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City of Westminster

Committee Agenda

Title:	**Cabinet**
Meeting Date:	**Monday 15th February, 2021**
Time:	**7.00 pm**
Venue:	**This will be a virtual meeting**
Members:	**Councillors:** Rachael Robathan (Chairman) Heather Acton Timothy Barnes Melvyn Caplan Matthew Green David Harvey Tim Mitchell Paul Swaddle, OBE

This will be a virtual meeting and members of the public and press are welcome to follow the meeting and listen to discussion to Part 1 of the Agenda.

This meeting will be live streamed and recorded. To access the recording after the meeting please revisit the link.

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

Email: rsegal@westminster.gov.uk; Tel: 07890 380137
Corporate Website: www.westminster.gov.uk

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

AGENDA

PART 1 (IN PUBLIC)

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 14th of December 2020.	**(Pages 5 - 8)**
4.	**MEDIUM TERM FINANCIAL PLAN 2021-22 TO 2023-24** Report of the Executive Director for Finance & Resources	**(Pages 9 - 98)**
5.	**CAPITAL STRATEGY 2021/22 TO 2025/26, FORECAST POSITION FOR 2020/21 AND FUTURE YEARS' FORECASTS SUMMARISED UP TO 2034/35** Report of the Executive Director for Finance & Resources	**(Pages 99 - 134)**
6.	**HOUSING REVENUE ACCOUNT BUSINESS PLAN** Report of the Executive Director for Finance & Resources and the Executive Director for Growth, Planning & Housing	**(Pages 135 - 182)**
7.	**TREASURY MANAGEMENT STRATEGY 2021-22 TO 2025-26** Report of the Executive Director for Finance & Resources	**(Pages 183 - 220)**

8.	**INTEGRATED INVESTMENT FRAMEWORK 2021-22** Report of the Executive Director for Finance & Resources	**(Pages 221 - 242)**
9.	**PAY POLICY 2021-22** Report of the Director of People Services	**(Pages 243 - 254)**

Stuart Love
Chief Executive
5 February 2021

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CITY OF WESTMINSTER

MINUTES

Cabinet

MINUTES OF PROCEEDINGS

Minutes of a virtual meeting of the **Cabinet** held on **Monday 14th December, 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 It was noted that there were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no Declarations of Interest.

3 MINUTES

3.1 **RESOLVED:** The Leader, with the consent of the Members present, signed the minutes of the meetings held on 28 October 2020 as a true and correct record of the proceedings.

4 COUNCIL TAX DISCOUNTS (INCLUDING COUNCIL TAX LOCAL REDUCTION SCHEME) AND COUNCIL TAX BASE REPORT

4.1 Councillor Melvyn Caplan, Cabinet Member for Finance, Property & Regeneration, introduced the item. He explained that the proposal set out in the report is to retain the same Council Tax Reduction Scheme in 2021-22 as in previous years so that those residents who are least able to pay would not be liable for Council Tax under the scheme. He considered this to be especially important given the difficulties that have arisen from the coronavirus pandemic. This was supported by the chairman.

4.2 Councillor Caplan stated that there were no changes proposed to the Council discounts for second homes which would remain at 0%. It was also proposed to continue to charge a Long Term Empty Property Premium at the maximum percentage allowed for by the relevant legislation, which for 2021-22 is a 300% increase for a property that has been empty for over 10 years. He believed that this is a right and proper approach to discourage residential properties from remaining empty. This was echoed by the chairman who

stressed that she did not wish to see any empty properties in Westminster given the stress on housing demand.

4.3 Gerald Almeroth, Executive Director for Finance & Resources, advised Cabinet that the taxbase for 2021-22 had risen by 0.84% since last year which is the equivalent of an additional 1000 Band D dwellings up to November 2020. This should yield approximately an additional £500,000 in revenue in 2021-22.

4.4 **RESOLVED:**

That the Cabinet recommended:

1. That the Council approve the following recommendations for the financial year 2021/22:-

(i) that the Council Tax discount for second homes remains at 0%
(ii) the Council Tax discounts for empty properties, including the discounts that replaced the previous Class A and C Council Tax exemptions, remain at 0%.
(iii) that a Long-Term Empty Property Premium continues at the maximum percentage allowed for by the current legislation, which is for 2021/22:

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

(iv) that the Director of Revenues & Benefits be given delegated authority to determine any individual local discount applications received from Council Taxpayers during the 2021/22 financial year under section 13A(1)(c) of the Local Government Finance Act 1992.

2. That the Council approve the same Council Tax Reduction Scheme for 2021/22 which has operated successfully since 2013/14. The scheme is based on the Default Scheme Regulations, updated to reflect changes made via the Prescribed Requirements Amendment Regulations and with War Disabled Pensions, War Widow, Pensions and Armed Forces Compensation scheme payments disregarded in full when calculating a claimant's income.

3. That the Council resolve that the Council Tax Base for 2021/22 for the Whole City is 133,817.98 equivalent Band D properties, for Montpelier Square alone 100.40 equivalent Band D properties and for Queen's Park 3,514.63 equivalent Band D properties.

4. That the Council resolve that the figures set out in paragraph 2.3 of the report for the Council Tax Base for 2021/22 be used by the Council to make a determination pursuant to the requirements of the Local Government Finance Act 1992.

Reasons for Decision

1. The taxbase decision is sought in order that the Council complies with the requirements of the Local Government Finance Act 1992.

2. The retention of the same levels of Council Tax discount, for empty properties and second homes will continue to deliver additional Council Tax income for the Council without disadvantaging any vulnerable members of the community.

3. The recommendation to allow the Director of Revenues and Benefits to continue to determine any individual local discount claims will enable assistance to be given to individual Council Taxpayers if required, especially as there is no longer the ability for taxpayers to claim Discretionary Housing Payments (DHP) in relation to their Council Tax liability. This will also provide the mechanism for granting the local Council Tax discount for Care Leavers and other vulnerable Council Taxpayers.

4. The Council's proposed Council Tax Reduction Scheme will mean that the level of Council Tax support provided to the borough's working age claimants will effectively mirror that previously provided under the national Council Tax Benefit scheme.

5. The recommendation to set the Long-Term Empty Property Premium at the new maximum allowed for within current legislation aligns with the Council's City for All agenda and the Council's aim of a fairer Council Tax system for all residents.

5 ANNUAL REPORT OF THE SAFEGUARDING ADULTS EXECUTIVE BOARD 2019-20

5.1 Councillor Tim Mitchell, Cabinet Member for Adult Social Care and Public Health, introduced the item. He welcomed the sixth annual report which highlighted how the SAEB and member agencies have addressed the priorities of securing the safety of residents who are at most at risk of harm from others, or through self-neglect during 2019/20.

5.2 Councillor Mitchell wished to put on record his thanks to Aileen Buckton, Independent Chair of the SAEB for her work which he considered to be very important. He also expressed thanks to Bernie Flaherty, Bi- borough Executive Director of Adult Social Care and Health Services and Louise Butler, Strategic Lead in Professional Standards & Safeguarding, and her team for their safeguarding work. This was supported by the chairman who commented that one of the most important responsibilities of the Council is to look after its vulnerable people.

5.3 **RESOLVED:** That the report be noted and that the strategy and the emerging themes informing its current work be endorsed.

The Meeting ended at 7.16 pm

CHAIRMAN: _____ **DATE** _____

City of Westminster

Cabinet

Decision Maker:	**Cabinet**
Date:	**15 February 2021**
Classification:	**General release**
Title:	**Business and Financial Planning 2021/22 to 2023/24**
Wards Affected:	**All**
Key Decision:	**Key Decision**
Financial Summary:	**This report sets out the Council's medium-term plan for the next three years and proposes a budget for the 2021/22 financial year**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1. This report brings together the Council's business and financial planning and looks forward over the next three years to set out how it will meet the Council's key objectives under the refreshed City for All strategy, supported by a medium-term financial plan. Cabinet are asked to consider the report and recommend its adoption to Full Council on 3 March 2021.

1.2. The revenue budget for 2021/22 is presented for agreement and also for recommendation to Full Council. This will meet the requirement in the Local Government Finance Act 1992 for the Council to set a budget for next year by 11 March in the preceding financial year. The report also recommends the level of council tax for 2021/22 including the Greater London Authority precept.

1.3. The report proposes a balanced budget for 2021/22, which includes a total council tax rise of 3.5% that consists of a general increase of 0.5% and a Social Care precept rise of the allowed 3%. At Band D this will result in an annual increase of £15.69 or an equivalent weekly amount of 30.2p per week. The total Westminster element of council tax will therefore rise from £448.21 to £463.90 at Band D.

1.4. The recommended General Fund budget of £182.745m is a net increase of £2.8m against last year. In broad terms this includes growth for service specific pressures of £29.1m (inclusive of changes to previously agreed savings) and other net changes of £5.8m, which is balanced with an increase in government funding of £15.9m (including additional Covid 19 core grant), new savings of £16.9m and a recommended increase in council tax which is expected to raise £2.1m of income

1.5. After a balanced budget in 2021/22 (including the proposed increases to 2021/22 Band D council tax) the medium-term financial plan forecasts a net budget gap, after proposed savings from the current budget process, of £22.4m in 2022/23 and a further £20.7m in 2023/24. Over the three-year period to 2023/24 this amounts to a gap of £43.1m. This includes indicative assumptions of a negative outcome from future funding settlements, additional expenditure pressures and reduced income due to the long term impact from Covid-19. This will continue to be kept under review and will form part of the planning process in the year ahead.

2. Recommendations

2.1. That Cabinet be recommended to approve the following recommendations to Full Council for consideration at its meeting on 3rd March 2021:

Council Tax

1 that the council tax for a Band D property be agreed at £463.90 for 2021/22, an increase of £13.45 (3%) for the Social Care precept and £2.24 (0.5%) for general purposes;

2 that, subject to the consideration of the previous recommendation, the council tax for the City of Westminster, excluding the Montpelier Square area and Queen's Park Community Council, for the year ending 31 March 2022, be as specified in the Council Tax Resolution in Appendix 6.

3 That the Precepts and Special Expenses be as also specified in Appendix 6 for properties in Montpelier Square and the Queen's Park Community Council;

4 that the formal resolution for 2021/22 attached at Appendix 6 including the council tax requirement of £62.078m be agreed;

5 note the proposed Greater London Authority precept (Band D) of £363.66, an increase of £31.59 rise in the adjusted Band D Precept;

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

Revenue Budget

7 to note the views of the Budget Task Group set out in Appendix 7;

8 that the proposed General Fund net budget requirement of £182.745m summarised in Appendix 4.

9 that the savings and growth proposals for 2021/22 to 2023/24 set out in Appendix 1, 2 and 3 is approved;

10 that the Equality Impact Assessments included in Appendix 5 be received and noted to inform the consideration of the budget;

11 note the Housing Revenue Account Business Plan 2021/22 and 30-Year Housing Investment Plan presented concurrently to Cabinet on 15 February 2021 that recommends the HRA budget and rent levels for 2021/22;

Capital Programme

12 note the Capital Strategy 2021/22 to 2025/26, forecast position for 2020/21 and future years' forecasts summarised up to 2034/35 report also presented to Cabinet on 15 February 2021 that recommends the Council's capital programme and financing;

Reserves, Balances and Budget Estimates

13 note the reserves policy as set out in section 13;

14 note the views of the Section 151 Officer with regards to estimates underpinning the proposed budget changes and reserves levels in section 13;

Treasury Management and Investment Framework

15 note the Treasury Management Strategy for 2021/22 including the annual investment strategy, borrowing limits and prudential indicators summarised in this report and set out detail in a concurrent report on this agenda;

16 note the 2021/22 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

3. Reasons for Decision

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

4. Medium Term Outlook: Covid-19

Macro-Economic Impact

4.1. The coronavirus/Covid-19 pandemic has led to the largest peacetime shock to the global and British economy on record. It has led to the imposition of restrictions on economic and social activity, whilst the government is also providing a large amount of financial support to individuals, businesses and other public bodies. These factors combined have had a huge impact on the economy and public finances.

4.2. The economic shock has been unusual in its differential impact across sectors. Sectors most reliant on face to face contact such as hospitality, leisure, entertainment and transport have seen the biggest falls in output.

4.3. The Office for Budget Responsibility (OBR) has forecast that GDP will fall by 11.3% in 2020 and is unlikely to reach pre Covid-19 levels until the end of 2022 at least. The fall in GDP this year represents the greatest reduction in any one year since the early 1700's.

4.4. The OBR's central forecast estimates that government receipts this year will be £57bn lower, and spending £281bn higher than last year. This combines to push the budget deficit to nearly £400bn and cumulative debt to 105% of GDP.

4.5. Year on year borrowing has increased by £338bn, however due to the current low interest rate environment the cost of servicing the debt is not as significant as it would be if interest rates were higher, although this does leave the UK economy at risk in the future unless debt is reduced.

4.6. There has also been a reduction in CPI inflation from 1.3% last year at this point to 0.5% at December 2020.

Spending Review 2020

4.7. The government had originally proposed a multi-year settlement for local government from 2021/22 onwards. However, following the impact of Covid-19 a one year Spending Review was announced by the Chancellor on 25 November 2020 and detailed a £2.2bn (4.5%) increase in core funding for local government. Approximately 75% of this is assumed from council tax increases through expected growth in the tax base and through an increase in the level of tax by the maximum 5% allowed.

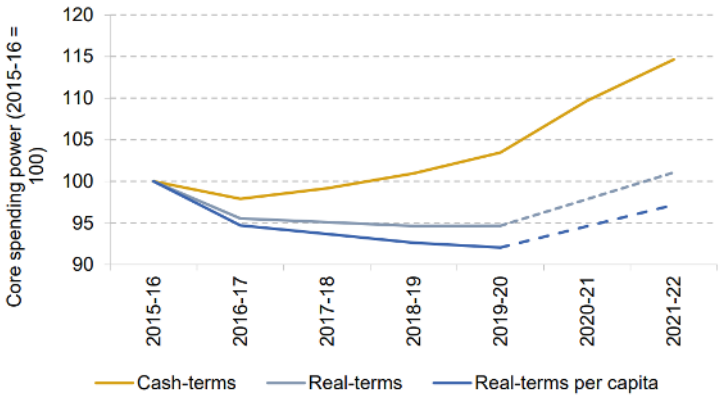
4.8. Analysis from the Institute of Fiscal Studies (IFS) indicates that council tax will be 61% of overall core funding in 2020/21. The comparative figures were 49% in 2015/16 and 40% in 2009/10. This illustrates the shift of government policy to an increasing reliance for local authorities to be funded by council tax and reducing direct grant funding over the last decade. This has also coincided with threshold referendum limits on council tax increases and therefore the ability of councils to

increase funding has been restricted over the period and this continues to be the case for the foreseeable future.

4.9. An additional £3bn in funding was also announced for Covid-19 related support for local authorities (in various forms) which means a £5.5bn increase in funding for local government in 2021/22 compared to the 2020/21. However, the Covid-19 support will be one off and cannot therefore be built into local authority budgets from 2022/23 onwards.

4.10. In real terms core funding will be 1% higher than in 2015/16 and 15% higher in cash terms. However, when considering national population growth this represents a 3% cut in core funding per head over the last 6 years.

Core Funding in Cash, Real and Real per Capita Terms



Source: Institute of Fiscal Studies: Assessing England's 2021/22 Local Government Finance Settlement, December 2020

4.11. Some of the key announcements, which were confirmed via the final local government finance settlement on 4th February 2021 were:

- indexation of the revenue support grant of 0.55% - an additional £13m nationally;
- £300m extra for the social care grant – although only £150m of this is new money as £150m has been top sliced from the New Homes Bonus retained surplus;
- Better Care Fund to continue at current cash levels;
- New Homes Bonus – government to honour legacy payments in years 8 and 9 and a new round of one-off payments in year 11 (2021/22);

- £111m in Lower Tier Services grant for unitary and district councils.

4.12. The government have also announced specific financial support in 2021/22 to help authorities deal with the continued impact of Covid-19 this includes:

- a further £1.55bn of funding for local authorities in general Covid-19 grant funding support;
- the continuation of the income compensation scheme for sales, fees and charges for the first three months of 2021/22, and;
- additional funding of £670m for the local council tax support scheme, intended to compensate local authorities for the expected increase in CTS claimants in 2021/22;
- confirmation that the government will compensate local authorities for 75% of irrecoverable losses in business rates and council tax.

4.13. The government are still working on the detail of the CTS support scheme and Local Tax Guarantee Scheme, the last two bullet points above, with no further information in the final settlement. The Council will continue to monitor the impact of reduced local tax collection as a result of the pandemic and report this to members along with details on government support.

Spending Review 2020: Westminster Context

4.14. The provisional local government settlement published in December shows an increase in core funding for the Council, resulting in increases in the following grants in line with national increases for local government:

- Revenue support grant – increase of £0.660m
- Social Care Support grant – increase of £3.8m
- New Homes Bonus – increase of £0.200m
- Lower Tier Services grant – a new grant of £1.6m

4.15. Further details are outlined in section 12 of the report.

Beyond 2021/22

4.16. The government made a number of multi-year commitments, particularly for the NHS, schools and defence. Based on the IFS's analysis approximately 60% of spending decisions in future years have already been committed. This is primarily for the NHS, schools and defence.

4.17. Overall, Departmental Expenditure Limits (DEL) for non-Covid resources over the next two years is estimated to increase by 2%. However, protected budgets have seen an increase of 2.8% which would mean a reduction for unprotected budgets, which includes local government.

4.18. Therefore, the longer-term picture for local government continues to look uncertain and material increases in funding are unlikely. This will potentially coincide with an increase demand for Council services, resulting from the long-term impact from the pandemic on the economy. Previous recessions have also led to increased demand for council services such as housing and social care and these will have to be delivered with increasing pressure on budgets.

5. Medium Term Outlook: Exit from the European Union

5.1. On 1 January 2020 Britain officially left the European Union (EU) with a one year transition period in place to agree a trade deal and other arrangements with the EU.

5.2. On 24 December 2020 the government agreed a trade deal with the EU with a particular focus on goods and services without tariffs. This has minimised the economic risks of a no deal exit, but there is still some uncertainty going forward.

6. Financial Performance – 2020/21 and impact of Covid-19

6.1. The Council's financial performance in 2020/21 has been severely impacted by the pandemic. The main reasons for these are two-fold:

- the reduced footfall in Westminster reducing economic activity and therefore income for the Council, and;
- additional expenditure incurred for the Council to support the most vulnerable residents and businesses who have been impacted by the pandemic.

6.2. The latest estimated gross variance to budget as at P9 is £60-70m. This is primarily due to the factors outlined above. However, once government funding through the general Covid grant is taken into account, together with the sales, fees and charges income reimbursement scheme, then the net variance is estimated to be between £10-20m, based on continued restrictions until the end of March 2021. This will be funded by a drawdown from the general fund balance reserve.

6.3. The main areas contributing towards the variance this year are:

- reduced parking income;
- reduced net commercial waste income;

- reduced income from the leisure and highways services;
- additional expenditure on rough sleeping, and;
- additional expenditure on PPE and direct pandemic response to the community.

6.4. The government has provided a number of specific grants to assist Councils in funding the efforts being made locally to respond to the pandemic, these include:

- support for test and trace activity and outbreak management plans;
- local enforcement support;
- funding for rough sleeping, and;
- support for the shielding and the clinically vulnerable.

7. Covid-19: The Council's Response

7.1. Covid-19 has resulted in numerous challenges for the Council. As an organisation, responding to Covid-19 has required changes to the way the Council works internally and with partners.

Adult Social Care

7.2. Supporting care homes and care home providers through the pandemic has been a key focus and we continue to ensure all staff working in care homes are fully supported in tackling the impact of the pandemic. This includes ensuring all care homes have adequate testing and PPE provisions, supporting care home providers to implement government guidance, and providing mental health and wellbeing support for residents and staff.

7.3. To support with infection control in care homes, the Council funded testing for all Care Home residents and staff in July, when testing was difficult to access through the national portal. The Council has also supported care homes with the purchase and supply of iPads to enable video calling, so that care home residents can maintain relationships with friends and family.

Schools

7.4. Supporting Westminster's schools through the various government Covid-19 restrictions has been a key priority. The outbreak control process has worked well and all schools have a process in place to support children continuing to learn remotely should they need to self-isolate.

7.5. The various lockdown measures have meant an increased reliance on technology. To help keep children digitally connected, the Council purchased 750 laptops and notebooks for vulnerable families and children in need.

7.6. The Council has continued to work with schools to ensure children have access to devices should they need to access on-line learning platforms when self-isolating and have established a project, 'digital futures', to continue to supply schools with devices.

Westminster Connects

7.7. Since the Government announced its shielding scheme, local authorities have been asked to ensure that those deemed as clinically vulnerable were supported in their self-isolation. To meet this need the Council created Westminster Connects which has been incredibly successful in enthusing and directing the efforts of volunteers in Westminster to meet the needs of the most vulnerable residents.

7.8. With the help of volunteers, community groups and businesses, Westminster Connects has supported more than 6,000 residents, and has offered support to the most vulnerable in Westminster's communities. Part of the growth in the budget includes investment in the base to continue with this service going forward.

Rough Sleeping

7.9. In April and May, the Council had a record number of rough sleepers - housing up to 266 rough sleepers in commercial accommodation (hotels and serviced apartments) and 400 in hostels and other council supported accommodation.

7.10. Finding a sustainable medium and long-term solution to avoid these individuals returning to the street and to return those with no Westminster connection to their home local authority continues to be a challenge.

7.11. Over the winter the winter, the focus continues to be on supporting those who are sleeping rough on our streets into the appropriate pathways to have their needs met.

Engaging with the Community

7.12. At a time when government advice changed rapidly, the Council established new forums to engage with key stakeholders. The aim of these forums is to give updates, discuss challenges and collaborate on solutions so that the Council can best support the City, its businesses and its residents.

7.13. Separate forums have been established with Great Estate & Landowners, Business Improvement Districts, Amenity Societies, Cultural Institutions and Faith Leaders.

Economy and Business

7.14. There were a number of financial support and relief schemes for businesses that were made available in response to Covid-19, which the Council facilitated. The Council was the first local authority in the country to utilise 100% of its initial Government funding allocation of grants for businesses. By mid-September, the Council paid out 5,570 grants totalling £98million, which were fully funded by Government.

7.15. A Discretionary Grant scheme was also devised to align with the Government's priority areas. This scheme offered 492 grants of £10,000 that were fully funded by Government. The Council received nearly 1,500 applications, and paid out all of the 492 available grants to business across Westminster totalling £5m.

7.16. In April, the Council offered an initial 3 month rent-free period to businesses in our commercially owned property who were unable to trade and had no income as a result of Covid-19. The position continued to be monitored during the year on a case by case basis for all tenants.

7.17. To help support businesses through these times, after the first lockdown, the Council established the Movement Strategy. This focused on how to give greater flexibility to businesses to use their outdoor space for tables and chairs, in order to meet the social distancing requirements and help keep businesses running whilst also balancing the needs of residents.

7.18. A supplier resilience forum was instigated to ensure the Council effectively monitored and supported its contractors and suppliers so that key services to the community could continue to be delivered.

Disproportionate Impact on BAME Community

7.19. As it became evident that the pandemic was having a disproportionate impact on Black, Asian and other minority ethnic communities, the Council in partnership the BAME Staff Network lobbied Government to ensure that ethnicity data is recorded as part of death certification so that the true impact of Covid-19, and the disparities are recorded at a local and national level.

7.20. Work continues on these impacts at a local and national level with the Council taking a lead on promoting vaccinations and working against the anti-vaccination publicity.

Working with Other Local Authorities and Agencies

7.21. Throughout the pandemic, pan-London structures have been established to help ensure coordination across London local authorities and key stakeholders.

7.22. Westminster City Council has participated in a variety of these structures, to ensure that Westminster is represented at a pan-London level and is able to collaborate with key partners. This has taken the form of convening and chairing sub-regional meetings.

7.23. In preparation for the second wave of COVID-19, Westminster City Council has taken a leadership role to help coordinate across London. The Council's Chief Executive chairs the London Delivery Coordination Group, which was established on 12 October. This group focuses on identifying system-wide risks for London and coordinating partners to work in collaboration to mitigate these risks.

7.24. Since September the Council in conjunction with the London Borough of Camden has taken the lead on the Mortality Management Group for Wave 2 of Covid-19. This group is responsible for the management of temporary mortuary capacity on a London-wide level.

8. City for All

8.1. The Council's strategic ambitions and programmes are organised by the four City for All pillars which will be:

- **Greener and Cleaner:** tackling the climate emergency to deliver a thriving zero carbon city, resilient to climate impacts and safeguarded for future generations

- **Vibrant Communities:** making the most of the incredible opportunities in our City and building much needed housing for our residents

- **Thriving Economy:** in response to Covid-19 impacts, this pillar will focus on supporting the recovery of the economic wellbeing of our residents and businesses and a renewal of Westminster's economy in support of the national economy

- **Smart City:** using cutting edge technology to transform council services and improving people's lives

8.2. All these pillars are interlinked and are underpinned by the core principles of tackling the climate emergency, addressing inequalities, ensuring inclusion and continuously innovating.

City for All - Covid-19

8.3. The Council's City for All Strategy was published in March 2020, just before the onset of the pandemic. However, over the last year the world has changed markedly, and the Council has had to rise to a number of challenges.

8.4. The pandemic has also had a detrimental impact on the local economy due to the lockdown measures to control the virus which has significantly reduced activity in the City. The local economy has had to navigate a great deal of uncertainty and the West End's iconic status as a centre for retail, art, leisure and culture is not guaranteed. Business's require long term funding support.

8.5. In order to respond effectively to the importance of Westminster's economic recovery an additional City for All pillar has been introduced – Thriving Economy.

8.6. The Thriving Economy pillar recognises that Westminster has always powered the London and national economy and the council is committed to meeting the economic challenges posed by the global pandemic to ensure the City's continued success. Additional resources are allocated within the budget to support this.

Climate Emergency

8.7. The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Despite the challenges of the last year the programme has continued to gather pace.

8.8. The Council has now created the Climate Action Group (CAG) which is chaired by the Leader of the Council which sets the strategic framework for achieving the Council's commitments to be carbon neutral as an organisation by 2030 and as a City by 2040 and be carbon zero by 2050.

8.9. A baseline exercise for the Council's emissions shows that the majority is through energy used to power and heat buildings, followed by road transport and waste. The Council's emissions account for just 2% of the total emissions within the City but Westminster has an active role to play in showing leadership in this space.

8.10. As outlined in the budget report last year the Council has set aside £5m in earmarked reserves to fund investment into this programme and is continually reviewing its revenue and capital budgets and priorities to ensure funding is available to meet this important strategic objective.

Smart City

8.11. The Smart City, Digital and Innovation portfolio of activity is ambitious and bold, designed to make the most of digital and new ways of working to enable residents to enhance their lives - using technology to enable and continually improve services to make a positive impact on the City and for it residents and communities.

8.12. The digital programme is taking a customer-focused approach to designing and delivering services, using digital as the option wherever possible

whilst balancing the needs of diverse communities and ensuring no-one is left behind, and ensuring digital is a preferred choice when accessing council services

9. Service Updates

Adult Social Care (ASC) Precept

9.1. As per previous years, the Council is permitted to charge an additional precept on its Core Council Tax without the need to hold a referendum for 2021/22 to mitigate cost pressures in Adult Social Care.

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

9.3. For 2021/22, the Council has the option to apply 3.00% for the social care precept. This has been proposed as a recommendation for approval by Full Council as part of this report.

Better Care Fund (BCF)

9.4. The Better Care Fund (BCF) will provide financial support for councils and NHS organisations to jointly plan and deliver local services.

9.5. The Clinical Commissioning Groups (CCGs) and local authority officers have worked closely to draft a plan for 2021/22 with clear schedules of joint services, financial commitments, and monitoring arrangements. The plan agrees with our BCF NHS allocation and has benefited from scrutiny and advice from the NHS BCF Programme Team. The total value of the budget in Westminster is £12.833m.

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

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

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

Improved Better Care Fund

9.7. The Improved Better Care Fund (iBCF) was introduced in 2017/18. It is paid as a MHCLG grant direct to local authorities and ring-fenced to social care; the grant comes with conditions that it should be pooled into the Better Care Fund. In 2020/21 the total allocation of iBCF was £17.130m, this is expected to continue in 2021/22 and maintained at the current level.

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

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

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

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

9.10. This funding is currently being used on a range of schemes to ensure capacity is available for people being discharged from hospital who require social care input.

Public Health

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

9.12. The Public Health Grant is £31.593m and at present the grant allocation for WCC is not anticipated to increase and no announcement has been made by the government on future allocations of the Public Health Grant.

9.13. In 2021/22, £1.105m of savings on contract efficiencies and uplift in funding are being delivered without any adverse impact on the delivery of services.

Covid-19 Implications

9.14. Adult Social Care is facing unprecedented challenges impacted by Covid. The service is undertaking immense effort to ensure the care provider market remained resilience, support NHS's accelerated discharge pathway to improve capacity within acute setting, supporting measures for infection control particularly in care homes, outbreak management and community testing.

9.15. In 2020/21, the Government supported the Council with grants such as, Infection Control, Test and Trace, Community Testing and Workforce Capacity Fund. In addition, the Government is covering the cost of PPE until March 21. It is unclear if any further grants will be made available in financial year 2021/22.

9.16. There is a likelihood that in a post Covid world challenges will continue with increase demand for adult social care, long Covid/complexity issues and continuation to support infection controls and resilience support for care providers. There could be considerations required to adapt existing processes to meet possible new ways of working and support NHS discharge pathway. It is unknown how the coming challenges will impact Adult Social Care however, estimated financial pressures of £2.4m is reflected in the Council's medium-term financial planning for 2021/22. This is held centrally within Finance and will be made available if pressures materialise.

Children & Family Services

9.17. The vision of Children and Family Services is to deliver outstanding services that enable all children and young people to reach their full potential, including those who are most vulnerable. This is underpinned by the Children Act 2004, which sets out local authorities' responsibilities for ensuring and overseeing the effective delivery of services for children.

9.18. In September 2019, services for children who need help and protection, children in care and care leavers was rated as 'Outstanding' overall. The inspection was positive about the workforce and well-regarded centre for systemic practice and noted that excellent services and high-quality social work practice had been very well sustained. The Children's Social Care Innovation Programme Report published in September 2020 also highlighted the excellent work Bi-Borough Children's Services has achieved in its commitment to

Systemic Practice and sustainable improvement of outcomes for children and young people.

9.19. The Bi-Borough Children and Young People's Plan 2019 to 2022 sets out seven priorities for delivering better outcomes for children and young people, with success measured annually. Recent achievements include:

- A larger reduction in the rate of child protection plans (18.5 fewer per 10,000 children) compared similar local authorities.
- A reduction in the rate of child in need plans (of 75.8 fewer per 10,000 children). In similar local authorities the numbers are increasing;
- For every £1 spent, approximately £1.89 was saved due to the embedding of systemic practice, and evidence of transfer of learning from discussions in supervision to conversations with families.
- Ofsted and the Care Quality Commission (CQC) carried out an inspection in March 2020 and their inspection report outlines a number of strengths. It states that leaders from education, health and care are ambitious for children and young people with SEND, resulting in great outcomes for children 0-25 with SEND.

9.20. The total Children in Need (CIN) number – which includes Looked After Children, Care Leavers and those with a Child Protection Plan, has fallen by 17% as at December 2020 when compared to the 2019/20 outturn.

9.21. At this date, the council was supporting 192 Looked After Children and 272 Care Leavers.

9.22. Looked After Children numbers include 75 unaccompanied asylum-seeking children (UASC), whose care is funded in part by the Home Office Grant for UASC. This is a reduction of 14 when compared to numbers at the end of 2019/20. Grant funding is received at the higher rate of £143 per person per night for each eligible child or young person.

9.23. Care Leaver numbers increased by 14%, from 224 at the end of 2019/20 to 272. Of this number, 154 are former UASC – an increase of 36. Funding for Former UASC Care Leavers is received from the Home Office at £240 per person per week for each eligible young person.

9.24. At December 2020, Children's Services reported a pressure of £0.389m against budgets for UASC and Former UASC Care Leavers, after taking account of the Home Office funding.

9.25. Support was provided to 154 former UASC Looked After Children who have now turned 18. Many will have no recourse to public funds (NRPF) if they are unable to secure leave to remain. NRPF Care Leavers can remain under

the care of the local authority up to the age of 25 and no additional financial support is received for this cohort. NRPF placement pressures were upwards of £0.200m at the end of December 2020.

9.26. 508 children and families were being supported through Early Help multi-agency services. These services aim to help manage emerging difficult circumstances before they develop into more serious issues.

9.27. The number of children with increased complexity of care needs continues to increase and this has brought additional pressures. Currently 826 children are supported with Education, Health and Care Plans and the cost of children's passenger transport, which supported 330 children in December 2020, is increasing.

9.28. Costs for demand-led services across children's social care continue to increase at a rate disparate to the numbers of children and young people accessing services and this represents an ongoing challenge. The 2021/22 budget includes £1.5m to mitigate the impact of increasing demand for statutory services including placements for Looked After Children, Short Breaks provision, and Passenger Transport for those with special educational needs and/or disabilities (SEND) requiring assistance to travel to and from school.

9.29. The financial challenges are coupled with the need to achieve savings, and £2.6m of budget reductions are planned within Children and Family Services. This includes the impact of savings approved as part of the 2020/21 budget, and newly proposed savings including reductions in staffing and spend on agency staff. A review of jointly funded placements is also expected to reduce the Council's budget contribution by £0.350m.

9.30. Additional Government funding is being made available into 2021/22. In the recent Spending Review, an additional £98m was announced to deliver support to victims of domestic abuse and their children in safe accommodation. Details of allocations are not known yet, but it is hoped this will enable further investment for organisations providing domestic abuse support in the borough. The Council will continue to receive funding for the Troubled Families Programme enabling the continuation of much needed services for children and their families.

9.31. The pandemic is likely to have a continued impact in 2021/22 and there is evidence that it disproportionately impacts disadvantaged children and young people. The full impact of the hardship and long-term social and economic impact for children and young people is not yet known but there will be additional costs over the next few years in addressing the impacts arising from the disruption to education, safeguarding and emotional wellbeing of children, young people and their families.

Schools

Dedicated Schools Grant (DSG)

9.32. The Dedicated Schools Grant (DSG) is a specific ring-fenced grant received by local authorities to fund schools and central expenditure supporting the schools' budget. The grant also covers wider support to fund pupils with special educational needs, through an element in the DSG known as the High Needs block, and for two, three and four-year olds in nursery and associated provision, through the Early Years element. Schools are funded through the DSG, not the General Fund. The National Funding Formula (NFF), which allocates DSG funds to local authorities, was introduced in 2018/19.

9.33. The Council does not contribute any of its own revenue resources to fund schools, but it is required to fund the management and administration of education services from council tax and funding settlement resources.

9.34. The DSG surplus carried forward from 2019/20 was £2.382m, which included an in year overspend of £0.199m mainly in relation to school restructure costs. £0.500m of the carry forward is expected to be needed for further school restructure and £0.200m has been allocated in total to schools and early years providers.

Implementation of National Funding Formula

Schools & High Needs Block

9.35. Local Authorities will continue to set local funding formula to determine individual schools' budgets in 2021/22. The Government will, later this year, put forward its proposals to move to a 'hard' NFF in future, which will determine schools' budgets on the basis of a single national formula rather than through local formulae set independently by each local authority. This will level up the school funding system so that all schools across the country are funded on a comparable basis. The DfE will consult widely with local authorities, schools and others to make this transition carefully. The introduction of the NFF represents a significant change and is likely to lead to some schools benefiting from an increase in funding and others having funding which is protected at a historical level.

9.36. As the first step towards hardening the National Funding Formula (NFF), the government continues the use of the national minimum per pupil funding levels, at the values in the school NFF, as compulsory for local authorities to use in their own funding formulae. The minimum per pupil funding levels within the NFF for 2021/22 is £5,415 for secondary schools and £4,180 for primary schools. All Westminster Schools will receive per pupil funding above this level in the locally agreed formula for 2021/22.

Central Schools Services block in 2021/22

9.37. The central school services block within the DSG will continue to provide funding for LAs to carry out central functions on behalf of compulsory school age pupils in state-funded and maintained schools and academies in England. Westminster's funding shows an increase of £0.029m.

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

Westminster DSG Funding Allocations for 2021/22

Block	2020/21 £m	2021/22 £m	Change £m	% Change
Schools *	115.665	122.028	6.363	5.5%
High Needs **	26.896	30.020	3.124	11.6%
Central School Services	1.026	1.055	0.029	2.8%
Early Years***	14.632	14.647	0.015	0.0%
Total	**158.219**	**167.750**	**£9.531**	**6.0%**

2021/22 includes estimated £4.972m for previous teachers' pay and pension grants
*/** Allocations are before deduction for academies places. The provisional High Needs allocation will be updated in March 2021.
***Early Years allocation is provisional at this time.

9.39. The DSG allocations show an overall increase of funding of 6% equivalent to £9.531m in 2021/22. After taking account of the addition to the DSG of the previous teachers' pay and pension contributions grants (£4.972m) the comparable increase is 2.8%.

9.40. Individual schools will see an increase in funding in 2021/22 of 2.7% per pupil on average, and those with a decrease in pupil numbers are likely to have an overall decrease in funding. The Minimum Funding Guarantee (MFG) will ensure that all schools have an increase of at least 1% per pupil.

9.41. The 2019/20 year-end closing position for the LA-maintained primary and secondary schools was a collective balance of £1.839m. For 2020/21 15 schools are projecting a year end deficit. Any school in this situation is given officer support to set a sustainable budget commensurate with their resource levels and to operate within this.

9.42. The schools block funding is £122.028m based on the October 2021 pupil count. Pupil numbers from the maintained sector and nine academies indicate a

total reduction of 282 pupils, made up of a reduction of 393 (4%) in primaries and an additional 111 (1%) in secondaries. As school funding is pupil-based this represents a cost pressure for schools with falling rolls.

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

High Needs Block

9.44. The high needs block allocation has increased by 11.6%, which reflects the additional funding that the DfE have provided towards the significant national high needs pressures. Although the number of pupils with Education Health and Care Plans (EHCPs) and expenditure is increasing, Westminster's high needs block is being contained within the budget.

Early Years Block

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

9.46. Funding for early years pupil premium, the disability access fund and supplementary funding for the borough's maintained nurseries is also provided through the Early Years Block. These budgets are unchanged from 2020/21.

9.47. The initial funding allocation announced each December is based on census numbers, and revised budgets for 2021/22 rose from £14.632m in 2020/21 to £14.647m due to an 8p increase in the hourly rate for disadvantaged 2-year olds.

9.48. The hourly rates for 3-4 years are the same as 2020/21, so the initial budget is unchanged. Budgets will be adjusted following the census in January 2021 to reflect the number of children attending nurseries and childcare providers.

9.49. Officers consulted with School's Forum in January 2021 and providers will receive the new funding rates in March 2021.

Pupil Premium

9.50. Funding rates for pupil premium funding rates for 2021/22 will stay the same as for 2020/21. This funding is for each child registered as eligible for free school meals at any point in the last six years. The per pupil figures for 2021/22 are £1,345 per primary school pupil and £955 per secondary school pupil.

9.51. For Pupil Premium Plus, in 2019/20 for each pupil identified in the spring school census as being a looked after child or having left local authority care because of adoption, a special guardianship order, a child arrangement order or a residence order, schools receive £2,345 per eligible pupil.

9.52. Pupil premium for three- and four-year-old children is £302.10 per eligible child.

Coronavirus Funding Support

9.53. In addition to core funding, schools could apply for exceptional funding to cover specific unavoidable costs incurred by schools due to coronavirus (Covid-19) between March and July that could not be met from existing resources. There were windows for schools to apply at the end of both the summer and autumn terms. Claims from the December window are expected to be paid at the end of February.

9.54. There is also a £1bn 'catch-up' package for the 2020/21 academic year to directly tackle the impact of the disruption that COVID-19 has caused. This includes a 'Catch-Up Premium' worth £650m to support schools to make up for lost teaching time for all pupils, for which schools will be allocated £80 for each pupil in years reception through to 11. There is also a new £350m tutoring fund for disadvantaged pupils, allowing schools to access subsidised tutoring services.

9.55. A coronavirus workforce fund was announced in November to support schools with high levels of teacher and support staff absences. Schools can claim when they have had a short-term absence rate of over 20% (15% for special schools) or an absence rate over 10% for the period over 15 consecutive school days. This is for the period between 1st November 2020 and the end of the autumn term.

Housing Services – General Fund

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

- responding to housing need and rough sleeping;

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

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

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

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

9.59. The Council is required to offer suitable Temporary Accommodation (TA) to accepted homeless households pending allocation. The table below, summarises the demand for affordable housing in Westminster, with the largest number from homeless households (who are generally accommodated within TA)

Housing Demand	**Community Supportive Housing** (Sheltered)		**General Needs**						
	Studio	**1-Bed**	**Studio**	**1-Bed**	**2-Bed**	**3-Bed**	**4+ Bed**	**Total**	%
Existing WCC Tenants	18	52	32	275	487	462	134	1,460	34%
Homeless Households	11	1	160	23	1,090	845	243	2,373	55%
Housing Register	125	28	158	34	47	38	21	451	11%
Total	**154**	**81**	**350**	**332**	**1,624**	**1,345**	**398**	**4,284**	

9.60. Homeless households are placed in TA whilst applications are assessed and pending a move to more settled accommodation and are charged a rent set

by a Central Government formula which has remained unchanged since 2011. TA now comprises c. 2,750 units of accommodation for homeless households provided through over 30 contractors and Council-owned properties purchased for use as TA, funded by the Affordable Housing Fund and borrowing.

9.61. The greatest demand is for 2 bed properties, followed by 3 bed, with just under half of TA located within Westminster, the remainder located across other London boroughs, with c. 80 properties outside of London.

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

9.63. In 2020/21, the Council expects to complete over 570 lettings of social housing into the Councils own stock that becomes vacant, nominations into registered provider accommodation and newly developed housing. The Council is required to have a public Housing Allocations scheme that sets out how these units are allocated to meet the Council's statutory obligations, meet the varying demands for social housing and to reduce the numbers of people living in Temporary Accommodation.

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

Housing Services – General Fund: The Impact of Covid-19

9.65. Due to the pandemic and lockdown, the Council suspended most social lettings on 23 March 2020. These resumed on 18 May 2020 in line with an Interim Allocations Statement and Government Guidance using safe lettings practices.

9.66. Direct offers were made in line with the following priorities, focusing on those needing to move for urgent reasons relating to the pandemic;

	Priority
1	Those fleeing domestic abuse/violence
2	Those with a medical need to move (and are not on the Government's vulnerable list with recommendations to remain at home) or to eligible applicants to free up accommodation for those with a medical need to move
3	Where a property is uninhabitable and requires urgent repairs
4	Those that are statutorily overcrowded

9.67. Choice Based Lettings (CBL) was reintroduced on 18 May 2020 for homeless families, with an aim for it to be phased in for wider groups. On 13 July 2020[1] Choice Based Lettings was extended to single homeless people and from 20 July[2] to: overcrowded households living in council housing; households that need to move to enable the council's housing renewal programme to go ahead; and households that needed to move for medical reasons.

9.68. Between 1 April and 23 August 2020, 178 lettings were made, with the largest proportion being made to homeless households.

9.69. The impact of the interim lettings approach, which focused on moving those with the highest needs, resulted in some groups not being able to move when in normal circumstances they may have done, and the aim has been to balance lettings for the remainder of the year.

Discretionary Housing Payments (DHP)

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

9.71. Spending on DHP has increased in 2020/21 because of the effects of Covid-19. In particular, this has seen an increase in DHP awards made to tenants in the private rented sector. This is significant because rents in the private sector are expensive and consequently DHP awards made to sustain a tenancy tend to be of high value. Successful DHP claims made because the private sector rent used to decide either housing benefit or universal credit is restricted have increased by just over 75% in 2020/21. From 1 April 2020 to 31 December 2020, the number of DHP awards made for this reason was 102 whilst only 58 awards were made for the same period in 2019/20.

9.72. There is currently no indication from central government either as to the amount of funding that will be allocated to DHP for 2021/22 or the formula that will be used to distribute allocations. Although it appears likely the public health impact of Covid-19 will diminish during 2021/22; the economic effect is less certain. It is possible the ending of furlough scheme at the end of April 2021 could lead to an increase in unemployment and therefore demand for DHP. In addition, households currently receiving support from DHP because of Covid-19 may need help for longer than anticipated if there is a delayed economic recovery.

9.73. A proposed review of the Council's policy on deciding DHP claims scheduled for the spring of 2020 was postponed because of the pandemic. The review will now take place as soon as practical after the government contribution for 2021/22 is known. The review will focus on how DHP can be used most effectively to prevent new cases of homelessness that would otherwise occur because of the longer-term impacts of Covid-19. The review will also consider if the existing policy of using DHP to assist with the transition into employment is sustainable. Finally, it will consider if more can be done to proactively assist residents to compliment City for All priorities.

Universal Credit

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

9.75. The final process for moving existing customers who experience no changes requiring a new claim from their old benefits (referred to as "legacy benefits") to UC is still to be decided. Government had previously stated the transfer of all existing customers will be completed by the end of 2023 although it is possible Covid-19 will cause this date to be pushed back. This is because the pilot DWP began in July 2019 to test the effectiveness of different types of support to aid the move from legacy benefits to UC has been suspended. The pilot is being undertaken in the Harrogate area and was to have run for one year. Based on the findings of the pilot, new legislation will have to be passed confirming any practices and procedures DWP intend to implement. There is currently no timetable for when this will happen.

9.76. In 2019, DWP estimated that nationally 2.09 million customers will have to be moved from their legacy benefits onto UC but as time passes more customers will move to UC naturally because a change in circumstances will often trigger a new claim for UC. In December 2019, there were 19,956 households receiving housing benefit in Westminster. By December 2020, this number had reduced to 18,403 (a reduction of almost 8%).

9.77. The Covid-19 pandemic has resulted in a significant increase to the number of Westminster residents claiming UC. Marylebone Jobcentre Plus which covers most of the borough were handling 7,387 UC claims in March 2020. By the start of November, this number had increased to 17,916. Although this is an increase of over 10,500 it should be noted that the number will include those who have moved from legacy benefits to UC. The number also represents the number of individuals claiming and not households (i.e. the number includes young adults claiming UC who live in the family home). Those receiving support with rent through UC are eligible to apply for DHP if extra financial assistance is needed. The Council has seen a significant increase in DHP applications from UC recipients. In 2019/20 a total of 308 DHP claims were made by UC recipients. In the period 1 April 2020 to 31 December 2020, the Council had already received 509 DHP applications from this group. In addition, UC recipients who are liable for Council Tax are eligible to claim council tax support (CTS) from the Council. In the 12-month period from December 2019 to December 2020, the number of households claiming CTS had increased by 445.

