498 units currently under construction, with the remaining homes due to start and complete by March 2023.

5.5 These HRA programmes will be delivered from a combination of capital financing options. In addition, 454 affordable homes will be delivered through the General Fund either as new build or as acquisitions. The remaining 949 affordable homes

are anticipated to be delivered by RP partners mainly from ‘Section 106’ opportunities in the City and through spot purchases of existing housing then converted to affordable housing use. Table 1 below provides further details of delivery against the City for All target, including affordable homes delivered between 2017/18 and 2022/23 and the anticipated position at the end of 2019/20. Table 1 also shows projected affordable housing units over the 5-year period 2020/21 to 2024/25.

Table 1 – New Affordable homes

		Tenure			Funding Stream		
Year	Total	Social	Intermediate	Spots	HRA	General Fund	S106 /RP
2017-18 Complete	152	69	83	33	27	29	96
2018-19 Complete	151	73	78	43	35	23	93
2019-20 (complete in brackets)	568(343)	430 (268)	138 (75)	43	156 (53)	221 (215)	191 (75)
2020-21	291	232	59	34	116	113	62
2021-22	436	205	231	30	200	48	188
2022-23	546	416	130	30	207	20	319
Total City for All Target	**2144**	**995**	**581**	**213**	**741**	**454**	**949**
2023-24	835	653	182	30	501	219	115
2024-25	165	146	19	0	91	74	0
Total 5 year period 2020/21 to 2024/25	**2273**	**1652**	**621**	**124**	**1115**	**474**	**684**
Total All	**3144**	**2224**	**920**	**243**	**1333**	**747**	**1064**

6. Government policy announcements and recent legislative changes National and regional policy

6.1 There are a number of fundamental Government Policy decisions and potential legislative changes in process which will have a significant impact upon how fire safety management will be formulated within the social housing sector over the next year.

6.2 The Hackett Report

The Independent Review of Building Regulation and Fire Safety led by Dame Judith Hackett, found that there are issues in the way some high-rise residential buildings are built, managed and looked after. Her review also found that sometimes residents are not confident that their buildings are safe and have been unable to get their concerns taken seriously. The Government has drafted a set of policy proposals to improve the fire and structural safety of high-rise residential buildings to ensure high-rise residential buildings are safe to live in and residents are able to have their voices heard.

6.3 The Grenfell Report – Part 1

The Grenfell Tower Inquiry: Phase 1 Report made several recommendations on the basis of its findings. The Head of Health, Fire and Safety Management (Housing) has made recommendations to primarily instigate all the recommendations of the Phase 1 Report. Furthermore, to approve those additional recommendations suggested by the author, taken from the body of the Report which the author believes would have a significant and positive impact on fire safety management within the social housing sector.

The migration to Universal Credit (UC)

6.4 Full rollout for all customers in Westminster is expected to start in late 2020. It is not clear if there will be any further changes to UC or to this timetable, as in January 2019, Government announced a pilot of 10,000 households transferring onto UC and that it was taking a 'test and learn' approach[1].

6.5 Overall UC can make it easier for people to move into work. However, some of its features have the potential to negatively impact the HRA, given that it is a major change for tenants and c70% receive housing benefit (although not all will receive UC). This is because:

- Applications are made on-line – which might impact on vulnerable households not digitally skilled
- Payments are made direct to the tenant and are made monthly in arrears, to imitate a salary (although advance payments can now be made). This is a major cultural change for council tenants that have always had housing benefit

[1] www.gov.uk/government/news/amber-rudd-sets-out-fresh-approach-to-universal-credit

paid directly to the council. Alternative Payment Arrangements "APA's" can be made in some circumstances and the council has 'trusted partner' status so it can make APA requests for vulnerable customers.

6.6 Southwark Council, with the Smith Institute, have carried out 3 pieces of research into the impact of UC on council rents. Their first report2 found that although a move to UC results in rent arrears initially, at around week 20 of UC, arrears start to be repaid. The second report3 found that as time progresses however a pattern of underpayment of rent re-emerges. A third report in 20194 looked at a group of tenants moving onto UC following government reforms to it in 2018, which included greater provision for APAs and abolition of the 7-day waiting time and the 2 week housing benefit run on.

6.7 The report found a noticeable decrease in arrears of this latter group transitioning to UC and that the reason was mainly attributable to the quicker agreement of APAs. It also found that arrears were still higher than compared with those in receipt of housing benefit.

6.8 The income team work closely with vulnerable residents whether it be assisting with housing benefit claims and universal credit applications, giving welfare benefit advice and signposting to outside support agencies such as the Cardinal Hume Centre and Shelter. Charitable grants are sought to help with rent arrears and on occasions other debts.

6.9 We have regular surgeries at our area service centres where residents can see a Citizen Advice Bureau (CAB) debt adviser and receive debt advice and advice to maximise their income. We also have access to other drop-in hubs which residents can attend to receive housing advice. In addition, we work with the specialist CAB, mental health and welfare rights caseworkers.

6.10 The income teams have a close relationship with the Foodbanks and are able to give food vouchers to exchange at the foodbank to residents in need.

6.11 The key aim of the income teams when working with vulnerable clients is to ensure that they receive support to sustain their tenancies and any additional assistance they need is afforded to them. Referrals can be made to tenancy support services so that residents can be assessed for ongoing support around tenancy sustainment. In addition, we have access to the Homelessness,

[2] www.smith-institute.org.uk/wp-content/uploads/2017/10/Safe-as-Houses.pdf
[3] www.southwark.gov.uk/news/2018/nov/safe-as-houses-2-new-in-depth-report-reveals-deepening-concerns-for-universal-credit-recipients
[4] www.smith-institute.org.uk/book/safe-as-houses-3-have-government-reforms-to-universal-credit-reduced-the-rent-arrears-of-southwarks-tenants/

Employment and Learning Project, (HELP) which provides advice on housing and employment.

6.12 Referrals can be made to social services where vulnerable tenants are deemed to need additional support and the teams have formed close relationship with the Council's Client Affairs team who administer the finances of those unable to manage their own financial affairs.

6.13 Working closely with vulnerable residents is particularly important at a time when many residents are transferring to universal credit and the income team are keen to work with these residents to ensure payment plans are in place and that Alternative Payment Arrangements are set up for the council to receive the rent directly in appropriate circumstances.

6.14 Since the start of the year, we have been actively speaking to all our tenants and not just those in receipt of UC to encourage them to make provision for the 53-rent week in this particular financial year. For our tenants paying by direct debit, we have advised our tenants of the changes to payments to make sure one extra week is paid for.

6.15 It is predicted that rent collection statistics will take a hit just before year end and while the team are doing all they can to mitigate the risk by providing as much assistance as we can to our tenants, the potential increase in arrears cannot immediately be taken as an indication of underperformance by the exceptionally hard-working team.

6.16 Any change will take some time both for the legislation to pass and for the DWP to implement the changes to the Universal Credit system. It is very difficult for Westminster to fully mitigate the impact of this shortfall in benefit for our tenants. We need a change in the legislation.

6.17 At this time, we have a dedicated welfare reform officer who works across the borough to provide help and assistance to our residents.

Policy on Social Rents

6.18 Government published its Policy on Social Rents in February 2019[5] following a consultation. It confirms that from April 2020 local authority social rents will come under rent regulation and be subject to the Rent Standard. The Standard includes an annual rent increase cap of CPI plus 1.0% annually. The Policy also confirms when Affordable Rent can be charged, such as where it is part of a delivery

[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

agreement with the GLA or when the local authority has received agreement from the Secretary of State or Mayor of London. The Statement also sets out that Government does not expect local authorities to adhere to its policy on charging higher rents to higher earners and the council's is no longer going ahead with its local policy in this area.

6.19 The Council will currently work towards meeting the minimum requirements of the Social Rents Policy but will do so without adversely impacting the residents. The Council ensures that its social rents meet the criteria of not exceeding the formula rent and rent cap position and that the Council will ensure that the rent increases for tenants does not exceed the minimum requirements of CPI + 1%.

6.20 The Council has a commitment to support its community through ensuring housing needs are sufficiently provided in the Borough and that households have a housing option that best meets their earnings. As a result, the council will ensure good quality Social and Intermediate housing is provided to those who are locked out of the private housing market.

6.21 The council's Tenancy Policy no longer supports higher rents being charged to higher earning social tenants.

Mixed tenure developments

6.22 In July 2019 MHGLG published its vision[6] in relation to communities which includes aims to prevent 'poor door's' in new developments – where social housing tenants have separate entrances. Across the Council's development programme, the council is proactively working towards creating a mixed community with a common and shared services and facilities across the housing estate. Further details of this is provided in Section 8.

[6] www.gov.uk/government/publications/by-deeds-and-their-results-strengthening-our-communities-and-nation

7. HRA Revenue

7.1 The HRA Business Plan consider the delivery of the Housing Management service as well as the delivery of the Capital Programme. The delivery of the Capital Programme has a Revenue implication because the new build programme increases the housing stock and thus leads to increased income and expenditure through housing management.

7.2 Over the length of the five-year business plan from 2020-21 the projected stock is expected to increase, resulting in increased rental income and increased housing management costs. This will require ongoing monitoring and management of resources to ensure the HRA continues to provide funds for future investment. The impact of 4 years of rent reduction, from 2016-17 to 2019-20, by 1% per annum has had a significant impact on the rental income generated and as a result impacting on the ability to generate sufficient surpluses. One of the key challenges for the Council going forward will be to manage this transition effectively. This means continuing to invest in our housing stock and striving to provide high quality services tailored to our residents' needs.

7.3 The 2019/20 HRA budget provided for savings of £2.05m, however with the transfer of City West Homes into the Council and along with ongoing transitional requirements, the 2020/21 Budget does not include savings, and these will be closely monitored once the Housing Management service embeds into an efficient and customer focused team.

7.4 The HRA will now benefit from the lifting of the 1% rent reduction requirement and from 2020/21 and for further 5 years the Council will be able to increase rents by CPI plus 1%. Based on the same number of dwelling units as 2019/20, this will provide approximately an additional £2.00m in rental income in 2020/21. Nonetheless, the business plan also anticipates that the cost of supervision and management and repairs and maintenance is likely to increase largely due to inflationary factors. Various assumptions and data used to set the 20/21 budget have been provided within Appendix 1. Table 2 details the 5 Year HRA Business Plan.

7.5 There are several financial risks associated with regeneration schemes for the HRA, intensified by the growth of the programme. For example, construction delays lead to extended borrowing costs and defers the period when rent can be generated again, whilst also overall programme delays causes increases in management, maintenance and voids costs if there are delays to properties becoming vacant for development purposes.

Table 2 – 2020/21 and 4 Year HRA Business Plan

Year	1	2	3	4	5
	2020.21	2021.22	2022.23	2023.24	2024.25
TOTAL STOCK Projection	21,030	21,025	21,076	21,163	21,379
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Gross Dwelling Rents	*(£77.80)*	*(£80.10)*	*(£82.83)*	*(£85.88)*	*(£89.85)*
Voids - 2% of Dwelling Rents	*£1.56*	*£1.60*	*£1.66*	*£1.72*	*£1.80*
Dwelling Rents	(£76.24)	(£78.50)	(£81.18)	(£84.16)	(£88.05)
Commercial Rent	(£8.20)	(£8.36)	(£8.53)	(£8.70)	(£8.88)
Garages, Sheds & Car Parks Income	(£1.31)	(£1.34)	(£1.37)	(£1.39)	(£1.42)
Service Charges	(£14.18)	(£14.46)	(£14.75)	(£15.05)	(£15.35)
Heating and Water (Including PDHU)	(£5.00)	(£5.10)	(£5.20)	(£5.30)	(£5.41)
HRA investment income & Other Income	(£2.13)	(£2.13)	(£2.13)	(£2.13)	(£2.13)
TOTAL INCOME	**(£107.06)**	**(£109.89)**	**(£113.15)**	**(£116.73)**	**(£121.23)**
Supervision and Management	£27.29	£27.83	£28.39	£27.96	£27.51
Repairs and Maintenance	£26.14	£26.66	£27.25	£27.91	£28.73
Heating and Water (Including PDHU)	£4.98	£5.13	£5.28	£5.44	£5.60
Rent, Rates and Commercial Charges	£3.04	£3.10	£3.16	£3.23	£3.29
TMO Allowances	£1.49	£1.52	£1.55	£1.58	£1.61
Support Costs	£12.87	£13.13	£13.39	£13.66	£13.93
Depreciation	£24.61	£23.58	£24.19	£24.68	£25.17
Capital financing costs	£10.23	£11.14	£14.86	£14.98	£14.70
Regeneration Feasibility	£0.500	£0.500	£0.500	£0.500	£0.500
Debt management	£0.206	£0.210	£0.214	£0.218	£0.223
TOTAL EXPENDITURE	**£111.35**	**£112.79**	**£118.80**	**£120.14**	**£121.28**
HRA Net (Surplus)/Deficit position	**£4.288**	**£2.905**	**£5.643**	**£3.410**	**£0.050**
Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)
HRA Budget	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

7.6 Over the 5-year period the current plan indicates an annual drawdown of reserves to support the delivery of the HRA services. The HRA plan indicates that in year income position does not fully cover the planned expenditure and as a result a drawdown of the reserve is required to balance the budget. The HRA service anticipates increased demand for Repairs and Maintenance over the next 5 years and also due to an increasing capital programme the HRA will need to borrow, which will result in additional provision for capital financing costs.

7.7 The net balance of the HRA reserves is further detailed within Section 10 of this report, which shows that based on current income and expenditure projections reserve balances will reduce to £5.81m.

7.8 The reduction of reserve balances lowers the financial strength of the HRA as less funds would be available to support unforeseen risks that would lead to financial pressures. In order to support the delivery of a stronger HRA the Housing Service will need to plan and deliver savings that reduces the reliance on the use of reserves. The objective will be to maintain reserves at a level of between 10% and 15% of the gross rent collected. To achieve this level of reserve strength the HRA will need to deliver savings of £10m over the next 3 years.

7.9 Nonetheless, as the 30-year plan indicates within Appendix 3, after Year 10 the reserve balance does begin to increase as the capital programme requires less borrowing and new build properties become operational, resulting in additional rental income.

8. HRA Capital and Stock Investment Plan

8.1 The HRA capital programme will see £895.9m of capital expenditure committed over the next five years (2020/21 – 2024/25) on the development of new build housing, regeneration and investment of existing housing stock and acquisition of affordable homes across Westminster. The HRA will finance this programme using various funding options available and will ensure the most appropriate financing option is used to support scheme viability and generate value for money for the Revenue account.

Table 3 provides details of the HRA Capital Programme along with the financing options proposed. Further details of the various schemes are detailed within Appendix 4.

Table 3 – HRA Capital Programme

Year	1 2020/21 £'m	2 2021/22 £'m	3 2022/23 £'m	4 2023/24 £'m	5 2024/25 £'m	06-30 2025/26-2054/55 £'m	TOTAL £'m
Major Works							
Electrical works & laterals	6.049	2.414	2.670	2.470	4.150	254.607	272.360
External Repairs and Decorations	21.570	24.849	26.057	23.835	21.260	180.637	298.208
Adaptation	1.700	1.700	1.700	1.700	1.700	-	8.500
Fire Precautions	3.500	3.500	3.500	3.500	3.500	87.500	105.000
Lift	9.969	2.850	2.494	4.950	3.050	32.000	55.313
Voids	2.780	3.400	3.400	3.400	3.400	38.700	55.080
Kitchen & Bathroom	0.800	1.000	1.000	0.800	0.800	23.200	27.600
	46.368	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**
Regeneration							
Carlton Dene	1.225	10.806	21.612	10.806	-	-	44.449
Church Street Site A, B & C	2.000	2.000	5.316	19.169	29.157	86.075	143.717
Church Street A,B & C Acquisitions	17.317	17.569	5.365	15.575	18.098	70.441	144.364
Lisson Arches	7.427	14.902	7.017	-	-	-	29.346
Luton Street	4.924	14.750	-	-	-	-	19.674
Parsons North	12.000	12.390	-	-	-	-	24.390
Cosway	12.000	12.000	8.949	-	-	-	32.949
Ashbridge	8.421	3.718	-	-	-	-	12.139
Edgware Road	0.300	-	-	-	-	-	0.300
Ashmill Street	1.089	0.050	-	-	-	-	1.139
Ebury Phase 1	15.506	51.689	57.736	6.801	3.144	35.568	170.444
Ebury Acquisitions	17.000	15.000	9.370	-	-	-	41.370
Tollgate Gardens	0.021	-	-	-	-	-	0.021
Warwick Community Hall	1.200	-	1.200	-	-	-	2.400
Queens Park Court	1.085	4.314	4.590	-	-	-	9.989
Pimlico	1.000	6.286	9.754	-	-	-	17.040
Bayswater	1.487	1.900	1.400	4.475	11.321	5.673	26.257
West End Gate	9.221	1.505	-	-	-	-	10.726

Contingency (10%)	9.550	15.059	12.869	5.385	7.112	14.402	64.377
Brunel	2.700	3.000	4.300	12.300	27.200	16.100	65.600
	125.473	**186.938**	**149.478**	**74.511**	**96.033**	**228.258**	**860.691**
Other Schemes							
Infills	10.138	15.737	1.346	0.300	0.300	0.600	28.422
Self-Financing	5.000	5.000	5.000	5.000	5.000	10.000	35.000
GF Buybacks/Intermediate Sales	-	-	-	5.318	-	2.200	7.518
	15.138	**20.737**	**6.346**	**10.618**	**5.300**	**12.800**	**70.940**
TOTAL HRA CAPITAL PROGRAMME	**186.979**	**247.388**	**196.646**	**125.785**	**139.193**	**857.702**	**1,753.692**

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

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

8.3 Each scheme will have a detailed business case developed and a separate Cabinet Member decision will be taken. The detailed business cases for each scheme will consist of stress tests to indicate the financial and delivery risks.

8.4 Below further details of some of the schemes within the HRA are provided.

8.5 **Warwick Housing and Community Hall (300 Harrow Road)**

The site is currently occupied by single storey community hall and nursery. It is proposed to redevelop the site to provide 112 residential units (50% affordable), canal front café, affordable workspace to help develop local businesses and much improved landscaping alongside re-provision of the community hall and nursery.

Whilst further work is being to look at the delivery options, it could the case that this scheme will be one of the first developments to be delivered directly through the council's wholly owned company- Westminster Housing Investments Limited.

8.6 **Lisson Arches**

Lisson Arches is sited adjacent to disused railway arches within the Church Street ward. This development will provide 60 sheltered accommodation units. The scheme is based on a two-stage tender process and the preferred contractor United Living, have been selected.

The on-going enabling works are being undertaken by FM Conway. Main construction works are scheduled to commence 2nd quarter of 2020.

45 of the social housing units provide replacement stock for the 45 units earmarked for demolition in Penn House, a nearby sheltered accommodation block. The remainder will provide additional decant space for the wider Church Street Programme.

8.7 **Parsons North**

The development comprises 60 new residential units - 19 affordable units and 41 units for open market sale. The project will also see benefit from enhanced landscaping and biodiversity upgrade works in the immediate vicinity

Parsons North is being delivered under a self-delivery strategy, with the main contractor, Osbourne, who commenced on site during the 1st quarter of 2019.

8.8 **The Masefield – Beachcroft.**

The Masefield provides 31 Lateral apartments housed over 4 floors, with Beachcroft House care-home situated adjacent.

Revenue generated from the sale of The Masefield will help fund the adjacent care-home, Beachcroft. This state-of-the-art care home will provide 84 beds for Westminster residents, focused on the care of those suffering with Dementia.

This project is Westminster's first self-delivered scheme for sale to the open market. At the time of writing, 10 units have been reserved for private sale with 4 units due to exchange during the last quarter of 2019.

8.9 **Church Street Phase 2**

Church Street is the most deprived area of Westminster and is the focus of much needed regeneration, as highlighted within the Church Street Masterplan.

Re-development of Church Street Site A will meet three of the Council's City for All objectives by using a transparent process to provide more homes of all types and creating opportunity for residents and businesses.

The design offers a model of economic, environmental and social sustainability centred around residents.

Church Street is Westminster largest regeneration project with over 1200 homes. The redevelopment will also provide significant improvements to the Church Street Market and public realm.

8.10 **Ebury Bridge**

A wholescale estate regeneration scheme with full demolition and re-provision.

Ebury will deliver a 750 tenure blind, mixed tenure housing scheme with high quality public realm and community and social infrastructure.

The Council have designed the scheme in collaboration with local residents and are well underway with the delivery of the Phase 1 re-housing and decant strategy.

WCC has committed to self-delivering Phase 1 which comprises of over 200 new homes. This phase will largely enable the Council to meet the re-housing requirements for future phases of development.

8.11 **Infill Programme**

The Infill programme identifies development opportunities within the existing estate that can be brought forward for new housing. These include conversion of disused space such as basements, drying rooms and storage sheds and new build opportunities on underutilised garage sites, car parks and vacant land adjacent to estates.

The programme has already delivered 10 new homes with a further 144 forecasted to deliver by 2023.

8.12 **Major Works Capital Programme**

The 2020/21 HRA Business Plan includes capital investment of £46.368m towards major works investments. The business plan projects a total of £822.061m to be invested for major works over the 30 years. The detail of this is shown in Table 4 below;

Table 4 - Expenditure on existing housing stock over 30 years to 2049/50

Year	1 2020/21 £'m	2 2021/22 £'m	3 2022/23 £'m	4 2023/24 £'m	5 2024/25 £'m	06-30 2025/26-2054/55 £'m	TOTAL
Major Works							
Electrical works & laterals	6.049	2.414	2.670	2.470	4.150	254.607	272.360
External Repairs and Decorations	21.570	24.849	26.057	23.835	21.260	180.637	298.208
Adaptation	1.700	1.700	1.700	1.700	1.700	-	8.500
Fire Precautions	3.500	3.500	3.500	3.500	3.500	87.500	105.000
Lift	9.969	2.850	2.494	4.950	3.050	32.000	55.313
Voids	2.780	3.400	3.400	3.400	3.400	38.700	55.080
Kitchen & Bathroom	0.800	1.000	1.000	0.800	0.800	23.200	27.600
	46.368	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**

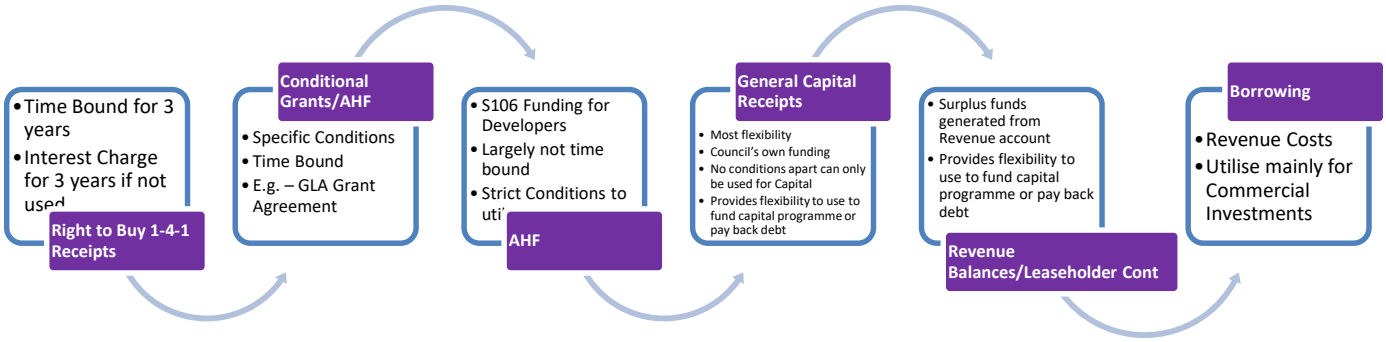
8.13 With the direct control now available to the Council through brining in house City West Homes, the Council's Asset Management team will conduct a detailed stock condition and assessment survey to determine the necessary and important work that needs to be conducted across all housing stock. The profile of expenditure will then be further allocated to poor preforming assets and to ensure all homes are continued to be brought to decent standards.

9. Capital Programme Funding

9.1 The HRA business plan will use multiple financing sources to deliver the capital programme and will ensure that the most optimal funding option is utilised to ensure schemes are viable and value for money is achieved. The HRA has also been boosted from the removal of the Borrowing Debt Cap which provides an additional resource to finance the investment.

9.2 The intention of removing the HRA borrowing cap was to unlock the potential of HRA's in producing more social housing. Whilst there is no formal borrowing cap in place, the HRA business plan will need to carefully consider further implications as a result of additional borrowing. The main implication will be the ability of the HRA to continue financing the interest costs, which are paid back from the rental income generated, and also set aside funding for paying back the debt. Whilst, there is no requirement for the HRA to set a Minimum Revenue Provision (MRP), as it is required for the General Fund, the larger debt pool will result in continued interest payments. Paying back of debt will allow for lower interest costs and so therefore more of the rental income can be invested in housing services and the assets.

9.3 Whilst the HRA seeks flexibility in its use of the funding sources available, the HRA will follow a general rule of thumb when financing the capital programme. The approach will involve utilising funding that has time conditions as well as usage conditions first followed by more flexible resources. This will involve utilising the borrowing option as the last resort due to the financial implications it has, as indicated in 9.2. As a process, chart below provides a standard methodology.



9.4 Whilst it is advisable to follow the above method of financing the Finance team will seek to ensure financing of the schemes is optimised to deliver the wider programme whilst ensure each scheme is financially viable.

9.5 The HRA financing options available are detailed below.

Affordable Housing Fund

9.6 Payments received from developers on planning schemes in lieu of affordable housing obligations are held in the Council's AHF. These funds are then used by the Council to invest in the delivery of affordable housing elsewhere in the City, either through Council-led developments, such as estate regeneration, or alternately in schemes delivered by housing associations.

9.7 The balance held in the AHF as at 1st April 2019 totalled £280.9m. All of this balance is formally committed or informally planned to be used by schemes in the pipeline to deliver more affordable housing. Future payments into the AHF will be dependent upon new planning applications being submitted and approved and where payments in lieu of on-site affordable housing are agreed instead of on site affordable housing.

9.8 Within the HRA business plan, £365.6m of AHF is projected to be used to finance the capital programme over the 30-year period. The AHF can be used to fund both HRA and General Fund (GF) schemes so the requirement on the fund will need to consider value for money for the Council and a need to be balanced between the two accounts. The pipeline of receipts must also be closely monitored to ensure funds are available for future plans.

Capital Receipts

9.9 The HRA can receive capital receipts for transfers of land or property which are then used to finance the capital programme. These receipts represent a significant proportion of the projected capital financing. As such any variance in their value or timing will impact on the HRA's ability to finance capital spend and remain within its borrowing limit.

9.10 Use of the Capital receipts, including Right to Buy sales, is projected to be £340.23m over the 30 years.

Reserves and Leaseholder Contributions

9.11 As part of the Revenue budget planning, the Council is required to set aside revenue funding, known as the Major Repairs Allowance, which needs to be used towards the upkeep of the housing stock and this allocation goes towards funding the Major Works programme.

9.12 The amount set aside is based on a calculation of the prior depreciation and the funds are set aside within the Major Repairs Reserve which get drawn down at the end of the year. If the Major Repairs works come in less then the Major Repairs Allowance the Council can carry forward the balance to use for future delivery. Any shortfalls however, will require the HRA to find an alternative funding source to finance the expenditure.

9.13 As the Major Works are delivered across the Housing portfolio, some residents will be Leaseholders and will be required to contribute towards the funding of the capital works. These leaseholder contributions also go towards financing the Major Works Programme and are held separately and ringfenced towards capital works.

9.14 The HRA is projecting to utilise £902.504m of Leaseholder Contribution and Major Repairs Allowance to financing the Capital Programme and this will all go towards the Major Works Expenditure.

Borrowing

9.15 The HRA is expected to borrow to help finance various new build and regeneration schemes, which contribute towards increasing the number of social housing in the Borough. The HRA business plan proactively will only look to borrow to deliver new build and regeneration schemes only as these bring in additional income through rents and so the extra rent would support the re-financing of the debt.

9.16 The HRA is expected to borrow £207.831m over the course of the 30-year plan which will equate to 11% of the total Capital Programme over the same timeframe.

Capital Programme – Financial Overview

9.17 The table below (Table 5) summaries the overall expenditure and financing position for HRA Capital programme.

Table 5 – Capital Programme Financing Plan

	1 2020/21 £'m	2 2021/22 £'m	3 2022/23 £'m	4 2023/24 £'m	5 2024/25 £'m	06-30 2025/26-2049/50 £'m	Total Scheme Costs £'m
Major Works	**46.368**	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**
Regeneration	**125.473**	**186.938**	**149.478**	**74.511**	**96.033**	**228.258**	**860.691**
Other Schemes	**15.138**	**20.737**	**6.346**	**10.618**	**5.300**	**12.800**	**70.940**
Total HRA Capital Programme	**186.979**	**247.388**	**196.646**	**125.785**	**139.193**	**857.702**	**1,753.692**
Funding							
Major Repairs Allowance	24.608	23.579	24.194	24.678	25.171	526.938	649.168
Government Grant/Loan	3.536	6.095	3.094	3.430	-	1.995	18.150
Affordable Housing Fund	84.488	84.770	50.759	34.340	20.750	90.537	365.643
Capital Receipts - RTB LA	-	0.937	1.042	-	2.399	21.850	26.228
Capital Receipts	51.956	97.670	47.519	46.208	60.315	10.341	314.010
Leaseholder Contributions	7.900	9.928	10.205	10.164	9.465	125.000	172.662
HRA Reserves	-	-	-	-	-0.000	-	-0.000
New Borrowing	14.490	24.410	59.833	6.965	21.093	81.040	207.831
Total Financing	**186.979**	**247.389**	**196.646**	**125.785**	**139.192**	**857.701**	**1,753.692**

9.18 The opening debt balance within the HRA as of 1st April 2019 is £274.943m and the HRA business plan is not expecting to borrow for 2019/20 and therefore the current projection is that the HRA will close at the same debt levels. However, taking into the account future borrowing requirements, as indicate in Table 5, the total debt peaks at £394.052m in 2025/26. This will result in a financing costs of over £15.43m, which has been assumed at 5% cost of borrowing.

9.19 The financing costs will be funded from the Revenue account and currently assumes that surplus reserves will be used towards paying back debt. Should the decision be made that no debt is paid using surplus reserves then the financing costs will continue to remain at approximately £15.43m as the HRA will be able to borrow at a fixed interest rate.

9.20 Charts below provide an indication of the impact on debt between paying back the outstanding debt using reserve (Chart 1) and not paying back the debt (Chart 2).

The assessment is benchmarked against the previous debt cap that the HRA was required to stay within.

Chart 1 – Debt Repayment using surplus reserves

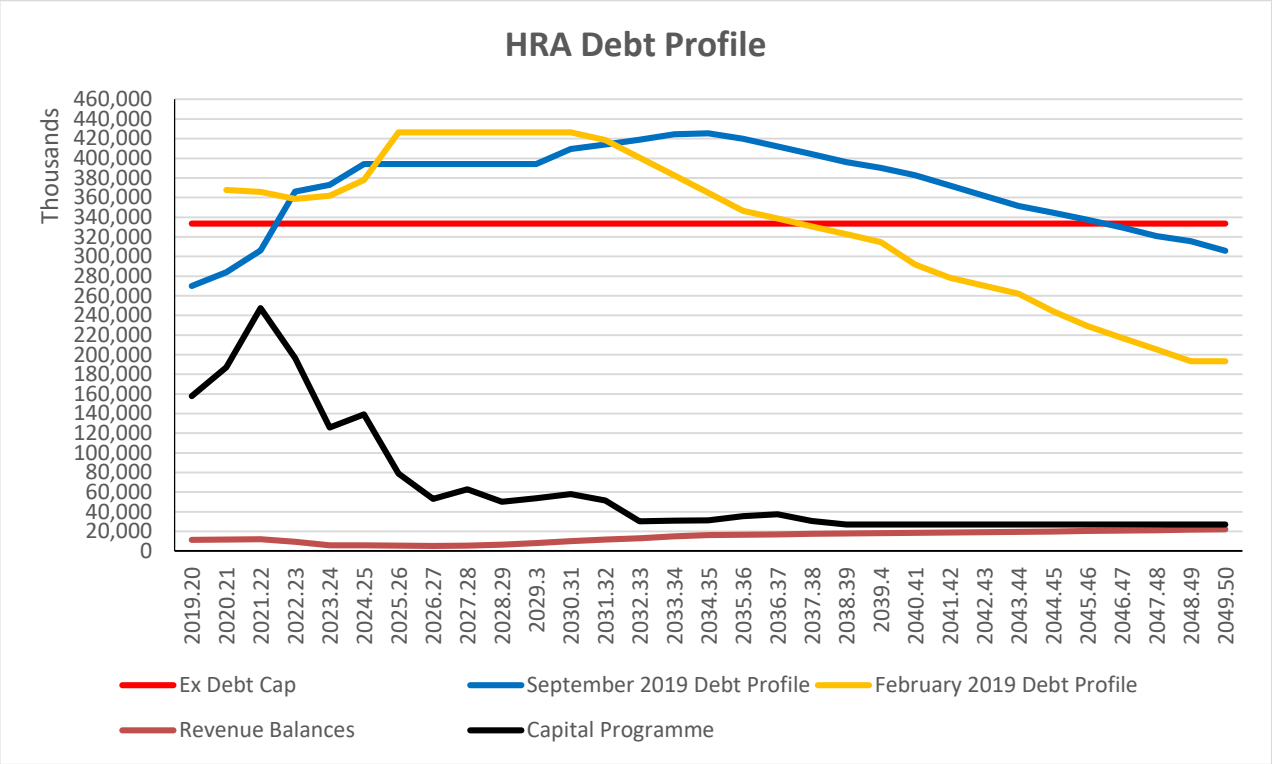
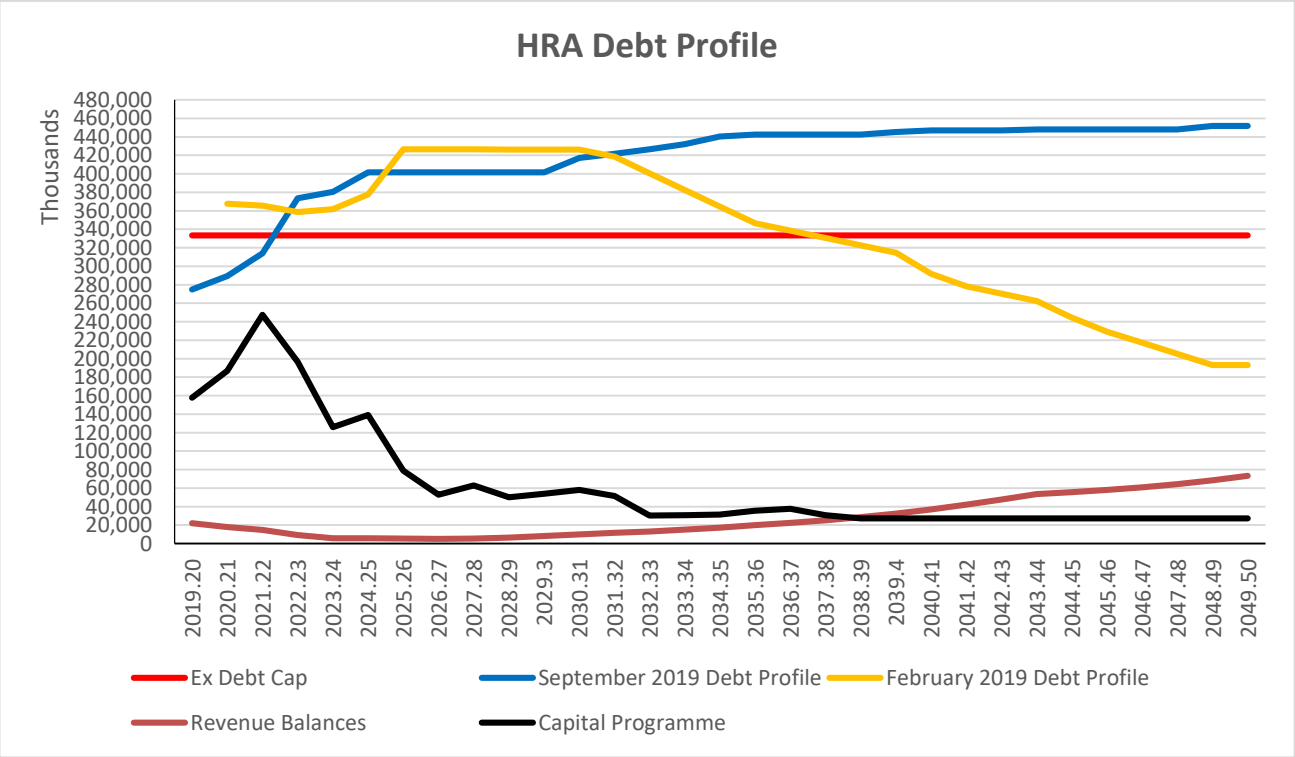


Chart 2 – No Debt Repayment



Capital programme (black line) - Total planned capital investment in the HRA totals £1.754bn over 30 years. This includes major works on existing stock of £0.822bn, regeneration £0.861bn and Other Schemes £0.071bn.

