



City of Westminster

# Committee Agenda

Title: **Cabinet**

Meeting Date: **Monday 13th July, 2020**

Time: **6.30 pm**

Venue: **This is a virtual meeting in Teams**

Members: **Councillors:**

Rachael Robathan (Chairman)	David Harvey
Heather Acton	Tim Mitchell
Timothy Barnes	Andrew Smith
Melvyn Caplan	Paul Swaddle, OBE
Matthew Green	

**Following government advice to the public, to avoid all but essential travel and to practice social distancing during the Coronavirus pandemic this will be a remote meeting and members of the public and press are welcome to follow the meeting and listen to the discussion.**

**This meeting will be live streamed and recorded. To access these please click on the link located on the meeting page.**

**If you require any further information, please contact the Committee Officer, Reuben Segal, Head of Committee and Governance Services.**

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

## **AGENDA**

### **PART 1 (IN PUBLIC)**

**1. MEMBERSHIP**

To note any changes to the membership.

**2. DECLARATIONS OF INTEREST**

To receive declarations by Members and Officers of the existence and nature of any pecuniary interests or any other significant interest in matters on this agenda.

**3. MINUTES**

To approve the minutes of the meeting held on 11 May 2020.

**(Pages 3 - 6)**

**4. 2019-20 OUTTURN AND ANNUAL ACCOUNTS**

Report of the Executive Director for Finance & Resources

**(Pages 7 - 26)**

**5. FINANCIAL PLANNING 2021/22 TO 2023/24**

Report of the Executive Director for Finance & Resources

**(Pages 27 - 36)**

**6. EBURY BRIDGE ESTATE RENEWAL – "IN PRINCIPLE" COMPULSORY PURCHASE ORDER RESOLUTION**

Report of the Executive Director for Growth, Planning and Housing

**(Pages 37 - 48)**

**7. ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

**Stuart Love  
Chief Executive  
3 July 2020**



CITY OF WESTMINSTER

## MINUTES

### Cabinet

#### MINUTES OF PROCEEDINGS

Minutes of a virtual meeting of the **Cabinet** held on **Monday 11th May, 2020**.

**Members Present:** Councillors Rachael Robathan (Chairman), Heather Acton, Timothy Barnes, Melvyn Caplan, Matthew Green, David Harvey, Tim Mitchell, Andrew Smith and 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:** That the minutes of the meeting held on 10 February 2020 be signed by the chairman as a correct record of the proceedings.

#### 4 AIR QUALITY ACTION PLAN 2019-2024 - PUBLIC CONSULTATION

4.1 The Leader of the Council invited Councillor Heather Acton, Cabinet Member for Public Protection and Licensing) to present the report.

4.2 Councillor Acton then introduced the report and welcomed the detailed feedback that had been received from the consultees. . She stated that the proposals marked the first steps to more ambitious plans to improve air quality in Westminster. In light of this, she suggested the following amendments to the recommendations in the report:

Deletion of the last sentence of recommendation 2.1 and the additional following recommendation:

To adopt the draft quality plan as consulted upon whilst taking further steps to develop a more ambitious plan in order to achieve our stated objective of carbon neutrality by 2040 in light of our declaration of a climate emergency.

- 4.3 Councillor Tim Mitchell, Cabinet Member for Adult Social Care and Public Health, welcomed the initial steps to improve air quality.
- 4.4 Councillor David Harvey, Cabinet Member for Housing Services, also welcomed the proposals and felt that this represented an opportunity to improve homes as well as air quality.
- 4.5 Councillor Melvyn Caplan, Cabinet Member for Finance, Property and Regeneration, commented that the proposals would have a positive effect on regeneration and in helping to build better homes in Westminster.
- 4.6 Councillor Andrew Smith, Cabinet Member for Environment and Highways, and Councillor Timothy Barnes, Cabinet Member for Children's Services, both indicated their support for the proposals.
- 4.7 The Leader of the Council welcomed the report and supported the recommendations as amended.

4.8 **RESOLVED:**

1. That the consultation responses received be noted.
2. That the Air Quality Action Plan 2019-2024, as consulted on, be adopted subject to the Greater London Authority first providing formal agreement of it; and that, once given, the Action Plan is to be reviewed within five years as required.
3. That further steps be taken to develop a more ambitious plan in order to achieve the Council's stated objective of carbon neutrality by 2040 in light of the Council's declaration of a climate emergency.
4. That stakeholders be informed that the Council will begin now to further investigate options for the next Air Quality Action Plan in light of the changed circumstances under which the new Air Quality Action Plan will operate.

**Reasons for Decision:**

1. The COVID-19 pandemic and the expectations for how the city will operate following the lifting of the current lockdown means that the council's Air Quality Action Plan will operate in largely changed circumstances to those envisaged by the draft version of the Action Plan that went to public consultation.
2. As a result, it is recommended that the Council proceed to implement the draft Air Quality Action Plan which has been consulted on and then, anytime within the next five years,

consider the need to review and then implement any new Air Quality Action Plan to reflect the new reality arising from the COVID-19 pandemic. The measured reductions in traffic and pollution levels across the city as a result of the COVID-19 lockdown are one indication of the changed circumstances under which any further Air Quality Action Plan will operate. The policy implications of how the city will operate post lockdown are also being reviewed across all directorates of the Council.

3. In the meantime, the Council wishes to acknowledge the many helpful and informed responses made by residents, businesses and other stakeholders to the public consultation and, once agreement of the Greater London Authority has been received, the current draft Air Quality Action Plan will be implemented

The Meeting ended at 7.19 pm.

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_

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City of Westminster

## Cabinet

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>13 July 2020</b>
<b>Classification:</b>	<b>Open</b>
<b>Title:</b>	<b>2019/20 Outturn and Accounts</b>
<b>Wards Affected:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>Yes – on the forward plan</b>
<b>Financial Summary:</b>	<b>The report summarises the Council's 2019/20 year-end financial position and requests approval for unspent 2019/20 capital budgets to be reprofiled into future years – as per section 8.</b>
<b>Report of:</b>	<b>Gerald Almeroth, Executive Director – Finance &amp; Resources</b>

### 1. Background

- 1.1. This report presents the Council's 2019/20 outturn position for revenue and capital for the General Fund (GF) and Housing Revenue Account (HRA). As well as a summary of the pension fund and the Council's treasury management for the year.
- 1.2. The report also includes the 2019/20 statement of accounts and a summary of these accounts. The statement of accounts appended to this report are draft at this stage and an audited version of the accounts will be presented to the Committee at its July meeting for final sign off. These will be after the public inspection period which is due to end on 1<sup>st</sup> July 2020.

### 2. Executive Summary

- 2.1. The General Fund revenue position has seen a net outturn of £0.530m underspend against an approved budget of £181.993m. This compares to a Period 10 (January 2020) forecast underspend of £2.643m. The majority of this movement is due to income losses as a result of the Covid-19 pandemic.

- 2.2. The revenue underspend will increase the Council's general reserves to £63.306m. This will assist the Council's financial resilience, especially to deal with the financial pressures that will result from Covid-19.
- 2.3. The HRA revenue outturn is a surplus of £0.131m, against a budgeted surplus of £9.793m. HRA revenue balances have increased by the surplus to £17.365m
- 2.4. The general fund capital outturn represents a gross expenditure underspend of £71.527m against budget. This compares to a gross expenditure budget of £235.211m.
- 2.5. The HRA capital outturn has a variance of £31.721m against a budget of £149.854m.
- 2.6. The total value of the Pension Fund as at 31st March 2020 was £1.324bn. This is made up of investments in various assets – 66% equities, 23% bonds, 10% property, 1% infrastructure.

### 3. Recommendations

- 3.1. That Cabinet note the summary of the draft 2019/20 statement of accounts subject to the public inspection period and the audit currently underway.
- 3.2. That Cabinet note the Council's outturn position for 2019/20.
- 3.3. That Cabinet approve slippage from the 2019/29 capital programme into future years as per section 8.

### 4. General Fund Revenue Outturn

- 4.1. The table below summarises the general fund revenue year end position:

Member Portfolio	2019/20 Budget £000	2019/20 Outturn Variance £000
Leader of the Council	8,714	(168)
Deputy Leader and Cabinet Member for Finance, Property & Regeneration	42,482	(2,819)
Deputy Leader and Cabinet Member for Adult Social Care and Public Health	53,663	(490)
Children's Services	33,266	50
Housing Services	24,279	358
Environment & Highways	(14,284)	1,059
Business & Planning	2,901	560
Community Services & Digital	20,893	775
Public Protection and Licensing	10,080	145
<b>Net Controllable Budget</b>	<b>181,993</b>	<b>(530)</b>
<b>Funding:</b>		
Council Tax	(56,683)	
Business Rates	(125,310)	



4.2. The Council has a total general fund revenue underspend of £0.530m for 2019/20. It is estimated that this would have been an underspend of c£1.9m pre Covid-19. As there was approximately £1m of variances due to the pandemic, mainly resulting from The reduced income in the last 2-3 weeks of the financial year in the following areas:

- Parking – approximately £0.700m of income losses due to covid-19
- PPL, Registrars and Highways – £0.280m of income losses due to covid-19

4.3. There were further variances not related to Covid-19. These were:

- £1m overspend in Waste – due to a MTFP saving that was not achieved as a result of a change in the Council's waste procurement strategy.
- £1.4m underspend in Treasury and Pensions – driven by average cash balances available for investment and yields continuing to be higher than initial assumptions.
- £0.05m net underspends across variances other services across the council

## **5. HRA Revenue Outturn**

5.1. The HRA had an outturn underspend of £0.131m. This represents a variance of £9.662m against a budgeted surplus of £9.793m. The key variances are outlined below.

- £7.2m under-recovery of income on leasehold operations – primarily due to a change in the billing process from twice yearly to annual and based on cost quotations when works start rather than advance estimates. This has the effect of delaying the commencement of charging to leaseholders and thus in reality is a time-lag effect, not lost or reduced income. This was compounded by a postponement to a number of major works schemes, again a timing effect.
- £1.5m under-recovery on tenancy income from both dwelling and non-dwelling properties. More income was anticipated from empty sheds and garages than achieved and the level of income generated from dwelling tenancies was also lower than budgeted. Work is being undertaken in 2020/21 to review the extent to which commercial income can be driven up and to ensure that the budget assumptions are aligned with experience in the level of voids across all tenures.

- £1m overspend on Health and Safety and Fire Services – this was largely due to an increase in fire risk assessments undertaken (not capitalisable) as well as emergency asbestos works which were additional to budgeted expectations and required largely specialist agency contractors to fulfil.

