



CITY OF WESTMINSTER

MINUTES

Housing, Finance and Corporate Services Policy and Scrutiny Committee

MINUTES OF PROCEEDINGS

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

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

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

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

1 MEMBERSHIP

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

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest made.

3 MINUTES

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

4 WORK PROGRAMME

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

4.2 **RESOLVED:**

1. That the agenda items for the next meeting on the 15 January to include the draft Treasury management strategy and a further item to be determined by the chairman in consultation with officers.
2. That the responses to actions and recommendations as set out in the tracker be noted.

5 UPDATE FROM CABINET MEMBERS

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

Discretionary Housing Payment (DHP) Funding

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

Financial Planning 2018/19 and beyond

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

Legal Services

- 5.5 The Cabinet Member was asked for details of the business case for the organisational changes to Shared Legal Services and what it will involve. Councillor Mitchell explained that the proposals which were agreed by Cabinet on 30 October and the Royal Borough of Kensington and Chelsea (RBKC) on the 19th October would see the Shared Legal Service merge with LGSS Law Ltd, creating a firm owned by five local authorities. One of the key objectives of the proposals for an alternative business model is to deliver significant financial benefits to the owner councils and this would be achieved

through reduced internal legal costs through economies of scale, reduced external legal spend through significantly more work being done in-house and increased income through attracting new external clients by trading surplus capacity.

Managed Services

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

Ebury Bridge Regeneration

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

Rough Sleeping

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

Finance, Property and Corporate Services

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

2. Provide a briefing note on the Council's approach (and that of third party providers) to writing off debt and working across teams to ensure vulnerable residents who owe money to the Council are dealt with sensitively. (**Action for: Steve Mair, City Treasurer**)
3. Provide more information on the contingency plan for the ASC work stream of the digital plan. (**Ben Goward, Interim Head of ICT**)
4. Provide Councillor McKie with a copy of the report previously considered by the committee on the Council's property investment portfolio. He was particularly interested in how commercial rents are set and that the Council has a fair policy for small businesses. (**Action for: Aaron Hardy, Scrutiny Manager**)
5. Add the findings of the 2017/18 staff survey as a potential agenda item on the committee's work programme. (**Action for: Aaron Hardy, Scrutiny Manager**)

Housing

1. With reference to the gas and fire safety update, provide more detail on why Southwark Council disconnected the gas supply to some of their large panel system buildings in August. (**Action for: Tom McGregor, Director of Housing and Regeneration**)
2. Add a review on rough sleeping as a potential agenda item on the committee's work programme. Councillor Roca requested that his concerns at the £2 million reduction in funding for rough sleeping and the loss of 100 bed spaces is relayed to the Cabinet Member for Housing (**Action for: Aaron Hardy, Scrutiny Manager**)
3. Councillor Roca asked that his view that residents should be given a vote on the Ebury Bridge regeneration proposals be forwarded to the Cabinet Member for Housing for consideration (**Action for: Aaron Hardy, Scrutiny Manager**)

6 WESTCO

- 6.1 The Committee received a report on Westco Trading Ltd, a trading arm of Westminster City Council providing communications, research and strategy services to external clients predominantly within local government.
- 6.2 The agency was set up in 2007 as a way to trade the best local government communications practices with other Local Authorities (and to a lesser extent, central government and the third sector) and by doing so, provide WCC employees with professional development opportunities and develop new innovation for use within WCC.
- 6.3 Westco is a limited company selling services to external clients as a commercial venture, generating a financial contribution to the Council in the form of an annual payment back to Westminster at the end of every financial

year. Westco has traded successfully since its inception, providing services to over 75 clients.

