

Report of the Cabinet meeting held on Monday 10 February 2020

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

1. Business and Financial Planning 2020-2021 to 2022-2023

- (a) The City for All continues to be the Council's strategic approach to planning its key objectives and policy aims. A full refresh of the key themes and deliverables has taken place.
- (b) Our City for All vision for 2020/2023 will meet post-Brexit challenges head on and will drive forward a relentlessly optimistic programme to make Westminster the best place to live, raise a family, and prosper.
- (c) The medium- term financial strategy is key to supporting the delivery of the City for All objectives and outcomes. We have considered a detailed report attached as Appendix 1 to this report from the Section 151 officer that sets out the Council's medium-term plan for the next three years and proposes a budget for the 2020/21 financial year.
- (d) The 2020-21 budget includes a total council tax rise of 3.43% that consists of a general increase of 1.43% and an Adult Social Care precept rise of the allowed 2.00%. At Band D this will result in an annual increase of £6.20 and £8.67 respectively or an equivalent weekly amount of 11.9p and 16.7p per week. The total Westminster element of council tax will therefore rise from £433.34 to £448.21 at Band D. [NB: Please note that the weekly increases set out in the executive summary of the report we received were miscalculated but the correct values are set out above. The recommendations and council tax resolution in the S151 officer's report were correct and therefore remain unchanged].
- (e) We have noted that the council tax proposals include the continuation of the highly successful Westminster Community Contribution Scheme which has been copied by many other authorities. This allows the most expensive (Band H) properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and helping people who are lonely and isolated. To date the Scheme has raised £900k;
- (f) The formal Council Tax resolution which is recommended for adoption is attached in Appendix H to Appendix 1 to this report.
- (g) The recommended net General Fund budget requirement of £179.977m in broad terms includes a net core funding loss of £4.809m, growth for service specific pressures of £7.972m and other net changes totalling £9.122m, which is proposed to be balanced by savings of £18.899m and a recommended increase in council tax which along with growth in the tax-base is expected to raise £3.004m of income.

- (h) After a balanced budget in 2020/21 the medium-term financial strategy forecasts a net budget gap after proposed savings from the current budget process of £24.843m in 2021/22 and a further £38.609m in 2022/23. Over the three-year period to 2022/23, this totals £63.452m. This is based on indicative assumptions of a negative outcome from the Government's Spending Review and the Fair Funding Review for the distribution of resources across Local Government, the outcome of which will become clearer later in the year.
- (i) The proposed budget changes for approval i.e. budget gap, service specific pressures and savings for 2020/21 to 2022/23 and their impact on overall service budgets which we have considered are presented in Appendices A to G of the Section 151 officer's report.
- (j) The Council has signed a climate emergency declaration and the green agenda is a key part of the City for All objectives. Whilst there are a number of green actions that the Council is already taking, there is a need to work these through over the medium term and to develop other initiatives to tackle this. Therefore, there is a recommendation to set aside £5m from reserves to form a green investment fund.
- (k) The 2020/21 revenue budget and the review of savings proposals and pressures for the three-year period have undergone a thorough internal review process and equality impact assessments have been undertaken for all savings proposals. The Section 151 Officer considers the estimates underpinning the proposed budget changes and reserves level to be robust and compliant with the legislation and Council's Financial Regulations to set a balanced budget for 2020/21. In considering the savings and the whole budget which we are recommending, we have had regard to the equality impact assessments summarised in Appendix (i) of the Section 151 officer's report. We have also considered the views of the Budget and Performance Task Group which have scrutinised the proposals.
- (l) Work will continue during 2020/21 in order to reduce the residual gap further in the subsequent two years and subsequent savings identified will be brought back for approval in next year's budget setting report.
- (m) We have noted that at Period 8 (November), General Fund service area revenue budgets are projected to underspend by £0.761m by year-end. All variances are subject to continued active management throughout the financial year.