## 6. General Fund Capital Outturn

6.1. The General Fund capital outturn is summarised below:

Member Portfolio	Approved Expenditure Budget £000	Approved Income Budget £000	Approved Net Budget £000	Outturn Expenditure £000	Outturn Income £000	Net Capital Outturn £000	Expenditure Variance £000	Income Variance £000
Deputy Leader and Cabinet Member for Finance, Property & Regeneration	88,676	(3,031)	85,645	41,035	(4,512)	36,523	47,641	1,481
Deputy Leader and Cabinet Member for Adult Social Care and Public Health	16,181	(500)	15,681	15,320	(265)	15,055	861	(235)
Children's Services	10,201	(7,663)	2,538	5,566	(4,386)	1,180	4,635	(3,277)
Housing Services	40,661	(32,051)	8,610	33,829	(30,698)	3,131	6,832	(1,353)
Environment & Highways	54,322	(25,679)	28,643	45,682	(26,424)	19,258	8,640	745
Business & Planning	4,618	(1,376)	3,242	3,350	(1,541)	1,809	1,268	165
Community Services & Digital	5,285	(49)	5,236	5,735	(3,968)	1,767	(450)	3,919
Public Protection and Licensing	1,759	(1,162)	597	1,545	(1,545)	0	214	383
<b>Total for Cabinet Portfolio's</b>	<b>221,703</b>	<b>(71,511)</b>	<b>150,192</b>	<b>152,062</b>	<b>(73,339)</b>	<b>78,723</b>	<b>69,641</b>	<b>1,828</b>
Flexible Use of Capital Receipts	13,508	0	13,508	11,622	(11,622)	0	1,886	11,622
<b>Grant Total</b>	<b>235,211</b>	<b>(71,511)</b>	<b>163,700</b>	<b>163,684</b>	<b>(84,961)</b>	<b>78,723</b>	<b>71,527</b>	<b>13,450</b>

6.2. In total, across the general fund the Council had total capital expenditure of £163.684m, with funding applied of £84.691m, a total net outturn position of £78.993m, compared to a net budget of £163.700m.

6.3. The funding of the capital programme is shown below:

Funding Source	Funding £000
<b>Total Grant &amp; Contributions</b>	
Central Govt Grants	(5,258)
Grants from GLA Bodies (Incl. TfL)	(4,294)
Grants from non-departmental public bodies	(12)
Affordable Housing Fund	(29,279)
Community Infrastructure Levy	(4,694)
S106 Contributions	(3,495)
S278 Contributions	(12,104)
Other 3rd Party Contributions	(3,746)
<b>Total Grants &amp; Contributions</b>	<b>(62,882)</b>
<b>Capital Receipts</b>	<b>(21,251)</b>
<b>Borrowing</b>	<b>(79,551)</b>
<b>Grand Total of Resources</b>	<b>(163,684)</b>

6.4. The Council's general fund capital programme is categorised into five categories:

- Development - key projects that help the Council achieve its strategic aims, in line with City for All. This includes long term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration.
- Efficiency - these schemes are funded in accordance with the government's "Flexible use of Capital Receipts" (FCR) initiative and to qualify, the schemes must be designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
- Investment - one of the key objectives is for the Council to maximise its return on investments and grow income through active management of the investment portfolio. Income through these means will support the ongoing financing costs of the capital programme.
- Major Strategic Acquisitions –
- Operational - the Council's operational schemes are centred on capital improvement works to the Council's operational assets, meet health and safety standards and are fit for purpose in terms of statutory guidance and legislation.

6.5. The expenditure and funding per category is summarised in the table below:

Project Categorisation	Approved Expenditure Budget £000	Approved Income Budget £000	Outturn Expenditure £000	Outturn Income £000	Expenditure Variance £000	Income Variance £000
Development	101,611	(32,112)	73,657	(26,681)	27,954	(5,431)
Efficiency	13,508	0	11,622	(11,622)	1,886	11,622
Investment	20,000	0	0	0	20,000	0
Major Strategic Acquisitions	4,099	0	1,084	0	3,015	0
Operational	95,993	(39,399)	77,321	(46,658)	18,672	7,259
<b>Total</b>	<b>235,211</b>	<b>(71,511)</b>	<b>163,684</b>	<b>(84,961)</b>	<b>71,527</b>	<b>13,450</b>

6.6. In total there is slippage of £71.5m, however the majority of this slippage is due to the following six projects:

- £20m - Property Investment Acquisitions, as no properties were identified that provide a requisite return
- £10m – Capital Contingency, this is a corporate contingency budget if urgent capital projects or key pressures arise in year

- £6.5m - Oxford Street District, due to a delay in the appointment of a design and build contractor.
- £3.1m - Temporary Accommodation Acquisitions, due to a lower than anticipated number of purchases due to market supply.
- £2.7m - AHF Payments, due to a review of the contract on the Elgin Estate development, slipping the payment in 2020/21
- £1m - Lisson Grove Refurb – due to a delay in the refurbishment

6.7. The above projects equate to £43.3m or 60% of the total slippage on the programme. By way of comparison the 2019/20 capital programme included over 400 projects. Therefore 1.5% of projects have led to 60% of the variance.

## 7. HRA Capital Outturn

7.1.1. The HRA Capital Programme spent a total of £118.134m and resulted in an underspend by £31.721m. This balance will be slipped into 20/21 as all capital schemes are still progress. This is summarised in the table below:

Category	2019/20 Budget £000	2019/20 Outturn £000	Variance £000
Major Works	49,353	41,036	(8,317)
Regeneration & New Build Schemes	100,501	77,098	(23,403)
<b>Total Capital Expenditure</b>	<b>149,854</b>	<b>118,134</b>	<b>(31,721)</b>

Key reasons for the slippage are:

### 7.1.2. Major Works – £8.317m variance, reprofiled into future years:

Key projects that underspent are Fire Precautions (£7.838m), External Repairs and Decorations (£4.776m) and Electrical works (£2.410m). This was netted off against overspends within Lifts, Voids and Adaptations work £3.880m, Internal mechanical and engineering works £1.730m and general Capital Overspend of £1.097m in relation to Windows, Heating/Energy work and General asset management.

### 7.1.3. Regeneration and New Build Schemes - £23.403m variance, reprofiled into future years:

Tollgate gardens underspend considerably, by (£9.580m) due to delays in reaching practical completion. Further delays have also been

experienced within other Church Street Ward developments, such as Parsons North (£1.847m), Ashmill, Ashbridge and Cosway (£3.791m). This is netted off against accelerated spend on Church Street Buybacks £1.961m, more spend on Lisson Arches due to additional works £1.245m and increased spend on Ebury £3.147m.

7.1.4. Furthermore, there was an underspend of across smaller sites, such as the Infills Programme and Queens Park Court (£9.982m) and contingency was also not used (£3.229m).

## 8. Capital Slippage

8.1. The tables below outlines the reprofiling of capital slippage from 2019/20 into future years.

ELT	Slippage from 2019/20 to 2020/21 £000	Slippage from 2019/20 into Future Years (beyond 2020/21) £000	Under/Over spends £000	Total £000
Adult Services	(368)	0	3	(365)
Children's Services	(854)	(4,168)	387	(4,635)
Environment and City Management	(6,243)	(8,121)	4,485	(9,879)
Finance and Resources	(708)	(31,202)	(2,008)	(33,918)
Growth, Planning and Housing	(2,548)	(18,848)	1,731	(19,665)
Westminster Builds	(1,364)	0	(718)	(2,082)
FCR	(983)	0	0	(983)
<b>Total</b>	<b>(13,068)</b>	<b>(62,339)</b>	<b>3,880</b>	<b>(71,527)</b>

8.2. The HRA re-profiling is summarised below:

HRA	Slippage from 2019/20 to 2020/21 £000	Slippage from 2019/20 into Future Years (beyond 2020/21) £000	Total £000
Major Works	(7,689)	0	(7,689)
Housing Regeneration	(10,797)	(4,168)	(14,965)
Other Projects	(1,957)	(7,111)	(9,068)
<b>Total</b>	<b>(20,442)</b>	<b>(11,279)</b>	<b>(31,721)</b>

8.3. A detailed scheme by scheme breakdown is given in appendix 1 and 2 of this report.

8.4. The majority of slippage from 2019/20 has been re-profiled into years beyond 2020/21. This is because capital spending in 2020/21 is likely to be limited by the impact of the pandemic. Officers will continue to monitor capital expenditure and provide updates to members in line with the budget monitoring cycles.

## 9. Pension Fund

### Fund Account

- 9.1 The value of the Council's Pension Fund decreased by £94.8m over the year to 31 March 2020, falling from £1.418bn at 31 March 2019 to £1.324bn at 31 March 2020. The table below summarises the major elements that comprise this net change.

2018/19		2019/20
£'000		£'000
61,242	Members Contributions Directly Paid in	72,616
(58,189)	Benefits Paid and Transfers Out	(63,697)
(5,823)	Management Expenses	(6,834)
12,242	Investment Income	17,975
72,884	Investment Returns	(114,858)
<b>82,356</b>		<b>(94,798)</b>

- 9.2 As part of the deficit recovery plan, increased contributions paid into the Fund have resulted in the Pension Fund returning to a positive cash flow (contributions received versus pensions paid) of £8.9m. However, during the year £20m of these contributions were invested in the Insight Buy and Maintain Bond Fund, with withdrawals from other pooled fund managers taking place to maintain a positive cash balance. Deficit recovery contributions for 2019/20 totalled £31.82m.
- 9.3 Management costs have increased by 17.4% in the year, largely due to increased cost transparency which has resulted in greater capture of transaction costs. During the year, the Fund transitioned its Majedie UK equity allocation holdings to the LGIM Global passive fund until a new asset allocation strategy is agreed. This will lead to lower management fees in the short term.
- 9.4 The Fund has seen an increase in investment income of 46.8%, due to greater income received from pooled investments along with a £1.7m cash receipt in relation to the termination of the Majedie UK equity fund.
- 9.5 As a result of COVID-19 impacting global markets and complexities in illiquid asset valuations, the market value of the Fund's pooled equity and multi asset credit investments fell significantly over the final quarter of 2019/20. This resulted in a decrease in investment returns from £72.88m in 2018/19 to negative £114.86m in 2019/20.

## Net Asset Statement and Liability

9.6 The Pension Fund defined benefit obligation has fallen by £104m. This is largely due to the present value of future promised retirement benefits falling by £186m as a result of a decrease in life expectancy assumptions, along with a decreased assumption in future pension and salary increases. However, this decrease in liabilities has been partly offset by a decrease in the fair value of scheme assets of £83m due to a fall in asset values following COVID-19.