9.78. The Council will continue to monitor its housing benefit and CTS caseloads to establish the effect UC implementation has. It is likely the Government will implement future changes to UC following the Harrogate pilot. The resulting budgetary effects for the Council will be considered as part of future years' budget cycles.

10. Pension Fund

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

Triennial Valuation

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

10.3. The actuary reported that the employer's contribution rate for the Council was required to rise from 15.7% to 16.8% with effect from 1 April 2020 in order to fully fund the cost of active members. The impact of this change on the Council's ongoing revenue budget cost and additional £1m per annum in 2020/21 over the previous year.

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

10.5. It should be noted however that the Council as an employer within the overall fund is expected to still be in deficit of £102m as at March 2020. While the Council is in deficit, it incurs an interest cost which it would not if it were fully funded. The cost of this interest increases the total contributions required to be made by the Council throughout the period until the deficit is repaid.

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

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

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

Future Deficit Reduction Strategy

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

- a £22m deficit repayment during 2020/21 funded from existing budgeted resources, and;
- a £80m one-off cash payment in 2021/22 to be amortised over 10 years.

This will be reviewed as the year progresses and will be built into the financial plans at the appropriate time once final due diligence is confirmed.

Pension Fund Governance

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

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

10.11. The Council is one of the biggest London Borough supporters of the London CIV LGPS pool, with over £1.216bn of pension fund investments procured through this vehicle, including £365m invested passively in the Legal & General (LGIM) passive equities future world fund. Following continued underperformance within the Majedie UK equity mandate, a decision was taken to transition assets totalling £284m into the LGIM passive fund. This transfer took place during December 2019. The decision was ultimately taken not to reinvest directly into UK equities, with Morgan Stanley selected to run an additional global active equity mandate, with the value of the portfolio now at £332m.

10.12. The Pension Fund has a target asset allocation of 5% (approximately £70m) allocated to global infrastructure assets. This is in response to the Ministerial letter asking all Pension Funds in the LGPS to set out their approach with regard to infrastructure investing. The Fund appointed Pantheon as an infrastructure manager in December 2018, with the intention of transitioning assets from the Longview global equity mandate into the Pantheon global infrastructure fund. Approximately one third of the infrastructure fund is drawn down with further capital calls expected during 2021.

10.13. The Pension Fund Committee is actively reviewing its investment strategy in light of climate change and is exploring ways of making the fund greener without reducing value. The Pension Fund has reduced the underlying carbon emissions to value invested of its investments by over 50% since the start of 2020, placed fossil fuel exclusions on all active equity mandates, along with committing 6% of the portfolio to renewable energy infrastructure investments in

December 2020. Officers have produced a new Responsible Investment Strategy illustrate the progress made in this area.

11. Other Budget Reports

11.1. As part of the budget setting process each year there is also a statutory requirement to present the Capital Strategy, HRA Business Plan and Treasury Management Strategy to Cabinet and Full Council.

Capital Strategy

11.2. The Capital Strategy sets out the Council's long term capital investment plans over the next 15 years – up to 2034/35 and proposes a gross budget of £2.862bn with a net borrowing requirement of £1.629bn.

11.3. The Council's long-term capital investment is underpinned by the objectives of City for All. Capital investment is considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications and the Council has set aside a significant revenue budget to cover capital financing costs as part of the Medium Term Financial Plan.

Housing Investment Plan & Housing Revenue Account (HRA) Business Plan

11.4. The Housing Investment Plan and 30-year Housing Revenue Account (HRA) Business Plan sets out the Council's investment plans in the HRA. These are ambitious and will deliver a range of lasting benefits for the residents of Westminster and the wider community. The Council has large ambitions to provide additional social and intermediate homes whilst ensuring the current housing stock is maintained at decent levels. As of November 2020, the Council owns 20,703 social dwellings of which 11,754 were tenanted (57%) and 8,949 were leased (43%). The stock numbers are expected to grow to 20,941 units by the end of 2021/22 with further increases to stock numbers as new build properties are completed.

11.5. The HRA capital programme proposes a gross budget of £2.092bn over the next 30 years funded from various sources including the Affordable Housing Fund (AHF), capital receipts and borrowing.

11.6. In respect to revenue the HRA is estimated to generate £76m from dwelling rent and £110m in total with this income expected to be fully utilised for upkeep of housing stock and other business requirements.

Treasury Management Strategy Statement

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

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

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

12. The General Fund Budget Position

Previous Updates to Cabinet

12.1. Cabinet have had two updates during the course of 2020/21 on the MTFP, firstly in July and then again in October 2020. The first report outlined the budget gap and savings approach, with the October report focusing on initial saving proposals.

12.2. In July 2020 Cabinet were presented with an estimated three budget gap of £91.4m. This is outlined in the following table:

	2021/22 over 2020/21 £'m	2022/23 over 2021/22 £'m	2023/24 over 2022/23 £'m	Total
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)
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)
Other Grants: NHB Loss	(1.930)	0.611	1.727	0.408
Inflation: Pay	0.000	0.000	2.500	2.500
Inflation: Non Pay	(3.541)	(3.910)	2.000	(5.451)
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
Service Specific Pressures	3.000	(5.000)	5.000	3.000
Build back of unallocated reserves	0.000	5.000	5.000	10.000
Revised Funding Gap	**29.242**	**31.010**	**31.151**	**91.403**

12.3. Subsequently in October 2020 Cabinet were presented with an update on the MTFP and agreed saving proposals of £5.6m over the next three years. These are included in Appendix 1.

Overall Updated Budget Position 2021/22

12.4. Work has continued through this financial year to prepare savings proposals, manage the growth pressures and impact of Covid to inform the medium term financial plans. Further to the Cabinet report in October the Government's one year Spending Review was published in November and then the announcement of the local government finance settlement followed on 17 December. This report proposes a balanced budget for 2021/22 and a gap of £43.1m over the following two years. The overall changes in the budget are summarised below:

Change Since July 2020	2021/22 £'m	2022/23 £'m	2023/24 £'m	Total £'m
Gap July 2020	**29.242**	**31.010**	**31.151**	**91.403**
Service Specific Items:				
Savings agreed by Cabinet in October	(4.696)	(0.465)	(0.470)	**(5.631)**
New savings	(12.210)	(10.412)	(3.580)	**(26.202)**
Sub Total: Service Savings	**(16.906)**	**(10.877)**	**(4.050)**	**(31.833)**
Changes to previously agreed savings (savings agreed by Council in March 2020)	9.635	(2.028)	(1.895)	**5.712**
Service Pressures (Covid and Non-Covid) - compared to original provision of £26.9m	1.870	(8.500)	0.000	**(6.630)**
Sub Total: Service Pressures	**11.505**	**(10.528)**	**(1.895)**	**(0.918)**
Funding:				
Government Funding - changes since July	(18.429)	17.769	0.000	(0.660)
Changes in funding from Council Tax and Business Rates - prior to any increase in council tax	0.015	0.000	0.500	0.515
Corporate Items:				
Changes in Corporate Items	(3.328)	(5.000)	(5.000)	(13.328)
Budget Gap (prior to Council Tax Increases)	**2.100**	**22.374**	**20.706**	**45.179**
Council Tax Increase - 0.5%	**(0.300)**	**0.000**	**0.000**	**(0.300)**
Social Care Precept - 3%	**(1.800)**	**0.000**	**0.000**	**(1.800)**
Final Budget Gap	(0.000)	**22.374**	**20.706**	**43.079**

12.5. A number of assumptions are built into the budget gap and these are outlined below:

12.5.1. **Funding:** this is inclusive of central government grant funding and income from Council tax. As part of the spending review the Council received £18.4m of funding over and above original estimates and are listed below:

- Core funding (RSG and retained business rates) – increase of £0.660m
- New Homes Bonus – increase of £0.229m
- Social Care Grant – increase of £3.848m
- General Covid-19 Grant – new grant for 2021/22 of £9.979m

12.5.2. However, most these funding sources have only been assumed as one offs and therefore fall out of the Council's base budget in years two and three of the MTFP.

12.5.3. **Inflation:** the budget gap assumes inflationary increases for both pay and non-pay inflation. The government have announced public sector pay freeze with the exception of frontline NHS staff. However, Local Government employer bodies are independent from the Government on pay

decisions and therefore a pay increase for council employees could still be forthcoming therefore pay inflation is included at 2% in line with historic increases. Non-pay inflation is included a flat rate of £2m a year. This is approximately 1% of non-pay expenditure and reflects recent CPI ranges.

12.5.4. **Savings:** savings identified across the council, including savings agreed by Cabinet in October 2020 are included in Appendix 1 and the approach is set out in the paragraphs below.

12.5.5. **Service Pressures and investments:** this includes Covid-19 and non-Covid-19 pressures and is set out in Appendix 2. The majority of this is assumed to be through lower income due to the longer term impact the pandemic will have on activity in the City and changes in services, therefore reducing some of the Council's key income streams. This is particularly the case for income streams such as paid for parking, commercial waste, highways and leisure income. It also includes policy led investment such as ongoing base support for the Westminster Connects service.

12.5.6. **Corporate Pressures**: the budget gap assumes an estimate for emerging risks and pressures. An allowance is made for items such as:

- grant losses. E.g. housing benefit, council tax administration or specific grants in services;
- uncontrollable increases in costs for utilities or business rates for council owned buildings;
- potential increases in levies, e.g. the London Pension Fund Authority, Environment Agency and Lee Valley Regional Parks Authority, and;
- further risks due to the uncertain macro-economic environment as the country recovers from the pandemic and exits the EU. A provision of £1m has been made for the council to support actions in assisting with the economic recovery and the emerging Thriving Economy element of the City for All. This will be kept under review over the planning period and is described in the following paragraph.

12.5.7. The funding will support the overall priority to sustain and grow a thriving economy and will include the establishment of a dedicated business engagement function, working with Westminster's business organisations, sectors and individual businesses to align priorities and develop projects to support and sustain Westminster's unique economy. The funding will also scale up our investment, entrepreneurship and employment services, ensuring that businesses have a frictionless experience of investing in Westminster, that residents can develop skills for and access good work and entrepreneurs can access the support and space to establish and grow.

Savings

12.6. As outlined in the report to Cabinet in July the Council have previously been very reliant on generating additional income in order to meet saving targets. However, due to the impact of the pandemic on the Council's income streams this is not an approach that can continue to be relied upon in the short to medium term.

12.7. The Council has taken a multi-faceted approach to identify savings proposals and this is summarised below:

- initial service efficiencies – proposals that are easy to deliver or based on change that is already significantly progressed. These were approved by Cabinet in October 2020 – this amounts to £5.6m of the total savings identified;

- Directorate efficiencies and transformation – projects and programmes to deliver efficiencies and redesign services that are specific to individual directorates, which do not require significant cross council integration – this totals £13.7m of the savings, and;

- collaborative savings – transformation projects that require more significant cross council working and possible integration of services, along with a review of cross-cutting council wide functions. These total £12.5m of the total savings.

12.8. Cross Council workshops were held during the year to focus on collaborative service reforms and efficiencies and to ensure they aligned to City for All priorities. The themes of these include:

- integration of some frontline services focussing on the customer perspective;

- joining up commissioning opportunities;

- a review of all operational property with a view to rationalising the overall asset base;

- investing in brokerage expertise for improved placements across Housing and Social Care services;

- review of consolidation opportunities to reduce cost via smarter contracting for common areas of spend across different services e.g. energy; supplies and services, etc.

- improved procurement outcomes through enhanced market engagement and insight;

- review customer journeys and pathways to services and examine preventative measures to reduce demand;

- delivering savings through an improved digital offer aligned to the Customer Experience and Digital strategy, and;

- reviewing organisational design and structure with a focus on the costs of middle and senior management as well as a review of business support functions across the Council.

12.9. Work on the collaborative savings will need to continue into the new financial year in order for the Council to meet the £43.1m budget gap in the latter two years of the MTFP.

12.10. The list of new savings is summarised in Appendix 1 and savings agreed by Full Council in March 2020 are listed in Appendix 3. The total quantum of new and previously agreed savings for 2021/22 is £22.4m.

13. Reserves

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

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

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

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

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

funding and budget pressures is a permanent year-on-year loss to the Council's base budget.

General Reserves

13.4. In line with other Local Authorities and the law, the Council holds a general reserve on its balance sheet. The balance of this reserve as at 31 March 2020 was £63.3m. The Council holds this general reserve to:

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

Legislation, Role and Responsibility

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

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

13.6. In summary, primary legislation requires the Council to:

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

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

General Reserves Level

13.8. As at the end of the last financial year the Council held a general reserves balance of £63.3m. This represented approximately 10% of the Council's gross controllable expenditure.

13.9. The pandemic has highlighted the Council's reliance on income from sales, fees and charges, which has seen a considerable reduction in 2020/21.

13.10. The Government's funding received this year has been beneficial for the Council and has meant the drawdown from general reserves will be considerably less than anticipated in the early months of the pandemic. However, if the Council did not receive any funding for the impact of the pandemic then the majority of the general reserve would have been utilised.

13.11. Based on the information contained within the paragraphs above the Section 151 officer's judgement is that general reserves are considered adequate at a level of £63.3m as at the date of this report.

13.12. This is based on the following considerations:

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

13.13. However, there are a number of other factors which suggest that it would be desirable to increase the level of the balance at the earliest opportunity as set out above. It is forecast that reserves will fall to approximately £50-55m at the end of this financial year, which represents 8.5% of gross controllable expenditure. This is considered by the s151 officer to be the minimum level of general reserves for the Council to hold.

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

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

13.15. To summarise, the assessment of risks in the budget setting process and the paragraphs above discuss the level of reserves. **The Section 151 Officer considers the estimates underpinning the proposed budget and reserves level to be robust and compliant with the legislation and Council's Financial Regulations to set a balanced budget for 2021/22**.

14. Council Tax, Business Rates, Levies and Precepts

Council Tax

14.1. The council tax base (the number of Band D equivalent properties estimated to be billable for the year 2021/22) was considered by Cabinet in December 2020 and approved by Full Council on 20 January 2021. The yield derived from the council's standard (Band D) charge is a multiple of the number of properties chargeable in each banding.

14.2. The Welfare Reform Act 2012 replaced the previous council tax benefits scheme with a locally determined council tax reduction scheme. In setting the tax base for 2021/22, the council also approved the continuation of the existing local council tax reduction scheme which ensures those eligible have their council tax liability fully funded. This maintains the full original and more generous scheme when this was transferred from DWP.

14.3. The number of properties (and mix of properties within each banding) has increased over the current year's tax base as the result of a combination of new properties being brought into use; alterations to existing properties changing their valuation, and changes to the numbers of residents entitled to funding via the local council tax reduction scheme. The tax base for the whole of the City of Westminster has increased from 132,698.31 to 133,817.98 Band D equivalent properties – an increase of 1,119.67 (0.84%).

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

Financial Year	Queen's Park Community Council	Montpelier Square Garden Committee	Rest of the City of Westminster	Whole of the City of Westminster
2020/21	3,554.14	97.08	129,047.09	132,698.31
Change	-39.51	3.32	1,155.86	1,119.67
2021/22	3,514.63	100.40	130,202.95	133,817.98

14.5. All other things being equal, the overall increase in the tax base has the impact of yielding additional revenue receipts without any change in the headline Band D chargeable rate. Every 1% growth in the base generates c£0.595m of Council Tax income. As part of the MTFP process for 2021/22, additional income was estimated for council tax base growth even though the anticipated collection rate was reduced from 97% to 96%.

14.6. The Local Government Finance Act (1992), as amended by the Localism Act (2011) requires local authorities to consider whether their relevant basic amount of council tax (effectively the Band D amount) is excessive. The Secretary of State has, under regulations, determined that an increase of 2.00% (excluding the Social Care precept) or more would constitute an excessive increase for 2021/22.

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

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

Modelled Changes to Band D	0.00%	0.30%	0.50%	1.00%	1.37%	1.99%	2.00%
Band D 2020/21 (£)	448.21	448.21	448.21	448.21	448.21	448.21	448.21
Increase	0.00	1.34	2.24	4.48	6.14	8.92	8.96
Modelled Band D 2021/22 (£)	**448.21**	**449.55**	**450.45**	**452.69**	**454.35**	**457.13**	**457.17**
Weekly Cost of change	**0.00**	**0.03**	**0.04**	**0.09**	**0.12**	**0.17**	**0.17**
Additional Income (£m)	**0.00**	**0.18**	**0.30**	**0.60**	**0.82**	**1.19**	**1.20**

14.9. The schedules accompanying this report set out the financial implications on the Council's overall budget of increasing the general council tax amount for 2021/22 by 0.5% over that of 2020/21 Band D council tax. This rate is based on the recent CPI inflation index. Cabinet is asked to recommend a 0.5% increase

for the general element of 2021/22 Band D council tax to fund GF services and emerging pressures.

14.10. The London Assembly is due to meet to consider the Mayor's proposed budget for the GLA for final approval on Thursday 25 February 2021. Currently, the Mayor's proposed budget recommends an increase to the 2021/22 Band D equivalent charge from £332.07 to £363.66, an increase of £31.59 rise in the adjusted Band D Precept; there has been a 1.99% increase on the 2020-21 non police element (not the total) which is £1.59. A further £15 for police (a national PCC limit) and another £15 for under 18 and 60+ travel concessions. A verbal update will be provided regarding the outcome of the London Assembly decision as required.

14.11. Queen's Park Community Council notified the Council that their precept for 2021/22 would increase by 2% to £47.31 (Band D equivalent).

14.12. The Montpelier Square Garden Committee has notified the Council of their intention to decrease the income for their special expense for residents in their area for 2021/22 to £621.51.

14.13. Local authorities have been granted additional powers from the Department for Government and Local Communities (MHCLG) to raise additional funding (precept) from council tax to support spending on Adults and Children's Social Care activities, which would otherwise have been unaffordable.

14.14. As set out in this report earlier there are continuing growing pressures in the social care services and so it is recommended that the council takes the opportunity to provide essential funding for these important services in line with the government thresholds. This report includes the additional charge of 3.00% per annum, the maximum allowed.

14.15. The collective impact of the proposed changes discussed above to the Westminster Band D amount from an increase of 0.5% for the core element and 3.00% for Social Care) for 2021/22 is additional income of £2.1m as set out below:

Approved Band D - 2020/21	**448.21**
0.50%	2.24
3.00%	13.45
Approved Band D - 2021/22	**463.90**

Council Tax Base - 2020/21	**132,698**
Council Tax Base - 2021/22	**133,818**
Change	**1,120**

General Council Increase (£m)	0.300
ASC Precept (£m)	1.800
Total (£m)	**2.100**

Additional income due to increase in rate and base	0.018
Growth due to increase in rate	2.082
Total (£m)	**2.100**

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

Band D Breakdown:	**Queen's Park Community Council**	**Montpelier Square Garden Committee**	**Rest of the City of Westminster**
WCC: General Element @0.5% increase (£)	450.45	450.45	450.45
WCC: Social Care Precept @3.00% (£)	13.45	13.45	13.45
Sub-Total	**463.90**	**463.90**	**463.90**
Greater London Authority Precept (£)	363.66	363.66	363.66
Queen's Park Community Council (£)	47.31	0.00	0.00
Montpelier Square Special Expense (£)	0.00	621.52	0.00
Total Band D Amount (£)	**874.87**	**1,449.08**	**827.56**

Band D Breakdown:	**Queen's Park Community Council**	**Montpelier Square Garden Committee**	**Rest of the City of Westminster**	**Whole of the City of Westminster**
2021/22 Council Tax Base (No. of Band D Equivalents):	**3,514.63**	**100.40**	**130,202.95**	**133,817.98**
Westminster City Council (£)	1,630,437	46,576	60,401,149	62,078,161
Greater London Authority Precept (£)	1,278,130	36,511	47,349,605	48,664,247
Queen's Park Community Council Precept (£)	166,278	0	0	166,278
Montpelier Square Special Expense (£)	0	62,401	0	62,401
Total Council Tax Income Billable (£)	**3,074,845**	**145,488**	**107,750,753**	**110,971,086**

Long Term Empty Property Premium

14.17. The Local Government Finance Act 2012 allows local authorities to set a Long-Term Empty Property Premium for properties that have been empty for at least 2 years. The premium is currently (for 2020/21) set at 100% of the normal council tax for properties that have been empty between 2 years – 5 years and

200% of the normal council tax for properties that have been empty over 5 years.

14.18. The Rating (Property in Common Occupation) and council tax (Empty Dwellings) Act 2018 allowed local authorities to increase the premium between 2020/21 and 2021/22 as outlined.

14.19. The current 100% premium on the council's 116 properties that have been empty between 2 years and 5 years provides around £65k per annum in additional council tax income. The current 200% premium on the council's 62 properties that have been empty over 5 years provides a further £85k per annum in additional council tax income.

14.20. The Rating (Property in Common Occupation) and council tax (Empty Dwellings) Act 2018 amends the maximum premium level for 2020/21 and for 2021/22 as below:

14.21. **2020/21 - implemented**

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

2021/22 – agreed

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

14.22. There are only 17 (out of the 62 properties which have been empty for over 5 years) that have been empty for more than 10 years. The recommendation agreed at Full Council in January 2021 was to increase the premium for these properties in 2021/22 to the new maximum of 300%. This will deliver around £11k in additional income above the level that would have been raised under the 2020/21 maximum levels.

14.23. The council considers that a decision to implement the maximum premium aligns with the current City for All agenda and the Council's aim of a fairer council tax system for all residents.

The Collection Fund

14.24. Statutory regulations require local authorities to account for annual council tax / business rates income in a manner different to normal accounting arrangements as would apply if using International Financial Reporting Standards (IFRS). This means any variance between the originally estimated net council tax / business rates yield and what is achieved in year is not immediately recognised and is held on the balance sheet to be distributed in subsequent years. The effect of these regulations is that for 2021/22 the above estimates will

represent the amount of income credited to the revenue account for that year – regardless of actual achieved.

Business Rates: Covid-19

14.25. The council originally expected to collect an estimated £2.4bn in 2020/21, around 9% of the national total. However, following the first set of lockdown measures announced in March 2020 the government offered a one-year business rates holiday for all businesses in the retail, hospital and leisure sectors. This equated to nearly £1bn of reliefs within the City.

14.26. Therefore, the net business rates collectable by the council for 2020/21 was £1.4bn, with the £1bn of reliefs covered via S31 grant funding in the council's general fund.

14.27. The lockdown measures and social distancing has had a significant impact on activity within the City which has impacted on businesses that rely on footfall from commuters and tourists. As a result, the Council has seen a 10% reduction in the level of business rates it collects in comparison to prior years and the council will be increasing its bad debt provision to reflect this. The government have recognised this issue and announced a Local Tax Income Guarantee scheme, which will compensate local authorities for 75% of all irrecoverable losses.

14.28. Nationally, businesses that were not given a rates holiday, but have been impacted by the pandemic have lodged appeals under the Major Change in Circumstance criteria. However, the Valuation Office Agency have not issued any guidance or statements on how this is progressing. The uncertainty of whether these will be agreed and at what level makes it difficult to estimate the impact and therefore this has not been taken into account at this stage. All London boroughs have adopted the same approach.

14.29. The current economic position will continue to have an adverse impact on the collection of businesses rates and there is uncertainty about what (if any) reliefs will be given in 2021/22. Should the government not offer any reliefs in 2021/22 then the Council's collection rates are likely to be impacted further.

Business Rates: The Collection Fund and Pooling

14.30. The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. 2020/21 will be the final year of the pool as councils in London have decided to discontinue the pool due to the volatility in business rates following the pandemic and possible reduction in business rates income. Therefore, Councils will return to the usual business rates shares for 2021/22 as highlighted in the table below.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
London Boroughs	30%	30%	64%	48%	30%	30%
GLA	20%	37%	36%	27%	37%	37%
Local Share	50%	67%	100%	75%	67%	67%

Local Share	50%	67%	100%	75%	67%	67%
Central Government	50%	33%	0%	25%	33%	33%
Total	100%	100%	100%	100%	100%	100%

14.31. Based on latest estimates it is forecast that the Council will go into the business rates safety net for 2020/21 and 2021/22. This means that the reduction in business rates income will be capped at 92.5% of the Council's business rates baseline. Therefore, the maximum exposure for Council is £6.8m per year. This can be covered by the business rates equalisation reserve set aside in previous years of growth. This will therefore not impact on the general fund revenue budget.

Levies and Special Charges

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

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

14.33. At the time of writing this report, the Council is awaiting notifications from these three bodies to confirm the 2021/22 levies. Therefore, the 2020/21 levy charges are included in this report with an allowance for inflation. If the final amounts are different then this will be covered by the corporate items budget.

15. Financial Implications

15.1. The financial implications are as set out in the main body of this report.

16. Legal implications

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

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

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

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. The Council has a statutory duty to have regard to the report of the Section 151 Officer on these issues when making decisions about its budget calculations. Attention is drawn to the report as set out in Section 13 where it is stated that the estimates are sufficiently robust for the purposes of the calculations and that the proposed financial balances and reserves over the medium term are adequate.

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

16.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. This is addressed in Section 17. In developing a final set of proposals for consideration, officers have had regard to how the equality duty can be fulfilled in relation to the proposals overall. However further detailed equality impact assessments may be required for specific proposals as identified by each directorate prior to final decisions being made.

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

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

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

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

16.9. In relation to the use of General Fund and HRA (non-right to buy) capital receipts funds to fund transformation projects detailed in this report, the Council complies with the statutory guidance issued under section 15(1)(a0 of the Local Government Act 2003.

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

16.11. In addition to the referendum threshold, the Government has also announced a threshold of an additional 3% for authorities with Social Care responsibilities. The borough needs to raise Council Tax on this account for 2020/21 and is therefore proposing to implement the precept.

17. Equalities Impact Assessment

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

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

17.3. A screening of all budget measures has been undertaken to ensure that the equality duty has been considered where appropriate. Details of the Equality Impact Assessments (EIAs) are included in Appendix 5. Where it has been identified that a proposal may have an adverse impact on people who share a protected characteristic, an assessment of the impact has been undertaken to ensure that “due regard” is paid to the equality duties as required by statute. Where budget proposals required a full EIA to be undertaken, these have been published and shared with the Budget & Performance Task Group to ensure they form part of the budget scrutiny process.

18. Consultations

18.1. As part of the financial planning process the Council consulted with businesses and the responses have been considered as part of the proposed 2021/22 budget.

18.2. An assessment of whether individual saving proposals require consultations is set out in the papers presented to the Budget Task Group in January 2021.

Appendices

Appendix 1 – List of savings

Appendix 2 – Service Pressures

Appendix 3 – Changes to previously agreed savings

Appendix 4 – Summary of Gross, Income and Net budgets

Appendix 5 – EIA Summary

Appendix 6 – Council Tax resolution

Appendix 7 – Budget Task Group Papers

BACKGROUND PAPERS

Equality Impact Assessment Forms

Cabinet – 15th February 2021:

Capital Strategy 2021/22 to 2034/35

HRA Investment and 30 Year Business Plan

Treasury Management Strategy 2021/22

Integrated Investment Framework 2021/22

Previous Cabinet Reports:

Financial Planning 2021/22 to 2023/24 – Cabinet, 13th July 2020
https://committees.westminster.gov.uk/documents/s38103/Financial%20Planning%202021.22%20to%202023.24%20Cabinet%20Report%20FINAL.pdf

Medium Term Financial Plan 2021/22 to 2023/24 Update Report – Cabinet, 28th October 2020
https://committees.westminster.gov.uk/ieListDocuments.aspx?CId=130&MId=5522

Government Publications:

Local Government Finance Settlement – 4th February 2021
https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022

Spending Review 2020
https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020

Appendix 1: List of Savings, 2021/22 to 2023/24

Ref	Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000	Approved by Cabinet in October 2020?
	Adults					
1.9	Contract saving - Transition into Beachcroft	543	75	-	618	Y
1.10	Contract saving - LD services	300	-	-	300	Y
1.11	Staffing Review (restructure, agency spend and vacancy factor)	595	35	255	885	N
1.12	Review of Bed Capacity	600	-	-	600	N
1.13	Increased focus on prevention and greater utilisation of community strength and assets	300	300	400	1,000	N
	Adults Total	**2,338**	**410**	**655**	**3,403**	
	Childrens's					
2.8	Joint Funding with CCG	350	-	-	350	Y
2.9	Traded Service Review - Additional Savings	100	-	-	100	Y
2.10	Agency spend reductions / vacancy factor on salary budgets	300	-	-	300	Y
2.11	Staffing Review	625			625	N
2.14	IT Case Management System	88	50	50	188	N
	Children's Total	**1,463**	**50**	**50**	**1,563**	
	Environment & City Management					
3.55	Parking Contract Saving	315			315	N
3.56	Parking - Rapid EV Chargers	70	70		140	N
3.68	Parking - Traffic-Sensitive Streets Kerbside Management	350	1,000	-	1,350	N
3.59	Highways Infrastructure & Public Realm - contract efficiencies			150	150	N
3.60	Highways Infrastructure & Public Realm - reductions in highways maintenance works		300	350	650	N

Ref	Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000	Approved by Cabinet in October 2020?
3.46	Highways Infrastructure & Public Realm - reduction in non-statutory duties contract efficiencies	140	150	-	290	Y
3.47	Highways Infrastructure & Public Realm - efficiency in energy costs and contract savings	250	-	-	250	Y
3.48	Highways Infrastructure & Public Realm - reduction in routine maintenance and contract efficiencies	90	-	-	90	Y
3.63	Implementation for HMO Licencing	250	250		500	N
3.64	Pest control saving	100			100	N
3.65	Future City Management Programme & Operational Efficiencies		700	1,400	2,100	N
3.51	Rationalisation of stores and reduction in use of leased vehicles	110	-	-	110	Y
3.52	Additional income from pre-application planning for Liciensing service	100	100	-	200	Y
3.54	Operational efficiencies	120	-	-	120	Y
3.67	Community Services	200	-		200	N
	EMC Total	**2,095**	**2,570**	**1,900**	**6,565**	
	Growth, Planning & Housing					
4.15	Reduce Planning overtime to support committee meetings and appeals.	26	-	-	26	Y
4.16	Delete Head of Town Planning post (currently vacant)	110	-	-	110	Y
4.17	Reduction in Regen spend with WestCo	100	-	-	100	Y
4.19	Review of legal costs in Housing Solutions	50	-	-	50	Y
4.20	Review use of transport and storage costs in Housing Solutions	50	-	-	50	Y
4.21	Registered Providers - Grant Funding Review	500	-	-	500	Y
4.22	Planning Application Process Review	-	130		130	N
4.23	Place Shaping Review	-	50		50	N
4.24	Cost Recovery of drafting S106 agreements	20			20	N
4.25	Stop Press Notices for Planning Apps	30			30	N

Ref	Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000	Approved by Cabinet in October 2020?
4.26	Additional Capitalisation of Development Team		150		150	N
4.27	Reduce Office Space Usage (Housing GF)		35		35	N
4.29	Temporary Accommodation	600	664	-	1,264	N
	GPH Total	**1,486**	**1,029**	**-**	**2,515**	
	Innovation and Change					
5.5	City Promotions, Events and Filming - non-pay budget efficiencies	58			58	Y
5.6	City Promotions, Events and Filming - post deletion	47			47	Y
5.8	Policy and Projects - deletion of two posts	155			155	Y
5.9	Policy and Projects - non pay budget efficiencies	100			100	Y
5.10	Campaigns and Media - deletion of four posts	180			180	Y
5.11	Operations - deletion of post	50			50	Y
5.12	Review of the Communications function	210	75		285	N
	I & C Total	**800**	**75**	**-**	**875**	
	Finaance & Resources					
6.14	Legal Fee Charges for Corporate Management	50	-	-	50	Y
6.15	Local Land Charges income	40	-	-	40	Y
6.16	Repurposing Building	100	200	400	700	Y
6.17	Bi-Borough IT Service Desk consolidation	95	-	-	95	Y
6.18	Reduced use of multi functional devices	25	-	-	25	Y
6.19	Further IT network savings	225	-	-	225	Y
6.20	Cloud migration	-	90	70	160	Y

Ref	Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000	Approved by Cabinet in October 2020?
6.21	CED Strategy: microsites	30	-	-	30	N
6.22	Corporate Finance vacancy saving	50			50	Y
6.23	Realignment of Claimant Contact Facilities for the Council's Benefits service	90	35	-	125	N
6.24	Review of C&FM	100	100	-	200	N
6.25	Cabinet Secretariat, Member and Committee Services - transforming ways of working	125	-	-	125	N
6.26	Member allowances - non pay efficiencies	20	-	-	20	N
6.27	Review of Internal Audit	100			100	N
6.28	Review of Bi-Borough IT Service	250	250	-	500	N
6.29	Senior Management Review	700	800	-	1,500	N
6.30	Further IT Contract Savings	100	315		415	N
	Finance and Resources Total	**2,100**	**1,790**	**470**	**4,360**	
	Collaborative Savings					
7.1	Staffing - agency spend	550	2,150	-	2,700	N
7.2	Community Commissioning	90	35	25	150	N
7.3	Brokerage	-	100	-	100	N
7.4	Eliminating paper and automating mail services	-	50	50	100	N
7.5	Automatic streaming of software licences	15	-	-	15	N
7.6	Reducing the Corporate Property Footprint	-	1,000	400	1,400	N
7.7	Business support review	2,050	758	-	2,808	N
7.8	CED strategy: contact centre review	500	360	-	860	N
7.9	Consolidating Common Areas of Expenditure	210	-	-	210	N
7.13	Fees and Charges Increase for 2021/22	3,209	500	500	4,209	N

Ref	Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000	Approved by Cabinet in October 2020?
7.14	Fees and Charges - Process Automation					N
	Collaborative Total	**6,624**	**4,953**	**975**	**12,552**	
	TOTAL	**16,906**	**10,877**	**4,050**	**31,833**	
	HRA Savings					
8.1	Savings on arrangements for Post Inspection of Repairs	380	-	-	380	N
8.2	Savings on arrangements for Housing Communications	178	-	-	178	N
	HRA Total	**558**	**-**	**-**	**558**	

Executive Directorate	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Adults	2,338	410	655	3,403
Children's	1,463	50	50	1,563
ECM	2,095	2,570	1,900	6,565
GPH	1,486	1,029	-	2,515
Innovation and Change	800	75	-	875
Finance and Resources	2,100	1,790	470	4,360
Collaborative	6,624	4,953	975	12,552
Total	**16,906**	**10,877**	**4,050**	**31,833**

GPH - HRA	558	-	-	558

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Appendix 2: Growth & Service Pressures List - 2021/22 to 2023/24

Description	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Adults				
Homecare - increase in demand	886			886
Mental Health Placements - increase in demand	483			483
Learning Disabilities Transitioning into Adults	338			338
Contractual impact of demographics and complexity	500			500
Supplier Presures as a result of Covid-19	200			200
Adults Total	**2,407**	**-**	**-**	**2,407**
Childrens's				
Passenger transport - increased demand	432			432
Short breaks - increased demand	487			487
Short breaks - staffing costs	127			127
Joint funding for placements	44			44
Looked after children and leaving care placements - increase demand	423			423
Domestic abuse support	86			86
Children's Total	**1,599**	**-**	**-**	**1,599**
Environment & City Management				
Street litter FPN income - reduced income	320			320
Street trading licences - reduced income	300			300
Tables & chairs licences - reduced income	300			300
Gambling licences - reduced income	150			150
Commercial waste reduced income	3,100	(3,000)		100
Paid for parking - reduced income	1,300	(500)		800
Parking suspensions - reduced income	3,471	(3,000)		471
PCN's - reduced income	900			900
Road management - reduced income	200			200
Supplier LLW and holiday pay cost pressures	2,164			2,164
Historical budget pressure on commercial waste	1,000			1,000
Management fee income pressure	2,400			2,400
EMC Total	**15,605**	**(6,500)**	**-**	**9,105**
Growth, Planning & Housing				
Westminster Connects - growth	250			250
Intermediate Housing	30			30
GPH Total	**280**	**-**	**-**	**280**
Innovation and Change				
Outdoor media advertising - reduced income	1,900	(1,500)		400
Banner advertising - reduced income	110			110
Events - reduced income	670	(500)		170
I & C Total	**2,680**	**(2,000)**	**-**	**680**
Finance & Resources				
Property investment income reduction	1,720			1,720
Sublease income reduction	240			240
Land charges	360			360
Electronic communications code	125			125
Treasury investment income reduction	3,730			3,730
Finance and Resources Total	**6,175**	**-**	**-**	**6,175**
Other Service Pressures		**5,000**	**5,000**	**10,000**
Total Growth & Pressures	**28,746**	**(3,500)**	**5,000**	**30,246**
Growth & Pressures Provision in the Budget Gap	26,876	5,000	5,000	36,876
Variance	**1,870**	**(8,500)**	**-**	**(6,630)**

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Appendix 3 - Changes to Previously Agreed Savings

Changes to existing saving proposals as agreed by Council in March 2020

		Original Profiling - March 2020 Savings Proposals				Revised Profiling - January 2021				
Ref	Description	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
	ADULTS									
1.4	Review of Contracts	450	350	-	800	300	150	350		800
1.6	Improved Market Management	300	100	-	400	-	300	100		400
1.7	Bi-Borough Process and Policy Review	100	-	-	100	25	75	-		100
1.8	Promoting Independence	200	200	-	400	-	200	200		400
	Adults Total	**1,050**	**650**	**-**	**1,700**	**325**	**725**	**650**	**-**	**1,700**
						Future delivery		1,375		
	CHILDREN'S									
2.1	Education Funding and Efficiencies	90	125	125	340	40	75	125	50	290
2.3	Move on Accommodation	200	400	-	600	-	-	-	-	-
2.4	MASH/LSCB	50	100	-	150	20	50	50	30	150
2.51	Pre-Birth to Five Service Redesign	150	350	250	750	150	250	350	-	750
2.7	Passenger Transport Alternative Delivery Mechanisms	50	-	-	50	-	50	-	-	50
3.40	Review of Registrars Service Offer and Delivery	50	50	-	100	-	-	-	-	-
	Other proposals - unchanged in profile	280	680	750	1,710	280	680	750	-	1,710
	Children's Total	**870**	**1,705**	**1,125**	**3,700**	**490**	**1,105**	**1,275**	**80**	**2,950**
						Future delivery		2,460		
	ENVIRONMENT & CITY MANAGEMENT									
3.1	Sports and Leisure Contract	2,200	700	100	3,000	-	-	-	-	-
3.18	Late Night Levy	-	500	-	500	-	-	-	500	500
3.32	Future City Management	215	980	1,250	2,445	105	780	1,450	-	2,335
3.38	Strategic Review of Household Waste Collection	30	280	250	560	30	-	-	-	30
3.43	Commercial Waste Income Opportunities	300	-	-	300	-	-	-	-	-
	Other proposals - unchanged in profile	3,071	538	238	3,847	3,071	538	238	-	3,847
	ECM Total	**5,816**	**2,998**	**1,838**	**10,652**	**3,206**	**1,318**	**1,688**	**500**	**6,712**
						Future delivery		3,506		
	GROWTH, PLANNING & HOUSING									
4.1	Landlord Incentive Payments	75	75	-	150	75	-	-	-	75
4.2	Targeted Purchases for Vulnerable Households	70	186	23	279	-	70	138	71	279
4.3	Capital Letters - Pan London	200	400	-	600	100	50	200	250	600
4.5	Procurement efficiency savings	250	-	-	250	-	-	100	150	250
4.7	TA Purchase Programme	94	188	94	376	-	94	188	94	376
4.8	Planning Income	750	-	500	1,250	-	500	500	250	1,250
4.11	Rental income from Intermediate Housing	184	-	-	184	50	100	34	-	184
	Other proposals - unchanged in profile	150	150	-	300	150	150	-	-	300
	GPH Total	**1,773**	**999**	**617**	**3,389**	**375**	**964**	**1,160**	**815**	**3,314**
						Future delivery		2,939		
	INNOVATION & CHANGE									
5.2	Outdoor Advertising	97	550	-	647	-	-	550	-	550
	Other proposals - unchanged in profile	320	-	-	320	320	-	-	-	320
	Innovation & ChangeTotal	**417**	**550**	**-**	**967**	**320**	**-**	**550**	**-**	**870**
						Future delivery		550		
	FINANCE & RESOURCES									
6.3	Technology Refresh	-	375	-	375	-	90	285	-	375
6.8	Investment Property Growth	650	1,500	500	2,650	-	1,000	500	500	2,000
6.11	Review of Debt Collection Process & Performance	100	100	-	200	-	-	-	-	-
	Other proposals - unchanged in profile	8,223	300	-	8,523	8,223	300	-	-	8,523
	Finance and Resources Total	**8,973**	**2,275**	**500**	**11,748**	**8,223**	**1,390**	**785**	**500**	**10,898**
						Future delivery		2,675		
	TOTAL	**18,899**	**9,177**	**4,080**	**32,156**	**12,939**	**5,502**	**6,108**	**1,895**	**26,444**

Change to previously agreed savings	By 2021/22 '£000	In 2022/23 '£000	In 2023/24 '£000	Total '£000
Total savings originally planned	28,076	4,080	-	32,156
New profiling of savings	18,441	6,108	1,895	26,444
Change	**9,635**	**(2,028)**	**(1,895)**	**5,712**

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Appendix 4 – Summary of Gross, Income and Net Budgets

4a – Budgets by ELT

Net Budgets by ELT

Executive Leadership Team	2020/21 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2021/22 Budget £'m
Adult Social Care	54.705	0.000	0.725	(3.153)	52.277
Children's Services	40.768	0.000	1.979	(2.568)	40.180
Environment and City Management	(5.892)	0.000	18.215	(3.413)	8.910
Finance and Resources	52.715	(9.531)	8.972	(9.829)	42.327
Growth, Planning & Housing (GF)	24.384	0.000	1.678	(2.450)	23.612
Innovation and Change	5.961	0.000	2.777	(0.800)	7.938
Other Corporate Directorates	8.365	0.000	0.360	(0.195)	8.530
Public Health	(1.029)	0.000	0.000	0.000	(1.029)
Sub-Total Net Service Budget	**179.977**	**(9.531)**	**34.706**	**(22.408)**	**182.745**
Funded By:					
Settlement Funding Assessment	(120.501)	(0.166)	0.000	0.000	(120.667)
Council Tax Income	(59.477)	(2.601)	0.000	0.000	(62.078)
Sub-Total Core Funding	**(179.977)**	**(2.767)**	**0.000**	**0.000**	**(182.745)**
General Fund Balance Budget	**(0.000)**	**(12.298)**	**34.706**	**(22.408)**	**0.000**

Gross Budgets by ELT

Executive Leadership Team	2020/21 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2021/22 Budget £'m
Adult Social Care	107.337	0.000	0.725	(3.153)	104.909
Children's Services	145.346	0.000	1.885	(1.798)	145.434
Environment and City Management	132.163	0.000	3.274	(2.453)	132.984
Finance and Resources	114.002	5.759	2.632	(5.580)	116.813
Growth, Planning & Housing (GF)	303.702	0.000	0.764	(1.830)	302.636
Innovation and Change	14.034	0.000	0.000	(0.800)	13.234
Other Corporate Directorates	8.952	0.000	0.360	(0.195)	9.117
Public Health	31.213	0.000	0.000	0.000	31.213
Sub-Total Gross Expenditure	**856.749**	**5.759**	**9.640**	**(15.809)**	**856.340**
Core Funding:					
Settlement Funding Assessment	0.000	0.000	0.000	0.000	0.000
Council Tax Income	0.000	0.000	0.000	0.000	0.000
Sub-Total Gross Expenditure	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Total Gross Expenditure	**856.749**	**5.759**	**9.640**	**(15.809)**	**856.340**

Income Budgets by ELT

Executive Leadership Team	2020/21 Budget £'m	Corporate Adjustments £'m	Service Specific Pressures £'m	Savings Proposed £'m	Proposed 2021/22 Budget £'m
Adult Social Care	(52.632)	0.000	0.000	0.000	(52.632)
Children's Services	(104.578)	0.000	0.094	(0.770)	(105.254)
Environment and City Management	(138.055)	0.000	14.941	(0.960)	(124.074)
Finance and Resources	(61.287)	(15.290)	6.340	(4.249)	(74.486)
Growth, Planning & Housing	(279.318)	0.000	0.914	(0.620)	(279.024)
Innovation and Change	(8.073)	0.000	2.777	0.000	(5.296)
Other Corporate Directorates	(0.587)	0.000	0.000	0.000	(0.587)
Public Health	(32.242)	0.000	0.000	0.000	(32.242)
Sub-Total Gross Service Income	**(676.772)**	**(15.290)**	**25.066**	**(6.599)**	**(673.595)**
Core Funding:					
Settlement Funding Assessment	(120.501)	(0.166)	0.000	0.000	(120.667)
Council Tax Income	(59.477)	(2.601)	0.000	0.000	(62.078)
Sub-Total Core Funding Income	**(179.977)**	**(2.767)**	**0.000**	**0.000**	**(182.745)**
Total Gross Income	**(856.749)**	**(18.057)**	**25.066**	**(6.599)**	**(856.340)**

4b – Cabinet Portfolio Budgets

Details of budgets by Cabinet Member will be finalised and tabled as an amendment for Full Council on 3rd March 2021 following the changes to Cabinet.

Appendix 5 - Equalities Impact Assessment Summary

The Council has a duty to ensure that all policy decisions are considered to assess whether they have any equality impacts.

All budget changes set out in this report have been screened to ensure impacts have been considered where appropriate. An Equalities Impact Assessment (EIA) has been produced to review each of the savings initiatives of the 2021/22 budget, for either the initial assessment only if no equalities impact was determined, or a full EIA if an impact was detected.