Debt cap (red line) - each local authority HRA previously had a debt cap, imposed by government as part of the 2012 self-financing settlement. Westminster's HRA has a debt cap of £334m and this has been provided as an indication of how the current borrowing profile reflects against the previous benchmark and also indicates the Council has taken advantage of the removal of borrowing cap.

Current Projected Debt (blue line) - Borrowing rises from the current £278m (as at 1st April 2019) and peaks in 2034/35, which reflects the borrowing need of the current HRA capital plan. The plan assumes that maturing debt will be re-financed as long term loans expire. Chart 1 indicates that when resources allow, the principal sums are repaid which causes the debt balance to reduce over time. However, if the Council chose not to repay the debt, as Chart 2 indicates, the debt balance will largely stay constant once debt matures in 2034/35. This does however have a converse impact on the revenue reserve balance, which is further detailed below.

Revenue balance (brown line) - A HRA will seek to maintain a minimum reserves balance of £11m if the business plan allows. However, as the current 30-year business plan suggest (Appendix 3) the reserve balance will fall below this threshold from 2022/23 but will rise again after 2031/32. This is because the reserve will be used to support further investment within the revenue account. Chart 1 therefore, indicates a flatter reserve position as most surpluses will be used to pay back the debt however, Chart 2 shows that if the surplus reserves are not used to pay back the debt the reserve balance will increase over the 30-year business plan. Reserve balances will be reviewed on an annual basis to ensure the HRA has enough financial strength to meet unforeseen risks. The risks and other options for mitigation are set out in section 12 to this report.

Housing subsidiary companies (previously known as the 'WOC')

9.21 This HRA Business Plan shows that there is an inherent limit to its delivery due to the rent that can be charged for HRA properties and the costs that need to be covered. Additional, borrowing will result additional financing costs which in turn results in an opportunity costs from using rent for covering the interest costs against using it for repairs and maintenance. The Council has therefore looked at the use of other delivery vehicles, particularly for tenures other than social rent. On 4th December 2017, Cabinet approved the establishment of two housing subsidiary companies (one for letting properties and one for development activity) to help deliver the regeneration, and new build and acquisition opportunities being identified by the Council's drive to provide more homes of all types and tenures.

9.22 The schemes planned to be delivered within the Housing Companies are financed from lending from the General Fund and therefore do not have a direct impact on the HRA Business Plan. As a result, schemes and their costs delivered by the Housing Company will not be included within the HRA business plan, but the company does provide additional capacity to deliver the housing aspirations.

9.23 Where the HRA is acquiring any units from the development carried out by the Housing Companies, these budgets are reflected within the programme and accounted for within this business plan.

10. HRA Reserve Position

10.1 The Reserve opening balance at the start of the 2019/20 financial year was £17.23m. This reserve balance contributes towards funding any in year risks and is set aside to support any one-off projects and investment that leads to efficiencies and/or delivery of a better service to residents of the Council.

10.2 Table 6 below considers the year on year projected use of the HRA reserve over the next 5 years along with contributions towards the reserve balance if the HRA makes a surplus. The reserve position will be reviewed on an annual basis in line with the overall HRA business plan and strategic consideration will be applied to it usage and balance to ensure a strong and stable HRA Business Plan.

Table 6 – Reserves Projection

Reserves	2020.21	2021.22	2022.23	2023.24	2024.25
	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£22.110**	**£17.820**	**£14.915**	**£9.272**	**£5.86**
Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)
Closing Balance	**£17.820**	**£14.915**	**£9.272**	**£5.862**	**£5.812**

10.3 The HRA Business Plan will commit to holding a General HRA reserve balance of 15% of the Net Rents, and this reserve will be used for in year contingency purposes. Based on current net rents of approximately £76m a 15% reserve target would be around £11.5m. This allocation will be reviewed on an annual basis and any surpluses in addition to the 15% target will either be used for paying back debt or used towards other objectives. Chart 2 provides an indication of the impact on the HRA debt if the additional reserve was used towards paying back the debt.

10.4 Table 6 provides a 5 Year position of the reserve position and whilst it shows a decreasing balance, the longer-term reserve position, as provided in Appendix 3b, indicates that reserves will begin to increase over the 30-year period.

11. Financial Implications

11.1 The HRA Business Plan is assessed across a 30-year period so as to understand the long-term financial implications of changes in the capital programme, legislative change and other strategic decisions. It has been updated to reflect the latest balance sheet position as reported and audited at the year-end just gone (31 March 2019), so as to begin with an accurate opening position for the plan, and the current year (2019/20) budget as approved. It is then constructed so as to include the impact of known forecast changes, Government policies, capital plans, funding arrangements and risk factors. Most financial implications are incorporated throughout this report.

11.2 The funding of this programme is largely dependent upon the timing and value of asset disposals (i.e. capital receipts) that underpin the regeneration programme. These schemes are designed to increase the number of homes available for Westminster residents, in a mix of affordable and private sale units, with the private sale units generating a significant proportion of the overall capital receipts in the plan.

11.3 The variables used in the assumptions can only be best estimates and any variation from these could have a significant impact over the full 30-year plan period. These assumptions and the associated impact/risk of change will require close monitoring and potentially the adoption of one or more of the range of management mitigations set out in section 12 if they have a material adverse impact upon the plan.

11.4 In undertaking the HRA business planning process, all regeneration programmes have been subjected to continued robust scrutiny and challenge and an appropriate level of contingency on capex schemes has been provided for within the scheme budgets as well as a central contingency in the overall capital programme. **Appendix 2 and 4** sets out the summary view of spend over both the coming 5 years and the totality of the 30-year period.

11.5 The business plan will be reviewed on an on-going basis, feeding in changes from the annually agreed baseline to understand the impact of changes in the assumptions and capital expenditure on the affordability of the plan. This will enable management to identify any necessary mitigation required at an early stage.

12. Risk Management

12.1 As has been portrayed in the graphs and information earlier in this report, the latest plan seeks to maximise the investment in regeneration programmes in order to deliver new homes for the city. The consequence of this is that the capital expenditure profile drives up the level of borrowing required in order to achieve this objective. This sustained increased debt level, reduces the ability of the HRA to absorb and manage the financial impact of unforeseen and unplanned risks that may materialise during the course of the plan.

12.2 This means that if any overspends to budget occur which place an increased burden on the HRA, or if capital receipts are delayed or reduced, this would further increase the borrowing requirement. The increased borrowing requirement will in turn result in higher interest costs for the revenue account which will mean less funds being allocated to other services such as repairs and maintenance and setting aside funds for providing a good customer service. In such as situation, the HRA would need to identify and implement a number of actions which mitigate and reduce the pressure on borrowing.

12.3 It is important to note that the spend profile in this plan is **not** wholly and contractually committed such that the council is left with no controls or levers with which to control the level of capital spend set out in the programme. It sets out the aspiration of what could be achieved within the constraints of the assumed borrowing cap and reserves if everything went to plan, while also demonstrating that over the longer term the plan can be maintained as a viable proposition.

12.4 The range of management options available within the HRA to mitigate any additional risks are as follows (in no particular order):

a. Project spend monitoring and management information. It is key that there are early warning indicators for management to be able to identify whether any projects are going to overspend in order to be able assess the impact on the HRA plan. Officers produce a management report on the HRA on a monthly basis which is shared with senior management and the Cabinet Member for Housing as part of this.

b. Regular updates to the HRA business plan. Reviews and updates to the business plan are undertaken, at which point any changes identified in operating or capital project performance can be remodelled to identify the impact and any further mitigation required. These are undertaken at periodic and appropriate times through the year such as after year end to account for outturn and project reprofiling, during the annual business planning stage and at other appropriate times to take account of any material changes in the capital programme should they arise. The fact that the business plan is then fully updated on an annual basis means that steps can be taken to re-profile or reprioritise elements of the

plan well in advance of any peak year. In reality, we would seek to avoid getting too close to capacity in the coming year.

c. Utilisation of contingency. The main regeneration schemes each have a certain level of contingency built into the cost of the projects as a buffer against overspend within the project budget. This will be the first port of call for any overspend within a project. Monitoring the use and need for contingency on a project will be important as an indicator of whether a project is going to go over budget. Secondly, the capital programme has a separate contingency budget which has not been specifically allocated any given scheme. This amounts to 5% of non-property acquisition expenditure in a given year.

d. Dispose of HRA assets. Similar to the above, but without reinvesting the cash generated. Achieved through identifying surplus assets or selling additional HRA properties.

e. Re-profile, extend or delay regeneration capital expenditure

   i. Reprofile the regeneration spend so that schemes run sequentially rather in parallel or delay some projects to better match the timing of funding resources.

   ii. Reprofile and extend regeneration scheme programmes to be delivered over a longer period, slowing down the rate of spend. This however is less palatable as it would be an inefficient way of working and not favourable with development partners, as well as the impact this would have on residents from the site and the surrounding area.

   iii. Some elements of the plan or certain schemes could be decided to begin or progress only when certain other conditions have been met which assure the financial safeguarding of the plan, such as the level of capital receipts received needing to be met.

   These would need to be modelled so as to demonstrate the impact of not only the deferred expenditure but also the deferred capital receipts arising at the end of the schemes when the income from private sale units comes through.

f. Reduce major works expenditure to free up other funds to finance new build developments. This amounts to £205.4m over the next 5 years, £822.06m over 30 years. However, this would have subsequent risks as the Council recently signed up to term contracts which gave an indication of a certain minimum level of spend with the suppliers. If these minimum levels were not achieved, the Council could be subject to penalties or compensation which negate or reduce the potential mitigation and impact on the Council's reputation. Furthermore, reduced spend in earlier years would also result in larger spend in later as more work would be required to bring the property to a decent standard.

g. Review the release of the recent Guidance on Rents for Social Housing document by Ministry of Housing, Communities & Local Government and seek to ensure the maximum Formula rents are applied to all social housing units. Furthermore, there is a possibility of increasing rent by a further 5% as part of the Rent Flexibility Level plans and the Council will need to ensure a detailed business case and consultation is carried out.

12.5 As noted in **Appendix 1**, the base business plan uses prudent assumptions to reduce the chance of certain risks arising. Set out below is a summary of other potential risks to the stability of the business plan. Periodic reviews of the HRA business plan will be held between senior officers and the lead member, at which programme performance will be reviewed and risks monitored.

12.6 In addition, the Business Plan conforms to the Chartered Institute of Housing (CIH) and CIPFA voluntary code on self-financing HRAs. This includes compliance with CIPFA's Code of Practice on Local Authority Accounting in the UK including depreciation of assets on a componential basis.

12.7 The Council complies with the both the principles of co-regulation as set out in "The Regulatory Framework for Social Housing in England from 2012" and the requirements of the CIPFA/CIH "Voluntary code of practice on self-financing HRAs".

12.8 Under the Regulatory Framework code, governance arrangements should be fit for purpose, and reflect the complexity and risk profile of the organisation. Boards and Councillors need to set clear objectives and develop a forward-looking strategy that enables their organisation to make the most of future opportunities and mitigate risks. There should be a continuous focus on effective financial management and improving value for money.

12.9 The self-financing code of practice is a voluntary framework of best practice for local authority governance of the HRA aimed at promoting effective governance, finance and business planning and aimed at providing transparency to stakeholders on how the housing business is being managed. Its key principles are:

- **Financial viability.** The housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability.

- **Communications and governance**. The housing authority keeps under review the communications and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability and accountability of the housing business.

- **Risk management**. The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA.
- **Asset management**. The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.
- **Financial and treasury management**. The housing authority complies with formal accounting practices including CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom and CIPFA's Treasury Management in the Public Services Code of Practice. To date no specific guidance has been released to reflect the removal of the borrowing cap. Further clarification is expected as part of the prudential code.

12.10 **Appendix 5** shows the key risks, impacts and mitigations on the HRA over the 30-year period.

13. Legal Implications

13.1 The expenditure referred to in this report will be spent pursuant to the Council's powers and duties. Individual reports on each project will be approved by the Cabinet or by the relevant Cabinet Member.

13.2 Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989. The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.

13.3 The Localism Act 2011 contains provisions relating to housing finance in Sections 167 to 175. These provisions introduced a new system of Council housing finance which ended the current Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements. Section 171 of the Localism Act 2011 empowered the Secretary of State to make provision relating to the level of indebtedness in relation to local housing authorities in England which keep a Housing Revenue Account.

13.4 Under Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) local authorities are required to use Right To Buy capital receipts to pay the "poolable amount" to the Secretary of State, on a quarterly basis.

13.5 This report deals with other legislative provisions which are expected to influence the Housing Investment Strategy such as the social rent reduction introduced by Section 23 of the Welfare Reform and Work Act 2016 and changes to the social benefits system under Sections 8 – 17 of the Welfare Reform and Work Act 2016.

13.6 The Housing and Planning Act 2016 is also likely to affect the findings of subsequent reports and also the Council's regeneration initiatives. The relevant provisions include the imposition of a liability for local housing authorities which maintain a Housing Revenue Account to make payments to the Secretary of State based on the market value of any vacant higher value void properties which the local authority owns. Additionally, under Chapter 6 and Schedule 7 the Housing and Planning Act 2016 seeks to phase out secure tenancies as life interests and replace them with fixed term secure tenancies thus potentially allowing for more flexibility in terms of stock management.

13.7 The Housing and Planning Act 2016 also contains provisions which have been implemented and may attract procedural changes in the way the Council progresses its regeneration projects. Such provisions include the amendments made to the planning regime under Part 6 and amendments to the compulsory purchase and appropriation procedures under Part 7.

13.8 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

a. Eliminate discrimination, harassment, victimisation or other prohibited conduct;

b. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and;

c. Foster good relations between those who share a relevant characteristic and those that do not share it.

13.9 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

13.10 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy. An Equalities Impact Assessment and or consultation maybe necessary if significant changes are envisaged to Housing Management Schemes.

14. Consultation

14.1 Development of the Business Plan and Housing Investment Plan has involved officers from within the Housing and Regeneration Department, City Treasurers and Members. We have had regard to national and local housing policies and objectives which have informed the priorities for investment.

14.2 A key component of the housing regeneration programme is community engagement: officers and consultants have worked with local communities to develop plans for their neighbourhoods. Community engagement teams work on the ground with residents, visiting residents in their homes, staffing drop-in sessions and holding open days. Resident expectations are high, and the City Council is committed to an on-going programme of resident involvement as these schemes develop further.

14.3 The internal governance processes within Housing, development and major projects teams have been rigorously reviewed and focus now upon key project management skills and tolerance reporting. The creation of a Programme Management Office (PMO) during 2018/19 also adds to the monitoring of these significant development programmes.

Other Implications

1. Resources Implications

The resourcing implications to deliver the proposed capital programme are contained within the attached indicative HRA capital programme.

2. Business Plan Implications

Approval of the HRA Business Plan is critical to delivery of key components of the Housing Business Plan, such as the estate regeneration programme and reducing homelessness pressures.

3. Risk Management Implications

See section 12 of the report.

4. Health and Wellbeing Impact Assessment including Health and Safety Implications

Programmes delivered within this strategy are aimed at addressing health and wellbeing issues, through improvements to housing and the public realm, and through related programmes addressing employment and skills and provision of community facilities.

A key part of the early years' investment in the existing stock will be to address health and safety issues brought to light as a result of the Grenfell Tower fire.

5. Crime and Disorder Implications

Safety and security measures form a component of the programme of works to existing stock, and the estate renewal schemes, both of which are factored into the HRA Business Plan.

6. Impact on the Environment

New homes are built to Code 4 as a minimum and environmental and energy efficiency works are key considerations in the works to existing housing stock and the housing regeneration schemes. The Church Street regeneration scheme incorporates a new Combined Heat and Power district heating scheme.

7. Equalities Implications

Each of the estate regeneration schemes has been subject to an Equalities Impact Assessment to ensure any arising issues are addressed. DDA works and disabled adaptations are included as essential works within the capital programme

8. Human Rights Implications

The investment programmes outlined in this report will involve the enforced displacement of residents and their human rights under Article 1of the First Protocol and Article 8 of the European Convention on Human Rights will be taken into account at the appropriate time.

9. Communications Implications

See section 15 on consultation.

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

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Appendix 1 – Key assumptions

	Assumptions	Notes
Dwelling Rent	CPI + 1% Increase in rents from 2020-21 to 2024-25 and CPI increases from 2025-26 for 25 years	CPI for 2020/21 is 1.7% and CPI for future years assumed at 2%
Void rates	2%	
Service Charges	£5.15 per week with 2% inflationary uplift on cost and income	
Commercial Rents	2% Uplift	
Garage Rents	CPI increase	Prudent assumption based on demolitions and infills.
Major Works Leaseholder Contributions	CPI+1% in line with Repairs and Maintenance Increases	To mirror R&M increases
Repairs and Maintenance Costs	CPI increases	
Heating and hot water charges	CPI increases	
Interest rate on borrowings	5% on External Borrowing 2.8% on Internal Borrowing	This includes internal weighted average cost of capital
Depreciation	Straight Line Basis over life of Assets	

Appendix 2 – 5 Year Revenue Budget

Year	1 2020.21	2 2021.22	3 2022.23	4 2023.24	5 2024.25
TOTAL STOCK Projection	21,030	21,025	21,076	21,163	21,379
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Gross Dwelling Rents	(£77.799)	(£80.101)	(£82.833)	(£85.879)	(£89.848)
Voids - 2% of Dwelling Rents	£1.556	£1.602	£1.657	£1.718	£1.797
Dwelling Rents	(£76.243)	(£78.499)	(£81.176)	(£84.161)	(£88.051)
Commercial Rent	(£8.200)	(£8.364)	(£8.531)	(£8.702)	(£8.876)
Garages, Sheds & Car Parks Income	(£1.312)	(£1.339)	(£1.365)	(£1.393)	(£1.421)
Service Charges	(£14.180)	(£14.464)	(£14.753)	(£15.048)	(£15.349)
Heating and Water (Including PDHU)	(£4.997)	(£5.097)	(£5.199)	(£5.303)	(£5.409)
HRA investment income & Other Income	(£2.128)	(£2.128)	(£2.128)	(£2.128)	(£2.128)
TOTAL INCOME	**(£107.06)**	**(£109.89)**	**(£113.15)**	**(£116.73)**	**(£121.23)**
Supervision and Management	£27.286	£27.831	£28.388	£27.956	£27.515
Repairs and Maintenance	£26.139	£26.656	£27.253	£27.906	£28.733
Heating and Water (Including PDHU)	£4.979	£5.128	£5.282	£5.441	£5.604
Rent, Rates and Commercial Charges	£3.040	£3.101	£3.163	£3.226	£3.291
TMO Allowances	£1.490	£1.520	£1.550	£1.581	£1.613
Support Costs	£12.874	£13.131	£13.394	£13.662	£13.935
Depreciation	£24.608	£23.579	£24.194	£24.678	£25.171
Capital financing costs	£10.226	£11.138	£14.857	£14.976	£14.698
Regeneration Feasibility	£0.500	£0.500	£0.500	£0.500	£0.500
Debt management	£0.206	£0.210	£0.214	£0.218	£0.223
TOTAL EXPENDITURE	**£111.35**	**£112.79**	**£118.80**	**£120.14**	**£121.28**
HRA Net(Surplus)/Deficit position	**£4.288**	**£2.905**	**£5.643**	**£3.410**	**£0.050**

Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)
HRA	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

Appendix 3 – 30 Year Business Plan

Year	1	2	3	4	5	6	7	8	9	10
	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(£76.243)	(£78.499)	(£81.176)	(£84.161)	(£88.051)	(£89.812)	(£91.608)	(£93.440)	(£95.309)	(£97.215)
Commercial Rent	(£8.200)	(£8.364)	(£8.531)	(£8.702)	(£8.876)	(£9.053)	(£9.235)	(£9.419)	(£9.608)	(£9.800)
Garages, Sheds & Car Parks Income	(£1.312)	(£1.339)	(£1.365)	(£1.393)	(£1.421)	(£1.449)	(£1.478)	(£1.507)	(£1.538)	(£1.568)
Service Charges	(£14.180)	(£14.464)	(£14.753)	(£15.048)	(£15.349)	(£15.656)	(£15.969)	(£16.289)	(£16.615)	(£16.947)
Heating and Water (Including PDHU)	(£4.997)	(£5.097)	(£5.199)	(£5.303)	(£5.409)	(£5.517)	(£5.627)	(£5.740)	(£5.855)	(£5.972)
HRA investment income & Other Income	(£2.128)	(£2.128)	(£2.128)	(£2.128)	(£2.128)	(£2.170)	(£2.214)	(£2.258)	(£2.303)	(£2.349)
TOTAL INCOME	**(£107.06)**	**(£109.89)**	**(£113.15)**	**(£116.73)**	**(£121.23)**	**(£123.66)**	**(£126.13)**	**(£128.65)**	**(£131.23)**	**(£133.85)**
Supervision and Management	£27.286	£27.831	£28.388	£27.956	£27.515	£28.065	£28.627	£29.199	£29.783	£30.379
Repairs and Maintenance	£26.139	£26.656	£27.253	£27.906	£28.733	£29.308	£29.894	£30.492	£31.102	£31.724
Heating and Water (Including PDHU)	£4.979	£5.128	£5.282	£5.441	£5.604	£5.772	£5.945	£6.124	£6.307	£6.496
Rent, Rates and Commercial Charges	£3.040	£3.101	£3.163	£3.226	£3.291	£3.356	£3.424	£3.492	£3.562	£3.633
TMO Allowances	£1.490	£1.520	£1.550	£1.581	£1.613	£1.645	£1.678	£1.712	£1.746	£1.781
Support Costs	£12.874	£13.131	£13.394	£13.662	£13.935	£14.214	£14.498	£14.788	£15.084	£15.385
Depreciation	£24.608	£23.579	£24.194	£24.678	£25.171	£25.675	£26.188	£26.712	£27.246	£27.791
Capital financing costs	£10.226	£11.138	£14.857	£14.976	£14.698	£15.281	£15.429	£15.002	£14.615	£14.386
Regeneration Feasibility	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500	£0.500
Debt management	£0.206	£0.210	£0.214	£0.218	£0.223	£0.227	£0.232	£0.236	£0.241	£0.246
TOTAL EXPENDITURE	**£111.35**	**£112.79**	**£118.80**	**£120.14**	**£121.28**	**£124.04**	**£126.41**	**£128.26**	**£130.19**	**£132.32**
HRA Net(Surplus)/Deficit position	**£4.288**	**£2.905**	**£5.643**	**£3.410**	**£0.050**	**£0.386**	**£0.283**	**(£0.397)**	**(£1.040)**	**(£1.529)**
Contribution to /(from) HRA Reserves	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)	(£0.386)	(£0.283)	£0.397	£1.040	£1.529
HRA	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

Year	11	12	13	14	15	16	17	18	19	20
	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(£99.16)	(£101.14)	(£103.17)	(£105.23)	(£107.33)	(£109.48)	(£111.67)	(£113.90)	(£116.18)	(£118.50)
Commercial Rent	(£10.00)	(£10.20)	(£10.40)	(£10.61)	(£10.82)	(£11.04)	(£11.26)	(£11.48)	(£11.71)	(£11.95)
Garages, Sheds & Car Parks Income	(£1.60)	(£1.63)	(£1.66)	(£1.70)	(£1.73)	(£1.77)	(£1.80)	(£1.84)	(£1.87)	(£1.91)
Service Charges	(£17.29)	(£17.63)	(£17.98)	(£18.34)	(£18.71)	(£19.08)	(£19.47)	(£19.86)	(£20.25)	(£20.66)
Heating and Water (Including PDHU)	(£6.09)	(£6.21)	(£6.34)	(£6.46)	(£6.59)	(£6.73)	(£6.86)	(£7.00)	(£7.14)	(£7.28)
Leaseholder Contribution	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
HRA investment income & Other Income	(£2.40)	(£2.44)	(£2.49)	(£2.54)	(£2.59)	(£2.65)	(£2.70)	(£2.75)	(£2.81)	(£2.86)
HRA Reserve Drawdown	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)	(£5.00)
TOTAL INCOME	**(£136.53)**	**(£139.26)**	**(£142.04)**	**(£144.88)**	**(£147.78)**	**(£150.74)**	**(£153.75)**	**(£156.83)**	**(£159.96)**	**(£163.16)**
Supervision and Management	£30.99	£31.61	£32.24	£32.88	£33.54	£34.21	£34.90	£35.59	£36.31	£37.03
Repairs and Maintenance	£32.36	£33.01	£33.67	£34.34	£35.03	£35.73	£36.44	£37.17	£37.91	£38.67
Heating and Water (Including PDHU)	£6.69	£6.89	£7.10	£7.31	£7.53	£7.76	£7.99	£8.23	£8.48	£8.73
Rent, Rates and Commercial Charges	£3.71	£3.78	£3.86	£3.93	£4.01	£4.09	£4.17	£4.26	£4.34	£4.43
TMO Allowances	£1.82	£1.85	£1.89	£1.93	£1.97	£2.01	£2.05	£2.09	£2.13	£2.17
Support Costs	£15.69	£16.01	£16.33	£16.65	£16.99	£17.33	£17.67	£18.03	£18.39	£18.75
Depreciation	£28.35	£28.91	£29.49	£30.08	£30.68	£31.30	£31.92	£32.56	£33.21	£33.88
Capital financing costs	£14.34	£14.81	£15.17	£15.07	£14.99	£14.99	£15.19	£15.34	£15.12	£14.83
Regeneration Feasibility	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50
Debt management	£0.251	£0.256	£0.261	£0.266	£0.272	£0.277	£0.283	£0.288	£0.294	£0.300
TOTAL EXPENDITURE	**£134.69**	**£137.62**	**£140.50**	**£142.97**	**£145.51**	**£148.18**	**£151.12**	**£154.05**	**£156.68**	**£159.29**
HRA Net(Surplus)/Deficit position	**(£1.840)**	**(£1.640)**	**(£1.545)**	**(£1.917)**	**(£2.272)**	**(£2.560)**	**(£2.638)**	**(£2.779)**	**(£3.285)**	**(£3.870)**
Contribution to /(from) HRA Reserves	£1.840	£1.640	£1.545	£1.917	£2.272	£2.560	£2.638	£2.779	£3.285	£3.870

HRA	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Year	21	22	23	24	25	26	27	28	29	30
	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(£120.87)	(£123.29)	(£125.76)	(£128.27)	(£130.84)	(£133.46)	(£136.12)	(£138.85)	(£141.62)	(£144.46)
Commercial Rent	(£12.18)	(£12.43)	(£12.68)	(£12.93)	(£13.19)	(£13.45)	(£13.72)	(£14.00)	(£14.28)	(£14.56)
Garages, Sheds & Car Parks Income	(£1.95)	(£1.99)	(£2.03)	(£2.07)	(£2.11)	(£2.15)	(£2.20)	(£2.24)	(£2.28)	(£2.33)
Service Charges	(£21.07)	(£21.49)	(£21.92)	(£22.36)	(£22.81)	(£23.26)	(£23.73)	(£24.20)	(£24.69)	(£25.18)
Heating and Water (Including PDHU)	(£7.43)	(£7.57)	(£7.73)	(£7.88)	(£8.04)	(£8.20)	(£8.36)	(£8.53)	(£8.70)	(£8.87)
HRA investment income & Other Income	(£2.92)	(£2.98)	(£3.04)	(£3.10)	(£3.16)	(£3.23)	(£3.29)	(£3.36)	(£3.42)	(£3.49)
TOTAL INCOME	**(£166.43)**	**(£169.76)**	**(£173.15)**	**(£176.61)**	**(£180.15)**	**(£183.75)**	**(£187.42)**	**(£191.17)**	**(£195.00)**	**(£198.90)**
Supervision and Management	£37.77	£38.53	£39.30	£40.08	£40.89	£41.70	£42.54	£43.39	£44.26	£45.14
Repairs and Maintenance	£39.44	£40.23	£41.04	£41.86	£42.70	£43.55	£44.42	£45.31	£46.22	£47.14
Heating and Water (Including PDHU)	£8.99	£9.26	£9.54	£9.83	£10.12	£10.42	£10.74	£11.06	£11.39	£11.73
Rent, Rates and Commercial Charges	£4.52	£4.61	£4.70	£4.79	£4.89	£4.99	£5.09	£5.19	£5.29	£5.40
TMO Allowances	£2.21	£2.26	£2.30	£2.35	£2.40	£2.44	£2.49	£2.54	£2.59	£2.65
Support Costs	£19.13	£19.51	£19.90	£20.30	£20.71	£21.12	£21.54	£21.97	£22.41	£22.86
Depreciation	£34.55	£35.25	£35.95	£36.67	£37.40	£38.15	£38.91	£39.69	£40.49	£41.30
Capital financing costs	£14.69	£14.09	£14.03	£13.75	£13.29	£13.19	£12.97	£12.66	£12.34	£11.91
Regeneration Feasibility	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50	£0.50
Debt management	£0.306	£0.312	£0.318	£0.325	£0.331	£0.338	£0.344	£0.351	£0.358	£0.366
TOTAL EXPENDITURE	**£162.12**	**£164.55**	**£167.58**	**£170.46**	**£173.22**	**£176.41**	**£179.54**	**£182.66**	**£185.85**	**£188.99**
HRA Net (Surplus)/Deficit position	**(£4.306)**	**(£5.209)**	**(£5.570)**	**(£6.152)**	**(£6.924)**	**(£7.335)**	**(£7.879)**	**(£8.508)**	**(£9.148)**	**(£9.907)**
Contribution to /(from) HRA Reserves	£4.306	£5.209	£5.570	£6.152	£6.924	£7.335	£7.879	£8.508	£9.148	£9.907
HRA	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**

Appendix 3b – 30 Year HRA Reserve Projection

Reserves	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£17.23**	**£22.11**	**£17.82**	**£14.91**	**£9.27**	**£5.86**	**£5.81**	**£5.43**	**£5.14**	**£5.54**	**£6.58**
Contribution to /(from) HRA Balances	£4.874	(£4.288)	(£2.905)	(£5.643)	(£3.410)	(£0.050)	(£0.386)	(£0.283)	£0.397	£1.040	£1.529
Closing Balance	**£22.11**	**£17.82**	**£14.91**	**£9.27**	**£5.86**	**£5.81**	**£5.43**	**£5.14**	**£5.54**	**£6.58**	**£8.11**

Reserves	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£9.95**	**£11.59**	**£13.13**	**£15.05**	**£17.32**	**£19.88**	**£22.52**	**£25.30**	**£28.59**	**£32.46**
Contribution to /(from) HRA Balances	£1.640	£1.545	£1.917	£2.272	£2.560	£2.638	£2.779	£3.285	£3.870	£4.306
Closing Balance	**£11.59**	**£13.13**	**£15.05**	**£17.32**	**£19.88**	**£22.52**	**£25.30**	**£28.59**	**£32.46**	**£36.76**

Reserves	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**£36.76**	**£41.97**	**£47.54**	**£53.69**	**£60.62**	**£67.95**	**£75.83**	**£84.34**	**£93.49**
Contribution to /(from) HRA Balances	£5.209	£5.570	£6.152	£6.924	£7.335	£7.879	£8.508	£9.148	£9.907
Closing Balance	**£41.97**	**£47.54**	**£53.69**	**£60.62**	**£67.95**	**£75.83**	**£84.34**	**£93.49**	**£103.39**

Appendix 4 – HRA 30 Year Capital Programme

Year	1	2	3	4	5	06-30	
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26-2054/55	TOTAL
	£'m	£'m	£'m	£'m	£'m	£'m	
Major Works							
Electrical works & laterals	6.049	2.414	2.670	2.470	4.150	254.607	272.360
External Repairs and Decorations	21.570	24.849	26.057	23.835	21.260	180.637	298.208
Adaptation	1.700	1.700	1.700	1.700	1.700	-	8.500
Fire Precautions	3.500	3.500	3.500	3.500	3.500	87.500	105.000
Lift	9.969	2.850	2.494	4.950	3.050	32.000	55.313
Voids	2.780	3.400	3.400	3.400	3.400	38.700	55.080
Kitchen & Bathroom	0.800	1.000	1.000	0.800	0.800	23.200	27.600
	46.368	**39.713**	**40.821**	**40.655**	**37.860**	**616.644**	**822.061**
Regeneration							
Carlton Dene	1.225	10.806	21.612	10.806	-	-	44.449
Church Street Site A, B & C	2.000	2.000	5.316	19.169	29.157	86.075	143.717
Church Street A,B & C Acquisitions	17.317	17.569	5.365	15.575	18.098	70.441	144.364
Lisson Arches	7.427	14.902	7.017	-	-	-	29.346
Luton Street	4.924	14.750	-	-	-	-	19.674
Parsons North	12.000	12.390	-	-	-	-	24.390
Cosway	12.000	12.000	8.949	-	-	-	32.949
Ashbridge	8.421	3.718	-	-	-	-	12.139
Edgware Road/AlmaCantar	0.300	-	-	-	-	-	0.300
Ashmill Street	1.089	0.050	-	-	-	-	1.139
Ebury Phase 1	15.506	51.689	57.736	6.801	3.144	35.568	170.444
Ebury Acquisitions	17.000	15.000	9.370	-	-	-	41.370
Tollgate Gardens	0.021	-	-	-	-	-	0.021
Warwick Community Hall	1.200	-	1.200	-	-	-	2.400
Queens Park Court	1.085	4.314	4.590	-	-	-	9.989
Pimlico	1.000	6.286	9.754	-	-	-	17.040
Bayswater	1.487	1.900	1.400	4.475	11.321	5.673	26.257
West End Gate	9.221	1.505	-	-	-	-	10.726
Contingency (10%)	9.550	15.059	12.869	5.385	7.112	14.402	64.377
Brunel	2.700	3.000	4.300	12.300	27.200	16.100	65.600
	125.473	**186.938**	**149.478**	**74.511**	**96.033**	**228.258**	**860.691**
Other Schemes							
Infills	10.138	15.737	1.346	0.300	0.300	0.600	28.422
Self-Financing	5.000	5.000	5.000	5.000	5.000	10.000	35.000
GF Buybacks/Intermediate Sales	-	-	-	5.318	-	2.200	7.518
	15.138	**20.737**	**6.346**	**10.618**	**5.300**	**12.800**	**70.940**
TOTAL HRA CAPITAL PROGRAMME	**186.979**	**247.388**	**196.646**	**125.785**	**139.193**	**857.702**	**1,753.692**

APPENDIX 5 – Table of Risks, Impacts and Mitigations

Risk	Impact	Mitigation
Capital Receipts	Any significant slippage in the timing or value of these receipts will pose a cash flow risk for staying within the borrowing limit. For New Build schemes which rely on the capital receipts based on current projections, could result in schemes becoming unviable if the values of properties fall, which would lead lower capital receipts from sales.	Robust monitoring of the timing and expected value of the receipts will help inform management action to mitigate this risk. Management options identified above would need to be applied. Ensuring effective market monitoring of sale values in the Borough and considering alternative income generating options, such as converting for sale properties to rental units.
Rent Policy	Once the 5-year Rent Policy period comes to an end or is changed during the 5-year period, which means the increase in rent is not as modelled and is less, this will reduce the income to the HRA.	Lobbying is key to the success of avoiding this risk from happening in the first place. Regeneration spend would need to be significantly curtailed.
Interest rates	The rates assumed are at 5% on new borrowing throughout the plan. If interest rates were to rise this would have a significant adverse impact on long term affordability of the revenue account and impact capital scheme viability.	The HRA has some fixed loans in place which would not be affected until they matured and needed to be replaced. Further fixed rate loans could be taken out to prevent uncontrolled increases. However, the scale and pace of regeneration may need to be reviewed.
Inflation	If inflation were to increase above that assumed by CPI, the costs increase and have an impact on the surplus/deficit position of the	The increase in costs would be partially offset by increased income as this is also based on CPI inflation.