2018/19		2019/20
£'000		£'000
(2,046,789)	Present Value of Promised Retirement Benefits	(1,860,231)
1,402,762	Fair Value of Scheme Assets (bid value)	1,319,740
<b>(644,027)</b>	<b>Net Liability</b>	<b>(540,491)</b>

9.7 An analysis of the £1.324bn net assets is shown below:

2018/19		2019/20
£'000		£'000
150	Equities	150
1,402,288	Pooled Investment Vehicles	1,300,427
120	Income Due	119
5,802	Cash Deposits	19,044
11,293	Other Current Assets	4,640
(1,321)	Other Current Liabilities	(846)
<b>1,418,332</b>		<b>1,323,534</b>

## 10. Treasury

10.1. As at 31 March 2020, net cash invested was £407.5m, a decrease of £98.3m on the position at 31 March 2019 as shown below:

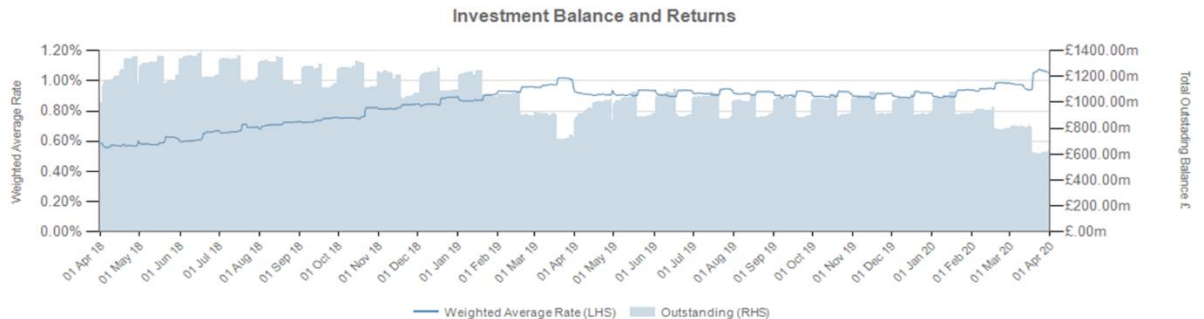
	31 March 2020 (£m)	31 March 2019 (£m)
<b>Total Borrowing</b>	(221.2)	(223.2)
<b>Total Cash Invested</b>	628.7	729.0
<b>Net Cash Invested</b>	<b>407.5</b>	<b>505.8</b>

## Investments

10.2. The Council's Annual Investment Strategy which forms part of the Treasury Management Strategy Statement (TMSS) for 2019/20 was approved by the Council on 6 March 2019. The Council's policy objective is the prudent investment of balances to achieve optimum returns on investments, subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.

10.3. The table below provides a breakdown of investments, together with comparisons for the previous financial year end.

	Investment Balance 31 March 2020 (£m)	Investment Balance 31 March 2019 (£m)	Movement
<b>Money Market Funds</b>	30.1	59.7	-29.6
<b>Notice Accounts</b>	18.6	89.5	-70.9
<b>Term Deposits</b>	580.0	465.0	115.0
<b>Tradeable Securities</b>	0.0	114.8	-114.8
<b>Total:</b>	<b>628.7</b>	<b>729.0</b>	<b>-100.3</b>



10.4. All investment/overdraft limits specified in the 2019/20 investment strategy have been complied with except for one instance of cash received after close of banking business:

- £11.008m on 29<sup>th</sup> April 2019

10.5. Also, on the 30th October 2020 the Council breached its authorised overdraft limit by £47.4m at our clearing bank Lloyds. This arose from a failure of HSBC bank to repay £49.2m requested from the Council's HSBC call account.



- 10.6. The original/budgeted average balance for 2019/20 was £900m, while the actual outturn average investment balance for the year was 952.7m. The average investment balance peaked in July 2019, reaching £994.6m.
- 10.7. The table below shows the forecast investment income to be achieved in the year: budget versus actual and the variance. The Council's budgeted investment return for 2019/20 is £9.810m, and performance for the year is £3.120m above budget.

	Budget £000	Actual £000	Variance £000
<b>Investment Income</b>	-9,810	-12,930	-3,120

## Borrowing

- 10.8. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital expenditure activity of the Council and resources used to pay for the capital spend. It represents the 2019/20 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 10.9. At £221m, the Council's borrowing was within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the estimated CFR for 2019/20 of £905m. The final CFR for 2019/20 was £830m.
- 10.10. As at 31 March 2020, the Council has maintained an under-borrowed position of £609m. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 10.11. The table below shows the details around the Council's external borrowing as at 31 March 2020, split between the General Fund and HRA.

Total Borrowing	31 March 2019 (£m)	31 March 2020 (£m)
HRA	196.0	196.0
General Fund	27.2	25.2
<b>Total Borrowing</b>	<b>223.2</b>	<b>221.2</b>

The breakdown of the existing loans is shown below:

Borrowing Type	Loan Balance 31 March 2019 (£m)	Loan Balance 31 March 2020 (£m)	Movement
PWLB	151.0	151.0	0.0
LOBO	70.0	70.0	0.0
Mortgage Annuity	0.2	0.2	0.0
Greater London Authority	2.0	0.0	-2.0
<b>Total:</b>	<b>223.2</b>	<b>221.2</b>	<b>-2.0</b>

- 10.12. During 2019/20 the Council repaid 2.04m of loans using investment balances. These consisted of a £2m interest free loan from the Greater London Authority and £0.042m of mortgage annuity loans.

### Forward Borrowing

- 10.13. 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).
- 10.14. 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.
- 10.15. 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.
- 10.16. An analysis of these loans can be found in the table below.

## 11. 2019/20 Statement of Accounts

### Balance Sheet

11.1. The balance sheet in the table below shows the Council has net assets of £2.648bn. An increase of £169m in comparison to 2018/19.

31 March 2019		Note	31 March 2020
£'000			£'000
<b>ASSETS</b>			
<u>Non-current</u>			
2,532,109	Property, plant and equipment	Note 19c	2,686,180
42,846	Heritage assets	Note 20	44,578
472,825	Investment property	Note 21	499,757
724	Intangible assets		1,313
25,150	Long-term investments	Note 22a	88,104
67,604	Long-term debtors	Note 28	70,035
<b>3,141,258</b>	<b>Total long term assets</b>		<b>3,389,967</b>
<u>Current</u>			
673,751	Short-term investments	Note 22a	543,945
101	Inventories		116
149,139	Short-term debtors	Note 28	97,962
49,922	Cash and other cash equivalents	Note 23	35,522
-	Assets held for sale		-
-	Investment property held for sale		-
<b>872,913</b>	<b>Current assets</b>		<b>677,545</b>
<b>31 March 2019</b>		<b>Note</b>	<b>31 March 2020</b>
<b>Restated</b>			
£'000			£'000
<b>LIABILITIES</b>			
(2,486)	Short-term borrowing		(16,828)
(350,078)	Short-term creditors	Note 29	(375,606)
(685)	Short-term provisions	Note 30	(687)
(3,643)	Revenue receipts in advance	Note 13	(20,609)
<b>(356,892)</b>	<b>Total current liabilities</b>		<b>(413,730)</b>
<u>Long term</u>			
(4,321)	Long-term creditors	Note 29	(52)
(144,150)	Long-term provisions	Note 30	(72,299)
(222,521)	Long-term borrowing		(206,143)
(720,205)	Other long-term liabilities	Note 31	(642,354)
(86,180)	Capital receipts in advance	Note 13	(84,541)
<b>(1,177,377)</b>	<b>Long-term liabilities</b>		<b>(1,005,389)</b>
<b>2,479,902</b>	<b>Net assets</b>		<b>2,648,393</b>
(823,242)	Total Usable Reserves		(795,871)
(1,656,660)	Total Unusable Reserves	Note 17	(1,852,522)
<b>(2,479,902)</b>	<b>Total Reserves</b>		<b>(2,648,393)</b>

- 11.2. This increase in net assets is primarily due to an increase in long term assets, namely Property, Plant and Equipment and Investment Properties. This is in line with the latest valuations of our property portfolio and the expenditure the Council has incurred on the capital programme. The net asset position is further enhanced by a reduction in long term liabilities – primarily a reduction in the Council’s pension liability and long term provisions.

**Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (MiRS)**

- 11.3. Local government accounting requires the production of a comprehensive income and expenditure statement and movement in reserves statements, using international accounting standards. The movement in reserves statement is designed to adjust for technical transactions such as depreciation.

- 11.4. A reconciliation of the CIES with budget monitoring is shown below

	General Fund Balance £m	Housing Revenue Account £m	Total £m
Surplus of Provision of Services (CIES)	12,534	(16,039)	(3,505)
Technical Accounting Adjustments (MiRS)	(36,193)	15,908	(20,285)
Use of Earmarked Reserves	23,129	0	23,129
Net Surplus against Budget	(530)	(131)	(661)

- 11.5. The technical accounting adjustments consist of movements for:
- Neutralisation of depreciation
  - Revaluation gain/losses for the Council’s property portfolio
  - The transfer of capital grants to be capital grants reserve
  - Revenue expenditure funded from capital under statute
  - Adjustments to the pension reserve which neutralises the current service costs and ensures that the actuarial estimates are not charge to council tax

**Cash Flow Statement**

- 11.6. There was a £14.4m decrease in the Council’s cash and cash equivalents (investments that mature in no more than three days) falling to £35.5m.

2018/19 Restated*	Note	2019/20
£'000		£'000
99,991	Net (surplus)/deficit on the provision of services	3,505
201,314	Adjustments to net (surplus)/deficit on the provision of services for non-cash movements	116,090
(241,560)	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,289,209
59,745	<b>Net Cash Flows from Operating Activities</b>	1,408,804
160,022	<b>Net Cash Flows from Investing Activities</b>	(1,464,683)
(331,101)	<b>Net Cash Flows from Financing Activities</b>	41,479
(111,334)	<b>Net (increase)/decrease in cash and cash equivalents</b>	(14,400)
161,256	Cash and cash equivalents at the beginning of the reporting period	49,922
<b>49,922</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>35,522</b>

- 11.7. The decrease in the Council's cash position is mainly due to expenditure incurred as part of the Council's capital programme and an outflow of expenditure for investing activities. However, it should be noted that with investments of c£600m the Council are still in a healthy cash position.

## 12. Objections

- 12.1. At the time of writing the auditors have not received any objections in relation to the 2019/20 statement of accounts.