A series of additional appendices covering each of the service areas have been produced. Additionally, a sharepoint site containing the EIAs for all savings proposals was created by Member Services for Councillors to review between up until the date of the full Council meeting on 3 March 2021. Members are requested to ask anyone from the team for access to the file if they wish to see them. All assessments were also made available at the Budget Task Group meetings held on 26th and 28th January 2021 and all Full EIAs are available on the Council's committees website alongside the agendas and papers for these meetings. A summary of all the assessments is presented below:

Service Area	Saving Reference	Saving Description	Full or Part EIA
Adults	1.9	Contract Saving - Transition to Beachcroft	Part
Adults	1.10	Contract Saving - LD Services	Part
Adults	1.11	Staffing Review	Part
Adults	1.12	Review of Bed Capacity	Part
Adults	1.13	Increased focus on prevention and greater utilisation of community strength and assets	Part
Children's	2.8	Joint Funding	Part
Children's	2.9	Traded Services Review	Part
Children's	2.10	Agency Spend Reduction/Vacancy Factor	Part
Children's	2.11	Staffing Review	Part
Children's	2.14	IT Case Management System	Part
ECM	3.55	Parking - Contract Saving	Part
ECM	3.56	Parkig - Rapid EV Chargers	Part
ECM	**3.68**	**Parking - Traffic Sensitive Streets Kerbside Mgmt**	**Full**
ECM	3.59	Highways Infrastructure & Public Realm - Contract Efficiencies	Part
ECM	3.60	Highways Infrastructure & Public Realm - Reduction in highways maintenance works	Part
ECM	3.46	Highways Infrastructure & Public Realm - Reduction in non statutory duties contract efficiencies	Part
ECM	3.47	Highways Infrastructure & Public Realm - Efficiency in energy costs and contract savings	Part
ECM	3.48	Highways Infrastructure & Public Realm - Reduction in routine maintenance and contract efficiencies	Part
ECM	**3.63**	**Implementation of HMO Licencing**	**Full**
ECM	3.64	Pest Control Saving	Part
ECM	3.65	Future City Management Programme & Operational Efficiencies	Part
ECM	3.51	Rationalisation of Stores and Reduction in use of Leased Vehicles	Part
ECM	3.52	Additional Income from Pre-app Planning for Licencsing Service	Part

Service Area	Saving Reference	Saving Description	Full or Part EIA
ECM	3.54	Operational Efficiencies	Part
ECM	3.67	Community Services - Sayers Croft	Part
GPH	4.15	Reduction in Planning Overtime	Part
GPH	4.16	Delete Head of Town Planning Post (vacant)	Part
GPH	4.17	Church Street Regen	Part
GPH	4.19	Review of Legal Costs in Housing Solutions	Part
GPH	4.20	Review use of Transports and Storage costs in Housing Housing Solutions	Part
GPH	4.21	Registerd Providers - Grant Funding Review	Part
GPH	4.22	Planning Application Process Review	Part
GPH	4.23	Place Shaping Review	Part
GPH	4.24	Cost Recovery for drafting S106 Agreements	Part
GPH	4.25	Stop Press Notices for Planning Apps	Part
GPH	4.26	Additional Capitalisation of Development Team	Part
GPH	4.27	Reduce Office Space Usage	Part
GPH	4.29	Temporary Accommodation	Part
I&C	5.5 - 5.11	Pay and Non-Pay Efficiencies	Part
I&C	5.12	Review of Comms Function	Part
F&R	6.14	Legal Fee Charges	Part
F&R	6.15	Local Land Charges Income	Part
F&R	6.16	Repurposing Buildings	Part
F&R	6.17	Bi-Borough IT Service Desk Consolidation	Part
F&R	6.18	Reduced Use of MFD's	Part
F&R	6.19	Futher IT Network Savings	Part
F&R	6.20	Cloud Mitgration	Part
F&R	6.21	CED: Microsites	Part
F&R	6.22	Corporate Finance Vacancy Saving	Part
F&R	6.23	Realignment of Claimant Contact Facilities for the Council's Benefit Service	Part
F&R	**6.24**	**Review of C&FM**	**Full**
F&R	**6.25**	**Cabinet Secretariat, Member & Committee Services - New Ways of Working**	**Full**
F&R	6.26	Member Allowances - non pay efficiencies	Part
F&R	6.27	Review of Internal Audit	Part
F&R	6.28	Review of Bi-Borough IT Service	Part
F&R	6.29	Senior Management Review	Part
F&R	6.30	Further IT contract savings	Part
Collaborative	7.1	Staffing - Agency Spend	Part
Collaborative	7.2	Community Commissioning	Part
Collaborative	7.3	Brokerage	Part
Collaborative	7.4	Eliminating Papers and Automating Mail Services	Part
Collaborative	7.5	Automatic Streaming of Software Licences	Part
Collaborative	7.6	Reducing the Corporate Property Footprint	Part
Collaborative	**7.7**	**Business Support Function Review**	**Full**
Collaborative	7.8	CED Strategy: Contact Centre Review	Part
Collaborative	7.9	Consolidating Common Areas of Spend	Part

Service Area	Saving Reference	Saving Description	Full or Part EIA
Collaborative	7.13	Fees and Charges Increase for 2021/22	Part
GPH HRA	8.1	Post Inspection of Repairs	Part
GPH HRA	8.2	Housing Comms Saving	Part

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Appendix 6 – Council Tax Resolution

The Council is recommended to resolve as follows:

1. It should be noted that on the 20 January 2021, the Council calculated the Council Tax Base for 2021/22:

   a) For the whole Council area as 133,817.98 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act"]; and
   b) For dwellings in the Montpelier Square area as 100.40

2. For dwellings in the Queen's Park Community Council area as 3,514.63

3. Calculate that the Council Tax Requirement for the Council's own purposes for 2021/22 (excluding Special Expenses) is £62,078,160.92

4. That the following amounts be calculated for the year 2021/22 in accordance with Sections 31 to 36 of the Act:

   a) 856,339,500 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it.

   b) £794,198,938 being the aggregate amounts which the Council estimates for items set out in Section 31A(3) of the Act.

   c) £62,140,562 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).

   d) £464.37 being the amount at 3(c) above (Item R) all divided by Item T (1(a) above), calculated by the Council in accordance with Section 31B of the Act, as the Basic Amount of its Council Tax for the year (including Special Amounts)

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

   f) £463.90 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of the Council Tax for the year for those dwellings in those parts of the area to which no special item relates.

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

Band	2021-22	2020-21	Change
Band A	£242.44	£221.38	£21.06
Band B	£282.85	£258.28	£24.57
Band C	£323.25	£295.17	£28.08
Band D	**£363.66**	**£332.07**	**£31.59**
Band E	£444.47	£405.86	£38.61
Band F	£525.29	£479.66	£45.63
Band G	£606.10	£553.45	£52.65
Band H	£727.32	£664.14	£63.18

Please note, the 1.99% is on the 2020-21 non police element (not the total) which is £1.59 – plus there is a separate £15 for police (a national PCC limit) and another £15 for under 18 and 60+ concessions which increases the current rate by £31.59.

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

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	31.54
7	B	36.80
8	C	42.05
9	D	47.31
11	E	57.82
13	F	68.34
15	G	78.85
18	H	94.62

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

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	414.35
7	B	483.40
8	C	552.46
9	D	621.52
11	E	759.64
13	F	897.75
15	G	1035.87
18	H	1243.04

7. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992 hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2021/22 for each part of its area and for each category of dwellings:

Including Westminster City Council element

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	340.81
7	B	397.61
8	C	454.41
9	D	511.21
11	E	624.81
13	F	738.42
15	G	852.02
18	H	1022.42

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	723.62
7	B	844.21
8	C	964.82
9	D	1085.42
11	E	1326.63
13	F	1567.83
15	G	1809.04
18	H	2170.84

Ratio	Band	Rest of the City of Westminster rate (£)
6	A	309.27
7	B	360.81
8	C	412.36
9	D	463.90
11	E	566.99
13	F	670.08
15	G	773.17
18	H	927.80

Including Westminster City Council and GLA element

Ratio	Band	Queen's Park Community Council Rate (£)
6	A	583.25
7	B	680.46
8	C	777.66
9	D	874.87
11	E	1069.28
13	F	1263.71
15	G	1458.12
18	H	1749.74

Ratio	Band	Montpelier Square Garden Committee Rate (£)
6	A	966.06
7	B	1127.06
8	C	1288.07
9	D	1449.08
11	E	1771.10
13	F	2093.12
15	G	2415.14
18	H	2898.16

Ratio	Band	Rest of the City of Westminster rate (£)
6	A	551.71
7	B	643.66
8	C	735.61
9	D	827.56
11	E	1011.46
13	F	1195.37
15	G	1379.27
18	H	1655.12

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

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

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

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

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

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

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Appendix 7 – Report and Minutes from the Budget Task Group Sessions

Budget Task Group – Summary Report on 2021/22 Budget Scrutiny

1. Executive Summary - The Scrutiny Process

The Westminster Scrutiny Commission agreed in July 2007 to set up a Budget and Task Group as a standing group, with the following Terms of Reference:

"to consider, on behalf of the Policy and Scrutiny Committees, budget options and draft business plans and estimates at the appropriate stages in the business planning cycle and to submit recommendations / comments to the cabinet and/or cabinet members."

Cabinet must take into account and give due regard of any views and recommendations from the Budget and Performance Task Group in drawing up firm budget proposals for submission to the Council, and the report to Council must reflect those comments (and those of other Task Groups and Committees, if any) and the Cabinet's response.

The Task Group examined five key themes:

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

The minutes of the Task Group's meetings are attached to this summary. These include the Task Group members questions and comments on the budget.

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

2. Overall Budget

The overall 2021/22 draft budget appears robust. Officers provided assurances on a number of points raised by members across all directorates, including managing the impact of changing service demand priorities, the

deliverability of a number of projects, and how external economic factors will continue to put pressure on the council's finances.

3. Risks

There are a number of risks which the task group wishes to highlight:

- The COVID-19 pandemic has vastly impacted the local, national and international economy. Furthermore, the Government's support over the pandemic will continue to have a long-term impact on public finances. Members noted that these factors would present on going challenges for the council's finances.
- Members noted that changes in the London housing market could have an impact on the council's future capital position.
- Members noted that uncertainty around income streams, like that from parking, commercial waste and advertising sites, presents an ongoing risk.
- Members noted that uncertainty about grants from central government going forward presents an ongoing risk, particularly if COVID-19 restrictions continue.
- The Government has indicated the Fair Funding Review will go ahead. While further delays are possible, it is expected this will have a sizeable impact on Westminster.
- Members noted that a lot of the savings proposals in the budget were from staff salaries and restructures. Members noted that reducing the number of staff, including those in business support roles, could have an impact on service capacity.

4. Positive Observations

There are a number of positive observations which the task group wish to highlight:

- The council's reserve policy mitigated the impact of the pandemic on council finances. Furthermore, the 2021/22 budget has flexibility built into it which will mitigate against continued uncertainty around COVID-19 and the local and national economy.
- Members found clear examples of taking a prudent approach and avoiding optimism bias. For example, the sensitivities work the council carries out around its housing regeneration schemes.

MINUTES

CITY OF WESTMINSTER

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Monday 25th January 2020.**

Members Present: Cllr Gotz Mohindra (Chairman), Cllr David Boothroyd, Cllr Iain Bott, Cllr Adam Hug and Cllr Karen Scarborough, and Cllr Andrew Smith

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Debbie Jackson (Executive Director of Growth, Planning and Housing), James Green (Director of Development), Raj Mistry (Environment and City Management) Chana Joginder (SFM City Management and Communities) Sarah Newman (Executive Director of Bi-Borough Children's Services), and Gareth Wall (Bi-Borough Director of Integrated Commissioning)

1. Welcome and Apologies

1.1 The Chair welcomed those present.

2. Declarations of Interest

2.1 Cllr Mohindra declared he owned an electric car and therefore has a tangential interest in EV infrastructure and that he had a business interest based around South Berkeley Square. Cllr Smith declared that until recently he was the Cabinet Member for Environment and Highways.

3. Capital Budget 2021/22

3.1 Capital Budget Overview 2021/22

Gerald Almeroth presented the Capital Budget Overview 2021/22 and thanked officers for their hard work putting the papers together:

- Members noted that the task group sessions were all very close together this year. Officers agreed that they would review this for the sessions to be scheduled in subsequent years. They also noted that for next year it would be helpful to be provided with projected vs actual expenditure
- Members asked what work was being done to understand how COVID-19 might impact the Council's future capital position. They heard that the council cannot take for granted that capital receipts will continue to come in. Given this, an understanding of the property market is an important part of each regeneration scheme as this provides confidence that the units sold will be able to fund planned affordable housing units. When the council looks at its regeneration schemes it carries out a high level of sensitivity analysis and takes a prudent approach regarding sales prices. In terms of the developer contributions (Section 106, CIL, Section 278 and Affordable Housing Fund) there are already reserves that the council is planning to spend. However, there is a sensitivity around whether these funds will continue to come in.
- Members noted that in the last few budgets including the current one, the capital spend is projected to increase in successive years as opposed to in the year the budget is set. They heard that for this year COVID-19 has affected when some of the development schemes were able to start, which has pushed budget allocations out to successive years.
- Members clarified that the council's capital receipts are largely from housing sales. Rental income generally just covers operating costs and loan repayments, whereas sales help to pay off loan debt.
- Members asked what formula determined the 'prudent approach' the council was taking. They heard that a lot of sensitivities were taken into account particularly when it comes to housing regeneration schemes. These include sales, variations in prices, interest rates and cost inflation. Members noted that inflation could be an ongoing issue from COVID-19. They heard that being able to borrow at a secured lower rate offered some protection from cost inflation. The council would continue to look for and take up opportunities to borrow at these secured lower rates.

- Members asked exactly how many capital projects had been delayed. Officers agreed to provide a briefing note on this.

4. Finance and Resources 2021/22 Capital Budget

4.1 Gerald Almeroth presented the Finance and Resources 2021/22 capital budget:

- Members asked how COVID-19 had impacted the council's investment mandate. They heard the existing policy expects a yield of around 4% - 5%. The council do not look to buy speculative properties purely based on the yield in return or look to buy commercial properties outside of the borough. When making acquisitions the council looks at how it would fit with the council's larger strategic objectives. Officers noted that COVID-19 could bring about opportunities in the City and the council may want to acquire property to make bigger things happen. Members suggested that a specific investment criterion would be helpful to ensure acquisitions fit in with the council's medium to long-term strategy.
- Members noted that a few options had been put up regarding the future of both the Queen Mother and the Seymour Leisure Centres. They asked what option, from a finance and resources perspective, was best. The council was still looking at the overall position to see what both schemes would deliver. COVID-19 had also led to pause in the decision making around this. There was also work being done around rationalising the property estate to enable the council to deliver services in a better way from a commercial and community point of view. Finance and Resources will be asking all services for input into the work.

5. Executive Leadership Team Department Summaries

5.1 Growth, Planning and Housing GF 2020/21 Capital Budget

Debbie Jackson presented the Growth, Planning and Housing capital budget:

- Members asked about whether the council needs to rethink the Oxford Street programme in light of the impact of COVID-19 on retail. The council appointed a programme director late last year and he has been revisiting the place strategy in light of COVID-19. A plan will be released in February.
- Members asked whether commitments from private landlords about investing their own capital into the City have remained the same. The local landowner and BIDs remain more committed than ever. However, they are under their own pressures so contributions may be less than pre-

COVID-19. Members stressed that a lot of public funding was being directed at the Oxford Street programme and it was important that this funding serve to leverage other sources of funding from the private sector. Officers agreed to provide an overview of private sector funding and leverage in relation to the Oxford Street District programme.

- Member noted that the targeted housing acquisition has fallen behind schedule. They heard that it has been difficult to acquire property during COVID-19. In terms of buying out of borough, the council can get more for its money which enables it to place families in more appropriate temporary accommodation. Officers agreed to provide follow up information on rationale and assumptions for out-of-borough acquisitions for temporary accommodation.
- Members asked about ring fenced funding within this capital budget. They heard that most of the funding was allocated in the budget but not necessarily ring fenced. Members made the point that this could mean that in future funding for projects like Oxford Street could be reduced depending on other pressures across the whole budget. Officers agreed to provide a table of ring fenced/match funding projects.
- Officers agreed to come back to the committee with figures for the 5-year previous spend on temporary accommodation purchases.
- Members asked about the budget for Strand Aldwych. Currently there is 18 million allocated of the total provision of 27million. The contributions from partners is yet to be quantified, but it is expected that they will work with the council on the revenue costs.

6. Growth, Planning and Housing Growth HRA 2021/22 Capital Budget

6.1 Debbie Jackson presented the Growth, Planning and Housing 2021/22 capital budget:

- Members asked for detail on the money being spent on planned maintenance. They heard some of it is for essential upgrades to the PDHU and some is for making the PDHU more carbon efficient. Another part of the budget is to address energy efficiency of the housing stock. However, this will mostly ramp up in year three as options for doing this are still being assessed. Officers noted that most of the money for energy efficiencies is assumed to be from grants.
- Members noted a lot of planned maintenance was held back during lockdown. They heard that the figures for next year will include the underspend from the first lockdown.
- Members commented that the council may have exhausted most of the quick wins around small sites schemes. They heard that there is benefit from getting the low hanging fruit first done first. Part of the challenge with small sites projects is proving that these schemes can be successful, which helps get people on board with more complex projects down the line.

7. Westminster Builds 2021/22 Capital Budget

7.1 Debbie Jackson presented the Westminster Builds 2020/21 capital budget:

- Members heard that Carrick Yard was the best-selling scheme in Central London. Given this, members asked whether the properties were priced appropriately. They heard that a prudent approach was taken to pricing in order to get interest in exchanging contracts. Also, the product was taken to overseas markets which was likely helping with sales. Members noted that this could create a risk around the properties becoming “buy to leave empties”. Officers said this was something that needed to be considered, but that it was hard to control and ultimately a trade-off to enable affordable homes to be built. Members commented that there are mechanisms and conditions that council could use to ensure the properties are kept in use.
- Members heard that there was a lot of flexibility to respond to the market in terms of acquisitions. Work was going on at the moment to understand what opportunities there were and how market values might move.
- Members noted that the council is budgeted to loan Westminster Builds about 500million over the next five year, they asked whether this created a contingent liability on the council if there was a delay to ones of the schemes. They heard that the loans were considered in detail at the approval point for each scheme, giving an opportunity to consider the market and risks and take an informed decision at that time.

8. Environment and City Management 2021/22 Capital Budget

8.1 Raj Mistry presented the Environment and City Management 2021/22 capital budget:

- Members asked about the procurement of a new electric waste fleet. They heard the council was still assessing its needs and watching the market. The council was also looking at its overall waste strategy and this would be looked at as part of that.
- Members heard that the council’s contribution to Grosvenor Square was around dealing with traffic, but the rest would be funded privately. With Berkeley Square South the scheme had been brought forward by the landowner and there would be no cost to the council.
- Members heard that the 4.4 million for parking was going towards new technology. While this investment does not directly release income if the council does not make the investment parking income will ultimately go down and costs will go up.
- Members asked about the contracts for public conveniences. They heard the council was looking at the delivery and capital programme together and a programme board had just been started to take this forward.

9. Children's and Family Services 2021/22 Capital Budget

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

- Members asked if the council was still responsible for capital investment in the buildings for academy schools. They heard the council is not technically responsible for the building work, but for some schools the council helps with managing projects and getting funding from DfE.
- Members asked whether CIL funding was available for any of the projects. They heard the department tries to get as much of that funding as possible, particularly for projects that are not fully funded by DfE grants. In 2021/22 there is over 2 million of CIL and S106 funding for projects in the capital programme.
- Members asked about the contingency for school repairs. They heard the council receives money from DfE for school improvement. It rarely gives all of this out in a year so there is a contingency of funding in the bank.

10. Adult Social Care and Public Health 2021/22 Capital Budget

10.1 Gareth Wall presented the Adult Social Care and Public Health 2021/22 Capital Budget:

- Members confirmed that the planned upgrades to the Mosaic IT system were a legal obligation.
- Members asked whether the disabled facilities grant was assured. They heard it has been increasing year on year and it is very likely it will continue.

11. MEETING CLOSE

11.1 The Meeting ended at 20:52

MINUTES

CITY OF WESTMINSTER

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Tuesday 26th January 2021**

Members Present: Cllr Gotz Mohindra (Chairman), Cllr David Boothroyd, Cllr Iain Bott, Cllr Adam Hug and Cllr Karen Scarborough, Cllr Andrew Smith

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Bernie Flaherty (Bi-Borough Executive Director of Adult Social Care and Health), Russell Styles (Director of Public Health) Sarah Newman (Bi-Borough Executive Director of Children's Services) Debbie Jackson (Executive Director of Growth, Planning and Housing), Neil Wightman (Director of Housing),

1. Welcome and Apologies

1.2 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Budget Overview 2021/22

3.1.1 Gerald Almeroth presented the budget overview:

- Members noted that the national and global economic context as a result of COVID-19 would present on going challenges for the council's finances.
- Members asked whether the council had been given an indication from central Government about whether various grants would continue, noting that restrictions would likely continue through 2021. They heard the council was not certain that these grants would continue as the Government has tended to release them as they were needed. There is always an ongoing conversation around whether the resources for specific pieces of work are sufficient, for example test and trace.
- Members asked what impact COVID-19 has had on the council's reserve fund. They heard that of the £63 million in reserves about £10 million will be taken out to cover budget short falls this year.
- Members asked whether central Government was looking to delay the fair funding review. The fair funding review has been modelled in budget projections and it is expected to have a sizeable impact on Westminster. The expectation from Government is that it is still on the cards but given the current context further delays are possible.
- Members asked whether the £2.4 million budget gap would be covered by increases to council tax. Officer noted this was a political decision and they would work with the executive on ways to cover this.
- Members asked whether each directorate will be going through a restructure. They heard a number of savings will relate to salaries. Equality impact assessments are important part of the process when proposing savings.
- Members asked about the assumptions around recovery of income. They heard that lockdowns were a large determinant on income levels and these were hard to predict. Central Government support had continued including sales and fees charges support. The council did make assumptions about how the economy would pick-up. However, having flexibility in the budget was also important to mitigate against uncertainty.

4. Adult Social Care and Public Health 2021/22 Budget

4.1 Bernie Flaherty presented the Adult Social Care and Public Health 2021/22 budget:

- Members heard that the staffing review would cover three broad areas which are: commissioning staff; agency spend; and business support staff.

The review around commissioning is happening at a bi-borough level and majority of the savings are projected to come from this commissioning review.

- Members asked whether people leaving the UK would create staffing pressures. They heard that there was less risk than initially assumed.
- Members noted that COVID-19 had resulted in an easing of some pressures. They asked whether the budget capture bounce back in demand. Evidence shows that pressure from particular service users will increase. However, the identified savings in the budget should cover this.
- Members asked about the strategy to minimise agency spend. They heard that this was complicated as sometimes it is essential to be able to bring in for people for a short time, particularly if the council does not have a specific skill set in house. However, officers also noted that the council should be looking at providing development opportunities to permanent staff. Furthermore, with the upcoming restructure it would not be prudent to bring on more permanent staff.
- Members asked about the savings identified for personalisation staff. Previously these roles were to help establish personalisation. The new model does not specifically have these roles because the culture of personalisation has largely been embedded.
- Members asked about lessons learnt from COVID-19. They heard the ASC team has had to operate in different way which had actually led to centring resident more.
- Members asked for more detail around the savings proposals relating to increased focus on prevention and greater utilisation of community strength and assets. They heard the council did work with service users to understand the social care model they wanted going forward. The message was that service users wanted support to do more for themselves where they could. They wanted more information and different technology. These changes will ultimately reduce the number of staff going into people's homes. Members asked when more detail would be available about what this model looked like in practice. They heard that the transition to the new model would happen iteratively and build on the vision over time.
- Members asked whether there would be an increased demand on beds as we come out of COVID. Officers clarified that the savings identified were due to a new model around vacant beds.
- Members asked whether the cost identified around SEN children transferring to ASC was new. They heard that this cost changes year on year and is based on what is identified as coming through in Children's Services.
- Members heard that the majority of the spend on COVID-19 has been on PPE which has been covered by the Government.
- Members asked whether it was expected that the PH grant would retain its ring fence. The Government had indicated that it would lose the ring fence and that is why there is a reserve in the budget. However, it has not lost it this year.

- Members asked how much Westminster's test and trace had cost the council. The test and trace budget was separate from the main PH budget and is currently underspent.
- Members asked for clarification around the budget for PH Internal Health Outcomes. It is an internal budget where PH funds projects that lead to wider health outcomes in other services.
- Members asked for clarification around the savings for substance misuse contracts. They heard there was a new contract that cost less but was like for like with the previous contract.
- Members asked about the savings around health visiting contracts. This would be the result of a new model that reduced duplication around health visits.

5. Children's Services 2021/22 Budget

5.1 Sarah Newman presented the 2021/22 budget:

- Members asked for some clarification around the staffing review and what bands of staff would be impacted. They heard the review would include staff in senior positions and also business support staff. The EIA had identified that those staff on lower bands were more likely to be women and people from BAME populations. Officers agreed to provide more detail in on specific services that will be affected.
- Members asked about Westminster's traded services and whether some schools might look elsewhere. They heard Westminster offers some services competitively. However, as more schools become academies the council would need to review the offer.
- Members heard that the £300, 000 savings for libraries and archives represents an additional income target. This is a new initiative which is based on transformation programme in libraries.
- Members expressed their thanks for the work that was done with the Young Westminster Foundation around providing children in the borough with laptops.
- Members asked what was driving the increase in pressure for short break funding. This was part of a focus on early intervention. The idea being that providing a child and their family with a short break may prevent a family breakdown and enable the child to ultimately stay with their family.

6. Growth, Planning and Housing 2021/22 Budget

6.1 Debbie Jackson presented the Growth, Planning and Housing 2021/22 budget:

- Members asked for clarification on the review of grant funding for registered providers. Members heard this funding was largely not needed as most RPs already provided the services the grant funded. Officers noted, most other local authorities no longer pay this.
- Members asked about the review of legal costs. They heard this was about having better system of control and only seeking legal support when necessary.
- Members asked what initiatives would contribute to the reduced spend for temporary accommodation. Essentially the initiatives were around preventing homelessness at the front door and supporting people to stay in their own homes. The current eviction ban presents opportunities. It is also about how we give people choices around moving on. Members queried how the budgeted figured was determined and whether the figure was realistic. They heard the figure is based on average savings per-household. Achieving the savings would be a challenge particularly due to the current lockdown. However, the private rented sector is quite buoyant in some areas which provides some mitigation. Members asked for confirmation that no one in TA will be required to move. The council will look at statutory processes as well, but noted it is beneficial to target people who want to move.
- Members asked about the changes to the storage offer. They heard this represented a reprofiling of a universal offer to case by case offer. Officers agreed to provide more detail on this.
- Members asked for more detail on the planning application review. Officers clarified this does not relate to future changes to planning announced by the Government last year. This related to processes in the office. It will be looking things like gaining efficiencies from automation.

7. Housing Revenue Account 2021/22 Budget

7.1 Debbie Jackson presented the Housing Revenue Account 2021/22 budget:

- Members asked for more detail around the proposed housing restructure. The overall ambition of the restructure is to reduce management posts and increase frontline staff.
- Members asked about the savings around repairs post-inspection costs. They heard that when the new serviced is rescoped Westminster surveyors will do both a pre and post inspection and will take control for the higher cost jobs. Members asked if the impact on officers had been modelled. They heard the Housing restructure would provide more frontline staff.
- Members asked about using technology to drive savings. The council has piloted a new in-house minor works team and they have all been provided with large phones or i-pads to do this work. These are also being rolled out to estate officers. The pilot has showed this model is cheaper and better.

- Members asked how increased rent in arrears would be managed over time. Members heard the vast majority was from commercial properties not residential. The council is focusing early on people who are getting into trouble. It is using more personalised methods of contact like texts and phone calls and using long term repayment plans.
- Officers agreed to provide clarification on the budget for landlord incentive payments.

8. MEETING CLOSE

8.1 The Meeting ended at 21:06

CITY OF WESTMINSTER

MINUTES

Budget Task Group

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Budget Task Group** held on **Thursday 28th January 2020**,

Members Present: Cllr Gotz Mohindra (Chairman), Cllr David Boothroyd, Cllr Iain Bott, Cllr Adam Hug, Cllr Karen Scarborough, Cllr Andrew Smith

Also Present: Gerald Almeroth (Executive Director of Finance and Resources), Stephen Muldoon (Director of Commercial and Financial Management), Rikin Tailor (Head of Corporate Finance), Richard Cressy (Head of Cabinet and Committee Services), Raj Mistry (Executive Director of Environment and City Management), Pedro Wrobel (Executive Director of Innovation and Change), Richie Gibson (Head of City Promotions Events and Film)

1. Welcome and Apologies

1.3 The Chair welcomed those present.

2. Declarations of Interest

2.1 There were no declarations of interest.

3. Finance and Resources 2021/22 budget

3.1 Gerald Almeroth presented the Finance and Resources 2021/22 budget:

- Members asked about the business support function review including what risks for services had been identified. The review was broadly defining business support as roles that were not front-line. The review would look across the council with the aim of providing consistency across the business support function. Another focus was on providing more career paths and progression opportunities for staff in these more administrative roles. The review is forecast to save about 10% of overall costs. Members commented that this accounted for a large number of staff and could have an impact on morale. The also commented that there could be a significant transitional impact on capacity for services. They encouraged the council to remain mindful of these risks. In terms of equality impacts, members heard that women were more likely to be impacted by the review.
- On the senior management review, members commented that executive level positions seemed to have been added in an ad-hoc way over the past years. They also commented that the council risked losing expertise and institutional knowledge through a review like this.
- Members asked for more detail around the building rationalisation work. The council is looking at disposing of mostly small satellite buildings and having most of its office space in either City Hall or Lisson Grove. Members commented that centralising the office space and withdrawing from local areas could have a service impact. They heard that the pandemic had normalised agile working and people were using technology which reduced the need to come into the office.
- Members asked about the move to a single benefits reception site. They heard COVID-19 had illustrated two sites were not necessary as most contacts has moved to over the phone or online. When people required an in-person meeting these could be arranged at a council site near the service user.
- Members asked whether the council has considered letting out other floors of City Hall. This is something that could be considered, but it does become more complicated when floors are let out to private entities on an ad-hoc basis.
- Members asked about the savings in members allowances. Officers clarified these were mainly the result of legacy budgets for travel expenses and telephony services that were no longer claimed.
- Members asked for more detail on the contact centre review. The council has a number of contact centres across a range of services. The aim of the review was to consolidate the council's contact centres which would ultimately reduce the number of calls. However, there will not be a reduction in the level of service.
- Members heard that a lot of the IT savings had already been delivered.

- Members noted the increase in fees and charges. The fees are increased for inflation every year by about 2%. Members noted that currently inflation was a lot lower than 2%.
- Members asked how the council tracked staff performance in the context of remote working. They heard good management should not rely on staff being physically present.
- Members asked about the implications of shifting the council's data to cloud storage. They heard the data will continue to be owned by the council. Officers agreed to provide more detail on this.

4. Environment and City Management 2020/21 budget

4.1 Raj Mistry presented the Environment and City Management 2021/22 budget:

- Members heard the budget included an extra £15.6 million pressure to account for a possible extension to the lockdown and continued restrictions.
- Members asked for detail on the highways contract efficiencies. They heard these would come from working with the contractor to reduce non-essential expenditure.
- Members asked for more detail on efficiencies identified for Sayers Croft. This will be a combination of cost reductions and new income streams.
- Members heard that charges for HMO licencing is for cost recovery. However, the council is planning to use existing staff to deliver the programme which will allow for an income stream which will generate savings. Members asked about risks around modern slavery and HMOs. They heard that this will be looked at when the programme is implemented.
- Members asked what it cost to install a rapid EV charger. They heard most of the chargers were funded externally. The cost per charger was about £40,000. Members asked how income was generated from EV chargers. They heard it was through a concession contract. Officers said that EV chargers would a part of a broader review of parking policy and its link to climate change emissions. There will be proposals later in the year for the relevant policy and scrutiny committee to review.
- Members asked for clarification on the city highways budget. The income mainly came from parking and also commercial waste. The largest portion of expenditure went on the Veolia waste and street cleaning contract. The parking and highways contract make up the majority of the rest of the expenditure. These three contracts will be coming up for renewal in the next few years. Members heard that starting negotiations early led to the best outcomes for these types of contracts.
- Members enquired about the impact of removing the performance bond from the parking contract. This was a safety net in the budget. However, the company that holds the contract had stable finances which reduces risk and therefore it was decided that the bond is no longer needed

- Members asked about the proposal to transition from street sweeping to litter picking in some streets. They heard this was still being worked out with Veolia. A pilot would take place in a particular area before it was rolled out borough wide. Members asked that Scrutiny be able to see the data from the pilot before the decision is made to roll it out borough wide.
- Members asked about the pest control saving. They heard this was mostly based on cost reduction. The council was also looking to contract out some of this work to the private sector.
- Members asked about the impact of COVID-19 on income from leisure facilities. The council is looking at how this sector is recovering across the world. It will take time to attract people back to the facilities. The council is constantly talking to Sports and Leisure Management about costs and is working with them to ensure they can continue to deliver over lockdown.
- Members asked for more detail on savings in the budget from changing ways of working. Part of this will be about updating old IT systems. There will also be a business process review which will look at implementing more automated systems. Members asked that Scrutiny be kept informed about this.
- Members asked about the decrease in maintenance costs for bridges and underpasses. They heard these savings were due to previous capital investment which reduced the need for maintenance.

5. Innovation and Change 2020/21 budget

5.1 Pedro Wrobel presented the Policy, Performance and Communications 2021/22 budget:

- Members asked about the review of the communications function. They heard this will address duplication, improve quality of outcomes and join the communications function up more closely with the other services.
- Members heard the Council's contracts with Westco would be looked at as part of this review. While Westminster gets a dividend from Westco, this needs to be weighed against overall value for money.
- Members noted that some of the signs about COVID-19 had only been in English but they had been placed in communities where other languages were widely spoken. Members heard that the communications review will address issues like this. However, officers also noted that oversights can happen when people are working at pace.
- Members asked whether Westminster's communications should focus on a more local audience. They heard that the vast majority of communications has been directed at a local audience. Most recently the team had been building trust in COVID-19 testing and vaccinations. However, there are times where a more national approach is needed.
- Members heard that the savings in the Lord Mayors Office were mostly due to events and travel that had not taken place because of COVID-19. There were also a number of vacant posts which have not been filled.
- Members noted that eight roles had been disestablished and asked what the impact of this would be. They heard that these were vacant posts which the directorate was operating fine without.
- Members noted the large drop in advertising income in the past year due to COVID-19. They heard the council was setting itself up to be able to exploit advertising income in future. However, there was still a lot of uncertainty and therefore the assumption that advertising income will remain low had been built into the budget.

6. MEETING CLOSE

6.1 The Meeting ended at 20.28pm.

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City of Westminster

Cabinet

Decision Maker:	Cabinet
Date:	15th February 2021
Classification:	General Release
Title:	Capital Strategy 2021/22 to 2025/26, forecast position for 2020/21 and future years' forecasts summarised up to 2034/35.
Wards Affected:	All
Financial Summary:	The Council has a proposed gross capital programme up to 2034/35 of £2.862bn, offset by £1.233bn of income, giving a net budget of £1.629bn – which is to be funded via borrowing. The cost of borrowing has been built into the revenue implications of the capital strategy which is detailed in section 13.
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

1.1. The report sets out the Council's capital strategy from 2021/22 to 2025/26 and summarises the position up to 2034/35.

1.2. The general fund capital programme as detailed in Appendix A, proposes a gross budget of £2.862bn and a net budget of £1.629bn (including capital receipts). The capital programme of the Housing Revenue Account is set out separately in the HRA Business Plan which accompanies this report as part of the Council's annual budget setting process.

1.3. The Council's long-term capital investment is underpinned by the objectives of City for All. Capital proposals are considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking full account of the revenue implications of the projects as part of the revenue

budget setting process. Based on the proposed programme at the end of 2034/35 the Council would have to set aside a revenue budget of £60.6m to cover the financing costs of the programme.

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

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

2. Recommendations

That the Cabinet be recommended:

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

2.2. To approve the capital expenditure for the General Fund as set out in Appendix A for 2021/22 to 2025/26 and future years to 2034/35.

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

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

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

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

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

3. Reasons for Decision

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

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

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

4. Policy and Contextual Background

4.1. Westminster City Council's refreshed vision, City for All, will provide the strategic context for the Capital Strategy and responds to the significant impacts of the COVID-19 pandemic on the city, our communities and the council. Three distinct themes within City for All shape the approach:

- Greener and Cleaner
- Vibrant Communities
- Smart City

4.2. These thematic areas are underpinned and enabled by key plans and programmes including Westminster's City Plan 2019 – 2040, the Customer Experience & Digital Strategy, Climate Action Programme and the delivery of affordable homes. The Capital Strategy is among these key plans. The Council has embarked on an ambitious capital programme with a plan to invest up to £2.862bn (general fund) over the next 15 years. The investment in capital and assets on this scale is a foundation in enabling the Council to achieve its City for All ambitions.

4.3. The programme's delivery objectives continue to take place against the background of financial challenges. Covid has had a significant impact on the Council, from delays caused to existing projects meaning budgets being re-profiled and reviewed. The programme reflects the Council's approach to support the rebuilding of the economy and ensure all our residents have access to employment opportunities.

4.4. The ongoing revenue costs of borrowing within the capital programme has to form part of the Council's revenue budget. It is therefore vital that the Council's capital strategy delivers a return on investment that is financial, such as capital receipts or new revenue streams, or delivers key strategic priorities.

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

4.6. The pandemic has accelerated our ambition to become smarter in how we connect, collaborate and respond to both challenges and opportunities in the city. An ambitious smart city vision has since been outlined which seeks to position Westminster as a global centre of innovation, empowered by creative partnerships that work with our residents and communities to deliver a better quality of life for all. Westminster's smart journey is seen as an outcomes oriented process, not driven by technologies but rather guided by an inclusive, innovative and participatory approach.

4.7. Guided by these principles, we will leverage technology to continually enhance how we deliver our services, as well as ensure our users are enabled to be digital by choice. 'Smart' interventions will be delivered against four wider themes which align with City For All commitments: ensuring extraordinary experiences, empowering people, supporting and driving an innovative economy and employing and testing CleanTech to target our Climate Emergency.

4.8. There are a number of key projects and programmes that require capital investment for the Council to achieve its strategic goals. These always deliver on all three pillars of City for All which are interlinked. These are highlighted below:

Greener and Cleaner

- In recognition of the growing need for greater action to avert the global climate crisis, the council has declared the Climate Emergency a key priority. We have set ambitious targets to achieve carbon neutrality for the council, across Westminster and our communities. This will help harness important co-benefits such as improved air quality. Schemes include:
    - Reduce waste, transform recycling facilities and enhance our environmentally friendly and low emission waste collection service
    - Roll out more electric vehicle charging points

- Reviewing the environmental credentials of our housing stock and property portfolio, including the retro fit scheme
- High specification housing regeneration schemes will be designed to reduce the Council's carbon impact

Vibrant Communities

- This theme addresses inequalities across the City, fosters a thriving local economy and ensures everyone has equal opportunities to live healthy lives, through making the most of the incredible opportunities in our city and building much needed housing for our residents.
- The City Plan will enable the building of around 20,000 new homes by 2040, of which at least 35% will be affordable. A number of large development schemes within the capital programme are planned to help to deliver at least 1,850 new affordable homes by 2023 by the Council. Delivering high quality affordable homes will ensure Westminster is one of the best places for residents and families to live, work and play. Projects include:
    - Schemes being delivered by Westminster Builds including Ebury Bridge Estate and Church Street, major sites for regeneration in the north of the borough
    - Two mixed-use development including Lisson Grove Programme and Huguenot House
- The Council's aspiration to uphold Westminster as the leading centre of tourism in Europe is demonstrated by the investment into the Oxford Street District programme. This broad programme will support the District's adaptation during and post-Covid and sustain its status as a global destination for retail, leisure and tourism. We will work with partners and residents to ensure our plans embrace innovation, sustainability and diversity, with world class retail, dynamic cultural experiences and safe, smart streets for all.
- Continued investment in other public realm projects within Westminster creates and preserves spaces where people enjoy living, working and visiting. The investment reflects the pride we take in our role as custodian of the City, protecting our heritage by managing places and spaces that can be enjoyed both now and in the future. Investment in improving the public realm and pedestrian environment helps to accommodate the safe and efficient movement of growing numbers of people entering and moving around Westminster, managing vehicular traffic and making walking safer and more enjoyable. We will ensure that residents, businesses and

stakeholders are at the heart of place shaping to deliver on robust and vibrant places.

- The Council's investment in core infrastructure of carriageways, footways, lighting and bridges, recognises the commitment the council has to manage the performance, risk and expenditure on its infrastructure assets in an optimal and sustainable manner throughout their lifecycle, covering planning, design, development, operation, maintenance and disposal. This programme ensures our infrastructure is in a safe and reliable condition, is efficiently managed and means our residents and visitors can enjoy clean, high quality streets.

Smart City

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

    - Bolstering the city's innovative economy through creating the conditions for incubation, growth and investment. This will include ensuring reliable, fast connectivity across the city and implementing digital street markets. Exploring solutions with partners is key to this work, as is exploring, piloting and scaling relevant technological solutions through an innovation hub at City Hall.

    - Celebrate the City's iconic status and unique character by delivering extraordinary experiences, by piloting relevant technology in key areas of the city, including Oxford Street District and Strand-Aldwych. Empower those we serve by appropriately embedding assistive and responsive technology to promote independence among some of our most vulnerable, as well as creating a best in class website and contact centre which allows greater choice and ease for customers to find information and complete transactions.

    - We will address our climate challenges by optimising resources and consumption patterns, and tackling their environmental impacts, through a holistic and circular approach to people, planet and technology. We will create not only a Smart City but a CleanTech City, one which trials the use of sensors to manage light, improve safety and ease traffic. We will enable 5G infrastructure and continue to drive electric vehicle charging capability across the city. Most crucially, we will continue to survey

and act on opportunities for both our built environment and behaviours to achieve greater climate resilience.

- All of this can only be delivered if it is underpinned by integrated data systems and digital infrastructure.

5. The Council's Assets

5.1. The Council has total long-term assets of £3.222bn across Property, Plant & Equipment, Investment Properties, Heritage Assets and Intangible Assets. A summary of each asset class is outlined in the table below:

Asset Type	March 2020 £m
Council Dwellings	1,549
Other Land & Buildings	676
Investment Properties	499
Infrastructure Assets	265
Assets under Construction	152
Heritage Assets	45
Community Assets	25
Vehicles, Plant & Equipment	10
Intangible Assets	1
Total	**3,222**

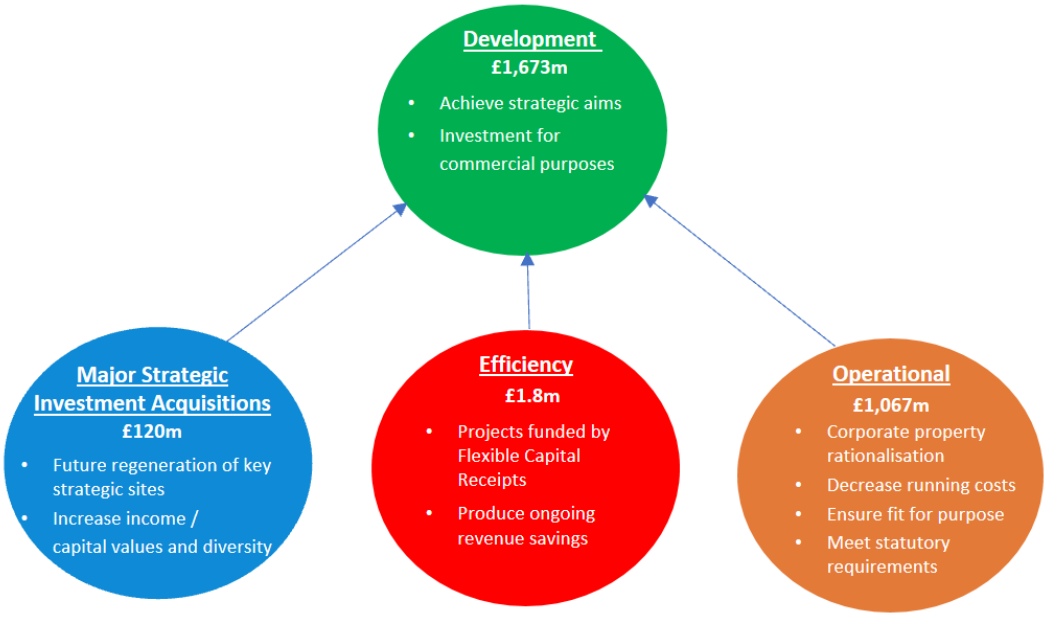
5.2. Based on the Council's current level of assets, the capital strategy as outlined in this report could significantly increase the Council's asset base over the next 15 years across the General Fund and HRA.

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

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

6. Overview of Delivery Strategies

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



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

Development

6.3. Development projects are long term delivery projects and key schemes that directly support the Council's strategic aims, in line with *City for All*. These include the long-term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration. This will help Westminster's residents and businesses in creating a strong local economy to live and work in, helping to embed the long term aspirations of City for All. Most eminently, development projects will aid the Council in achieving its objectives for tackling the climate emergency; addressing inequalities and ensuring inclusion; and continuously innovating.

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

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

- Self-develop: where the project is undertaken independently, resulting in the greatest potential return but with the greatest cost and risk exposure.
- The developer: this usually involves selling the opportunity to a developer resulting in the least return but also the least cost and risk.
- Joint-venture: this is a compromise between the above two routes and can be a good option to limit risk and broaden expertise and capacity on the project, WBst still sharing in the returns.
- Delivery through the Council's housing subsidiary companies Westminster Builds – Westminster Housing Investments Limited (WB) or Westminster Housing Developments Limited (WHDL).

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

6.7. One of the key financial risks of development projects from the perspective of the capital strategy is the need to have accurate financial estimates and profiling of expenditure in line with project milestones. In order to ensure this is as rigorous as possible the Council implements a challenge process for these projects, with further details on the process and governance behind this included as part of sections 7 and 8 of this report. Risks are discussed in more detail in section 14.

6.8. Development schemes make up a significant proportion of the gross capital budget at £1,673.024m, and of the capital receipts in the programme at £951.952m. Key examples of projects that fall under this category include:

- Oxford Street District
- Lisson Grove Programme
- Huguenot House
- Luton Street (through the General Fund and Westminster Builds)
- Church Street Acquisitions (through the General Fund and Westminster Builds)
- Ebury (through the General Fund and Westminster Builds)

Major Strategic Investment Acquisitions

6.9. Strategic acquisitions are where the Council acquires properties to enable the development of key strategic sites for future regeneration and investment opportunities.

Property Investment Strategy

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

- Meet the Council's strategic objectives, fostering a thriving local economy, as per the Vibrant Communities agenda
- Drive income from the existing portfolio
- Streamline and futureproof the existing portfolio
- Invest in new properties within Westminster

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

- Focus on clusters linked to the Council's long term regeneration and economic objectives including Harrow Road, Edgware Road and Church Street. These do not require the lot sizes or yields identified above due to the broader strategic benefits, long term value expected and size of investment already held in these locations.
- Any new investment should consider yields of 4-5% in the short to medium term.
- All assets acquired must be within Borough unless opportunities arise adjacent to existing out-of-borough holdings.