*** Details of budget changes by Cabinet Member (Appendices E and F in the report we considered) have been finalised following the changes to Cabinet announced on 27 January 2020 and are set out at the end of this report.**

We recommend to full Council:

City for All

1. That the City for All plan priorities set out in Section 4 to Appendix 1 be noted and approved.

Council Tax

2. That the council tax for a Band D property be agreed at £448.21 for 2020/21, an increase of £8.67 (2.00%) for the Adult Social Care precept and £6.20 (1.43%) for general purposes;
3. That, subject to 2) above, 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 2021, be as specified in the Council Tax Resolution in Appendix H. That the Precepts and Special Expenses be as also specified in Appendix H to Appendix 1 for properties in Montpelier Square and the Queen's Park Community Council;
4. That the formal resolution for 2020/21 attached at appendix H to Appendix 1 including the council tax requirement of £59.477m be agreed;
5. That the proposed Greater London Authority precept (Band D) of £332.07 comprising of an increase of £10.00 for the Police element and a further £1.56 for the non-Police element be noted; [NB: Please note that the Greater London Authority precept has now been confirmed]
6. That the Council continue the Westminster Community Contribution to allow the most expensive (Band H) properties in the City to voluntarily contribute towards supporting discretionary services that support the three priorities of youth services, helping rough sleepers off the streets and helping people who are lonely and isolated;

Revenue Budget

7. That the views of the Budget and Performance Scrutiny Task Group as set out in Appendix J to Appendix 1 be noted.
8. That the proposed General Fund net budget requirement of £179.977m summarised at Appendix C to the report and shown by service (Executive Leadership Team) in Appendix G to Appendix 1 be agreed;
9. That the savings and growth proposals for 2020/21 to 2022/23 set out in appendix G to Appendix 1 is approved;
10. That the Equality Impact Assessments included in appendix I to Appendix 1 be received and noted to inform the consideration of the budget;

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

Capital Programme

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

Reserves, Balances and Budget Estimates

13. That the reserves policy as set out in section 10 to Appendix 1 be noted.
14. That the views of the Section 151 Officer with regards to estimates underpinning the proposed budget changes and reserves levels in paragraph 10.21 in Appendix 1 be noted.
15. That £5m is earmarked in reserves for investment in green initiatives to support the Climate Emergency declaration;

Treasury Management and Investment Framework

16. That the Treasury Management Strategy report for 2020/21 including the annual investment strategy, borrowing limits and prudential indicators as set out in appendix H to Appendix 1 be noted.
 17. That the 2020/21 Integrated Investment Framework report also presented to Cabinet on 10 February 2020 which sets out future investment decisions be noted.
2. **Capital Strategy Report 2020-2021 to 2024-2025, Forecast position for 2019-2020 and Future Years' summarised up to 2033-34**
 - (a) The report from the Section 151 officer, which we considered and which is attached as Appendix 2 outlined the City Council's Capital Strategy and proposed expenditure and income budgets from 2020-2021 to 2024-2025 and future years up to 2033-2034.
 - (b) The strategy is underpinned by the objectives of the City Council's refreshed strategic vision, City for All 2020-2023 which has three distinct themes: (i) Thriving Communities; (ii) Cleaner, Greener, Safer and (iii) Smart City.
 - (c) The strategic sections of the report we considered provide full details of the policy context within which the capital programme is constructed and the aims and objectives it is designed to deliver.