## 13. COVID-19

- 13.1. The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 20th March 2020, has meant that many of the businesses at the heart of the West End have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.
- 13.2. These additional costs have not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21.

- 13.3. The financial impact of the pandemic will be reported to the committee during 2020/21.

#### **14. Conclusion**

- 14.1. Westminster City Council is a complex organisation in terms of its broad range of services and this is illustrated in its financial complexity as well. However, the Council is generally in a healthy position as at the end of the 2019/20 financial year with an appropriate level of general reserves for an organisation of this size and breadth. However, as noted above the Council faces significant challenges in 2020/21 and future year

#### **Background Papers:**

The 2019/20 draft statement of accounts can be found at the following link:

<https://www.westminster.gov.uk/2019-2020-annual-accounts>

Appendix 1 - General Fund Slippage from 2019/20 to Future Years

Project	Sum of Slippage from 2019/20 to 2020/21 £000	Sum of Slippage from 2019/20 to Future Years (beyond 2020/21) £000
<b>Adult's Services</b>	<b>(369)</b>	
BARNEY & FLOREY	(181)	
FRAMEWORK- UPGRADE TO MOSAIC	(63)	
LIPUS STREET	(89)	
PEOPLE FIRST WEBSITE	(44)	
<b>Children's Services</b>	<b>(854)</b>	<b>(4,168)</b>
HALLFIELD SITE IMPROVEMENTS	(837)	
KING SOLOMON SCHOOL EXPANSION	0	(1,268)
PORTMAN - BOILER/DISTRIBUTION	0	(1,302)
REACTIVE CAPITALISED MAINTENANCE WORK	0	(124)
Schools Minor Works Projects	0	(673)
SOCIAL CARE SYSTEM REPROCUREMENT	0	(200)
ST MARYLEBONE BRIDGE SPECIAL SCH	(17)	
<b>FCR</b>	<b>(709)</b>	
NETWORK&TELEPHONY TRANSFORMATION	(658)	
TECHNOLOGY REFRESH	(50)	
<b>Finance and Resources</b>	<b>(2,548)</b>	<b>(31,292)</b>
CAPITAL CONTINGENCY	0	(10,000)
CORONERS COURT IMPROVEMENTS	28	
COSWAY STREET	(453)	
ENERGY MONITOR & TARGET	0	(200)
FORWARD MANAGEMENT PLAN	(843)	
INVESTMENT PORTFOLIO ASSET MANAGEMENT	(248)	
LANDLORD RESPONSE/MAYFAIR/BRAR	(168)	
LISSON GROVE REFURBISHMENT	0	(1,002)
MANDELA WAY UPGRADE	(388)	
MEETING ROOMS REFURBISHMENT	(28)	
MIN ENERGY EFFICIENCY STD (MIEES)	(174)	
PROPERTY INVESTMENT ACQUISITIONS	0	(20,000)
SEYMOUR LEISURE CENTRE	(162)	
<b>Growth, Planning &amp; Housing</b>	<b>(1,364)</b>	<b>(18,848)</b>
AFFORDABLE HOUSING FUND BUDGET	(2,898)	
BEACONSFORD	(498)	
CHURCH ST GOOD GROWTH FUND	(103)	
CHURCH ST REGENERATION HUB	(334)	
CHURCH STREET ACQUISITIONS	0	(1,899)
CHURCH ST GREEN SPINE PUBLIC REALM	0	(1,034)
District Heating Plants	0	(222)
DUDLEY HOUSE	75	
ENTERPRISE	0	(202)
Farm Street	(78)	
HARROW ROAD PLACE SHAPING SCHEME	87	
Huguenot House Redevelopment	0	(59)
LEISURE REVIEW - DEVELOPMENT	59	
Lisson Grove Programme	1,882	
LUXNBROUGH DEVELOPMENT	402	
MARYLEBONE FLYOVER	114	
MOBERLY SPORTS CENTRE REDEVELOP	124	
OPEN SPACES AND GREENER PLACES	0	(148)
OXFORD STREET REFURBISHMENT	0	(6,466)
SR SIMON MILTON UNIVERSITY T&C	(461)	
SOHO AREA PUBLIC REALM IMPROVEME	0	(352)
STRATEGIC ACQUISITION HUGUENOT HSE	0	(3,074)
Temporarily BB	0	(1,899)
TEMP ACCOMMODATION ACQUISITIONS	0	(1,496)
THAMES RIVERFRONT	9	
VICTORIA PLACE PLAN	100	
WEDGWOOD SQUARE	(96)	
WEP - CONNECT WMINSTER-BROADBAND	0	(503)
WEP - FREIGHT	0	(130)
WEP - THE STRAND-ALDWYCH	0	(147)
Westmead	0	(1,712)
<b>Westminster Housing Investments Limited</b>	<b>(983)</b>	
LUTON STREET	(425)	
WARWICK	(558)	
<b>Environment &amp; City Management</b>	<b>(6,248)</b>	<b>(8,121)</b>
ABELL AND CLELAND PUBLIC REALM	0	(200)
ALBEMARLE STREET PUBLIC REALM IMPROV	61	
ANTI SKID SURFACING	(74)	
ASSETS OF UNKNOWN ORIGIN	5	
BERKELEY SO NORTH SIDE PUB REALM	0	(386)
Bond Street	(634)	(633)
BOW ST MAGISTRAT CRT&POLICE STAN	38	
BUSINESS PROCESSING AND TECHNOLOGY C	(100)	
CARLTON VALE & RANDOLPH VALE	(101)	
Carriageway Programme Maintenance	(108)	
CCTV - CRIME & DISORDER	(140)	
Cemeteries Infrastructure	(4)	
CEREMONIAL STREETS/CAPE	0	(4,678)
CHRISTCHURCH GARDENS	(358)	
Commercial Waste Containers	(12)	
COVENT GARDEN HYM	0	(147)
Damaged Paving Programme Mainte	(8)	
Drainage Improvement Programme	2	
Duke Street - Selfridges	(69)	
EAST MAYFAIR PUBLIC REALM SCHEME	0	(230)
Elizabeth Street/Highgate Place	21	
Footway Programme Maintenance	244	
Footway Strengthening	(150)	
GOLDEN JUBILEE FOOTBRIDGE IMPROVEMEN	10	
Great Scotland Yard	(18)	
HANOVER SQUARE PUBLIC REALM	297	
HARROW ROAD LADBROKE GROVE	0	(65)
HYDE PARK WARD PEDESTRIAN IMPROV	0	(21)
ISOLATED PITCHES & FOOTWAYS	(38)	
JAMES ST PUBLIC REALM IMPROVEMEN	0	(192)
KNIGHTSBRIDGE & TREVOR GATE	(123)	
LED Lighting Rollout	0	(190)
LEISURE REVIEW MAINTENANCE	0	(310)
LIBRARIES YEAR D&C/CR PROGRAMME	(878)	
LIGHTING IMPROVEMENTS	181	
LIGHTING-CHERISHED COLUMN REPLAC	5	
LIGHTING-GAS VALVE SAFETY CONNEC	22	
LOAD TESTING	27	
Local Safety Scheme Investigatio	39	
LONDON CYCLE GRID QUIETWAY 7	111	
LUXNBROUGH DEVELOPMENT	(357)	
MINOR WORKS PROGRAMME 1920	(13)	
Motomob&STPublicRealmimprovements	0	(20)
NEWPORT PLACE	(400)	(177)
North Wharf Gardens Site II	152	
OLD COMPTON ST GREEN ST&FRITH ST	(136)	
OPEN SPACES STRATEGY	(108)	
PADDINGTON ENVIRONMENTAL AND PLACE PR	97	
PARKS AND GARDENS LIGHTING	(203)	
PARKS LANDSCAPE/INFRASTRUCTURE IMP	(18)	
PARKS/OPEN SPACES INFRASTRUCTURE	24	
PENFOLD STREET, CHURCH STREET	(323)	
PICCADILLY UNDERPASS	0	(194)
PLANNED PREVENTATIVE MAINTENANSTR	(196)	
PLANNED PREVENTATIVE MAINTENANCE (PPM)	(516)	
PLAYGROUNDS MINOR WORKS	(21)	
PORCHESTER & WESTBOURNE PARK RD	(162)	
PORCHESTER MAIN POOL REFURBISHMENT	151	
PORTMAN SQUARE FOOTWAYS	(256)	
PRG - BLUEBELL GLADE WORKS	(66)	
PRG - SYNTHETIC PITCH REPLACEMENT	(144)	
PRG-REPLACEMENT CHILD'S PLAY GRND	(31)	
PROTECT PAINTCOATING LAMP COLUMN	(153)	
PUBLIC LIGHTING-AGED EXPIRE EQUIPM	194	
Queensway ST scape Improve Phase	0	(474)
Replacement Street Nameplates	(8)	
Ripon Hill St Pedestrianisation	(393)	
ROYAL ALBERT HALL HOSTILE VEHICLE MGT P	125	
RUPERT STREET PUBLIC REALM IMPROVEMEN	301	
SPORTS LEISURE-CONDITIONS SURVEY&MA	(260)	
ST GEORGES DRIVE & WARWICK WAY PREES	(197)	
STATE EVENT OPERATION PLAN	(321)	
ST JAMES'S ST PUBLIC REALM IMPROVEME	0	(31)
STREET TREES - NEW PLANTING	(12)	
Structural Critical Columns	553	
Sutton Row	15	
TACHBROOK MARKET ELECTRIC UPDATE	(464)	
THAYERMANVILLE STREET	(45)	
TRAINING SITE IMPROV CHANGROOM	0	(169)
TRIAL 20MPH SCHEME	(116)	
VEHICLE ACTIVATED SIGNS	(62)	
VICTORIA EMBANKMENT MOORING RINGS	(77)	
Victoria Embankment Sculpture	(13)	
VILLERS STREET PUBLIC REALM	4	
WATERLOO BRIDGE	(729)	
WESTBOURNE GREEN SKATE PARK&MUGA	(83)	
WILBERFORCE MULTI USE GAME AREAS	(88)	
<b>Grand Total</b>	<b>(13,069)</b>	<b>(62,339)</b>

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**Appendix 2 - HRA Slippage: 2019/20 to 2020/21**

<b>Project</b>	<b>HRA Slippage from 2019/20 to 2020/21 £000</b>
<b>Major Works</b>	<b>(7,689)</b>
Adaptations	1,558
Electrical Works & Laterals	(634)
External Repairs & Decorations	(2,271)
Fire Precautions	(7,837)
Internal M & E Works (Domestic Heating)	26
Kitchen & Bathroom	(845)
Lifts	1,282
Planned Maintenance	10
Voids	1,023
<b>Other Works</b>	<b>(1,957)</b>
Kemp House/Berwick St	(737)
Self Financing	(1,220)
<b>Regeneration</b>	<b>(10,797)</b>
Edgware Road/AlmaCantar	27
Parsons North	(1,847)
Tollgate Gardens	402
Tollgate Gardens Acquisitions	(9,380)
<b>Grand Total</b>	<b>(20,442)</b>