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

Efficiency

6.13. Schemes in this category include those funded from Flexible use Capital Receipts (FCR) and are currently forecasting £1.858m.

6.14. In March 2016, the MHCLG issued statutory guidance allowing the flexible use of capital receipts to support local authorities in delivering more efficient and sustainable services. Updated guidance issued by MHCLG extended the original three-year period from 1 April 2016 to cover a further three-year period to 31 March 2022 and applies only to capital receipts generated during this period.

6.15. It allows local authorities to use capital receipts received in the year to fund the revenue costs of service reform and transformation, provided that this expenditure yields ongoing savings to an authority's net service expenditure. Capital receipts applied to revenue expenditure in any given year must have been generated in that same year.

Operational

6.16. Operational schemes make up a significant proportion of the gross capital budget at £1,066.793m. The Council's operational capital strategy is centered on capital improvement works to the Council's operational asset portfolio. This falls into two main categories:

- Land and Buildings
- Infrastructure

6.17. The Council is in the process of undertaking a comprehensive programme of condition surveys across the whole operational estate. This high-quality information will be used in a number of ways including for lifecycle replacement, energy usage to contribute to the Council's zero carbon target, and building management; ultimately ensuring the Council's operational estate is fit for purpose. This information will reduce building operational risk and ensure compliance and health & safety obligations are met.

6.18. As part of the forward planning of the operational estate, there are some key areas which will be further developed in 2020/21 in line with the objectives of the Council. These include the desire to make buildings dementia and autistic friendly and to rollout ABLE access across the portfolio. In terms of accessing buildings, work is underway to look at the options of implementing a single smart card for access across our estate.

6.19. Work is also underway, in conjunction with Environment and Highways to overhaul the public convenience portfolio, making sure properties retained

offer high quality provision and that those no longer in operation are re-purposed for income and/or other community use.

7. Capital Budget Setting & Prioritisation

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

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

- Strategic Fit - how the project aligns with the Council's objectives and priorities and what it is trying to achieve.
- Financial – what are the financial circumstances for the project, e.g. is funding readily available and is it affordable?
- External factors – is the project needed because of another scheme or development, or any other external factors such as health and safety requirements?
- Risk – is the success of the project dependent on mitigating high associated risks.

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

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

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

8. Governance

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

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

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

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

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

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

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

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

9. Summary of the Capital Programme – 2020/21 to 2034/35

9.1. Overview of overall capital figures and breakdown by ELT

Table 1: Proposed General Fund (excluding HRA) capital programme 2020/21 to 2034/35

	Forecast	Five Year Plan					Future Years to 2034/35	Total
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	£000	£000
Expenditure								
Adults' Services	635	1,116	-	-	-	-	-	**1,751**
Children's Services	14,299	22,881	3,246	2,501	1,002	400	-	**44,329**
Environment & City Management	68,789	79,798	115,947	43,808	31,658	19,972	-	**359,972**
Finance and Resources	19,145	24,698	158,618	48,937	84,516	74,324	565,147	**975,385**
Growth, Planning & Housing	48,325	123,426	149,791	123,943	67,238	45,001	155,655	**713,379**
Westminster Builds	16,685	30,845	67,320	61,330	137,540	189,190	263,950	**766,860**
Total Expenditure	**167,877**	**282,764**	**494,922**	**280,519**	**321,954**	**328,887**	**984,752**	**2,861,675**
Funding								
External Funding	(54,284)	(81,757)	(52,230)	(30,909)	(20,299)	(12,079)	(29,000)	**(280,558)**
Capital Receipts	(25,120)	(1,300)	(43,455)	(63,510)	-	(43,420)	(775,147)	**(951,952)**
Total Funding	**(79,404)**	**(83,057)**	**(95,685)**	**(94,419)**	**(20,299)**	**(55,499)**	**(804,147)**	**(1,232,510)**
Borrowing Requirement	**88,473**	**199,707**	**399,237**	**186,100**	**301,655**	**273,388**	**180,605**	**1,629,165**

9.2. The proposed capital programme for the Council over the next five years (including 2020/21 and summarised over the subsequent ten years) is a gross capital expenditure budget of £2.861bn. Over £1bn of this expenditure is due to be incurred over the next three years, 2021/22 to 2023/24. This is in line with the Council's development projects (which sit mostly within the Growth, Planning and Housing directorate).

10. Key Projects & Programmes

Social Care

10.1. The Social Care Projects allow the Council to re-procure the case management system, future-proofing data with the additionalities of predictive analytics and integration with insight tools.

Education

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

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

10.3. Expenditure on schools expansions are in response to pupil place planning needs across the borough. Approximately half of the expenditure in the Children's programme is due to take place in 2021/22. This is primarily due to the St Marylebone Bridge Special School and King Solomon school expansion.

10.4. Expenditure on other school-related projects is designed to improve the fabric of buildings and/or make them more inclusive for children with special educational needs (SEN) or a physical impairment. The service is making best use of its SEN Capital Grant, School Condition Allocation Grant and funding from Section 106 and Community Infrastructure Levy to ensure schools remain in good condition. The proposed capital programme includes approximately £27.786m of expenditure on school/education capital projects over the next five years, of this £22.424m is externally funded with the Council funding £5.362m. More information on these funding sources can be found in section 11.

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

Planned Preventive Maintenance/ Structural Works

10.6. The majority of this relates to £62.810m of Planned Preventive Maintenance of the Highways, Lighting and Bridges and Structures within the Borough. The work is aimed at maintaining the durability of the asset and deliver a well-managed, high quality streetscape WBst protecting and enhancing Westminster's unique heritage.

Smart City

10.7. The Council will invest significantly in its digital programme to drive, enhance and ensure the delivery across all City for All pillars. Investments are required both in terms of infrastructure and assets to deliver our commitments, as well as building our digital and data management capabilities. Further detail about the Council's ambitions are set out in section 4.6 and 4.7.

Property Capital Programme

10.8. The Council has the benefit of valuable land and buildings which are used to deliver services to Westminster residents such as libraries. Many of our

properties are also occupied by voluntary and community organisations who are able to apply for reductions in rent to occupy these spaces where they deliver demonstrable benefits to residents. The council also owns properties which are let out to commercial tenants and the rent received is used to support front line services.

10.9. In 2020/21 the council has been managing the property impacts of Coronavirus to enable Covid safer working for staff and access for the public. This has been utmost priority. However, the Directorate has continued to drive through other high priority work to ensure the continuous improvement to the management of our land and buildings. This work has included:

- Imbedding a "corporate landlord" approach in managing the operational estate
- Focusing on performance management in particular of the new FM contract
- Development of the council's property information system to enable high quality information to be extracted to support decision making

10.10. Early in 2021, there will be a review of the use of operational properties. Working with services and using the new corporate landlord model to ensure the property portfolio is shaped to deliver and support services long into the future. The review will look at locations and across service provision to identify property that can be redeveloped to meet wider corporate objectives or used to increase income to support service delivery. Finally, we will review the investment portfolio with a view to creating a more balanced portfolio considering the market reflections of 2020.

Public Realm Schemes

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

- Oxford Street District - Enabling works on several work packages commenced with the contractor in 20/21, with the delivery plan and vision being organised into eight workstreams. These workstreams maximise delivery efficiency and accelerate the delivery of key strategic aims. The first work package will enter construction in April 2021.
- Strand Aldwych - In light of the coronavirus pandemic, a phased approach to delivery has been introduced. A 'meanWBe' space will be introduced on the Strand, giving the opportunity to support the local economy and the West End's creative and cultural industries as quickly as possible. This approach provides additional flexibility to take account of a changing

economic and cultural landscape and respond to needs as they arise through use and management of the meanWBe space and in developing the final scheme. Cabinet Member approval was received in December 2020 to commence construction on the Aldwych Two-Way and meanWBe space elements of the scheme, which is expected to complete by the Summer of 2022.

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

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

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

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

General Fund Housing

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

Development/Regeneration Programme

10.13. The Council's development and regeneration programme through the general fund assists the Council in achieving its City for All objective of building 1,850

affordable homes. Some of the key projects included in the general fund capital programme as part of this are described below.

Huguenot House

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

Lisson Grove Programme

10.15. The Lisson Grove programme incorporates the redevelopment of two key Council sites at Orchardson Street and Lilestone St, both of which form part of the wider Church St masterplan. The programme will re-provide the current Lisson Grove offices located in Orchardson Street at a new Civic, Health and Wellbeing hub at Lilestone St, alongside new homes. The current office site will then be available for redevelopment and delivery of a substantial level of additional housing. The Outline Business Case (part 1) for the planned development was agreed in March 2020. Work is now being undertaken to procure the key consultant team for the programme.

Beachcroft

10.16. The completion of the new care facility at Beachcroft will enable the redevelopment of both Carlton Dene and Westmead. In March 2020 an OBC for the Westmead site was agreed that recommended that Westminster Builds undertake the redevelopment of the site. The Westmead development will deliver 65 units in total to include 41 rented units, 14 intermediate and 10 social rent. Westminster Builds will retain the market and intermediate rent units.

Leisure Review Development

10.17. Options are currently being reviewed for the future best use of the council's physical activity and leisure services and associated site and adjoining site at Queen Mother & Seymour centres.

10.18. The general fund development programme is one branch through which the Council is realising its affordable housing ambitions. The other funding options are through the HRA and the Council’s wholly owned housing company – Westminster Builds.

Westminster Builds

10.19. In June 2018, following Cabinet approval, the Council incorporated two new wholly owned companies, Westminster Housing Investments Limited (WB) and its subsidiary Westminster Housing Developments Limited (WHDL) known

collectively as /operating under the brand 'Westminster Builds', for the purpose of helping the Council deliver its ambition to increase the supply of housing affordable to those living and working in Westminster.

10.20. In this two-company structure (set up for tax efficiency reasons), WHDL will undertake the construction and development of schemes and WB will hold properties for intermediate and market rent as well as entering into delivery partnerships with third party developers.

10.21. Westminster Builds is part of the Council's implementation of its City for All targets, providing homes at a wider range of price levels for people who live and work in Westminster. The Westminster Builds business plan sets out the Company's vision and objectives. The company's vision is as follows:

'By delivering high quality, modern homes for people from all backgrounds, the company aims to: Build better homes, Build a better city, Build a better future'

10.22. The specific business objectives are:

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

10.23. The Westminster Builds Business Plan sets out the programme of planned activity by the company over a 5 year period from 2021-2026 to include acquisitions, forward funding, collaborative and development opportunities.

10.24. The plan is estimated to deliver 1,947 new homes across all tenures, of which 1,658 will be developed by Westminster Builds either directly or in partnerships and Joint Ventures and 291 will be acquired from third parties. It is expected that in total 921 homes will be retained in management let at either market or intermediate rent.

<u>Westminster Builds Development Programme</u>

10.25. The development programme included in the business plan consists of the following schemes:

Harrow Road

10.26. Harrow Road is a self delivered development providing 112 new homes, a nursery, work space and a community hall. The approved scheme will deliver 49% affordable homes subsidised by open market sales. Delivered by WB through its subsidiary WHDL, the development is expected to start on site Q4 2020/21 with completion programmed for Q3 2023/24.

Westmead

10.27. The Westmead development will be directly delivered by Westminster Builds and will produce a total of 65 new homes on site including a mix of both market and intermediate rent units.

Luton Street

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

Ebury Bridge Phase 2

10.29. The Westminster Builds business plan includes a budget for the direct delivery of Phase 2 of the Council's key regeneration scheme at Ebury Bridge. A final decision on the delivery route is expected to be taken by the Council in Q1 2021/22.

Church Street Site A

10.30. The Westminster Builds business Plan also includes a budget for the delivery of Site A of the wider Church Street regeneration programme through partnership with a third party developer.

Pipeline

10.31. In addition, the company is developing a pipeline of activity outside of the Council's existing pipeline to develop both within Westminster but also outside the borough. Outside of Westminster the company is keen to look at opportunities to work in partnership with developers and in public / private partnership with other local authorities and quasi public sector partners to share risk and reward.

Acquisitions

10.32. Included in the business plan is a budget for acquiring completed intermediate units and/or market homes for the purpose of letting at intermediate or market rent levels. In order to retain control of the affordable units on these sites the Council has decided that these units will be held by Westminster Builds rather than an external housing association. Each scheme will be approved through the Council's existing governance processes, however the Westminster Builds business plan currently includes planned acquisitions on the following sites; Parsons North, Ashbridge St, Farm St, Luxborough St, Pimlico and within the first phase of the Ebury Bridge regeneration and Lisson Grove programme in the Church St regeneration area.

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

Financial Performance

Luton Street

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

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

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

10.37. The LLP is governed through the LLP board with decisions taken by 2 representatives from each partner. Westminster Build's representatives will report back to the Westminster Builds board, escalating decisions as required through its governance framework.

10.38. To enable Westminster Builds to invest into the LLP, it has agreed a loan facility with the Council and, as at the end of December 2020, a total of £17.6m of Council funding has been drawn down.

Jubilee Phase 2

10.39. Following completion of the legal documents on Westminster Build's acquisition of 19 units on Jubilee phase 2 for £10.2m, the company entered into a further loan agreement with the Council in Q2 2020/21. The acquisition will be part-funded by £3.9m of affordable housing fund and a grant of £0.7m from the GLA. The acquisitions will be made by staged payments to the developer, with three payments totaling £3.190m being made as at Q3 2020/21. The units are expected to be completed in Q3 of 2021/22.

HRA Business Plan

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

10.41. The HRA will play a significant role in the delivery of the Housing Programme and will work with the Council's General Fund and the wholly owned subsidiaries to ensure the aspiration of the housing plan is delivered. The planned capital spend for 2021/22 is £210m with a total of £2.092bn planned to be spent over the 30 year business plan. This is an increase of £338m since the February 2020 HRA budget report. This programme will be funded using various funding sources, including the use of the Affordable Housing Fund, Capital Receipts and HRA Borrowing. In October 2018 the HRA borrowing cap was removed, allowing greater investment into building affordable housing. However, borrowing within the HRA needs to be tightly managed and a prudent approach has to be taken, with the limit being revenue funding for borrowing and the HRA's long term reserve target of 10-15% of rental income.

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

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

10.44. Two key regeneration schemes being developed within the HRA are Church Street and Ebury Bridge Regeneration.

Church Street

10.45. In December 2017, the Cabinet approved the Church Street Masterplan as the Council's framework for informing the future regeneration of the Church Street area. The proposed developments of sites A, B & C form part of this wider Masterplan. Site A will be the first of the three sites to be redeveloped and a decision has been taken for this to be undertaken by Westminster Builds. A decision is yet to be taken on the delivery routes for sites B & C.

Ebury Bridge

10.46. The Ebury Bridge Estate is one of the key priority estates identified within the Council's Housing Renewal Strategy as needing significant improvement and investment. The regeneration plans for the site are split into two phases. In March 2019 a decision was taken by the Council to progress the delivery of Phase 1 through the HRA. A decision is due to be taken during early 2021/22 as to the most appropriate delivery route for Phase 2.

11. Capital Funding

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

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

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

Grants

11.3. These are predominantly government grants and are usually provided to the Council for the specific use of funding capital expenditure for certain schemes and programmes. The majority of grants the Council receives for capital projects are via the Department for Education (DfE), which are provided to ensure the Council is meeting its statutory duty of providing school places and

ensuring school building are in a good condition. Other grants the council receives include TfL grant funding for infrastructure improvements across the City, Disabled Facilities Grant (DFG) and Community Capacity Grants in Adult Social Care.

Capital Contributions

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

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

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

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

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

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

Capital Receipts

11.9. Capital receipts are generated from the sale of non-current assets (i.e. assets such as land and buildings), and apart from special circumstances, can only

be used to fund the capital programme. The Council holds all capital receipts corporately, which ensures they can be used to fund the overall programme; therefore, individual services are not reliant on their ability to generate capital receipts.

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

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

Direct Revenue Financing

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

Borrowing

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

11.14. External borrowing occurs when the Council borrows money from the open market, via financial institutions and investors or the government, via the Public Works Loan Board (PWLB). On 5 November 2020, the Public Works Loan Board (PWLB) reversed its decision to increase the cost of borrowing for local authorities for general fund purposes by 1%, bringing the rates offered in

line with those for housing revenue account purposes. All new loans are therefore now subject to the relevant gilt yields +0.8% (certainty rate).

11.15. In November 2020 the PWLB released further guidance confirming Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the prudential code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes, and must not use internal borrowing to temporarily support investments purely for yield.

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

11.17. The Council's total borrowing requirement based on capital expenditure incurred historically but yet to be financed is represented by the Capital Financing Requirement (CFR). This is published in the statement of accounts, and as of 31st March 2020 was £830.186m.

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

Table 2: Forward Borrowing Summary

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

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

12. Capital Programme Funding: 2020/21 to 2034/35

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

Table 3: Funding of the Capital Programme

	Forecast	Five Year Plan					Future Years to 2034/35	Total
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	£000	£000
External Funding	54,284	81,757	52,230	30,909	20,299	12,079	29,000	**280,558**
Capital Receipts	25,120	1,300	43,455	63,510	-	43,420	775,147	**951,952**
Borrowing	**88,473**	**199,707**	**399,237**	**186,100**	**301,655**	**273,388**	**180,605**	**1,629,165**
Total	**167,877**	**282,764**	**494,922**	**280,519**	**321,954**	**328,887**	**984,752**	**2,861,675**

12.2. In total £1.233bn (43%) of the programme is to be funded via external or internal sources of funding, with the remainder via borrowing (both internal and external).

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

Table 4: Analysis of Proposed External Funding

Financed by	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**	**2026/27 to 2034/35 £000**	**Total £000**
Section 278 Contributions	14,655	29,488	27,171	12,910	8,000	5,000	-	**97,224**
Affordable Housing Fund Contributions	7,741	19,189	14,920	10,140	7,000	-	18,000	**76,990**
Community Infrastructure Levy (CIL)	5,328	4,456	1,900	1,000	1,000	1,000	11,000	**25,684**
Section 106 Contributions	9,099	6,696	2,000	500	-	-	-	**18,295**
DfE Basic Needs Grant	2,383	7,446	1,300	1,000	-	-	-	**12,129**
DCLG Disabled Facilities Grant	1,524	1,524	1,524	1,524	1,524	1,524	-	**9,144**
Education & Schools Funding Agency (ESFA)	2,575	6,541	-	-	-	-	-	**9,116**
External Contributions	6,273	275	275	275	275	275	-	**7,648**
Transport for London (TfL) Grant	387	1,000	2,000	2,000	1,000	1,000	-	**7,387**
Sport England Grant	-	310	290	1,160	1,100	2,880	-	**5,740**
Other Grants and Contribution	1,308	1,827	-	-	-	-	-	**3,135**
DfE Schools Condition Allocation	512	498	400	400	400	400	-	**2,610**
GLA Good Growth Fund	635	1,241	-	-	-	-	-	**1,876**
DoH Community Capacity Grant	635	816	-	-	-	-	-	**1,451**
London Business Rates Pool Strategic Investment Pot	400	450	450	-	-	-	-	**1,300**
European Regional Development Fund	829	-	-	-	-	-	-	**829**
Total	**54,284**	**81,757**	**52,230**	**30,909**	**20,299**	**12,079**	**29,000**	**280,558**
Capital Receipts	25,120	1,300	43,455	63,510	-	43,420	775,147	**951,952**
Borrowing	**88,473**	**199,707**	**399,237**	**186,100**	**301,655**	**273,388**	**180,605**	**1,629,165**
Total	**167,877**	**282,764**	**494,922**	**280,519**	**321,954**	**328,887**	**984,752**	**2,861,675**

12.4. The main source of external funding is via contributions towards Highways projects, these include Section 278 and Section 106 Contributions and Community Infrastructure Levy. Another significant source of funding is the Affordable Housing Fund (AHF). Within the General Fund programme this is primarily related to AHF contributions to registered providers.

13. Revenue Implications of the Programme

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

	Forecast	Five Year Plan					Future	
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Years to 2034/35 £000	Total £000
Expenditure	167,877	282,764	494,922	280,519	321,954	328,887	984,752	**2,861,675**
External Funding	(54,284)	(81,757)	(52,230)	(30,909)	(20,299)	(12,079)	(29,000)	**(280,558)**
Capital Receipts	(25,120)	(1,300)	(43,455)	(63,510)	-	(43,420)	(775,147)	**(951,952)**
Borrowing Requirement	**88,473**	**199,707**	**399,237**	**186,100**	**301,655**	**273,388**	**180,605**	**1,629,165**
Revenue Impacts:								
Capital Financing Cost	15,530	11,949	20,144	45,076	54,153	62,836	560,683	**770,372**
Financed By:								
Commercial Income	(3,800)	(3,800)	(10,091)	(6,140)	(7,976)	(16,496)	(176,645)	**(224,949)**
Net Revenue Position	11,730	8,149	10,053	38,936	46,177	46,340	384,038	**545,423**
Sinking Fund Adjusted Balance	3,075	9,256	10,052	(15,831)	(20,067)	(17,150)	30,664	**(0)**
MTP Budget Assumptions	**14,805**	**17,405**	**20,105**	**23,105**	**26,110**	**29,191**	**414,702**	**545,423**

13.1. The council aims to maximise its balance sheet assets and as such is able to utilise cash balances derived from working capital (such items as the appeals provision, reserves, affordable housing fund, etc.) rather than borrowing externally to finance the net cost of the capital programme. Over the 15 year capital programme it is currently estimated that the council will incur net financial costs, through its revenue budget of £545.423m. This includes £770.372m of financing costs (including MRP), offset by £224.949m of commercial income.

13.2. The revenue costs of the capital programme are not uniform across the 15 years of the capital programme and are subject to significant fluctuations in line with the profiling of capital expenditure and funding (particularly capital receipts). In order to manage these fluctuations, the Council is operating a sinking fund which ensures the revenue budget increases are consistent with surplus balances at the start of the programme being transferred to a capital financing reserve, which will then be drawn down in later years. Based on current estimates and assumptions at the end of 2034/35 the capital financing budget will be approximately £61m, this represents an increase of about £46m compared to the current base budgets for capital financing. This is an annual budget that would have to be put aside as part of the Council's revenue budget.

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

Minimum Revenue Provision (MRP)

13.4. MRP is applied where the council has to set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP

replaces other capital charges (e.g. depreciation) in the statement of accounts and has an impact on the council's bottom line. MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes. The council will continue to balance the use of capital receipts, internal borrowing and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

13.5. The Council has an on-going capital programme and will continue to invest in capital projects beyond 2034/35 and will therefore need to ensure that funds are set aside for the future cost of borrowing.

14. Risk Management

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

General Risks

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

Interest Rate Risk

14.3. The Council is planning to externally borrow £638.273m as set out in this Capital Strategy over the next five years. Interest rates are variable and a rise could increase the cost of servicing debt to a level that is not affordable. To mitigate this, the Council has used interest rate forecasts that include a prudent provision against interest rate rises.

14.4. In the event that interest rates rose beyond this forecast plus contingency, the revenue interest cost to the Council would increase for all borrowing not yet entered into (we would typically borrow on fixed rate terms). The forward borrowing arrangement the Council has entered into has mitigated a large extent of this risk, however, a rise of 1% above current interest rate assumptions would cost an extra £6.383m per annum on the full £638.273m borrowed by the end of 2025/26. The extra cost of a 1% rise in interest rates would be £72.141m by 2034/35 over the 15 years, if the full projected external borrowing of £703.392m were to be realised.

Inflation Risk

14.5. Construction inflation over and above that budgeted by the council's professionals and advisors, and built into project budgets, could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme by approximately £28.6m. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signing of contracts with construction companies and developers through fixed price contracts.

Legislative Risks

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

Market Health/Commercial Risks

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

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

Transfer Risk

14.9. When the Council plans and delivers projects it is important to consider the risks associated with the project and whether the Council (or its subsidiaries such as Westminster Housing Investment Ltd) is the best placed to take on that risk. A key consideration for major capital schemes is whether these will

be developer led or whether the Council will self-develop. For a developer led scheme the developer will take on a significant proportion of the risks associated with the project. However, the developer will price this risk in, so it will come at a cost. Considerations can include whether there is resource capacity and expertise to take on specific risks in the context of the overall capital programme. The housing subsidiaries are newly incorporated and there may be an initial set-up risk as the company gains experience and embeds its delivery plan.

Project Risks

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

- Projects are required to maintain a risk register, to ensure effective monitoring.
- Highlight reporting - development projects, as an example, create monthly highlight reports to ensure stakeholders are aware of progress and risks of projects on an on-going basis.
- Appointment of professional teams - the Development team has recruited and retained the services of experts to provide robust planning and review in order to advise on financial feasibility and to ensure timely delivery of projects. Experts also cover key surveying and financial planning roles to give assurance on quality of work and assumptions.
- Risk of Revenue Write Off – the Council commits to feasibility studies on many of its significant capital schemes at the point where spend is revenue in nature or when capital spend may be written off, should the scheme in question not progress. This is managed through careful consideration and approval of all expenditure potentially at risk of revenue write-off. There is a further risk that any projects funded from Flexible use of Capital Receipts (FCR) may not yield the required ongoing revenue savings and therefore may need to be written off to revenue.

15. <u>Financial Implications</u>

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

16. Legal Implications

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

17. Staffing Implications

17.1. None specifically in relation to this report.

18. Consultation

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

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

Gerald Almeroth, Executive Director – Finance and Resources

galmeroth@westminster.gov.uk

19. Background Papers:

19.1. Capital programme working papers

19.2. Capital Programme Submission Requests for individual projects

20. Appendices

Appendix A (i) – Capital Programme – ELT

Appendix A (ii) – Capital Programme – Cabinet Portfolio

Appendix A (i) - Capital Programme 2020/21 to 2025/26, Forecast Position for 2020/21 and future years' forecasts summarised up to 2034/35 by ELT Portfolio

	2020/21			2021/22			2022/23			2023/24			2024/25			2025/26			Future Years			Grand Total		
	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Total Spend	Total External Funding	Total Net
Alterations to Orchardson Street Offices for Children's Services	-	-	-	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Barrow Hill Access and Safeguarding	39	(39)	-	31	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	(70)	-
Bessborough Street Family Hub upgrades and air conditioning	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
Carer's Extensions Funding (Looked After Children)	-	-	-	25	-	25	25	-	25	25	-	25	25	-	25	-	-	-	-	-	-	100	-	100
CCTV – Libraries & Leisure	38	-	38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	-	38
Edward Wilson ASD & Internal Building Restructure	50	(50)	-	250	(250)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	(300)	-
Gateway Remodel ASD	19	(19)	-	11	(11)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30	(30)	-
Hallfield School - Including Electrical Re-wire	1,287	(1,287)	-	1,755	(1,755)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,042	(3,042)	-
King Solomon Academy Expansion	1,973	(1,973)	-	5,589	(5,589)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,562	(7,562)	-
Libraries 6 Year Decorating Programme	2,019	-	2,019	500	-	500	500	-	500	500	-	500	500	-	500	-	-	-	-	-	-	4,019	-	4,019
Libraries IT	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200
Loanable Library Tablets Solution	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	50
Old Marylebone Town Hall rolling redecoration programme	135	-	135	20	-	20	71	-	71	76	-	76	77	-	77	-	-	-	-	-	-	379	-	379
Portman Remodel	1,476	(552)	924	1,302	(487)	815	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,778	(1,039)	1,739
Queen Elizabeth II ASD Class Build Provision	250	(250)	-	250	(250)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	(500)	-
Reactive Capitalised Maintenance	500	-	500	500	-	500	500	-	500	500	-	500	-	-	-	-	-	-	-	-	-	2,000	-	2,000
Remodelling of Early Help/ Children's Centres	250	-	250	250	-	250	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	750	-	750
Robinsfield ASD Provision	17	(17)	-	33	(33)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	(50)	-
Safeguarding for Community Primary Schools	-	-	-	800	(800)	-	300	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,100	(1,100)	-
School Development Capital Projects	-	-	-	1,500	(1,500)	-	1,000	(1,000)	-	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	3,500	(3,500)	-
Schools Minor Works	1,600	(1,600)	-	400	(400)	-	400	(400)	-	400	(400)	-	400	(400)	-	400	(400)	-	-	-	-	3,600	(3,600)	-
Social Care System Reprocurement	600	-	600	200	-	200	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	1,000	-	1,000
Solar Pilot	-	-	-	410	(410)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	410	(410)	-
St George's School Expansion	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-
St Marylebone Bridge Special School	3,313	(2,575)	737	7,938	(6,541)	1,397	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,251	(9,116)	2,134
Tresham Disabled Resource Centre Phase 2	-	-	-	50	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	(50)	-
Windmill ASD Centre at Millbank School	333	(333)	-	417	(417)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	(750)	-
CHILDREN'S SERVICES TOTAL	**14,299**	**(8,845)**	**5,453**	**22,881**	**(18,524)**	**4,357**	**3,246**	**(1,700)**	**1,546**	**2,501**	**(1,400)**	**1,101**	**1,002**	**(400)**	**602**	**400**	**(400)**	**-**	**-**	**-**	**-**	**44,329**	**(31,269)**	**13,059**
2020/21 Resident Parking Zone C Review - Kilburn Lane area	-	-	-	50	-	50	16	-	16	-	-	-	-	-	-	-	-	-	-	-	-	66	-	66
Abel & Cleland	375	(375)	-	300	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	675	(675)	-
AccessAble - Accessibility Audit and Scheme	-	-	-	50	-	50	50	-	50	50	-	50	50	-	50	50	-	50	-	-	-	250	-	250
ActiveWestminster - open data initiative	380	-	380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	380	-	380
Arundel Court	-	-	-	900	(900)	-	2,400	(2,400)	-	-	-	-	-	-	-	-	-	-	-	-	-	3,300	(3,300)	-
Improve Highways Inventory Assets	-	-	-	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	250	-	250
Street Furniture Improvements	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
Berkeley Square North	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	(1,000)	-
Berkeley Square south	100	(100)	-	500	(500)	-	3,100	(3,100)	-	3,000	(3,000)	-	3,000	(3,000)	-	-	-	-	-	-	-	9,700	(9,700)	-
Bond Street	50	(50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	(50)	-
Bow Street Magistrates Court	352	(352)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	352	(352)	-
Burlington Gardens Public Realm	1,200	(1,200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,200	(1,200)	-
Bus Stop Accessibility	-	-	-	200	-	200	200	(200)	-	200	(200)	-	200	(200)	-	200	(200)	-	-	-	-	1,000	(800)	200
Business Processing & Technology	350	-	350	3,250	-	3,250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,600	-	3,600
Capital Refurbishments	-	-	-	150	-	150	335	-	335	-	-	-	-	-	-	-	-	-	-	-	-	485	-	485
CCTV - Crime & Disorder	140	-	140	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	140	-	140
Cemeteries Boundary Fencing	-	-	-	77	-	77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77	-	77
Cemeteries Infrastructure	114	-	114	110	-	110	110	-	110	110	-	110	70	-	70	70	-	70	-	-	-	584	-	584
Central London Cycle Grid in Westminster	-	-	-	1,000	(1,000)	-	1,000	(1,000)	-	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	3,000	(3,000)	-
Ceremonial Streetscape 1	4,623	(4,623)	-	5,703	(5,703)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,326	(10,326)	-
Ceremonial Streetscapes 2	650	(650)	-	3,000	(3,000)	-	1,000	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	4,650	(4,650)	-
Christchurch Gardens Landscape Enhancements	1,658	(1,658)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,658	(1,658)	-
Commercial Waste Containers	52	-	52	40	-	40	40	-	40	40	-	40	40	-	40	40	-	40	-	-	-	252	-	252
Connaught Village Green	-	-	-	500	(500)	-	1,271	(1,271)	-	-	-	-	-	-	-	-	-	-	-	-	-	1,771	(1,771)	-
Covent Garden Low Traffic Neighbourhood	-	-	-	368	-	368	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	368	-	368
Coventry Street and Haymarket Safety Scheme/Public Realm	-	-	-	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300
Cycle Parking 2021/22	-	-	-	250	-	250	250	-	250	250	-	250	250	-	250	250	-	250	-	-	-	1,250	-	1,250
Deep Drainage	-	-	-	400	-	400	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	800	-	800
Disabled Facility Grants (DFG)	1,524	(1,524)	-	1,524	(1,524)	-	1,524	(1,524)	-	1,524	(1,524)	-	1,524	(1,524)	-	1,524	(1,524)	-	-	-	-	9,144	(9,144)	-
Drainage Survey Infrastructure	-	-	-	678	-	678	678	-	678	-	-	-	-	-	-	-	-	-	-	-	-	1,356	-	1,356
Duke Street - Selfridges	69	(69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69	(69)	-
Electric Vehicle Charging Infrastructure	1,250	(200)	1,050	1,685	(200)	1,485	2,290	-	2,290	3,154	-	3,154	4,311	-	4,311	-	-	-	-	-	-	12,690	(400)	12,290
Elizabeth Street Diagonal Crossing	-	-	-	275	(275)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	275	(275)	-
Folding Bike Hire Stations	-	-	-	225	-	225	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225	-	225
Food Waste Containers	-	-	-	250	-	250	250	-	250	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Freight & Servicing Action Plan	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
General Developer Schemes	5,122	(5,122)	-	6,000	(6,000)	-	5,000	(5,000)	-	5,000	(5,000)	-	5,000	(5,000)	-	5,000	(5,000)	-	-	-	-	31,122	(31,122)	-
Golden Jubilee Footbridges Lift Refurbishment	65	-	65	1,500	-	1,500	535	-	535	-	-	-	-	-	-	-	-	-	-	-	-	2,100	-	2,100
Great Scotland Yard	18	-	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18	-	18
Grosvenor Place 1-5	-	-	-	1,270	(1,270)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,270	(1,270)	-
Grosvenor Square Realm Scheme	400	(400)	-	700	(700)	-	8,000	(8,000)	-	5,000	(2,500)	2,500	-	-	-	-	-	-	-	-	-	14,100	(11,600)	2,500
Hanover Square Public Realm scheme	2,775	(2,775)	-	2,775	(2,775)	-	3,000	(3,000)	-	2,000	(2,000)	-	-	-	-	-	-	-	-	-	-	10,550	(10,550)	-
Harrow Road Ladbroke Grove Junction Improvement	657	-	657	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	657	-	657
Health and Wellbeing Projects	1,110	-	1,110	250	(100)	150	250	(100)	150	250	(100)	150	250	(100)	150	250	(100)	150	-	-	-	2,360	(500)	1,860
Highways Buildouts For Trees	500	-	500	1,000	-	1,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	2,500	-	2,500
Highways Innovation	750	-	750	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	-	750
HS2 High Speed Rail mitigations schemes 2021/22	50	(50)	-	100	(100)	-	1,000	(1,000)	-	410	(410)	-	-	-	-	-	-	-	-	-	-	1,560	(1,560)	-
Hostile Vehicle Mitigation Covent Garden	1,500	(1,500)	-	2,340	(2,340)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,840	(3,840)	-
Hyde Park Ward Pedestrian Improv	578	(578)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	578	(578)	-
Isolated Pitches - Independent Market Trader Bollards	482	-	482	380	-	380	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	862	-	862
LED Lighting Rollout	2,664	-	2,664	1,870	-	1,870	1,870	-	1,870	-	-	-	-	-	-	-	-	-	-	-	-	6,404	-	6,404
Legible London - Wayfinding Assets	-	-	-	50	-	50	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
Lighting-Cherished Column Replacement	77	-	77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	77	-	77
Load Testing	51	-	51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51	-	51
Local Safety Schemes - Various	2,036	(50)	1,986	1,200	-	1,200	1,200	(800)	400	1,300	(800)	500	1,400	(800)	600	1,400	(800)	600	-	-	-	8,536	(3,250)	5,286
Lord Hills & Westbourne Terrace Pedestrian Subway Infilling	-	-	-	675	-	675	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	875	-	875
Low Carbon Streets	-	-	-	400	-	400	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	800	-	800
Local Safety Scheme Thayer Street & George Street	-	-	-	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300
Main fleet Replacement Programme	-	-	-	-	-	-	42,000	-	42,000	-	-	-	-	-	-	-	-	-	-	-	-	42,000	-	42,000
Market Electrical Supply Improvements	464	-	464	270	-	270	230	-	230	-	-	-	-	-	-	-	-	-	-	-	-	964	-	964
Mobile working project	-	-	-	161	-	161	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161	-	161
Neat Streets II	-	-	-	350	-	350	350	-	350	350	-	350	-	-	-	-	-	-	-	-	-	1,050	-	1,050
Newport Place	400	(400)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	(400)	-
North Wharf Gardens Site II	198	(198)	-	200	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	(398)	-
Old Burlington Street Public Realm	-	-	-	900	(900)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900	(900)	-
Open Spaces Strategy	108	-	108	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108	-	108
Paddington & Hyde Park Estate Low Traffic Neighbourhood	350	(350)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	(350)	-
Paddington Green School Multi-use Games Area	113	-	113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	113	-	113
Parks & Gardens Infrastructure Improvements	203	-	203	120	-	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	323	-	323
Parks & Open Spaces Infrastructure	126	-	126	150	-	150	150	-	150	150	-	150	150	-	150	150	-	150	-	-	-	876	-	876
Parks & Open Spaces Noticeboards	-	-	-	66	-	66	66	-	66	-	-	-	-	-	-	-	-	-	-	-	-	132	-	132
Parks and Cemeteries tree planting	-	-	-	20	-	20	20	-	20	15	-	15	15	-	15	15	-	15	-	-	-	85	-	85
Parks Landscaping & Infrastructure Improvements	19	-	19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	-	19
PED Ducting - Phase 2	-	-	-	1,500	(1,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	(1,500)	-
Piccadilly and/ or Baker Street Two Way - Red Route Feasibility Study 2021/22	-	-	-	50	-	50	300	-	300	100	-	100	-	-	-	-	-	-	-	-	-	450	-	450
Piccadilly Underpass (Ventilation Fan) Refurbishment	1,500	-	1,500	1,000	-	1,000	2,069	-	2,069	-	-	-	-	-	-	-	-	-	-	-	-	4,569	-	4,569
Pimlico Low Traffic Neighbourhood	-	-	-	273	-	273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	273	-	273
Planned Preventative Maintenance (PPM)	516	-	516	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	516	-	516
Planned Preventative Maintenance (PPM) - Bridges and Structures	1,150	(275)	875	1,060	(275)	785	1,060	(275)	785	1,090	(275)	815	1,085	(275)	810	1,085	(275)	810	-	-	-	6,530	(1,650)	4,880
Planned Preventative Maintenance (PPM) - Highways	6,540	-	6,540	6,923	-	6,923	7,130	-	7,130	7,344	-	7,344	7,564	-	7,564	7,791	-	7,791	-	-	-	43,292	-	43,292
Planned Preventative Maintenance (PPM) - Lighting	1,128	-	1,128	2,928	-	2,928	3,006	-	3,006	2,924	-	2,924	3,002	-	3,002	-	-	-	-	-	-	12,988	-	12,988

	2020/21			2021/22			2022/23			2023/24			2024/25			2025/26			Future Years			Grand Total		
	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Total Spend	Total External Funding	Total Net
Playgrounds Minor Works	71	-	71	70	-	70	70	-	70	70	-	70	70	-	70	70	-	70	-	-	-	421	-	421
Porchester Main Pool and Disabled Change	1,029	-	1,029	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,029	-	1,029
Portman Square footways	1,176	-	1,176	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,176	-	1,176
Paddington Recreation Ground	1,078	-	1,078	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,078	-	1,078
Princes Street Public Realm Scheme	200	(200)	-	1,000	(1,000)	-	1,300	(1,300)	-	-	-	-	-	-	-	-	-	-	-	-	-	2,500	(2,500)	-
Protect Paintcoating Lamp Column	317	-	317	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	317	-	317
Protective Measures	-	-	-	2,500	-	2,500	2,500	-	2,500	4,000	-	4,000	1,000	-	1,000	-	-	-	-	-	-	10,000	-	10,000
Public Conveniences Renovation Programme	-	-	-	3,000	-	3,000	1,000	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	4,000	-	4,000
Public Lighting-Aged Expired Equipm	56	-	56	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	56	-	56
Queen's Park TfL Cycle Hire Expansion	-	-	-	550	(550)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	550	(550)	-
Queensway Public Realm Improvements	4,480	(4,480)	-	1,750	(1,750)	-	2,500	(2,000)	500	500	(500)	-	-	-	-	-	-	-	-	-	-	9,230	(8,730)	500
Recycling Containers and Bins	100	-	100	100	-	100	100	-	100	100	-	100	100	-	100	100	-	100	-	-	-	600	-	600
Regulatory Sign Replacement	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
Replacement of Gas Lights	698	-	698	1,100	-	1,100	870	-	870	-	-	-	-	-	-	-	-	-	-	-	-	2,668	-	2,668
Riding House St Pedestrianisation	393	-	393	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	393	-	393
Rochester Row & Passmore Row	-	-	-	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300
Royal Albert Hall Hostile Vehicle Mitigation and Public Realm	1,375	(875)	500	1,500	(1,100)	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,875	(1,975)	900
Royal Opera House Hostile Vehicle Mitigation	300	(300)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	(300)	-
Rupert Street Public Realm Improvements	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Sackville Street & Vigo Street Public Realm	-	-	-	500	(500)	-	1,500	(500)	1,000	-	-	-	-	-	-	-	-	-	-	-	-	2,000	(1,000)	1,000
Safe and Secure Environment for Vulnerable Residents	229	-	229	304	-	304	304	-	304	304	-	304	304	-	304	304	-	304	-	-	-	1,749	-	1,749
Sayers Croft - Loxwood Hall	170	-	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	-	170
Sayers Croft Climbing Tower	247	-	247	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	247	-	247
School Travel Plan Engineering Programme	680	(211)	469	250	-	250	250	-	250	250	-	250	250	-	250	250	-	250	-	-	-	1,930	(211)	1,719
Sports & Leisure - Sayers Croft	90	-	90	90	-	90	90	-	90	90	-	90	90	-	90	90	-	90	-	-	-	540	-	540
Sports & Leisure- condition survey and maintenance projects	925	-	925	665	-	665	665	-	665	665	-	665	665	-	665	665	-	665	-	-	-	4,250	-	4,250
Sports & Leisure- Leisure Review Maintenance	501	-	501	600	-	600	600	-	600	600	-	600	600	-	600	-	-	-	-	-	-	2,901	-	2,901
St Georges Warwick Drive	377	(377)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	377	(377)	-
State Event Operation Plan	321	-	321	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	321	-	321
Street Trees – New Planting	803	-	803	381	-	381	318	-	318	318	-	318	318	-	318	318	-	318	-	-	-	2,456	-	2,456
Street Types: High Street - Feasibility Study and Design Stage	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
Street-based Services Transformation (SST)	710	-	710	1,165	-	1,165	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,875	-	1,875
Sutton Row	30	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30	(30)	-
Thayer/Mandeville Street	45	-	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-	45
Traffic Signal Improvements including Pedestrian Countdown	-	-	-	100	-	100	100	-	100	100	-	100	100	-	100	100	-	100	-	-	-	500	-	500
Tree Preservation Replacement Programme	50	-	50	50	-	50	50	-	50	50	-	50	-	-	-	-	-	-	-	-	-	200	-	200
Value Management & Surveys	189	-	189	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189	-	189
Victoria Embankment Mooring Rings	710	(77)	633	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	710	(77)	633
Victoria Embankment Sturgeons	13	-	13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	-	13
Victoria Street Red Route Feasibility Study 2020/21 2021/22	-	-	-	94	-	94	500	-	500	500	-	500	-	-	-	-	-	-	-	-	-	1,094	-	1,094
Villiers Street	420	-	420	2,000	-	2,000	2,580	-	2,580	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	5,000
Voids in the public highway	-	-	-	250	-	250	250	-	250	250	-	250	250	-	250	250	-	250	-	-	-	1,250	-	1,250
Waterloo Bridge	729	-	729	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	729	-	729
Waterloo Bridge Hostile Vehicle Mitigation	500	-	500	1,000	-	1,000	6,000	-	6,000	750	-	750	-	-	-	-	-	-	-	-	-	8,250	-	8,250
Wellington Hotel	-	-	-	200	(200)	-	600	(600)	-	-	-	-	-	-	-	-	-	-	-	-	-	800	(800)	-
Westbourne Green Skate Park & Multi-use Games Area	65	-	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65	-	65
Wilberforce Multi Use Game Areas	88	-	88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88	-	88
Zero Emission Street Cleansing Vehicles	3,337	(3,337)	-	1,163	(1,163)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,500	(4,500)	-
ENVIRONMENT & CITY MANAGEMENT TOTAL	**68,789**	**(33,386)**	**35,403**	**79,798**	**(36,325)**	**43,473**	**115,947**	**(33,070)**	**82,877**	**43,808**	**(17,309)**	**26,499**	**31,658**	**(10,899)**	**20,759**	**19,972**	**(7,899)**	**12,073**	**-**	**-**	**-**	**359,972**	**(138,888)**	**221,084**
Affordable Housing Fund Budget	4,241	(4,241)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,241	(4,241)	-
Beachcroft	2,768	-	2,768	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,768	-	2,768
Church St Good Growth Fund	218	(185)	33	1,835	(1,768)	67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,053	(1,953)	100
Church St Regeneration Hub	334	-	334	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	334	-	334
Church Street Acquisitions Sites ABC - General Fund	453	-	453	4,673	-	4,673	5,365	-	5,365	15,575	-	15,575	18,098	-	18,098	13,105	-	13,105	21,640	-	21,640	78,909	-	78,909
Church Street General Fund Buybacks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,700	-	1,700	1,700	-	1,700
Church Street Sites ABC Equity Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,551	-	7,551	7,551	-	7,551
Church Street Westminster Community Homes (WCH) Loan	-	-	-	3,300	-	3,300	4,400	-	4,400	-	-	-	-	-	-	-	-	-	-	-	-	7,700	-	7,700
Church St Green Spine Public Realm	1,016	(1,016)	-	6,148	(2,484)	3,664	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,164	(3,500)	3,664
Distric Heating Projects	31	-	31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31	-	31
Dudley House	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Ebury Bridge Estate Equity Loan for Resident Leaseholders	-	-	-	-	-	-	-	-	-	3,200	-	3,200	-	-	-	-	-	-	-	-	-	3,200	-	3,200
Ebury Bridge Estate Regeneration - Forward Fund Acquisitions with Tenants in Situ (WCH)	-	-	-	5,440	-	5,440	1,360	-	1,360	-	-	-	-	-	-	-	-	-	-	-	-	6,800	-	6,800
Farm Street	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	50
Green Spine Phase 2	-	-	-	240	-	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	240	-	240
Hall Place Greening	40	-	40	125	-	125	625	-	625	3,650	-	3,650	-	-	-	-	-	-	-	-	-	4,440	-	4,440
Harrow Road Place Plan	900	(450)	450	1,100	(450)	650	600	-	600	-	-	-	-	-	-	-	-	-	-	-	-	2,600	(900)	1,700
Housing Service Digitisation	282	-	282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	282	-	282
Housing Solutions Online Services and Back Office Integrations	-	-	-	320	-	320	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320	-	320
Lisson Grove Programme - Acquisitions General Fund	2,586	-	2,586	2,200	-	2,200	4,600	-	4,600	-	-	-	-	-	-	-	-	-	-	-	-	9,386	-	9,386
Lisson Grove Programme - Main Budget General Fund	554	-	554	2,845	-	2,845	5,086	-	5,086	33,138	-	33,138	29,745	-	29,745	27,501	-	27,501	122,604	(18,000)	104,604	221,473	(18,000)	203,473
Luton Street LLP GF Investment	4,620	-	4,620	13,538	-	13,538	9,841	-	9,841	-	-	-	-	-	-	-	-	-	-	-	-	27,999	-	27,999
Luxborough	923	-	923	4,022	(3,822)	200	4,009	(152)	3,857	-	-	-	-	-	-	-	-	-	-	-	-	8,954	(3,974)	4,980
Major Works on Temporary Accommodation & Intermediate Housing Acquisitions	-	-	-	200	-	200	220	-	220	220	-	220	220	-	220	220	-	220	2,160	-	2,160	3,240	-	3,240
Moberley & Jubilee Sport Centres	1,462	-	1,462	2,355	-	2,355	562	-	562	-	-	-	-	-	-	-	-	-	-	-	-	4,379	-	4,379
NHB Places of Work	150	(150)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	(150)	-
Open Spaces, Greener Places	200	(25)	175	175	-	175	175	-	175	175	-	175	175	-	175	175	-	175	-	-	-	1,075	(25)	1,050
Oxford Street District	5,000	-	5,000	30,669	(1,541)	29,128	61,941	(900)	61,041	46,352	-	46,352	-	-	-	-	-	-	-	-	-	143,962	(2,441)	141,521
Paddington Place Plan	1,486	-	1,486	514	-	514	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	-	2,000
Pimlico Place Strategy	-	-	-	1,590	-	1,590	500	-	500	-	-	-	-	-	-	-	-	-	-	-	-	2,090	-	2,090
Riverfront - North Bank and Thames Path 2	700	-	700	1,091	-	1,091	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,791	-	1,791
Safeguard Project at Sir Simon Milton University Technical College	466	-	466	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	466	-	466
Soho Place Plan	1,000	-	1,000	450	-	450	450	-	450	-	-	-	-	-	-	-	-	-	-	-	-	1,900	-	1,900
Stimulating the Economy	2,806	(722)	2,084	3,450	(450)	3,000	4,250	(450)	3,800	3,796	-	3,796	-	-	-	-	-	-	-	-	-	14,302	(1,622)	12,680
Strand Aldwych	2,963	-	2,963	9,902	-	9,902	7,902	-	7,902	1,000	-	1,000	5,000	-	5,000	4,000	-	4,000	-	-	-	30,767	-	30,767
Street Markets Strategy Infrastructure I	135	-	135	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135	-	135
Temp Accommodation Acquisitions	7,510	(3,500)	4,010	25,498	(15,367)	10,131	36,093	(13,628)	22,465	16,000	(10,000)	6,000	14,000	(7,000)	7,000	-	-	-	-	-	-	99,101	(49,495)	49,606
The Lodge	22	-	22	96	-	96	712	(1,140)	(428)	612	(140)	472	-	-	-	-	-	-	-	-	-	1,442	(1,280)	162
Victoria Place Plan	310	-	310	1,150	-	1,150	650	-	650	-	-	-	-	-	-	-	-	-	-	-	-	2,110	-	2,110
Walterton & Elgin Community Homes Open Space	96	-	96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96	-	96
Connect Westminster Broadband	1,258	(629)	629	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,258	(629)	629
West End Partnership	400	-	400	500	-	500	450	-	450	225	-	225	-	-	-	-	-	-	-	-	-	1,575	-	1,575
Westmead	2,845	-	2,845	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,845	-	2,845
GROWTH, PLANNING & HOUSING TOTAL	**48,325**	**(10,918)**	**37,407**	**123,426**	**(25,882)**	**97,544**	**149,791**	**(16,270)**	**133,521**	**123,943**	**(10,140)**	**113,803**	**67,238**	**(7,000)**	**60,238**	**45,001**	**-**	**45,001**	**155,655**	**(18,000)**	**137,655**	**713,379**	**(88,210)**	**625,169**
Westminster Builds	16,685	-	16,685	30,845	-	30,845	67,320	-	67,320	61,330	-	61,330	137,540	-	137,540	189,190	-	189,190	263,950	-	263,950	766,860	-	766,860
WESTMINSTER BUILDS TOTAL	**16,685**	**-**	**16,685**	**30,845**	**-**	**30,845**	**67,320**	**-**	**67,320**	**61,330**	**-**	**61,330**	**137,540**	**-**	**137,540**	**189,190**	**-**	**189,190**	**263,950**	**-**	**263,950**	**766,860**	**-**	**766,860**
ASC Care Information Exchange Enhancement Project	-	-	-	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
Barnard/Florey Lodges	181	(181)	-	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	381	(181)	200
Frameworking Upgrade to Care Management System	100	(100)	-	529	(529)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	629	(629)	-
Health Integration	200	(200)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	(200)	-
Lupus Street	40	(40)	-	287	(287)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	327	(327)	-
Mobie Working	70	(70)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70	(70)	-
People First Website	44	(44)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44	(44)	-
ADULT'S SERVICES TOTAL	**635**	**(635)**	**-**	**1,116**	**(816)**	**300**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,751**	**(1,451)**	**300**