Risk	Impact	Mitigation
	Revenue account. The cost increases would also impact scheme viability as part of the capital investment strategy.	The situation would not be uncontrolled as there would need to be a decision as to whether certain expenditure is still deemed affordable or value for money. Management options identified above would also need to be applied.
Welfare Reform Implementation of Universal Credit, benefit cap and other welfare reform changes.	May increase rent arrears which impacts HRA income. Initial data on rent arrears from Universal Credit tenants does indicate a rise in rent arrears. However, this is based on a relatively small sample size so needs to be monitored.	More active/proactive debt management action may be required. Robust monitoring of service activity to act as an early warning.
Brexit/Economic uncertainty Adverse impacts on costs and values because of Brexit	There is increased uncertainty about the cost of projects due to changes in the cost of materials and labour arising from changes in the value of the pound relative to other currencies. Equally there are changes in the attractiveness of London as a residential investment, positively due to falls in the value of the pound and negatively from lack of access to Europe. These are highly uncertain and may lead to increased caution on the part of contractors and developers when bidding for work or assessing the risks/rewards of current projects.	A selection of current projects are being reviewed to identify and seek to quantify the impacts based on the best evidence available to highlight areas where further measures need to be taken. The Council will need to ensure it begins to get hold of some Government materials on their assessment of leaving the EU and begin work up mitigations.

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City of Westminster

Cabinet

Decision Maker	Cabinet
Date:	10 February 2020
Status:	General Release
Title:	Treasury Management Strategy Statement for 2020/21 to 2024/25
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cabinet Member for Finance, Property and Regeneration
Financial Summary:	The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that: a. its capital investment plans are prudent, affordable and sustainable; b. the financing of the Council's capital programme and ensuring that cash flow is properly planned; c. cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.
Report of:	Gerald Almeroth Executive Director – Finance & Resources galmeroth@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

1.1 The Local Government Act 2003 and the Regulations made under the Act require 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 (as shown in Appendix 1). 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 Ministry for Housing, Communities and Local Government (MHCLG) 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 2020/21 to 2024/25, and Annual Investment Strategy (AIS) for the year ended 31 March 2021, together with supporting information.

1.4 The TMSS and AIS form part of the Council's overall budget setting and financial framework.

2. RECOMMENDATIONS

2.1 The Cabinet recommend to the Full Council the approval of:

- the Treasury Management Strategy Statement;
- the borrowing strategy and borrowing limits for 2020/21 to 2024/25 set out in sections 5 to 7;
- the prudential Indicators set out in section 8;
- the Annual Investment Strategy and approved investments set out in Appendix 1;
- the Minimum Revenue Provision Policy set out in Appendix 2.

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 meet payments expenditure. The function of treasury management is to ensure that the Council's capital programme and corporate investment plans are adequatly funded, and the cashflow is adequately planned, with cash being available when it is needed to discharge the Council's legal obligations and deliver Council services. Surplus monies are invested to obtain an optimal return, while ensuring security of capital and liquidity.

4.2 CIPFA defines treasury management as “the management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

4.3 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.

4.4 The TMSS covers three main areas summarised below:

Capital spending

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

Borrowing

- Overall borrowing strategy
- Prospects for interest rates
- Post PWLB interest rate increase borrowing strategy
- Limits on external borrowing
- Maturity structure of borrowing
- Policy on borrowing in advance of need
- Forward borrowing
- Debt rescheduling

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 long term investments
- Improving investment returns

4.5 The Annual Investment Strategy (AIS) at Appendix 1 provides more detail on how the Council’s surplus cash investments are to be managed in 2020/21. Approved schedules of specified and non-specified investments will be updated following consideration by Members and finalisation of 2020/21 budget plans.

TREASURY MANAGEMENT STRATEGY STATEMENT

5. SECTION 1 - CAPITAL SPENDING

Capital spending plans

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.2 Table 1 summarises the Council's capital expenditure plans, both in terms of those projects agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current expectations reference the revenue or capital financing.

5.3 Compared with the forecast in the original 2019/20 TMSS, General Fund capital spend has slipped back by around £44m in the 2019/20 revised budget 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 short to medium term.

Table 1 Capital spending and funding plans

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate	
£m		£m	£m	£m	£m	£m	£m	£m
	Expenditure							
223	General Fund	**229**	**244**	**402**	**399**	**219**	**97**	**1,590**
102	HRA	**158**	**187**	**247**	**197**	**126**	**139**	**1,054**
325		**387**	**431**	**649**	**596**	**345**	**236**	**2,644**
	Funding							
	General Fund							
98	Grants & Contributions	**79**	**73**	**61**	**36**	**20**	**17**	**286**
17	Capital Receipts Applied	**0**	**31**	**8**	**63**	**9**	**64**	**175**
	HRA							
14	Grants & Contributions	**80**	**88**	**91**	**54**	**38**	**21**	**372**
29	Capital Receipts Applied	**45**	**52**	**99**	**49**	**46**	**63**	**354**
24	Major Repairs Allowance	**24**	**25**	**24**	**24**	**25**	**25**	**147**
22	Revenue Financing	**0**	**8**	**10**	**10**	**10**	**9**	**47**
204		**228**	**277**	**293**	**236**	**148**	**199**	**1,381**
121	**Net financing need for the year**	**159**	**154**	**356**	**360**	**197**	**37**	**1,263**

Other investment opportunities

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

- infrastructure projects, such as green energy;
- loans to third parties;
- shareholdings, and loans to limited companies and joint ventures.

5.5 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 are agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Annual Investment Strategy.

5.6 In addition, the Council has a substantial commercial investment 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.

5.7 Following a Cabinet decision in late 2015, the Council allocated funds to invest in a commercial property partnership portfolio that commenced in 2016/17 (£50m) and 2017/18 (£50m). 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 meeting statutory service requirements and improving the quality of the Council's current portfolio. A further amount will be included in the 2020/21 capital budget, increasing this to £120m.

5.8 The Council has also invested £30m within the overall context of the Council's annual investment strategy in a residential housing partnership with LB Lambeth and LB Croydon.

Capital Financing Requirement (CFR)

5.9 The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.10 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

5.11 Table 2 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

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
	CFR as at 31 March						
473	General Fund	**623**	**763**	**1,096**	**1,396**	**1,586**	**1,602**
273	HRA	**282**	**296**	**319**	**379**	**386**	**407**
746		**905**	**1,059**	**1,415**	**1,775**	**1,972**	**2,009**
	Annual Charge						
108	General Fund	**150**	**140**	**333**	**300**	**190**	**16**
13	HRA	**9**	**14**	**23**	**60**	**7**	**21**
121		**159**	**154**	**356**	**360**	**197**	**37**
	Reason for Change						
130	Net financing	**171**	**169**	**375**	**389**	**233**	**81**
(9)	Less MRP	**(12)**	**(15)**	**(19)**	**(29)**	**(36)**	**(44)**
121		**159**	**154**	**356**	**360**	**197**	**37**

5.12 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 financial years. This allows some flexibility for limited early borrowing for future years and ensures that borrowing is not undertaken for revenue purposes.

5.13 The Council's full MRP policy is shown at Appendix 2. However, a change in MRP policy for 2020/21 has been introduced to reflect where cash flows adopts an annuity structure for a specific asset. In this instance the MRP profile should match accordingly with principal repayments matching the associated MRP charge. In practice this means that the ratio of interest expense to MRP payments in the earlier years for the asset would be higher, as principal loan repayments represent a smaller element of the overall cash flows.

Table 3 Borrowing compared to the Capital Financing Requirement

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
223	Gross Projected Debt	**221**	**206**	**238**	**400**	**587**	**572**
746	Capital Financing Requirement	**905**	**1,059**	**1,415**	**1,775**	**1,972**	**2,009**
523	**Under / (over) borrowing**	**684**	**853**	**1,177**	**1,375**	**1,385**	**1,437**

Affordability

5.14 The objective of the affordability indicator 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". The estimates of financing costs include current commitments and the proposals in the Council's budget report. 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

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
%		%	%	%	%	%	%
(4.06)	General Fund	**1.69**	**(1.95)**	**(2.90)**	**(0.80)**	**5.54**	**6.33**
33.61	HRA	**34.22**	**24.07**	**20.20**	**27.97**	**25.98**	**30.98**

5.15 For the next three 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.

5.16 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 relatively steady.

6. SECTION 2 - BORROWING

Overall borrowing strategy

6.1 One of the main functions of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

6.2 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 2020/21 strategy are:

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

6.3 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 third 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

6.4 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

6.5 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.

6.6 While GDP growth is likely to be subdued in 2020/21 due to all the uncertainties around the UK's exit from the European Union depressing consumer and business confidence, a UK/EU agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in the Bank Rate. Just how fast, and how far those increases will occur and rise to will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

6.7 In the event of a disorderly no-agreement exit, it is likely that the Bank of England would take action to cut the Bank Rate from 0.75% in order to help the economy deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

6.8 If there was a disorderly exit from the European Union, then any cut in the Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus. However, there would appear to be a majority consensus in the House of Commons against any form of non-agreement exit so the chance of this occurring has diminished.

6.9 Against this background and the risks within the economic forecast, caution will be adopted in 2020/21 and beyond with regard to treasury borrowing decisions. The Executive Director for Finance and Resouces and Treasury team will continue to monitor interest rates, financial markets and adopt a pragmatic approach to changing circumstances (within the approved remit).

6.10 PWLB borrowing interest rates were on a major falling trend during the first half of 2019/20 but then, with a unannounced policy change, rose by 100 bps on 9 October 2019. The strategy of avoiding new borrowing by utilising spare cash balances has served the Council well over the last few years. However, the unexpected increase of 100 basis points in the PWLB rates places a new perspective on the local authority treasury management strategy and risk management.

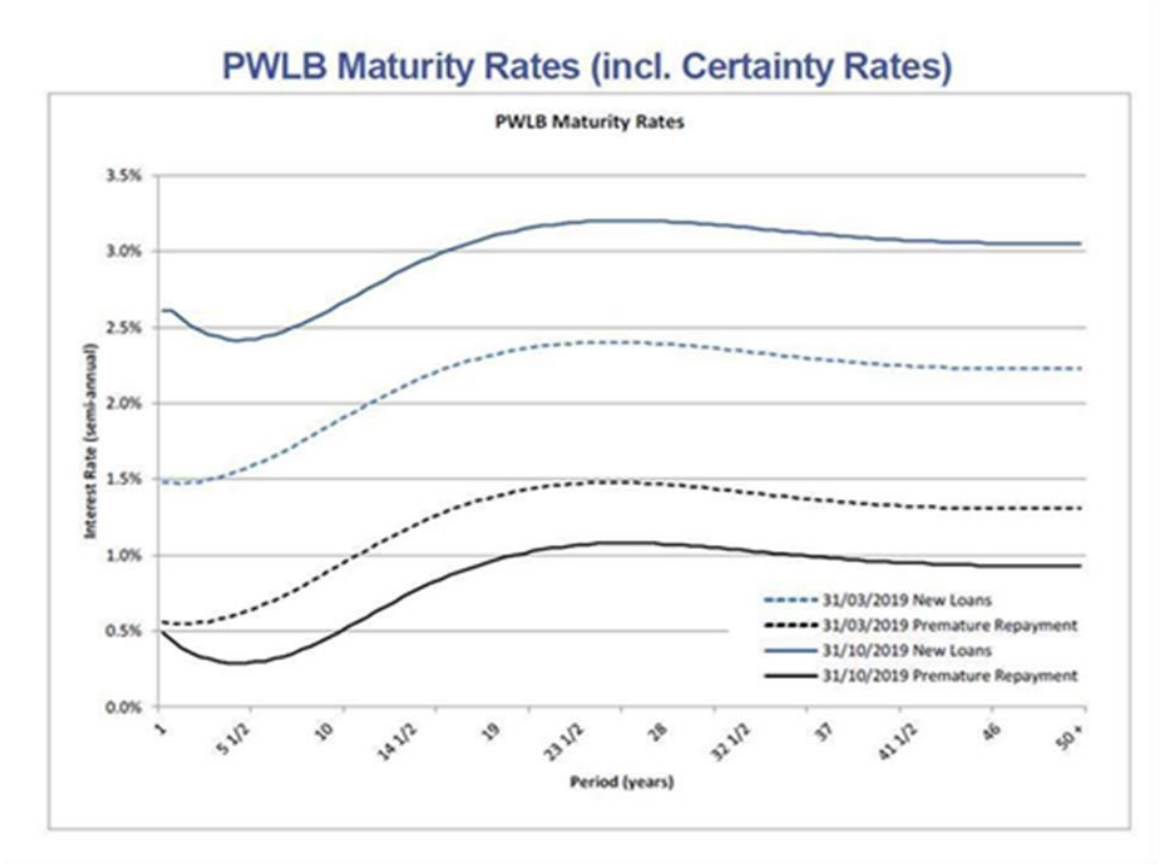
6.11 In the event that interest rates rise beyond the forecast used in the capital programme, the revenue interest cost to the Council could increase. This risk has been mitigated through the Councils agreed forward borrowing deals, totalling £400m, which are scheduled to be transacted between March 2022 and May 2023. An analysis of these loans can be found in the table below.

Counterparty	Amount (£m)	Start Date	Maturity Date	Rate (%)	Profile
Phoenix Group	37.5	15 March 2022	15 March 2062	2.706	Annuity
Barings LLC	150.0	15 August 2022	15 August 2052	1.970	Maturity
Phoenix Group	12.5	15 March 2023	15 March 2063	2.751	Annuity
Rothesay Life Plc	200.0	08 May 2023	08 May 2069	2.887	Equal Installment of Principal
Weighted average interest rate				**2.579**	

Post PWLB Interest Rate Change Borrowing Strategy

6.12 On 9 October 2019, the Public Works Loan Board (PWLB) increased the cost of borrowing for local authorities by 1%. All new loans are now subject to the relevant gilt yields +1.8% (local authority certainty rate). This increase has made the cost of loans associated with the Council's capital programme more expensive. This has also impacted on capital schemes which are 'self funding', i.e., those that generate income which offset capital financing costs, resulting in schemes having a higher bar that should be met before being financially viable. The Council's borrowing strategy has been to fund any new borrowing entirely from the PWLB, which must now be reviewed.

6.13 The Council's treasury management strategy permits borrowing from a number of sources, but it was not originally anticipated that any alternatives to PWLB would need to be utilised, given the low cost of PWLB funding previously. The key advantage of the PWLB choice was the advantageous rates, speed of processing and the low administration cost associated with the loans, achieved with a single telephone call by officers when new borrowing was arranged. Alternative funding to PWLB will result in lengthy due diligence required, Link consultancy costs, external legal advice and will be far more costly and time consuming administratively.



6.14 Alternative options for funding to PWLB could include:

- **Banks**

  Discussions with the Council's treasury consultant suggest that the Council could access borrowing at far less duration when compared with PWLB, where the majority of loans are for periods in excess of 20 years. This could change if banks see local authority lending as a long-term opportunity following the PWLB announcement.

- **Pension Fund institutional investors**

  Initial indications have suggested that the Council may be able to borrow from institutional investors at rates of around gilt yield plus 1.2% to 1.8% for periods of over 20 years, via Private Placement Agreement (PPA). Such arrangements will be subject to negotiations with the lenders, who will need to undertake due diligence on the Councils borrowing funds.

  The process of entering into such agreements is complex and would be subject to consultancy advice. Such agreements would typically be around £50m in size (i.e. the Council would need to do multiple deals to fulfil its borrowing requirement, potentially several per year).

  Councils who have strong balance sheets and considerable reserves will be able to negotiate better rates. Pension funds prefer deals with inflation linked yields to match their inflation linked liabilities. It is recommended that these be avoided due to the significant accounting complexities associated with changing levels of inflation.

- **Bond investors**

  A bond release would first require the Council to become credit rated by one (or more) of the major rating agencies, Fitch, S&P or Moody's. This is a complex, lengthy and costly process that has to be repeated annually.

  It is thought likely that investors will lend to local authorities at rates less than the new PWLB rates of gilts +1.8%. However, the precise rate offered will be market led and be dependent on the specifics of the financial strength of the authority and the market's perception of this strength.

  Councils with existing, large reserves will be able secure the most advantageous rates. Bond releases typically require a minimum size of at least £200m. The process will be reliant on consultancy and legal advice.

- **Private Placement Bond**

  The Council has been approached by a money broker who introduced the opportunity to borrow 30-year money in the form of a private placement bond. Whilst this bond would share similarities with a public bond, the nature of a private and unlisted proposal would negate the need for the Council to obtain a credit rating and would therefore be a quicker and more straightforward transaction to arrange. The security for money borrowed section complies with Section 13 of the Local Government Act 2003 meaning that all money borrowed by a local authority, together with any interest on the money borrowed, shall be

charged indifferently on all the revenues of the authority. At the time of the report initial pricing for a private bond would be expected to achieve a 40-45bps discount from the PWLB rate for a similar duration. There would be no brokerage fee payable to the Council.

- **The Municipal Bonds Agency (MBA)**

  This has been in existence since 2013 but has yet to issue a bond or advance any loans. The 1% PWLB increase will make the MBA offering more viable, but officers are still waiting to hear of any firm plans that will advance this option.

6.15 Only a handful of local authorities have raised external capital borrowing via alternative options as PWLB rates have traditionally been at levels that competitors could not offer. This could now change and the market is likely to gear up to the possibility of lending to Councils. Alternative opportunities for the Council may well present themselves, and the borrowing strategy will be designed to allow for this.

6.16 With the benchmark for borrowing opportunities now at gilts plus 1.8%, external markets could adjust the pricing for funding to below this new benchmark. It is unclear at this stage whether serious PWLB competition will materialise, and it is likely to take some time to do so.

6.17 The unavoidable scenario is that alternatives to the PWLB will require far more due diligence, borrowing will likely have to be done in large tranches, rather than taking small amounts (£10m or even £5m) incrementally, as was common practice from the PWLB, and rates offered will differ depending on the financial strength of individual authorities, as opposed to the vanilla pricing associated with PWLB.

6.18 Officers will continue to explore alternatives to the PWLB, working with the Council's treasury advisor, Link. PWLB rates will also be kept under regular and active review, as future drops in gilt rates may provide advantageous borrowing rates for the council, even with the additional 1.8% margin applied.

6.19 There is also a possibility that the PWLB will reverse on the increased rate that has been put in place. Or offer lower rates for projects associated with housing or infrastructure provision. However, this is seen as very unlikely.

Immediate liquidity needs can be satisfied by borrowing from other local authorities in the short term, consistent with the Council's current approved treasury management strategy.

Table 5 The Council's balance sheet position at 31 March 2019

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	**905**	**1,059**	**1,415**	**1,775**	**1,972**	**2,009**
Other Long Term Liabilities						
PFI	**(7)**	**(7)**	**(6)**	**(6)**	**(6)**	**(6)**
Leases	**(45)**	**(44)**	**(43)**	**(42)**	**(41)**	**(41)**
Under / (over) borrowing	**853**	**1,008**	**1,366**	**1,727**	**1,925**	**1,962**
External Borrowing	**221**	**206**	**238**	**400**	**587**	**572**
Under borrowing/ Internal borrowing	**632**	**802**	**1,128**	**1,327**	**1,338**	**1,390**

Limits on external borrowing

6.19 The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 6 below. The Authorised Limit has been increased in line with the CFR.

The limits are:

- **Authorised Limit for External Debt (Prudential Indicator 6a)** – 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 6b)** – 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

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
	Authorised Limit:						
746	Borrowing and other long term liabilities	**905**	**1,059**	**1,415**	**1,775**	**1,972**	**2,009**
	Operational Boundary:						
223	Borrowing	**221**	**206**	**238**	**400**	**587**	**572**
12	Other long term liabilities	**52**	**51**	**49**	**48**	**47**	**47**
235	**Operational Boundary**	**273**	**257**	**287**	**448**	**634**	**619**

6.20 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

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
273	HRA CFR	**282**	**296**	**319**	**379**	**386**	**407**

6.21 The Executive Director of Finance and Resources reports that the Council complied with these prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Maturity structure of borrowing (Prudential Indicator 9)

6.22 Managing the maturity profile of debt is essential for reducing the Council's exposure to large fixed rate sums falling due for refinancing 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 2019/20. The principal repayment profile for current council borrowing remains within these limits.

Table 8 Debt maturity profile limits

Actual Maturity at 30 Nov 2019	Duration	Upper Limit	Lower Limit
0	Under 12 months	**40**	**0**
9	12 Months and within 24 Months	**35**	**0**
9	24 Months and within 5 years	**35**	**0**
15	5 Years and Within 10 Years	**50**	**0**
67	10 Years and Above	**100**	**35**

Maturity profile of long-term borrowing

Borrowing as at 30 November 2019		
Period	General Fund	HRA
	£m	£m
0 - 5 years	**0**	**30**
5 - 10 years	**0**	**43**
10 - 15 years	**0**	**50**
15 - 20 years	**0**	**18**
20 - 25 years	**15**	**0**
25 - 30 years	**0**	**0**
30 - 35 years	**0**	**20**
35 - 40 years	**0**	**20**
40 - 45 years	**0**	**0**
45 - 50 years	**10**	**15**
Total	**25**	**196**

6.23 The Council has £70 million of LOBOs (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 result in a need for refinancing.

6.24 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 revisited with a view to taking on further longer term fixed rate borrowing in anticipation of future rate rises.

Policy on Borrowing in Advance of Need

6.25 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.

6.26 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.

6.27 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Forward Borrowing

6.28 As anticipated in the 2019/20 TMSS, the Council has undertaken no new borrowing for the financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA).

6.29 Due to the overall financial position and the underlying need to borrow for capital purposes, it is prudent for the Council to lock in affordability by placing some forward borrowing for the amounts it can be relatively certain it will need, whilst maintaining some forward flexibility as projects may or may not proceed within the expected timeframes.

6.30 During 2019/20, the Council arranged forward borrowing loans totalling £400m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the “cost of carry”, that is, the difference between loan interest cost and the rate of return on cash investments.

Debt Rescheduling

6.31 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).

6.32 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.

6.33 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.

6.34 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 basis point increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates. Any rescheduling will be reported to Cabinet.

7 SECTION 3 - MANAGING CASH BALANCES

The current cash position and cash flow forecast

7.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

7.2 Table 9 below shows that cash balances have increased by £186m since 1 April 2019 to 31 October 2019 which is mainly due to income such as council tax, business rates and grants received in advance. The cash balance is expected to be closer to £600m by year end.

Table 9 Cash position at 31 October 2019

As at 31 March 2019			As at 31 October 2019	
Principal	Average Rate		Principal	Average Rate
£m	%		£m	%
		Investments		
729	**0.95**	Specified	**885**	**0.90**
0	**0.00**	Non-Specified	**30**	**1.32**
729	**0.95**	**Total**	**915**	**0.92**
		Borrowing		
151	**3.86**	Public Works Loan Board	**151**	**3.86**
70	**5.08**	Market Loans	**70**	**5.08**
2	**0.00**	Other	**0**	**0.00**
223	**4.24**	**Total**	**221**	**4.24**

7.3 The medium-term cash flow forecast (see below) shows that the Council currently has a substantial positive cash flow position with the average cash position decreasing each year. Treasury officers will work closely with the capital finance team to monitor slippage within the capital program. Information relating to future business rates and the amounts held pending rating appeals will also be monitored as these are uncertain and will have an impact on the figures detailed below.

Table 10 Medium-term cashflow forecast

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**729**	**581**	**411**	**50**	**(105)**	**(107)**
Movement in Cash						
Capital Receipt	45	83	107	112	55	127
Grants & Contributions	159	161	152	90	58	38
Revenue Financing / MRA	24	33	34	34	35	34
Cash In	**228**	**277**	**293**	**236**	**148**	**199**
Other Cash movements	0	0	(97)	11	11	11
HRA Cash movements	11	(1)	59	33	(13)	(89)
Capital Programme	(387)	(431)	(649)	(596)	(345)	(236)
Cash Out	**(376)**	**(432)**	**(687)**	**(552)**	**(347)**	**(314)**
Forward Borrowing	0	0	38	162	200	0
Repayment of debt	0	(15)	(5)	(1)	(3)	(15)
Balance 31 March	**581**	**411**	**50**	**(105)**	**(107)**	**(237)**
Average Balance	**655**	**496**	**230**	**(28)**	**(106)**	**(172)**

7.4 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

7.5 It has been little surprise that the Bank of England's Monetary Policy Committee (MPC) has left the Bank Rate unchanged at 0.75% in 2019 due to the ongoing uncertainty over the UK's exit from the European Union and, more recently, due to the impending general election. In its meeting on 7 November 2019, the MPC became more dovish due to increased concerns over the outlook for the domestic economy. In the event that the UK's exit from the European Union became more uncertain, and if weaker global economic growth was prevalent, then it would be likely that the MPC would further cut the Bank Rate. However, if these risks were both to dissipate, then rates would need to rise only at a gradual pace and to a limited extent.

7.6 The exit from the European Union uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were an eventual exit from the European Union with no agreement on the terms of trade between the UK and EU, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

7.7 In October 2019, MPs approved an outline of an exit deal to enable the UK to leave the EU on 31 January 2020. There will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

7.8 While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years.

Council policy on investing and managing risk

7.10 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

7.11 Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. During 2019/20, investments of £45m took place which exceeded 364 days. This means the Council remains well within the upper limit for such investments of £450m.

Table 11 Investment limits

2018/19		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
	Upper limit for fixed interest rate exposure						
223	Net principal re fixed rate borrowing	**905**	**1,059**	**1,415**	**1,775**	**1,972**	**2,009**
	Upper Limit for variable rate exposure						
0	Net Principal for variable rate borrowing	**0**	**0**	**0**	**0**	**0**	**0**
0	Upper Limit for principal sums invested for more the 364 days	**450**	**450**	**450**	**450**	**450**	**450**

Improving Investment Returns

7.12 An Investment Executive was set up to ensure that the Council made best use of its resources and ensure value for money was being achieved in its overall investment strategy. The task force contains both Council Members and Officers and meets on a quarterly basis.

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 Executive Director of Finace and Resources has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

8.3 The Executive Director has confirmed that the PIs set out below are all expected to be complied with in 2019/20 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2020/21.

PI Ref	Paragraph Ref		2018/19 Actual	2019/20 Forecast	2020/21 Proposed
1	5.3	Capital expenditure	£325m	£387m	£431m
2	5.11	Capital Financing Requirement (CFR)	£746m	£905m	£1,059m
3	5.12	Net debt vs CFR	£523m underborrowing	£684m underborrowing	£853m underborrowing
4	5.13	Ratio of financing costs to revenue stream	GF (4.06)% HRA 33.61%	GF 1.69% HRA 34.22%	GF (1.95)% HRA 24.07%
5a	6.11	Authorised limit for external debt	£746m	£905m	£1,059m
5b	6.12	Operational debt boundary	£235m	£273m	£257m
6	7.3	Working Capital Balance	£0m	£0m	£0m
7a	7.10	Upper limit for variable interest rate borrowing	£0m	£0m	£0m
7b	7.10	Upper limit for fixed interest rate borrowing	£223m	£905m	£1,059m
7c	7.10	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£0m	£450m	£450m
8	6.15	Maturity structure of borrowing	Upper limit under 12 months: 40% Actual: 0% Lower limit 10 years and above: 35% Actual: 73%	Upper limit under 12 months: 40% Forecast: 0% Lower limit 10 years and above: 35% Forecast: 67%	Upper limit under 12 months: 40% Forecast: 7% Lower limit 10 years and above: 35% Forecast: 62%

9. LEGAL IMPLICATIONS

9.1 The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. The Council is also required to have regard to the CIPFA Treasury Management Code of Practice.

9.2 The current CIPFA Treasury Management Code of Practice 2017 and the Secretary of State's Investment Code both require the Section 151 officer (Executive Director) to present an Annual Treasury Management Strategy Statement, which includes an Annual Investment Strategy, for the forthcoming year for approval by the Full Council before the beginning of each financial year.

9.3 The revised CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions. The prudential and treasury indicators have to be set by the Full Council when the budget is set and are monitored during the year. The prudential indicators are included in section 8 of this report.

9.4 The Council is also required to approve a Treasury Management Policy Statement setting out the overarching framework for treasury management services within the Council. This statement is set out in sections 5-7 of this report.

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 2019/20 (Approved by Council March 2019)

1. Section 3 Local Government Act 2003

2. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended

3. MHCLG Guidance on Minimum Revenue Provision (fourth edition) February 2018

4. MHCLG Capital Finance Guidance on Local Government Investments February 2018

5. CIPFA Prudential Code for Capital Finance in Local Authorities, 2017
6. CIPFA Treasury Management Code of Practice, 2017
7. CIPFA Treasury Management Guidance Notes 2018

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

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APPENDIX 1

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 £978m and the cash flow projections show this pattern is expected to decrease 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. On the assumption that the UK and EU agree a European Union exit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

   2020/21: 0.75%
   2021/22: 1.00%
   2022/23: 1.00%

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 3 months during each financial year are as follows:

   2019/20: 0.75%
   2020/21: 0.75%
   2021/22: 1.00%
   2022/23: 1.25%
   2023/24: 1.50%
   2024/25: 1.75%
   Later years: 2.25%

6. The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over the European Union exit, as well as a softening global economic picture. The balance of risks to increases in the Bank Rate and shorter term PWLB rates are broadly similarly to the downside. In the event that an exit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

Investment time limits

7. 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 2020/21, the proposed limit of investments for over 364 days is £450m as set out in table 11 of the TMSS.

Investment Policy

8. 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.

9. 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 and the impact of our exit on a potential counterparty.

Creditworthiness Policy

10. 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. This is set out in the specified and non-specified investment sections below; 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.

10.1 The Executive Director of Finance and Resources 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.

10.1.1 Credit rating information is supplied by Link Asset Services, our treasury advisors. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

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].

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. **Non-specified investments** are those with less high credit quality, may be for

[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.

periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. 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. All loans will 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. 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

- Westminster Housing Investment Ltd

15. For any such investments, specific proposals will be considered by the Tri-Borough 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 below:

19. Officers will monitor the impact of the UK's exit from the European Union on the names within the Council's counterparty list.

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
Greater London Authority (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
	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

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.

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 low.

Supranational 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 low risk, but not in the same safe risk category as UK. The investment return is low.

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.

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.

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.

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.

UK Local Authorities: £100 limit per authority, £500m in total. 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 budget 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. UK local authorities and levying authorities are regarded as safe and the return is relatively low.

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, this entity is not regarded as risk free as local authorities and therefore the limit is lower at £20m.

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.

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.

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.

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.

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.

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.

UK Bank Deposits: £75m per bank. Banks have become a riskier counterparty since the 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.

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.

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.

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

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.

APPENDIX 2

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.

   - The Council reserves the right to adopt an annuity MRP structure where appropriate to match an assets cash flows

   - 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 2017) and complies with the requirements of the Code as detailed in this appendix. There are no changes to the requirements formally adopted in the 2017 update with regard to reporting: 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 Audit and Performance 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.

Council

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

Cabinet

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.

Audit and Performance Committee

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

Section 151 Officer

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.

Tri-Borough Director of Treasury and Pensions

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 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 is needed, and suitable opportunities, are identified.

Prospects for Interest Rates

1. The Council has appointed Link 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.

Link Asset Services Interest Rate View	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

2. The above forecasts have been based on an assumption that there is a pathway to an agreed deal on our exit from the European Union, including agreement on the terms of trade between the UK and EU, at some point in time. Given the current level of uncertainties around the result of the general election due on 12 December and then subsequent developments, this is a major assumption and so forecasts may need to be materially reassessed in the light of events over the coming weeks or months.

3. Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields.

4. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years.

5. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

6. During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears

about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this and how strong the correlation is likely to be is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

7. One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

8. Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

9. The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

10. Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Economic Update

11. **UK. European Union Exit.** 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the general election on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an

extension of negotiations, probably two years, or, a no deal Brexit in December 2020. GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero.

12. While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their European Union exit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for European Union exit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or European Union exit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future. The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that domestic "unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and both of the largest parties have made significant promises in their election manifestos to increase government spending. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure. In addition, it has to be borne in mind that even if the post-election Parliament agrees the deal on 31 January 2020, the current transition period for negotiating the details of the terms of a trade deal with the EU only runs until 31 December 2020. This could prove to be an unrealistically short timetable for such major negotiations which leaves open two possibilities; one the need for an extension of negotiations, probably two years, or a no deal exit from the European Union in December 2020.

13. As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of to 1.3%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

14. With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady a 44 year low of 3.8% on the Independent Labour Organisation measure in October.

    Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

15. In the **political arena**, a general election could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

16. **USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. Growth in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However; CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

17. **The Fed** finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn , whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

18. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in early November, a phase one deal was agreed between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

19. **EUROZONE. Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y.

    Germany would be particularly vulnerable to a no deal European Union exit depressing exports further and if President Trump imposes tariffs on EU produced cars.

20. **The European Central Bank (ECB)** ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period;** (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by 'growth friendly' fiscal policy.

21. On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

22. **CHINA.** 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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

23. **JAPAN** - has been struggling to stimulate consistent significant GDP 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.

24. **WORLD GROWTH.** Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy.

    The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central
    banks increasing interest rates.

25. The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

City of Westminster

Decision Maker:	Cabinet
Date:	10 February 2020
Classification:	General Release
Title:	Integrated Investment Framework 2020/21
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cllr M Caplan, Deputy Leader and Cabinet Member for Finance, Property and Regeneration
Financial Summary:	Implementation of an Integrated Investment Framework will influence investment decisions going forwards and deliver added value to Council services. This report identifies the potential for future improved returns.
Report of:	Gerald Almeroth, Executive Director – Finance and Resources

EXECUTIVE SUMMARY

1. On 18 February 2019, Full Council gave approval to implement a comprehensive strategic integrated investment framework for bringing together and managing all of its investments with the approval of an Integrated Investment Framework.