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City of Westminster

## CABINET

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>13 July 2020</b>
<b>Classification:</b>	<b>Open</b>
<b>Title:</b>	<b>Financial Planning – 2021/22 to 2023/24</b>
<b>Wards Affected:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>Yes – on the forward plan</b>
<b>Financial Summary:</b>	<b>This report is setting out the financial framework for the budget setting cycle and medium term planning for this year.</b>
<b>Report of:</b>	<b>Gerald Almeroth, Executive Director – Finance &amp; Resources</b>

### 1. Executive Summary

- 1.1. This report provides an update on the Council's medium-term financial position in order to inform the business and financial planning round for 2021/22. The report assesses the current financial impact result of Covid-19 and reviews other key financial assumptions together with national and local policy issues that the Council needs to consider in making its plans for the period. The report sets out an approach for the budget process that takes account of these and the requirement to identify savings options that fit within the overall policy and financial framework aligning resources to the Council's key policy objectives set out in the City for All.
- 1.2. The report updates the medium-term financial strategy reported to Full Council in March 2020. Assumptions have been reviewed and revised in this report and the planning horizon has been extended a further year to 2023/24. It is recognised that the current financial and economic conditions are continually changing as well as the government response to this, so it is proposed that a further report will come back to Members later in the year. The indicative projected funding gap at this stage and for planning purposes is £29.2m in 2021/22 rising to £91.3m by 2023/24.

### 2. Recommendations

- 2.1. To note the revised medium-term financial forecast to 2023/24 and to agree the budget process approach as set out in the report.

### **3. Reason for Decision**

- 3.1. The preparation of the budget and three-year medium-term financial plan is the first stage of the annual business planning cycle for the forthcoming financial year 2021/22. 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. Background**

#### **National Context**

- 4.1. The Covid-19 pandemic has had a considerable impact on the Council and the City of Westminster. The government issued a national lockdown on 23 March 2020, which forced the majority of businesses in the Westminster to close. The repercussions of this was particularly significant on the West End which is the heart of the London economy with many theatres, bars, restaurants and retail establishments being forced to close. Visitors into Westminster – which is normally about one million a day, fell dramatically overnight.
- 4.2. The Council has had to adapt its working practices and operational priorities in order to respond to the pandemic. The most immediate priority was helping the residents and businesses of the City – particularly those vulnerable residents who may not have had support networks to assist them during a lockdown with social distancing enforced.
- 4.3. In responding to this public health crisis, the Council has taken steps to support its residents, businesses, supplier and the wider community over and above requirements from government. This has included parking dispensations for NHS staff and key workers and setting up Westminster Connects to provide volunteer opportunities to support our most affected residents.
- 4.4. Data from the ONS shows that the UK economy has reduced by a quarter since the pandemic began. GDP fell by 5.8% in March and then by a further 20.4% in April – a historic reduction in the economy. This reduction is approximately four times higher than the cumulative impact over one and half years of the financial crisis in 2008, which was 6%.
- 4.5. At a national level in responding to the pandemic the government have put in place a number of schemes to support businesses and individuals. However, this has significantly increased government borrowing. The Treasury has predicted that the UK's deficit is likely to reach £337bn this year, more than six times the £55m predicted at the budget in March.
- 4.6. These numbers present a bleak picture of the country's economy, but the impact on public finances is still very uncertain. Although the deficit has increased considerably and the government may need to borrow up to £300m this year (OBR estimate), this would increase the government's debt servicing by £3.5bn a year, not an insignificant amount, but this only represent a 0.4% increase in debt servicing.

- 4.7. After the one-year Spending Round in 2019, the government was planning for a Comprehensive Spending Review in July 2020, however on 24 March it was announced that this would be delayed in order to enable the government to focus on responding to the public health and economic emergency. It is expected however, that there will be a budget announcement in July in addition to the planned Autumn Budget statement.
- 4.8. Local Government was planning for the final consultation on the Fair Funding review in 2020, with implementation for the next financial year beginning in April 2021. This, alongside the revised model for the devolution of business rates, has also been postponed for at least a year.

## 5. Local Policy Context

### Pre-Covid-19 Policy Context

## 6. City for All

6.1. In March of this year the Council refreshed its City for All Strategy to align it to the Council's key objectives. The three pillars of the Council's City for All programme of activity are:

- **Greener and Cleaner:** Tackling the climate emergency to create a better place now and to safeguard our city for future generations.
- **Vibrant Communities:** Making the most of the opportunities in the City, supporting the economic recovery of businesses and well-being of residents, and building much needed housing for our residents.
- **Smart City:** Using cutting edge technology to transform council services and improve peoples' lives.

6.2. The Council are reviewing the City for All objectives in light of the Covid-19 pandemic, responding to the changing needs of residents and businesses. This forms part of the Council's Renewal and Recovery Strategy set out later in this report.

## 7. Climate Emergency

7.1. Last year the Council declared a climate emergency and set out an ambitious target to be carbon neutral by 2030. Responding to this challenge requires ambitious proposals to reduce carbon emission from all Council departments and further assess which activities can be taken forward.

7.2. The Covid-19 pandemic provides an opportunity for the Council to review the way in which it works, how it uses its buildings and consider its environmental credentials. The Council's policies around its green agenda will form a key part of the MTFP but will also require investment. Therefore, as part of the financial planning report in March 2020 approval was given to create a £5m reserve as an initial step forward for investing in green initiatives.

## Post Covid-19 Policy Context

### 8. Renewal and Recovery

- 8.1. The recovery from this public health crisis presents the Council with an opportunity to solve some of the City's most intractable problems – from rough sleeping to climate change as the world has changed the Council can look at which services it provides in light of what is most important to residents, businesses and communities.
- 8.2. The main challenges the Council will face going forward are:
- 8.2.1. **Exiting Lockdown** – how does the Council harness new and better ways of working; managing services in a long and phased release from lockdown; what is defined as the new BAU for Council services.
  - 8.2.2. **Economy and Business** – how does the Council get the right balance between local priorities and regional and national policies.
  - 8.2.3. **Long Term Future** – City for All, what does the Council stop, start, continue or rescope moving forward.
- 8.3. As part of the exiting of lockdown stream the Council has formulated an exit strategy that focusses on the following areas:
- **Movement Strategy** – reviewing the public realm and parking solutions to facilitate the reopening of the City, particularly the hospitality sector, given the impacts of social distancing;
  - **The Council: Reopening** – focussing on the re-opening of services in and staff returning to Council buildings;
  - **The City: Reopening** – research and analysis that forecasts the future of the City, e.g. visitors and commuters;
  - **Rough Sleeping** – assessing and delivering sustainable options for rough sleepers and hotel accommodation;
  - **Westminster Connects and Shielding** – reviewing the role of Westminster Connects going forward;
  - **Finance** – assessing the Council's overall financial position, reviewing the budget, costs of services and any possible future support for businesses and residents.
- 8.4. The MTFP will form a core component of the finance stream outlined above. All operational and strategic decisions going forward are intrinsically linked to the Council's finances and are not mutually exclusive.

## 9. Medium Term Financial Plan: 2020/21 to 2022/23

9.1. The MTFP approved at Full Council on 4 March 2020 outlined a total budget gap up to 2022/23 of £63.5m. This is summarised in the table below.

Budget Gap	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Estimated Core Funding Losses - Business Rates	10.000	14.000	13.000	37.000
London Business Rates Pool Estimated Gain / Growth	(0.600)	0.000	0.000	(0.600)
Council Tax Income	(3.004)	(0.570)	(0.576)	(4.150)
Other Grants: Social Care Grant	(9.154)	0.000	0.000	(9.154)
Other Grants: NHB Loss	2.170	4.065	1.727	7.962
Inflation: Pay	2.397	2.445	2.494	7.336
Inflation: Contract	5.275	5.541	5.910	16.726
Capital Financing	2.500	2.600	2.700	7.800
Corporate Pressures	4.343	5.063	7.434	16.840
My Westminster	3.000	(3.000)	0.000	0.000
Service Specific Pressures	7.972	3.876	10.000	21.848
Review of Budget Contingencies	(6.000)	0.000	0.000	(6.000)
<b>Sub-Total</b>	<b>18.899</b>	<b>34.020</b>	<b>42.689</b>	<b>95.607</b>
Savings Identified	(18.899)	(9.177)	(4.080)	(32.156)
<b>Remaining Budget Gap</b>	<b>0.000</b>	<b>24.843</b>	<b>38.609</b>	<b>63.451</b>

9.2. A total budget gap of £95.6m was identified, with savings of £32.1m, which left a remaining budget gap for 2021/22 and 2022/23 of £63.5m.

## 10. 2020/21 Financial Position

- 10.1. The 2020/21 net budget is £180m which is inclusive of £18.9m of savings that were identified for this year.
- 10.2. The P2 monitoring report set out that there was an adverse variance of £17.5m to the end of May, which was largely offset by the two tranches of government support provided so far totalling £16.5m. Given the level of uncertainty about the future it is very difficult to accurately forecast the impact for the rest of the year, however an indicative range of between £50-60m was outlined. This excludes any government grant. The main reasons for this variation are:
- income losses arising from the Covid-19 pandemic;
  - additional unbudgeted expenditure arising from the Covid-19 pandemic;
  - savings no longer achievable in 2020/21 due to the pandemic or other operational reasons.
- 10.3. The Council currently holds unallocated reserves of £63m, which would need to be utilised to fund any net overspend this financial year that is not covered by further government financial support. It is recommended that the plans going forward include a provision for building this reserve back up.

## 11. Further Government Financial Support

- 11.1. On 2 July 2020 the government announced further funding and financial support for local authorities. These were:

- £500m of unringfenced grant funding for local authorities across England
  - A new scheme to help reimburse local authorities for lost income during the pandemic and boost cashflow for local authorities.
- 11.2. The £500m of unringfenced funding is similar to the first two tranches of government support and is likely to focus on additional financial burdens that have arisen from the pandemic. For example, to cover additional costs for social care, rough sleeping and PPE.
- 11.3. The new scheme to reimburse local authorities for income losses is predicated on Councils covering the first 5% of income losses from sales, fees and charges and the government will reimburse councils for 75% thereafter.
- 11.4. There has also been an announcement that any preceptor deficits on a council's Collection Fund (the fund through which business rates and council tax is accounted for) can be paid over three years rather than all in one year. This will provide a cashflow boost to many local authorities.
- 11.5. Further details of these financial support measures are still being worked through and members will be informed when allocations are announced and how this will impact on Westminster's 2020/21 financial position.