	2020/21			2021/22			2022/23			2023/24			2024/25			2025/26			Future Years			Grand Total		
	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Spend	External Funding Total	Net Total	Total Spend	Total External Funding	Total Net
Accessibility Programme - Access & Inclusion	-	-	-	628	-	628	1,009	-	1,009	650	-	650	650	-	650	650	-	650	-	-	-	3,587	-	3,587
Business Intelligence & Data Analytics	134	-	134	166	-	166	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300
Capitalisation of Employee costs	832	-	832	857	-	857	883	-	883	909	-	909	936	-	936	965	-	965	-	-	-	5,382	-	5,382
Projects Funded by Community Infrastructure Levy	-	-	-	-	-	-	1,000	(1,000)	-	1,000	(1,000)	-	1,000	(1,000)	-	1,000	(1,000)	-	9,000	(9,000)	-	13,000	(13,000)	-
Cloud Move	-	-	-	750	-	750	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	850	-	850
Coroners Court improvements	500	-	500	1,800	-	1,800	700	-	700	-	-	-	-	-	-	-	-	-	-	-	-	3,000	-	3,000
Corporate Contingency	-	-	-	2,028	-	2,028	13,485	-	13,485	15,358	-	15,358	12,666	-	12,666	15,040	-	15,040	94,861	-	94,861	153,438	-	153,438
Cosway Street	453	-	453	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453	-	453
Digital Transformation	625	-	625	1,875	-	1,875	2,500	-	2,500	-	-	-	-	-	-	-	-	-	-	-	-	5,000	-	5,000
Dynamics Development & Application Programming Interface Software	-	-	-	125	-	125	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	125	-	125
End User Computing Refresh	591	-	591	334	-	334	1,083	-	1,083	1,708	-	1,708	-	-	-	-	-	-	-	-	-	3,716	-	3,716
Forward Maintenance Plan – Minor / Corrective Works	300	-	300	350	-	350	350	-	350	350	-	350	350	-	350	350	-	350	3,150	-	3,150	5,200	-	5,200
Future Year Net Spend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400,000	-	400,000	400,000	-	400,000
Huguenot House	714	-	714	989	-	989	1,312	-	1,312	1,312	-	1,312	11,657	-	11,657	22,262	-	22,262	33,920	-	33,920	72,166	-	72,166
Huguenot House Acquisitions	-	-	-	1,000	-	1,000	4,000	-	4,000	5,000	-	5,000	11,850	-	11,850	-	-	-	-	-	-	21,850	-	21,850
Investment Portfolio Asset Management	548	-	548	250	-	250	250	-	250	250	-	250	300	-	300	300	-	300	-	-	-	1,898	-	1,898
Investment Portfolio Security Income	1,000	-	1,000	1,250	-	1,250	1,500	-	1,500	1,500	-	1,500	1,500	-	1,500	1,750	-	1,750	-	-	-	8,500	-	8,500
IT Information Security Management	250	-	250	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	350
Landlord Responsibilities	5,861	-	5,861	5,000	-	5,000	5,000	-	5,000	5,000	-	5,000	5,000	-	5,000	5,000	-	5,000	-	-	-	30,861	-	30,861
Libraries WIFI Upgrade	75	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	75	-	75
Lisson Grove Refurbishment	4,532	-	4,532	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,532	-	4,532
Mandela Way Upgrade	398	-	398	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	398	-	398
Meeting Rooms Refurbishment	28	-	28	400	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	428	-	428
Minimum Energy Efficiency Standard (MEES)	224	-	224	50	-	50	100	-	100	25	-	25	25	-	25	100	-	100	-	-	-	524	-	524
Network and Telephony Transformation	1,033	(500)	533	75	-	75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,108	(500)	608
Nova fit-out costs	100	-	100	50	-	50	-	-	-	2,475	-	2,475	2,475	-	2,475	-	-	-	-	-	-	5,100	-	5,100
Office365 Tenancy Separation	100	-	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100	-	100
Outdoor Media Phase 2	-	-	-	-	-	-	850	-	850	-	-	-	-	-	-	-	-	-	-	-	-	850	-	850
Landlords responsibilites	-	-	-	870	-	870	96	-	96	-	-	-	-	-	-	303	-	303	-	-	-	1,269	-	1,269
Property Investment Acquisitions	-	-	-	-	-	-	120,000	-	120,000	-	-	-	-	-	-	-	-	-	-	-	-	120,000	-	120,000
Leisure Development Review	297	-	297	2,450	(210)	2,240	3,350	(190)	3,160	12,100	(1,060)	11,040	34,807	(1,000)	33,807	25,304	(2,780)	22,524	24,216	(2,000)	22,216	102,524	(7,240)	95,284
Retrofit Accelerator (RE:FIT) - Workplaces	200	-	200	1,138	-	1,138	750	-	750	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000	-	-	-	5,088	-	5,088
Smart Cities Infrastructure	-	-	-	150	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	150
Technology Refresh	50	-	50	700	-	700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	750	-	750
Technology Refresh & Upgrades	-	-	-	450	-	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	-	450
Telephony - Phase 2 and Contact Centre	-	-	-	350	-	350	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	350	-	350
WCC Website Development & Forms Functionality	-	-	-	200	-	200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	200
Website Re-platform	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300	-	300
Workplace Property Responsibilities	-	-	-	313	-	313	300	-	300	300	-	300	300	-	300	300	-	300	-	-	-	1,513	-	1,513
FINANCE AND RESOURCES TOTAL	**19,145**	**(500)**	**18,645**	**24,698**	**(210)**	**24,488**	**158,618**	**(1,190)**	**157,428**	**48,937**	**(2,060)**	**46,877**	**84,516**	**(2,000)**	**82,516**	**74,324**	**(3,780)**	**70,544**	**565,147**	**(11,000)**	**554,147**	**975,385**	**(20,740)**	**954,645**
GRAND TOTAL	**167,877**	**(54,284)**	**113,593**	**282,764**	**(81,757)**	**201,007**	**494,922**	**(52,230)**	**442,692**	**280,519**	**(30,909)**	**249,610**	**321,954**	**(20,299)**	**301,655**	**328,887**	**(12,079)**	**316,808**	**984,752**	**(29,000)**	**955,752**	**2,861,675**	**(280,558)**	**2,581,117**

*ASD - Autisim Spectrum Disorder

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City of Westminster

Meeting or Decision Maker:	Cabinet
Date:	15th February 2021
Classification:	General Release
Title:	Housing Revenue Account Business Plan 2021/22 and 30-Year Housing Investment Plan
Wards Affected:	All
City for All:	This report addresses the income and expenditure on the Council's current housing stock and the investment in new housing, non-residential buildings and public realm in regeneration areas and as such has a major impact upon the City for All policy.
Financial Summary:	This report presents a 30-year Business Plan for the Housing Revenue Account with consideration for both the Capital and Revenue position. The Revenue Business plan, over a 5-year position, projects gross income of £589.51m and gross expenditure of £589.91m. The HRA Capital Position provides for a total capital investment of £952.30m over the next 5 years and a total of £2.09bn over the 30 years. The Business Plan demonstrates that the investment proposals are fundable, subject to the assumptions within the plan, and that the HRA remains sustainable and viable over the 30-year period.
Report of:	Debbie Jackson, Executive Director of Growth, Planning and Housing and Gerald Almeroth, Executive Director of Finance & Resources

1. Executive Summary

1.1 This report presents the Housing Investment Plan and 30-year Housing Revenue Account (HRA) Business Plan. The City Council's investment plans are ambitious and will deliver a range of lasting benefits for the City, its residents and wider community members. The Council has large ambitions to provide additional social and intermediate homes whilst ensuring the current housing stock is maintained at decent levels. As at November 2020 the Council owns 20,703 social dwellings of which 11,754 were tenanted (57%) and 8,949 were leased (43%). The stock numbers are expected to grow to 20,941 units by the end of 2021/22 with further increases to stock numbers as new build properties are completed.

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

1.3 The HRA is expected to collect approximately £110.68m in income in 2021/22 which will be across a range of income streams with the majority of this coming in from Dwelling Rent at £76.60m (rent charges to WCC tenants).

1.4 The HRA is expected to spend approximately £111.53m on various upkeep of its housing stock and for various other business support requirements. The largest spend will be towards supporting the management of the housing services, supporting housing tenants, repairs and maintenance and long-term asset management, totalling £70.63m. Further details of the expenditure and income streams are set out within the Section 7 of this report.

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

1.6 The HRA will play a significant role in the delivery of the Housing Programme and will work with the Council's General Fund and the Council's wholly owned housing companies to ensure the aspiration of the housing plan is delivered. The planned capital spend for 21/22 is £209.52m with a total of £2.092bn planned to be spent over the 30-year business plan. This is an increase of £338m since the February 2020 HRA budget report. This programme will be funded using various funding sources, including the use of the Affordable Housing Fund (AHF), Capital Receipts and HRA Borrowing. Further details of the Capital Programme are detailed within Section 8.

1.7 With house building costs rising significantly over the past few years and an anticipated slowing down in the sales market, we expect a significant impact on scheme viability and value for money considerations for the build programme. Nonetheless, the Council will proactively look at cost effective financing options including applying its affordable housing fund efficiently and take advantage of the lifting of the HRA borrowing cap along with the current low interest rates. Of the total £2.092bn of capital expenditure, a total of £1.015bn will be spent on the Regeneration Programme.

1.8 In addition to the Regeneration Programme, the Council is looking to spend £1.076bn on the Major Works capital programme. The Major Works capital programme will focus on maintaining and bringing the Westminster housing stock to decent standards and will include spending on fire safety, major decorations, electricals and mechanical works.

1.8.1 Despite the uncertainties and pressure on resources, the Council remains committed to improving or renewing, as appropriate, its older housing stock and increasing housing supply. The Council has set a target to deliver at least 1,850 affordable homes in Westminster by 2023 and the Council is on track to meet this target. Further analysis of this can be found in sections 5.4, 5.5 and Table 1 in this report.

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

2. Recommendations

2.1 Approve the HRA revenue budget for 2021-22 (Table 2 and Appendix 3)

2.2 Note the HRA 5-year revenue budgets for 2021-22 to 2025-26 (Table 2 and Appendix 2)

2.3 Note the HRA 30-year revenue budgets for 2021-22 to 2050-51 (Appendix 3)

2.4 Approve the HRA 5-year Capital Programme for a total of £952.30m (Appendix 4).

2.5 Note the 30-year Capital Programme for 2021-22 to 2050-51 (Appendix 4)

2.6 Note a rent increase of 1.5% from April 2021 as applicable under the Welfare Reform and Work Act 2016.

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

3. Reasons for decision

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

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

3.3 The report outlines how the HRA is facilitating the City Council's commitment to provide 1,850 affordable homes through various HRA resources, including the use of the AHF, Capital Receipts, GLA Grant Funding and HRA Borrowing, as well as ensuring that the Council supports vibrant communities, in line with City for All, by investing over £2.092bn in existing Council homes over the next 30 years.

4. Key Implications

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

4.2 In order to comply with the provisions of The Rents for Social Housing policy for 2021/22 we will see a rent increase of 1.5%, which will be subject to approval via a Cabinet Member Report. Rent increases of CPI+1% for the following three years to 2024/25 have also been incorporated into the revenue forecasts in Table 2 and Appendix 2 & 3.

5. Background

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

5.2 The Council's *Housing Investment Strategy*, centres on delivering three key programmes:

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

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

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

5.4 The HRA is providing an increasing role in the delivery of new affordable homes especially through regeneration and the delivery of infill sites. The City for All target of 1,850 new affordable homes by year 2023 is on track, as set out in Table 1. 999 of these affordable homes have so far been delivered with a further 571 units currently under construction. A further 436 homes are currently projected to start and complete by March 2023.

5.5 These HRA programmes will be delivered from a combination of funding sources. Firstly, 451 of the affordable homes are scheduled to be delivered through the General Fund either as new build or as acquisitions. A further 633 will be generated through schemes delivered in

the HRA. The remaining 922 affordable homes are anticipated to be delivered by Registered Provider partners mainly from 'Section 106' opportunities in the City and through spot purchases of existing housing then converted to affordable housing use. Table 1 below provides further details of delivery against the City for All target, including affordable homes delivered between 2017/18 and 2022/23 and the anticipated position at the end of 2020/21. Table 1 also shows projected affordable housing units over the 5-year period 2021/22 to 2025/26.

Table 1 – New Affordable homes

Delivery Year	N. Units	Breakdown by Tenure			Spots	Breakdown by Funding Stream		
		Affordable Rent	Social	Intermediate		GF	HRA	S106/RPs
2017-2018	**152**	8	76	68	33	29	27	96
2018-2019	**151**	0	85	66	43	23	35	93
2019-2020	**495**	31	178	286	45	220	64	211
2020-2021 (complete in brackets)	**241 (201)**	4 (2)	210 (188)	27 (11)	(18)	116 (91)	106 (91)	(19)
2021-2022	**343**	0	111	232	30	15	154	174
2022-2023	**624**	224	218	182	30	48	247	329
2023 Target Total	**2,006**	**267**	**878**	**861**	**199**	**451**	**633**	**922**
2023-2024	**344**	0	223	121	30	39	290	15
2024-2025	**222**	0	151	71	0	0	212	10
2025-2026	**40**	0	40	0	0	0	40	0
Additional years to 2025/26	**606**	**0**	**450**	**176**	**30**	**39**	**542**	**25**
Grand Total 2017/18 - 2025/26	**2,612**	**2,273**	**1,292**	**1,053**	**229**	**490**	**1,175**	**947**
Total 5 years period 2021/22–2025/26	**1,573**	**224**	**743**	**606**	**90**	**102**	**943**	**528**

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

Fire Safety

6.1 There are a number of fundamental Government Policy decisions and potential legislative changes in process which will have a significant impact upon how fire safety management will be formulated within the social housing sector over the next year. The Planned Maintenance Programme (8.2 of the report and Table 3) includes budget provision for the Council's best current assessment of what actions will be required.

6.2 The Hackitt Report

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

6.3 The Grenfell Report – Part 1

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

6.4 New Legislation

There are two Bills passing through Parliament related to fire safety – the Fire Safety Bill and the Building Safety Bill. The bills will place duties on landlords to manage their buildings, including a new inspection regime and the appointment of building managers. There will also be a regulator to oversee changes and make landlords accountable. Issues regarding leaseholder charges for historic repairs and overall costs remain unclear.

The migration to Universal Credit (UC)

6.5 Full rollout for all customers in Westminster was expected to start in late 2020. It is not clear if there will be any further changes to UC or to this timetable, as in January 2019, the Government announced a pilot of 10,000 households transferring onto UC and that it was taking a 'test and learn' approach[1]. It is currently expected that all households claiming legacy benefits and tax credits for working-age households will be moved to UC by September 2024.

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

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

- Applications are made on-line – which might impact on vulnerable households not digitally skilled or equipped
- Payments are made direct to the tenant and are made monthly in arrears, to imitate a salary (although advance payments can now be made). This is a major cultural change for council tenants that have always had housing benefit paid directly to the council. Alternative Payment Arrangements "APA's" can be made in some circumstances and the council has 'trusted partner' status so it can make APA requests for vulnerable customers.

6.7 Southwark Council, with the Smith Institute, have carried out 3 pieces of research into the impact of UC on council rents. Their first report found that although a move to UC results in rent arrears initially, at around week 20 of UC, arrears start to be repaid. The second report found that as time progresses however a pattern of underpayment of rent re-emerges. A third report in 2019 looked at a group of tenants moving onto UC following government reforms to it in 2018, which included greater provision for APAs and abolition of the 7-day waiting time and the 2-week housing benefit run on.

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

6.9 Westminster City Council currently has 1,893 secure/flexible tenants in receipt of UC. Of the 1,893 recipients, 753 are in credit on their rent account as at 17 January 2021, 1,140 are in arrears with 780 recipients in arrears of *less than* 4 weeks rent and 360 recipients with arrears of *more than* 4 weeks rent. While the total number of 1,140 accounts in arrears represents approximately 60% of claimants in arrears, which is higher than those on Housing Benefit (full and partial), if you remove the 780 with arrears of less than 4 weeks to allow for varying payment dates, this brings down the figure to 19% of UC claimants in arrears which is similar to HB figures. Although HB claimants are far more numerous, the percentages are comparable.

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

6.11 Our work with Citizen Advice Westminster has moved online over the past ten months and surgeries which were held at our area service centres have been replaced with online meetings and telephone appointments where residents can speak to a Westminster Citizen Advice debt adviser and receive debt advice and advice to maximise their income. We also have access to other drop-in hubs which residents can attend to receive housing advice. In addition, we work with specialist mental health and welfare rights caseworkers.

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

6.13 The key aim of the income teams when working with vulnerable clients is to ensure that they receive support to sustain their tenancies and any additional assistance they need is afforded to them. Referrals can be made to tenancy support services so that residents can be assessed for ongoing support around tenancy sustainment. In addition, we have access to the Homelessness, Employment and Learning Project, (HELP) which provides advice on housing and employment.

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

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

6.16 Since the start of the year, we have been actively speaking to all our tenants and not just those in receipt of UC to discuss their rent account in light of the pandemic. We have a comprehensive list of tenants or their households who may have been impacted by COVID-19. The expectation of the courts is that all landlords will work with their tenants to ensure tenancies are sustained and reasonable payment plans are accommodated where possible.

6.17 The end of year arrears balance has increased quite significantly and the recovery of last year's healthy position will take many months. A UC increase in payment of £20.00 a week was introduced during the pandemic. The increase which is set to expire in April 2021 is under review at the current time. Should the extra payment be removed, this may potentially impact further on the level of the arrears and have an impact on the HRA. The income team is taking all measures possible to help our tenants at this time.

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

<u>Policy on Social Rents</u>

6.19 Government published its Policy on Social Rents in February 2019[2] following a consultation. It confirms that from April 2020 local authority social rents will come under rent regulation and be subject to the Rent Standard. The Standard includes an annual rent increase cap of CPI plus 1.0% annually. The Policy also confirms when Affordable Rent can be charged, such as

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

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

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

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

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

Mixed tenure developments

6.23 In July 2019 MHCLG published its vision[3] in relation to communities which includes aims to prevent 'poor door's' in new developments – where social housing tenants have separate entrances. These themes are also emphasised in the Social Housing White Paper (see below). Across the Council's development programme, the council is proactively working towards creating a mixed community with common and shared services and facilities across the housing estate. Further details of this is provided in Section 8.

Right to regenerate consultation

6.24 Government is consulting until March 2021 on a proposal to enable public sector land or assets to be sold to members of the public if it is unused[4]. If enacted, the measure is unlikely to have significant impact given the council has an active infill programme to convert unused and underutilised assets into housing.

Social Housing White Paper

6.25 Published in November 2020, the White Paper sets out a range of standards every social housing resident should expect:

- To be safe in your home
- To know how your landlord is performing
- To have your complaints dealt with promptly and fairly
- To be treated with respect
- To have your voice heard by your landlord

[3] www.gov.uk/government/publications/by-deeds-and-their-results-strengthening-our-communities-and-nation
[4] www.gov.uk/government/news/right-to-regenerate-to-turn-derelict-buildings-into-homes-and-community-assets

- To have a good quality home and neighbourhood to live in
- To be supported to take your first step to ownership

6.26 While much detail and a timetable for implementation has not yet been published, the White Paper potentially impacts on the HRA, and the key areas are:

- The requirement for social landlords to have an accountable person responsible for health and safety
- New resident satisfaction measures with a requirement for social landlords to publish their performance against these measures annually and the Regulator will consider ways to compare organisations
- A new regime of inspections which can be resource intensive
- A review on a new Decent Homes Standard focusing on energy efficiency and green space
- Potential changes to the way leaseholders are consulted on major works and service charges

6.27 Officers are working to prepare for the implementation of the White Paper where possible.

Covid-19 impact

6.28 The lockdowns have significantly changed the delivery of Housing services over the year. During both lockdowns our in-home responsive repairs service was suspended to all but emergency and urgent repairs. This had a corresponding knock on to a greatly reduced number of calls to our contact centre, but then on the cessation of the first lockdown the Council experienced unprecedented numbers of calls and contacts from residents and a need to complete at pace the pent-up repairs demand. This was difficult to manage operationally.

6.29 Running alongside the actual services there has been a great deal of work put into resident support and reassurance, working with Westminster Connects and our staff to assist vulnerable residents. This along with resident engagement are examples where there been significant benefits from the lockdowns, such as the on-line formal resident engagement which has reached more people than ever before. Home working has demonstrated some improvements too, particularly in terms of our contact centre not being office based with a view to learning from this going forward.

6.30 Income collection has been significantly impacted by the pandemic. The income team have not been undertaking any standard debt recovery action. The current approach is purely support-focused and while payment reminder letters are being sent, the Council have not escalated any cases through the normal arrears escalation process. Payment reminder actions are being undertaken through telephone calls, text messages, e-mail contact and written correspondence. The income team are monitoring all accounts and are keeping a log of any references to Covid-19 which may impact our tenants' ability to pay their rent.

6.31 The serving of possessions stay was lifted in September 2020, but the escalation to Tier 2 meant that all bailiff activity was prohibited. It is not expected that any court action or bailiff activity to be undertaken until Q2 of 2021 at the earliest. When debt recovery action is

reinstated in line with the Coronavirus Act 2020, the Council will look at all accounts, but initially focus on the cases in arrears prior to March 2020 where it is not aware of any Covid-19 related concerns. Recovery action will commence from the initial stage to ensure Council tenants have an opportunity to speak to the Council first about their account and their circumstances.

6.32 Rent collection performance is running at 97.59% in the current year, compared with 98.57% at the same stage in the previous financial year. The approach to rent collection remains support-focused, and gentle payment reminders are not referencing court or evictions. The courts are open, with many operating remote hearings, but there are now large backlogs in some areas. Government advice regarding rent arrears remains the same: As part of our national effort to respond to the Covid-19 outbreak it's important that landlords offer support and understanding to tenants who may start to see their income fluctuate.

6.33 While there has not been the same increase in cases of leasehold arrears as there have been with our tenanted stock, the collection rates are lower than in prior years. All help and assistance that can be provided is being offered to our leaseholders, with a refresh to the major works payment plans in early 2021 planned.

6.34 The First Tier Tribunal is open and has been operating a skeleton service throughout the year, but again the entire 2020/2021 year will be impacted in respect of pure collection processes and actions where accounts are in arrears.

7. HRA Revenue

7.1 There are some important changes to service to be delivered over the next year or so. First and foremost is the reorganisation of all Housing Services this year, which follow on from the changes to the senior management team last year. In early 2021 the Council will begin the remodelling of teams and services to deliver some key changes in service delivery. The key objective is to improve the Council's relationship with its residents. Whether this is how officers interact with residents day-to-day on estates, how complaints are managed, how involvement, consultation and engagement is managed, or how anti-social behaviour is managed. The Council aim to provide responsive and efficient services.

7.2 Formal and informal engagement and involvement with residents is a key focus for improvement this year. The Council want to have wider engagement with more residents, particularly in their local area. Expanding the front-line estate officer team will allow more contact and interaction with residents and will deliver and maintain estate action plans across all housing. This will allow all residents to be involved in the issues that affect them and their estates.

7.3 The repairs service has seen significant improvement in recent times, and the Council plan to continue this. The aim over this year and into future years is to improve the responsiveness of the repairs service to make sure that repairs are done on time and are a good quality. The Council will invest more in the repairs front line both to make sure that more pre inspections and specifying what works are required are undertaken, and also taking control of post

inspections to ensure quality. There will be development of the in-house minor repairs team which will manage small communal repairs. This will not only be resource efficient but will deliver a more responsive and a locally driven service.

7.4 Improving technology, for both resident interaction and access to services, and for staff to provide better services is going to be central to delivery plans for several years. The Council are required to re-procure our housing management system in the next 24 months which will provide an opportunity to develop core IT services that meet customer and organisational expectations. Investment will also be made in other IT developments such as the roll out of the mobile working pilot which allows front line staff to work remotely on our estates.

7.5 The HRA Business Plan considers the delivery of the Housing Management service as well as the delivery of the Capital Programme. The delivery of the Capital Programme has revenue implications because the regeneration programme increases the housing stock and thus leads to increased income and expenditure through housing management, as well as having an impact on financing costs incurred to support the extra borrowing required.

7.6 Over the length of the five-year business plan from 2021-22 the projected stock is expected to increase, resulting in increased rental income and increased housing management costs. This will require ongoing monitoring and management of resources to ensure the HRA continues to provide funds for future investment. The 4 years of rent reduction, from 2016-17 to 2019-20, of 1% per annum has had a significant impact on the rental income generated and as a result has impacted the HRA's ability to generate surpluses. One of the key challenges for the Council going forward will be to manage this effectively and sustainably.

7.7 The Council will be able to increase rents by CPI plus 1%. Based on the same number of dwelling units as 2020/21, this will provide approximately an additional £1.1m in rental income in 2021/22. Nonetheless, the business plan also anticipates that the cost of supervision and management and repairs and maintenance is likely to increase, largely due to inflationary factors. The key assumptions and data used to set the 2021/22 budget and long-term plan are set out at Appendix 1. Table 2 below details the 5 Year HRA Business Plan income and expenditure account.

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

Table 2 – 5 Year HRA Business Plan

Year	1	2	3	4	5
	2021.22	2022.23	2023.24	2024.25	2025.26
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(76.596)	(79.374)	(82.343)	(85.628)	(88.057)
Commercial Rent	(8.200)	(8.282)	(8.489)	(8.701)	(8.919)
Garages, Sheds & Car Parks Income	(0.904)	(0.913)	(0.936)	(0.959)	(0.983)
Service Charges	(16.367)	(16.631)	(17.067)	(17.510)	(17.924)
Heating and Water (Including PDHU)	(6.394)	(6.458)	(6.620)	(6.785)	(6.955)
HRA investment income & Other Income	(2.217)	(2.240)	(2.296)	(2.353)	(2.412)
TOTAL INCOME	**(110.678)**	**(113.897)**	**(117.751)**	**(121.937)**	**(125.250)**
Repairs & Maintenance	19.087	19.474	20.039	20.579	21.096
Supervision & Management	29.033	29.323	30.057	30.808	31.578
Estate Services	8.150	8.232	8.438	8.649	8.865
Heating and Water (Including PDHU)	6.394	6.458	6.620	6.785	6.955
Rent, Rates and Commercial Charges	0.512	0.517	0.530	0.543	0.556
TMO Allowances	1.505	1.520	1.558	1.597	1.637
Support Costs	12.857	12.985	13.310	13.643	13.984
Movement on Bad Debt Provision	0.505	0.523	0.536	0.549	0.563
Depreciation	23.754	24.238	25.154	25.848	26.750
Capital financing costs	9.237	9.824	11.831	12.096	12.084
Regeneration Feasibility	0.500	0.505	0.510	0.515	0.520
TOTAL EXPENDITURE	**111.533**	**113.599**	**118.582**	**121.612**	**124.588**
HRA Net (Surplus)/Deficit position	**0.855**	**(0.298)**	**0.831**	**(0.325)**	**(0.662)**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

7.9 Over the next 5 years, the HRA plan indicates that the in-year income position does not always fully cover the planned expenditure each year, and as a result a drawdown of the reserve is required to balance the budget. The HRA service anticipates increased demand for Repairs and Maintenance over the next 5 years and also due to an increasing capital programme the HRA will need to borrow, which results in the projected capital financing costs growing.

7.10 The net balance of the HRA reserves is further detailed within Section 10 of this report, which shows that based on current income and expenditure projections reserve balances will reduce to a low of £9.76m by 2023/24.

7.11 The reduction of reserve balances lowers the financial strength of the HRA as less funds would be available to support unforeseen risks that result in financial pressures. In order to support the delivery of a stronger HRA the Housing Service will need to plan and deliver savings that reduces the reliance on the use of reserves. The long-term objective will be to maintain reserves at a level of between 10% and 15% of the gross rent collected.

8. HRA Capital and Stock Investment Plan

8.1 The HRA capital programme will see £952.30m of capital expenditure committed over the next five years (2021/22 – 2025/26) on the development of new build housing, regeneration and investment of existing housing stock and acquisition of affordable homes across Westminster. The HRA will finance this programme using various funding options available and will ensure the most appropriate financing option is used to support scheme viability and generate value for money for the Revenue account. The following sections set out the major categories of spend within the capital programme and details on some of the projects and programmes of spend within these categories. A full schedule of the whole capital programme can be found at Appendix 4. Section 9 sets out in more detail the financing of the capital programme. Further details of the various schemes are explained below.

8.2 Planned Maintenance Programme

The 2021/22 HRA Business Plan includes capital investment of £59.278m towards major works investments. The business plan projects a total of £1.076m to be invested for major works over the 30 years.

The creation of this programme and budgetary requirement has significant detail and supporting data behind it in the form of a rolling 3-year stock condition survey. This is further informed by overlaying analyses of the number and location of repairs being generated, insurance claims, legislative changes e.g. fire recommendations from Grenfell enquiry, complaints etc. This information is fed into our asset management database, which assists in determining the capital programme for our housing stock.

It should be noted that elements of these planned maintenance programmes include works to leaseholder properties, and the costs reflected below represent the gross costs. Leaseholders will be consulted and billed in accordance with their lease for their contributions towards qualifying works.

Table 3 – HRA Planned Maintenance

Year	1	2	3	4	5	06-30	
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance							
Voids, Aids and Adaptions	4,900	4,900	4,410	4,410	4,410	101,230	124,260
Electrical and Mechanical Services	2,624	2,648	2,406	2,429	2,474	58,380	70,961
Major Works	29,742	23,643	27,201	24,053	24,731	394,106	523,476
Fire Precautions	9,190	4,080	1,403	1,823	1,414	26,830	44,740
Asset Management, Condensation and Minor Works	2,150	2,150	1,935	1,845	1,845	29,900	39,825
Domestic Heating, Hot Water and Lifts	3,400	3,400	3,300	3,300	3,300	59,980	76,680
PDHU and Climate Action Works	7,272	11,630	26,000	25,370	26,050	100,000	196,322
Planned Maintenance Total	**59,278**	**52,451**	**66,655**	**63,230**	**64,224**	**770,426**	**1,076,264**

8.3 Voids and Aids & Adaptations

This is a demand led budget, with historical data confirming that circa £3.5m will be expended on voids with £1.4m on adapting our properties to meet the needs of our residents (mainly elderly and infirm) and includes; installation of grab rails, converting bathrooms into wet rooms, baths into showers and vice versa, installing stair lifts etc.

8.4 Electrical & Mechanical Services

This budget covers the renewal of estate lighting, door entry systems, communal boilers, lateral mains, lightning conductors etc.

8.5 Major Works

The major works programme is derived from our asset management database, i.e. each building component, roofs, windows, communal decorations etc. is given a lifespan. This is further informed by the rolling 3-year survey of our stock which is carried out and together with information obtained from the volume and types of repairs being requested provides helpful information in shaping the work which our major works programme should address.

One of the criteria used to determine the allocation of this budget is the contribution the project will provide in assisting the council to meet its green and energy reduction targets in the coming years.

8.6 Fire Precautions

Fire Risk Assessments (FRA) are regularly completed on our stock of over 6 storeys. The frequency is determined by the level of risk associated with the building, taking into account height of the building, means of escape, combustibility of materials etc. As such, FRAs are undertaken every 12, 24 or 36 months by a competent person, and the actions emanating from these are placed into a programme of works, for example renewing fire doors, installation of sprinkler systems etc.

This budget will assist in ensuring the Council addresses the recommendations following the Grenfell enquiry and the best current assessment of what will be required within the pending Fire Safety Bill.

8.7 Asset Management, Condensation and Minor Works

Damp and condensation are known issues in our stock and are a specific focus of our improvement works. The installation of internal wall insulation, secondary or double glazing, cavity wall insulation will all assist in tackling these issues and will also contribute towards the Council's green agenda and reducing carbon emissions.

8.8 Domestic Heating, Hot Water, and Lifts

This budget delivers our domestic boiler replacement programme. Westminster has 6,566 domestic boilers, which are replaced on a rolling 15-year cycle with low energy boilers Grade A+. This area also covers the management of our 363 lifts in high rise blocks, with a planned programme of renewal and refurbishment.

8.9 PDHU and Climate Action Plan

The Council declared a Climate Emergency in 2019 and has set itself a challenging target to become a carbon neutral council by 2030 and have a carbon neutral city by 2040. Achieving this requires heavy investment in our housing assets and communal heating systems above our existing maintenance programmes. Initial work has commenced in modelling the various scenarios of our stock including passive, building fabric measures such as insulation in tenanted stock.

In addition, a number of feasibilities will be commissioned on the, relatively new, low-carbon heating alternatives required to replace the gas heating infrastructure in our housing assets.

We will proactively review all initiatives for our housing stock, working closely with our partners, embrace cutting-edge technology, as well as maximising carbon reduction where possible with the Pimlico District Heating Undertaking (PDHU), which is the council's largest emitter of carbon.

It is currently assumed that Climate Action Plan works will be funded through grants, primarily from Government.

Regeneration Programme

8.10 **Table 4 – Regeneration Programme**

	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Regeneration							
Carlton Dene	997	17,589	20,092	-	-	-	38,678
Church Street P2	2,498	5,673	14,238	11,239	1,074	174,578	209,300
Church Street P2 Acquisitions	8,000	26,916	-	-	-	83,439	118,355
Lisson Arches	13,651	10,784	-	-	-	-	24,435
Luton Street	800	8,400	-	-	-	-	9,200
Parsons North	13,826	-	-	-	-	-	13,826
Cosway Street	14,341	14,925	409	-	-	-	29,675
Ashbridge	8,302	2,203	168	-	-	-	10,673
Ashmill Street	309	330	15	-	-	-	654
Ebury Bridge	37,899	53,106	49,000	1,679	12,668	19,266	173,618
Ebury Bridge Acquisitions	5,700	24,418	8,633	-	-	-	38,750
Warwick Community Hall	1,350	-	-	1,350	-	-	2,700
Queens Park Court	1,631	7,357	1,850	-	-	-	10,838
Churchill Gardens	536	9,259	8,476	3,529	-	-	21,800
Bayswater	-	2,024	2,668	5,574	9,555	5,917	25,738
West End Gate	8,564	780	-	-	-	-	9,344
Contingency	7,347	11,432	17,621	11,388	4,340	29,911	82,038
Paddington Green	-	4,874	-	4,874	-	-	9,748
Woodchester	100	700	6,133	6,133	6,134	-	19,200
Lisson Grove Programme	-	-	-	-	-	5,951	5,951
Brunel Estate	503	1,296	7,757	11,842	-	-	21,398
Regeneration Total	**126,353**	**202,065**	**137,059**	**57,608**	**33,771**	**319,062**	**875,919**
Other Schemes							
Small Sites	13,888	24,630	17,910	3,028	150	150	59,756
Self Financing	10,000	5,000	5,000	5,000	5,000	50,000	80,000
Other Schemes Total	**23,888**	**29,630**	**22,910**	**8,028**	**5,150**	**50,150**	**139,756**

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

8.12 To ensure this plan is robust, the programme remains under constant review, and each scheme is subject to detailed analysis when it comes forward for full approval to ensure the Council is generating efficiencies and delivering on value for money to the residents.

8.13 Each scheme will have a detailed business case developed and a separate Cabinet Member decision will be taken. The detailed business cases for each scheme will consist of stress tests to indicate the financial and delivery risks.

8.14 Further details of some of the schemes within the HRA are provided below.

8.15 **Warwick Housing and Community Hall (300 Harrow Road)**

The site was previously occupied by single storey community hall and nursery, which are now in the early stages of demolition A Temporary nursery has been constructed nearby and the operator, Leyf, have transferred their operations. The site will deliver 112 residential units (50% affordable by habitable rooms), canal front café, affordable workspace to help develop local businesses and much improved landscaping alongside re-provision of the community hall and new permanent nursery.

This scheme will be one of the first developments that may be delivered directly through the council's wholly owned company.

8.16 **Lisson Arches**

Lisson Arches is sited adjacent to disused railway arches within the Church Street ward. This development will provide 60 sheltered accommodation units as well as enterprise space.

The extensive enabling works package completed in August 2020, and united Living are now on site progressing the construction of the new building, which will complete in May 2022.

45 of the social housing units provide replacement stock for the 45 units earmarked for demolition in Penn House, a nearby sheltered accommodation block. The remainder will provide additional decant space for the wider Church Street Programme.

8.17 **Parsons North**

The development comprises 60 new residential units - 19 affordable units and 41 units for open market sale. The project will also see benefit from enhanced landscaping and biodiversity upgrade works in the immediate vicinity.

Parsons North is being delivered under a self-delivery strategy, with the main contractor, Osbourne, who commenced on site during the 1st quarter of 2019.

The Masefield – Beachcroft.

The Masefield completed in August 2020 and provides 31 Lateral apartments housed over 4 floors, with Beachcroft House care-home situated adjacent.

Revenue generated from the sale of The Masefield has helped to fund the adjacent care-home, Beachcroft. This state-of-the-art care home will provide 84 beds for Westminster residents, focused on the care of those suffering with Dementia.

This project is Westminster's first self-delivered scheme for sale to the open market. At the time of writing, 26 units have sold, the revenue received to date is £21.4m.

8.18 **Church Street**

Church Street is the most deprived area of Westminster and is the focus of much needed regeneration, as highlighted within the Church Street Masterplan.

Site A is the first to come forward and its redevelopment will contribute to the delivery of the Council's City for All objectives by using a transparent process to provide a range of homes and creating opportunity for residents and businesses.

The design offers a model of economic, environmental and social sustainability centred around residents.

Church Street is Westminster's largest regeneration project with over 1200 homes across the scheme. The redevelopment will also provide significant improvements to the Church Street Market and public realm.

Design Development continues ahead of pre-planning consultation in early 2021 and planning submission in May 2021. The process to procure a delivery partner has begun, with the procurement strategy being prepared. Start on site date is programmed for Q4 2022.

8.19 **Ebury Bridge**

A wholescale estate regeneration scheme with full demolition and re-provision.

Ebury will deliver a 750 tenure blind, mixed tenure housing scheme with high quality public realm and community and social infrastructure.

The Council have designed the scheme in collaboration with local residents and are well underway with the delivery of the Phase 1 re-housing and decant strategy.

WCC has committed to self-delivering Phase 1 which comprises of 226 new homes. This phase will largely enable the Council to meet the re-housing requirements for future phases of development.

The meanwhile use “Ebury Edge” was completed in October 2020 as well as the demolition of Phase 1 which completed in November. The outcome of the hybrid planning application (detailed planning for phase 1 and outline for Phase 2) is anticipated in early 2021.

8.20 **Infill Programme**

The Infill programme identifies development opportunities within the existing estate that can be brought forward for new housing. These include conversion of disused space such as basements, drying rooms and storage sheds and new build opportunities on underutilised garage sites, car parks and vacant land adjacent to estates.

The programme will deliver a further 103 new homes by 2023.

8.21 **Self Financing**

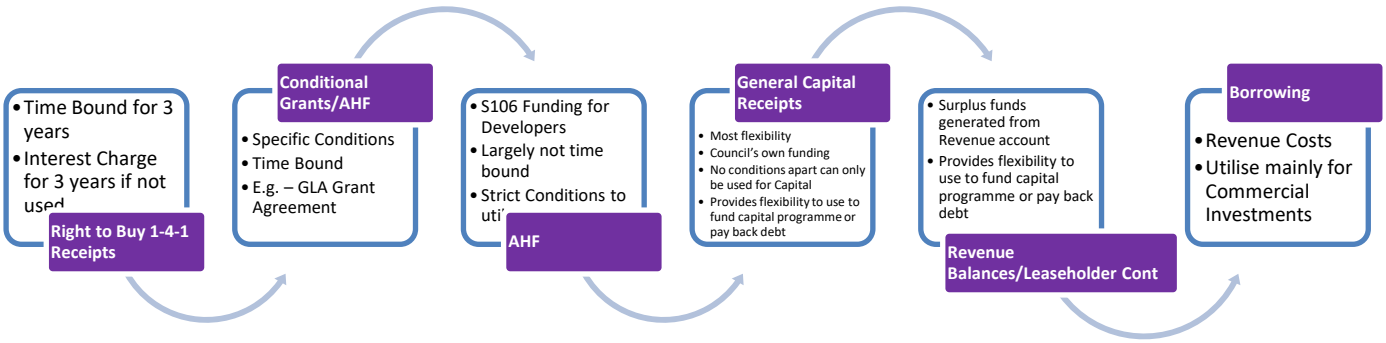
Self financing projects involve the disposal of HRA stock which does not meet the on-going needs of the council when assessed against the agreed disposal criteria. Proceeds of these disposals are then ring-fenced for investment in new homes that better meet the needs of residents.

9. Capital Programme Funding

9.1 The HRA business plan will use multiple financing sources to deliver the capital programme and will ensure that the most optimal funding option is utilised to ensure schemes are viable and value for money is achieved. The HRA has also been boosted from the removal of the Borrowing Debt Cap in 2018 which provides additional capacity to finance investment.