- 6.4 There is a growing trend in Local Government as budget pressures grow to progress with establishing trading companies with alternative service delivery models and property being the two key areas of commercial focus within the sector.
- 6.5 Councillor Tony Devenish, Westco Chairman, provided a presentation on the company's work, turnover and clients and its aspirations over the next two years.
- 6.6 Councillor Connell informed the committee that Francis Ingham, Director General of the Public Relations and Comms Association (PRCA) and CEO of International Communications Consultancy Organisation ICCO, had been due to attend the meeting as an expert witness but had to send his apologies due to illness.
- 6.7 Julian Ellerby (Director of Policy & Communications at London Borough of Lambeth and formerly Director of Policy and Communications at Lambeth Council who was involved in the setting up of Lamco) had provided key lines of enquiry the Committee may wish to consider.
- 6.8 The committee asked about Westco's legal status and whether it had a separate identity from the City Council. Councillor Devenish explained that Westco is wholly owned by the Local Authority. In addition to providing those benefits highlighted in paragraph 6.2 above it can also the Council with highly skilled staff working on client accounts as required. It is non-political in its operations and has provided services to local authorities across the political spectrum.
- 6.9 Members asked why some of Westco's employees are employed by the City Council and others by Westco on different terms and conditions. Councillor Devenish explained that the majority of staff are employed directly by Westco on more flexible contracts from WCC employees in order to provide flexibility to reflect market requirements. With regards to pay and terms and conditions, he explained that employees that had transferred from other councils under TUPE conditions would remain on those same terms and conditions.
- 6.10 The Committee asked in the context of Westco's profitability whether it receives space or services from the City Council that it pays for and how these costs are accounted for within its budget. Councillor Devenish stated that the company continually keeps such issues under review. He advised that a consultancy would ordinarily look to achieve a 20-30% margin, whereas Westco aims to achieve a more reasonable figure of 12% although it does provide slightly more preferential rates to organisations that have links to the Council, such as CityWest Homes.
- 6.11 Councillor Devenish was asked whether having access to Council accommodation in City Hall is helpful to support its requirements. He stated

that being located in central London and adjacent to Government departments rather than specifically in City Hall is essential.

- 6.12 Councillor Devenish was referred to the fact that some local authorities in England Wales have established trading companies with a focus on providing a social value that benefits residents. These include energy distribution, ethical commercial property portfolios and residential care homes. Some Councilors expressed a desire to see a trading body with this form of focus. Ian Farrow, Westco MD, advised that Westco does provide work with a social value. He explained that the company is recognised as a leader in communications and marketing across the local authority sector where it has helped to highlight important issues and run campaigns to recruit much needed carers.
- 6.13 The Committee was surprised to note that more than half of councils own a trading company, and at the rate it is increasing, full coverage by 2020 is a possibility. In light of this and reducing budgets Members asked whether Westco has a business plan to support its growth aspirations? Councillor Devenish stated that most local authorities that have a trading company are focused on development with some providing procurement expertise. He believed that Westminster was quite unique in its focus. Ian Farrow explained that Westco had launched the Westco Commission to identify the emerging needs for local authorities and how it can help them meet them. He explained that local authorities are focused on expanding economic growth within their areas. In order to grow their services they will need effective marketing and leadership skills, services and resources which Westco can provide.
- 6.14 **RESOLVED:**
1. The Committee was pleased and interested to hear about the demands for Westco's services and that it had delivered a range of benefits to the City Council including £1,257,389 (up to latest figures 2015-2016) in profit contributions. Members noted that the Westco Commission had worked to identify new service offers to grow the business. Whilst the committee believed from the evidence provided there was still more work required to meet the increased turnover aspirations it recognised that Westco has a reactive and flexible business model.
 2. The committee noted with interest the wide range of public sector clients that Westco provided services to and that these included local authorities from across the political spectrum. Evidence of Westco's track record was evidenced by the fact that it retained 70% of its client base.
 3. Members have asked for further information to support Westco's assertion that it has helped the City Council to retain talent by providing unique opportunities for professional development. The committee was also less clear about Westco's ability to provide capacity and resilience to the Council in times of need against the commitment to provide services to clients although it noted the assertion that the company has a very extensive network of contacts that it can call upon for expertise and resources.

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

1. How costs are apportioned/recharged between Westco and the Council;
2. What the retained value of the company is;
3. Why Westco's liabilities have risen sharply; and
4. Evidence to back-up the claim that Westco has helped the Council to retain talent. (**Action for: Ian Farrow, Westco MD and Christos Pishias, Project Manager, Communications**)

7 UPDATE ON CHURCH STREET MASTERPLAN

- 7.1 The Committee received a report that provided an update on the public consultation on the draft Church Street masterplan which took place between the 7th September and 29th October and informed the Committee about the proposed next steps.
- 7.2 Barbara Brownlee, Interim Executive Director for Growth, Planning and Housing, introduced the report. She explained that the consultation asked stakeholders for views on the practical implementation of the Church Street Masterplan which is laid out around 4 themes (Health and Wellbeing Board; Homes; Markets and Enterprise and Making Connections).
- 7.3 Barbara Brownlee summarised the different ways that stakeholders had been engaged, which was set out in paragraph 3.5 and at Appendix B of the report: she also highlighted which elements had worked well and those that had not from which lessons would be learned for future consultations.
- 7.4 The Committee was provided with the headline consultation feedback. There was a positive response to increasing density, support for a 20 mph zone and more parks and open spaces and the reinstatement of public toilets. Whilst respondents were generally in favour of more affordable housing there were differing views on its location with many not wanting it to be next to where they are living. Leaseholders had enquired how the regeneration would affect them. Concerns had also been raised about the impact of living in the vicinity of on-going development.
- 7.5 Barbara Brownlee stated that the Council had made a number of pledges to residents. These included that other than in unforeseen circumstances residents would only have to move once; all residents will have a right to return; all existing numbers of social housing will be reinstated; at least 35% of new housing will be affordable and that over 50% of the total housing will be affordable.
- 7.6 The committee commended the wide range of consultation approaches that had been used and concluded that the consultation process had been well thought out and implemented. It noted some of the approaches that had not worked well and that would not be used in future.