## 12. Medium-Term Financial Plan: 2021/22 to 2023/24

- 12.1. The assumptions in the current plans have now been reviewed and are shown in the table below. The plan has also been a year to 2023/24. The revised budget gap for 2021/22 is £29.2m and £91.4m over the three-year period as outlined in the table below:

	2021/22 over 2020/21 £'m	2022/23 over 2021/22 £'m	2023/24 over 2022/23 £'m	Total	Comments
Funding Gap - as agreed by Full Council	24.843	38.609	0.000	63.452	
Core Funding Losses - Business Rates	(14.000)	(4.000)	8.300	(9.700)	Delay in funding review and reduced impact
London Business Rates Pool Gain / Growth	0.000	0.000	(0.500)	(0.500)	
Council Tax Income	0.870	(0.300)	(0.876)	(0.306)	No Council Tax growth due to covid19
Other Grants: NHB Loss	(1.929)	0.610	1.727	0.408	Prior year assumption was too pessimistic
Inflation: Pay	0.000	0.000	2.500	2.500	
Inflation: Non Pay	(3.541)	(3.910)	2.000	(5.451)	Prior year assumption was too pessimistic
Capital Financing	0.000	0.000	3.000	3.000	
Corporate Pressures	0.000	0.000	5.000	5.000	
COVID19 Pressures	20.000	0.000	0.000	20.000	New, reduction in income due to covid
Service Specific Pressures	3.000	(5.000)	5.000	3.000	
Build back of unallocated reserves	0.000	5.000	5.000	10.000	New, top up reserves back to normal levels
<b>Revised Funding Gap</b>	<b>29.243</b>	<b>31.009</b>	<b>31.151</b>	<b>91.403</b>	

- 12.2. The budget gap for 2021/22 has increased by £4.4m and reduced by approximately £7.6m in the year after. Over the three-year period the budget gap has increased by £28.0m. The main reasons for this are:

12.2.1. Adjustments to existing assumptions (net reduction of £3.2m) due to:



- assumed government funding – favourable reduction of £18m, largely from the Fair Funding Review being delayed;
- indicative sum for the ongoing cost impact of Covid-19 of £20m;
- non-pay inflation – reduction of £7.5m as previous provision has been overly pessimistic;
- other net favourable reductions - £2.7m (including revised estimates of new homes bonus), and;
- provision of a sum to replenish reserves at £5m.

12.2.2. One-year extension of the plan to 2023/24 (net £31.2m) due to:

- assumed government funding reductions, inflation, corporate and service pressures and a planned increase in capital financing; partially offset by an estimated increase in the council tax base.

12.3. Since the onset of the pandemic, the greatest financial pressure the Council has faced is on its income from sales, fees and charges mainly related to the significantly reduced economic activity. Current year forecasts are still very uncertain, however, it is expected that conditions and therefore income will not be back to pre-Covid levels for quite some time, if at all and therefore an indicative planning assumption of £20m impact is included. This represents just over 10% of the Councils income from services.

### **13. Approach to Identifying Saving Options**

- 13.1. Planning financially over the medium-term period enables the Council to review proposals within a reasonable timescale and can ensure proper consideration and consultation takes place. It is clear however, that in the current financial climate the challenge is going to be more difficult and therefore proposals will need to be implemented at pace once approved.
- 13.2. In the past the Council has been able to generate a high proportion of its savings from its commercial and service activities. Two thirds of the savings proposals approved in the current plans are from additional income, which is significantly higher than the average in London. These proposals will need to be reviewed in light of the prevailing economic conditions as well ensuring any new proposals that come forward for additional income are robust and realistic.
- 13.3. It is important that the Council's resources are prioritised to achieve its key policy objectives, particularly the City for All. Savings options will need to come forward that are resilient and create long term financial sustainability in a new post pandemic world and therefore aligning to the Renewal and Recovery Programme will also be important.
- 13.4. As the Council progresses with its culture change programme with the Westminster Way, collaboration across services that focus on delivering key outcomes against evidenced need will have resources prioritised towards them.

- 13.5. The Council is aiming to embrace new ways of working, be ambitious about its digital programme, reduce areas of unnecessary regulation, rethink the way some services are delivered and embrace more volunteering and community-based delivery of outcomes in line with the Westminster Connects model.

#### **14. Capital Strategy Review**

- 14.1. The Council has worked hard to keep its development sites open and working during the pandemic, however, inevitably there has been an impact with delays in projects that have been affected by the lockdown restrictions and social distancing. These delays will mean that projects will complete later than planned and this will create slippage in the capital programme.
- 14.2. External capital funding will be uncertain in the immediate future, in particular some highways schemes have already had planned funding withdrawn. However, it is also possible that there will be opportunities as significant investment will be needed to assist in supporting economic recovery. The Council will need to be ready to take full advantage of these opportunities as these arise.
- 14.3. The Council has an ambitious capital programme, nearly £1.5bn over the next 15 years, investing in delivery of new affordable homes as well as significant public realm schemes such as the Oxford Street District programme. The capital strategy review will be important in ensuring that all schemes are prioritised to support the delivery of key policy objectives, particularly City for All priorities such as the climate change agenda.
- 14.4. The capital strategy is financed in a number of different ways and this includes an increasing amount of revenue borrowing. As such, it is of particular importance that all schemes within the programme are aligned to achieving key policy objectives, are maximising any external funding opportunities and are delivering a financial return where possible. An increased capital programme could not be achieved unless there were more revenue savings to finance further borrowing.

## 15. Timelines

15.1. A broad timeline is set out below:

Group	Month	Comments
Cabinet	13 July 2020	Financial planning report – review assumptions, set out initial three year budget gap and agree savings approach
ELT	July to August	ELT, directors and officers to review and identify saving options
Scrutiny – Budget Task Group	September	Scrutiny of early savings proposals
Cabinet	12 October 2020	Financial planning update including early savings proposals
ELT	September to November	ELT, directors and officers to review and identify further saving options
Scrutiny - Budget Task Group	January	Scrutiny of the MTFP and saving options put forward.
Cabinet	8 February 2021	Agree and approve the overall 2021/22 budget and three year MTFP
Full Council	3 March 2021	Agree and approve the 2021/22 budget and three year MTFP

## 16. Legal Implications

- 16.1. This report is submitted to the Cabinet in accordance with the Finance procedure rules. Cabinet are asked to note the revised medium term financial forecast to 2023/24 and to agree the budget process approach as set out in the report.
- 16.2. 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.
- 16.3. The report sets out a timetable to agree and approve the overall 2021/22 budget and three year MTFP and to agree and approve the 2021/22 budget and three year MTFP.

- 16.4. 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.
- 16.5. The Council has a statutory duty to have regard to the report of the Chief Finance Officer on these issues when making decisions about its budget calculations.
- 16.6. 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.
- 16.7. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act.
- 16.8. If General Fund Reserves are used to support the budget they will need to be reimbursed at the earliest opportunity to provide the necessary, margin of safety in future years

## **17. Consultations**

- 17.1. No specific consultations resulting from this report. However, individual saving proposals could be required to go through a consultation process.

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

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[galmeroth@westminster.gov.uk](mailto:galmeroth@westminster.gov.uk); 7641 2904

## **BACKGROUND PAPERS**

Business and Financial Planning 2020/21 to 2022/23 (Cabinet, 10 February 2020)



City of Westminster

## Cabinet Report

<b>Meeting:</b>	Cabinet
<b>Date:</b>	13 July 2020
<b>Classification:</b>	General Release
<b>Title:</b>	Ebury Bridge Estate Renewal – "In Principle" Compulsory Purchase Order Resolution
<b>Ward Affected:</b>	Churchill Ward
<b>City for All:</b>	<p>The proposed comprehensive renewal of the Ebury Bridge Estate will meet the Council's City for All objectives. <b>A City that Celebrates its Communities</b> and includes a transparent engagement process with residents at its centre. Renewal will promote <b>A City of Opportunity</b> by providing more homes of all types and tenures to create a vibrant community which is full of opportunity. Renewal of the Ebury Bridge estate is a significant chance to strengthen a <b>Healthier and Greener City</b> through creating high quality homes and a healthier, greener environment that connects better to surrounding communities and the wider area.</p>
<b>Key Decision:</b>	<p>This report identifies the progress made towards the renewal of the Ebury Bridge Estate and seeks Cabinet approval to progress all work necessary to establish a case for compulsory purchase of land and property required for the redevelopment of Pimlico House, Bridge House, Westbourne House, Rye House, Bucknill House, Victoria House, and Doneraile House (<b>the Order Land</b>) as part of the Ebury Bridge Estate Renewal, whilst continuing to negotiate and complete acquisitions of legal interests, on the basis of the statutory Compulsory Purchase Compensation Code.</p>
<b>Financial Summary:</b>	<p>The Ebury Bridge Estate Renewal proposals result in additional expenditure and income within the HRA. This is in line with the net budget approved in the 2019/20 Housing Revenue Account (HRA) Business Plan however the profiling of expenditure and receipts does impact on HRA resources by the end of the 30 year Business Plan period. The expenditure by Westminster Housing Investments Limited (WHIL) can be accommodated within the current WHIL Business Plan and associated funding allocation within the General Fund. A further report is proposed in respect of the funding of development of the Order Land but, at this stage, the work undertaken demonstrates that the overall Business Case for the scheme as a whole remains sound.</p>
<b>Report of:</b>	Barbara Brownlee, Executive Director, Growth Planning and Housing