9.2 The intention of removing the HRA borrowing cap was to unlock the potential of HRAs in producing more social housing. Whilst there is no formal borrowing cap in place, the HRA business plan will need to carefully consider further implications as a result of additional borrowing. The main implication will be the ability of the HRA to continue financing the interest costs, which are paid back from the rental income generated, and also set aside funding for paying back the debt. Whilst, there is no requirement for the HRA to set a Minimum Revenue Provision (MRP), as is required for the General Fund, the larger debt pool will result in continued interest payments. Paying back of debt will reduce interest costs and so therefore more of the rental income can be invested back into housing services and the estate.

9.3 Whilst the HRA seeks flexibility in its use of the funding sources available, the HRA will follow a general rule of thumb when financing the capital programme. The approach will involve utilising funding that has time conditions as well as usage conditions first followed by more flexible resources. This will involve utilising the borrowing option as the last resort due to the financial implications it has, as indicated in 9.2. As a process, the chart below provides a standard methodology.



9.4 Whilst it is advisable to follow the above method of financing, the Finance team will seek to ensure that financing of the schemes is optimised to deliver the wider programme whilst also assessing the financial viability of each scheme.

9.5 The HRA financing options available are explained below.

Right to Buy Receipts

9.6 Secure tenants within the HRA have the “Right to Buy” their home. The purchase price is discounted but provides the Council with a capital receipt. This receipt can then be used to fund delivery of replacement homes under the “one-for-one” agreement. Current rules set out that these receipts must be spent on replacement housing within three years.

Conditional Grants

9.7 Some grants that are provided to Westminster have conditions attached to them that stipulate how they must be used. In order for those grants to be applied as funding, we must ensure we deliver the required outputs. Grants from the GLA would generally fit in this category.

Affordable Housing Fund

9.8 Payments received from developers on planning schemes in lieu of affordable housing obligations are held in the Council’s AHF. These funds are then used by the Council to invest in the delivery of affordable housing elsewhere in the City, either through Council-led developments, such as estate regeneration, or alternately in schemes delivered by housing associations.

9.9 The balance held in the AHF as at 1st April 2020 totalled £241.6m. All of this balance is formally committed or informally planned to be used by schemes in the pipeline to deliver more affordable housing. Future payments into the AHF will be dependent upon new planning applications being submitted and approved and where payments in lieu of on-site affordable housing are agreed instead of the delivery of on-site affordable housing.

9.10 Within the HRA business plan, £301.5m of AHF is projected to be used to finance the capital programme over the 30-year period. The AHF can be used to fund both HRA and General Fund (GF) schemes so the requirement on the fund will need to consider value for money for the Council and a need to be balanced between the two accounts. The pipeline of receipts must also be closely monitored to ensure funds are available for future plans. The current profile of receipts into the Affordable Housing Fund has been modelled at an average of £25m per annum, which based on previous years’ experience is a prudent assumption. This will be kept under review in light of the impact of Covid-19 on the construction market.

Capital Receipts

9.11 The HRA can receive capital receipts for transfers of land or property which are then used to finance the capital programme. These receipts represent a significant proportion of the projected capital financing. As such, any variance in their value or timing may impact on the HRA’s ability to finance capital spend and remain within its borrowing limit and so a reprofiling of projects may be necessary.

9.12 Use of the Capital receipts, including Right to Buy sales, is projected to be £382.77m over the 30 years.

Reserves and Leaseholder Contributions

9.13 As part of the Revenue budget planning, the Council is required to set aside revenue funding, known as the Major Repairs Allowance, which needs to be used towards the upkeep of the housing stock and this allocation goes towards funding the Major Works programme.

9.14 The amount set aside is based on a calculation of the prior depreciation and the funds are set aside within the Major Repairs Reserve which get drawn down at the end of the year. If the Major Repairs works come in less than the Major Repairs Allowance then the Council can carry forward the balance to use for future delivery. Any shortfalls however, will require the HRA to find an alternative funding source to finance the expenditure.

9.15 As the Major Works are delivered across the Housing portfolio, some residents will be Leaseholders and will be required to contribute towards the funding of the capital works. These leaseholder contributions also go towards financing the Major Works Programme and are held separately and ringfenced towards capital works.

9.16 The HRA is projecting to utilise £0.946m of Leaseholder Contribution and Major Repairs Allowance to finance the Capital Programme and this will all go towards the Major Works Expenditure.

Borrowing

9.17 Any capital expenditure not covered through any of the above funding routes will require borrowing in order to finance it. The HRA is expected to borrow to help finance various new build and regeneration schemes, which contribute towards increasing the number of social housing in the Borough. The HRA business plan proactively will only look to borrow to deliver new build and regeneration schemes as these bring in additional income through rents and so the extra rent would support the re-financing of the debt.

9.18 The HRA is expected to borrow £256.19m over the course of the 30-year plan which equates to 12% of the total Capital Programme over the same timeframe.

Capital Programme – Financial Overview

9.19 Table 5 below summarises the overall expenditure and financing position for HRA Capital programme.

Table 5 – Capital Programme Financing Plan

Year	1	2	3	4	5	06-30	
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance	**59,278**	**52,451**	**66,655**	**63,230**	**64,224**	**770,426**	**1,076,264**
Regeneration	**126,353**	**202,065**	**137,059**	**57,608**	**33,771**	**319,062**	**875,919**
Other Schemes	**23,888**	**29,630**	**22,910**	**8,028**	**5,150**	**50,150**	**139,756**
Total HRA Capital Programme	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**
Funding							
Major Repairs Allowance	23,754	23,754	23,754	23,754	23,754	593,850	712,620
Government Grant/Loan	5,416	8,154	4,648	1,666	448	-	20,332
Climate Action Funding	-	10,000	25,000	25,000	25,000	100,000	185,000
Affordable Housing Fund	110,202	105,569	11,950	9,520	20,000	44,226	301,467
Capital Receipts	50,749	64,906	58,842	84,543	42,028	81,700	382,769
Leaseholder Contributions	9,886	13,002	11,455	11,414	10,715	177,090	233,562
New Borrowing	9,511	58,762	90,976	(27,031)	(18,801)	142,772	256,189
Total Funding	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**

9.20 The opening debt balance within the HRA as at 1st April 2020 is £274.943m. The HRA business plan is not expecting additional borrowing for 2020/21 and therefore the current projection is that the HRA will close 2020/21 at the same debt levels. However, taking into account future borrowing requirements, as indicated in Table 5, the total debt peaks at £598.188m in 2035/36. This will result in a financing cost of £9.24m in 2021/22, with new borrowing assumed at a 2.6% cost of finance.

9.21 The financing costs will be funded from the Revenue account and the business plan currently assumes that surplus reserves will be used towards paying back debt. Should the decision be made that no debt is paid using surplus reserves, then the financing costs will gradually increase up to the debt peak in 2035/36 and then remain roughly constant at average levels of £17.2m per year as the HRA will be able to borrow at a fixed rate.

9.22 The charts below provide an indication of the difference in the impact on debt and reserves between paying back the outstanding debt using surplus reserves (Chart 1) and not using surplus reserves to pay back the debt (Chart 2). The assessment is benchmarked against the previous debt cap that the HRA was required to stay within, demonstrating the additional capacity that the removal of the debt cap has created.

Chart 1 – Debt Repayment using surplus reserves

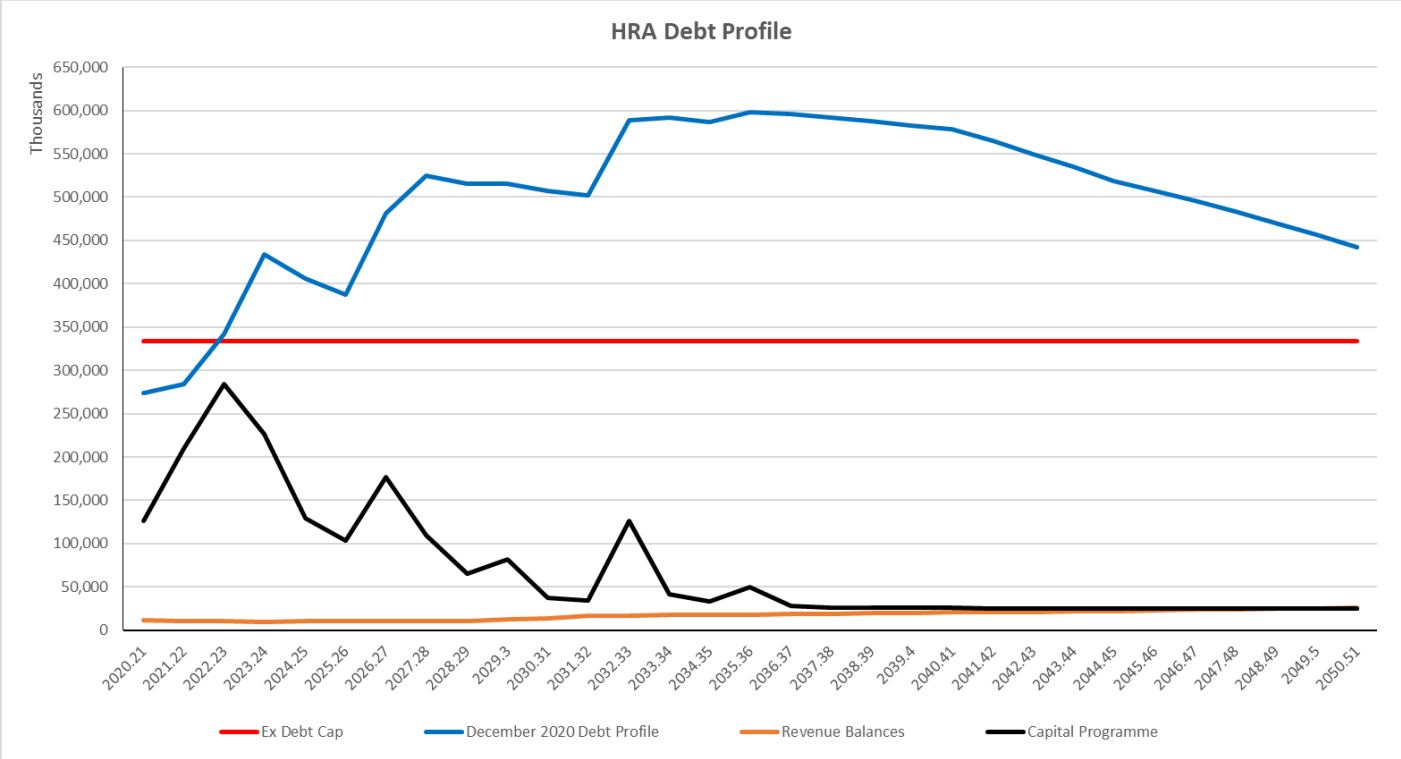
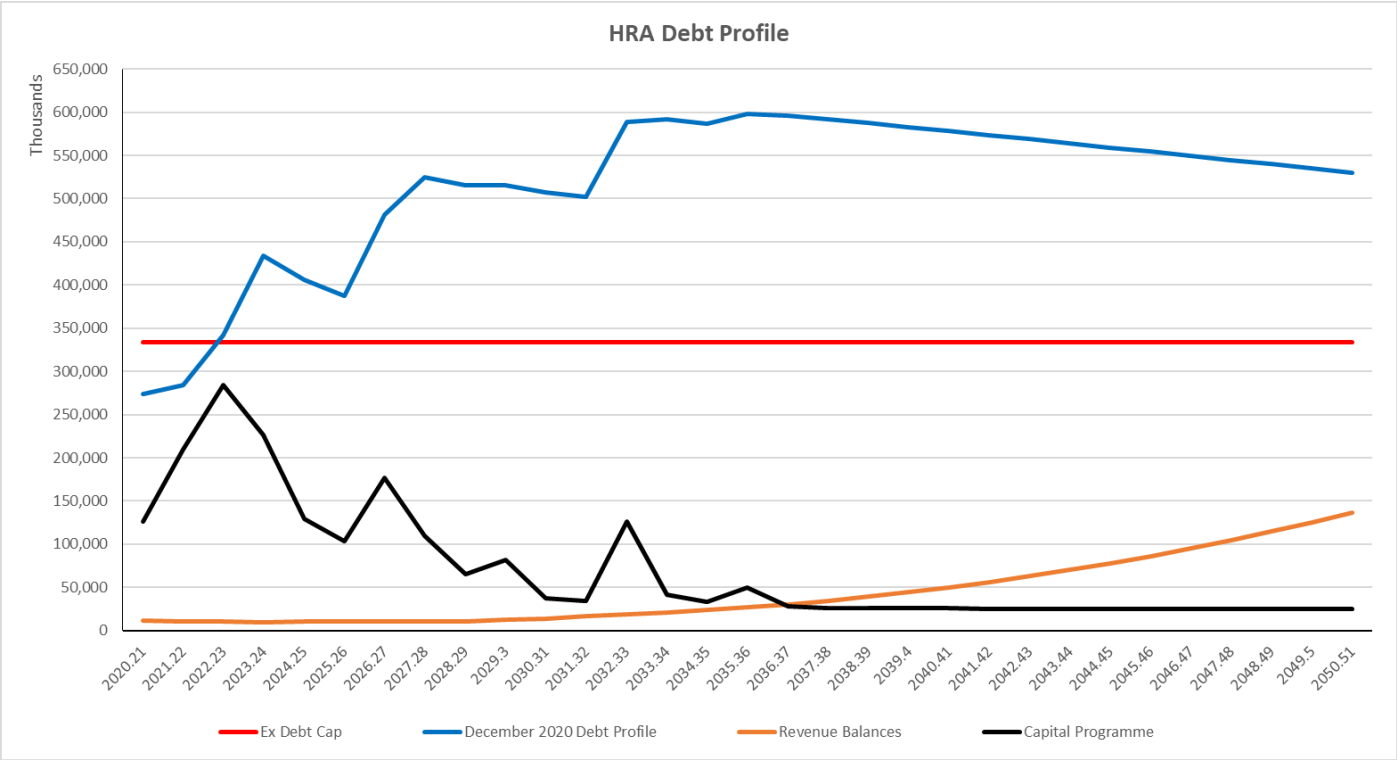


Chart 2 – No Debt Repayment



Capital programme (black line) - Total planned capital investment in the HRA totals £2.092bn over 30 years. This includes major works on existing stock of £1.076bn, regeneration £0.876bn and Other Schemes £0.140bn.

Debt cap (red line) - each local authority HRA previously had a debt cap, imposed by government as part of the 2012 self-financing settlement. Westminster's HRA had a debt cap

of £334m and this has been provided as an indication of how the current borrowing profile reflects against the previous benchmark and also indicates that the Council has taken advantage of the removal of the debt cap.

Current Projected Debt (blue line) - Borrowing rises from the current £274.943m (projected at 1st April 2021) and peaks in 2035/36, which reflects the borrowing need of the current HRA capital plan. The plan assumes that maturing debt will be re-financed as long-term loans expire. Chart 1 indicates that when resources allow, the principal sums are repaid which causes the debt balance to reduce over time. However, if the Council chose not to repay the debt, as Chart 2 indicates, the debt balance will reduce more slowly. This does however have a converse impact on the revenue reserve balance, which is further detailed below.

Revenue reserve balance (brown line) - The HRA business plan seeks to maintain a minimum reserve balance of £10m if the modelling allows. However, as the current 30-year business plan suggests (see Appendix 3 and Table 6), the reserve balance will fall marginally below this threshold in 2023/24 but will rise again soon after. Surplus reserves will be used to support further investment and/or reduce borrowing when feasible. Chart 1 therefore indicates a flatter reserve position as most surpluses will be used to pay back the debt; by contrast, Chart 2 shows that if the surplus reserves are not used to pay back the debt the reserve balance will increase over the 30-year business plan. Reserve balances will be reviewed on an annual basis to ensure the HRA has enough financial strength to meet unforeseen risks. The risks and other options for mitigation are set out in section 12 to this report.

Housing subsidiary companies (previously known as the 'WOC')

9.23 This HRA Business Plan portrays an inherent limit in its ability to deliver new regeneration schemes due to the limited rent levels that can be charged on HRA tenancies and the running and finance costs that need to be covered. Additionally, increased borrowing will result in an opportunity cost from using rent to cover the increased interest costs against using it for repairs and maintenance. The Council has therefore looked at the use of other delivery vehicles for delivering certain regeneration schemes, particularly for tenures other than social rent. On 4th December 2017, Cabinet approved the establishment of two housing subsidiary companies (one for letting properties and one for development activity) to help deliver key regeneration sites identified in support of the Council's drive to provide more homes of all types and tenures.

9.24 The schemes planned to be delivered within the housing companies do not have a direct impact on the HRA Business Plan and are covered within the Westminster Builds business plan, but clearly provide additional capacity in the Council's ambition to deliver new housing.

9.25 Where the HRA is acquiring any units from the development carried out by the Housing Companies, these budgets are reflected within the programme and accounted for within this business plan.

10. HRA Reserve Position

10.1 The Reserve opening balance at the start of the 2020/21 financial year was £17.37m. This reserve balance contributes towards funding any in-year risks and is set aside to support any one-off projects and investment that leads to efficiencies and/or delivery of a better service to residents of the Council.

10.2 Table 6 below presents the year on year projected use of the HRA reserve over the next 5 years along with contributions towards the reserve balance if the HRA makes a surplus. The reserve position will be reviewed on an annual basis in line with the overall HRA business plan and strategic consideration will be applied to its usage and balance to ensure a strong and stable business plan.

Table 6 – Reserves Projection

Reserves	1	2	3	4	5
	2021.22	2022.23	2023.24	2024.25	2025.26
	£'m	£'m	£'m	£'m	£'m
Opening Balance	**11.146**	**10.291**	**10.589**	**9.758**	**10.082**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662
Closing Balance	**10.291**	**10.589**	**9.758**	**10.082**	**10.744**

10.3 The HRA Business Plan seeks to hold a minimum reserve balance of £10m. This reserve will be held in mitigation against unforeseen adverse impacts. Based on current net rents of approximately £76m this equates to a 13% reserve target. This allocation will be reviewed on an annual basis and any surpluses in addition to the £10m target will either be used for paying back debt, held over towards future needs or used towards other objectives. Chart 2 above provides an indication of the impact on the HRA debt and reserve balance if surpluses were retained in reserves rather than used towards paying back the debt.

11. Financial Implications – General Principles and Approach

11.1 The HRA Business Plan is assessed across a 30-year period so as to understand the long-term financial implications of changes in the capital programme, legislative change and other strategic decisions. It has been updated to reflect the latest balance sheet position as reported and audited at the most recent year-end (31 March 2020) so as to begin with an accurate opening position for the plan. It is then constructed to include the impact of known forecast changes, Government policies, capital plans, funding arrangements and risk factors. Most of the detailed financial implications are incorporated throughout this report, in particular within **Sections 7 to 10**, with key schedules also laid out in the appendices.

11.2 The funding of this plan is particularly dependent upon the timing and value of asset disposals (i.e. capital receipts) that underpin the regeneration programme. These schemes are designed to increase the number of homes available for Westminster residents, in a mix of

affordable and private sale units, with the private sale units generating a significant proportion of the overall capital receipts in the plan, along with the intermediate units on certain schemes being considered for delivery by Westminster Builds.

11.3 The variables used in the assumptions set out in **Appendix 1** can only be best estimates and any variation from these could have a significant impact over the full 30-year plan period. These assumptions and the associated impact/risk of change will require close monitoring and potentially the adoption of one or more of the range of management mitigations set out in section 12 if they have a material adverse impact upon the plan.

11.4 In undertaking the HRA business planning process, all regeneration programmes are subjected to continued robust scrutiny and challenge and an appropriate level of contingency on capex schemes has been provided for within the scheme budgets as well as a central contingency in the overall capital programme. **Appendices 2 and 4** set out the summary view of spend over both the coming 5 years and the totality of the 30-year period.

11.5 The Business Plan will be reviewed on an on-going basis, feeding in changes from the annually agreed baseline to understand the impact of changes in the assumptions and capital expenditure on the affordability of the plan. This will enable management to identify any necessary mitigation required at an early stage.

12. Risk Management

12.1 As has been portrayed in the graphs and information earlier in this report, the latest plan seeks to maximise the investment in regeneration programmes in order to deliver new homes for the city. The consequence of this is that the capital expenditure profile drives up the level of borrowing required in order to achieve this objective. This sustained increased debt level reduces the ability of the HRA to absorb and manage the financial impact of unforeseen and unplanned risks that may materialise during the course of the plan.

12.2 This means that if any overspends to budget occur which place an increased burden on the HRA, or if capital receipts are delayed or reduced, this would further increase the borrowing requirement. The increased borrowing requirement will in turn result in higher interest costs for the revenue account and hence less funds able to be allocated to other services such as repairs and maintenance or setting aside funds for providing a good customer service. In such a situation, the HRA would need to identify and implement a number of actions which mitigate and reduce the pressure on borrowing.

12.3 It is important to note that the spend profile in this plan is **not** wholly and contractually committed such that the Council is left with no controls or levers with which to control the level of capital spend set out in the programme. It sets out the aspiration of what could be achieved within the constraints of the assumed borrowing cap and reserves if everything went to plan, while also demonstrating that over the longer term the plan can be maintained as a viable proposition. However, it is clear that there is a substantial increase in the level of capital expenditure over the coming three years and once a major development has begun it is difficult to back out of the associated future commitments as well.

12.4 The range of management options available within the HRA to mitigate any additional risks are as follows (in no particular order):

a. Robust business case processes with detailed cost analysis, sensitivity testing and market sales pricing assessment carried out at regular intervals. It is important that the assumptions and projections are complete and robust so that a scheme can be approved in confidence, with the knowledge that the HRA business plan is able to sustain the profiling of the scheme in question.

b. Project spend monitoring and management information. It is key that there are early warning indicators for management to be able to identify whether any projects are going to overspend in order to be able assess the impact on the HRA plan. Officers produce a management report on the HRA on a monthly basis which is shared with senior management and the Cabinet Member for Housing as part of this.

c. Periodic updates to the HRA business plan through the year. Reviews and updates to the business plan are undertaken, at which point any changes identified in operating or capital project performance can be remodelled to identify the impact and any further mitigation required. These are undertaken at periodic and appropriate times through the year such as after year end to account for outturn and project reprofiling, during the annual business planning stage and at other appropriate times to take account of any material changes in the capital programme or latest scheme business cases should they arise. The fact that the business plan is then fully updated on an annual basis means that steps can be taken to re-profile or reprioritise elements of the plan well in advance of any peak year. In reality, the Council would seek to avoid getting too close to capacity in the coming year.

d. Utilisation of contingency. The main regeneration schemes each have a certain level of contingency built into the cost of the projects as a buffer against overspend within the project budget. This will be the first port of call for any overspend within a project. Monitoring the use and need for contingency on a project will be important as an indicator of whether a project is going to go over budget. Secondly, the capital programme has a separate contingency budget which has not been specifically allocated to any given scheme. Unutilised contingency monies will contribute towards relieving pressure on funding and reserves.

e. Dispose of HRA assets. Similar to the above, but without reinvesting the cash generated. Achieved through identifying surplus assets or selling additional HRA properties.

f. Re-profile, extend or delay regeneration capital expenditure, for example:

   i. Reprofile the regeneration spend so that schemes run sequentially rather than in parallel or delay some projects to better match the timing of funding resources.

   ii. Reprofile and extend regeneration scheme programmes to be delivered over a longer period, slowing down the rate of spend. This however is less palatable as it would be an inefficient way of working and not favourable with development partners, as well as the impact this would have on residents from the site and the surrounding area.

iii. Some elements of the plan or certain schemes could be scheduled to begin or progress only when certain other conditions have been met which assure the financial safeguarding of the plan, such as the level of capital receipts received needing to be met.

These would need to be modelled so as to demonstrate the impact of not only the deferred expenditure but also the deferred capital receipts arising at the end of the schemes when the income from private sale units comes through.

g. Reduce major works expenditure to free up other funds to finance new build developments. This amounts to £305.84m over the next 5 years, £1.076bn over 30 years. However, this would have subsequent risks as the Council signed up to term contracts which gave an indication of a certain minimum level of spend with the suppliers. If these minimum levels are not achieved, the Council could be subject to penalties or compensation which negate or reduce the potential mitigation and impact on the Council's reputation. Furthermore, reduced spend in earlier years would also result in larger spend in later years as more work would be required to bring our property back to a decent standard.

h. Review the release of the recent Guidance on Rents for Social Housing document by Ministry of Housing, Communities & Local Government and seek to ensure the maximum Formula rents are applied to all social housing units. Furthermore, there is a possibility of increasing rent by a further 5% as part of the Rent Flexibility Level plans and the Council will need to ensure a detailed business case and consultation is carried out.

12.5 As noted in **Appendix 1**, the base business plan uses prudent assumptions to reduce the chance of certain risks arising. Set out below is a summary of other potential risks to the stability of the business plan. Periodic reviews of the HRA business plan will be held between senior officers and the lead member, at which programme performance will be reviewed and risks monitored.

12.6 In addition, the Business Plan conforms to the Chartered Institute of Housing (CIH) and CIPFA voluntary code on self-financing HRAs. This includes compliance with CIPFA's Code of Practice on Local Authority Accounting in the UK including depreciation of assets on a componential basis.

12.7 The Council complies with both the principles of co-regulation as set out in "The Regulatory Framework for Social Housing in England from 2012" and the requirements of the CIPFA/CIH "Voluntary code of practice on self-financing HRAs".

12.8 Under the Regulatory Framework code, governance arrangements should be fit for purpose, and reflect the complexity and risk profile of the organisation. Boards and Councillors need to set clear objectives and develop a forward-looking strategy that enables their organisation to make the most of future opportunities and mitigate risks. There should be a continuous focus on effective financial management and improving value for money.

12.9 The self-financing code of practice is a voluntary framework of best practice for local authority governance of the HRA aimed at promoting effective governance, finance and business

planning and aimed at providing transparency to stakeholders on how the housing business is being managed. Its key principles are:

- **Financial viability.** The housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability.
- **Communications and governance**. The housing authority keeps under review the communications and governance arrangements with regards to the new operating environment and adopts governance arrangements appropriate to supporting viability and accountability of the housing business.
- **Risk management**. The housing authority has in place an effective system for the on-going management, monitoring and reporting of risks to the HRA.
- **Asset management**. The housing authority has in place arrangements to maintain its assets to maximise their value into the future. The authority complies with the principles of good asset management as they apply to HRA assets.
- **Financial and treasury management**. The housing authority complies with formal accounting practices including CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom and CIPFA's Treasury Management in the Public Services Code of Practice. To date no specific guidance has been released to reflect the removal of the borrowing cap. Further clarification is expected as part of the prudential code.

12.10 **Appendix 5** shows the key risks, impacts and mitigations on the HRA over the 30-year period.

13. Legal Implications

13.1 The expenditure referred to in this report will be spent pursuant to the Council's powers and duties as set out below. The Council has a duty to disclose information as set out The Housing Revenue Account (Accounting Practices) Directions 2016.

13.2 The provision of housing accommodation is set out in Part II of the Housing Act 1985. Statutory requirements regarding keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ("Act"). The provisions include a duty, under Section 76 of the Act, to budget to prevent a debit balance on the HRA and to implement and review the budget. The Act places a duty on local housing authorities to: (i) to produce and make available for public inspection, an annual budget for their HRA, which avoids a deficit; (ii) to review and if necessary, revise that budget from time to time and (iii) to take all reasonably practical steps to avoid an end of year deficit.

13.3 On 10 November 2020 MHCLG published guidance on the operation of the Housing Revenue Account ring-fence. This guidance updates and replaces Circular 8/95 published by the former Department of the Environment (DoE). It gives advice to local housing authorities in England on certain aspects of the HRA.

This guidance restates ministers' established policy for the HRA and introduces no new issues of principle. However, it does highlight the need to be fair to both tenants and council taxpayers and that there should be a fair and transparent apportionment of costs between the HRA and General Fund.

13.4 The Localism Act 2011 contains provisions relating to housing finance in Sections 167 to 175. These provisions introduced a new system of Council housing finance which ended the current Housing Revenue Account subsidy system in England and replaced it with self-financing arrangements. Section 171 of the Localism Act 2011 empowered the Secretary of State to make provision relating to the level of indebtedness in relation to local housing authorities in England which keep a Housing Revenue Account.

13.5 Under Regulation 12 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) local authorities are required to use Right To Buy capital receipts to pay the "poolable amount" to the Secretary of State, on a quarterly basis.

13.6 On 29th October 2018, the government confirmed that the HRA borrowing cap was abolished with immediate effect. As a result, local authorities with an HRA are no longer constrained by government controls over borrowing for housebuilding and are able to borrow against their expected rental income, in line with the Prudential Code. All borrowing within the HRA must be in line with the CIPFA Prudential Code.

13.7 The basis for setting rent is Section 24 of the Housing Act 1985 which provides that a local authority must make such reasonable charges as they determine for the tenancy occupation of their houses. This report deals with other legislative provisions which are expected to influence the Housing Investment Strategy such as the social rent reduction introduced by the Welfare Reform and Work Act 2016 and changes to the social benefits.

13.8 The Housing and Planning Act 2016 is also likely to affect the findings of subsequent reports and also the Council's regeneration initiatives. The relevant provisions include the imposition of a liability for local housing authorities which maintain a Housing Revenue Account to make payments to the Secretary of State based on the market value of any vacant higher value void properties which the local authority owns. Additionally, under Chapter 6 and Schedule 7 the Housing and Planning Act 2016 seeks to phase out secure tenancies as life interests and replace them with fixed term secure tenancies thus potentially allowing for more flexibility in terms of stock management.

13.9 The Housing and Planning Act 2016 also contains provisions which have been implemented and may attract procedural changes in the way the Council progresses its regeneration projects. Such provisions include the amendments made to the planning regime under Part 6 and amendments to the compulsory purchase and appropriation procedures under Part 7.

13.10 It should be noted that as part of the HRA regeneration programme, if the Council wishes to dispose of land or property, or provide financial assistance in connection with housing (which includes disposal to any Council owned company) and consent of the Secretary of State

maybe required unless such disposals fall within the General Disposal Consents of Section 32 of the Housing Act 1985.

14. Consultation

14.1 Development of the Business Plan and Housing Investment Plan has involved officers from within the Housing, Regeneration and Finance departments and with input from the relevant Cabinet Members. We have had regard to national and local housing policies and objectives which have informed the priorities for investment.

14.2 A key component of the housing regeneration programme is community engagement: officers and consultants have worked with local communities to develop plans for their neighbourhoods. Community engagement teams work on the ground with residents, visiting residents in their homes, staffing drop-in sessions and holding open days. Resident expectations are high, and the City Council is committed to an on-going programme of resident involvement as these schemes develop further. Consequently, consultations are undertaken at the appropriate stage on a given scheme basis rather than as a part of the Business Plan process.

14.3 The internal governance processes within Housing, development and major projects teams have been rigorously reviewed and focus now upon key project management skills and tolerance reporting. The creation of a Programme Management Office (PMO) during 2018/19 also adds to the monitoring of these significant development programmes that are being funded by the HRA.

15. Equalities Implications

15.1 The Equality Act 2010 introduced a single public sector equality duty. This duty requires the Council to have due regard in its decision-making processes to the need to:

a. Eliminate discrimination, harassment, victimisation or other prohibited conduct;

b. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it, and;

c. Foster good relations between those who share a relevant characteristic and those that do not share it.

15.2 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

15.3 The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making new decisions in the current context and in relation to the new strategy.

15.4 It should be noted in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant

service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.

15.5 In addition, each of the estate regeneration schemes is subject to an Equalities Impact Assessment to ensure any arising issues are addressed. DDA works and disabled adaptations are included as essential works within the capital programme. Further Equalities Impact Assessment and/or consultation may be necessary if significant changes are envisaged to Housing Management Schemes.

Other Implications

1. Resources Implications

The resourcing implications to deliver the proposed capital programme are contained within the attached indicative HRA capital programme.

2. Business Plan Implications

Approval of the HRA Business Plan is critical to delivery of key components of the Housing Business Plan, such as the estate regeneration programme and reducing homelessness pressures.

3. Risk Management Implications

See Section 12 of the report.

4. Health and Wellbeing Impact Assessment including Health and Safety Implications

Programmes delivered within this strategy are aimed at addressing health and wellbeing issues, through improvements to housing and the public realm, and through related programmes addressing employment and skills and provision of community facilities.
A key part of the early years' investment in the existing stock will be to address health and safety issues brought to light as a result of the Grenfell Tower fire.

5. Crime and Disorder Implications

Safety and security measures form a component of the programme of works to existing stock, and the estate renewal schemes, both of which are factored into the HRA Business Plan.

6. Impact on the Environment

New homes are built to Code 4 as a minimum and environmental and energy efficiency works are key considerations in the works to existing housing stock and the housing regeneration schemes. Sections 8.5, 8.7, 8.8 and 8.9 set out a number of ways the Planned Maintenance programme will deliver in this area. The Church Street regeneration scheme also incorporates a new Combined Heat and Power district heating scheme.

7. Equalities Implications

Each of the estate regeneration schemes is subject to an Equalities Impact Assessment to ensure any arising issues are addressed. DDA works and disabled adaptations are included as essential works within the capital programme

8. Human Rights Implications

The investment programmes outlined in this report will involve the enforced displacement of residents and their human rights under Article 1of the First Protocol and Article 8 of the European Convention on Human Rights will be taken into account at the appropriate time.

9. Communications Implications

See section 14 on consultation.

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

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Appendix 1 – Key assumptions

	Assumptions	Notes
Dwelling Rent	CPI + 1% Increase in rents from 2021-22 to 2024-25 and CPI + 0.5% increases from 2025-26	CPI for 2021/22 is 0.5%, assumed at 1% for 2022/23 and assumed at 2% from 2023/24
Void rates	2%	
Service Charges	£5.14 per week with inflationary uplift on cost and income	
Commercial Rents	no increase in 2021/22, reverting to inflationary increases from 2022/23	
Garage Rents	CPI increase	Prudent assumption based on demolitions and infills.
Major Works Leaseholder Contributions	Linked to Capital Programme	
Repairs and Maintenance Costs	RPI increases	
Heating and hot water charges	RPI increases	
Interest rate on borrowings	2.6% on External Borrowing 1% on Internal Borrowing	New rates based on Treasury Management Team advice
Depreciation	Straight Line Basis over life of Assets	

Appendix 2 – 5 Year Revenue Budget

Year	1	2	3	4	5
	2021.22	2022.23	2023.24	2024.25	2025.26
	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(76.596)	(79.374)	(82.343)	(85.628)	(88.057)
Commercial Rent	(8.200)	(8.282)	(8.489)	(8.701)	(8.919)
Garages, Sheds & Car Parks Income	(0.904)	(0.913)	(0.936)	(0.959)	(0.983)
Service Charges	(16.367)	(16.631)	(17.067)	(17.510)	(17.924)
Heating and Water (Including PDHU)	(6.394)	(6.458)	(6.620)	(6.785)	(6.955)
HRA investment income & Other Income	(2.217)	(2.240)	(2.296)	(2.353)	(2.412)
TOTAL INCOME	**(110.678)**	**(113.897)**	**(117.751)**	**(121.937)**	**(125.250)**
Repairs & Maintenance	19.087	19.474	20.039	20.579	21.096
Supervision & Management	29.033	29.323	30.057	30.808	31.578
Estate Services	8.150	8.232	8.438	8.649	8.865
Heating and Water (Including PDHU)	6.394	6.458	6.620	6.785	6.955
Rent, Rates and Commercial Charges	0.512	0.517	0.530	0.543	0.556
TMO Allowances	1.505	1.520	1.558	1.597	1.637
Support Costs	12.857	12.985	13.310	13.643	13.984
Movement on Bad Debt Provision	0.505	0.523	0.536	0.549	0.563
Depreciation	23.754	24.238	25.154	25.848	26.750
Capital financing costs	9.237	9.824	11.831	12.096	12.084
Regeneration Feasibility	0.500	0.505	0.510	0.515	0.520
TOTAL EXPENDITURE	**111.533**	**113.599**	**118.582**	**121.612**	**124.588**
HRA Net(Surplus)/Deficit position	**0.855**	**(0.298)**	**0.831**	**(0.325)**	**(0.662)**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Appendix 3a – 30 Year Business Plan

Year	1	2	3	4	5	6	7	8	9	10
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(76.596)	(79.374)	(82.343)	(85.628)	(88.057)	(90.075)	(93.727)	(97.497)	(100.307)	(103.022)
Commercial Rent	(8.200)	(8.282)	(8.489)	(8.701)	(8.919)	(9.142)	(9.370)	(9.605)	(9.845)	(10.091)
Garages, Sheds & Car Parks Income	(0.904)	(0.913)	(0.936)	(0.959)	(0.983)	(1.008)	(1.033)	(1.059)	(1.085)	(1.113)
Service Charges	(16.367)	(16.631)	(17.067)	(17.510)	(17.924)	(18.339)	(18.840)	(19.354)	(19.900)	(20.458)
Heating and Water (Including PDHU)	(6.394)	(6.458)	(6.620)	(6.785)	(6.955)	(7.129)	(7.307)	(7.490)	(7.677)	(7.869)
HRA investment income & Other Income	(2.217)	(2.240)	(2.296)	(2.353)	(2.412)	(2.472)	(2.534)	(2.597)	(2.662)	(2.729)
TOTAL INCOME	**(110.678)**	**(113.897)**	**(117.751)**	**(121.937)**	**(125.250)**	**(128.165)**	**(132.811)**	**(137.601)**	**(141.476)**	**(145.281)**
Repairs & Maintenance	19.087	19.474	20.039	20.579	21.096	21.551	22.300	23.070	23.671	24.264
Supervision & Management	29.033	29.323	30.057	30.808	31.578	32.368	33.177	34.006	34.856	35.728
Estate Services	8.150	8.232	8.438	8.649	8.865	9.087	9.314	9.547	9.785	10.030
Heating and Water (Including PDHU)	6.394	6.458	6.620	6.785	6.955	7.129	7.307	7.490	7.677	7.869
Rent, Rates and Commercial Charges	0.512	0.517	0.530	0.543	0.556	0.570	0.585	0.599	0.614	0.630
TMO Allowances	1.505	1.520	1.558	1.597	1.637	1.678	1.720	1.763	1.807	1.852
Support Costs	12.857	12.985	13.310	13.643	13.984	14.333	14.692	15.059	15.435	15.821
Movement on BDP	0.505	0.523	0.536	0.549	0.563	0.577	0.591	0.606	0.621	0.637
Depreciation	23.754	24.238	25.154	25.848	26.750	27.244	27.981	29.258	30.046	30.881
Capital financing costs	9.237	9.824	11.831	12.096	12.084	13.409	14.594	15.199	15.229	15.275
Regeneration Feasibility	0.500	0.505	0.510	0.515	0.520	0.531	0.541	0.552	0.563	0.574
TOTAL EXPENDITURE	**111.533**	**113.599**	**118.582**	**121.612**	**124.588**	**128.476**	**132.801**	**137.150**	**140.306**	**143.561**
HRA Net(Surplus)/Deficit position	**0.855**	**(0.298)**	**0.831**	**(0.325)**	**(0.662)**	**0.312**	**(0.010)**	**(0.451)**	**(1.170)**	**(1.720)**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662	(0.312)	0.010	0.451	1.170	1.720
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Year	11	12	13	14	15	16	17	18	19	20
	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(106.155)	(109.375)	(112.068)	(114.825)	(117.607)	(120.411)	(123.280)	(126.216)	(129.219)	(132.289)
Commercial Rent	(10.343)	(10.602)	(10.867)	(11.138)	(11.417)	(11.702)	(11.995)	(12.295)	(12.602)	(12.917)
Garages, Sheds & Car Parks Income	(1.140)	(1.169)	(1.198)	(1.228)	(1.259)	(1.290)	(1.322)	(1.356)	(1.389)	(1.424)
Service Charges	(21.043)	(21.644)	(22.247)	(22.867)	(23.476)	(24.074)	(24.687)	(25.316)	(25.961)	(26.623)
Heating and Water (Including PDHU)	(8.066)	(8.267)	(8.474)	(8.686)	(8.903)	(9.125)	(9.354)	(9.587)	(9.827)	(10.073)
HRA investment income & Other Income	(2.797)	(2.867)	(2.939)	(3.012)	(3.087)	(3.164)	(3.244)	(3.325)	(3.408)	(3.493)
TOTAL INCOME	**(149.544)**	**(153.924)**	**(157.792)**	**(161.756)**	**(165.748)**	**(169.767)**	**(173.882)**	**(178.094)**	**(182.407)**	**(186.819)**
Repairs & Maintenance	24.941	25.637	26.256	26.891	27.530	28.175	28.834	29.509	30.199	30.906
Supervision & Management	36.621	37.537	38.475	39.437	40.423	41.433	42.469	43.531	44.619	45.735
Estate Services	10.281	10.538	10.801	11.071	11.348	11.632	11.922	12.220	12.526	12.839
Heating and Water (Including PDHU)	8.066	8.267	8.474	8.686	8.903	9.125	9.354	9.587	9.827	10.073
Rent, Rates and Commercial Charges	0.645	0.661	0.678	0.695	0.712	0.730	0.748	0.767	0.786	0.806
TMO Allowances	1.899	1.946	1.995	2.045	2.096	2.148	2.202	2.257	2.313	2.371
Support Costs	16.217	16.622	17.038	17.464	17.900	18.348	18.806	19.277	19.758	20.252
Movement on BDP	0.653	0.669	0.686	0.703	0.721	0.739	0.757	0.776	0.795	0.815
Depreciation	31.633	32.683	33.478	34.293	35.128	35.962	36.815	37.690	38.584	39.500
Capital financing costs	15.321	16.170	17.051	17.050	16.986	16.896	16.799	16.659	16.503	16.332
Regeneration Feasibility	0.586	0.598	0.610	0.622	0.634	0.647	0.660	0.673	0.687	0.700
TOTAL EXPENDITURE	**146.862**	**151.327**	**155.541**	**158.955**	**162.380**	**165.834**	**169.367**	**172.946**	**176.598**	**180.330**
HRA Net(Surplus)/Deficit position	**(2.682)**	**(2.597)**	**(2.251)**	**(2.800)**	**(3.368)**	**(3.933)**	**(4.515)**	**(5.148)**	**(5.808)**	**(6.489)**
Contribution to /(from) HRA Balances	2.682	2.597	2.251	2.800	3.368	3.933	4.515	5.148	5.808	6.489
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Year	21	22	23	24	25	26	27	28	29	30
	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Dwelling Rents	(135.429)	(138.642)	(141.927)	(145.288)	(148.725)	(152.242)	(155.839)	(159.519)	(163.283)	(167.133)
Commercial Rent	(13.240)	(13.571)	(13.910)	(14.258)	(14.615)	(14.980)	(15.354)	(15.738)	(16.132)	(16.535)
Garages, Sheds & Car Parks Income	(1.460)	(1.496)	(1.534)	(1.572)	(1.611)	(1.652)	(1.693)	(1.735)	(1.779)	(1.823)
Service Charges	(27.302)	(27.999)	(28.713)	(29.446)	(30.197)	(30.969)	(31.760)	(32.571)	(33.403)	(34.257)
Heating and Water (Including PDHU)	(10.325)	(10.583)	(10.847)	(11.119)	(11.396)	(11.681)	(11.973)	(12.273)	(12.580)	(12.894)
HRA investment income & Other Income	(3.580)	(3.670)	(3.762)	(3.856)	(3.952)	(4.051)	(4.152)	(4.256)	(4.362)	(4.471)
TOTAL INCOME	**(191.336)**	**(195.960)**	**(200.693)**	**(205.538)**	**(210.497)**	**(215.574)**	**(220.772)**	**(226.092)**	**(231.539)**	**(237.114)**
Repairs & Maintenance	31.629	32.369	33.126	33.901	34.693	35.505	36.335	37.184	38.053	38.943
Supervision & Management	46.878	48.050	49.251	50.482	51.745	53.038	54.364	55.723	57.116	58.544
Estate Services	13.160	13.489	13.826	14.172	14.526	14.889	15.262	15.643	16.034	16.435
Heating and Water (Including PDHU)	10.325	10.583	10.847	11.119	11.396	11.681	11.973	12.273	12.580	12.894
Rent, Rates and Commercial Charges	0.826	0.847	0.868	0.890	0.912	0.935	0.958	0.982	1.006	1.032
TMO Allowances	2.430	2.491	2.553	2.617	2.683	2.750	2.818	2.889	2.961	3.035
Support Costs	20.759	21.278	21.810	22.355	22.914	23.487	24.074	24.676	25.292	25.925
Movement on BDP	0.836	0.857	0.878	0.900	0.922	0.946	0.969	0.993	1.018	1.044
Depreciation	40.438	41.397	42.380	43.386	44.415	45.469	46.548	47.652	48.783	49.940
Capital financing costs	16.166	15.977	15.744	15.489	15.235	14.979	14.668	14.317	13.966	13.722
Regeneration Feasibility	0.714	0.729	0.743	0.758	0.773	0.789	0.804	0.820	0.837	0.854
TOTAL EXPENDITURE	**184.161**	**188.065**	**192.026**	**196.068**	**200.215**	**204.467**	**208.774**	**213.153**	**217.648**	**222.367**
HRA Net(Surplus)/Deficit position	**(7.175)**	**(7.895)**	**(8.667)**	**(9.470)**	**(10.282)**	**(11.108)**	**(11.998)**	**(12.939)**	**(13.891)**	**(14.747)**
Contribution to /(from) HRA Balances	7.175	7.895	8.667	9.470	10.282	11.108	11.998	12.939	13.891	14.747
HRA Budget	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Appendix 3b – 30 Year HRA Reserve Projection

Year	1	2	3	4	5	6	7	8	9	10
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**11.146**	**10.291**	**10.589**	**9.758**	**10.082**	**10.744**	**10.433**	**10.443**	**10.894**	**12.064**
Contribution to /(from) HRA Balances	(0.855)	0.298	(0.831)	0.325	0.662	(0.312)	0.010	0.451	1.170	1.720
Closing Balance	**10.291**	**10.589**	**9.758**	**10.082**	**10.744**	**10.433**	**10.443**	**10.894**	**12.064**	**13.785**

Year	11	12	13	14	15	16	17	18	19	20
	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**13.785**	**16.467**	**19.064**	**21.315**	**24.115**	**27.484**	**31.416**	**35.931**	**41.080**	**46.888**
Contribution to /(from) HRA Balances	2.682	2.597	2.251	2.800	3.368	3.933	4.515	5.148	5.808	6.489
Closing Balance	**16.467**	**19.064**	**21.315**	**24.115**	**27.484**	**31.416**	**35.931**	**41.080**	**46.888**	**53.377**