2. The Council holds £915.1m of short term high grade, cash based investments (as at 31 October 2019), managed under the Treasury Management Strategy, which passes through Scrutiny, Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £472.8m, which are considered as part of the Capital Programme. It also owns various equity shareholdings. In addition, the Council is responsible for managing the Pension Fund which has net assets of £1.5bn, and operates under the Investment Strategy Statement (ISS) set by the Pension Fund Committee.

3. The treasury investments are currently generating a forecast return of 0.92%. The investment properties are currently generating around 4.4%, net of direct costs. The latest current inflation rate as measured by CPI is 1.3% (as at December 2019), and this must be taken into account alongside the current total portfolio yield.

4. This report sets out:

- the Council's strategic objectives in respect of risk management, and its attitude towards investment risk;
- current levels of investment activity;
- an updated Integrated Investment Framework for the Council going forward which seeks to diversify the risk and thus future-proof the Council against possible future economic downturns;
- actions to be taken in connection with implementing this Framework, if agreed.

RECOMMENDATIONS

5. That the Council:

a) approve and implement the Integrated Investment Framework set out in this 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 portfolio (acquisitions will be made out of borough only on an exceptional basis). 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 on an exceptional basis and subject to Cabinet Member approval;

h) the Investment Executive to implement, monitor and report on the investment strategy.

INTEGRATED INVESTMENT FRAMEWORK

BACKGROUND

6. The Council is responsible for managing its total assets valued at around £3.0bn at 31 October 2019, comprising £1.5bn pension fund, £0.9bn of short-term cash investments and £472.8m of investment property. It is important that the Council is able to take a holistic view of its investment pools and align them with its funding needs and goals. The scale of these figures makes their positive and proactive

financial management very important. Investments held as part of the Council's pension fund are managed under a separate regulatory framework and are outside the scope of this report from the point of view of investment management.

7. In previous years, the Council's Investment Strategy formed part of the Treasury Management Strategy Statement (TMSS) which is developed and updated as part of the Council's Medium Term Financial Plan (MTFP). The TMSS has tended to focus on the policies for placing short-term cash based investments, whilst decisions regarding other types of longer term investment have been considered on an individual basis as opportunities arose.

8. While the assets are distributed across a range of areas, the complexity of the Council and its funding requirements means that there is a need for the assets to be considered collectively and holistically as, in the aggregate, they represent a very significant pool of resources. More specifically, in view of:

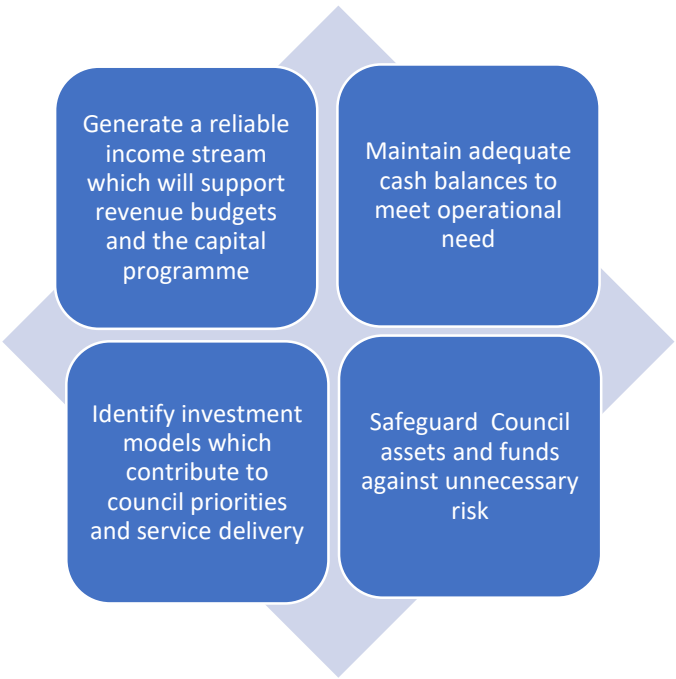
   - the significant value of investments held by the Council;
   - their increasing importance in terms of generating income which supports revenue budgets and capital investment;
   - their potential to add value and contribute towards corporate objectives in their own right,

   it was felt appropriate to give this aspect of financial management more detailed consideration and to develop a more integrated approach to investment decision making.

STRATEGIC CONTEXT

9. The Council's key focus is on delivering high quality services within the context of reduced government funding and increased demand for services due to demographic change. The Council also needs to have regard to the longer term, given its moral and legal responsibilities regarding sustainability and stewardship of public assets.

10. The role of investment management is to support service delivery by balancing four key strategic objectives as follows:



11. An appropriate investment strategy which balances the above objectives is therefore key.

12. The Council is exposed to possible future events, such as:

- the potential impact of an economic downturn following the UK's exit from the European Union possibly leading to recession in the UK and increasing demand for Council services;
- more general economic dynamics because of the multiple links that the Council has into the economy through its service and revenue streams;
- increases to CPI inflation, which will place cost pressure on both revenue and capital budgets;
- the pension fund deficit which may result in increased employer contribution rates (although the Council has begun to address this through increased deficit contributions), and recent higher valuations in the equity market have also impacted favourably);
- interest rate changes which could materially impact on the cost of the capital programme;
- Government funding policy changes.

13. Ideally, the investment strategy should be aimed at generating future income to address these longer term risks.

ACCEPTABLE RISK LEVELS

14. An appropriate investment strategy which balances the above objectives consists of one which:

- focuses on investments with a reasonable return based on reasonable risk;
- includes other Treasury opportunities not covered in the TMSS; and
- investigates property investment opportunities.

15. The suggested policy going forward is that the Council will generally seek to obtain the maximum amount of income consistent with an optimum level of risk, and will be willing to accept a lower level of income in exchange for a lower risk product which does not expose the capital value of the investment to potential loss.

16. By more proactive and appropriate management of the Council's investment portfolio, an increased level of income can be achieved, but also ensuring that appropriate security is maintained over the Council's assets.

17. Such investments shall be separately identified in Council records and will be subject to the Council's detailed budget monitoring and review as a result.

CURRENT INVESTMENT ACTIVITY

18. The Council is responsible for managing three investment portfolios:

- the Council treasury investment portfolio of circa £915.1m comprising of short-term cash-based investments generating a forecast return of 0.92%;

- Long-term investments in shareholdings such as Westminster Housing Investments Ltd, portfolio value £27.3m, with an expected rate of return of 5%.

- A property fund partnership (Lettings Fund, portfolio value £21.0m with an expected rate of return of 3.2%.

- the investment property portfolio of £472.8m, generating 4.42% net of direct costs; and

- the City of Westminster Pension Fund of £1.5bn with an assumed long-term investment return of 4.8%.

19. The Council investment portfolio is set out below.

Type of Investment	Expected rate of return	Value at 31 October 2019 £ million	Value at 31 March 2019 £ million
Short term investments (mostly overnight cash deposits, money market etc.)	0.92%	£915.1	£729.0
Long term investments in shareholdings in controlled companies	5% Average	£27.3	£27.5
Property Fund Partnership (Lettings Fund)	3.20%	£21.0	£21.0
Investment properties	4.40%	£472.8	£472.8
Total		**1436.2**	**1250.3**

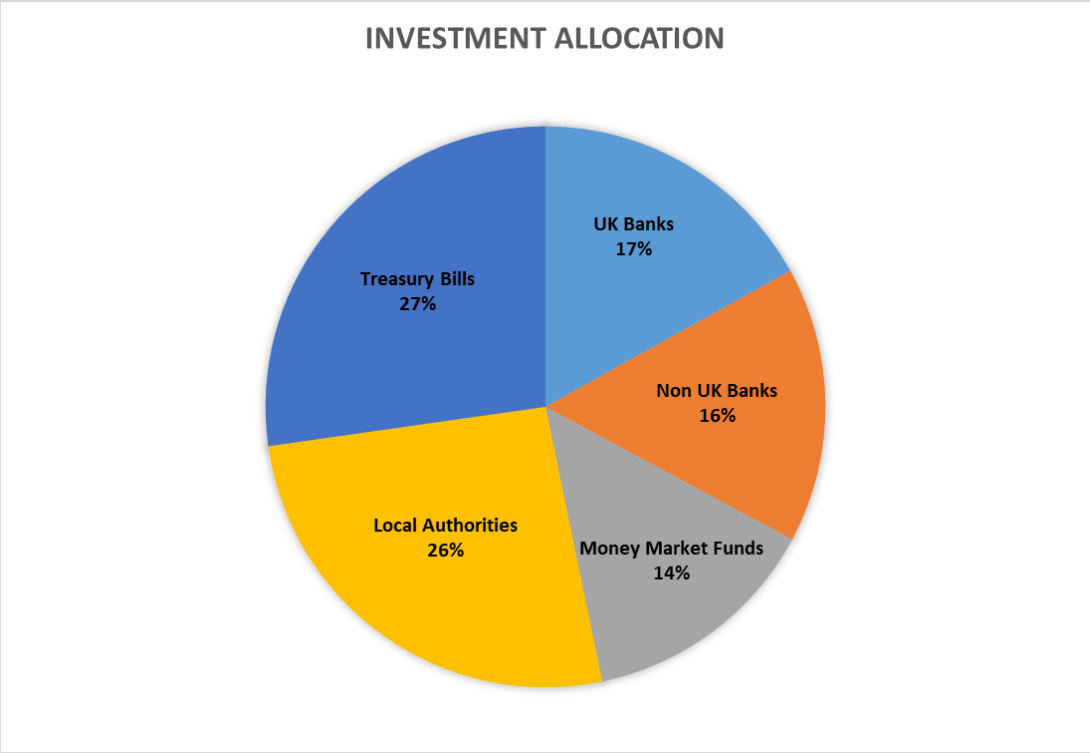
20. The Pension Fund is a separate legal entity and, therefore, its assets cannot fit within the wider investment framework of the Council. However, despite this ring-fencing, the pension fund has a significant second-order impact on the Council's financial position and funding needs, because of the existing deficit in the scheme, and the contribution plan in place to close this deficit.

21. Following the 2019 triennial actuarial valuation, the estimated funding level for the City of Westminster Pension Fund has risen to 100% (80% in 2016). This can be attributed to excellent investment returns during this period with global equities performing particularly well. The funding level for Westminster City Council as an employer has risen by 16% to an 86% in 2019 from 70% in 2016, this is in part due to the Council's deficit recovery payments made to the Pension Fund during this period.

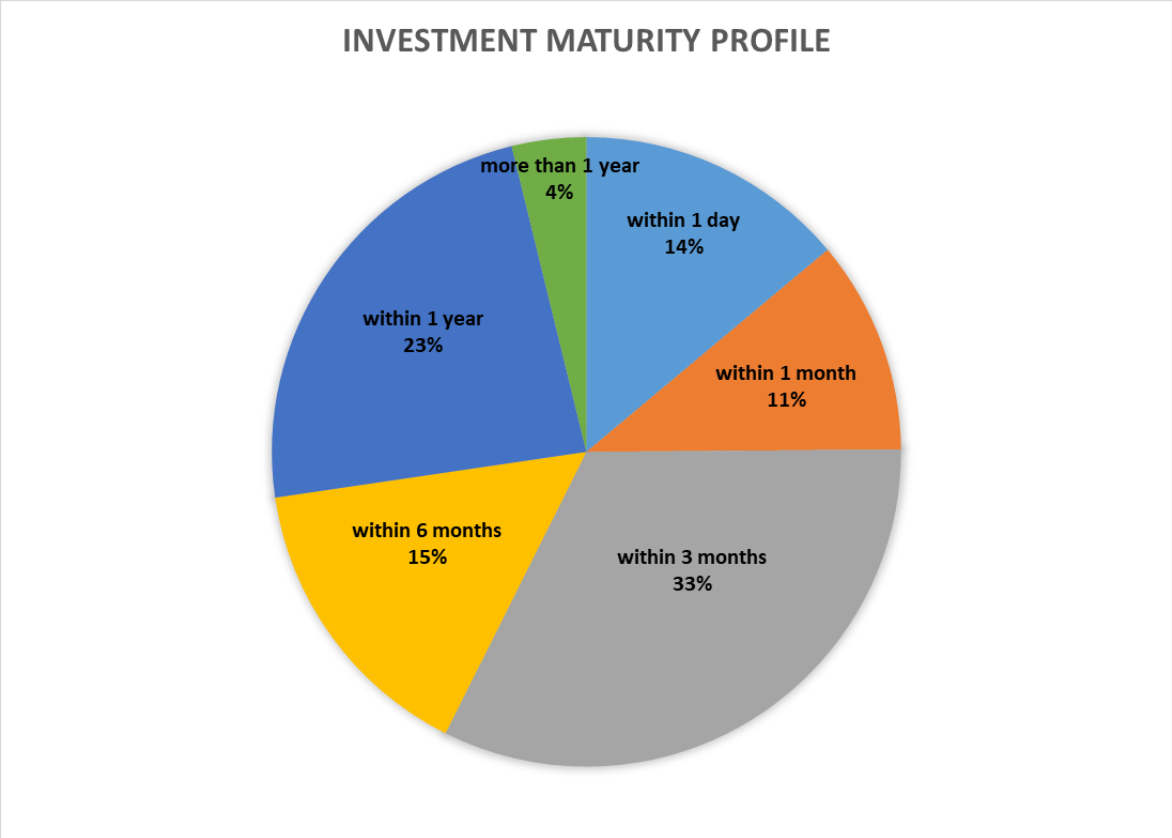
22. The funding of the Pension Fund assumes a long-term annualised rate of return of 4.8% represented in the discount rate used to value the pension fund liabilities. From the Council perspective, as an employer paying into the Pension Fund, any deficit represents a form of borrowing with an interest rate set at the discount rate of 4.8%.

SHORT-TERM INVESTMENTS

23. In line with the current investment strategy, the treasury portfolio of short term cash-based investments with 33% bank based deposits, 26% in local authorities (subject to due diligence on recent external audit reports, past and current expenditure outturn/forecast and current/anticipated position with regard to useable reserves), 14% in money market funds and 27% in Treasury Bills as shown below.



24. The majority of treasury managed investments currently mature within 12 months as shown below.



25. In line with the above, the portfolio is entirely investment grade and heavily biased toward the top end with 14% of investments AAA, 4% AA, 8% AA-, 16% A+, 5% A and 53% being local authority and UK government treasury bill investments.

26. This approach provides flexibility for the Council at very low levels of risk, but tends to result in fairly low returns, currently around 0.92%, and an approach to investment management which focuses on security and liquidity.

INVESTMENT PROPERTY

27. Commercial property investment provides investors with:

- a higher income return than equities, bonds or cash;
- a secure, regular income with income growth prospects to hedge against inflation;
- capital value appreciation;
- asset management opportunities to further increase rental and capital growth;
- an underlying real asset with minimum capital value.

28. However, as with any investment, there are associated risks:

- illiquidity: property is a 'bricks and mortar' asset which takes time to sell/buy;
- threat to income security if the tenancy fails and the property cannot be re-let;
- capital depreciation: if the asset is not properly managed and kept in good repair.

29. Geographically, the investment property portfolio is inevitably concentrated within the borough, which self-evidently tends to concentrate the economic risk in one area. Commercial property yields are currently ranging from 4.00% in central London to 4.75% in the regions (see Appendix C). In-house investment property generated 4.4% yield net of costs (excluding capital growth) in 2018/19.

30. Currently, the property investment portfolio is heavily fragmented due to its historical incremental build-up with a heavy concentration in alternative assets (largely car parks) which generates 48% of total income, followed by offices generating 23%, retail generating 16%, industrial generating 8% and residential generating 5%. The car park assets, which provide a steady income stream, offer value added opportunities through potential change of use and redevelopment over time.

31. A budget of £120m is included in the Capital Programme for investment schemes to generate additional income towards future Medium-Term Plan savings, and this allocation is due to be approved in March 2020. This is an increase from the current year's Capital Strategy of £71.9m (originally £100m of which £28.1m had been spent). Schemes funded by this will go ahead if they generate additional income after full due diligence.

32. The Council is focused on delivering best returns from the portfolio, acquiring new assets and redeveloping existing assets will help to achieve this. The property investment strategy is focussed around three elements:

- **Driving income from the current portfolio** – The aim is to increase the portfolio by 2% per annum in net income terms (excluding new acquisitions). This will be achieved through a pro-active Asset Strategy enabling long term deals to be agreed that benefit income outside regular lease events.

- **Streamline and future proof the current portfolio –** This will involve a plan to dispose of poor performing assets (where there is no broader justification for holding them) and a long term strategy for car parks. In addition, there will be investment into the portfolio where there are opportunities to generate further income.

- **Invest in new properties within Westminster –** General principles for investment are detailed below, the investment will be reviewed in the round so not every one of the principles needs to be achieved for an investment to be made:

    - Investment should be focused on diversification of the portfolio, particularly exposure to office, industrial, leisure and private residential markets;
    - New investments should be in excess of £5m to enable the portfolio to increase its average lot size;
    - All assets acquired must be within Borough unless opportunities arise adjacent to existing out-of-borough holdings;
    - New investments should achieve a yield of 5% by year 5;
    - Focus on clusters linked to the Council's long-term regeneration and economic objectives.

LONG-TERM INVESTMENTS

33. Prior to 2004, Councils were only permitted to make loans to, or invest in, other local authorities, the Government, banks or building societies. The introduction of the Prudential Code relaxed these restrictions and gave local authorities the flexibility to invest in much more innovative methods of service delivery and income generation by:

    - establishing, controlling and participating in limited companies trading for profit; and
    - entering into loans and investments with "non-specified" counterparties, including limited companies and not-for-profit organisations.

34. These are classed as non-specified investments under the Ministry of Housing, Communities and Local Government's (MHCLG) statutory guidance for local government investments.

35. No general legal restrictions are placed on the value, length or nature of such investments and the only proviso is that investments are placed in accordance with investment strategies formally approved by members. The City Council's Treasury Management Strategy Statement (TMSS) expressly permits new investments in non-specified institutions. For any such investments, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions, and approved by the S151 Officer subject to due diligence.

36. Non-specified investments include asset vehicles, such as infrastructure and housing, which offer additional possibilities. As well as generating additional income, they can, in and of themselves, make a contribution to corporate priorities and improve service delivery. They also diversify investment risk away from the banking sector and can offer more flexibility in terms of length of investment and timing of drawdowns.

37. This type of investment is becoming more common in local government with authorities investing in projects to increase low cost and affordable housing, improve transport infrastructure, and support sustainable energy programmes as well as pooled property or equity investments, venture capital funds to support new and growing businesses, bond issues and unit trusts.

38. Such investments typically offer a higher risk adjusted return. However, they also tend to carry more complex risk profiles and attract higher transaction/due diligence costs, and are unlikely to have a published unit price or credit rating. The onus therefore falls on the Council to make its own evaluation of the investment and whether or not to proceed.

39. The Council's current portfolio of non-specified investments is:

	Value at 31 October 2019 £ million	Value at 31 March 2019 £ million	Expected return
Investments in companies controlled or significantly influenced by the Council	27.3	27.5	Nil direct to the Council, profits made are usually reinvested in the business
LGA Loan	20	20.0	3.13%
Supranational	72.7	72.7	0.77%
Property Fund Partnership (Lettings Fund)	21.0	21.0	Annualised 6% over 7-year life of fund
Total	**135.0**	**115.2**	

40. By increasing its holdings in this area, the Council would reduce its reliance on the banking sector and facilitate the move towards a more long-term investment profile, as discussed below.

41. Identifying and investigating individual investment opportunities across multiple markets can be both time consuming and expensive. Therefore, appointing a Fund Manager to manage a "bundle" of separate investments across a range of markets can be cost effective and spread risk by taking assurance on the fund manager's own due diligence processes.

LIABILITIES AND CASHFLOW NEEDS

42. In order to assess appropriate changes to the treasury portfolio, it is important to consider also the council's liabilities and cashflow needs over time. This is imperative as the purpose of investing the assets is to better match upcoming cashflow needs and also to minimise funding gaps.

43. The Council has a significant capital programme, totaling more than £2.5bn to 2033/34. This will be funded from £1.0bn of external funding, leaving a net funding requirement of £1.5bn. Thus, the need to take liquidity into account is extremely important.

INVESTMENT ALLOCATION

44. The Council's investment portfolio is currently allocated between liquid cash based short-term investments, longer term cash investments for the intention of generating enhanced yield and commercial property, pension investments and equity shareholdings which tend to be held for perpetuity or at least 20 years or more.

45. Achieving liquidity and the necessary cashflow to manage revenue and capital commitments does require a reasonable allocation of short- term investments, with 54% of the cash portfolio maturing within 12 months regarded as reasonable.

46. Therefore, the proposed approach going forward is to move investment allocations towards proposals in the table below, facilitating liquidity in an achievable manner:

Type of investment	Current allocation 31 Oct 2019	Proposed allocation
Short-term investments – under six months	48%	27%
Short-term investments – over six months less than one year	15%	27%
Short-term investments – less than two years		6%
Short-term investments – less than three years		4%
Short-term investments – less than four years		4%
Short-term investments – less than five years		4%
Property	35%	25%
Alternative investments*	2%	3%
Total		100%

*** In the absence of any approval for the placing of Alternative Investments, there is no proposed allocation for these. Should such an opportunity arise and be approved, this will reduce the allocation to short-term investments of less than one year.**

FACTORS IN INCREASING YIELD

47. This has been partially achieved with the following ambitions set out in the TMSS. However, the requirement for liquidity will remain paramount and a revised maturity profile is set out above.

Change	Current situation	Risk	Progress made in 2019/20
Treasury Management			
1. Lengthen the maturity structure from the current average seven months to a target average maturity of two years	By investing in longer maturity assets with same credit quality, some additional yield may be generated.	Going out to longer dated bank deposits beyond 5 years would increase counterparty risk to individual banks, which becomes more of a risk if there is a future financial crisis	At 31 October 2019, £250m of investments are locked for periods of six months to 2 years, with agreed forward deals in place to invest for periods of up to three years.
2. Widen the credit quality of investments by moving from the current average rating of AA to A. This would allow the Council to invest a greater number of instruments with a moderate amount of credit risk (eg corporate bonds) that have maturity beyond one year. Yields tend to be higher to compensate for the higher perceived risk and reduced liquidity	By investing part of the portfolio in single A rate investments, some additional yield may be generated.	By diversifying away from bank deposits, although marginally lower credit rating, this would spread the risk in the event of a future financial crisis.	At 31 October 2019, the treasury investment portfolio had £45m invested in investments with credit ratings A, £145m in A+, £70m in AA-, £40m in AA counterparties and £127m in AAA rated counterparties. Any category of an A grading is known as investment grade and thus high quality.
Investment property			
Adopt a more focused property investment strategy by reducing the number of properties and increasing the lot size to increase efficiency and reduce 7the cost of management and maintenance. Given the added illiquidity of property investment, this only makes sense if the Council can achieve higher yields than the treasury portfolio and meet other objectives such as reducing risk (e.g. inflation) or help meet statutory duties. Therefore, new acquisitions should	Increased net return target of 2%	Adverse property markets may result in a fall in sale value	There have been no significant purchases in year, however there are various investment plans following the implementation of the latest revised property investment strategy

Change	Current situation	Risk	Progress made in 2019/20
target a total return of 5% by year 5. A further objective is the acquisition of suitable properties which will assist in the unlocking or enhancement of regeneration schemes or the achievement of other strategic benefits (not necessarily financial) for the Council.			
Expanding the use of fund structures to deliver specialist functions such as supported living housing, homeless shelters, asylum housing etc. This would meet statutory duties and generate a return.	Yields from public social housing real estate investment trusts (REITs), such as the Real Lettings Fund which the Council is currently invested in are generating returns of 6%	By using a fund structure, this arms-length approach distances the Council from the costs of directly managing such property and investment is secured on the underlying property	During implementation, consideration will be given to additional transaction costs (which may be bid/offer on entry and exit), as well as high management fees and/or the underlying costs of such investments.
Alternative assets			
6. These fall outside traditional investments, such as listed equities and bonds, and include renewable energy pooled funds, infrastructure and commodities.			Currently, these are considered too high risk for the treasury portfolio.
Pension Fund			
7. Pension Fund deficit: pay off entire deficit post 2019 actuarial valuation	This eliminates the interest payable on the pension fund deficit in its entirety, providing contribution and interest savings	Adverse markets in UK and abroad increase pensions deficit notwithstanding the payment made	The Council is proposing to pay all of its pension fund deficit identified in the 2019 triennial actuarial valuation, currently projected to be £132m at 1 April 2021.

SCRUTINY

48. 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 and meets biannually.

OVERALL INVESTMENT TARGET

49. The overarching objective of this Framework is to move towards increasing income generated from Council investments aspiring to match inflation in a full year.

(compared with the current forecast return of 0.92%), whilst maintaining adequate liquid cash balances for operational purposes and not exposing the capital value of investments to unnecessary risk.

50. However, because of the current and future liquidity requirements of the capital programme and the approval, procurement and due diligence processes reference the higher return generating options, the impact in the short term (during 2019/20) has been a more modest return.

GOVERNANCE

51. Innovation within the financial services industry leads to a constantly changing market and the availability of new asset classes, products and financial instruments. The Council needs to be able to operate more flexibly, and make decisions more quickly, in order to benefit from the opportunities presented by this environment and to successfully implement the changes outlined above.

52. The implementation, management, monitoring and reporting of this Integrated Investments Framework operates, being approved by Full Council with specific investment decisions that require such action being delegated to the Cabinet Member for Finance, Property and Regeneration after due diligence and advice from the Executive Director - Finance & Resources and Tri-Borough Director of Treasury and Pensions.

53. Day-to-day aspects of treasury management function will continue to be delegated to officers in the same way that they are at present, but the Integrated Investment Framework will:

- enhance the effectiveness of decision making;
- embed a good risk culture that encompasses appropriate due diligence, option appraisal and an atmosphere of open debate;
- ensure that a holistic approach is taken towards managing the Council's portfolio.

54. The implementation, monitoring and reporting will continue to be delegated to the Investment Executive. The Investment Executive will comprise:

- the Cabinet Member for Finance, Property and Regeneration and the Chair of the Audit and Performance Committee;
- the Executive Director – Finance & Resources, Tri-Borough Director of Pensions and Treasury, and the Director of Property and Investments;
- the Chief Executive and the Executive Director GPH as necessary.

55. The Investment Executive will meet quarterly, supplemented with ad hoc calls and meetings in times of need of change.

56. Key information will be reported to Members on a quarterly basis through the investment reports.

57. Given the complexity of this important area, the Council will need to rely on independent experts and advisors. The Council currently engages two investment advisors who:

- provide advice on the current investment market and recommend new products in which to invest;
- benchmark the Council's performance and identify any areas where there is scope for improvement.

DUE DILIGENCE

58. Due diligence is any process undertaken to:

- investigate a business or person prior to signing a contract;
- record the reasons behind an investment decision;
- demonstrate that the Council is acting responsibly and has adequately assessed the balance between risk and reward.

59. Due diligence should be undertaken on all investments in a consistent manner, albeit proportionate, in terms of the value and complexity of the financial instruments being considered, and their relative impact on the Council's finances as a whole.

60. For a simple instrument such as a corporate bond, for example, a few paragraphs summarising risks and expected rewards, together with analysis from an advisor would suffice. A more complex product might require specialist assistance, comprehensive risk analysis and work undertaken to monitor and re-assess risks and performance regularly.

61. The Council has developed a framework for undertaking due diligence which promotes consistency and rigour whilst, at the same time, allowing for flexibility and a proportionate approach. It is based around the "6 Ps" principle as set out in Appendix A.

62. Whilst this framework does not rule out in principle any specific type of investment, all proposals will be considered in terms of:

- reputational risk to the Council;
- environmental, social. ethical and sustainability considerations.

OPTION APPRAISAL

63. An important aspect of due diligence is assessing the value for money offered by a new investment. Option appraisal will be undertaken for all new investments as part of the due diligence process, on a proportionate basis that reflects investment value, expected duration, and anticipated level of risk. It will be:

- outcome focused;
- structured around the key questions set out in Appendix B;
- take non-financial benefits into consideration where relevant.

64. Option appraisal should focus on the opportunity costs of the investment and a comparison against returns offered by other products or opportunities realistically available, rather than achievement of a "theoretical" rate of return.

FINANCIAL AND LEGAL IMPLICATIONS

65. This report identifies the potential for improved returns aspiring to match inflation in a full year compared with the current forecast return of 0.92%. Approval and implementation will result in an integrated framework for managing the Council's investment portfolio which supports improved returns and a more effective contribution to Council priorities and services.

66. Legal Services had been involved in a review of the proposed Framework to ensure that it complied with all legislative requirements and was consistent with the Council's existing Constitution, terms of reference and scheme of delegation.

BACKGROUND PAPERS

Council

2019/20 Treasury Management Strategy

2018/19 Statement of Accounts

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

Phil Triggs, Tri-Borough Director of Treasury & Pensions

Tel: 0207 641 4136

Email: ptriggs@westminster.gov.uk

APPENDIX A – DUE DILIGENCE FRAMEWORK

1. The Council has developed a framework for undertaking due diligence which promotes consistency and rigour whilst at the same time allowing for flexibility and a proportionate approach. It is based around the “6 Ps” principle as set out below:

Powers

a) What legal powers is the Council relying on to make the investment being proposed;

b) Has legality been considered in terms of the underlying nature of the activity, as well as the instrument or vehicle itself?

c) Have capital financing and MRP requirements been considered?

Permission

2. Does the Council need permission from the Secretary of State or anyone else before progressing this investment e.g.,

a) Members – and if so who (committee with delegated authority, cabinet or full Council)

b) Chief Officer if delegated decision making powers apply

c) Consultation with the public or staff may be a legal requirement

d) Does the proposal involve legal negotiations with a contractor or 3rd party?

Policy

a) Does the proposal fit within the Council’s policy objectives in terms of what it is trying to achieve?

b) If not does the proposal need to go to Full Council for approval?

Payment

a) How is the proposal to be funded both in terms of initial and ongoing costs (i.e. is there a budget – revenue and capital)

Procurement

a) Has the proposal been subject to the Council’s procurement procedures?

b) Does it need to go through formal tendering or does it need a waiver?

c) Are there any State Aid or EU implications?

Press

a) Might the Council be exposing itself to criticism?

3. Whilst not all of the above considerations will apply to every investment scenario, this framework will be applied in principle to every investment proposal, with results reported to Members for consideration.

APPENDIX B – OPTION APPRAISAL

1. Option appraisal should be structured around the following questions:

Key questions	Issues to consider
How is the proposal to be funded in terms of initial and ongoing costs?	Is there an existing budget or is virement required? Does the proposal provide any added value to the Council in terms of improved efficiency, budget savings or reduced costs?
What is the opportunity cost of using up these cash resources?	What is the expected length of the investment period? What additional costs are there (transaction costs, due diligence etc.) in addition to the capital investment itself? Does the expenditure count as a capital transaction under capital accounting regulations? If so what are MRP/CFR implications?* Is there an exit strategy? Will this involve additional costs? Is there a risk of permanent impairment in the capital value of the investment?
Does the proposal link to corporate objectives and statutory services?	If so how does it compare to the cost of achieving similar outcomes? Will this delivery option increase or decrease outcome or cost risk?
Is the proposal solely to generate income?	What key assumptions and sensitivities are contained in the financial model? * What are best, worst and medium case scenarios? How do these compare to other investment opportunities within the same investment allocation?
What transaction, professional and management costs need to be considered?	Consider for example: Independent advice and “experts” Legal fees/stamp duty Tax, audit, accountancy, secretarial Officer time in attending meetings etc.

* To promote consistency when evaluating potential investments, any MRP set aside requirements for property or alternative investments will be calculated using the annuity method rather than on a straight line basis.

APPENDIX C - Prime yields for commercial property

	Sep 2018	Sep 2019
West End offices	3.25%	3.75%
City Offices	4.00%	4.00%
Offices M25	5.00%	5.00%
Provincial Offices	4.75%	4.75%
High Street Retail	4.50%	5.00%
Shopping Centres	5.25%	5.50%
Retail warehouse (open A1)	5.50%	6.25%
Retail warehouse (restricted)	5.75%	6.50%
Food stores	4.50%	4.75%
Industrial distribution	4.25%	4.25%
Industrial multi-lets	4.00%	4.00%
Leisure Parks	5.25%	5.75%
Regional Hotels	4.25%	4.25%

Source: Savills

City of Westminster

Cabinet Report

Decision Maker:	Cabinet
Date:	10 February 2020
Classification:	General Release
Title:	Pay Policy 2020-21
Wards Affected:	All
City for All:	N/A
Key Decision:	Approve the Pay Policy 2020-21
Financial Summary:	No financial implications outside of projected budget
Report of:	Lee Witham, Director of People Services Tel: 07984 030 683; lwitham1@westminster.gov.uk

1. Executive Summary

1.1 This report sets out details of the Council's annual Pay Policy for 2020 – 2021 which needs to be approved by Cabinet on 10th February 2020 and by full Council on 4th March 2020, before publication.

2. Recommendations

2.1 That Cabinet review and recommends the Pay Policy for 2020 – 2021 attached as Appendix 1 to full Council for approval.

3. Reasons for Decision

3.1 The Council is required to publish its Pay Policy by 31st March every year.

3.2 The Pay Policy brings together all the Council's existing policies on pay and must include details in relation to: all aspects of Chief Officer's remuneration, increases and additions to remuneration, bonuses, termination payments and remuneration on recruitment.

3.3 It must also include information about the relationship between the remuneration of its highest paid officer (the Chief Executive) and the median salary of all employees (the "pay multiple").

3.4 Government's reforms to public sector exit payments (i.e. to cap exit payments at £95,000 and recover exit payments for employees earning £80,000 plus) were due to come into effect from Autumn 2016. However, they were delayed and are now expected to be implemented sometime in 2020. The Pay Policy for 2020-2021 will be amended if this takes place.

3.5 All pay data in the Pay Policy will use the snapshot date of 31st March 2019.

4. Financial Implications

None

5. Legal Implications

5.1 The Local Authority must prepare a pay policy for each financial year which sets out the information required in s38(2)-(5) Localism Act 2011.

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

Lee Witham, Director of People Services

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APPENDICES:

Pay Policy 2020-21

Westminster City Council
Pay Policy 2020- 2021

Introduction

Westminster City Council's (the Council) Pay Policy is published in line with the Localism Act 2011, Section 38 (1) which requires all Local Authorities in England and Wales to publish their Pay Policy annually, at the start of each financial year.

The Council's Pay Policy is presented to full Council for approval on 4th March 2020. It brings together the Council's approach to pay and remuneration[1] which was approved by Cabinet on 27th August 2008 and is detailed in various Council policies. It is published on the Council's website.

We are committed to diversity and inclusion, celebrating and recognising the contribution of all our people in a fair and transparent way and we will comply with all relevant employment legislation related to pay and remuneration. This includes but is not limited to the Equality Act (2010) and the Part-time Workers (Prevention of Less Favourable Treatment) Regulations (2000).

The Council publishes salaries of Chief Officers and senior staff earning over £66,516 (FTE) and above on the Council's website in line with Local Government Transparency Code 2015.

Under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, mandatory gender pay reporting is required of all employers with over 250 employees from March 2018. The gender pay gap is a measure of the difference between men's and women's average earnings across the organisation. It is expressed as a % of men's earnings.