## 1. Executive Summary

- 1.1. The vision for Ebury Bridge estate is to provide an increased range of affordable and market housing and bring about long-term physical, economic and social sustainability of the neighbourhood. The Council have been working with Ebury Bridge residents to create a new high quality neighbourhood that offers an attractive mix of homes (including affordable homes meeting a range of housing needs) shops, public realm and community facilities. The comprehensive renewal proposals for Ebury Bridge secured a test of opinion approval of residents and following that the approval by Cabinet of a preferred scenario (Scenario 7) in July 2018.
- 1.3. The approval of Scenario 7 allowed for the creation of a potential 750 residential units. Within this, it re-provides the existing 198 social rented homes on-site with modern, high quality replacement homes. It further delivers at least 144 affordable homes, 35% of the additional housing the scenario envisages, comprising 87 social rent and 57 intermediate homes. The proposals also envisage improvements to the public realm, ensuring the estate is better connected to the local area, creation of community facilities and a contemporary mix of shops that cater both for the residents and wider community. The Council will retain ownership of all social and intermediate units within the development, either directly or through its wholly owned housing company, Westminster Housing Investments Limited.
- 1.4. A planning application is to be submitted in July 2020 for the Ebury Bridge estate renewal project which consists of two parts, part detailed and part outline to provide a residential-led mixed use development comprising the erection of new buildings to provide residential units and ancillary residential facilities (Class C3) and retail (Class A1 – A4), community floorspace (Class D1/D2) and workspace (Class B1), the provision of new publicly accessible open space, new pedestrian and vehicle routes, accesses and amenity areas, and other associated works.
- 1.5. The detailed part of the planning application provides homes for existing residents in two new buildings, enabling existing residents to move into the first phase comprising approximately 226 residential units and ancillary residential facilities as well as community and estate management floorspace and associated amenity space servicing access and disabled and cycle parking. This first phase has been designed to set the quality for the future phases for which outline planning permission is sought and will be self-delivered by the Council. The subsequent phases which cover the redevelopment of the land shown indicatively in hatched blue and orange on the attached plan at Appendix 1 (**the Order Land**) will provide the remaining homes (approximately 532 units) and will bring forward retail and further community facilities.
- 1.6. The Council now has control of all the existing properties for which the detailed part of the planning permission is sought and the intention would be to proceed with the redevelopment of the area covered by the detailed planning application as soon as planning permission has been secured. The Council would wish to commence the development of the area subject to the outline planning application within the later stages of the construction programme for the area covered by the detailed planning application.
- 1.7. The Council already owns significant freehold interests within the Order Land. There are, however, long leasehold interests that remain to be acquired by the Council with no certainty that these can be acquired by private treaty. The CPO Guidance requires acquiring authorities to attempt to acquire land by agreement before embarking on the CPO process, although it is recognised that for schemes involving the acquisition of the number of interests, it is sensible to run the CPO process in parallel with ongoing negotiations. Given the time required to complete the compulsory purchase process it would be sensible to commence work on a compulsory purchase order (**CPO**) as a

contingency measure. It is however important to mention that the successful re-housing of 102 households, impacted by phase 1 of the scheme, was delivered without the requirement of Compulsory Purchase Powers. This report seeks Members support for a resolution 'in principle' for the use of compulsory purchase powers to assemble the Ebury Bridge Estate Renewal scheme site for phases beyond the first phase, should all reasonable attempts to acquire the necessary land and interests fail.

## **2. Recommendations**

Cabinet is invited to:

- 2.1 Approve the progress of all work necessary to establish a case for compulsory purchase of the Order Land.
- 2.2 Approve, in principle, the use of compulsory purchase powers for the acquisition of the land required for development phases of the Ebury Bridge Estate Renewal redevelopment beyond the first phase. The extent of the land required is shown indicatively in hatched blue and orange on the attached plan at Appendix 1 (referred to as **the Order Land**) and note that the making of any CPO will be subject to Cabinet being satisfied in all respects that the criteria in paragraph 3.7 have been met.
- 2.4 Note that Officers will need to seek a future resolution to grant authority, in accordance with section 122 of the Local Government Act 1972, to declare that any land acquired or held by the Council and required for the delivery of the Ebury Bridge Estate Renewal redevelopment may, where they conclude that it is no longer needed for its present purpose, appropriate the land for such statutory purpose as necessary to deliver the Ebury Bridge Estate Renewal redevelopment, and to authorise the overriding of such easements, rights, or other adverse matters burdening the land, where that is needed to deliver the scheme, in reliance on section 203 of the Housing and Planning Act 2016. Such appropriation may take place as a whole or in phases.

## **3 Reasons for Decision**

- 3.1 The Ebury Bridge Estate is one of the five priority estates identified in the Council's Housing Renewal Strategy (2010) as needing significant improvement and investment. In line with the Council's City for All objectives, the overarching objective of regenerating Ebury Bridge Estate is to create a comprehensive renewal that brings about physical, economic and sustainable change that creates additional homes and improves the lives of residents, businesses and visitors alike.
- 3.2 Whilst progress with property owners has been made in discussing acquisitions that will be necessary to deliver the proposals beyond the first phase of the Ebury Bridge Estate redevelopment, land assembly remains a critical issue for the delivery of this part of the scheme. Clearly the estate renewal cannot be delivered across properties that are not wholly in the ownership or under the control of the Council and without this, certainty cannot be gained to the likely programme for delivery of the complete estate renewal.
- 3.3 To enable the comprehensive redevelopment of the Ebury Bridge estate renewal all relevant land interests will need to be brought in, in a timely way. Whilst it is anticipated that further progress can be made on the negotiated approach for some property interests it is good practice and appropriate to consider the use of compulsory purchase powers.

- 3.4 The government recognises in its "Guidance on Compulsory Purchase Process and The Crichel Down Rules" dated July 2019, (the **CPO Guidance**), that if acquiring authorities wait for negotiations to break down, this can have detrimental impacts on the timing of delivery of projects. Therefore, depending on when the land is required, the guidance considers it sensible for an acquiring authority to:
- plan a compulsory purchase as a contingency measure; and
  - initiate formal procedures.
- 3.5 Importantly, the CPO Guidance expressly recognises that such steps "*...help to make the seriousness of the authority's intentions clear from the outset, which in turn might encourage those whose land is affected to enter more readily into meaningful negotiations*".
- 3.6 The CPO Guidance requires acquiring authorities to attempt to acquire land by agreement before embarking on the CPO process, although it is recognised that for schemes involving the acquisition of the number of interests, it is sensible to run the CPO process in parallel with ongoing negotiations.
- 3.7 This report seeks Members support for a resolution 'in principle' for the use of compulsory purchase powers to assemble the Ebury Bridge Estate Renewal scheme site for phases beyond the first phase, should all reasonable attempts to acquire the necessary land and interests fail. As the CPO Guidance makes clear, use of compulsory purchase powers is intended as a 'last resort'. Officers acknowledge that if any CPO was to be made the Cabinet would require further updating and justification:
- that there was a compelling case in the public interest;
  - that there were no planning, funding or other legal impediments to the Ebury Bridge estate renewal being delivered,
  - that all reasonable attempts to acquire all interests by agreement have not been successful;
  - for any interference with the human rights of those with an interest in the land affected; and
  - that any assessment of the impacts on residents, visitors and employees be measured and evaluated, with special focus on the likely effect of the proposals on those sharing protected characteristic (race, pregnancy, age, disability, gender reassignment, marriage/civil partnerships, religion/belief, sex, sexual orientation (as defined by the Equality Act 2010)) be made, in order for the Council to fully understand those impacts, and to consider measures to mitigate impact, make reasonable adjustment, and foster good relations between those sharing protected characteristics, and those who do not.
- 3.8 A further detailed report and the proposed Statement of Reasons would come forward to Members in due course setting out the justification for the making of a CPO.
- 3.9 The main benefit of the use of compulsory purchase is the certainty of being able to obtain vacant possession to a planned programme. This is vital in order give the Council confidence that the whole Ebury Bridge estate renewal will be delivered. The use of compulsory purchase also provides a level of certainty on project programming which in turn would allow the Council to enter into commercially sound construction contracts. This is because, once the CPO is confirmed and the legal challenge period has passed, the CPO can be implemented and a date for vacant possession fixed in accordance



with the project programme which can immediately follow or coincide with the programme for the first phase of redevelopment.

### **Use of CPO Powers**

- 3.10 In order to compulsorily acquire land the Council must have a relevant statutory power that authorises such acquisition. In addition the Council must use the most specific and appropriate power available to it. In the case of a CPO in connection with the Ebury Bridge estate renewal it has been decided that the Council's planning powers under section 226 of the Town and Country Planning Act 1990 (the Act) are the most appropriate, as the proposals would make a major positive contribution to the economic, social and environmental well-being of the area. At the time of making the CPO it would need to be ensured that the proposal meets with the requirements of this statutory power.
- 3.12 Detailed advice to acquiring authorities on the use of compulsory purchase powers is set out in the CPO Guidance. The CPO Guidance provides helpful information on the matters which the Secretary of State will take into account when considering whether or not to confirm a CPO, so should be fully considered by Members now in relation to the 'in principle' use of its compulsory purchase powers and later with reference to the making and implementing of the CPO that may be considered in future. These matters as they relate to the Scheme are considered below.
- 3.13 The Guidance states that in considering whether or not to confirm a CPO, the Secretary of State will have regard to the extent to which the purpose for which the land is being acquired fits with the adopted Local Plan for the area or, where no such up to date Local Plan exists, with the draft Local Plan and National Planning Policy Framework.
- 3.14 Westminster Council adopted its local plan, the Westminster City Plan in November 2016. It sets out the vision for the City of Westminster up to and beyond 2036/37, putting in place a policy framework that would deliver this vision. Many of its policies are therefore of high relevance to the Ebury Bridge Estate scheme.
- 3.15 The City Plan recognises that the Council must actively pursue housing development if it is to meet its housing target, and that the city's density and accessibility provide significant opportunities for sustainable redevelopment and growth.
- 3.16 The City Plan sets out seven strategic objectives for Westminster including to: sensitively upgrade Westminster's building stock; increase the supply of good quality housing to meet needs; maintain and enhance the quality of life, health and well-being of Westminster's residential communities ensuring that they can benefit from growth and change, by providing more employment and housing opportunities, safety and security; accommodate the safe and efficient movement of growing numbers of people; and to protect and enhance open spaces, civic spaces and biodiversity.
- 3.17 In all cases, Westminster intends to 'raise the bar' in terms of urban design and architectural quality, to support communities and foster civic pride in all parts of the city.
- 3.18 The Site is designated as Proposal Site F2 (Ebury Bridge) in the Council's City Plan, for the opportunity it provides to deliver residential, social/community floor space, refurbished retail and improved public realm, recognising its potential for large-scale redevelopment.
- 3.19 In the context of the above, the Council is satisfied that use of the Council's powers of compulsory purchase for site assembly is justified and that the purpose for which the land is being acquired fits in with the adopted planning framework for the area. The

proposals also fit in with the Council's emerging local plan, "City Plan 2019-2040" where the Site is designated as a spatial development priority.