- (d) The Council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). It is categorised into four key areas: (i) Development, Major Strategic Investment Acquisitions; (ii) Efficiency and (iii) Operational. The capital programme of the HRA is set out separately in the HRA business plan which accompanies this report (Appendix 3) as part of the Council's annual budget setting process.
- (e) The Council has a plan to invest up to £2.5bn (General Fund) over the next 15 years. The report we considered set out the governance processes (Section 8 in Appendix 2) which established the principles to be followed in agreeing how to invest capital resources and achieve value for money for the Council.
- (f) There a number of key projects and programmes that require capital investment for the Council to achieve its strategic goals. These include:
 - (i) a large number of development schemes to help to deliver at least 1850 new affordable homes;
 - (ii) the Oxford Street District Programme to improve the street and the surrounding areas to maintain the district's status as a global centre of retail, leisure and tourism;
 - (iii) Continued investment in other public realm projects within Westminster creates and preserves spaces where people enjoy living, working and visiting while also accommodating the safe and efficient movement of growing numbers of people entering and moving around Westminster;
 - (iv) investment in our core infrastructure of carriageways, footways, lighting and bridges to ensure our infrastructure is in a safe and reliable condition, is efficiently managed and means our residents and visitors can enjoy clean, high quality streets;
 - (v) investing significantly in its digital programme to deliver a Smarter City, where technology is utilised to deliver efficient and good quality services.
- (g) 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 in the revenue budget setting process. The £2.5bn programme is offset by £0.953bn of income, giving a net budget of £1.511bn which is to be funded via borrowing. The cost of borrowing has been built into the revenue implications of the capital strategy which is detailed in Section 13 of Appendix 2.
- (h) Major capital projects require careful management to mitigate the potential risks that can arise. How risks will be managed are set out at Section 4 of the report we considered. As noted in Section 8 (Governance) of Appendix 2 to this report, the Capital Review Group 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 asses this not to be the case, action will be taken to bring the whole programme back to an affordable position.

*** Details of the Capital Programme by Cabinet Member (Appendix A(i) in the report we considered) has been finalised following the changes to Cabinet announced on 27 January 2020 and are set out at the end of this report.**

We recommend:

That the full Council:

1. Approve the capital strategy as set out in Appendix 2.
 2. Approve the capital expenditure for the General Fund as set out in Appendix 2 to the report for 2020/21 to 2024/25 and future years to 2033/34.
 3. 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 to Appendix 2.
 4. Approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced.
 5. 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).
 6. Approve the financing of the capital programme and revenue implications as set out in section 13 to Appendix 2.
 7. 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. Housing Revenue Account Business Plan 2020/21 and 30 Year Housing Investment Plan**
- (a) We have considered a report (Appendix 3) which updates the 30 year Housing Revenue Account Business Plan and Housing Investment Plan agreed last year. The report addressed 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.
 - (b) The report set out both the Capital and Revenue position. The Revenue Business plan, over a 5-year position, projects gross income of £593.07m and gross expenditure of £584.37m. The HRA Capital Position provides for a total capital investment of £896m over the next 5 years and a total of £1.754bn over the 30 years.
 - (c) 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.

- (d) As at November 2019 the Council owns 20,791 social dwellings of which c11,800 were tenanted (56%) and 8,991 were leased (44%). The stock number are expected to grow to 21,030 units by the end of 2019/20 with further increases to stock numbers as New Build properties are completed. The Council has made a commitment to deliver at least 1,850 affordable homes in Westminster by 2023 and is on track to exceed this target. Current projections are that 2,144 new affordable homes will be delivered by 2023/24. Of the total £1.754bn of capital allocation, a total of £932m will be spent on Regeneration and New Build Programme.
- (e) In addition to the Regeneration and New Build Programme, the Council is looking to spend £822m on Major Works Capital Programme. The Major Works Capital programme will focus on maintaining and bringing the Westminster Housing Stock to decent standards and will include spending on Fire Safety, Major Decorations, Electricals and Mechanical works.
- (f) 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.

We recommend:

That the full Council:

1. Approve the HRA revenue budget for 2020-21 (Table 2 to Appendix 3).
2. Note the HRA 5-year revenue budgets for 2020-21 to 2024-25 (Table 2 and Appendix 2 to Appendix 3).
3. Note the HRA 30-year revenue budgets for 2020-21 to 2049-50 in Appendix 3).
4. Approve the HRA 5-year Capital Programme for a total of £895.99m (Table 3 to Appendix 3).
5. Note the 30-year Capital Programme for 2020-21 to 2049-50 (Appendix 4 to Appendix 3).
6. Note a rent increase of 2.7% from April 2020 as applicable under the Welfare Reform and Work Act 2016.
7. Noted the HRA reserves and balances for the 5-year Business Plan (Table 6 to Appendix 3).