The gender pay gap data for Westminster City Council as at 31st March 2019 will be published on the Council's website, where currently is published the report true to 31st March 2018. The 2018 report show a mean gender pay gap of 8.6% and a median gender pay gap of 8.5%.

Background

The Council implemented a Broad Band pay structure in 2008, the purpose of which is to provide one simplified pay structure from the top to the bottom of the organisation. The pay structure focuses on rewarding added value and supporting business aims. It does not reward time served in post i.e. there is no guaranteed incremental progression. All progression is based on exceeding performance targets.

The Broad Band pay structure provides clarity and transparency on the levels within the organisation and applies to all staff employed by the Council with

Notes
[1] Excluding some employees in Schools, JNC Youth Workers, Public Health and City West Homes staff that TUPE transferred into the Council and Soulbury staff.

the exception of: schools support staff (except where the governing body has adopted the broad band structure), JNC Youth Workers, Public Health and former City West Homes staff who TUPE transferred into the Council and Soulbury staff.

The Council recognises the need to attract, recruit and retain the best staff in highly skilled or specialist work areas, where posts are hard to fill. It is accepted that our central London location and the occasional limited availability of quality personnel in certain professions means that in exceptional circumstances it is difficult to recruit to key posts on the salary for the grade of the post. Where there is a genuine requirement a Market Based Salary Supplement reflecting the difference between WCC salary and market pay rates is paid as a time bound and non-contractual addition to salary.

The Broad Band Pay Structure

There is one Broad Band pay structure from the top to the bottom of the organisation. There are 7 Broad Bands with 7 pay steps in each band. Band 1 is the lowest and Band 7 is the highest. The band of a post is determined through job evaluation.

The pay levels in the Broad Bands are generally reviewed annually in line with the National Joint Council for Local Government Services (NJC) and the Greater London Provincial Council (GLPC).

Definition of Chief Officer

The term “Chief Officer” for the purposes of this Pay Policy includes the following positions:

- The Chief Executive
- All Executive Leadership Team (ELT) Directors*
- All Directors / Deputy Director, Heads of Services

*all of whom meet the definition of either Statutory or Non-Statutory Chief Officers or Deputy Chief Officers as specified under Part 1, Section 2 (para’s 6-8) of the Local Government and Housing Act 1989, (LGHA) e.g.

“Non-Statutory Chief Officer” means,
(a) a person for whom the head of the authority’s paid service is directly responsible;
(b) a person who, as respects all or most of the duties of his/her post, is required to report directly or is directly accountable to the head of the authority’s paid service; and
(c) any person who, as respects all or most of the duties of his/her post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority.

“Deputy Chief Officer” means, subject to the following provisions of this Section, a person who, as respects all or most of the duties of his/her post, is required to report directly to one or more of the statutory or non-statutory Chief Officers.

For the purposes of this Pay Policy only, managers below Deputy Director and Head of Service levels, who as a result of changes in the structure, now report to a Chief Officer as defined above are not classified as Deputy Chief Officers.

Pay accountability

Salary packages on appointment which exceed £100,000

All posts, including those which exceed a salary package[2] of £100,000, are appointed within a pay band and structure where the principles of reward and remuneration have been previously agreed by full Council. Therefore any new appointments are not subject to full Council consideration.

Severance payments which exceed £100,000

Employees are contractually entitled to be paid in line with the Council's Redundancy Compensation policy if they are made redundant. If a proposed severance payment exceeds more than £100,000 (excluding the capital cost of pension entitlement) and this is higher than the employee's contractual entitlement, which includes accrued and untaken holiday, then the approval of full Council will be sought before an offer is made to the employee.

Deferred salary

The council's deferred pay scheme applied for many years to posts at Band 6 and Band 7 and the Chief Executive whereby 90% of salary was paid each month. The remaining 10% of salary (deferred salary) was dependent upon individual assessment against a range of criteria measuring individual contribution to overall corporate goals.

The value of deferred pay as a tool to drive performance diminished over time, therefore on 1st April 2019 the Council consolidated the 10% deferred pay into the monthly salary of senior managers and the Chief Executive.

Chief Officer Remuneration

Chief Executive (Head of Paid Service)

The Chief Executive was paid a spot salary of £188,700 per annum as at 31st March 2019. For the year 2018-19, the Chief Executive received a deferred payment of £18,870 (10% of salary). As mentioned above, the deferred pay scheme is no longer in place since 1st April 2019.

The Chief Executive undertakes the role of Returning Officer. A Returning Officer **may** recover their charges for services and expenses provided they

Notes

[2] Including basic salary and professional fees, PHI and lease car contributions where applicable but excluding pension contributions in accordance with the Local Government Pension Scheme regulations.

were necessarily rendered or incurred for the efficient and effective conduct of the election and the total does not exceed the overall maximum recoverable amount specified by the Secretary of State in an order.

Posts which exceed a salary package of £100,000

- Directors (Executive Leadership Team) are paid at Band 6 / 7[3]. The basic salary range for Band 6 is £101,883 - £140,712 and for Band 7 is £144,102 - £198,804.

- Deputy Directors / Heads of Services are paid at Band 5 / 6. The basic salary range for Band 5 is £66,516 - £93,348.

Benefits

All Chief Officers are entitled to the following benefits:

- Private Health Insurance
- Reimbursement of the payment of one professional membership fee relevant to the proper performance of duties
- Up to £234 per month contribution to contract car hire (not available for any Chief Officer appointment made after 1st December 2011).

There is no cash alternative to the above benefits.

Rewarding your contribution

This scheme enables managers to acknowledge exceptional contribution with a one off reward that can be made at any time and, for best effect, as close to the event as possible.

All employees, including Chief Officers, can be awarded a Rewarding Your Contribution payment of anything up to 5% of the annual salary, paid in a lump sum. If any employee is awarded more than £1,500 in a 12-month period, the payment must be authorised by an ELT member.

Additional Allowances

All Chief Officers are expected to work such hours as are required for the efficient performance of their duties. There are no other additional elements of remuneration in respect of overtime or premium payments (e.g. bank holiday working, stand by arrangements etc).

There are no additional allowances in respect of the roles of:

- Monitoring Officer
- Section 151 Officer

[3] Broad Band salary figures in the document are as at 1st April 2019.

General Remuneration Principles Applying to Remuneration of Chief Officers and Employees

Recruitment

On recruitment individuals will be placed on the appropriate step salary within the evaluated grade for the job. In order to recruit high quality staff a relocation package may be offered where necessary and where this would be considered cost effective. When recruiting and appointing to a Chief Officer post, the starting salary offered must be within the target salary and cannot exceed this except in exceptional cases where the Executive Director or Chief Executive has authorised this. Where an interim is required to cover a Chief Officer role, a Temporary Agency Contractor may be engaged in line with the requirements of the Council's Procurement and Contracts Code, rather than the use of a Contract for Services.

Broad Band Pay Progression

There is no automatic time served incremental progression. All progression is based on performance and increased contribution. Any pay progression cannot exceed the maximum of the relevant band.

The Council does not apply performance related pay.

Termination of Employment

On termination of employment with the Council, the Council's policy applies to all Chief Officers. Individuals will only receive compensation:

- where appropriate and relevant (e.g. redundancy compensation)
- in line with the Council's Redundancy and Redundancy Compensation Policy
- which complies with the specific terms of a settlement agreement, which will take into account the Council's contractual and legal obligations, the need to manage an exit effectively, risks to the Council and the commercial business case.

Redundancy Compensation

Statutory Redundancy Pay (SRP)

Statutory redundancy entitlement is payable if an employee has 2 years' service with an employer. It is calculated as follows:

For each complete year of service (subject to a 20-year maximum) depending on age:

• Service accrued up to age 21: a half week's pay
• Service accrued between age 22 to 40: one week's pay
• Service accrued at age 41 and over: one and a half week's pay

There is a cap on the maximum weeks' pay used and the current amount can be found here.

Initial Compensation Payment (ICP)

ICP is the discretionary redundancy compensation payment the Council makes to employees whose employment is terminated due to redundancy or in the efficiencies of the service who have at least 2 year's continuous service with the Council on their last day of service. It includes and is usually more than SRP.

ICP is payable under Regulations 5 and 6 of The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and will always be equal to or more than the SRP.

ICP is calculated as follows:

(A) completed years of continuous local government service
(B) weeks pay (actual but excluding overtime and honorariums)
(C) multiplying factor of 1.5
(A) × (B) × (C) = ICP

The statutory maximum weeks' pay (which can be found here), is used where this is higher than actual weekly pay for full time staff (it is pro rata for part time staff).

Re-employment

The decision to re-employ a previous employee, who has been made redundant by the Council (and on termination of employment received a redundancy compensation payment), will be made on merit.

The Council will not engage such an individual under a Contract for Services.

Remuneration of the Lowest Paid Employees

The Council's definition of the lowest paid employee excludes staff based outside London. Employees on Band 1 Step 1 are defined as the Council's lowest paid employees. The full time equivalent annual basic salary of this Step in 2018-19 was £20,472. The Chief Executive's total pay (as at 31st March 2019) was £207,570, which was 10.1 times the lowest salary.

London Living Wage

As at 31st March 2019 the Council did not have a policy to pay the London Living Wage, however we have committed to sign up to LLW accreditation from 1st August 2019.

The council's minimum full time equivalent hourly rate of pay to its employees (excluding apprentices) as of 31st March 2019 was £10.90. This exceeded the recommended London Living Wage rate of £10.55.

As of the 1st November 2019 the London Living Wage has increased to £10.75. The council's minimum full time equivalent hourly rate of pay to its employees (excluding apprentices) as of 1st April 2019 went up to £11.72, which exceeds the current LLW.

All London based apprentices are now paid the London Living Wage, whilst those based outside London are paid at a level above the National Living Wage for their age.

Pay Multiple

The Local Government Transparency Code (2015), states that local authorities should publish their pay multiple. This is defined as the ratio between the highest paid salary and the median salary of the workforce. The Council's pay multiple (using total pay[4]) as at 31st March 2019 was 5.5 i.e. the Chief Executive, who had the highest total pay as at 31st March 2019 (£207,570) earned 5.5 times more than the Council's median full time equivalent total salary of £37,767. The median FTE total salary has decreased by 0.6% (£240) from last year, when it way £38,007.

Notes

[4] Total pay is the sum of full time equivalent basic salary plus actual amounts received for the reimbursement of professional fees, market based salary supplements, honorariums and shift allowances where claimed up to 31st March 2019. Pension contributions are excluded. Total pay for senior management and the Chief Executive also includes deferred salary for the performance year to 31st March 2019, where awarded, car lease contributions and the value of Private Health Insurance premiums where taken. All payments have been made in line with Council policy and were pro-rated if applicable.

The Pay Policy for 2020-2021 will be amended in response to the Government's reforms to public sector exit payments (i.e. to cap exit payments at £95,000 and recover exit payments for employees earning £80,000 where they take another public sector role within a 12 month period) as soon as these come into force.

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City of Westminster

Cabinet

Meeting or Decision Maker:	Cabinet
Date:	10th February 2020
Classification:	General Release
Title:	Customer Experience and Digital Strategy
Wards Affected:	All
City for All Summary	This strategy is a key enabler to the City for All agenda: • The strategy will support the Council to ensure it has the digital infrastructure in place to deliver a Smart City • The focus on customer experience and understanding their needs better, will deliver improvements for residents when they contact us • Highlights the importance of digital inclusion, a key way the Council can support our communities to thrive • It's emphasis on data will enable the Council to use data and innovative technology to become cleaner, greener and safer
Key Decision:	Key Decision Entry made in Forward Plan of Key Decisions – submitted on 11th December 2019
Financial Summary:	No direct financial implications.
Report of:	Gerald Almeroth, Executive Director Finance and Resources Contact Details: galmeroth@westminster.gov.uk 020 7641 2904

1. Executive Summary

1.1 This report presents the Customer Experience and Digital strategy (Appendix 1) for approval.

1.2 The strategy sets the vision and ambition of the Council around the experience our customers have when they contact or transact with us, and how we will use digital tools and technology effectively.

1.3 This strategy is a key enabler to support the City for All agenda, and the delivery of the future themes. The areas identified in the strategy will support the Council to deliver this agenda by ensuring we have the digital infrastructure in place to deliver a Smart City, our residents are digitally included to support them to thrive, we are using data and innovative technology to become cleaner, greener and safer – and our residents are benefiting from an improved customer experience.

2. Recommendations

That Cabinet:

i. Approves the Customer Experience and Digital strategy attached at Appendix 1.

ii. That it is adopted as a core cross-cutting Council strategy, as a key enabler for the City for All agenda.

3. Reasons for Decision

3.1 The Council has recognised that there is a need to improve the experience customers have when they contact us.

3.2 There is also a need to better understand how we can use digital tools and technologies, including data, to improve the way we offer services to customers.

3.3 We also want to improve how we engage with our customers and understand their needs when developing services – so that we design digital services which are so good people choose to use them.

3.4 This strategy is cross-council and will be delivered through the Customer Experience and Digital programme. It is a key enabler for City for All, particularly the Smart City theme but it will also support the ambitions of the Thriving Communities and Cleaner, Greener, Safer themes.

4. Background, including Policy Context

Developing the Strategy

4.1 The requirement for a Customer Experience and Digital (CED) Programme and supporting cross-council strategy emerged from discussions in formulating the City for All policy review.

4.2 The CED Programme was set up in June 2019, and this strategy is one of the first outputs of the programme.

4.3 The strategy has been developed drawing on a range of research from external organisations (both public sector and non-public sector). Existing customer research from sources such as the Councils' City Survey, Housing Listening Survey, Adult Social Care Local Account Group, amongst others was used to inform the development of the strategy prior to any further consultation and engagement. This also informed the specific engagement with internal and external stakeholders and ensured the council leveraged prior engagement activities.

We identified key audiences to engage with and since the end of September have been getting input from various groups of stakeholders across the borough to understand their experience of engaging with the Council and how they use digital technology.

The draft strategy was all shared with all members in January 2020 with an opportunity for feedback. Comment provided have been incorporated into the strategy and accompanying documents.

4.4 The CED team have worked with 19 external groups/contacts, 32 internal stakeholders and used 22 existing sources of information to inform and develop the strategy and make sure it meets the needs of our varied customers.

The full list of stakeholders engaged with is included at the end of Appendix 2 'CED strategy engagement summary report.'

Options

4.5 The council considered and discounted the do-nothing option. The main reasons for discounting the do nothing option is:

- Doing nothing would not provide the council with a single clear direction for meeting the diverse needs and experiences of our customers.
- It would risk that the council was 'left behind' in relation to the advantages that the 'digital age' can offer both in terms of increased customer service and council efficiencies.
- Doing nothing would not provide a clear and documented customer led approach for meeting the customer elements of the councils City for All strategy.

Output from the consultation and engagement activity

4.6 Summary of findings

- Most of our customers are happy to engage with us digitally, but need to have a good experience which meets their needs and helps them achieve the outcome they need.
- We must better understand our customers' needs and the outcomes they're looking to achieve in order to design digital services which are so good they choose to use them.
- One size does not fit all, we need to retain non-digital options for those customers who will not access our services digitally.

- There is a need to support residents to build their digital skills and confidence, and to support our staff with their development around the use of technology too.

- We need to find additional ways to engage with residents, to ensure they are involved in discussions around how services are designed and how the council works for them.

4.7 Below we have summarised a few key points from just some of the groups we engaged with. More detail on the outputs of the engagement activity can be found in Appendix 2 'CED strategy engagement summary report'.

Westminster Community Network

- Had concerns around the website in terms of accessibility and language.

- Some of the people they support need help with digital basics like setting up email addresses.

- Importance of not losing human interaction.

Youth Council

- We should be using social media more to engage young people.

- Interested in future technology – robots for getting groceries; use of voice assistants; using glasses to surf the internet.

- Concerns around data protection and privacy, linked to the big tech companies but also the council.

Staff

- Want support around how to better understand user needs and build these into the way they design services.

- Want more expert help when selecting new technology/systems.

- Need support to use the technology and systems available to them to maximise their ways of working and make the most of what we have.

Businesses

- Find the pop-up Business School very helpful, particularly around online and social media training.

- Generally satisfied with support from the Council but feel online information could be better

- Interested in the council publishing its data.

Less digitally confident

- Worried that with everything going digital things could go wrong.
- Were interested in building their skills, which takes a lot of time and support.
- Struggled with things like remembering passwords and memorable data.

Non-native English speakers

- Those with a mix of low digital confidence and lack of fluency in English struggled the most with contacting the council, often asking friends and family for help.
- Interested in how information can be translated, or shown in a more image-based/flow-chart way to aid understanding of processes.
- Main issue was around not understanding the process needing to be followed, being overwhelmed by information on the website.

Engagement

4.8 The draft strategy was developed in close consultation with the Councils Customer Experience and Digital Programme Board which contains senior representation from across the council's directorates. Iterations were presented on a regular basis to the Board to continue to get a broad base of feedback and views at regular intervals.

The strategy was also shared with the Executive Leadership team via the Councils Change Board.

4.9 The draft has been shared a number of times with member forums such as the Customer and Digital Standards Board chaired by Councillor Swaddle. The draft strategy was shared with all members week commencing the 13th January, with a week's period for members to feed back to Councillor Swaddle.

The strategy has been developed using feedback from these consultation routes, and also through the output of the extensive engagement activity which the CED team undertook both externally and internally with key stakeholders as outlined in section 4 of this report.

The strategy contains a range of principles and objectives which external customer groups have supported with little divergence from the key principles outlined. If, however, more detailed planning leads to the need to conduct further consultation, the programme is well positioned and interested in engaging these groups further to represent the interests of the customer.

The Strategy

4.10 The strategy can be found in Appendix 1.

It is a cross-cutting corporate strategy, which sets the ambition and direction of the Customer Experience and Digital programme and is a key enabler for all three City for All themes.

4.11 The Vision in the strategy is:

We will transform the way our customers interact with the council making it easy for them to find the information and services they need.

4.12 It sets out the key Principles we will work to, and the benefits of having the strategy in place – for Residents, Businesses, Partners and Staff.

4.13 It then goes into more detail on the key themes – Customer, Council, Place and Technology. We also propose some Measures of Success to ensure we can track progress and know that we are making a difference to our customers.

4.14 There is no suggestion of closing channels and the strategy recognises that different residents have different needs. The strategy does aim to make the digital channel so easy that it becomes the customers preferred manner of contacting the council for the majority of residents.

5. Financial Implications

5.1 There are no financial implications directly arising from the Customer Experience and Digital Strategy. The implementation of the strategy will take place through the Customer Experience and Digital programme, and where expenditure is required to implement changes these will be managed and authorised through the CED Board, which is chaired by the Executive Director for Finance and Resources (CED Programme Sponsor). The Council will invest in digital projects on a case by case basis and would expect this to drive financial efficiencies as well as an improved customer experience.

6. Legal Implications

6.1 The Council has the general power of competence under Section 1 of the Localism Act 2011 to do anything an individual generally may do and also has its ancillary powers under section 111 of the Local Government Act 1972, to do anything which is conducive to or incidental to its functions. These powers enable the Council to delivery this Digital Strategy.

6.2 The Council also has a duty under the Data Protection Act 2018, as a data controller, to "implement appropriate technical and organisational measures to ensure a level of security appropriate to the risks arising from the processing of personal data."

The General Data Protection Regulation (GDPR), which came into force in May 2018, made it a requirement for the Council to undertake a Data Protection Impact Assessment before carrying out certain types of processing of personal data when it is likely to rresult in a high risk to individuals' rights and freedoms.

The use and handling of data will be an important part of implementing the strategy. The implementation of the strategy will bring greater focus to understanding data opportunities, ensuring ethical data decisions are taken and we comply with legislation such as GDPR.

Further, the GDPR makes written contracts between the Council, as Controller, and any third party that the Council contract with to process personal data on it's behalf, a legal requirement, rather than just a way of demonstrating compliance. Any contract in place should provide clarity around obligations, responsibilities and liabilities and also ensures the Council is able to demonstrate compliance with the data protection principles to individuals and to regulators.

6.3 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

- Eliminate discrimination, harassment, victimisation or other prohibited conduct;
- Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and;
- Foster good relations between those who share a relevant characteristic and those that do not share it.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new Strategy. An Equalities Impact Assessment has been carried out and is further detailed in Section 8 below.

7. Staffing Implications

7.1 Staff have been engaged as part of the development of the strategy and are a key group of people for whom the strategy is designed to benefit.

There are no direct staffing implications as a result of delivery of the strategy, although we will be working to upskill staff and develop or attract new skillsets.

As the Council evolves to work in new ways, adopt new technologies and re-design the way we deliver services to customers there may be staffing implications, and these will be considered as part of the council's change management process.

8. Equalities Impact Assessment implications

8.1 An equalities impact assessment has been completed and is available as a background paper.

8.2 Our data shows that the vast majority of Westminster residents have access to the internet and a similar number use online services daily. This, combined with the fact that other contact channels will be maintained for vulnerable residents and those without digital access, means that the potential risk from the delivery of the strategy is minimal.

8.3 For those customers who are less likely to use digital channels, perhaps due to a lack of access, skill or confidence, the following mitigations are in place:

- The delivery of the strategy through the CED Programme will take a user-centered approach, meaning services will be designed to meet customer's needs, and be accessible and intuitive so that as many people as possible will choose to access services digitally
- Digital inclusion has been integrated into the strategy as a key activity, with building people's confidence and giving them access to digital tools being important. Lots of digital inclusion activity happens through our libraries, and is also provided by community organisations to assist people

- We are maintaining alternative ways of contacting us for vulnerable customers who are not comfortable using digital means

- Work by the Economic Development team to improve full fibre coverage across the borough will also mean our social housing estate internet connectivity improves, with community halls also being connected for free.

- The website is being re-designed using a user-centered approach, making it more intuitive and user friendly to increase people's likelihood of using it, levels of satisfaction and successful outcome from their online interaction

9. Risk Implications

9.1 The key risk to the delivery of the strategy would be a lack of ownership and support to implement a wide-ranging programme of work across the Council. This is mitigated against through Councillor Swaddle's role as Cabinet Member for Digital and Customer Services, and the Customer and Digital Standards Board which he chairs which will inform and monitor the delivery of the CED programme. Governance is also in place through the programme sponsor, (Executive Director of Finance and Resources) and the CED Programme Board.

9.2 As the strategy was being developed, it was identified as a risk that key groups may not be engaged with. This was mitigated against through determining who the key stakeholders were early on and ensuring there were routes to engaging with these groups as well as many others. The range of groups engaged with has been regularly shared with key officers who have advised where engagement with other groups/stakeholders is necessary and these have been followed up on. This wide engagement should ensure that the strategy meets the need of all customer groups.

9.3 The strategy will be delivered through the CED programme, and it will be important to ensure this programme is resourced sufficiently in order to deliver the ambitions in the strategy. The programme will manage risks and issues as part of its programme management activity and escalate key risks and issues through the CED programme board as they arise.

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

Brett McKee, Customer Experience and Digital Programme Manager

bmckee@westminster.gov.uk

APPENDICES

1. Customer Experience and Digital Strategy
2. CED strategy engagement summary report

BACKGROUND PAPERS:

CED Strategy Equalities Impact Assessment

Customer Experience & Digital Strategy

City of Westminster

Contents

Foreword

We are a council who strive to understand the needs of our customers, and we will use this knowledge to deliver the best possible experience for you. We want to ensure that our contact channels are effective and designed to meet your needs.

Customers will be supported to use digital channels by choice, and we will work with our customers and partners to develop these digital channels to make contacting us as easy as doing business with leading e-retailers.

Improving how we deliver services to customers, and embracing digital ways of providing services, information and transactions will allow us to meet our customers' expectations of being able to engage with us online, mean we can deliver better and more efficient services, and also ensure we are making the best use of our resources.

We are a flagship local authority at the heart of a global city, and this is behind our ambitions in the strategy to make sure we are delivering the customer experience you expect from us and are leading the way in how we engage with our communities and deliver the services they need.

Our ambition is to be the best digital local authority globally.

Councillor Paul Swaddle OBE
Cabinet Member for Community Services and Digital

Introduction

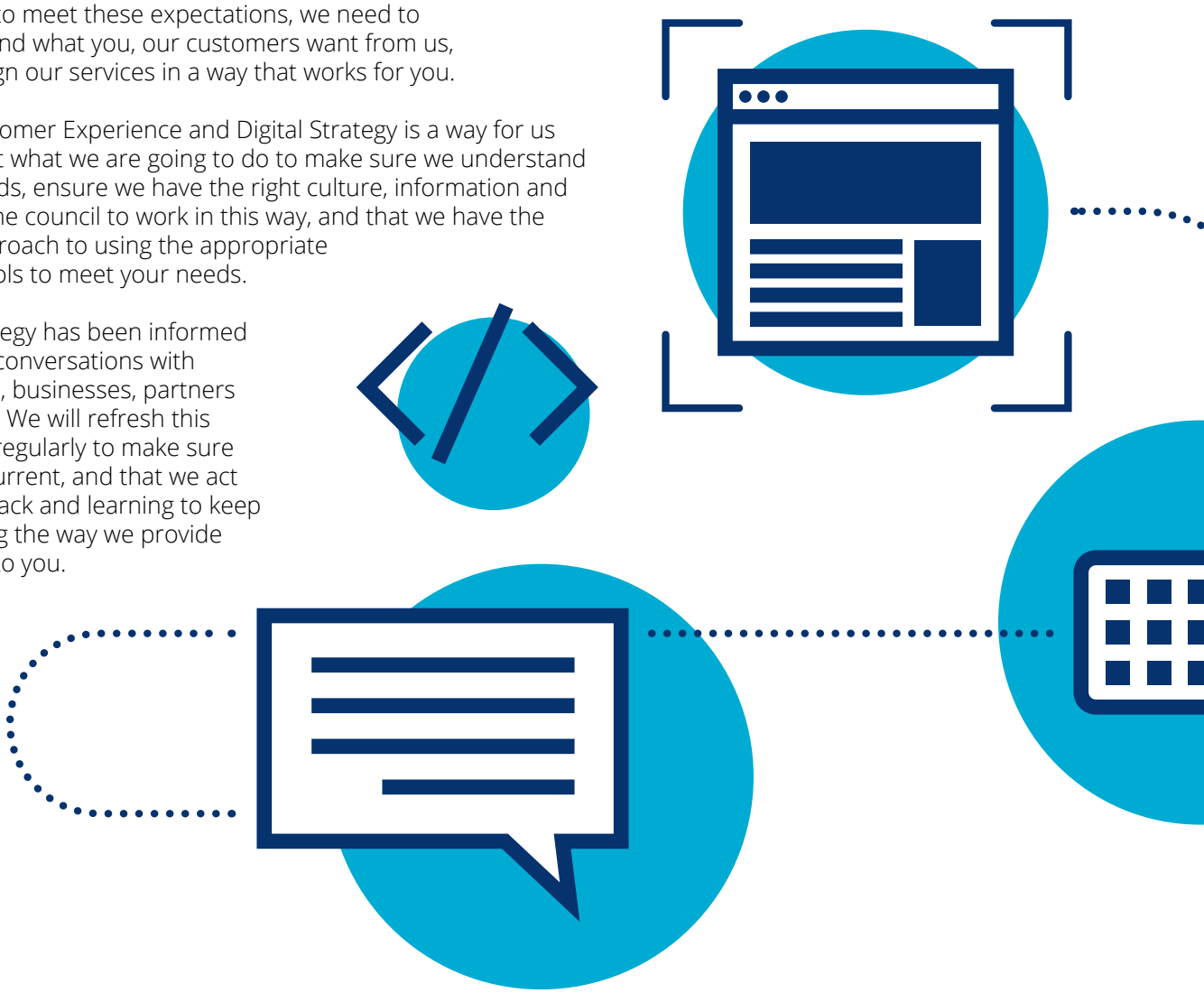
Westminster is an ambitious council. We're ambitious for our residents, our local businesses, our visitors and our staff. We want our customers to have the best possible experience when they get in touch with us, and we want to make the most of the opportunities that digital technology provides to help us do this.

The pace of digital change is fast and getting faster. This is true in our daily lives, and in the way the council works. As a result, the expectations of our residents and businesses around how they find information, or interact with us, has changed and we know people expect seamless, intuitive digital services.

In order to meet these expectations, we need to understand what you, our customers want from us, and design our services in a way that works for you.

This Customer Experience and Digital Strategy is a way for us to set out what we are going to do to make sure we understand your needs, ensure we have the right culture, information and skills in the council to work in this way, and that we have the right approach to using the appropriate digital tools to meet your needs.

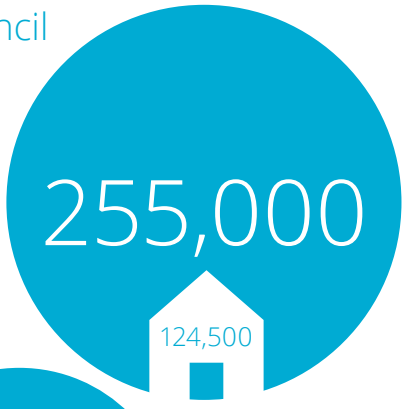
This strategy has been informed through conversations with residents, businesses, partners and staff. We will refresh this strategy regularly to make sure it stays current, and that we act on feedback and learning to keep improving the way we provide services to you.



What do we mean by customer experience?

Customer experience is the impression people have of Westminster City Council when they contact us or use a council service. Our customers vary from:

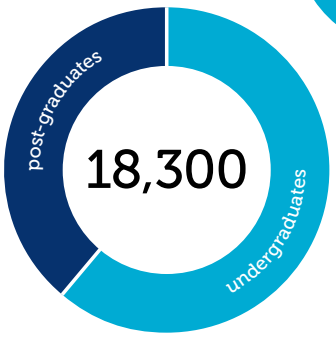
Residents
We have 255,000 people living in the borough, in 124,500 households



Workers, shoppers and tourists
During the daytime the population of Westminster grows by 1.1m people. This means that during the day for every resident there are four non-residents in the borough

Businesses
We have 55,398 businesses, hosting 715,000 jobs

Students
The student (Higher Education) population is around 18,300 – 11,200 undergraduates and 7,100 post-graduates



Additionally:

More than 210,000 people are employed in the night-time economy in the borough

OVER 150 languages are spoken in Westminster's schools

We have a population churn of 27%

What do we mean by digital?

> **Digital:** applying the culture, practices, processes and technologies of the internet-era to respond to people's raised expectations
>
> Tom Loosemore, Public Digital

This definition is adopted by a wide range of public sector organisations, and for us it covers four key areas which we need to get right to give our customers a positive experience.

Digital is not just about technology, it's about having practices and processes which make sense, are simple and work. It is about having the appropriate technology which meets the needs of both internal and external users, supports our business processes, and is secure, flexible and simple to use. It is also about making sure we have the right organisational culture in place which supports and encourages our staff to optimise the use of digital to meet the needs of their customers.

Principles

As an organisation we have chosen to adopt a set of principles to work to, which will make sure we provide the best possible customer experience.

We will:

1. Always put the customer at the heart of everything we do
2. Make our digital channels so good that you prefer to use them
3. Continuously seek feedback and evidence to improve how we do things
4. Create a culture that listens to what you want, and takes the time to understand what you need
5. Continue to recognise that some customers need support to contact us digitally, and maintain alternative ways of contacting us for our most vulnerable customers
6. Support our staff to provide the best possible experience to you, and invest in their training and understanding of digital and good customer service
7. Invest in the right technology to meet our ambitions.

Our Vision

Transform the way our customers interact with the council making it easy for them to find the information and services they need to improve their lives.

We will also work to the Government Digital Service Standard, which includes the importance of understanding user needs and ensuring we design for accessibility. The standard has been designed to help organisations create and run great digital public services.

These principles have been shaped through engagement with residents, businesses, council staff and partners to make sure they reflect the needs of Westminster customers and help us create a City for All.

By implementing this strategy:

Residents

- We will learn what residents' key needs and priorities are and take a proactive approach to resolving issues in the borough which affect them, before they need to contact us
- Will have the best possible experience every time they contact us
- Will find it easy to contact us when it is convenient for them, and will get a response which resolves their issue, query or need first time
- Will find that the service they receive digitally is so good that they choose to contact us in this way
- For those that cannot get online we will maintain our telephone services, protecting these for our most vulnerable residents
- Will be engaged in the development of services, involved in testing new and changing ways of contacting us and see their feedback acted on
- Will benefit from proactive action by our teams and our partners to increase digital skills, access to digital equipment and better digital connectivity around the borough
- Will see that we have a better understanding of their needs and are able to personalise services, both through increased levels of engagement and better use of data
- Will have confidence that we are an organisation that is committed to ensuring the best possible customer experience, having the staff support and culture to achieve this, the right technology and security in place and takes the protection of residents' data seriously.

Businesses

- Will be encouraged to stay and grow in Westminster
- Will see the benefits of improved digital connectivity and an increasingly digital population to feed into their workforce needs
- New businesses will be attracted into Westminster to complement our already thriving world-leading industries, helping increase the availability of fantastic careers for residents
- Will be able to access our open data, which will lead to the development of solutions to meet local needs and support a borough-wide culture of innovation
- Will find the transactions they need to complete with us simple and easy to do online.

Customer Journey

Our customer improvement work is about making it easy for you to complete tasks with us without having to repeat information, to save you time and effort and help you get a resolution quicker.

Partners

- We recognise that our partners are also our customers, and we will make contacting us and transacting with us simple
- We will work collaboratively with our partners to ensure we are delivering joined-up services where possible, extending our services to empower partners (e.g. being able to report issues directly)
- Our partnership working will benefit from us having a clear strategy in place, which can be shared with partners to identify common areas of interest and opportunities to work together to deliver improvements
- Close collaborative working will allow us to more easily share our data and access each other's open data, which will help us ensure we are using what we know about our residents to better meet their needs
- We will work with our partners to continue to enable improved digital infrastructure and skills in the borough
- We will have flexible contracts to allow us to adapt to changing demand.

Staff

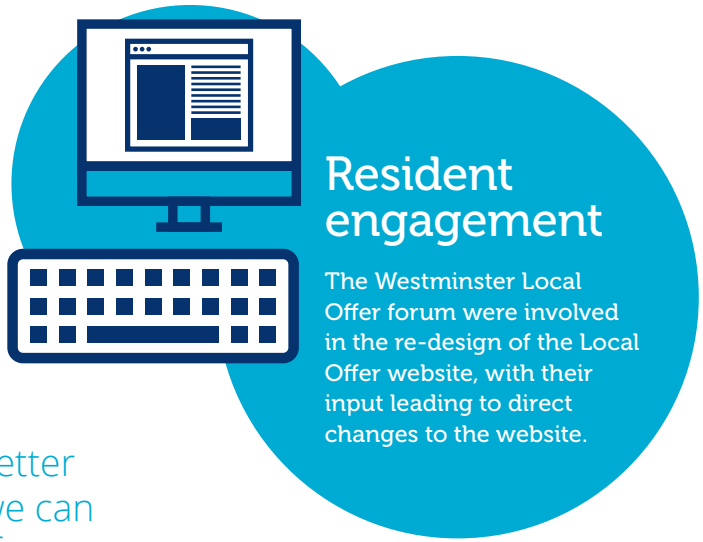
- Will feel supported to engage with their customers, both when developing a new service or way for residents to contact us and on an ongoing basis
- Will have the skills, tools and technologies they need to deliver the best possible customer experience to residents
- Will be supported to take responsibility for resolving customer issues first time
- Will work in a culture which places the customer at the heart of everything we do, and is supported by the leadership team
- Will be supported and encouraged to turn ideas for improving the customer experience into action
- Will have access to the right data to make informed decisions resulting in improved outcomes for local people.