3.20 The CPO Guidance states that the Council must demonstrate a 'compelling case in the public interest', and that the public benefits that will arise from the purpose for which the land is to be acquired (i.e. the scheme) outweigh the impact on those affected. The Council must demonstrate both the need for the scheme in principle and in general and the need to acquire each and every parcel of land included in the CPO. On the basis of the legal advice and the Guidance, officers are of the view that such a compelling case can be demonstrated from the desirability of implementing the scheme – in particular from the following substantial wider benefits resulting from it:

- **New and improved homes**

Westminster has an acute need for additional homes covering a range of tenures, especially affordable housing, which the Ebury Bridge Estate regeneration will help to deliver. The scheme will provide a mixture of market, intermediate and social housing. The proposals will significantly increase the amount of affordable housing floor space in line with the Council's adopted policies. This will be achieved by the uplift in the density of development on the site.

- **Outdoor Space**

Additional amenity space will be provided for residents in the form of roof terraces, balconies and residential gardens. At present, none of the homes on the Estate have private amenity space, so this will represent significant qualitative and quantitative improvement to residents' quality of life. Most of the proposed flats are dual aspect and all have private balconies or winter gardens. There are also communal gardens, courtyards and roof terraces.

- **Communal Uses**

The scheme also provides for replacement landscaping, children's play space and improved and larger community facilities as well as new Class A1/A2/A3/A4/B1/D1/D2 space.

The Scheme will improve the overall safety of the Estate by removing a number of loiter spaces within the housing block entrances.

3.21 Implementation of the Scheme will ensure that the 5 key objectives of the Council's 2010 Housing Renewal Strategy as set out below will be fulfilled:

- to increase the supply and quality of affordable housing to meet a variety of local needs including for families;
- to improve the quality of the local environment with outstanding green and open spaces that promotes low energy consumption and environmental sustainability;
- to promote a high quality of life for people of all ages and backgrounds in safe cohesive and healthy neighbourhoods, supported by a range of high quality housing and excellent community facilities;

- to enable people to maximise economic opportunity with housing tenure with support for training, employment and enterprise, and housing tenures which help those in work to remain in the City;
  - to create a more distinct sense of neighbourhood ending the physical divide between Westminster's estates and surrounding streets.
- 3.22 Part of the justification for obtaining confirmation of a CPO would involve demonstrating that compulsory powers are necessary because the land required cannot be acquired by agreement. Compulsory purchase is seen as a last resort and the acquiring authority must be able to show that it has made genuine attempts to acquire the land by negotiation. The Council has made significant efforts to acquire all interest by voluntary agreement and this can be thoroughly evidenced. The Guidance expects that the Council will be required to continue those efforts and detailed evidence of those further efforts should be available prior to the making of a CPO.
- 3.23 The Council must also demonstrate that there are no other impediments to proceeding with the Scheme, for example the need for planning permission, other consents or physical constraints. The planning application in relation to the Ebury Bridge Estate Renewal will be submitted in July 2020 and is expected to be determined during the Autumn. The Ebury Bridge Estate Renewal is the subject of allocations in the City Plan and emerging Local Plan policies and accordingly it benefits from policy support. The expectation is that if a CPO is required that it would be made after the grant of the planning permission.
- 3.24 The Council would have to demonstrate that it has, or at least will obtain, the resources necessary not only to pay compensation for the land but also to implement the Scheme. The reason for this requirement is to avoid a situation in which private land has been acquired compulsorily for a purpose which, in the event, cannot be achieved for lack of funds.

### **CPO Land Referencing**

- 3.25 The CPO will include all occupiers and all interests that are included within the blue and orange hatched areas (identified on the map at Appendix 1 (to the extent that these have not been acquired by the Council) as well as those that have any interest over that land including adjoining owners. All owners and occupiers will be written to as part of the land referencing process that precedes the making of the CPO, and all relevant names and addresses will be included in the final CPO. In order to collate this information, it is intended that, subject to the recommendations being agreed, that land referencing commences at the earliest possible date. This land referencing will be undertaken by an external agent who specialises in land referencing exercises.

### **Human Rights and the Case for Compulsory Acquisition**

- 3.26 The Human Rights Act 1998 places direct obligations on public bodies such as the Council to demonstrate that the use of compulsory purchase powers is in the public interest and that the use of such powers is proportionate to the ends being pursued.
- 3.27 When the Council decides to make a CPO, the Council will need to be sure that the purpose for which the land is required sufficiently justifies (or can be sufficiently justified in due course) interfering with the human rights of those with an interest in the land affected. It is acknowledged that the compulsory acquisition of the Order Land may amount to an interference with the human rights of those with an interest in the land. These include rights under Article 1 of the First Protocol of the European Convention on Human Rights (ECHR) (which provides that every natural or legal person is entitled to peaceful enjoyment of his possessions) and Article 8 of the ECHR (which provides

that everyone has the right to respect for his private and family life, his home and his correspondence).

- 3.28 When preparing the case for making a CPO, officers will keep in mind and in due course advise Members about the need to balance the public interest and the individual's rights and that any interference with these rights will be necessary and proportionate. "Proportionate" in this context means that the interference must be no more than is necessary to achieve the identified legitimate aim. As part of the investigations that will be undertaken ahead of making any CPO, there will be an investigation into the effect on owners and occupiers to be included in the CPO, and this will be fully taken into account before a final decision is made as to whether or not to put forward a resolution for the making of a CPO.
- 3.29 Members are advised that on the basis of the information that is available to officers at present, that officers are of the view that there is likely to be a compelling case in the public interest for compulsory acquisition of the various interests within the Order Land if they cannot be acquired by agreement. Therefore, the use of compulsory purchase powers in this case is likely to be proportionate. Without the use of these powers, the much-needed redevelopment of the land may not be achievable. Appropriate compensation will be available to those entitled to claim it under the relevant statutory provisions. Members are advised that the land is both suitable for and will facilitate the carrying out of development, redevelopment or improvement and will make a positive contribution to the promotion of the economic, social and environmental well-being of the area.

#### **4 Financial Implications**

- 4.1 The Ebury Bridge Estate Renewal proposals result in additional expenditure and income within the HRA. This is in line with the net budget approved in the 2019/20 Housing Revenue Account (HRA) Business Plan however the profiling of expenditure and receipts does impact on HRA resources by the end of the 30 year Business Plan period. The expenditure by Westminster Housing Investments Limited (WHIL) can be accommodated within the current WHIL Business Plan and associated funding allocation within the General Fund. A further report is proposed in respect of the funding of development of the Order Land but, at this stage, the work undertaken demonstrates that the overall Business Case for the scheme as a whole remains sound.
- 4.2 At this stage, the Council is being asked to only make an "in principle" decision to use its powers. A full detailed assessment of the financial implications and costs of making and implementing a CPO will be prepared and presented to Cabinet in a further report should a CPO actually be required.
- 4.3 The work required to prepare for the use of CPO powers, including all work needed to support the making of such a CPO will be managed and coordinated by Council officers working with the appointed legal advisors. Work that is required before making a CPO includes serving the 'requisition' notices on land owners to gather information about their land interests on the Council's behalf, working on the case for CPO and preparing the Statement of Reasons to support the making of the CPO and drafting the CPO itself.
- 4.4 Under a CPO, property or rights are acquired at open market value but disregarding any increase (or decrease) in value attributable to the Scheme for which the land is acquired. Affected parties may also be entitled to other compensation for loss payments and disturbance depending on circumstances. The Council will be responsible for paying all compensation to landowners, whether payable by purchases through voluntary negotiation or through the CPO process.

## **5. Equality Implications**

5.1 Section 149 of the Equalities Act 2010 created the public sector equality duty. Section 149 states:-

- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
  - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

5.2 In deciding whether to resolve to make a CPO, the Council must pay due regard to its Public Sector Equality Duty (PSED), as set out in section 149 of the Equalities Act 2010. Consideration must also be given to whether, if the decision is made to go ahead, it will be possible to mitigate any adverse impact on a protected group or to take steps to promote equality of opportunity by, for example, treating an affected group more favourably.

5.3 Officers have had regard to the Council's PSED in the assessment of the case for making a CPO and Members must be mindful of this duty when considering the recommendations in this report. Those with an interest in the Order Land and which are included in the CPO will be affected by the implementation of any CPO, once made. An Equalities Impact Assessment has been undertaken on the potential impact of the proposal and any necessary mitigation strategy, to ensure that due regard has been taken of the Council's PSED. The Equalities Impact Assessment will be kept under review and the result of any update will be presented to the Cabinet when seeking authorisation to make a CPO. The Equalities Impact Assessment will inform any ongoing design, resident-led decisions in respect of the scheme, in addition to any negotiations with those with an interest in the Order Land.

5.4 Full regard will be paid to the Equalities Impact Assessment in the development of any proposals and in negotiations with those with an interest in the Order Land.

## **6. Legal Implications**

6.1 The Council is empowered under section 226(1)(a) of the Town and Country Planning Act 1990 as amended, to acquire any land in its area if it is satisfied that the proposed acquisition will facilitate the carrying out of development, redevelopment or improvement on or in relation to the land. The Council may utilise its compulsory purchase powers under section 226 of the TCPA:

- (a) if it thinks the acquisition will facilitate the carrying out of development, or redevelopment or improvement on, or in relation to the land or
- (b) which is required for a purpose which is necessary to achieve in the interests of the proper planning of an area in which the land is situated

6.2 In order to make an acquisition under (a), the Council must also consider that the development, redevelopment or improvement will contribute to the promotion or improvement of the economic social or environmental well-being of its area.

- 6.3 In this case the proposal is to seek in-principle approval to make a CPO for the purpose of facilitating the comprehensive redevelopment of the Order Land to enable the delivery of the redevelopment beyond the first phase. The redevelopment is overall considered to make a major positive contribution to the economic, social and environmental well-being of the area.
- 6.4 Section 226(3) of the Act confirms that the Council's CPO powers extend to any adjoining land which is required for the purpose of executing works for facilitating the development or use of the primary land. This is relevant to interests required to undertake the scheme (such as crane over-sailing rights) which fall outside of the planning application boundary.
- 6.5 The Acquisition of Land Act 1981 governs the procedures which apply to compulsory acquisition. The Compulsory Purchase Act 1965 governs post-confirmation procedures and the Land Compensation Act 1961 governs the amount and assessment of compensation. The Local Government (Miscellaneous Provisions) Act 1976 governs the granting of new rights. Further implications relating to requirements of the CPO Guidance are as set out above and would need to be considered by Cabinet in detail at the time of making a CPO. The Human Rights and equalities aspects of a CPO are also reviewed above at paragraphs 3.26 to 3.29 and paragraph 5.
- 6.6 Detailed legal implications would need to be assessed when consideration is given to making a CPO.

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

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## **Appendices**

Appendix 1: plan showing the extent of the Order Land

## **Background Papers**

None



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