4. Treasury Management Strategy Statement 2020-2021 TO 2024/25

- (a) 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 the report we considered which is attached as Appendix 4.
- (b) 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.
- (c) The report we considered sets out the Council's proposed Treasury Management Strategy Statement (TMSS) for the period 2020/21 to 2024/25, and Annual Investment Strategy (AIS) for the year ended 31 March 2021, together with supporting information. These are submitted for the Council's approval.

We therefore recommend:

That the full Council:

- 1. Approve the Treasury Management Strategy Statement;
- 2. Approve the borrowing strategy and borrowing limits for 2020/21 to 2024/25 set out in sections 5 to 7 to Appendix 4.
- 3. Approve the prudential Indicators set out in section 8 to Appendix 4.
- 4. Approve the Annual Investment Strategy and approved investments set out in Appendix 1 to Appendix 4.
- 5. Approve the Minimum Revenue Provision Policy set out in Appendix 2 to Appendix 4

5. Integrated Investment Framework 2020-2021

- (a) On 18 February 2019, Full Council gave approval to implement a comprehensive strategic integrated investment framework for bringing together and managing all of its investments with the approval of an Integrated Investment Framework.
- (b) While the Council's 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.

- (c) We received a report attached as Appendix 5 to this report which provided an update on the current range of Council assets. In summary, the Council holds £915.1m of short term high grade, cash based investments (as at 31 October 2019), managed under the Treasury Management Strategy, which passes through Scrutiny, Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £472.8m, which are considered as part of the Capital Programme. It also owns various equity shareholdings. In addition, the Council is responsible for managing the Pension Fund which has net assets of £1.5bn, and operates under the Investment Strategy Statement (ISS) set by the Pension Fund Committee.
- (d) The treasury investments are currently generating a forecast return of 0.92%. The investment properties are currently generating around 4.4%, net of direct costs. The latest current inflation rate as measured by CPI is 1.3% (as at December 2019), and this must be taken into account alongside the current total portfolio yield.
- (e) The report we considered, attached as Appendix 5, sets out:
 - the Council's strategic objectives in respect of risk management, and its attitude towards investment risk;
 - current levels of investment activity;
 - an updated Integrated Investment Framework for the Council going forward which seeks to diversify the risk and thus future-proof the Council against possible future economic downturns;
 - actions to be taken in connection with implementing this Framework, if agreed.

We recommend:

That the full Council:

1. Approve and implement the Integrated Investment Framework set out in Appendix 5.
2. Approve that the target for the overall return on Council investments should aspire to match inflation;
3. Approve that the benefits of investing in the Pension Fund should be used as a benchmark when evaluating other investments;
4. Adopt the asset allocation percentages set out in the Framework and work towards achieving these;
5. 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;

6. Approve that investments allocated to out-of-borough property developments should be considered individually and should outweigh the benefits of investing in-borough (which can have a number of non-commercial benefits, e.g., place making) and in a diversified property portfolio (acquisitions will be made out of borough only on an exceptional basis). Individual decisions should be subject to Cabinet Member approval;
7. 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;
8. Approve the Investment Executive to implement, monitor and report on the investment strategy.

6. Pay Policy 2020-2021

- (a) The Council is required to publish its Pay Policy by 31st March every year.
- (b) 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. 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").
- (c) The Government's reforms to public sector exit payments (i.e. to cap exit payments at £95,000 and recover exit payments for employees earning £80,000 plus) were due to come into effect from Autumn 2016. However, they were delayed and are now expected to be implemented sometime in 2020. If this takes place the Pay Policy for 2020-2021 will be revised accordingly and re-submitted to Council for approval.
- (d) The Pay Policy is attached as Appendix 6 to this report and is recommended for approval.

We recommend:

That the full Council:

Approve the Pay Policy for 2020 – 2021 attached as Appendix 1 to Appendix 6.

Rachael Robathan, Leader of the Council

Background Papers

Reports and Minutes of Cabinet Meeting: 10 February 2020