Staff skills

Our staff are being supported to adopt new equipment and technologies which allow them to work flexibly to meet the needs of our customers.

Themes

Customer



We will provide you with the best possible customer experience.
We will do this through developing a better understanding of your needs so that we can be more proactive and resolve issues for you without you needing to contact us. We will make sure that your needs are always at the heart of any service we provide.

When you do need to contact us, many of you will choose to go online because our digital services will be so good. Your experience will be easy and reliable. You will be kept up to date and you will get a resolution which meets your needs. We will make sure our online information is accessible, easy to understand and designed with our customers in mind, so we can make it easier for you to self-serve and make informed choices based on accurate and useful information.

You will only have to tell us something once – whether it's providing documentation or telling us your story. Where it is appropriate to do so we will share information better between areas of the council in support of providing a seamless experience, helping you and not asking you to repeat yourselves, something we know you don't want to do. Through these improvements to your customer journey you will find you get an answer or can complete a task quicker, saving yourself and the council time and effort. We will explore how technology such as artificial intelligence (AI) can be used in some scenarios to help us understand the needs of our customers and demand on our services so we can provide a better service for you. This could manifest itself in the use of data to understand areas which need attention in the borough and allow us to efficiently and effectively deploy our resources to prevent and resolve issues.

We will engage you in how we design our services. We'll do this regularly, to understand how our current services are working for you and when we design new ones. We'll be interested in what's important to you, what your needs are, and how you feel when accessing any of our services.

We know that not all of our customers are able to contact us digitally. For those that want to be able to do this we will support you to build your digital confidence, offering support to increase your skills, providing access to computers and continuing to ensure the borough has the best connectivity to make sure everyone can access the internet. We will keep our telephone and non-digital services for those who still need them – caring for and supporting the most vulnerable in our communities is, and will always remain, our most important priority.

As we better understand you and your needs, we will personalise your services, helping you to find it easier to access what you need and when.

Council

As an organisation we will continuously seek customer feedback and when you provide this, you will be able to see what change it has led to. We will regularly review our services ourselves, using data and information to understand what improvements we can make to ensure we're always providing you with the best possible experience.

We will support our staff to take time to understand your needs and empower them to make sure we are helping resolve your request, query or issue the first time you contact us. We will make sure the staff are in the right place to meet your needs and have the right technology to do this effectively.

We recognise that our staff need support as we use more digital technology, and we will work with them to make sure they are confident in delivering services and engaging with you in this way. This will help us deliver services in the most efficient way and mean our staff can confidently support you to use digital services too. We will also make sure the systems our staff use are designed and tested with them, and simple to navigate so they can meet your needs. The use of technology can support our services to develop and meet their own service aspirations.

Digital inclusion

In 2019 our libraries supported nearly 2,500 people with digital skills training and support for free.

Getting the way we provide services to you and the use of digital right will help us meet our financial challenge. The more we can encourage those of you who can to use our digital channels because we've got them right, the less need there will be for our telephone and non-digital services which are more expensive to provide and which we want to be able to afford to keep for those of you who really need them. Work looking at how we can use new technologies to automate parts of how we provide services, using sensors to provide us with better information, and developing techniques to use our data to make better informed decisions all provide us with opportunities to make savings and be able to protect our core front-line services.

We are already using technologies such as cameras on our vehicles to identify potholes, and we want to explore more how technology can help. The evolving world of connected sensors allows us to monitor a range of things (e.g. noise, damage to street lights etc) which can proactively alert us so we can address issues before you need to tell us. We're also using technology to support how our older residents live independently at home and are interested in how technology can help us understand someone's care needs better. We want to continue to explore how technology can help you, and our services, to ensure we understand and can proactively meet your needs.

We will continue to engage our customers in our decision-making processes, making sure that customers are at the heart of all council decision making. We will encourage all residents to take part in consultations and engagement activity and make it easy for you to access these. We will also make sure we have a continuously improving understanding of your needs through feedback, data and engagement so we can always factor this into our decisions.

Place

We will work with our local public and voluntary sector partners to make sure we are delivering joined-up services to our shared customers. We will use digital technologies to work efficiently together and share data where appropriate to make sure we can provide the best possible experience to you.

Data

We are using data intelligently to forecast trends and demands in Children's Social Care for the types of future placements which may be needed.

We will also work with local, national and international organisations who are world-leading in their use of digital to provide excellent customer service and learn from them so that we can bring these ways of working and technologies to the people of Westminster.

Westminster is a flagship local authority at the heart of a global city. We need to make sure we are keeping pace with other cities around the world and giving you the best opportunities which the right digital infrastructure, technologies and use of data can provide. One of our new City for All priorities is to be a 'Smart City' – Smart Cities are defined in the Mayor of London's Smarter London Together Roadmap as **"a collaborative, connected and responsive city. It integrates digital technologies and uses city-wide data to respond to our citizen's needs."** This focus on responding to citizen's needs is at the heart of our work to make the most of digital and data opportunities for our residents, businesses and visitors. We see a Smart City approach as a key way to embrace technology which helps us ensure the City of Westminster is ready for the future, and which meets the needs of our residents, and already teams are working on key projects to deliver the technology improvements we will need.

We are proud of the businesses in Westminster, and our Economic Development Strategic Framework is in place to support them. We recognise that having the right digital infrastructure and access to residents with digital skills are key to businesses staying and growing in our city, and in attracting new ones. We will continue to work with broadband providers to bring super-fast connectivity across the borough and explore further connectivity opportunities such as open Wi-Fi and the Internet of Things. Our work to support residents to build their digital skills will help provide a pipeline of local people with a set of skills that makes them more employable by local businesses.

We are fortunate to have four globally prominent universities with world-leading departments partly based in our borough – Imperial College London, Kings College London, The London School of Economics and Political Science and the University of Westminster. We already work in partnership with these institutions and will continue to do so to make the most of the opportunities that our world-leading academics and facilities bring to the area.

We will also become more open with our data, publishing data which can safely be made publicly available which could be used by businesses to help them grow or develop innovative solutions to help us meet local challenges and improve outcomes for you. This will always be done in line with data protection legislation, is happening in other places and is something we want to nurture with our business community in Westminster.

We will also continue to provide digital skills support to Westminster start-ups and businesses, helping them develop their presence in the digital world and make the most of the opportunities to reach new customers, and scale sustainably.

Technology

We are founding members of the London Office of Technology and Innovation (LOTI) and have embedded the GDS Local Government Digital Service Standards in our technology governance processes. This involves a commitment to developing services that meet the needs of citizens, protecting citizens' privacy and security and striving to deliver better value for money.

Roadbotics

We are the first council in the UK to be trialling the 'Roadbotics' system which uses smartphones in our fleet vehicles to scan our roads and detect damage.

Artificial Intelligence (AI) identifies the defects and rates them, with information provided to maintenance teams to schedule maintenance and resolve problems.

We know we shouldn't try to run before we can walk, and we know that not all our technology works as it should now to enable us to provide our best possible customer experience. We have big ambitions, but know we need to get the basics right first and have already started this work. Our single IT service across both the City of Westminster and the Royal Borough of Kensington and Chelsea allows us to pool technology resources and work to offer a consistent experience to staff and customers across our bi-borough services. We will work with public sector, government and technology partners to help us meet our technology ambitions, learn from others and share what we are good at with partners to help them improve their services too.

We are keen to explore how we can better use our data and information to help provide the best possible customer experience. This will include continuing to explore how automation and machine learning techniques can help us make the best use of the information we have, preventing issues before they occur and supporting new, more efficient ways to deliver our services. The better we get at knowing the needs, preferences and behaviours of our residents, the better we can be at delivering an effective and proactive customer experience. We want to better use our data internally to inform our decision making, and how we run and provide our services. We increasingly wish to share our data with partners and use data they can provide us too to really build our knowledge and mean we can better jointly support people in the borough. Opening up our data, within the lines of the regulations, provides opportunity for others to be able to use it to find out information about the borough, develop innovative solutions to meet local challenges they can identify, and hold us to account.

We recognise that the more we do digitally, and the more we open up our data, the stronger we need to be around our cyber-security. Protecting your data will always be a key priority, and we will be transparent about how we are using and sharing data. We take our data protection obligations seriously and will always work within the relevant Data Protection legislation.

Measuring our success

By 2023...

Customer

- Our customers will...
  be choosing to use our digital services, as they will have been designed to meet their needs
- Westminster will...
  design all services with a comprehensive understanding of user need
- Westminster will...
  be accessible – designing for everyone from the start.

Place

- Our customers will...
  have a seamless experience through the council working efficiently and collaboratively across departments and with partners – reducing repetition and follow up contacts
- Westminster will...
  be known as a global leader in Smart City approaches and technologies.

Council

- Westminster will...
  have robust user engagement and testing functions, ensuring the customer is at the heart of service design
- Westminster will...
  view staff as users, creating processes and systems that are accessible and efficient for both customers and officers
- Westminster will...
  have the right metrics and processes through which user satisfaction and take-up can be measured and evaluated
- Westminster will...
  carry out a Government Digital Service assessment on all new or redesigned services to ensure the customer journey is well understood.

Technology

- Westminster will...
  use data to take a proactive approach to problem solving, minimising the number of service requests that customers generate
- Staff will...
  be supported to make effective use of their technology to support customers.

Customer Experience and Digital Strategy – Summary of Engagement

Introduction

Westminster City Council have embarked on a programme of improvements around Customer Experience and Digital. The need for a strategy was identified early on, in order to have a clear document which sets out the council's ambitions. The strategy will be an overarching document for the programme, and a core council document, with the associated work an enabler for delivering not only the Customer Experience and Digital (CED) programme but also the City for All priorities.

To develop the Customer Experience and Digital strategy it was important we understood the needs of our customers – our residents, partners, businesses and staff. This report is a summary of the findings from both a desktop review of existing surveys and information, as well as additional engagement which took place.

The findings from the engagement have fed into the creation of the strategy, as well as the developing Customer Experience and Digital programme.

Summary of findings

- Most of our customers are happy to engage with us digitally, but need to have a good experience which meets their needs and helps them achieve the outcome they need
- We have to better understand our customers' needs and the outcomes they're looking to achieve in order to design digital services which are so good they choose to use them
- One size does not fit all, we need to retain non-digital options for those customers who will not access our services digitally
- There is a need to support residents to build their digital skills and confidence, and to support our staff with their development around the use of technology too
- We need to find additional ways to engage with residents, to ensure they are involved in discussions around how services are designed and how the council works for them

Sources

A range of existing sources were used, such as the 2019 Our Voice staff survey; the 2018 City Survey (2019 City Survey results will be analysed to identify any changes); Media Consumption survey; output from engagement in Adult Social Care with the Local Account Group; and outputs from the Housing Listening Exercise which took place earlier this year.

We also carried out direct engagement with residents at the October Open Forum; the 'Make It Happen' Parents Participation Group; the Youth Council; at a focus group for non-native English speakers and in Libraries – both at specific digital events and with general library users. We spoke to partners such as the Westminster Community Network meeting in October; Central London Clinical Commissioning Group (CCG) and the Chelsea and Westminster Hospital. For businesses, we attended the Victoria BID business breakfast and the Pop-Up business school event.

We also spoke to staff from across the business, to make sure their voice was also heard.

A full list of the sources used and groups we engaged with is included in Appendix 1.

Findings

We have set out the findings in line with the customer groups listed in the strategy.

Residents

Westminster's residents tend to be internet users, familiar with accessing services and information online and happy to transact with us in this way. There are a couple of sources used to ascertain information about internet use - our Media Consumption survey reported that 88% of residents surveyed used the internet, this was reported as higher at 93% in the Campaigns Tracker.

There is a desire and willingness to use digital channels to engage with the council, however residents were very clear that the experience needs to be good, with simple information and easy to follow processes to help them achieve their desired outcome. Where this is not the case, people give up and call our Contact Centres – which is not the experience they want and doesn't meet our ambitions for residents to be able to self-serve.

We heard from residents (and in what our staff and partners told us about the residents they work with) that most have some form of digital device – laptop, tablet, Smartphone etc. However, there were a number of comments about people not always have the skills or confidence to use them to their fullest extent. There is a lot of positive work going on in our Libraries, sometimes in partnership with organisations such as Age UK, to support people to build their digital skills and confidence, and residents are also accessing support in places like the Cardinal Hume Centre where they receive digital support for seeking employment, or for the EU settlement scheme. There is a need for digital skills support in the community, and a role for our services and staff, as well as partners in maintaining this access for people.

We also heard in some cases about people not having WiFi at home so needing to rely on data or free WiFi. One staff member told us they used WhatsApp to communicate with the families they work with, the families may not have mobile credit but do have access to WiFi to pick up messages about appointments etc. Work is underway to increase full-fibre broadband connectivity to our social housing estates, and ensure connectivity is in place to our new affordable housing stock which will enable an increase in access to digital services at home.

Fewer older people use the internet than residents of all groups, however the figures from the Media Consumption survey show that 56% of people aged over 60 are using the internet, and the Campaigns Tracker showed that 71% of those aged over 60 were internet users. While accessing the internet isn't something all older people choose to/can do, work carried out with the Local Account Group by Adult Social Care identified that older people are interested in finding information about services, local events and groups online, and also using online tools such as video calling to stay connected with family and improve outcomes related to social isolation.

Many residents were happy with the service they received from the council *"I think Westminster are the most amazing council!" (resident, Central London CCG AGM),* and many were very happy with the service they received on the phone – particularly those for whom this is the channel of their choice *"I didn't use the internet because I found the people on the phone so helpful and so constructive and pleasant that is why I ring" (Agilysis Contact Centre customer)*.

For others, there were frustrations with accessing our services. Some customers told us they struggled to find the right information online as our website was not user friendly, others that they didn't feel they knew what they needed to do *"what is difficult about contacting the council is asking for help and understanding the process you should follow properly…I am asking for information about the full process to organise my situation but nobody seems to know" (resident, non-native English speakers focus group)*.

Accessibility and language were key areas raised in a number of forums. In the recent discovery work to inform the relaunch of the council's website the team who carried out this were told by one user "*I am disabled and dyslexic, I find the website very difficult to access. I find it easier to talk to people on the phone" (resident, speaking to Nudge Digital)*. Language also came up in our focus group for non-native English speakers and with the 'Make It Happen' group of parents of children with Special Educational Needs and Disabilities (SEND), with it being raised as a challenge when engaging with the council both online and on the phone. Many people turned to family or community members for support and would like us to *"simplify the language" (resident, non-native English speakers focus group)*.

The young people we engaged with at the Youth Council were really positive about the use of technology and we had a lot of discussion around how they expected it to be used in the future – things like electric vehicles, renewable energy, robots for groceries delivery, artificial intelligence etc. Whilst they were very tech-savvy they recognised that not everyone had access to technology and felt that those young people who didn't were disadvantaged. They also had some interesting views on data and were very aware of the risks around data not being shared or used properly.

When it comes to engaging with the council, many of the people we spoke to were really pleased to have been asked to contribute to this work and said how good they find it when council staff come out to speak to them for their views. There was a lot of positivity at the Open Forum for the event, with people saying it was a great way to find out about what's going on at the council, however also recognition that not everyone is able to attend a face to face evening group and so there is interest (supported by the community engagement team) in looking at alternative methods to engage with residents. Groups such as the 'Make It Happen' group talked about face to face surgeries they'd started to arrange with SEN services and are looking to expand to other areas of the council – these had been beneficial for both staff and parents in terms of answering queries and resolving issues early. The Youth Council told us they felt there needed to be other ways of getting young people's views and thought the council should do more to engage with them through social media channels.

Businesses

Similarly to residents, businesses are keen to engage with the council online and make sure they have the connectivity and skills to do this, achieve the outcome they're looking for and run their business effectively. Businesses carry out a significant volume of transactions with the council and are a big customer group. They need clear access to information, the work by Nudge Digital on the website relaunch identified that there was a demand from businesses for support, but recommended we needed to understand more about what the need was and the outcome they're looking for before we started designing services around it. They stated that at the moment there is a disconnect between where we present information for businesses, and the applications and transactions they may want to complete. This was also raised through surveys the CED team undertook at the Pop-Up Business School event and Victoria BID business breakfast, with one business commenting

"[on the] website [it's] hard to find information for businesses, it's set up for residents" (Business, CED survey).

Some businesses raised in a survey ran by Economic Development, and the CED survey, that they sometimes had difficulty attracting staff with the right skills, and that digital skills were part of this challenge in a world where technology is evolving so quickly. Local business training events like the Pop-Up business school event are a good place for people to build their skills, and the digital and social media elements of this training were highlighted as being particularly useful by participants. Digital skills training is also provided by the employment coaches, who work to support local people to access jobs in Westminster.

Our services are working to improve the way they offer support to businesses and our engagement with teams such as Public Protection and Licensing show there is a desire to digitise processes and make transacting with the council simpler. They're keen to improve the experience businesses have when contacting the council by making every touchpoint a positive one, ensuring businesses know about support, events and information that is available.

Digital connectivity is key for businesses, and there's been a positive take-up of Gigabit business broadband vouchers which has been promoted by the council's Economic Development team. This provides opportunity for businesses to connect to superfast full-fibre broadband and ensure they have internet connectivity which meets their needs and is future-proofed.

In terms of engaging with the council about any changes, email was the most popular channel for businesses, and they made the same comment residents had about finding it helpful when other council services attended events they were at.

Partners

The Westminster Community Network is for voluntary and community sector organisations who work with a range of different residents. There were 22 voluntary and community sector organisations present at the meeting we attended in October. Two of the key messages from this group were *"one size does not fit all"* and *"do not lose human interaction"*. They shared that the people they support use many channels to access the council, and that this mix needs to be retained in order to enable people to achieve their outcome of accessing information and services. A similar theme to other engagement events around the need for clear information, accessibility of information and suitable language was also raised.

As customers of the council themselves, partners shared that it can be *"unclear who's who"* and they often do not know who to contact. One of the attendees did comment that the *"provider experience is very good in contacting adult social care and IT support"* which is encouraging.

The important areas raised were around digital skills and inclusion, retaining face to face in some cases and in relation to the phone-based services *"first phone contact needs to be trained to listen and be more of an 'open minded gate keeper' – can feel passed from pillar to post"*.

The CCG are also doing a lot of work around digital, and how their customers' experience can be improved. Central London CCG released an online self-service appointment booking service and this has had a strong take-up – saving 17,400 hours per year. The take-up has been good across all patient age groups, not showing any significant difference in usage in the older population. They are also innovating around the use of apps and interested in the

use of voice assistants and so there are opportunities to join up to use technology to improve the customer experience.

The Chelsea and Westminster Hospital are interested in looking at how we can better work together to improve people's outcomes and experience when they are discharged from hospital into the community, considering how appropriate data sharing and use of technology can help. There's also interest, shared by staff in discussions with adult social care, about having clear accessible information online about available local services and support groups.

The Cardinal Hume Centre are a voluntary organisation based in Westminster focused on helping families and young people overcome homelessness and poverty. Part of their offer is digital skills training, with a focus on support into employment and being able to do things like access housing support services and apply for/manage their universal credit. They commented that access to digital facilities in the borough is a challenge, and this is one of the biggest issues for the people they support – a significant number of whom don't own a Smartphone or have access to WiFi.

Staff

Our staff are key in the delivery of the Customer Experience and Digital Strategy and have been explicitly highlighted as a customer themselves because it is important that the strategy and accompanying programme of work delivers what they need, as well as for our residents, businesses and partners.

Across all the staff groups we engaged with, the need to make the most of the Microsoft suite of technology and other systems we use was flagged as a major opportunity. The council has invested in getting the right IT for staff and our teams want to be supported to make the most of it, build their skills and confidence and use it to improve the outcomes and experience they offer to customers – eg Teams video meetings so they can spend more time out and about with customers; direct inputting into systems rather than paper based notes etc. This fits with IT's aims around technology adoption, and desire to support staff to use the systems we have in place.

There is also an opportunity from having more digitally confident staff, which could result in more digitally interested or confident customers. By having staff who understand technology and the different ways it can be used, this can be shared with the customers they support and digital begins to be part of the conversation, with the benefits it can bring for residents.

Our library service has a key role to play in digital inclusion for the community, with an offer of access to IT facilities and skills training. The digital sessions we went along to were well attended, and there were also always people using the library computers for a range of things. In discussions with library staff as part of the CED work and also follow up from the Libraries Independent Review staff raised that there is a need for updated IT technology, which needs to be future proofed, and accompanied by an increase in computer literacy among staff. The teams working in libraries are almost expected by customers to be able to provide support with any device that is brought in, and so there is support needed here to build skills and confidence.

Service areas like Public Health and Parking are keen to better understand the needs of their customers and learn how to do this well so they can improve commissioned services. They recognise the need to use data in different ways to do this, and also resources such as

the Community Champions which Public Health work with who are connected into communities across the borough.

Teams across the council are keen to look at how services can be streamlined, and data can be better used to support the experience they offer their customers, understand the outcomes they're looking to achieve and help us understand where we should be targeting our resources.

Our staff have innovative ideas about how we can use technology to improve the customer experience (e.g. technology to support independent living; using artificial intelligence to identify road defects etc) and as an organisation we need to be ready to explore these and see how they can meet the needs of our customers.

Conclusion

There is a lot of scope to continue to improve the experience our customers have when they interact with us, help them achieve the outcome they're looking for and for us to make the best use of technology in order to do this. The Customer Experience and Digital Strategy will set out the vision, ambitions and principles which we need to work to in order to better meet the needs of our residents. Delivering the supporting programme of projects will enable us to lead the way in how we engage with our communities, deliver the services they need and be the best digital local authority globally.

Appendix 1

Sources used

City Survey 2018	First Source review of Housing Contact Centre
Media Consumption and Trust Survey 2019	Housing Listening programme
Housing Service (previously CWH) Quarterly Tracker	Libraries Independent Review
Campaigns Tracker 2019 Survey	Review of homelessness 2019
WCC Our Voice Staff Survey (2019)	Homeless Strategy (draft for consultation)
ComRes WCC Business Survey 2019	Economic Development Strategic Framework
Complaints Customer Satisfaction Report	Call and email feedback – Agilysis Contact Centre
Members enquiries	Website analytics
Social media analytics	Adult social care persona's
Shelter Channel Shift research 2015	Housing Customer Journey mapping exercises
Family Information Service (FIS) website feedback	Library staff engagement

External engagement

Westminster Community Network (22 VCS organisations)	Focus Group for non-native English speakers
Make It Happen group for parents of children with Special Educational Needs and Disabilities	Church Street and St John's Wood Library users
Marylebone Library Digital Skills session in conjunction with Age UK	Home Help Library Service Digital skills event attendees
Bessborough Family Centre parenting session	Bessborough Family Centre children's play session
Central London Clinical Commissioning Group (CCG) Annual General Meeting – stall	Central London CCG Communications Officer
Chelsea and Westminster Hospital Director of Nursing	Open Forum - stall
Nudge Digital – engagement with residents and businesses for website relaunch	Active Westminster
Youth Council	Cardinal Hume Centre
Microsoft	Victoria BID Business breakfast
Pop-up Business School	

Internal engagement

Library staff @ St John's Wood, Church St and Marylebone Library	Libraries digital team
CMC management team	Kerbside management team
Parking contact centre	Housing contact centre
Executive Leadership Team members	Public Protection and Licensing
Waste and Parks	Home Improvement Agency
Community Services	Registrars
Adult social care commissioning	Adult social care performance and data

Adult social care digital team	Telecare and community equipment services
Children's services IT workshop	CED Programme Board
Home Library Service staff	Early Help service
Economic Development team	Employment and Skills team
Community Engagement team	Housing Service
Public Health	Adult social care engagement team & Adult social care Community Navigator
Regeneration team	Housing Solutions Service Family Centre
Physical Activity and Leisure Service	Highways
Senior members of Adult Social Care	Members

City of Westminster

Cabinet Report

Decision Maker:	**Cabinet**
Date:	**10 February 2020**
Classification:	**General Release**
Title:	**Safeguarding Annual Report 2019-2020**
Wards Affected:	**All**
Policy Context:	
Cabinet Member	**Cabinet Member for Finance, Property and Corporate Services**
Financial Summary:	**There are no financial implications**
Report of:	**Bernie Flaherty, Bi-Borough Executive Director of Adult Social Care and Health**
Report Author	**Louise Butler, Strategic Lead in Professional Standards and Safeguarding** **Tel: 020 7641 5201; lbutler@westminster.gov.uk**

1. BACKGROUND

1.1 This is the sixth Annual Report of the Safeguarding Adult Executive Board (SAEB). The multi-agency Board provides leadership of adult safeguarding across the Royal Borough of Kensington and Chelsea and the City of Westminster. The purpose of the Board is to ensure that member agencies work together, and independently, to secure the safety of residents who are at most at risk of harm from others, or through self-neglect.

1.2 It is the fourth year that the SAEB has operated under Schedule 2 of the Care Act 2014, and overseeing the statutory duties of conducting Safeguarding Adult Enquiries (Section 42) and Safeguarding Adults Reviews (Section 44).

1.3 The report seeks to show how member agencies of the SAEB provide assurance to the SAEB for the ways in which its three strategic priorities (Making

Safeguarding Personal; Creating Safe and Healthy Communities; and Leading, listening and Learning) are being promoted within their organisation.

1.4 The report also seeks to demonstrate how the learning from safeguarding enquiries and reviews conducted during the year lead, to changes that benefit the safety, health, and wellbeing of local residents, in all three boroughs. This is particularly where the learning shows there is room for agencies to work more effectively together to prevent abuse or neglect.

2. RECOMMENDATION

2.1 It is recommended that the report is noted and that the strategy and the emerging themes informing its current work endorsed.

Bernie Flaherty, Bi-Borough Executive Director of Adult Social Care and Health

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SAFEGUARDING ADULTS EXECUTIVE BOARD

ANNUAL REPORT 2018/19

mistreated?
bullied?
hit?
neglected?
hurt?
exploited?
silenced?

COURAGE
COMPASSION
ACCOUNTABILITY

City of Westminster

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

SAFEGUARDING ADULTS EXECUTIVE BOARD ANNUAL REPORT 2018/19

CONTENTS

FOREWORD

I am very pleased to introduce the Annual Report for the Bi-Borough Safeguarding Adults Executive Board 2018/19. As the Interim Independent Chair of the Board during that year, I was very grateful to all partners for their contributions to the Board, and their ongoing support.

During the year, the partnership has reviewed and amended its governance structure and developed and agreed a practical business plan to deliver our shared objectives. The plan includes our commitment to working with all agencies, supporting operational services to prevent abuse from happening, and when and where abuse does happen, be assured that all agencies respond appropriately. The Board also held a development day which provided an opportunity for partners to evidence their work to safeguard vulnerable adults. Partners of the Board have continued to support each other, meet our collective commitment to keeping adults safe across the Bi-Borough, and progress delivery of the business plan to support the shared objectives.

In March 2019 a peer review team was invited, through the Association of Directors of Adult Social Services London (ADASS), to complete a review of safeguarding arrangements within the Bi-Borough. The review was a stimulating and rewarding experience. The quality of the work shared and the conversations with the Peer Review Team demonstrated commitment, hard work and professionalism regarding safeguarding adults from all partners.

We have continued to look at information about safeguarding activity in the Bi-Borough to inform our priorities for improvement. We have considered recommendations and lessons learned from Safeguarding Adults Reviews and where relevant, from Children's Serious Case Reviews and Domestic Homicide Reviews to understand what happened, and what needs to change. This has informed the business plan this year and priorities for the future

We continue to raise awareness of safeguarding in the communities of the Bi-Borough, with the help of our service user, community and voluntary groups, especially the 'Local Account Group' and the 'Safeguarding Adults Reference Group'.

This annual report is important because it shows what the Board aimed to achieve during 2018/19 and what we have been able to achieve. It shows that most of the business plan was completed during the year. The annual report provides a picture of who is safeguarded in the Bi-Borough, in what circumstances and why. This helps us to know what we should be focussing on for the future. It includes the High-Level Statement of Intent 2019/2022, which says what we want to achieve during the next 3 years (see page 10).

There continues to be significant pressures on partners in terms of resources and capacity, so we want to thank all partners and those who have engaged in the work of the Board, for their considerable time and effort. In my role as Interim Independent Chair I would like to acknowledge the value of the work of the subgroups in supporting the Bi-Borough Safeguarding Adults Executive Board (SAEB).

There continues to be a lot to do to reduce the risks and experiences of abuse and neglect in our communities and support people who are most vulnerable to these risks. I sincerely hope that Board partners will continue to work together to achieve the Boards objectives with the support and leadership of the new Independent Chair

I hope that you will find this year's Annual Report a helpful and informative read.

Dr Adi Cooper OBE,

Interim Independent Chair, Safeguarding Adults Executive Board 2018/19

WHAT DOES THE EXECUTIVE BOARD DO?

Our Vision

The strategic objectives and work of the Board is based on the following vision:

People in the Royal Borough of Kensington and Chelsea and Westminster City Council have the right to live a life free from harm, where communities:

- have a culture that does not tolerate abuse
- work together to prevent abuse
- know what to do when abuse happens

Structure and Membership

The Bi-Borough Safeguarding Adults Executive Board (SAEB) is a multi-agency partnership.

The role of the Board is to assure itself that local safeguarding arrangements and partner agencies act to help and protect adults in its area.

This is about how we prevent abuse and respond when abuse does occur in line with the needs and wishes of the person experiencing harm.

The Boards' main objective is to assure itself that local safeguarding arrangements and partner organisations act to help and protect people aged 18 and over in the area who:

- have needs for care and support; and
- are experiencing, or at risk of, abuse or neglect; and
- (as a result of their care and support needs) are unable to protect themselves from either the risk of, or experience of, abuse or neglect.

Our Values and Behaviours

The Board believes that adult safeguarding takes **COURAGE** to acknowledge that abuse or neglect is occurring and to overcome our natural reluctance to face the consequences for all concerned by shining a light on it.

The Board promotes **COMPASSION** in our dealings with people who have experienced abuse and neglect, and in our dealings with one another, especially when we make mistakes. The Board promotes a culture of learning rather than blame.

At the same time, as members of the Board, we are clear that we are **ACCOUNTABLE** to each other, and to the people we serve in the two boroughs.

The Board is responsible for overseeing and leading on the protection and promotion of an adult's right to live an independent life, in safety, free from abuse and neglect across The Royal Borough of Kensington and Chelsea and Westminster City Council.

The Board is a partnership of organisations working together to prevent abuse and neglect, and when someone experiences abuse or neglect, to respond in a way that supports their choices and promotes their well-being.

The Board does not work in isolation, nor is it solely responsible for all safeguarding arrangements as Safeguarding is everyone's business!

THE SAFEGUARDING ADULTS EXECUTIVE BOARD

Section 43 and Schedule 2 of the Care Act 2014 outlines local authorities' responsibilities to set up a Safeguarding Adults Board in their area.

The Act requires a Safeguarding Adults Board to:

1. Develop and produce a 3-year Strategy and an annual Business Plan in order to direct the work of the Board that reflects its priorities
2. Publish an annual report/accountability statement highlighting the Board's progress and achievements in meeting the objectives in the Strategic Safeguarding Plan and ensuring this is widely reported across partner agencies and organisations.
3. Learn from the experiences of individuals, through undertaking Safeguarding Adult Reviews (SAR's) in accordance with the national guidance of best practice and the Board's SAR's protocol.

The Terms of Reference for the board were reviewed in January 2019 and can be found **here**.

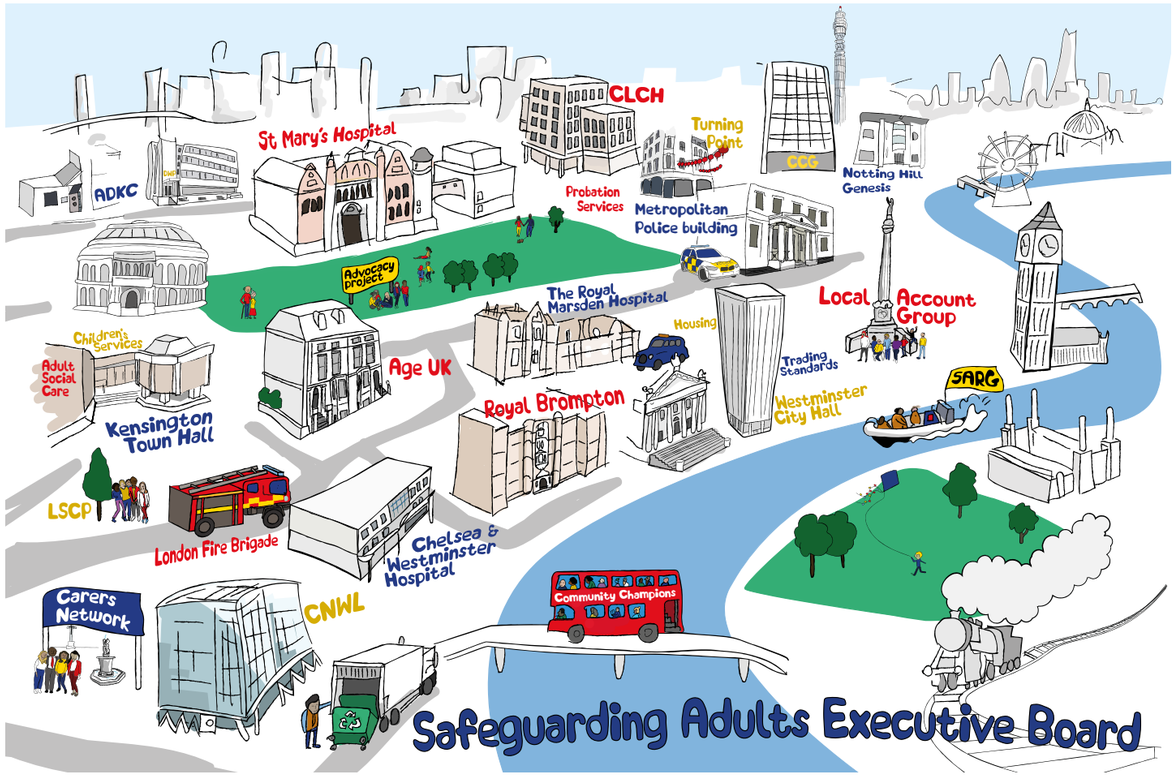
The statutory members of the Safeguarding Adults Executive Board:

- The Bi Borough Executive Director of Adult Social Care and Health
- The Deputy Director of Quality, Nursing and Safeguarding, Central Westminster Hammersmith Hillingdon and Ealing Clinical Commissioning Groups Commissioning Collaborative
- BCU Commander of Central West, Chief Superintendent, Metropolitan Police

The Care Act 2014 states that the Board can appoint other members it considers appropriate with the right skills and experience.

There are senior representatives on the Board, from the following organisations:

- London Fire Brigade
- Imperial College Healthcare NHS Trust
- Chelsea and Westminster Hospital Foundation NHS Trust
- The Royal Marsden NHS Foundation Trust
- Central London Community Healthcare Trust
- Central North West London NHS Foundation Trust
- Community Rehabilitation Company (CRC)
- National London Probation Service
- Children's Services (Local Authority)
- Community Safety (Local Authority)
- Local Councillors
- Housing (Local Authority)
- Mind
- Genesis Notting Hill Housing
- Trading Standards (Local Authority)
- Public Health Community Champions Programme
- Royal Brompton and Harefield HNS Foundation Trust Healthwatch



Adult Social Care (Local Authority)Board members are the senior 'go to' person in each of these organisations or services with lead responsibility for adult safeguarding.