Year	21	22	23	24	25	26	27	28	29	30
	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Opening Balance	**53.377**	**60.552**	**68.447**	**77.114**	**86.584**	**96.866**	**107.974**	**119.971**	**132.911**	**146.802**
Contribution to /(from) HRA Balances	7.175	7.895	8.667	9.470	10.282	11.108	11.998	12.939	13.891	14.747
Closing Balance	**60.552**	**68.447**	**77.114**	**86.584**	**96.866**	**107.974**	**119.971**	**132.911**	**146.802**	**161.549**

Appendix 4 – HRA 30 Year Capital Programme

Year	1	2	3	4	5	06-30	
	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27-2050.51	Total Scheme Costs
	£'000	£'000	£'000	£'000	£'000	£'000	
Planned Maintenance							
Voids, Aids and Adaptions	4,900	4,900	4,410	4,410	4,410	101,230	124,260
Electrical and Mechanical Services	2,624	2,648	2,406	2,429	2,474	58,380	70,961
Major Works	29,742	23,643	27,201	24,053	24,731	394,106	523,476
Fire Precautions	9,190	4,080	1,403	1,823	1,414	26,830	44,740
Asset Management, Condensation and Minor Works	2,150	2,150	1,935	1,845	1,845	29,900	39,825
Domestic Heating, Hot Water and Lifts	3,400	3,400	3,300	3,300	3,300	59,980	76,680
PDHU and Climate Action Works	7,272	11,630	26,000	25,370	26,050	100,000	196,322
Planned Maintenance Total	**59,278**	**52,451**	**66,655**	**63,230**	**64,224**	**770,426**	**1,076,264**
Regeneration							
Carlton Dene	997	17,589	20,092	-	-	-	38,678
Church Street P2	2,498	5,673	14,238	11,239	1,074	174,578	209,300
Church Street P2 Acquisitions	8,000	26,916	-	-	-	83,439	118,355
Lisson Arches	13,651	10,784	-	-	-	-	24,435
Luton Street	800	8,400	-	-	-	-	9,200
Parsons North	13,826	-	-	-	-	-	13,826
Cosway Street	14,341	14,925	409	-	-	-	29,675
Ashbridge	8,302	2,203	168	-	-	-	10,673
Ashmill Street	309	330	15	-	-	-	654
Ebury Bridge	37,899	53,106	49,000	1,679	12,668	19,266	173,618
Ebury Bridge Acquisitions	5,700	24,418	8,633	-	-	-	38,750
Warwick Community Hall	1,350	-	-	1,350	-	-	2,700
Queens Park Court	1,631	7,357	1,850	-	-	-	10,838
Churchill Gardens	536	9,259	8,476	3,529	-	-	21,800
Bayswater	-	2,024	2,668	5,574	9,555	5,917	25,738
West End Gate	8,564	780	-	-	-	-	9,344
Contingency	7,347	11,432	17,621	11,388	4,340	29,911	82,038
Paddington Green	-	4,874	-	4,874	-	-	9,748
Woodchester	100	700	6,133	6,133	6,134	-	19,200
Lisson Grove Programme	-	-	-	-	-	5,951	5,951
Brunel Estate	503	1,296	7,757	11,842	-	-	21,398
Regeneration Total	**126,353**	**202,065**	**137,059**	**57,608**	**33,771**	**319,062**	**875,919**
Other Schemes							
Small Sites	13,888	24,630	17,910	3,028	150	150	59,756
Self Financing	10,000	5,000	5,000	5,000	5,000	50,000	80,000
Other Schemes Total	**23,888**	**29,630**	**22,910**	**8,028**	**5,150**	**50,150**	**139,756**
Total HRA Capital Programme	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**
Funding							
Major Repairs Allowance	23,754	23,754	23,754	23,754	23,754	593,850	712,620
Government Grant/Loan	5,416	8,154	4,648	1,666	448	-	20,332
Climate Action Funding	-	10,000	25,000	25,000	25,000	100,000	185,000
Affordable Housing Fund	110,202	105,569	11,950	9,520	20,000	44,226	301,467
Capital Receipts	50,749	64,906	58,842	84,543	42,028	81,700	382,769
Leaseholder Contributions	9,886	13,002	11,455	11,414	10,715	177,090	233,562
New Borrowing	9,511	58,762	90,976	(27,031)	(18,801)	142,772	256,189
Total Funding	**209,519**	**284,146**	**226,625**	**128,866**	**103,145**	**1,139,638**	**2,091,939**

APPENDIX 5 – Table of Risks, Impacts and Mitigations

Risk	Impact	Mitigation
Capital Receipts	Any significant slippage in the timing or value of these receipts will pose a cash flow risk for staying within the borrowing limit. For New Build schemes which rely on the capital receipts based on current projections, could result in schemes becoming unviable if the values of properties fall, which would lead lower capital receipts from sales.	Robust monitoring of the timing and expected value of the receipts will help inform management action to mitigate this risk. Management options identified above would need to be applied. Ensuring effective market monitoring of sale values in the Borough and considering alternative income generating options, such as converting for sale properties to rental units.
Rent Policy	Once the 5-year Rent Policy period comes to an end or is changed during the 5-year period, which means the increase in rent is less than modelled - this would reduce the income to the HRA.	Lobbying is key to the success of avoiding this risk from happening in the first place. Regeneration spend would need to be significantly curtailed.
Interest rates	The rates assumed are at 2.6% on new borrowing throughout the plan. If interest rates were to rise this would have a significant adverse impact on long term affordability of the revenue account and impact capital scheme viability.	The HRA has some fixed loans in place which would not be affected until they matured and needed to be replaced. Further fixed rate loans could be taken out to prevent uncontrolled increases. However, the scale and pace of regeneration may need to be reviewed.
Inflation	If inflation were to increase above that assumed by CPI, the costs increase and have an impact on the surplus/deficit position of the Revenue account. The cost	The increase in costs would be partially offset by increased income as this is also based on CPI inflation. The situation would not be uncontrolled as there would

Risk	Impact	Mitigation
	increases would also impact scheme viability as part of the capital investment strategy.	need to be a decision as to whether certain expenditure is still deemed affordable or value for money. Management options identified above would also need to be applied.
Welfare Reform Implementation of Universal Credit, benefit cap and other welfare reform changes.	May increase rent arrears which impacts HRA income. Initial data on rent arrears from Universal Credit tenants does indicate a rise in rent arrears. However, this is based on a relatively small sample size so needs to be monitored.	More active/proactive debt management action may be required. Robust monitoring of service activity to act as an early warning.
Brexit/Economic uncertainty Adverse impacts on costs and values because of Brexit	There is still uncertainty about the cost of projects due to changes in the cost of materials and labour arising from changes in the value of the pound relative to other currencies, barriers to supply and additional costs applied to imports. Equally there are changes in the attractiveness of London as a residential investment, positively due to falls in the value of the pound and negatively from lack of access to Europe or changes in behaviours in light of Covid-19. These are highly uncertain and may lead to increased caution on the part of contractors and developers when bidding for work or assessing the risks/rewards of current projects.	A selection of current projects are being reviewed to identify and seek to quantify the impacts based on the best evidence available to highlight areas where further measures need to be taken. The Council will need to ensure it begins to get hold of some Government materials on their assessment of leaving the EU and begin work up mitigations.

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City of Westminster

Cabinet

Decision Maker	Cabinet
Date	15 February 2021
Status	General Release
Title	Treasury Management Strategy Statement for 2021/22 to 2025/26
Wards Affected	All
Policy Context	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cabinet Member for Finance and Smart City
Financial Summary	The Annual Treasury Management Strategy Statement sets out the Council's strategy for ensuring that: a. its capital investment plans are prudent, affordable and sustainable; b. the financing of the Council's capital programme and ensuring that cash flow is properly planned; c. cash balances are appropriately invested to generate optimum returns having regard to security and liquidity of capital.
Report of:	Gerald Almeroth Executive Director – Finance and Resources galmeroth@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

1.1 The Local Government Act 2003 and the Regulations made under the Act require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

1.2 The Act also requires the Council to set out a statement of its treasury management strategy for borrowing and to prepare an Annual Investment Strategy (as shown in Appendix 1). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Treasury Management Strategy Statement and Annual Investment Strategy must both have regard to guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG) and must be agreed by the Full Council.

1.3 This report sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2021/22 to 2025/26, and Annual Investment Strategy (AIS) for the year ended 31 March 2022, together with supporting information.

1.4 The TMSS and AIS form part of the Council's overall budget setting and financial framework.

2. RECOMMENDATIONS

2.1 The Cabinet recommend to the Full Council the approval of:

- the Treasury Management Strategy Statement;
- the borrowing strategy and borrowing limits for 2021/22 to 2025/26 set out in section 6;
- the Prudential Indicators set out in section 8;
- the Annual Investment Strategy and approved investments set out in Appendix 1;
- the Minimum Revenue Provision Policy set out in Appendix 2.

3. REASONS FOR DECISIONS

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

4. BACKGROUND INFORMATION

4.1 The Council is required to operate a balanced budget, which broadly means that monies received during the year will meet payments expenditure. The function of treasury management is to ensure that the Council's capital programme and corporate investment plans are adequatly funded, and the cashflow is adequately planned, with cash being available when it is needed to discharge the Council's legal obligations and deliver Council services. Surplus monies are invested to obtain an optimal return, while ensuring security of capital and liquidity.

4.2 CIPFA defines treasury management as “the management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

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

4.4 The TMSS covers three main areas summarised below:

Capital spending

- Capital spending plans
- Other investment opportunities
- Capital Finance Requirement (CFR)
- Affordability

Borrowing

- Overall borrowing strategy
- Post PWLB interest rate increase borrowing strategy
- Limits on external borrowing
- Maturity structure of borrowing
- Policy on borrowing in advance of need
- Forward borrowing
- Debt rescheduling

Managing cash balances

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

4.5 The Annual Investment Strategy (AIS) at Appendix 1 provides more detail on how the Council’s surplus cash investments are to be managed in 2021/22. Approved schedules of specified and non-specified investments will be updated following consideration by Members and finalisation of 2021/22 budget plans.

5. SECTION 1 - CAPITAL SPENDING

Capital spending plans

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.2 Table 1 summarises the Council's capital expenditure plans, both in terms of those projects agreed previously, and those forming part of the current budget cycle. The table sets out the Council's current expectations reference the revenue or capital financing.

5.3 Compared with the forecast in the original 2020/21 TMSS, General Fund capital spend has slipped back by around £76m in the 2020/21 revised budget and there remains an element of further slippage in future years.

The risks are that:

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

Table 1 Capital spending and funding plans

2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate	
£m		£m	£m	£m	£m	£m	£m	£m
	Expenditure							
163	General Fund	**168**	**283**	**495**	**281**	**322**	**329**	**1,878**
119	HRA	**141**	**210**	**284**	**227**	**129**	**103**	**1,094**
282		**309**	**493**	**779**	**508**	**451**	**432**	**2,972**
	Funding							
	General Fund							
64	Grants & Contributions	**54**	**82**	**52**	**31**	**20**	**12**	**251**
21	Capital Receipts Applied	**25**	**1**	**43**	**64**	**0**	**43**	**176**
	HRA							
46	Grants & Contributions	**91**	**149**	**151**	**53**	**48**	**58**	**550**
31	Capital Receipts Applied	**0**	**51**	**65**	**59**	**85**	**42**	**302**
23	Major Repairs Allowance	**25**	**24**	**24**	**25**	**26**	**27**	**151**
0	Revenue Financing	**10**	**10**	**13**	**11**	**11**	**11**	**66**
185		**205**	**317**	**348**	**243**	**190**	**193**	**1,496**
97	**Net financing need for the year**	**104**	**176**	**431**	**265**	**261**	**239**	**1,476**

Other investment opportunities

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

- infrastructure projects, such as green energy;

- loans to third parties;
- shareholdings, and loans to limited companies and joint ventures.

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

5.6 In addition, the Council has a substantial commercial investment property portfolio which forms part of the investment strategy. The Council has allocated funds of £120m. The aim is to diversify the property portfolio into sectors that have historically been considered alternatives but are increasingly being viewed as mainstream. The strategy focuses on increasing the income generated by the Council from its property holdings, while also meeting its strategic aims. Future PWLB borrowing will not form part of the investment portfolio's source of external funding.

5.7 The Council has also invested £30m within the overall context of the Council's annual investment strategy in a residential housing partnership. This partnership was developed in response to the lack of private rented accommodation accessible to rising numbers of people living in temporary accommodation or otherwise at risk of homelessness in London.

Capital Financing Requirement (CFR)

5.8 The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

5.9 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

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

Table 2 Capital Financing Requirement forecast

2019/20 Actual £m		2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
	CFR as at 31 March						
536	General Fund	**625**	**825**	**1,225**	**1,411**	**1,713**	**1,987**
294	HRA	**309**	**285**	**316**	**395**	**354**	**319**
830		**934**	**1,110**	**1,541**	**1,806**	**2,067**	**2,306**
	Annual Charge						
78	General Fund	**89**	**200**	**400**	**186**	**302**	**274**
19	HRA	**15**	**(24)**	**31**	**79**	**(41)**	**(35)**
97		**104**	**176**	**431**	**265**	**261**	**239**
	Reason for Change						
110	Net financing	**120**	**194**	**452**	**303**	**306**	**288**
(13)	Less MRP	**(16)**	**(18)**	**(21)**	**(38)**	**(45)**	**(49)**
97		**104**	**176**	**431**	**265**	**261**	**239**

5.11 Table 3 below confirms that the Council's gross debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current year and the following financial years. This allows some flexibility for limited early borrowing for future years and ensures that borrowing is not undertaken for revenue purposes.

5.12 The Council's full MRP policy is shown at Appendix 2. However, a change in MRP policy for 2020/21 has been introduced to reflect where cash flows adopts an annuity structure for a specific asset. In this instance the MRP profile should match accordingly with principal repayments matching the associated MRP charge. In practice this means that the ratio of interest expense to MRP payments in the earlier years for the asset would be higher, as principal loan repayments represent a smaller element of the overall cash flows.

Table 3 Borrowing compared to the Capital Financing Requirement

2019/20 Actual £m		2020/21 Forecast £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
221	Gross Projected Debt	**206**	**238**	**400**	**587**	**571**	**558**
830	Capital Financing Requirement	**934**	**1,110**	**1,541**	**1,806**	**2,067**	**2,306**
609	**Under / (over) borrowing**	**728**	**872**	**1,141**	**1,219**	**1,496**	**1,748**

Affordability

5.13 The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, the impact on the Council's "bottom line". The estimates of financing costs include current commitments and the proposals in the Council's budget report. Table 4 below sets out the expected ratio of capital financing costs to income for both General Fund and HRA activities:

Table 4 Ratio of capital financing costs to income

2019/20 Actual %		2020/21 Forecast %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
16.47	General Fund	**12.88**	**11.40**	**9.89**	**7.44**	**6.67**	**6.75**
35.87	HRA	**34.25**	**34.19**	**33.36**	**33.32**	**33.15**	**31.83**

5.14 For the next five years, gross capital financing charges for the General Fund capital programme are largely outweighed or balanced by income from investments and the commercial property portfolio. The capital financing charges arising from the HRA capital programme remain in line with the forecast increase income, hence, capital charges as a proportion of the HRA net revenue stream remain relatively steady.

6. SECTION 2 - BORROWING

Overall borrowing strategy

6.1 One of the main functions of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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

The key factors influencing the 2021/22 strategy are:

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

6.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

6.4 The borrowing position needs to be kept under review to avoid incurring higher borrowing costs in future years when the Council may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt.

Post PWLB Interest Rate Change Borrowing Strategy

6.5 On 5 November 2020, the Public Works Loan Board (PWLB) reversed its decision to increase the cost of borrowing for local authorities for general fund purposes by 1%, bringing the rates offered in line with those for housing revenue account purposes. All new loans are therefore now subject to the relevant gilt yields +0.8% (certainty rate).

6.6 The Council's treasury management strategy permits borrowing from various sources, but it has not been previously anticipated that any alternatives to PWLB would need to be utilised, given the current low cost of PWLB funding.

6.7 The key advantage of PWLB is the speed and ease of transaction processing and the low fee and administration cost associated with the loans. Alternative types of funding could result in lengthy due diligence, consultancy costs, legal advice and fees and will be far more costly administratively.

6.8 Range of Options

Alternative options for funding to PWLB include:

- **Banks**

  Discussions with the Council's treasury consultant suggest that the Council could access borrowing from banks. However the recent decision by the PWLB to reverse the 1% additional cost of general fund borrowing have resulted in banks now being placed in an overly competitive environment.

- **Pension Fund institutional investors**

  Initial indications have suggested that the Council may be able to borrow from institutional investors at rates of around gilt yield plus 1.2% to 1.8% for periods of over 20 years, via a private placement agreement (PPA). Such an arrangement will be subject to extensive negotiations with the lenders, who will need to carry out due diligence on a Council's finances, budgets and balance sheet.

- **Bond issuance**

  A bond issue would first require the Council to become credit rated by one (or more) of the major ratings agencies: Fitch, S&P or Moody's. This is a complex, lengthy, repetitive and costly process.

  The precise rate offered will be market led and dependent on the financial resilience of the authority and the market's perception of creditworthiness.

  Councils with significant reserves and a record of not overspending on budget will be able secure the most advantageous rates. Bond releases typically require a minimum size of at least £200m.

- **The Municipal Bonds Agency**

  This has been in existence since 2013 but has only recently transacted its first bond issuance and local authority borrower.

6.9 Alternative opportunities for the Council may well present themselves, and the borrowing strategy will be designed to allow for this. The 'benchmark' for a borrowing opportunity is regarded at around gilts +0.8%. It is unclear at this stage whether feasible PWLB competition will materialise, and it is likely to take some time to do so. Officers will continue to explore alternatives to the PWLB, working with the Council's treasury advisor, Link. PWLB rates will also be kept under regular and active review.

6.10 Immediate liquidity needs can be satisfied by borrowing from other local authorities in the short term, consistent with the Council's current approved treasury management strategy.

Table 5 The Council's balance sheet position at 31 March 2021

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	**934**	**1,110**	**1,541**	**1,806**	**2,067**	**2,306**
Other Long Term Liabilities						
PFI	**(7)**	**(6)**	**(6)**	**(6)**	**(6)**	**(6)**
Leases	**(44)**	**(43)**	**(42)**	**(42)**	**(41)**	**(40)**
Under / (over) borrowing	**883**	**1,061**	**1,493**	**1,758**	**2,020**	**2,260**
External Borrowing	**206**	**238**	**400**	**587**	**571**	**558**
Under borrowing/ Internal borrowing	**677**	**823**	**1,093**	**1,171**	**1,449**	**1,702**

Limits on external borrowing

6.11 The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 6 below. The Authorised Limit has been increased in line with the CFR.

The limits are:

- **Authorised Limit for External Debt (Prudential Indicator 5a)** – This is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term.

- **Operational Boundary (Prudential Indicator 5b)** – This is the limit which external debt is not normally expected to exceed. The boundary is based on current debt plus anticipated net financing need for future years.

Table 6 Overall borrowing limits

2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
	Authorised Limit:						
830	Borrowing and other long term liabilities	**934**	**1,110**	**1,541**	**1,806**	**2,067**	**2,306**
	Operational Boundary:						
223	Borrowing	**206**	**238**	**400**	**587**	**571**	**558**
12	Other long term liabilities	**51**	**49**	**48**	**48**	**47**	**46**
235	**Operational Boundary**	**257**	**287**	**448**	**635**	**618**	**604**

6.12 The Executive Director of Finance and Resources reports that the Council complied with these prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

Maturity structure of borrowing (Prudential Indicator 8)

6.13 Managing the maturity profile of debt is essential for reducing the Council's exposure to large fixed rate sums falling due for refinancing within a short period, and thus potentially exposing the Council to additional cost. Table 7 below sets out current upper and lower limits for debt maturity which are unchanged from 2020/21. The principal repayment profile for current council borrowing remains within these limits.

Table 7 Debt maturity profile limits

Actual Maturity at 31 Dec 2020	Duration	Upper Limit	Lower Limit
9	Under 12 months	**40**	**0**
0	12 Months and within 24 Months	**35**	**0**
12	24 Months and within 5 Years	**35**	**0**
16	5 Years and within 10 Years	**50**	**0**
63	10 Years and Above	**100**	**35**

Table 8 Maturity profile of long-term borrowing

Borrowing as at 31 December 2020		
Period	General Fund	HRA
	£m	£m
0 - 5 years	**0**	**47**
5 - 10 years	**0**	**36**
10 - 15 years	**0**	**50**
15 - 20 years	**0**	**8**
20 - 25 years	**15**	**0**
25 - 30 years	**0**	**20**
30 - 35 years	**0**	**20**
35 - 40 years	**0**	**0**
40 - 45 years	**0**	**0**
45 - 50 years	**10**	**15**
Total	**25**	**196**

6.14 The Council has £70 million of LOBOs (Lender Option Borrower Option) debt, none of which matures in the near future. Were the lender to exercise their option, officers will consider accepting the new rate of interest or repaying (with no penalty). Repayment of the LOBO may result in a need for refinancing.

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

Policy on Borrowing in Advance of Need

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

6.17 Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

6.18 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Forward Borrowing

6.19 As anticipated in the 2020/21 TMSS, the Council has undertaken no new borrowing for the financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA).

6.20 Due to the overall financial position and the underlying need to borrow for capital purposes, it is prudent for the Council to lock in affordability by placing some forward borrowing for the amounts it can be relatively certain it will need, whilst maintaining some forward flexibility as projects may or may not proceed within the expected timeframes.

6.21 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. An analysis of these loans can be found in the table below.

Counterparty	Amount (£m)	Start Date	Maturity Date	Rate (%)	Profile
Phoenix Group	37.5	15 March 2022	15 March 2062	2.706	Annuity
Barings LLC	150.0	15 August 2022	15 August 2052	1.970	Maturity
Phoenix Group	12.5	15 March 2023	15 March 2066	2.751	Annuity
Rothesay Life Plc	200.0	08 May 2023	08 May 2063	2.887	Equal Instalment of Principal
Weighted average interest rate	**400.0**			**2.579**	

Debt Rescheduling

6.22 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the cost of debt repayment (premiums incurred).

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

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

6.24 Consideration will also be given to identifying the potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Investing Primarily For Yield

6.25 Under the new Public Work Loans Board (PWLB) framework, the Council will need to submit its three-year capital plan to the PWLB and classify under different areas of spend, listed below, with classification the responsibility of the S151 officer. Any monies lent by the PWLB would also need to be classified under the following areas of spend:

- Service spending
- Housing
- Regeneration
- Preventative action
- Treasury Management: refinancing and externalisation of internal borrowing

6.26 Under the PWLB criteria, it is stipulated: “Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with a PWLB loan.”

6.27 On transacting a PWLB loan, the S151 officer is required to confirm that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield. When applying for a new PWLB loan, the Council will be asked to confirm that the latest plans submitted remain current and the assurance that they do not intend to buy investment assets primarily for yield remains valid.

6.28 The PWLB guidance defines investment assets bought primarily for yield as:

- buying land or existing buildings to let out at market rate;
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification;
- buying land or existing buildings, other than housing, which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger, such as the completion of land assembly.

7. SECTION 3 – MANAGING CASH BALANCES

The current cash position and cash flow forecast

7.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

7.2 Table 9 below shows that cash balances have decreased by £11m since 1 April 2020 to 31 December 2020 which is mainly due to the forecast pattern of the Council's cashflows and largely relates to the timing of grants, council tax and business rates received. The cash balance is expected to be closer to £500m by 31 March 2021.

Table 9 Cash position at 31 December 2020

As at 31 March 2020			As at 31 December 2020	
Principal	Average Rate		Principal	Average Rate
£m	%		£m	%
		Investments		
571	**1.00**	Specified	**590**	**0.26**
58	**1.53**	Non-Specified	**28**	**1.68**
629	**1.05**	**Total**	**618**	**0.32**
		Borrowing		
151	**3.86**	Public Works Loan Board	**151**	**3.86**
70	**5.08**	Market Loans	**70**	**5.08**
221	**4.24**	**Total**	**221**	**4.24**

7.3 The medium-term cash flow forecast below demonstrates that the Council currently has a substantial positive cash flow position with the average cash position decreasing each year. Treasury officers will work closely with the capital finance team to monitor slippage within the capital program. Information relating to future business rates and the amounts held pending rating appeals will also be monitored as these are uncertain and will have an impact on the figures detailed below.

Table 10 Medium-term cashflow forecast

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Balance at 1 April	**772**	**663**	**509**	**175**	**112**	**(155)**
Movement in Cash						
Capital Receipt	25	52	108	123	85	85
Grants & Contributions	145	231	203	84	68	70
Revenue Financing / MRA	35	34	37	36	37	38
Cash In	**205**	**317**	**348**	**243**	**190**	**193**
Other Cash movements	0	(13)	(70)	11	11	11
HRA Cash movements	10	2	6	4	0	0
Capital Programme	(309)	(493)	(779)	(508)	(451)	(432)
Cash Out	**(299)**	**(504)**	**(843)**	**(493)**	**(440)**	**(421)**
Forward Borrowing	0	38	162	200	0	0
Repayment of debt	(15)	(5)	(1)	(13)	(16)	(13)
Balance 31 March	**663**	**509**	**175**	**112**	**(155)**	**(396)**
Average Balance	**718**	**586**	**342**	**143**	**(22)**	**(275)**

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

Prospects for investment returns

7.5 Investment returns are likely to remain exceptionally low during 2021/22 with little change in the following two years. While the Bank of England said in September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next six to 12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank of England and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID-19 crisis. This has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

7.6 As for Money Market Funds (MMFs), yields have continued to drift lower. Some managers have resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money available at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

7.7 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties producing accurate forecasts when disbursements of funds received will occur or when further large receipts will be received from the Government.

Council policy on investing and managing risk

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

Balancing short and long term investments

7.9 Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed. During 2020/21, investments of £58m exceeded 364 days. This means the Council remains well within the upper limit for such investments of £450m.

Table 11 Investment limits

2019/20		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Actual		Forecast	Estimate	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m	£m
58	Upper Limit for principal sums invested for more the 364 days	**450**	**450**	**450**	**450**	**450**	**450**

Improving investment returns

7.10 An Investment Executive was set up to ensure that the Council made best use of its resources and ensure value for money was being achieved in its overall investment strategy. The task force contains both Council Members and Officers and meets on a quarterly basis.

8. SUMMARY OF PRUDENTIAL INDICATORS (PIs)

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

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

8.2 As the Council's S151 officer, the Executive Director of Finance and Resources has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

8.3 The Executive Director of Finance and Resources has confirmed that the PIs set out below are all expected to be complied with in 2020/21 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2021/22.

PI Ref	Paragraph Reference		2019/20 Actual	2020/21 Forecast	2021/22 Proposed
1	5.3	Capital expenditure	£283m	£309m	£493m
2	5.10	Capital Financing Requirement (CFR)	£830m	£934m	£1,110m
3	5.12	Net debt vs CFR	£609m underborrowing	£728m underborrowing	£872m underborrowing
4	5.13	Ratio of financing costs to revenue stream	GF 16.47% HRA 35.87%	GF 12.88% HRA 34.25%	GF 11.40% HRA 34.19%
5a	6.11	Authorised limit for external debt	£830m	£934m	£1,110m
5b	6.11	Operational debt boundary	£235m	£257m	£287m
6		Working Capital Balance	£30m	£0m	£0m
7	7.10	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£58m	£38m	£450m
8	6.13	Maturity structure of borrowing	Upper limit under 12 months: 40% Actual: 0% Lower limit 10 years and above: 35% Actual: 67%	Upper limit under 12 months: 40% Forecast: 9% Lower limit 10 years and above: 35% Forecast: 63%	Upper limit under 12 months: 40% Lower limit 10 years and above: 35%

9. LEGAL IMPLICATIONS

9.1 The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs. The Act requires the Council to determine and to keep under review how much money it can afford to borrow. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA. The Council is also required to have regard to the CIPFA Treasury Management Code of Practice.

9.2 The current CIPFA Treasury Management Code of Practice 2017 and the Secretary of State's Investment Code both require the Section 151 officer (Executive Director) to present an Annual Treasury Management Strategy Statement, which includes an Annual Investment Strategy, for the forthcoming year for approval by the Full Council before the beginning of each financial year.

9.3 The revised CIPFA Prudential Code for Capital Finance in Local Authorities sets out various indicators that are to be used to support capital expenditure plans and treasury management decisions. The prudential and treasury indicators have to be set by the Full Council when the budget is set and are monitored during the year. The prudential indicators are included in section 8 of this report.

9.4 The Council is also required to approve a Treasury Management Policy Statement setting out the overarching framework for treasury management services within the Council. This statement is set out in sections 5-7 of this report.

10. APPENDICES

1 Annual Investment Strategy

2 Minimum Revenue Provision (MRP) Policy

3 CIPFA Requirements

4 Prospect for Interest Rates/ Economic Update

BACKGROUND PAPERS

Treasury Management Strategy Statement 2020/21 (Approved by Council March 2020)

1. Section 3 Local Government Act 2003

2. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended

3. MHCLG Guidance on Minimum Revenue Provision (fourth edition) February 2018

4. MHCLG Capital Finance Guidance on Local Government Investments February 2018

5. CIPFA Prudential Code for Capital Finance in Local Authorities, 2017

6. CIPFA Treasury Management Code of Practice, 2017

7. CIPFA Treasury Management Guidance Notes 2018

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

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ANNUAL INVESTMENT STRATEGY

1. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the first half of the current year, the Council's average investment balance has been around £746m and the cash flow projections show this pattern is expected to decrease in the forthcoming year. Investments are made with reference to the core balance, future cash flow requirements and the outlook for interest rates.

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

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

Investment returns expectations

4. The Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising, so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long term forecast is for periods over ten years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.25%
2024/25	0.75%
Long term later years	2.00%

6. The overall balance of risk to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the COVID-19 virus. It may also be affected by what, if any, deal the UK agrees as part of the UK's exit from the EU. There is relatively little UK domestic risk of increases or decreases in the Bank Rate and shorter term PWLB rates until 2023/24 at the earliest.

Investment time limits

7. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2021/22, the proposed limit of investments for over 364 days is £450m as set out in table 11 of the TMSS.

Investment Policy

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

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

Creditworthiness Policy

10. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

    After this main principle, the Council will ensure that:

    - it maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections below; and

    - it has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

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

12. Credit rating information is supplied by Link Asset Services, our treasury advisors. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

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

    - the financial position and jurisdiction of the institution;
    - the market pricing of credit default swaps for the institution;
    - any implicit or explicit Government support for the institution;

- Standard & Poor's, Moody's and Fitch's short and long term credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries; and
- core Tier 1 capital ratios.

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

- no new investments will be made;
- existing investments will be recalled if there are no penalties; and
- full consideration will be given to recall or sale of existing investments which would be liable to penalty clause.

Specified and Non-specified investments

15. The MHCLG Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions on local authorities around the use of specified and non-specified investments.

    A specified investment is defined as an investment which satisfies all of the conditions below:

- the investment and any associated cash flows are denominated in sterling;
- the investment has a maximum maturity of one year;
- the investment is not defined as capital expenditure; and
- the investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.

16. **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. In addition to the long-term investments listed in the table at the end of Appendix 1, the following non-specified investments that the Council may make include:

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

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

- **Asset Backed Securities (ABS) / Residential Mortgage backed securities (RMBS)** – As these securities by their nature are asset backed they are regarded as low risk should a default take place, but have a higher return. These are available for direct investment, or as pooled / segregated assets managed

by a third party fund manager. In the event of a fund manager option being selected, this would need to be procured through a proper procurement process.

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

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

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

  - Trading vehicles which the Council has set up to undertake particular functions. These are not held primarily as investments but to fulfil Council service objectives. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break even.

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

  - Westminster Housing Investment Ltd

17. For any such investments, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions, and approved by the S151 Officer after taking into account:

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

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

Country of Domicile

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

Schedule of investments

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

21. Officers will monitor the impact of the UK's exit from the European Union on the names within the Council's counterparty list.

All investments listed below must be sterling denominated

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

Rationale for investment limits

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

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

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

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

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

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

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

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

Local Government Association: £20m limit. The Local Government Association (LGA) is a charitable organisation, funded largely from subscriptions, which comprises local authorities in England and Wales, representing the interests of local government to national government. Its core membership comprises 335 councils. Despite being an entity which represents local authorities, this entity is not regarded as risk free as local authorities and therefore the limit is lower at £20m.

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

Money Market Funds (MMF): £70m per manager, £300m in total. Money market funds are open-ended funds that invests in short-term high quality debt securities such as Treasury bills and commercial paper.

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

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

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

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

UK Bank Deposits: £75m or £50m per bank. Banks have become a riskier counterparty since the bail outs of Lloyds and RBS. The Financial Services (Banking Reform) Act 2013 confers on the Bank of England a bail-in stabilisation option for the resolution for banks and building societies, ensuring that shareholders and creditors/depositors of the failed institution, rather than the taxpayer, meet the costs of the failure. Despite the bail-in risk, the return on UK bank deposits is relatively low.

Non-UK Bank Deposits: £50m or £35m (Sterling deposits only) per bank. Overseas banks incorporated in the UK provide a number of options for high quality institutions with returns largely similar to UK banks.

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

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

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

APPENDIX 2

Minimum Revenue Provision (MRP) Policy

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

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

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

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

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

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

   - The Council reserves the right to adopt an annuity MRP structure where appropriate to match an assets cash flows.

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

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

   - As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

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

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

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

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

CIPFA requirements

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

- Maintaining a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities.
- Maintaining a statement of Treasury Management Practices that sets out the manner in which the Council will seek to achieve these policies and objectives.
- Presenting the Full Council with an annual TMSS statement, including an annual investment strategy and Minimum Revenue Provision policy for the year ahead (this report) a half year review report and an annual report (stewardship report) covering compliance during the previous year.
- A statement of delegation for treasury management functions and for the execution and administration of statement treasury management decisions. (see below)
- Delegation of the role of scrutiny of treasury management activities and reports to a specific named body. At Westminster City Council this role is undertaken by the Audit and Performance Committee

Treasury Management Delegations and Responsibilities

The respective roles of the Council, Cabinet, Audit and Performance Committee and Section 151 officer are summarised below. Further details are set out in the Treasury Management Practices.

Council

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

Cabinet

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

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

Audit and Performance Committee

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

Section 151 Officer

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

- investment management arrangements and strategy;
- borrowing and debt strategy;
- monitoring investment activity and performance;
- overseeing administrative activities;
- ensuring compliance with relevant laws and regulations;
- provision of guidance to officers and members in exercising delegated powers.

Tri-Borough Director of Treasury and Pensions

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

Treasury Team

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

Training

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

Prospects for Interest Rates

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

Link Group Interest Rate View 9.11.20														(The Capital Economics forecasts were done 11.11.20)
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate														
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

2. The COVID-19 outbreak has inflicted huge economic damage to the UK and global economies. After the Bank of England took emergency action on 19 March to cut the Bank Rate to 0.10%, with some forecasters suggesting future negative territory could happen.

3. However, the Governor of the Bank of England has made it clear that he thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in the Bank Rate is expected as economic recovery is expected to be only gradual and prolonged.

4. **Gilt yields / PWLB rates**. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.

5. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual

lowering of the overall level of interest rates and bond yields in financial markets during this time period.

6. Over the year prior to COVID-19, bond yields up to 10 years have turned negative in the Eurozone. Additionally, there has at times been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Conversely, bond prices have been elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and therefore selling out of equities.

7. Gilt yields had therefore already been on a generally falling trend up until the COVID-19 crisis hit western economies during March 2020. After gilt yields spiked up during March 2020, we have seen these yields fall sharply to unprecedented lows as investors panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds, resulting in downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by the issuance of government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have remained at remarkably low rates so far in 2020/21.

8. As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the COVID-19 shut down period. From time to time, gilt yields and therefore PWLB rates can be subject to exceptional levels of volatility due to geopolitical events, sovereign debt crises, emerging market developments and sharp changes in investor sentiment, as shown on 9 November 2020 when the first results of a successful COVID-19 vaccine trial were announced. Such volatility could occur at any time during the forecast period.

Economic Update

9. **UK** The Bank of England’s Monetary Policy Committee kept the Bank Rate unchanged on 5 November 2020. However, it revised its economic forecasts to take account of a second national lockdown from 5 November to 2 December 2020 which is obviously going to delay any economic recovery and result in further damage to the economy. It therefore decided to commit to a further tranche of quantitative easing (QE) of £150bn, to start in January 2020 when the current programme of £300bn of QE announced in March to June expires. It did this so that “announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target”.

10. Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expects there to be excess demand in the economy by Q4 2022.

- CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the “inflation risks were judged to be balanced”
-

11. Significantly, there was no mention of negative interest rates in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next six to 12 months. However, rather than saying that it “stands ready to adjust monetary policy”, the MPC this time said that it will take “whatever additional action was necessary to achieve its remit”. The latter seems stronger and wider and may indicate the Bank’s willingness to embrace new tools.

12. One key addition to the Bank’s forward guidance in August 2020 was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. One interpretation is that, even if inflation rises to 2% in a couple of years’ time, do not expect any action from the MPC to raise the Bank Rate until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise the Bank Rate. Link’s bank Rate forecast currently shows no increase through to Q1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. Inflation is unlikely to pose a threat requiring increases in the Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.

13. However, the minutes did contain several references to downside risks. The MPC reiterated that the “recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside”. It also said, “the risk of a more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December 2020 and most of January 2021 too. That could involve some or all of the lockdown being extended beyond 2 December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January 2021 and many regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during spring 2021. It is only to be expected that some businesses that have barely survived the first lockdown will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to 31 March 2021 will limit the degree of damage done.

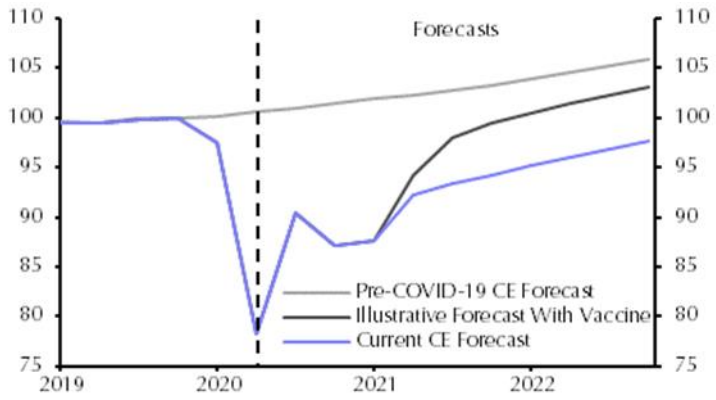
14. As for the upside risk, the Pfizer announcement on 9 November 2020 was very encouraging as its 90% rate of effectiveness was much higher than the 50-60% rate of effectiveness reference flu vaccines which might otherwise have been expected. There has been even further encouraging news since then with another two vaccines, also announcing high success rates. Together, these three announcements have enormously boosted confidence that life could largely return to normal during the second half of 2021, with activity in the still depressed sectors, including restaurants, travel and hotels, returning to their pre-COVID-19 levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete but, if these vaccines prove to be highly effective, there is a possibility that

restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could be further overwhelmed. Effective vaccines would radically improve the economic outlook once they have been widely administered and may allow GDP to rise to its pre-COVID-19 level a year earlier than otherwise, resulting in unemployment rate peaks at 7% next year instead of 9%. But, while this would reduce the need for more QE and/or negative interest rates, increases in the Bank Rate would still remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.

15. Public borrowing is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE undertaken by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt is being issued, and this is being done across the whole yield curve in all maturities. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running an annual budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a less optimistic view of the impact that vaccines could make in the speed of economic recovery.

16. Overall, the pace of recovery was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August 2020, this left the economy still 9.2% smaller than in February 2020. This suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5 November 2020 for one month is expected to depress GDP by 8% in November 2020 while the rebound in December 2020 is likely to be muted and vulnerable to the previously mentioned downside risks. It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, the graph below shows the Capital Economics forecast on what happens if successful vaccines were widely administered in the UK in the first half of 2021: this could cause a much quicker recovery.

Level of real GDP (Q4 2019 = 100)



17. There will be some painful longer-term adjustments, e.g., office space and air travel, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. Conversely, digital services is one area that has already seen huge growth.

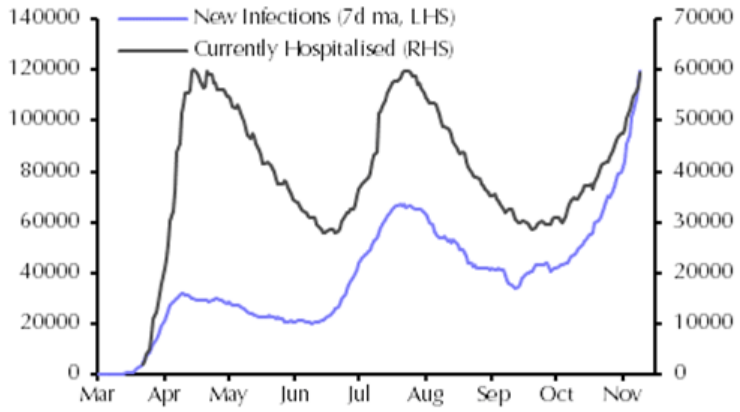
18. The Financial Policy Committee (FPC) report on 6 August 2020 revised down the expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

19. **US** The result of the November 2020 US election means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to commit to significant fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and could have put particular upward pressure on debt yields, which could have resulted in upward pressure on gilt yields. On the other hand, equity prices leapt up on 9 November 2020 on the first news of a successful vaccine and have risen further during November 2020 as more vaccines announced successful results. This could cause a big shift in investor sentiment, i.e., a swing to sell out of government debt to buy into equities which would normally be expected to cause debt prices to fall and yields to rise. However, the rise in yields has been quite muted so far and it is too early to say whether the US Federal Reserve would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

20. The US economy had been recovering quite strongly from its contraction seen in 2020 of -10.2% due to the pandemic, with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during Q4, to the highest level since mid-August 2020, suggests that the US could be in the early stages of a third wave. While the first wave in March and April 2020 was concentrated in the north-east, and the second wave in the south and west, the latest wave has been driven by a growing outbreak in the mid-west. The latest upturn poses a threat that the recovery in the economy could stall. This is the single biggest downside risk to the

shorter term outlook, a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 New infections & hospitalisations



21. After the Federal Reserve adopted its flexible average inflation target in late August 2020, the mid-September 2020 meeting of the Federal Reserve agreed to a toned down version of the new inflation target, stating that, "it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time." This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline, with long-term bond yields duly rising after its meeting. The Federal Reserve also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared with more directed central government fiscal policy. The FOMC’s updated economic and rate projections in mid-September 2020 showed that officials expect to leave the Federal Reserve funds rate at near-zero until at least end of 2023 and probably for another year or two beyond that. There is now some expectation that where the Federal Reserve has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

22. **EU** The economy was recovering well towards the end of Q2 and into Q3 2020 after a sharp drop in GDP caused by the COVID-19 virus,(e.g., France -18.9%, Italy -17.6%). However, growth is likely to stagnate during Q4 and Q1 of 2021 as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more

quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a Euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

23. **China** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4, enabling China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared with western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years

24. **Japan** Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre COVID-19 virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of -8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

25. **World growth** While Latin America and India have, until recently, been hotspots for COVID-19 virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

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City of Westminster

Decision Maker:	Cabinet
Date:	15 February 2021
Classification:	General Release
Title:	Integrated Investment Framework 2021/22
Wards Affected:	All
Policy Context:	To manage the Council's finances prudently and efficiently.
Cabinet Member	Cllr Paul Swaddle, Cabinet Member for Finance and Smart City
Financial Summary:	Implementation of an Integrated Investment Framework will influence investment decisions going forwards and deliver added value to Council services. This report identifies the potential for future improved returns.
Report of:	Gerald Almeroth, Executive Director – Finance and Resources

EXECUTIVE SUMMARY

1. On 4 March 2020, Full Council gave approval to implement a comprehensive strategic integrated investment framework for bringing together and managing its investments with the approval of an Integrated Investment Framework.

2. The Council holds £635.5m of short-term high grade, cash investments (as at 31 October 2020), managed under the Treasury Management Strategy, which passes through Scrutiny, Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £499.4m. It also owns various equity shareholdings. In addition, the Council is responsible for managing the Pension Fund which has net assets of £1.6bn and operates under the Investment Strategy Statement (ISS) set by the Pension Fund Committee.

3. The treasury investments are currently generating a forecast return of 0.47% in the current financial year 2020/21. The investment properties are currently generating around 4.35%, net of direct costs (based on 2019/20 return). The latest current inflation rate as measured by CPI is 0.60% (as at December 2020), and this must be accounted for alongside the current total portfolio yield.

4. This report sets out:

   - the Council's strategic objectives in respect of risk management, and its attitude towards investment risk;
   - current levels of investment activity;
   - an updated Integrated Investment Framework for the Council going forward which seeks to diversify the risk and thus future-proof the Council against possible future economic downturns;
   - actions to be taken in connection with implementing this framework.

RECOMMENDATIONS

5. That the Council:

   a) approve and implement the Integrated Investment Framework set out in this report;

   b) approve that the target for the overall return on Council investments should aspire to at least match inflation;

   c) approve that the benefits of investing in the Pension Fund should be used as a benchmark when evaluating other investments;

   d) adopt the asset allocation percentages set out in the framework and work towards achieving these;

   e) agree that the overarching objective of this framework is to achieve an overall return on Council investments aspiring to match inflation and to reduce costs and liabilities, whilst maintaining adequate cash balances for operational purposes, and not exposing the capital value of investments to unnecessary risk;

   f) approve that strategic investments allocated to out-of-borough property developments should be considered individually and should outweigh the benefits of investing in-borough (which can have a number of non-commercial benefits, e.g., place making) and in a diversified property portfolio (acquisitions

will be made out of borough only on an exceptional basis). Individual decisions should be subject to Cabinet Member approval;

g) approve that the property and alternative asset allocation should focus on in-borough, with out of borough options being explored on an exceptional basis and subject to Cabinet Member approval;

h) the Investment Executive to implement and monitor the investment strategy.

INTEGRATED INVESTMENT FRAMEWORK

BACKGROUND

6. The Council is responsible for managing its total assets valued at around £2.792bn at 31 October 2020, comprising £1.593bn pension fund, £0.635bn of short-term cash investments and £499.4m of investment property. It is important that the Council is able to take a holistic view of its investment and aligns them with its funding needs and goals. The scale of these figures makes their positive and proactive financial management very important. Investments held as part of the Council's pension fund are managed under a separate regulatory framework and are outside the scope of this report from the point of view of investment management.