- 7.7 The delivery of the Church Street Master Plan will run until 2032. Members asked about the merits of having such a long term strategy when government and possibly affordable housing policy will change over this time. Officers were also asked how the Council can meaningfully engage with stakeholders on such a lengthy timeline particularly with those who live in the parts of Church Street where regeneration is not programmed to take place for many years. Barbara Brownlee explained that the regeneration is about the long term stewardship and obligation by the Council for the area. It is not focused just on those presently living in the area but also about future generations. She advised that the principles and commitments previously referred to had been clearly outlined during a meeting with potential development partners.
- 7.8 Deirdra Armsby, Director of Place Shaping, addressed the committee. She explained that prior to joining the Council she had been Director of Planning and Regeneration at the London Borough of Newham. She provided a perspective on long term regeneration based on her direct experience. She explained that in 2001 Newham began a regeneration of Canning Town which would run over 30 years with very similar aims and principles to the regeneration of Church Street. Since then of a target to build 20,000 homes, 1300 homes had been built. She advised that following the economic downturn in 2008-09 the Council made the decision to defer s106 payments in recognition of the impact on the market. She advised that over the long term the Council will need to recognise and react to what is happening in the market. It should keep its commitments but adapt as required.
- 7.9 Members stated that some residents wanted to understand the financial elements around viability that would impact on the affordable housing provision. Barbara Brownlee explained that there is a subgroup of the Futures Steering Group (FSG) that is considering such issues and that if members are aware of any residents with a particular interest in participating in this they should let her know.
- 7.10 **ACTIONS:**
1. Provide the committee with a breakdown of the funding sources and amounts committed to the Church Street Masterplan.
 2. Provide the committee with details of the financial business case around viability and the contribution towards affordable housing provision. (**Action for: Barbara Brownlee, Interim Executive Director for Growth, Planning and Housing**)

8 TREASURY PERFORMANCE HALF YEAR STATUTORY REVIEW

- 8.1 The Committee received a report that updated Members on the delivery of the 2017-2018 Treasury Management Strategy approved by Council on 1 March 2017.
- 8.2 Since the publication of the report the Bank of England had increased interest rates from 0.25% to 0.50%. The City Treasurer was asked whether the Council had formed a view on the City Council's borrowing position on the

basis that future interest rate rises are likely to occur over the next couple of years? Mr Mair advised that the Council's Capital Review Group would be meeting in the near future to consider a number of scenarios. The Council could for instance enter into a borrowing arrangement based on rates fixed in the near future but not draw down the money until a later date when it needs it.

- 8.3 The City Treasurer was also asked about the rationale behind the recommendation submitted to Cabinet to reduce the credit rating limit for investments in Supra-national banks and European agencies from AA+/Aa1/AA+ to AA/Aa/AA. He explained that this would provide the Council with opportunities to potentially invest liquid balances at improved returns with limited risks that will contribute to the Council's saving targets.
- 8.4 Members asked Mr Mair whether the Council's analysis of potential future income included adding a 2% precept towards Adult Social Care to next year's Council Tax demands? He advised that this was a working assumption at this stage but clearly would not be confirmed until March 2018. The finance team regularly analyses income assumptions as well as pressures. The finance team regularly analyses income assumptions as well as pressures had been considered.
- 8.5 **RESOLVED:** The Committee noted the Annual Treasury Strategy 2017-18 Mid-Year Review, including the cases of non-compliance and the action taken to rectify this; it also noted a number of recommendations to Cabinet (which were agreed on 30.10.2017) that related to changes to investment limits to facilitate changes set out in the Integrated Investment Framework to provide a better return for the City Council.
- 8.6 **ACTIONS:** Share with the committee a matrix of potential benefits of changes agreed to the investment limits (**Action for: Steve Mair, City Treasurer**)

The Meeting ended at 8.59 pm

CHAIRMAN: _____

DATE _____