They bring their organisations' adult safeguarding issues to the attention of the Board, promote the Board's priorities, and disseminate lessons learned throughout their organisation.

The Board can use its statutory authority also to assist members in addressing barriers to effective safeguarding that may exist in their organisation, and between organisations.

An even wider group of people, including voluntary sector organisations; housing and homelessness agencies; advocacy and carers' groups; and members of the public all contribute to the Boards various work-streams.

Adult Safeguarding now includes such areas as

- People Trafficking
- Modern Day Slavery
- Self- Neglect
- Domestic Violence

This Agenda is much wider than when Safeguarding Boards were first introduced.

Sub-groups of the Board are chaired by officers from the following organisations:

- Central North West London NHS Foundation Trust
- Imperial College Healthcare NHS Trust
- Central London Community Healthcare Trust
- The Royal Marsden NHS Foundation Trust
- London Fire Brigade
- Metropolitan Police
- Notting Hill Genesis Housing
- The North West London Collaboration of Clinical Commissioning Groups (NWL CCGs)

The North West London Collaboration of Clinical Commissioning Groups (NWL CCGs) is committed to safeguarding the wellbeing of vulnerable adults who access services that are commissioned by the NWL CCGs. The NWL CCG ensures that staff have appropriate policies, procedures, training and access to expert advice to ensure that adults at risk are identified and, where appropriate, a referral is made to adult social care.

"The Care Act 2014 states that local authorities, Clinical Commissioning Groups (CCGs) and the chief officer of the local police must be members of the Safeguarding Adults Board. The CCG is an active member of the Safeguarding Adults Executive Board. Safeguarding is about making sure everyone is treated with dignity and respect and does not suffer abuse. This is particularly important for those who are unable to protect themselves from harm or abuse, possibly because of their age, a disability or because they are unwell. To ensure this, care must be of a high quality in order to prevent abuse happening. It also means there is an effective response if there is evidence or suspicion of abuse."

"Safeguarding is always our top priority. There is a requirement to ensure that safeguarding is embedded throughout the commissioning process. Safeguarding is central to the commissioning strategy in North West London."

"To keep our communities safe from abuse and neglect, it is not enough to simply react when a safeguarding concern arises. Safeguarding principles need to be embedded across organisations' cultures at all levels, and people's safety needs to be considered all the time, whenever a decision is made."

We are committed to embed learning from Serious Case Reviews at a strategic level so that learning is shared across the system. We anticipate that this will improve the experience of patients using the services that we commission and makes our safeguarding processes more robust."

Chief Nurse & Director of Quality
North West London Collaboration of Clinical Commissioning Groups

The Care Act 2014 says members may make payments for purposes connected with the Board. Most of the funding for the Board comes from the Local Authorities. The North West London Collaboration of Clinical Commissioning Groups (NWL CCGs) contribute £20,00.00 per borough.

Mayor's Office for Policing and Crime provides an annual contribution of £5,000 to local safeguarding adult boards.

Also, for the third year running, The London Fire Brigade has contributed £1,000 per borough, to be shared between the Safeguarding Adults Board and the Local Safeguarding Children Board.

The Care Act 2014 guidance states that all members of the Board should have the right skills and experience necessary for the Board to act effectively and efficiently to safeguard adults in its area.

We acknowledge the value of the work of the subgroups in supporting the Board. Attendance is good and members are committed and work hard to progress the Board's priorities and safeguard adults at risk of abuse and neglect.

Putting our "house" in order

Our "House" model has set the scene for our safeguarding adults' journey: it is valued by our service users and experts by experience and is recognised at a national level as a framework built on the wellbeing principle.

Residents across the Bi-Borough told us how important it is to be in control of the decisions they make about their life, even when they have experienced abuse or neglect. Throughout this report you will find examples of what people told us under the headings "you said" and "we did"

"The House strategy has supported the SAEB to ensure that all its safeguarding adults work is focused on making safeguarding personal, prioritising the safety and well-being of all our residents and to ensure they are fully listened to by incorporating the voice of residents in everything we do "

The Safeguarding Adults Reference Group

Putting our "house" in order

However, we are motivated to continue to learn from others how to make safeguarding adults better for residents.

In March 2019 London Adult Directors of Adult Social Services (ADASS) were invited to complete a review of our safeguarding adults' arrangements within the Bi-Borough.

Local Government Association

"Peer challenge is a proven tool for improvement. It is a process commissioned by a council and involves a small team of local government officers and councillors spending time at the council as peers to provide challenge and share learning"

The outcome of the peer review provided key messages on what is working well and some areas for consideration, which will be taken forward to inform the Board strategy for the next 3 years.

• What is working well: Leadership

Strong leadership and the positive changes over the previous 18 months demonstrated that, despite differences in the two boroughs, there were also many similarities in ensuring safeguarding outcomes of residents are met. The Peer Review team feedback was that staff from both boroughs were supported in safeguarding activity. It was acknowledged that service user engagement across the Bi-Borough was very good, and the Peer Review team were impressed with the ambitions of the Local Account Group in supporting the Councils.

Members of the London ADASS Peer review team and the Local Account Group

• What is working well: Partnership

There was clear evidence of: a focus on high risk groups, through approaches to hoarding, homelessness, rough sleepers and modern slavery; and a good level of partnership response across council departments and with statutory partners in working with both individuals and at a strategic level. The Quality Assurance Team were noted to be making a positive difference, enhancing market oversight and improvement work.

• Areas for consideration

It was noted that it would be helpful to review the governance arrangements of the Board.

Next Steps

The Board held a Development Day with members and the Local Account Group to set the Board agenda for the next 3 years

Information used to inform the development day came from various sources including:

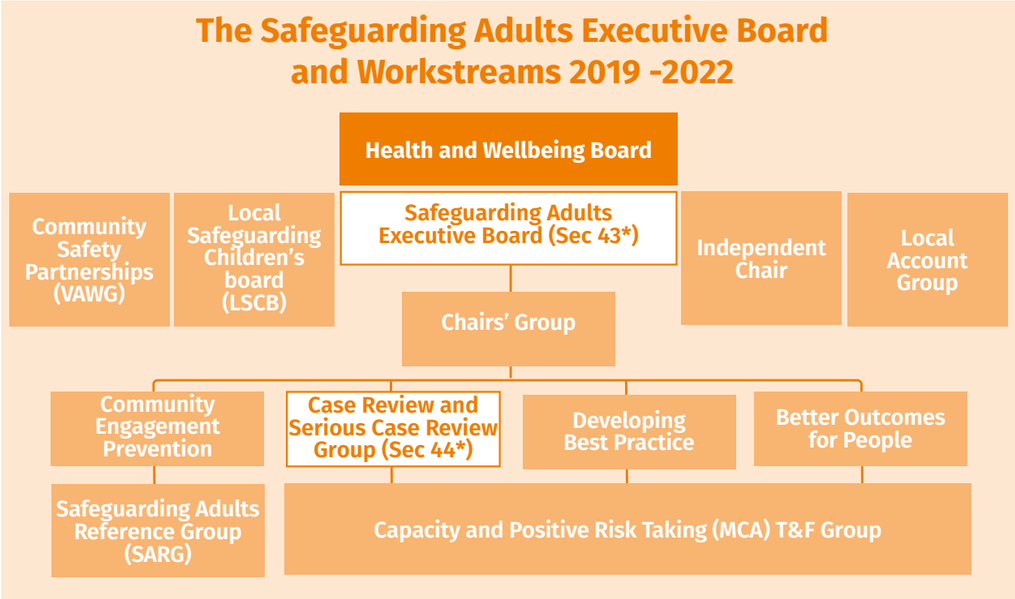
London ADASS Peer Review of Bi-Borough Safeguarding arrangements recommendation: To review the governance arrangements and align the vision and values for safeguarding across the Councils;

The Safeguarding Adults at Risk Audit tool (SARAT) 2018-19, which was completed by all partners, to provide assurance to the Safeguarding Adults Executive Board (SAEB) that all partners are compliant with safeguarding, following the introduction of the Care Act 2014;

Local and National Safeguarding Adult Reviews: The Board commissioned a Safeguarding Adult Review (SAR) in 2018/19. The findings from the SAR gave us the opportunity to explore more closely the areas shared with the Local Children's Safeguarding Board (LSCB), such as 'Think Family', Transitions and Liberty Protection Safeguards.

The outcome of the development day was two-fold

1. A new governance structure with greater emphasis placed on service user engagement in the workings of the Board: **The Safeguarding Adults Executive Board and Workstreams.**



2. The new strategic plan or statement of intent: **Statement of Intent 2019 – 2022**

Statement of Intent 2019 – 2022

Working Together across agencies & between Adults and Children's Services	Capacity and Positive Risk Taking	Awareness and Support	Governance
Think Family: To jointly raise awareness and develop guidance and tools **Transition Group:** Joint workshop with operational staff to develop sound pathways for young adults into adult services which are relevant to need this may mean statutory or voluntary organisations. **SAEB and LSCB:** Joint Board Event to review work and share experiences **Lead group or agency** • Local Safeguarding Children's Partnership (LSCP) • Safeguarding Adults Executive Board (SAEB)	**Liberty Protection Safeguards:** Help prepare the Safeguarding Adults Executive Board Partnership for LPS **Multi-agency Quality Assurance:** Partnership Audit of Mental Capacity Audit practice **Rough-sleeping and Safeguarding** **Partnership awareness of Legal Literacy:** Development of Interagency protocols related to Court of Protection **Developing good partnership practice around managing risk and defensible decision making**	**Prevention "Raising Awareness of Safeguarding":** Increase service users by experience involvement in SAEB activity • Co-designed events for seldom heard service user groups • Multi-agency leaflets -Review • Train the Trainer-Refresh Learning from SAR's and DHR's Raising awareness of usefulness of High-Risk Panels **Lead group or agency** • Community Engagement group • Safeguarding Adults Reference Group • Local Account Group	**Governance review:** • Legal Indemnity Insurance • Membership review • Finance review • Service User Engagement • Review Our Values • Cycle of Quality Assurance function **Lead group or agency** • Safeguarding Adults Executive Board (SAEB)
IT systems and Information Sharing • Statement from the SAEB to reinforce obligations • Focus on best practice in recording **Lead group or agency** • Developing Best Practice Group	**Lead group or agency** • Capacity and Positive Risk-Taking Sub-group	**Advocacy** • Re-commissioning • Workforce development • Public Awareness **Lead group or agency** • Adult Social Care Commissioning • Developing Best Practice Group	**Variability in referral rates across partnership:** Consistency in responses Bi-Borough Board to align local practice and pathways **Workstreams:** • Better Outcomes for People

CREATING A SAFE AND HEALTHY COMMUNITY

Service User Involvement

"I am able to make choices about my wellbeing"

We have had an ambitious year in which we have combined our approaches to working with service users by having a service user by experience group and the Local Account Group. This ensures that there is service user involvement in all areas of the Board's work.

Service users by experience

The Safeguarding Adults Reference Group was re-launched with the support of our community engagement subgroup. The group is now focussed on co-producing safeguarding training and delivering events to raise awareness of safeguarding adults.

This is the groups explanation of how stages of co-production work in practice using the analogy of a cake.

Coercion is telling someone that they will have cake.

Educating or informing is telling someone about the look and flavour of the cake that they will be given, but there is no choice.

Consultation or engagement is about asking people what type of cake they would like and why - but this might be ignored.

Co-design is like people deciding what flavour the cake should be and how it should be decorated… but that is it.

"our views are important, and our voices heard"

Co-production is:

1. deciding whether cake is needed (or would something else be better)
2. deciding on the flavour of the cake and the decoration,
3. working out how to make the cake,
4. baking it,
5. trying it to find out how it is
6. working out what could be done better in the future.

"We are often approached by organisations who say they want to co-produce with us and then they allow us to 'decorate the cake'! This year the Safeguarding Adults Executive Board have worked with members and instilled confidence about what co-production really is...that our views are important and our voices heard"

Chief Executive, Action Disability Kensington & Chelsea

In March 2019 members from the Safeguarding Adults Reference Group delivered a short presentation to the Board on their ideas on what service user events in the community should look like. Their proposals were supported, and these events are now being co-produced with the community engagement group.

The Local Account Group

In July 2018 the Bi-Borough Local Account Group launched their Ambition Plan. Within this plan it was agreed that the Local Account Group will input and support the priorities of the Safeguarding Adults Executive Board. This has meant that feedback from service users and carers groups is heard at every Board meeting and through the subgroups. In 2019/20 the Local Account Group will co-produce a Service User Feedback Form for adults involved in the safeguarding adults process. 12 months after the form has been launched and in line with the Local Account Group Ambition Plan, we will support the Local Account Group to analyse the feedback and present the findings to the Board, with identified learning from a service user perspective.

"The contribution and support from both the Local Account group and The Safeguarding Adults Reference Group has been invaluable. It is inspirational to work such a highly motivated and enthusiastic group"

Head of Service, Safeguarding and Workforce Development Team, Bi-Borough Adult Social Care

Community Engagement

You said:
I want to know how to stay safe in my own home

We did:
This year the Community Engagement Group have commenced a Safe at Home Programme which will include a national universal video accessible to all home care and health agencies. It will be a helpful guide on scams and security and safety issues in the home.

"This year the Community Engagement Group have commenced a Safe at Home Programme which will include a national universal video accessible to all home care and health agencies. It will be a helpful guide on scams and security and safety issues in the home"

Chairs of the Community Engagement Group

As well as putting on awareness-raising events to help people spot scams and creating links with local organisations and community groups to spread the message about how to stay safe, here is the Community Engagements Group message to residents:

Everyone has the right to live in safety, free from abuse and neglect.

Abuse and neglect can occur anywhere: in your own home or a public place, while you are in hospital or attending a day centre, or in a college or care home.

You may be living alone or with others. The person causing the harm may be a stranger but, more often than not, you'll know and feel safe with them. They're usually in a position of trust and power, such as a health or care professional, relative or neighbour.

Far too often this could be someone stealing money or other valuables. Or it might be that someone appointed to look after your money on your behalf is using it inappropriately or coercing you to spend it in a way you're not happy with. Internet scams and doorstep crime are also common forms of financial abuse.

People and organisations worked together to deliver the Community Engagement Group event in February 2019 raising awareness of how residents can stay 'Safe at Home'. The focus of this event was to raise awareness and provide information on:

- Home fire safety
- Home Improvement Agency Services available in Westminster
- Trading standards and scam information

The next page includes example of the information that was provided at the 'Safe at Home' event.

You said:
You are willing to work with me

We did:
In 2018/19 the London Fire carried out 3,334 Home Fire Safety Visits across the Bi-Borough in 2018/19

We were told what happens during a home fire safety visit by a member of the London Fire Brigade

Firefighters or trained staff will visit the home and offer advice based on individual needs, this includes information on how to prevent fires, the importance of smoke alarms to detect a fire and having escape plans in the event of a fire. They will also fit smoke alarms if required.

Prevention:

- Understand the main causes of fire in the home and how to prevent them.
- Identify fire hazards in the home and know how to reduce the risk of a fire happening.
- Reduce the risk of a fire happening at night by having an appropriate bedtime routine.

Detection:

- Identify the function and importance of a smoke alarm in home fire safety, as smoke generated by fire can kill people and is just as dangerous as fire.
- Every home should have at least one smoke alarm fitted on each floor level, and ideally one in every room a fire could start.
- Smoke alarms should be tested once a week
- LFB can provide specialist smoke alarms for people with hearing or visual impairments.
- Understand that the Fire Brigade carry out Home Fire Safety Visits and that they can be requested via the Brigade website

Escape:

- Know that fire should only be tackled by firefighters as they use special equipment and protective clothing.
- Prepare and practice a fire escape plan, making sure everyone in the home knows what to do if there is a fire.
- Understand how to call 999 and when it is appropriate to do so.

Our Trading Standards Lead Officer told us about Door step scams

Doorstep scams take place when someone comes to your door and tries to scam you out of your money or tries to gain access to your home. Doorstep scammers aren't always pushy and persuasive, they may seem polite or friendly. So, if you're not expecting someone it's important to be vigilant when you answer the door, especially if you live on your own.

A victim of Doorstep Crime:

Alfred's Story

Earlier this year Alfred received an unexpected knock at the door from a roofer claiming to be doing some work for a neighbour nearby and who noticed they have some loose tiles on the roof. The roofer claimed that they have some left-over materials and he could do the work quickly and for a discount. He offered to fix the tiles for £50-100 cash. Alfred agreed but once the work started more problems are found with the roof and the bill keeps on increasing. Alfred felt very intimidated and pressurised by the roofer and agreed to them doing more work and the increased costs. Alfred told his Daughter who called the police who opened an investigation into the matter.

The Outcome:

The roofer is now being prosecuted for 3 cases of doorstep crime in the same street.

Financial Abuse, Better Outcomes for People

Financial Abuse is another name for stealing or defrauding someone of goods and/or property. It is always a crime but is not always prosecuted. Sometimes the issue is straightforward, for example a care-worker stealing from an older person's purse, but at other times it is more difficult to address. This is because very often the person alleged to have caused harm can be someone's son or daughter. A common issue that comes to the Boards attention through safeguarding are relatives attempting to justify their actions on the basis that they are simply obtaining their inheritance in advance by the misuse of Lasting Powers of Attorney.

Financial abuse/harm can happen because the older person can be seen as an easy way of getting money, particularly if they are dependent or confused. Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services have recently published a report advising that the police and the Crown Prosecution Service (CPS) need to prepare for the growing challenges of helping and keeping safe an ageing population. Many older people lead active and safe lives. Not all older people are vulnerable, but they are more likely than other groups to be living with some form of physical or mental ill health. Too many older people are socially isolated and lonely and may leave their homes only rarely.

"It's important to remember that these criminals are incredibly sophisticated and prepared to put a huge amount of effort into conning people out of their money. Scams make victims part with their money and personal details by intimidating them or promising cash, prizes, services and fictitious high returns on investment. It's important to remember that no matter what type of scam, all scams are crimes.

- Approximately 3.2 million people (1 in every 15) fall victim to scams each year.
- The average age of a scam victim is 75.
- Scams cost the UK economy between 5 and 10 billion pounds each year.
- Only 5% of these crimes are ever reported.

Trading Standards

Trading Standards Top Tips on how to Stay Safe at Home

- Don't buy at the door
- If you think work needs doing around the home get quotes from other businesses that are members of a Trading Standards trusty trader scheme or use the vetted business on the free online directory from Which? magazine, or from Age UK.
- Use a security chain/ spy hole at the front door when you receive any unexpected calls – many Councils have a Home Improvement Agency Service and for those on certain benefits or pensioners they may be able to have these installed for free
- If the caller claims to be from a utility company to read the meter, ensure you have set up an agreed password in advance and the callers has given this
- Never let anyone into your home unless you are satisfied who they are
- Ask them to show you identification and independently verify they are calling from Company they claim to be
- Never leave valuables, money or bank cards lying around
- Do not donate to alleged charities at the door
- Contact the Citizens Advice Consumer Service if you would like help.

Assisting residents to stay 'Safe at Home'

Age UK Kensington & Chelsea assists residents who are aged 55 and over to maintain their independence, making the tasks of daily living a bit easier. The aim of the 'Safe at Home' service is to reduce the risk of falls in the home, reduce the risk of harm from other hazards in the home, improve health, wellbeing and peace of mind by ensuring that the home environment is safe for the resident.

Our DIY service provides support to clients helping them with those little tasks around the house that can make a huge difference to their quality of life. Those tasks go from changing a lightbulb to assemble a flat-pack so corridors are clear of clutter helping to avoid falls. We also fit spyholes and door chains to help people stay safer at home.

Community Engagement Manager, Age UK Kensington & Chelsea

Better outcomes for People

The main purpose of the Better Outcomes for People (BOP) sub-group is to provide evidence that gives the Safeguarding Adults Executive Board (SAEB) assurance that it is delivering its prime responsibility of preventing abuse and increasing the safety and well-being of adults who have experienced harm across the Bi-Borough.

The BOP identifies outcome measures for the SAEB's strategic priorities; identifies sources of information; collects and analyses relevant information; and reports to the Board and member agencies, as required.

In 2018/19 the Board tasked the BOP Better to complete a local analysis of safeguarding and crime.

We wanted to know, under our restorative justice agenda:

- What percentage of safeguarding concerns were crimes?
- How many were reported to the police?
- How many resulted in prosecutions?

The group established that:

- About 1 in 3 Safeguarding concerns were classified as crimes / potential crimes;
- These concerns differed from others, not so much in terms of the personal characteristics of the adult at risk, as in the type of harm or abuse alleged as in the type of harm or abuse alleged. Financial abuse featured more highly and the source of risk was more likely to be from non-professionals;
- The majority (74%) of these concerns were raised with the police (some later in the pathway);
- The majority of safeguarding enquiries were completed in under 90 days but those raised with the police were slightly less likely to have been completed in this time (70%:79%)

- There was little difference between the groups in terms of the identification of risk and the impact of the enquiry on risk, but those raised with the police were slightly more likely to have ended at the individual's request and slightly more likely to have ended with the risk remaining;
- We were unable to identify the number resulting in prosecutions.

CHART DEMONSTRATES ABUSE TYPE

	Crime / Potential crime	Other (Not crime / Don't know)	Total
% financial abuse*	60%	18%	33%
% physical abuse*	42%	20%	28%
% sexual abuse*	10%	2%	5%
% domestic abuse / violence*	10%	5%	7%
% neglect / omission*	7%	58%	40%
% source of risk: ASC / NHS provider	22%	42%	35%
% source of risk: family/stranger/not known	69%	42%	52%
% met s42 enquiry criteria	52%	43%	46%
Number of concerns	136	245	381

*On own or in combination with other(s). Differences between groups more marked in terms of type and source of risk, rather than personal characteristics

Financial abuse occurred in 60% of cases in a number of ways, including:

- Taking cash / bank card / belongings directly;
- Taking money from cashpoint;
- Taking money via bank transactions / bank transfers (including scam calls);
- Taking money from post-office account;
- Blackmail;
- Burglary;
- Being asked for money by care worker (and paying); and
- Overcharging (at local restaurant).

"The abuse that vulnerable adults can suffer is often hidden from view. In the Bi-Borough we work closely together with our multi-agency partners and external organisations to identify and support those who may be victims. When incidents or concerns are reported to us, we endeavour to conduct a thorough investigation and where possible, bring those who abuse and mistreat vulnerable people to justice".

Safeguarding Lead
Metropolitan Police Service
Co-Chair of the Better Outcomes for People subgroup

MAKING SAFEGUARDING PERSONAL

Financial Abuse, Dementia Friends

You said:
I want to be able to make choices about my well-being

We did:
Here are two case examples of how the work of the Board is helping to protect residents from Financial Abuse

How we supported Elsie to maintain her financial independence

"I have lived on my own since my sister died last year. We lived together for over 60 years, we went through everything together, including the blitz. I remember those days when we ran hand in hand to the underground tunnels in Bethnal Green to stay safe in from the raids. We moved to west London after the War, we had lost our home and had relatives here.

I have carers who come to help me about 2 times a day as I have difficulties getting to the bathroom as my sight is rather poor nowadays. I have a neighbour who has been helping me to pay my bills since my sister died. My neighbour is my only friend and I trust her, so I let her take my bank card to withdraw money the pay my bills and then she pays it all through her account for me.

I told my social worker about this and she seemed concerned that my bills were high. I gave her all my paperwork to look at and she said that my neighbour withdraws more money than the bills cost.

I was very upset about this. I may have poor sight but I'm not a bad judge of character and I can't believe that my neighbour would steal from me. I always tell her to take a little extra to buy a treat for the kids as she does all my shopping as well, I never have to worry about what I need, and I depend on her.

Over the next few weeks I had many visits from my social worker who talked to me about safeguarding. I explained to her that I always tell my neighbour to keep any change from the bills and that I wanted to keep my friendship with her as she visits me regularly and makes me lovely cups of tea and we sit down and chat for hours most evenings and the children visit me too. They call me Aunty Elsie.

My social worker supported me to set up my direct debits for all my bills and set up regular online shopping which includes some treats that I like to buy for my neighbour and her children. "

The outcome:

"My social worker listened to what I wanted to happen next and helped me to sort out everything I needed"

Here is the Voice of another resident:

"My care workers were not supporting me properly and some of the residents I lived with were always borrowing money from me and causing me problems. My social worker helped me to sort out my problems in a way that suited me and helped me to maintain relationships that were important to me"

No Decision about me without me

This story demonstrates how Making Safeguarding Personal put Mohammed's best interests at the heart of discussions

"My family have always helped to manage my finances. I came from a very wealthy family, we never needed to worry about money, so I was surprised when my family kept telling me I didn't have enough money for the things that I liked. I like to have afternoon tea and my grand-daughter used to take me to the Ritz every Sunday but she says we can't always afford to go, and she is always arguing with my family about wanting to take me there. They have ramps in place for my wheelchair and they all know me there as I have been a regular there for years. I told my social worker when she visited who then had a safeguarding meeting about this and introduced me to another lady who is now my advocate. My social worker told me she completed a mental capacity assessment and said

"I lacked capacity to make informed decisions regarding my money and where I live due to my dementia"

The police came to see me to execute a warrant as part of an investigation into allegations of financial abuse made by my grand-daughter. My grandson had Lasting Power of Attorney over my finances and welfare decisions, but the investigation showed that he was spending all my money. This made me very sad at first, but I am now on holiday in a lovely care home following something called a best interests decision meeting."

The outcome:

"With the help of my social worker, the police and my advocate I am changing my will and getting everything back into order. I get confused sometimes, but they help me to understand and I don't have to worry about not having money any more. My grand-daughter now visits me regularly and takes me out shopping once a month and to the Ritz for afternoon tea."

Dementia Friends

As part of Mental Health Awareness Week, the Adult Social Care (ASC) and Public Health team staff conference: 'With Health in Mind' took place in 2019. The focus: to raise awareness of mental health issues in the workplace and community and to de-stigmatise mental health issues and encourage open discussion. Linda O'Sullivan from the Alzheimer's Society conducted a Dementia Friends training workshop.

Watch the team's video

Dementia Friends is open to anyone of any age to join. A Dementia Friend learns about how dementia affects a person and uses that understanding to make a real difference for people affected by dementia. To find out more and get involved, visit www.dementiafriends.org.uk

Creating a Safe and Healthy Community

Rough sleeping and Safeguarding

The last 3 years have seen a significant increase and change in profile of deaths of people across the 'rough sleeping pathway', which includes rough sleepers on the street through to those in hostels and supported accommodation. The Safeguarding Adults Team in Westminster have supported a review of all individual deaths in 2018 and agreed that, given the increase in deaths there was a need for a more comprehensive and standardised approach to reviews following deaths of rough sleepers, to keep track of trends and to look for and share lessons learned, with a multi-agency approach and within a clear governance structure.

The circumstances in which the Safeguarding Adult Board might arrange a Safeguarding Adult Review are set out in the Care Act 2014 and apply equally to someone who was sleeping rough. Safeguarding Adults Services in Westminster takes all deaths of people on the street seriously. Our responsibilities under the Care Act 2014 ensure that we will make enquires irrespective of the persons 'ordinary residence'. We agree that it is important that the risks of living on the streets are not compounded by agencies failing to provide a timely and appropriate service response in the locality where a person is sleeping rough and is at risk of harm or abuse.

Safeguarding Adults Services in Westminster have been working closely with the Rough Sleeping commissioning team to develop a new pathway to support people who are rough sleepers and those who are in hostels and supported housing who may be at high risk and eligible for safeguarding under the Care Act 2014. All deaths are reviewed within this new pathway to see if they meet the referral criteria for a safeguarding adult review under Section 44 criteria of the Care Act 2014.

The Enhanced Vulnerabilities Forum

The enhanced vulnerabilities forum in Westminster was set up in August 2018 to discuss rough sleepers and clients accessing the rough sleeping pathway, that present with high risk health and mental health concerns. The principal focus is on people who have "fallen through cracks" and/ or been very resistant to change.

These monthly meetings review actions taken by practitioners, propose and track solutions, as well as escalate cases that are deemed to require further review or that may need statutory decisions appealed. In addition, specific trends and/or risks to the wider cohort of people who are rough sleeping are reviewed and escalated, including a review of deaths across the rough sleeping pathway.

Making Every Adult Matter (MEAM)

This year Making Every Adult Matter (MEAM) was launched in Westminster

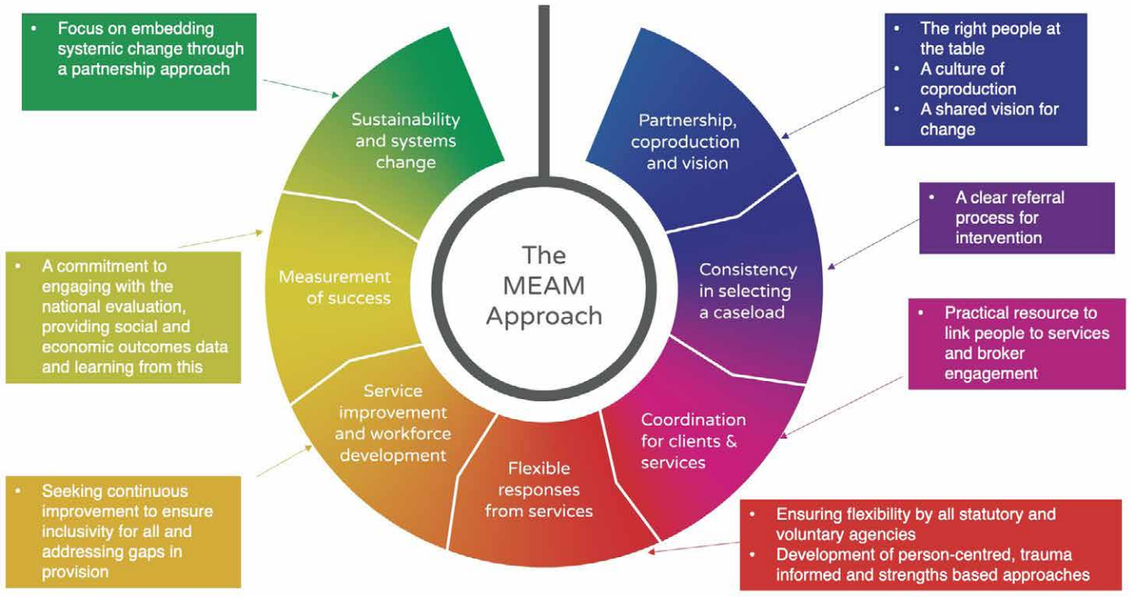
The Making Every Adult Matter (MEAM) coalition is made up of the national charities Clinks, Homeless Link and Mind. People facing multiple disadvantage face a combination of problems including homelessness, substance misuse, learning disabilities, contact with the criminal justice system and mental ill health. They can 'fall through the gaps' between services and systems, making it harder for them to address their problems and lead fulfilling lives.

The MEAM Approach is a framework to help local areas develop effective, coordinated services for people facing multiple disadvantage, and promote lasting, embedded change to local systems.

What are the benefits of being in a MEAM area:

Westminster applied to become a MEAM area and were selected in Nov 2018. Four strands of project work have been identified so far:

- Improving support for adults with autism in Westminster facing multiple disadvantage;
- Improving join up between probation and homelessness services;
- Improving join up between council and partner agencies in relation to treatment resistance alcohol users; and
- Improving psychiatric hospital discharge planning for homeless patients.



Community Safety – Violence Against Women and Girls

You said:
My recovery is important

We did:
The Angelou Partnership support women and girls affected by domestic violence and abuse

Making the transition to adulthood is difficult for everyone but can be especially challenging for young people who are vulnerable or leaving care.

Maria had a difficult transition into adulthood and found stability in a co-dependent relationship and had been the subject of physical and emotional abuse by her partner for several years. Following a safeguarding adults enquiry, which was undertaken in conjunction with a police investigation, Maria was able to remain in her own home and feel safe from abuse from her partner. The case was very complicated and overwhelming for Maria at times, as there were interviews, care and support assessments with social workers, legal advice, advocacy, court actions and several meetings with the police.

The outcome:

As a result of the above, Maria's partner was prosecuted for assaults on her and he left their home with an injunction to prevent his return. Maria was able to remain in the home she loved and, once she was convinced that her partner could not return to abuse her, she felt safe and was able to develop her own relationships and interests.

Violence against women and Girls (VAWG) is a strategic priority for the Royal Borough of Kensington and Chelsea and Westminster City Council. VAWG is a form of discrimination and a violation of human rights and links strongly to adult safeguarding.

Data shows that 17 referrals were made to the Multi-agency Risk Assessment Conference and 13 referrals from Adult Safeguarding were made to the Angelou Partnership, the main commissioned VAWG service in the Bi-Borough.

It is estimated that 1 in 4 women in the Royal Borough of Kensington and Chelsea will experience domestic abuse. 1 in 5 will experience stalking and 1 in 3 will experience sexual violence. Additional vulnerabilities mean that this number is likely to be higher for some groups, such as those with care and support needs who may require safeguarding adult services. With this in mind, work is being done to strengthen the adult safeguarding response to Violence Against Women and Girls.

Joint working protocols were reviewed this year between the Violence Against Women and Girls (VAWG) Strategic Board and the Safeguarding Adult Executive Board. The joint working agenda is driven by seven strategic priorities which include ongoing communication, prevention and awareness-raising activities, creating a menu of options for survivors and their children and continuing to strengthen the coordinated community response. Joint working is focused on ensuring there is preventative, immediate and long-term support for survivors and their children.

Modern Slavery and Exploitation is a key area for the VAWG Strategic Partnership and the Safeguarding Adult Executive Board and work in this area took place throughout 2018-19.

Modern Slavery and Exploitation

RAISING AWARENESS FOR STOP THE TRAFFIK
PEOPLE SHOULDN'T BE BOUGHT & SOLD

Modern Slavery is an umbrella term for human trafficking and servitude. It is used when somebody is forced or coerced into doing something and another person gains from this exploitation. It affects an estimated 40 million men, women and children worldwide. 136,000 individuals are estimated to be in modern slavery here in the UK.

Tackling Modern Slavery is a priority for the Bi-Borough and is a vital part of our Violence Against Women and Girls strategy, while acknowledging it affects men and boys as well.

We have a multi-agency partnership group, whose objectives are to raise awareness of modern slavery and exploitation, resulting in an increase of victim identification; to provide necessary support to enable survivors of trafficking to recover; to build communities, which are resilient to human trafficking; and to ensure perpetrators are brought to justice.