7. In previous years, the Council's Investment Strategy formed part of the Treasury Management Strategy Statement (TMSS) which is developed and updated as part of the Council's Medium Term Financial Plan (MTFP). The TMSS has tended to focus on the policies for placing short-term cash investments, whilst decisions regarding other types of longer term investment have been considered on an individual basis as opportunities arose.

8. While the assets are distributed across a range of areas, the complexity of the Council and its funding requirements means that there is a need for the assets to be considered collectively and holistically as, in the aggregate, they represent a very significant pool of resources. More specifically, in view of:

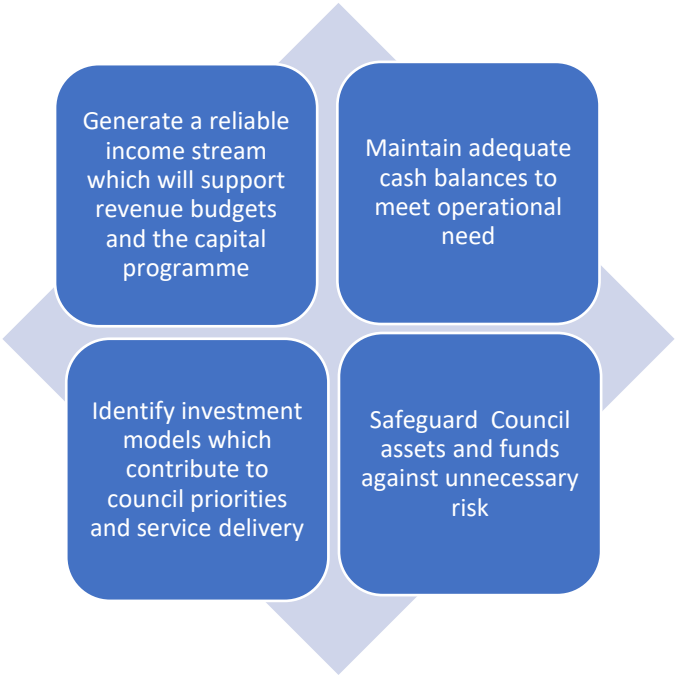
   - the significant value of investments held by the Council;
   - their increasing importance in terms of generating income which supports revenue budgets and capital investment;
   - their potential to add value and contribute towards corporate objectives in their own right,

   It was felt appropriate to give this aspect of financial management more detailed consideration and to develop a more integrated approach to investment decision making.

STRATEGIC CONTEXT

9. The Council's key focus is on delivering high quality services within the context of reduced government funding and increased demand for services due to demographic change. The Council also needs to have regard to the longer term, given its moral and legal responsibilities regarding sustainability and stewardship of public assets.

10. The role of investment management is to support service delivery by balancing four key strategic objectives as follows:



11. An appropriate investment strategy which balances the above objectives is therefore key.

12. The Council is exposed to possible future events, such as:

- continued pressures on expenditure and service revenue streams due to the ongoing COVID-19 pandemic;
- continuing weakened UK economy, possibly leading to severe recession in the UK and increasing demand for Council services;
- a devaluation in the value of UK Sterling;
- increases to CPI inflation, which will place cost pressure on both revenue and capital budgets;
- the possibility of future negative interest rates;
- Government funding policy changes.

13. Ideally, the investment strategy should be aimed at generating future income to address these longer term risks.

ACCEPTABLE RISK LEVELS

14. An appropriate investment strategy which balances the above objectives consists of one which:

- focuses on investments with a reasonable return based on reasonable risk;
- includes other Treasury opportunities not covered in the TMSS; and
- investigates property investment opportunities.

15. The suggested policy going forward is that the Council will generally seek to obtain the maximum amount of income consistent with an optimum level of risk, and will be willing to accept a lower level of income in exchange for a lower risk product which does not expose the capital value of the investment to potential loss.

16. By more proactive and appropriate management of the Council's investment portfolio, an increased level of income can be achieved, but also ensuring that appropriate security is maintained over the Council's assets.

17. Such investments shall be separately identified in Council records and will be subject to the Council's detailed budget monitoring and review as a result.

CURRENT INVESTMENT ACTIVITY

18. The Council is responsible for managing four investment portfolios:

- the Council treasury investment portfolio of circa £635.5m comprising of short-term cash-based investments generating a forecast return of 0.47%;
- Long-term investments in shareholdings such as Westminster Housing Investments Ltd, portfolio value £34.6m, with an expected rate of return of 5%.
- A property fund partnership (Lettings Fund, portfolio value £29.5m with an expected rate of return of 3.2%.
- the investment property portfolio of £499.4m
  - the City of Westminster Pension Fund of £1.593bn with an assumed long-term investment return of 4.8%.

19. The Council investment portfolio is set out below.

Type of Investment	Expected rate of return	Value at 31 October 2020 £ million	Value at 31 March 2020 £ million
Short term investments (mostly overnight cash deposits, money market etc.)	0.47%	£635.5	£628.7
Long term investments in shareholdings in controlled companies	5% Average	£34.6	£36.7
Property Fund Partnership (Lettings Fund)	6% average over 7 years	£29.5	£29.5
Investment properties	4.35% net of costs (latest full year 2019/20)	£499.4	£499.4
Total		**1199.0**	**1194.3**

20. The Pension Fund is a separate legal entity and, therefore, its assets cannot fit within the wider investment framework of the Council. However, despite this ring-fencing, the pension fund has a significant second-order impact on the Council's financial position and funding needs, because of the existing deficit in the scheme, and the contribution plan in place to close this deficit.

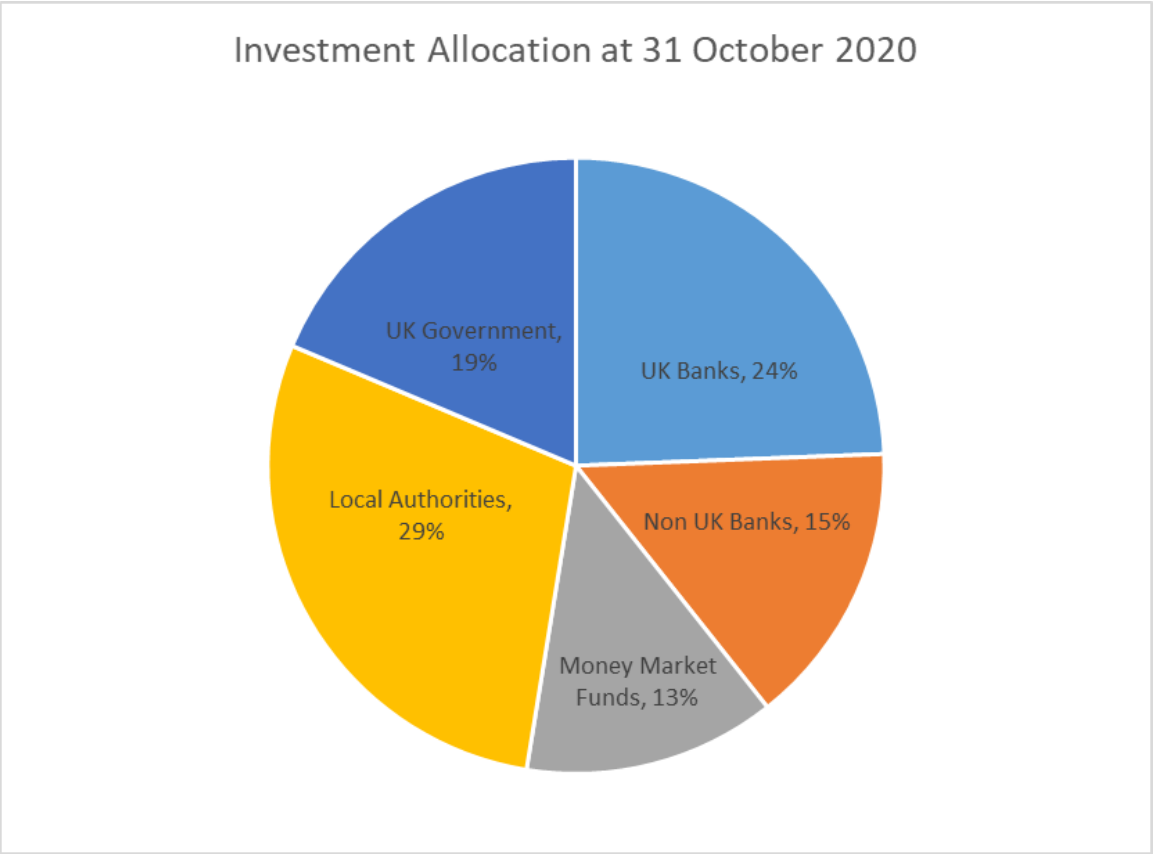
21. Following the 2019 triennial actuarial valuation, the estimated funding level for the City of Westminster Pension Fund has risen to 100% (80% in 2016). This can be attributed to excellent investment returns during this period with global equities performing

particularly well. The funding level for Westminster City Council as an employer has risen by 16% to an 86% in 2019 from 70% in 2016, this is in part due to the Council's deficit recovery payments made to the Pension Fund during this period.

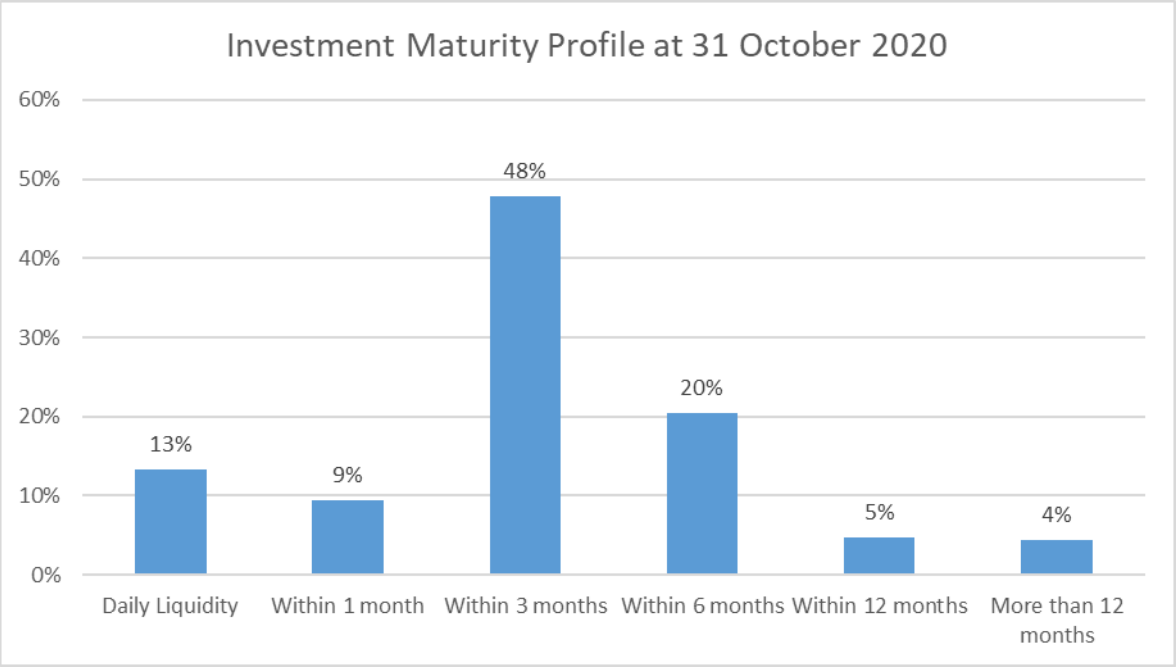
22. The funding of the Pension Fund assumes a long-term annualised rate of return of 4.8% represented in the discount rate used to value the pension fund liabilities. From the Council perspective, as an employer paying into the Pension Fund, any deficit represents a form of borrowing with an interest rate set at the discount rate of 4.8%.

SHORT-TERM INVESTMENTS

23. In line with the current investment strategy, the treasury portfolio of short term cash-based investments with 39% bank based deposits, 29% in local authorities (subject to due diligence on recent external audit reports, past and current expenditure outturn/forecast and current/anticipated position with regard to useable reserves), 13% in money market funds and 19% in the Debt Management Office as shown below.



24. The majority of treasury managed investments currently mature within 12 months as shown below.



25. In line with the above, the portfolio is entirely investment grade and heavily biased toward the top end with 13% of investments rated AAA, 12% rated AA, 27% rated A and 48% being local authority and UK government.

26. This approach provides flexibility for the Council at very low levels of risk, but tends to result in fairly low returns, currently around 0.47%, and an approach to investment management which focuses on security and liquidity.

INVESTMENT PROPERTY

27. Commercial property investment provides investors with:

- a higher income return than equities, bonds or cash;
- a secure, regular income with income growth prospects to hedge against inflation;
- capital value appreciation;
- asset management opportunities to further increase rental and capital growth;
- an underlying real asset with minimum capital value.

28. However, as with any investment, there are associated risks:

- illiquidity: property is a ‘bricks and mortar’ asset which takes time to sell/buy;
- threat to income security if the tenancy fails and the property cannot be re-let;
- capital depreciation: if the asset is not properly managed and kept in good repair;
- fallout from current economic downturn: resulting in rental default and lower market rentals.

29. Geographically, the investment property portfolio is inevitably concentrated within the city, which thus concentrates the economic risk in one area. Commercial property yields are currently ranging from 3.50% in central London to 7.25% in the regions (see Appendix C). In-house investment property generated 4.35% yield net of costs (excluding capital growth) in 2019/20.

30. This is reflective of the market up until 31 March 2020. However, there is emerging evidence of a downturn for in particular non-prime office space post-Covid in London (Savill's State of the market report Dec 2020) and as we know most parts of the retail sector have also been hard hit. This all forms part of a complex picture of effects on commercial property both demand and value for which it is too early to draw conclusion.

31. Currently, the property investment portfolio is heavily fragmented due to its historical incremental build-up with a concentration in alternative assets (largely car parks) which generates 48% of total income, followed by offices generating 23%, retail generating 16%, industrial generating 8% and residential generating 5%. The car park assets, which provide a steady income stream, offer value added opportunities through potential change of use and redevelopment over time.

32. A budget of £120m is included in the Capital Programme for strategic investments and acquisitions that will support the Council's regeneration aims and generate additional revenue income. Schemes funded by this will go ahead only if they meet the Councils strategic aims and are considered a sound and prudent investment after full due diligence.

33. The Council is focused on delivering best returns from the portfolio, acquiring new assets and redeveloping existing assets will help to achieve this. The property investment strategy is focussed around three elements:

- **Driving income from the current portfolio** – The aim is to increase the portfolio by 2% per annum in net income terms (excluding new acquisitions). This will be achieved through a pro-active Asset Strategy enabling long term deals to be agreed that benefit income outside regular lease events. This target be reviewed in the short term in light of Covid impacts.

- **Streamline and future proof the current portfolio –** This will involve a plan to dispose of poor performing assets (where there is no broader justification for holding them) and a long-term strategy for car parks. In addition, there will be investment into the portfolio where there are opportunities to generate further income.

- **Invest in new commercial properties within Westminster –** General principles for investment are detailed below, the investment will be reviewed in the round so not every one of the principles needs to be achieved for an investment to be made:
  - investment should primarily be focused on strategic fit – focused on clusters linked to the Council's long term regeneration and economic objectives;
  - investments should then consider possible diversification of the portfolio, and interpretation of what that means post-Covid for the market;
  - all assets acquired must be within Borough unless opportunities arise adjacent to existing out-of-borough holdings;

- new investments should consider yields of 4-5% over the short to medium term;
- investment assets should not be acquired primarily for the purpose of generating yield (see para 48).

LONG-TERM INVESTMENTS

34. Prior to 2004, Councils were only permitted to make loans to, or invest in, other local authorities, the Government, banks or building societies. The introduction of the Prudential Code relaxed these restrictions and gave local authorities the flexibility to invest in much more innovative methods of service delivery and income generation by:

    - establishing, controlling and participating in limited companies trading for profit; and
    - entering into loans and investments with "non-specified" counterparties, including limited companies and not-for-profit organisations.

35. These are classed as non-specified investments under the Ministry of Housing, Communities and Local Government's (MHCLG) statutory guidance for local government investments.

36. No general legal restrictions are placed on the value, length or nature of such investments and the only proviso is that investments are placed in accordance with investment strategies formally approved by members. The City Council's Treasury Management Strategy Statement (TMSS) expressly permits new investments in non-specified institutions. For any such investments, specific proposals will be considered by the Tri-Borough Director of Treasury and Pensions and approved by the S151 Officer subject to due diligence.

37. Non-specified investments include asset vehicles, such as infrastructure and housing, which offer additional possibilities. As well as generating additional income, they can, in and of themselves, make a contribution to corporate priorities and improve service delivery. They also diversify investment risk away from the banking sector and can offer more flexibility in terms of length of investment and timing of drawdowns.

38. This type of investment is becoming more common in local government with authorities investing in projects to increase low cost and affordable housing, improve transport infrastructure, and support sustainable energy programmes as well as pooled property or equity investments, venture capital funds to support new and growing businesses, bond issues and unit trusts.

39. Such investments typically offer a higher risk adjusted return. However, they also tend to carry more complex risk profiles and attract higher transaction/due diligence costs and are unlikely to have a published unit price or credit rating. The onus therefore falls on the Council to make its own evaluation of the investment and whether or not to proceed.

40. The Council's current portfolio of non-specified investments is:

	Value at 31 October 2020 £ million	Value at 31 March 2020 £ million	Expected return
Loans and Equity Holdings set up to meet strategic service and policy initiatives	34.6	36.7	Average yield of 5% however profits are expected to be reinvested
Property Fund Partnership (Lettings Fund)	29.5	29.5	Annualised 6% over 7-year life of fund
LGA long term loan	20.0	20.0	3.13%
Total	**84.1**	**86.2**	

41. By increasing its holdings in this area, the Council would reduce its reliance on the banking sector and facilitate the move towards a more long-term investment profile, as discussed below.

42. Identifying and investigating individual investment opportunities across multiple markets can be both time consuming and expensive. Therefore, appointing a Fund Manager to manage a "bundle" of separate investments across a range of markets can be cost effective and spread risk by taking assurance on the fund manager's own due diligence processes.

LIABILITIES AND CASHFLOW NEEDS

43. In order to assess appropriate changes to the treasury portfolio, it is important to consider also the council's liabilities and cashflow needs over time. This is imperative as the purpose of investing the assets is to better match upcoming cashflow needs and also to minimise funding gaps.

44. Council has a significant capital programme that totals £2.9bn to 2034/35. This will be funded from £0.3bn of external funding and £1.0bn of capital receipts, leaving a net funding requirement of £1.6bn. Thus, the need to take liquidity into account is extremely important

INVESTMENT ALLOCATION

45. The Council's investment portfolio is currently allocated between liquid cash based short-term investments, longer term cash investments for the intention of generating enhanced yield and commercial property, pension investments and equity shareholdings which tend to be held for perpetuity or at least 20 years or more.

46. Achieving liquidity and the necessary cashflow to manage revenue and capital commitments does require a reasonable allocation of short- term investments, with 54% of the cash portfolio maturing within 12 months regarded as reasonable.

47. Therefore, the proposed approach going forward is to move investment allocations towards proposals in the table below, facilitating liquidity in an achievable manner:

INVESTING PRIMARILY FOR YIELD

48. Under the new Public Work Loans Board (PWLB) framework, the Council will need to submit its three-year capital plan to the PWLB and classify under different areas of spend, listed below, with classification the responsibility of the S151 officer. Any monies lent by the PWLB would also need to be classified under the following areas of spend:

- Service spending
- Housing
- Regeneration
- Preventative action
- Treasury Management: refinancing and externalisation of internal borrowing

49. Under the PWLB criteria, it is stipulated: "Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with a PWLB loan."

50. On transacting a PWLB loan, the S151 officer is required to confirm that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield. When applying for a new PWLB loan, the Council will be asked to confirm that the latest plans submitted remain current and the assurance that they do not intend to buy investment assets primarily for yield remains valid.

51. The PWLB guidance defines investment assets bought primarily for yield as:

- buying land or existing buildings to let out at market rate;
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification;
- buying land or existing buildings, other than housing, which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger, such as the completion of land assembly.

INVESTMENT ALLOCATIONS

52. The following investment allocation targets are in place.

Type of investment	Allocation
Short-term investments – under six months	27%
Short-term investments – over six months less than one year	27%
Short-term investments – less than two years	6%
Short-term investments – less than three years	4%
Short-term investments – less than four years	4%
Short-term investments – less than five years	4%
Property	25%
Alternative investments*	3%
Total	**100%**

*** In the absence of any approval for the placing of Alternative Investments, there is no proposed allocation for these. Should such an opportunity arise and be approved, this will reduce the allocation to short-term investments of less than one year.**

FACTORS IN INCREASING YIELD

53. This has been partially achieved with the following ambitions set out in the TMSS. However, the requirement for liquidity will remain paramount and a revised maturity profile is set out above.

Change	Current situation	Risk	Progress made in 2020/21
Treasury Management			
The COVID-19 pandemic has seen a new low BOE base rate of 0.1%. This, combined with reduced investor confidence has further depressed cash yields due to excess suppl.	Cash investment figures are typically below base rate in the short term and there is very little illiquidity premium in the medium to long term. Many banks and other entities are offering negative yields short term.	Lost investment income in this and future financial years and the possibility of negative interest rates.	Accrued interest on pre-pandemic deals has to date softened the impact of low interest rates.
Investment property			
Adopt a more focused property investment strategy by reducing the number of properties and increasing the lot size to increase efficiency and reduce the cost of management and maintenance. A key objective is the acquisition of suitable properties which will assist in the unlocking or enhancement of regeneration schemes or the achievement of other strategic benefits (not necessarily financial) for the Council. Given the added illiquidity of property investment, this only makes sense if properties meet the strategic aims of the Council and can achieve higher yields than the treasury portfolio and meet other objectives such as reducing risk (e.g. inflation) or help meet statutory duties. Therefore, new acquisitions should be driven by strategic objectives and target a return of around 4-5%.	Increased net return target of 2%	Adverse property markets may result in a fall in sale value	There have been no significant purchases in year, however there are various investment plans following the implementation of the latest revised property investment strategy

Change	Current situation	Risk	Progress made in 2020/21
Expanding the use of fund structures to deliver specialist functions such as supported living housing, homeless shelters, asylum housing etc. This would meet statutory duties and generate a return.	Yields from public social housing real estate investment trusts (REITs), such as the Real Lettings Fund which the Council is currently invested in are generating returns of 6%	By using a fund structure, this arms-length approach distances the Council from the costs of directly managing such property and investment is secured on the underlying property	During implementation, consideration will be given to additional transaction costs (which may be bid/offer on entry and exit), as well as high management fees and/or the underlying costs of such investments.
Alternative assets			
6. These fall outside traditional investments, such as listed equities and bonds, and include renewable energy pooled funds, infrastructure and commodities.			Currently, these are considered too high risk for the treasury portfolio.
Pension Fund			
7. Pension Fund deficit: pay off entire deficit post 2019 actuarial valuation	This eliminates the interest payable on the pension fund deficit in its entirety, providing contribution and interest savings	Adverse markets in UK and abroad increase pensions deficit notwithstanding the payment made	The Council is proposing to pay all of its pension fund deficit identified in the 2019 triennial actuarial valuation, currently projected to be £132m at 1 April 2021.

SCRUTINY

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

OVERALL INVESTMENT TARGET

55. The overarching objective of this Framework is to move towards increasing income generated from Council investments aspiring to match inflation in a full year (compared with the current forecast return of 0.47%), whilst maintaining adequate liquid cash balances for operational purposes and not exposing the capital value of investments to unnecessary risk.

GOVERNANCE

56. Innovation within the financial services industry leads to a constantly changing market and the availability of new asset classes, products and financial instruments. The Council needs to be able to operate more flexibly, and make decisions more quickly, in order to benefit from the opportunities presented by this environment and to successfully implement the changes outlined above.

57. The implementation, management and reporting of this Integrated Investments Framework operates, being approved by Full Council with specific investment decisions that require such action being delegated to the Cabinet Member for Finance and Smart City after due diligence and advice from the Executive Director - Finance and Resources and Tri-Borough Director of Treasury and Pensions.

58. Day-to-day aspects of treasury management function will continue to be delegated to officers in the same way that they are at present, but the Integrated Investment Framework will:

- enhance the effectiveness of decision making;
- embed a good risk culture that encompasses appropriate due diligence, option appraisal and an atmosphere of open debate;
- ensure that a holistic approach is taken towards managing the Council's portfolio.

59. The implementation, monitoring and reporting will continue to be delegated to the Investment Executive. The Investment Executive will comprise:

- the Cabinet Member for Finance and Smart City and the Chairman of the Audit and Performance Committee;
- the Executive Director – Finance & Resources, Tri-Borough Director of Pensions and Treasury, and the Director of Property and Strategic Asset Management;
- the Chief Executive and the Executive Director GPH as necessary.

60. The Investment Executive will meet quarterly, supplemented with ad hoc calls and meetings in times of need of change.

61. Key information will be reported to Members on a quarterly basis through the investment reports.

62. Given the complexity of this important area, the Council will need to rely on independent experts and advisors. The Council currently engages two investment advisors who:

- provide advice on the current investment market and recommend new products in which to invest;
- benchmark the Council's performance and identify any areas where there is scope for improvement.

DUE DILIGENCE

63. Due diligence is any process undertaken to:

- investigate a business or person prior to signing a contract;

- record the reasons behind an investment decision;

- demonstrate that the Council is acting responsibly and has adequately assessed the balance between risk and reward.

64. Due diligence should be undertaken on all investments in a consistent manner, albeit proportionate, in terms of the value and complexity of the financial instruments being considered, and their relative impact on the Council's finances as a whole.

65. For a simple instrument such as a corporate bond, for example, a few paragraphs summarising risks and expected rewards, together with analysis from an advisor would suffice. A more complex product might require specialist assistance, comprehensive risk analysis and work undertaken to monitor and re-assess risks and performance regularly.

66. The Council has developed a framework for undertaking due diligence which promotes consistency and rigour whilst, at the same time, allowing for flexibility and a proportionate approach. It is based around the “6 Ps” principle as set out in Appendix A.

67. Whilst this framework does not rule out in principle any specific type of investment, all proposals will be considered in terms of:

- reputational risk to the Council;
- environmental, social. ethical and sustainability considerations.

OPTION APPRAISAL

68. An important aspect of due diligence is assessing the value for money offered by a new investment. Option appraisal will be undertaken for all new investments as part of the due diligence process, on a proportionate basis that reflects investment value, expected duration, and anticipated level of risk. It will be:

- Strategic outcome focused;
- structured around the key questions set out in Appendix B;
- take non-financial benefits into consideration where relevant.

69. Option appraisal should focus on the opportunity costs of the investment and a comparison against returns offered by other products or opportunities realistically available, rather than achievement of a “theoretical” rate of return.

FINANCIAL AND LEGAL IMPLICATIONS

70. This report identifies the potential for improved returns aspiring to match inflation in a full year compared with the current forecast return of 0.92%. Approval and implementation will result in an integrated framework for managing the Council’s investment portfolio which supports improved returns and a more effective contribution to Council priorities and services.

BACKGROUND PAPERS

Council

2021/22 Treasury Management Strategy

2019/20 Statement of Accounts

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

Phil Triggs, Tri-Borough Director of Treasury & Pensions

Tel: 0207 641 4136

Email: ptriggs@westminster.gov.uk

APPENDIX A – DUE DILIGENCE FRAMEWORK

1. The Council has developed a framework for undertaking due diligence which promotes consistency and rigour whilst at the same time allowing for flexibility and a proportionate approach. It is based around the "6 Ps" principle as set out below:

Powers

a) What legal powers is the Council relying on to make the investment being proposed;

b) Has legality been considered in terms of the underlying nature of the activity, as well as the instrument or vehicle itself?

c) Have capital financing and MRP requirements been considered?

Permission

2. Does the Council need permission from the Secretary of State or anyone else before progressing this investment e.g.,

a) Members – and if so who (committee with delegated authority, cabinet or full Council)

b) Chief Officer if delegated decision making powers apply

c) Consultation with the public or staff may be a legal requirement

d) Does the proposal involve legal negotiations with a contractor or 3rd party?

Policy

a) Does the proposal fit within the Council's policy objectives in terms of what it is trying to achieve?

b) If not does the proposal need to go to Full Council for approval?

Payment

a) How is the proposal to be funded both in terms of initial and ongoing costs (i.e. is there a budget – revenue and capital)

Procurement

a) Has the proposal been subject to the Council's procurement procedures?

b) Does it need to go through formal tendering or does it need a waiver?

c) Are there any State Aid or EU implications?

Press

a) Might the Council be exposing itself to criticism?

3. Whilst not all of the above considerations will apply to every investment scenario, this framework will be applied in principle to every investment proposal, with results reported to Members for consideration.

APPENDIX B – OPTION APPRAISAL

1. Option appraisal should be structured around the following questions:

Key questions	Issues to consider
How is the proposal to be funded in terms of initial and ongoing costs?	Is there an existing budget or is virement required? Does the proposal provide any added value to the Council in terms of improved efficiency, budget savings or reduced costs?
What is the opportunity cost of using up these cash resources?	What is the expected length of the investment period? What additional costs are there (transaction costs, due diligence etc.) in addition to the capital investment itself? Does the expenditure count as a capital transaction under capital accounting regulations? If so what are MRP/CFR implications?* Is there an exit strategy? Will this involve additional costs? Is there a risk of permanent impairment in the capital value of the investment?
Does the proposal link to corporate objectives and statutory services?	If so how does it compare to the cost of achieving similar outcomes? Will this delivery option increase or decrease outcome or cost risk?
Is the proposal solely to generate income?	What key assumptions and sensitivities are contained in the financial model? * What are best, worst and medium case scenarios? How do these compare to other investment opportunities within the same investment allocation?
What transaction, professional and management costs need to be considered?	Consider for example: Independent advice and “experts” Legal fees/stamp duty Tax, audit, accountancy, secretarial Officer time in attending meetings etc.

* To promote consistency when evaluating potential investments, any MRP set aside requirements for property or alternative investments will be calculated using the annuity method rather than on a straight line basis.

APPENDIX C - Prime yields for commercial property

	Dec 2019	Dec 2020
West End offices	3.75%	3.50%
City Offices	4.00%	4.00%
Offices M25	5.00%	5.50%
Provincial Offices	4.75%	5.00%
High Street Retail	5.50%	6.50%
Shopping Centres	5.75%	7.00%
Retail warehouse (open A1)	6.50%	6.25%
Retail warehouse (restricted)	6.50%	6.50%
Food stores	4.75%	4.50%
Industrial distribution	4.25%	3.75%
Industrial multi-lets	4.00%	3.75%
Leisure Parks	5.75%	7.25%
Hotels	3.75%	4.00%

Source: Savills

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City of Westminster

Cabinet Report

Decision Maker:	Full Cabinet
Date:	15 February 2021
Classification:	General Release
Title:	Pay Policy 2021-22
Wards Affected:	All
City for All:	Not applicable
Key Decision:	Approve the Pay Policy 2021-22
Financial Summary:	No financial implications outside of projected budget
Report of:	Lee Witham, Director of People Services

1. Executive Summary

1.1 The Council is required to publish its Pay Policy by 31st March every year.

1.2 The Pay Policy brings together all the Council's existing policies on pay and must include details in relation to all aspects of Chief Officer's remuneration, increases and additions to remuneration, bonuses, termination payments and remuneration on recruitment.

3. It must also include information about the relationship between the remuneration of its highest paid officer (the Chief Executive) and the median salary of all employees (the "pay multiple").

4. The Pay Policy for 2021-2022 has been amended to reflect the following:

   1. Government's reforms to public sector exit payments to cap payments.
   2. A minor change to the "Rewarding your Contribution" scheme.

2. Recommendations

2.1 That Cabinet review and recommends to the full council the Pay Policy for 2021 - 2022.

3. Reasons for Decision

3.1 To advise of the Council's annual Pay Policy for 2021 – 2022 which needs to be approved by Full Council on 3rd March 2021 before publication.

3.2 To reflect the changes linked to the Government's reforms to public sector exit payments and the internal changes to the "Rewarding Your Contribution" scheme.

3.3 The Pay Policy for 2021-2022 has been amended to reflect the following key changes:

3.1 Government's **reforms to public sector exit payments** to cap payments at £95,000 and recover exit payments for employees earning £80,000 and above were introduced on 4th November 2020. Further guidance is expected to be released and the policy may need further updating following this.

3.2 Changes to the Rewarding your contribution scheme.

3.2.1 As part of its reward offer, the Council allows managers to award one-off "Rewarding Your Contribution" (RYC) payments to employees who have delivered exceptional performance in specific areas / projects or gone the extra mile in their role. Currently, these payments can be up to 5% of the annual salary. Payments of more than £1,500 in a 12-month period must be authorised by an ELT member.

3.2.2 Currently any officer, including senior officers, can receive an award. The usual practice of awarding a percentage of salary has meant that the biggest sums have been awarded to the more senior and highest paid officers. Quarterly diversity analysis provided to ELT, has shown that the scheme has often operated inequitably across gender and ethnicity, thus negatively impacting our pay gaps, especially on the 'bonus' category.

3.2.3 For 2021 – 22, the scheme will be retained as part of our employee offer, but changed it in the following ways:

- Improve equity by removing the percentage of salary-based approach and replacing it with fixed amounts of £1,000 and £2,000.
- Add guidance and criteria for managers to consider when choosing which amount to award, in particular:

✓ Amounts SHOULD NOT be linked to the individual's salary or benefit band. Therefore, it is expected that employees at all bands could be awarded either sum as appropriate in each individual case.
✓ The scale and impact of the outstanding piece of work or project.
✓ How far above and beyond the individual's day job the outstanding piece of work or project is.
✓ The outcome delivered and its impact on the achievement of our City for All vision

- ✓ How they have delivered the outstanding piece of work or project and role modelled the Westminster Way in demonstrating everyone has talent, everyone is valued, and everyone is a leader.

- Make employees eligible for **one payment per year only** (41 individuals received more than one payment in 19/20).

- Retain the delegated authority to line managers to make payments, but in addition Executive Directors to take responsibility for the appropriate and equitable distribution of awards in their departments.

4. Financial Implications

4.1 Following reforms by the Government on public sector exit payments there is now a £95k cap for severance payments. The cap includes any pension strain costs - i.e. the cost of enhancing a pension when an individual takes early retirement.

4.2 Pension strain costs are recognised in the Council's general fund and paid to the pension fund. Going forward any exit payment needs to take account of the strain cost to the general fund and the combination of both amounts (exit payment plus the pension strain) cannot exceed £95k.

4.3 The new pension regulations are currently subject to judicial review and this could reverse the effect of the cap.

4.4 The Council's policy is to follow the latest legislation regarding the £95k cap, but this will be subject to revision if different LGPS legislation comes into force. However, if the cap remains in place this will provide a financial benefit to the Council.

5. Legal Implications

5.1 The legal implications are set out in the attached Pay Policy 2021-22

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

Lee Witham, Director of People Services

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APPENDICES:

Pay Policy 2021-22

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Westminster City Council
Pay Policy 2021- 2022

Introduction

Westminster City Council's (the Council) Pay Policy is published in line with the Localism Act 2011, Section 38 (1) which requires all Local Authorities in England and Wales to publish their Pay Policy annually, at the start of each financial year.

The Council's Pay Policy is presented to full Council for approval on 3rd March 2021. It brings together the Council's approach to pay and remuneration[1] which was approved by Cabinet on 27th August 2008 and is detailed in various Council policies. It is published on the Council's website.

We are committed to diversity and inclusion, celebrating and recognising the contribution of all our people in a fair and transparent way and we will comply with all relevant employment legislation related to pay and remuneration. This includes but is not limited to the Equality Act (2010) and the Part-time Workers (Prevention of Less Favourable Treatment) Regulations (2000).

The Council publishes salaries of Chief Officers and senior staff earning over £68,346 (FTE) and above on the Council's website in line with Local Government Transparency Code 2015.

Under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, mandatory gender pay reporting is required of all employers with over 250 employees from March 2018. The gender pay gap is a measure of the difference between men's and women's average earnings across the organisation. It is expressed as a % of men's earnings.

The gender and BAME pay gap data for Westminster City Council as at 31st March 2020 will be published on the Council's website, where currently is published the report true to 31st March 2019. The 2019 report show a mean gender pay gap of 7% and a median gender pay gap of 11.8%. In 2019 the Council also published detail of its BAME pay gaps, showing the difference between BAME and White employees pay as a percentage of White employees' pay. This shows a mean BAME pay gap of 15.5% and a median BAME pay gap of 13.1%.

Background

The Council implemented a Broad Band pay structure in 2008, the purpose of which is to provide one simplified pay structure from the top to the bottom of the organisation. The pay structure focuses on rewarding added value and supporting business aims. It does not reward time served in post i.e. there is no guaranteed incremental progression. All progression is based on exceeding performance targets.

Notes

[1] Excluding some employees in Schools, JNC Youth Workers, Public Health and City West Homes staff that TUPE transferred into the Council and Soulbury staff.

The Broad Band pay structure provides clarity and transparency on the levels within the organisation and applies to all staff employed by the Council with the exception of: schools support staff (except where the governing body has adopted the broad band structure), JNC Youth Workers, Public Health and former City West Homes staff who TUPE transferred into the Council and Soulbury staff.

The Council recognises the need to attract, recruit and retain the best staff in highly skilled or specialist work areas, where posts are hard to fill. It is accepted that our central London location and the occasional limited availability of quality personnel in certain professions, means that in exceptional circumstances it is difficult to recruit to key posts on the salary for the grade of the post. Where there is a genuine requirement, a Market Based Salary Supplement reflecting the difference between WCC salary and market pay rates is paid as a time bound and non-contractual addition to salary.

The Broad Band Pay Structure

There is one Broad Band pay structure from the top to the bottom of the organisation. There are 7 Broad Bands with 7 pay steps in each band. Band 1 is the lowest and Band 7 is the highest. The band of a post is determined through job evaluation.

The pay levels in the Broad Bands are generally reviewed annually in line with the National Joint Council for Local Government Services (NJC) and the Greater London Provincial Council (GLPC).

Definition of Chief Officer

The term “Chief Officer” for the purposes of this Pay Policy includes the following positions:

- The Chief Executive
- All Executive Leadership Team (ELT) Directors*
- All Directors / Deputy Director, Heads of Services

*all of whom meet the definition of either Statutory or Non-Statutory Chief Officers or Deputy Chief Officers as specified under Part 1, Section 2 (para’s 6-8) of the Local Government and Housing Act 1989, (LGHA) e.g.

“Non-Statutory Chief Officer” means,
(a) a person for whom the head of the authority’s paid service is directly responsible;
(b) a person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to the head of the authority’s paid service; and
(c) any person who, as respects all or most of the duties of their post, is required to report directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority.

"Deputy Chief Officer" means, subject to the following provisions of this Section, a person who, as respects all or most of the duties of their post, is required to report directly to one or more of the statutory or non-statutory Chief Officers.

For the purposes of this Pay Policy only, managers below Deputy Director and Head of Service levels, who as a result of changes in the structure, now report to a Chief Officer as defined above are not classified as Deputy Chief Officers.

Pay accountability

Salary packages on appointment which exceed £100,000

All posts, including those which exceed a salary package[2] of £100,000, are appointed within a pay band and structure where the principles of reward and remuneration have been previously agreed by full Council. Therefore any new appointments are not subject to full Council consideration.

Severance payments which exceed £95,000

MHCLG introduced an exit payment cap of £95K effective from the 4th of November 2020. The £95K will include any payments made to release pension benefits and other compensation payments that could be paid to a member on exit. There are waivers that allow the £95K cap to be exceeded in limited circumstances including certain whistleblowing cases on health and safety or discrimination cases where an Employment Tribunal can make a determination or where TUPE may give an individual protected rights or where there is an undue hardship case or the council believes the cap inhibits workforce reform. Additionally, if the exit was agreed in writing prior to the 4th of November 2020 the cap can also be exceeded. In each case an agreement to exceed the cap must be approved by Full Council, MHCLG and the Treasury. Further limits are being introduced to limit compensation payments calculation to a maximum of 66 weeks pay and limited to a full time salary equivalent of £80K.

Chief Officer Remuneration

Chief Executive (Head of Paid Service)

The Chief Executive was paid a spot salary of £211,722 per annum as at 31st March 2020.

The Chief Executive undertakes the role of Returning Officer. A Returning Officer **may** recover their charges for services and expenses provided they were necessarily rendered or incurred for the efficient and effective conduct of

Notes

[2] Including basic salary and professional fees, PHI and lease car contributions where applicable but excluding pension contributions in accordance with the Local Government Pension Scheme regulations.

the election and the total does not exceed the overall maximum recoverable amount specified by the Secretary of State in an order.

Posts which exceed a salary package of £100,000

- Directors (Executive Leadership Team) are paid at Band 6 / 7[3]. The basic salary range for Band 6 is £104,685 - £144,582 and for Band 7 is £148,065 - £204,273.

- Deputy Directors / Heads of Services are paid at Band 5 / 6. The basic salary range for Band 5 is £68,346 - £95,916.

Benefits

All Chief Officers are entitled to the following benefits:

- Private Health Insurance
- Reimbursement of the payment of one professional membership fee relevant to the proper performance of duties (available to all staff)
- Up to £234 per month contribution to contract car hire (not available for any Chief Officer appointment made after 1st December 2011).

There is no cash alternative to the above benefits.

Rewarding your contribution

This scheme enables managers to acknowledge exceptional contribution with a one off reward that can be made at any time and, for best effect, as close to the event as possible.

Employees are eligible for one payment per year only.

All employees, including Chief Officers, can be awarded a Rewarding Your Contribution fixed payment of either £1,000 or £2,000, paid in a lump sum.

Amounts should not be linked to the individual's salary band or step. Therefore, it is expected that employees at all bands could be awarded either sum as appropriate in each individual case.

Additional Allowances

All Chief Officers are expected to work such hours as are required for the efficient performance of their duties. There are no other additional elements of remuneration in respect of overtime or premium payments (e.g. bank holiday working, stand by arrangements etc).

There are no additional allowances in respect of the roles of:

- Monitoring Officer
- Section 151 Officer

[3] Broad Band salary figures in the document are as at 1st April 2020 unless otherwise stated.

General Remuneration Principles Applying to Remuneration of Chief Officers and Employees

Recruitment

On recruitment individuals will be placed on the appropriate step salary within the evaluated grade for the job. In order to recruit high quality staff a relocation package may be offered where necessary and where this would be considered cost effective. When recruiting and appointing to a Chief Officer post, the starting salary offered must be within the target salary and cannot exceed this apart from in exceptional cases where the Executive Director or Chief Executive has authorised this. Where an interim is required to cover a Chief Officer role, a Temporary Agency Contractor may be engaged in line with the requirements of the Council's Procurement and Contracts Code, rather than the use of a Contract for Services.

Broad Band Pay Progression

There is no automatic time served incremental progression. All progression is based on performance and increased contribution. Any pay progression cannot exceed the maximum of the relevant band.

The Council does not apply performance related pay.

Termination of Employment

On termination of employment with the Council, the Council's policy applies to all Chief Officers. Individuals will only receive compensation:

- where appropriate and relevant (e.g. redundancy compensation)
- in line with the Council's Redundancy and Redundancy Compensation Policy
- which complies with the specific terms of a settlement agreement, which will take into account the Council's contractual and legal obligations, the need to manage an exit effectively, risks to the Council and the commercial business case.

Redundancy Compensation

Statutory Redundancy Pay (SRP)

Statutory redundancy entitlement is payable if an employee has 2 years' service with an employer. It is calculated as follows:

For each complete year of service (subject to a 20-year maximum) depending on age:

• Service accrued up to age 21: a half week's pay
• Service accrued between age 22 to 40: one week's pay
• Service accrued at age 41 and over: one and a half week's pay

There is a cap on the maximum weeks' pay used and the current amount can be found here.

Initial Compensation Payment (ICP)

ICP is the discretionary redundancy compensation payment the Council makes to employees whose employment is terminated due to redundancy or in the efficiencies of the service who have at least 2 year's continuous service with the Council on their last day of service. It includes and is usually more than SRP. ICP will only be paid to an employee if they do not exercise their entitlement, if over 55, to have a payment made into their pension fund for the waiving of reductions.

ICP will be payable subject to statutory limits of 66 weeks pay maximum and based on no more than annual equivalent pay of £80,000 and will always be equal to or more than the SRP.

ICP is calculated as follows:

(A) completed years of continuous local government service
(B) weeks pay (actual but excluding overtime and honorariums)
(C) multiplying factor of 1.5
(A) × (B) × (C) = ICP

The statutory maximum weeks' pay (which can be found here), is used where this is higher than actual weekly pay for full time staff (it is pro rata for part time staff).

Re-employment

The decision to re-employ a previous employee, who has been made redundant by the Council (and on termination of employment received a redundancy compensation payment), will be made on merit.

The Council will not engage such an individual under a Contract for Services.

Remuneration of the Lowest Paid Employees

The Council's definition of the lowest paid employee excludes staff based outside London. Employees on Band 1 Step 1 are defined as the Council's lowest paid employees. The full time equivalent annual basic salary of this Step in 2020-21 was £22,608. The Chief Executive's total pay (as at 1st April 2020) was £217,545, which was 9.6 times the lowest salary.

London Living Wage

In November 2020 the London Living Wage has increased to £10.85. The council's minimum full time equivalent hourly rate of pay to its employees (excluding apprentices) as of 1st April 2020 was £12.04, which exceeds the current LLW.

All London based apprentices are now paid the London Living Wage, whilst those based outside London are paid at a level above the National Living Wage for their age.

Pay Multiple

The Local Government Transparency Code (2015), states that local authorities should publish their pay multiple. This is defined as the ratio between the highest paid salary and the median salary of the workforce. The Council's pay multiple (using total pay[4]) as at 31st March 2020 was 5.7 i.e. the Chief Executive, who had the highest total pay as at 31st March 2020 (£211,722) earned 5.7 times more than the Council's median full time equivalent total salary of £37,413. The median FTE total salary has decreased by 0.9% (£354) from last year, when it was £37,767.

Notes

[4] Total pay is the sum of full time equivalent basic salary plus actual amounts received for the reimbursement of professional fees, market based salary supplements, honorariums and shift allowances where claimed up to 31st March 2019. Pension contributions are excluded. Total pay for senior management and the Chief Executive also includes, car lease contributions and the value of Private Health Insurance premiums where taken. All payments have been made in line with Council policy and were pro-rated if applicable.

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