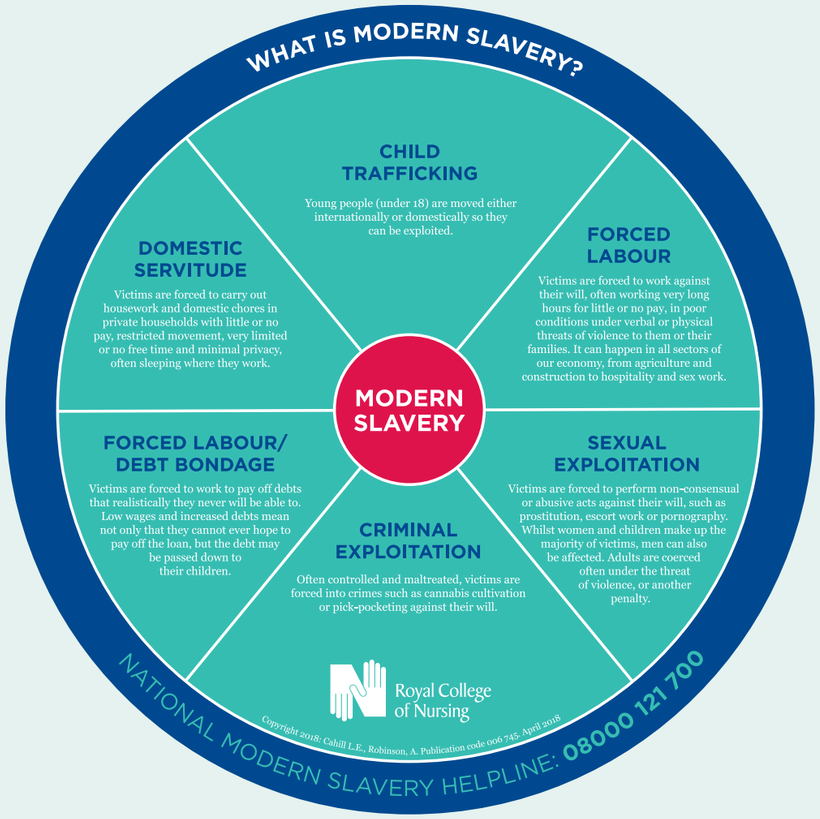
In June 2018 we partnered with the charity **STOP THE TRAFFIK** to employ a Modern Slavery and Exploitation Partnership and Community Coordinator. One of the roles of the Coordinator is to deliver training to raise awareness of modern slavery and the support available for victim/survivors. 300 multi-agency staff were trained in the period between April 2018- March 2019. Prior to the training, 47.8% of attendees agreed with the statement, "I am confident I could respond appropriately if I suspected a case of modern slavery". Following the training, 96.7% agreed with the statement. This increase of over 100% demonstrates that front-line professionals are better equipped with skills to identify and report.

In order to support staff to do this, we developed a Modern Slavery Adult Referral Pathway. The pathway sets out the roles and responsibilities of staff if a victim/survivor of modern slavery is identified, along with the **National Referral Mechanism (NRM)** process. 52 professionals across Adult Social Care and Housing were trained on how to sensitively conduct NRM interviews and complete the forms ahead of the launch of the pathway.

Since the development of the pathway, we have seen an increase in referrals to the National Referral Mechanism. By knowing the options available to victim/survivors of modern slavery and understanding the process, we can help them access the support they deserve. Data collection is in its infancy but will be provided in next years report for 2019-20

"We cannot stop what we cannot see"

Modern Slavery & Exploitation Partnerships and Community Coordinator, Community Safety Team



The vision of safeguarding

Imperial College Healthcare NHS
NHS Trust

"is to achieve the best possible outcomes for children and vulnerable adults through ensuring that their voices are heard, and that early intervention ensures their safety and wellbeing. This will be achieved through effective, united multi agency team working and engendering a culture where safeguarding is at the forefront of our care"

Modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain.

We are committed to improving our practices to combat slavery and human trafficking.

LEADING, LISTENING AND LEARNING

Safeguarding Adult Reviews (SARS)

The Care Act 2014 states that the Board must conduct a Safeguarding Adults Review in accordance with Section 44 of the Act

The Care Act 2014: SARS - what they are and what they aren't	
They should not:	They should be:
• Reinvestigate or apportion blame • Only focus on finding out what happened	• About 'learning lessons' • Understanding why the incident happened

You said:
We want you to listen

We did:
We did: The Safeguarding Adults Case Review Group considers the recommendations and lessons learned from Enquiries and Safeguarding Adults Reviews (SARs) and where relevant, from Children's Serious Case Reviews and Domestic Homicide Reviews.

Safeguarding Adult Reviews are about learning together and improving how adults are protected from abuse of all kinds.

This year we have been working on:

1. Local Improvements for referral with a focus on fatal fires, deaths of people who are rough sleeping or homelessness, to ensure that:

- there is a clear process for referral;
- Triaging of cases for potential referral takes place at organisational level; and
- Partnership support is available to organisations in the referral process with clear rationale if the referral is not accepted.

2. Embedding Learning from SAR's into practice: A series of workshops were launched aiming to:

- Raise awareness of the Safeguarding Adults Review process;
- identify opportunities to draw on what works and promote good practice;
- sustain and embed learning into ongoing service improvements such, as the 7 mins briefing model.

7-minute briefings are based on a technique borrowed from the FBI. This is based on research, which suggests that seven minutes is an ideal time span to concentrate and learn. Learning for seven minutes is manageable in most services, and learning is more memorable as it is simple and not clouded by other issues and pressures.

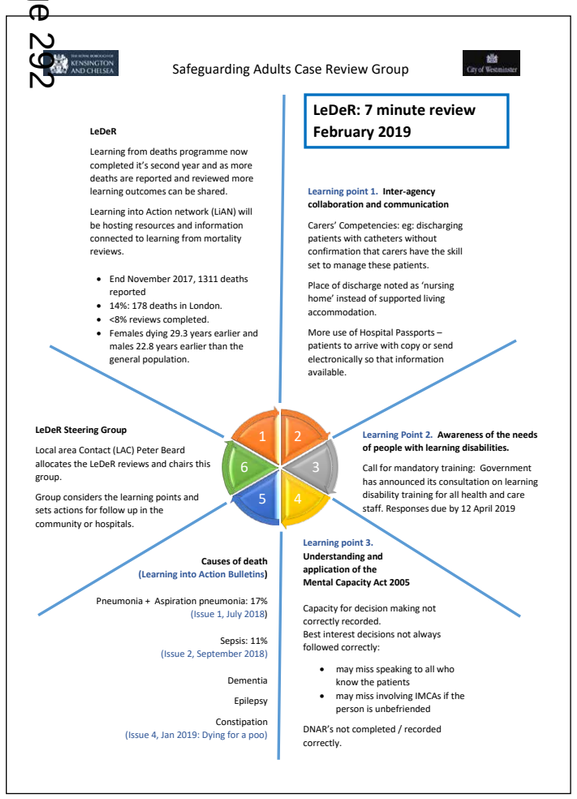
7-minute briefings have been created as a learning aid for use in supervision, team meetings, or just as a reminder of the key issues around a theme or current issue.

The following page describes 2 examples of how the 7 -minute learning is being used to aid learning .

LeDer 7-Minute Briefing

The **Learning Disabilities Mortality Review (LeDeR)** programme was established to support local areas to review the deaths of people with learning disabilities, identify learning from those deaths, and take forward the learning into service improvement initiatives. It was implemented at the time of considerable spotlight on the deaths of patients in the NHS, and the introduction of the national Learning from Deaths framework in England in 2017. The programme is led by the University of Bristol and commissioned by the Healthcare Quality Improvement Partnership (HQIP) on behalf of NHS England.

Our Safeguarding Adults Case Review Group has developed a 7-minute briefing highlighting key areas and learning points.


Safeguarding Adults Case Review Group

LeDeR: 7 minute review February 2019

LeDeR

Learning from deaths programme now completed it's second year and as more deaths are reported and reviewed more learning outcomes can be shared.

Learning into Action network (LiAN) will be hosting resources and information connected to learning from mortality reviews.

- End November 2017, 1311 deaths reported
- 14%: 178 deaths in London.
- <8% reviews completed.
- Females dying 29.3 years earlier and males 22.8 years earlier than the general population.

Learning point 1. Inter-agency collaboration and communication

Carers' Competencies: eg: discharging patients with catheters without confirmation that carers have the skill set to manage these patients.

Place of discharge noted as 'nursing home' instead of supported living accommodation.

More use of Hospital Passports – patients to arrive with copy or send electronically so that information available.

LeDeR Steering Group

Local area Contact (LAC) Peter Beard allocates the LeDeR reviews and chairs this group.

Group considers the learning points and sets actions for follow up in the community or hospitals.

Learning Point 2. Awareness of the needs of people with learning disabilities.

Call for mandatory training: Government has announced its consultation on learning disability training for all health and care staff. Responses due by 12 April 2019

Causes of death (Learning into Action Bulletins)

Pneumonia + Aspiration pneumonia: 17% (Issue 1, July 2018)

Sepsis: 11% (Issue 2, September 2018)

Dementia

Epilepsy

Constipation (Issue 4, Jan 2019: Dying for a poo)

Learning point 3. Understanding and application of the Mental Capacity Act 2005

Capacity for decision making not correctly recorded.
Best interest decisions not always followed correctly:

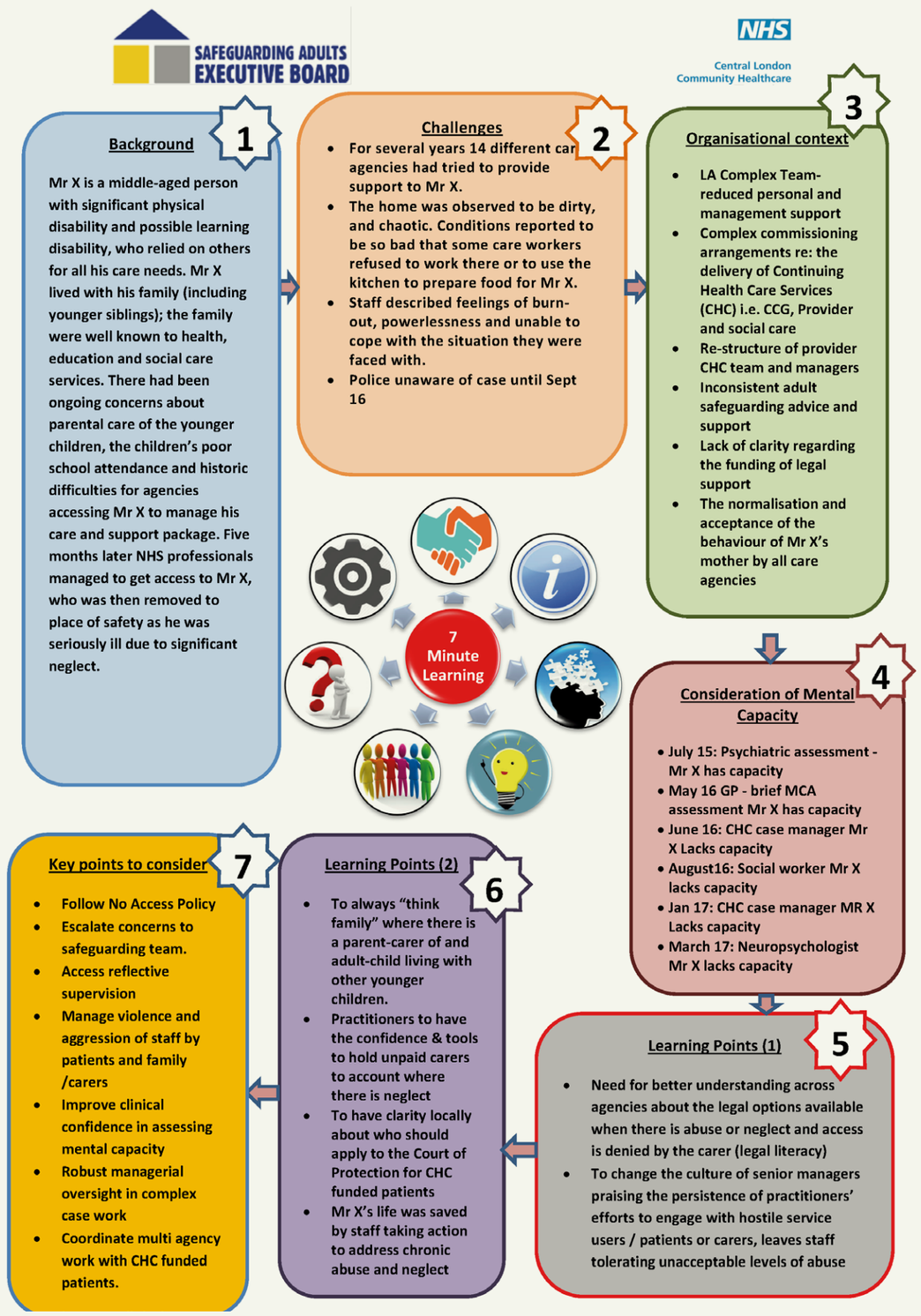
- may miss speaking to all who know the patients
- may miss involving IMCAs if the person is unbefriended

DNAR's not completed / recorded correctly.

In 2018-19 2 cases were accepted by the Group as meeting the Section 44 Safeguarding Adults Review criteria.

An Appendix of the cases presented and reviewed by the group is found at the back of this report in APPENDIX 1.

We used the 7-minute learning model to share learning from a recently commissioned Safeguarding Adults Review for the case of Mr X.

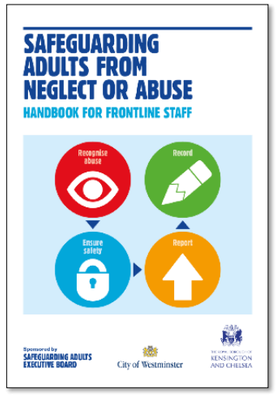


WHAT HAS THE BOARD BEEN DOING?

Adult Safeguarding in Action 2018/19

The Board has been working this year to ensure that we can demonstrate Adult Safeguarding in Action and the impact this has on our partnership.

- The following section provides examples of specific work our partners have been engaged with to include: Think Family within a community health setting
- Person centred care for learning disabilities patients in a hospital setting
- Dignity Champion project work in which the experiences of patients , staff are collected to provide insights to help improve quality of care being delivered



Developing Best Practice

The Developing Best Practice subgroup has produced a guidance booklet to help people working directly with adults at risk of abuse or neglect to understand how to raise concerns. This booklet supplements the London Multi-agency Safeguarding Adults Policy and Procedures.

It is the responsibility of everyone to recognise suspected or actual abuse and to take appropriate action in line with the procedures in this document.

"Staff have found this handbook to be both an essential and effective aid to all safeguarding work"

Deputy Director Patient Experience Imperial College Healthcare NHS Trust

Think Family

The Central London Community Healthcare NHS Trust Safeguarding Team supports the Trust in fulfilling its statutory duty to safeguard children, young people and adults at risk from experiencing harm or abuse. We encourage our staff to take a personalised and 'think family' approach when assessing risk, planning safe care and acting on or escalating concerns.

In August 2018 we introduced a single point of contact (SPOC) with 'duty' safeguarding staff available to ensure frontline staff and managers have access to timely advice and support in managing urgent or complex safeguarding cases.

Associate Director of Safeguarding, Central London Community Healthcare NHS Trust

Person Centred Care

The Royal Marsden NHS Foundation Trust *works hard to ensure that all adults are cared for in a safe, secure and caring environment; that all services have safeguarding at their core, and that staff are supported and trained appropriately to manage safeguarding issues where they arise.*

During the last year, we have launched our new Learning Disabilities policy and pathways, which supports to identify and flag patients with learning disabilities coming into the Trust and the pathways of care to ensure reasonable adjustments can be made to meet their health and support needs.

Head of Adult Safeguarding
The Royal Marsden NHS Foundation Trust

The ROYAL MARSDEN
NHS Foundation Trust

Making Safeguarding Personal

To safeguard individuals in a way that supports them in making choices and having control in how they choose to live their lives is a core objective and key priority for all members of staff who work with adults within the Trust. All staff are given training to help them to identify adults who may require safeguarding and work with other highly experienced colleagues to share information as needed and make referrals to other agencies – such as Social Services – to ensure those adults are protected. As a Trust we are committed to ensuring that all patients, are cared for in a safe and secure environment.

We do this by having named professionals in post who lead on issues relating to safeguarding and ensuring staff are trained in safeguarding – including at director level – and this is annually refreshed.

Director of Nursing, West Middlesex Hospital

NHS
Chelsea and Westminster Hospital
NHS Foundation Trust

Healthwatch Central West London's Dignity Champion project *continues to be an essential part of our local engagement with health and care services in the boroughs of Kensington and Chelsea, and Westminster City Council. Using our statutory power as a local Healthwatch, we collect the experiences of patients, staff, carers and relatives in publicly funded health or care services. These insights help us to develop recommendations that improve the quality of care being delivered.*

Chief Executive Officer, Healthwatch Central West London

healthwatch
Central West London

London Ambulance Service (LAS)

In 2018/2019 the London Ambulance Service NHS Trust (LAS) has continued to ensure the safeguarding of children and "adults at risk" remains a focal point within the organisation and the Trust is committed to ensuring all persons within London are protected at all times.

The Safeguarding Team have worked hard to support staff, monitor and review safeguarding practice and raise the profile of safeguarding during 2018/19 and have undertaken a number of audits and established several review groups to assure practice. The Trust serves a population of 8.78 million, covering 8,382 square miles and is made up of 32 boroughs. The Trust responds to over 5000, 999 calls every day and in 2018/19 we raised safeguarding concerns for an average of 2.1% of incidents received. The Trusts 111/ Integrated Urgent Care services in SE and NE London also raised safeguarding referrals and concerns via the Trusts reporting process

NHS
London Ambulance Service
NHS Trust

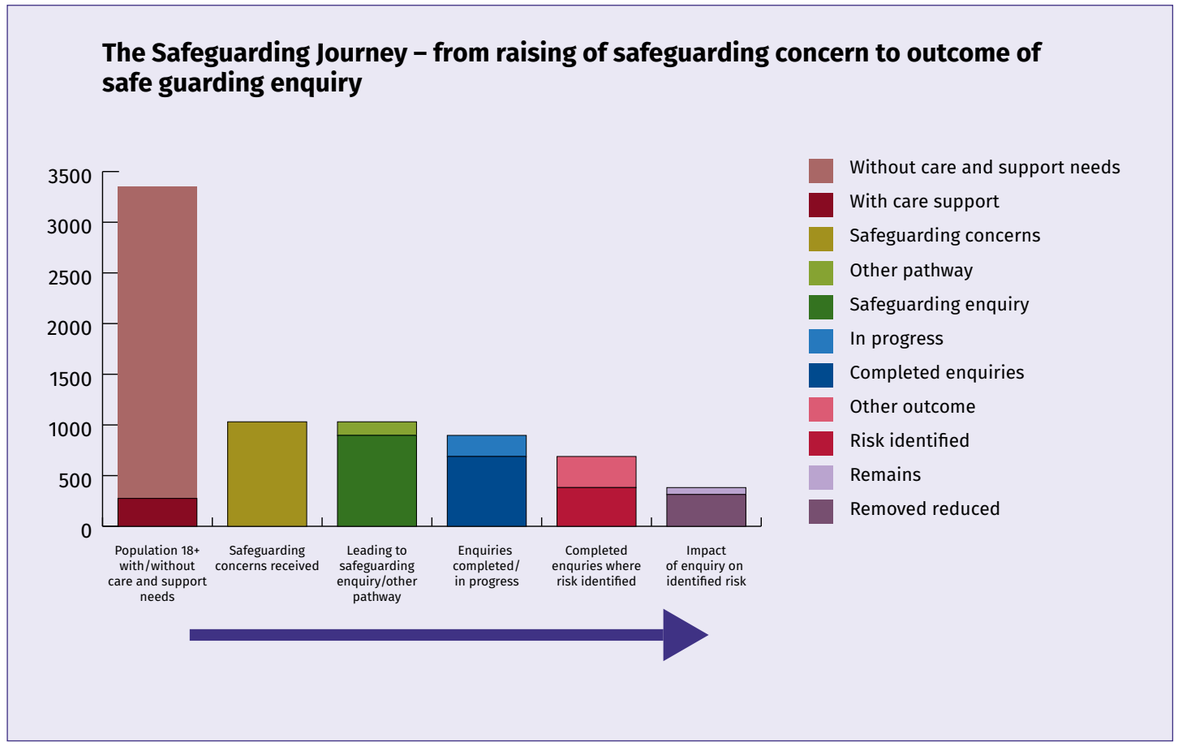
Central North West London NHS Foundation Trust *is committed to making sure that safeguarding and promoting the welfare of adults at risk is embedded across every directorate and in every aspect of the Trust's work*

All staff have a duty to be alert to potential safeguarding concerns and are expected to be aware of and implement the Trust's safeguarding policies and procedures and work in partnership with other agencies to help safeguard those at risk.

Associate Director of Quality, Safeguarding & Safety and Security

WHAT ARE THE NUMBERS TELLING US?

This section brings together information on the safeguarding concerns that were received by the two boroughs in the period 1 April 2018 to 31 March 2019. The table and charts below highlight key statistics and show what happened to the concerns after they had been received, from the follow-up enquiry, where appropriate, to outcome



The safeguarding journey

Raising of safeguarding concern

- In 2018-19 we received across RBKC and WCC a total of 1,031 concerns about cases of potential or actual harm or abuse. This is equivalent to three concerns for every 1,000 adults in the general population, or, we estimate, 38 for every 1,000 adults with care and support needs
- The great majority of concerns (897) met the threshold for a safeguarding enquiry. They involved 789 adults at risk; 69% were aged 65+ and 62% were women. Those concerns that did not meet the threshold were followed up in other ways for example by referral to the social care management team, the customer services team, trading standards offices, domestic abuse support agencies, or the police

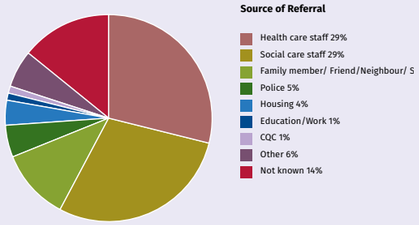
Resulting safeguarding process

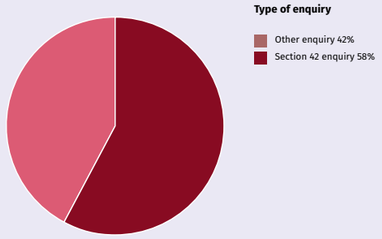
- Of the concerns that met the threshold for a safeguarding enquiry over half (518, or 58%) were classified as s42 enquiries in that the person was experiencing or at risk of harm or abuse and had care and support needs which prevented them from protecting themselves
- The focus of all safeguarding enquiries is to establish what the adult at risk would like to happen in relation to the risk and what needs to be done to achieve this

The outcome of the safeguarding process

- In over half (382, or 55%) of the enquiries which were completed in 2018-19, a clear risk of harm or abuse was identified. In the great majority of these cases (82%) the risk of harm was assessed by the social worker as having been removed or reduced by the end of the enquiry. This may have involved actions such as increased monitoring of the adult at risk or disciplinary action
- In the remaining cases the risk was judged to have remained. Commonly this was when the inquiry involved a family member and the adult was accepting of the risk and did not wish any specific action to be taken.

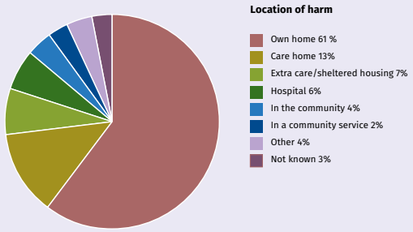
Data set for 2018-19 looking at who makes a referral ,threshold, location of harm and outcomes for the adult at risk

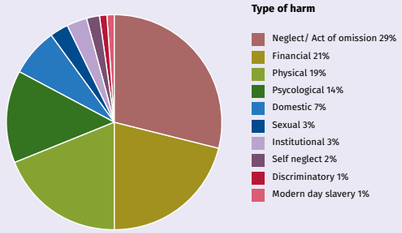




The majority of incidents (61%) occurred in the adult at risk's own home. About a quarter occurred in care settings

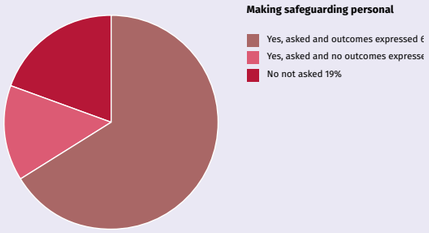
Just over 40% of concerns were followed up under safeguarding even though they did not meet the threshold for a s42 enquiry

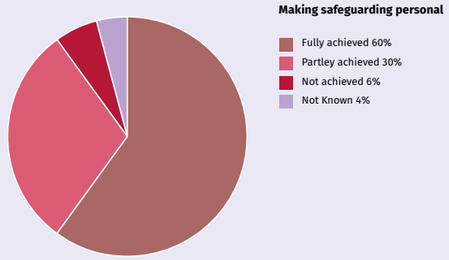




The majority of incidents (61%) occurred in the adult at risk's own home. About a quarter occurred in care settings

Self-neglect is under-represented among the allegations of abuse raised as this is followed-up under a separate pathway





In about 80% of completed enquiries the adult at risk, or their representative, was asked about the outcomes they wanted to achieves but in 14% of cases no desired outcomes were expressed

Where the adult at risk, or their representative, expressed a desired outcome, in nine out of ten cases the outcome desired was assessed as having been fully or partially achieved

APPENDIX

The Safeguarding Adults Board must arrange a Safeguarding Adults Review when an adult in its area dies or there is a near miss as a result of abuse or neglect and there is concern that partner agencies could have worked more effectively to protect the adult .

The Safeguarding Case Review Group reviewed the 2 cases below and determined that they met the statutory criteria for a SAR.

	Date case to SACRG	Emerging themes from Safeguarding Adults Reviews
1	**27 July 2018**	This is a 'near miss' case involving a person (Mr O) who was discharged from hospital. This review highlighted that Mr O presented well in terms of his functioning. While there were underlying tendencies to self-neglect, these were not always apparent, and it would have been helpful if services that supported Mr O had a greater awareness of his vulnerabilities and tendency to self-neglect. The safeguarding investigation identified the need for greater communication between agencies. The learning for organisations included the importance of creating robust handover and information on specific cases prior to staff changing or leaving their role. Early learning from this case has helped to develop clearer lines of communication between adult social care and housing. This review also highlighted the need for closer working between agencies and people, who may not require formal care services, but would benefit from some monitoring in the community to safely support their choices, rights and freedoms. **Outcome:** It was agreed a Learning Lessons Review (LLR) was the most appropriate methodology review to promote effective learning and improvement action to explore the way organisations are working together. The review will be completed in 2019 and the learning will be disseminated to all members of the SAEB. This Safeguarding Adults Case Review Group will ensure that a seven-minute learning briefing is disseminated, and practice changes are embedded by the relevant agencies.

	Date case to SACRG	Emerging themes from Safeguarding Adults Reviews
2	**21 November 2018** **Mr P**	This case concerned a man (Mr P) who had complex care and support needs, complex physical co-morbidities. Mr P exhibited challenging behaviour and had fluctuating mental capacity. Challenging behaviours impacted upon carers ability to support Mr P . He would self -neglect, increased is alcohol intake making him susceptible to falls and started to self medicate and overuse pain killers .This led to an increase in hospital admissions on at least 6 occasions in 1 year. **Outcome:** A Learning Lessons Review was undertaken to consider how agencies worked together to safeguard a man with complex care and support needs. The key focus of the review was to consider if there were 'checks and balances' in the planning and delivery of care to assure safe systems are in place and if not to explore risk to address systems issues or unsafe practice. Professionals worked closely to produce an Action Plan. The action plan includes new guidance and escalation policies for local nursing homes, promotion of joint working and changes to bariatric pathways in community care settings.

JARGON BUSTER

This is Our Safeguarding Jargon Buster using plain English definitions of the most commonly used words and phrases in this annual report.

Abuse

Harm that is caused by anyone who has power over another person, which may include family members, friends, unpaid carers and health or social care workers. It can take various forms, including physical harm or neglect, and verbal, emotional or sexual abuse. Adults at risk can also be the victim of financial abuse from people they trust. Abuse may be carried out by individuals or by the organisation that employs them.

Accountability

When a person or organisation is responsible for ensuring that things happen, and is expected to explain what happened and why.

Adult at risk

An adult who is in need of extra support because of their age, disability, or physical or mental ill-health, and who may be unable to protect themselves from harm, neglect or exploitation.

Advocacy

Help to enable you to get the care and support you need that is independent of your local council. An advocate can help you express your needs and wishes, and weigh up and take decisions about the options available to you. They can help you find services, make sure correct procedures are followed and challenge decisions made by councils or other organisations.

Autonomy

Having control and choice over your life and the freedom to decide what happens to you. Even when you need a lot of care and support, you should still be able to make your own choices and should be treated with dignity.

Best interests decision

Other people should act in your 'best interests' if you are unable to make a particular decision for yourself (for example, about your health or your finances). The law does not define what 'best interests' might be, but gives a list of things that the people around you must consider when they are deciding what is best for you. These include your wishes, feelings and beliefs, the views of your close family and friends on what you would want, and all your personal circumstances.

Carer

A person who provides unpaid support to a partner, family member, friend or neighbour who is ill, struggling or disabled and could not manage without this help. This is distinct from a care worker, who is paid to support people.

Challenging behaviour

Challenging behaviour may cause harm to the person or to those around them, and may make it difficult for them to go out and about. It may include aggression, self-injury or disruptive or destructive behaviour. It is often caused by a person's difficulty in communicating what they need - perhaps because of a learning disability, autism, dementia or a mental health problem. People whose behaviour is a threat to their own wellbeing or to others need the right support. They may be referred by their GP to a specialist behavioural team. The specialist team will work on understanding the causes of the behaviour and finding solutions. This is sometimes known as positive behaviour support.

Deprivation of liberty safeguards

Legal protection for people in hospitals or care homes who are unable to make decisions about their own care and support, property or finances. People with mental health conditions, including dementia, may not be allowed to make decisions for themselves, if this is deemed to be in their best interests. The safeguards exist to make sure that people do not lose the right to make their own decisions for the wrong reasons.

Dignity

Being worthy of respect as a human being and being treated as if you matter. You should be treated with dignity by everyone involved in your care and support. If dignity is not part of the care and support you receive, you may feel uncomfortable, embarrassed and unable to make decisions for yourself. Dignity applies equally to everyone, regardless of whether they have capacity.

Human trafficking

When someone is dishonest to you about the job you are interested in and you travel to a place and find out that you have been lied to. But you have paid money to get there and find out you now need to pay this money back before you are allowed to leave.

Learning Lessons Review

Safeguarding Adults Boards must arrange for there to be a review of a case involving an adult in its area with needs for care and support if there is reasonable cause for concern about how the SAEB, members of it or other persons with relevant functions worked together to safeguard the adult, and the adult is still alive, and the SAEB knows or suspects that the adult has experienced serious abuse or neglect. Each member of the SAEB must co-operate in and contribute to the carrying out of a review under this section with a view to identifying the lessons to be learnt from the adult's case, and applying those lessons to future cases.

Liberty Protection Safeguards

In July 2018, the government published a Mental Capacity (Amendment) Bill, which passed into law in May 2019. It replaces the Deprivation of Liberty Safeguards (DoLS) with a scheme known as the Liberty Protection Safeguards (although the term is not used in the Bill itself).

Making Safeguarding Personal (MSP)

It means that you are asked what you want to do about the incident of abuse and how you may be supported in making yourself safe. It helps you to take control and it gives you choice.

Mental Capacity Act 2005

A law that is designed to protect people who are unable to make decisions about their own care and support, property or finances, because of a mental health condition, learning disability, brain injury or illness. 'Mental capacity' is the ability to make decisions for yourself. The law says that people may lose the right to make decisions if this is in their best interests.

Near miss

Something that is not supposed to happen and is prevented before serious harm is caused.

Outcomes

In social care, an 'outcome' refers to an aim or objective you would like to achieve or need to happen - for example, continuing to live in your own home, or being able to go out and about. You should be able to say which outcomes are the most important to you, and receive support to achieve them.

Proportionality

Doing what is needed, without intruding into people's lives any further than is necessary to meet their needs or keep them safe. It is an important principle in the Care Act 2014

Prevention

Any action that prevents or delays the need for you to receive care and support, by keeping you well and enabling you to remain independent

Think Family

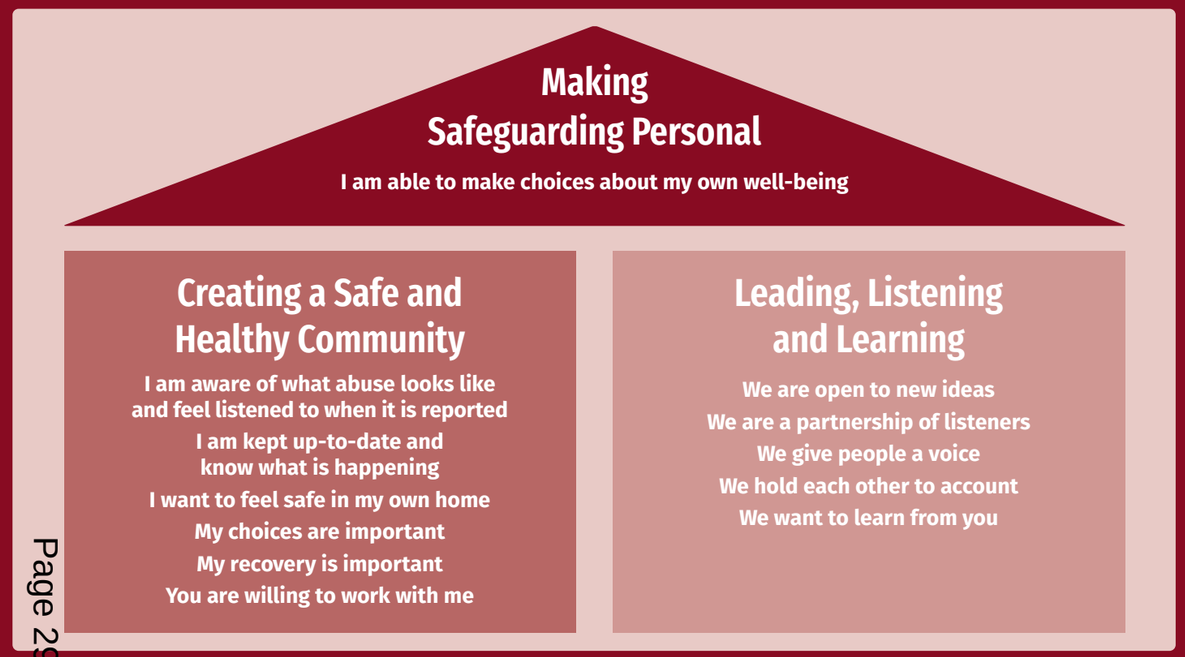
A Think Family approach is the steps taken by practitioners to identify wider family needs which extend beyond the individual they are supporting.

Transitions

This Term relates to the transition between children's and adults' services. Young people, who receive social care, often still need support when they turn 18. 'Transition' is the period of time when young people are moving from childhood into adulthood.

Council services for adults are different from those for children, so it's important that young adults get the services they need to live a full life. This is a very important stage in a young person's life because they need to make plans for their future care arrangements which will help them live as independently as possible.

WHAT THE BOARD WILL BE WORKING ON IN 2019/2020



The Board will continue to be guided by what people are telling us is important to them, as contained in the "house".

We continue to work in the coming year on the three key areas:

- **Making Safeguarding Personal**

Working alongside our service user groups to develop further ways to hear the voice of the adult at risk on the Board and at a local level:

1. Service user feedback form implementation and audit
2. Marketing of Safe at home videos at a local and national level
3. Review of Train the Trainers programme delivered by service users and Community Champions

- **Creating a safe and Healthy community**

1. Preparation for implementation of the Mental Capacity Act (Amended) 2019 Liberty Protection Safeguards across the Partnership
2. Feedback from joint working group with safeguarding and community safety partnerships on prevention of repeat victimisation of older people
3. Understanding what good Quality Assurance looks like at Board Level

- **Leading listening and Learning**

1. Programme of workshops jointly developed with the Local Safeguarding Children's Partnership to include: Transitions & Think Family
2. Launch of learning programme from safeguarding adults review and other reviews and exploring ways to better embed learning into front line practice
3. Partnership response and evaluation of Safeguarding Adults Risk Assessment Tool

mistreated?
bullied?
hit?
neglected?
hurt?
exploited?
silenced?

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