

Report of the Cabinet meeting held on Monday 19 February 2024

Present: Councillors Adam Hug (Chair), Aicha Less, Nafsika Butler-Thalassis, Geoff Barraclough, David Boothroyd, Paul Dimoldenberg, Liza Begum, Matt Noble, Cara Sanquest, Ryan Jude

1. Business and Financial Planning 2024/25 to 2026/27

- (a) This report from the Section 151 officer brings together the Council's business and financial planning and looks forward over the next three years to set out how it will support the Council's objectives under the Fairer Westminster strategy, supported by a medium-term financial plan and balanced budget for 2024/25.
- (b) On 22 November 2023 the Government set out its Autumn Statement. The aspects relating to local government funding were a continuation of the Government's 2022 Autumn Statement in that no new funding was announced beyond the known increases that government had previously advised such as the increases in Adult Social Care funding.
- (c) This was followed by the Local Government provisional Finance Settlement on 18 December 2023. The settlement represented an increase in Core Spending Power for local government of almost £4bn or 6.5% in cash terms which includes Government assumption that authorities will take the maximum 5.0% council tax increase for 2024/25.
- (d) After pressure from local government through responses to the settlement consultation, government announced a further £600m support package to help with the unprecedented challenges which the sector is facing. Details of how this additional funding would be allocated was announced as part of the final settlement on 5th February 2024. Overall, this additional funding increases the Core Spending Power across local authorities for 2024/25 to 7.5%.
- (e) This report outlines a balanced budget for 2024/25, but still forecasts a gap of £48m over the following two years. The budget includes a 2.99% increase in the general element of council tax and an increase of 2% for the Adult Social Care precept element. At Band D this will result in an annual increase of £23.85 or an equivalent weekly amount of 46p per week. When combined, the general element of council tax and adult social care precept, for Westminster, will rise from £477.91 to £501.76 at Band D.
- (f) The recommended General Fund budget of £205.545m is a net increase of £11.934m against last year. In broad terms this includes Fairer Westminster investments of £8.5m, service cost and income pressures of £52.5m, additional resources for adult social care of £5.4m, increased capital financing costs of £3m and other changes of £1.5m; offset by net increased government funding of £20m, savings proposals of £20.1m and additional interest earnings of £15.2m. The balance is funded from the increase in council tax income of £3.9m and £11.7m from earmarked reserves.

- (g) Local government is under significant financial pressure with demand for services rising alongside cost pressures caused by persistently high inflation. Whilst funding for the sector has increased for 24/25 as part of the financial settlement, this follows a decade whereby funding has been reduced in real terms, creating sustained financial pressure on local authorities. The cost-of-living crisis continues to have a significant impact on Westminster residents and businesses and the Council. High prevailing inflation has resulted in ongoing and rising cost pressures for key service areas.
- (h) At our meeting we heard from the Chair of the Budget Scrutiny Task Group who started by saying that the Budget was financially robust. He then outlined the work undertaken this year to improve the scrutiny process which included Cabinet Members attending Task Group meetings to defend their decision making. He also spoke about moving the process earlier in the year so that the Task Groups had a more meaningful impact on the budget.

We recommend to full Council:

Council Tax

- 1) That the Council Tax for a Band D be agreed at £501.76 for 2024/25.
- 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 2025, be as specified in the Council Tax Resolution in Appendix 1 of the Section 151 officer's report.
- 3) That the Precepts and Special Expenses be as also specified in Appendix 1 of the Section 151 officer's report for properties in Montpelier Square and the Queen's Park Community Council.
- 4) That the formal resolution for 2024/25 attached at Appendix 1 of the Section 151 officer's report including the council tax requirement of £68.889m be agreed.
- 5) Note the proposed Greater London Authority precept (Band D) of £471.40, an increase of £37.26 in the adjusted Band D precept.
- 6) That the Council continues the Westminster Community Contribution scheme to allow residents 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 Scrutiny Budget Task Group set out in Appendix 2 of the Section 151 officer's report.
- 8) That the proposed General Fund net budget requirement of £205.545m summarised in Appendix 3 of the Section 151 officer's report is approved.
- 9) That the savings, pressures and investments for 2024/25 to 2026/27 set out in Appendix 4, 5 and 6 of the Section 151 officer's report, are approved.
- 10) That the Equality Impact Assessments included in Appendix 7 of the Section 151 officer's report are noted to inform the consideration of the budget.
- 11) Note the Housing Revenue Account (HRA) Business Plan 2024/25 and 30 Year Housing Investment Plan presented concurrently to Cabinet on 19 February 2024 that recommends the HRA budget and rent levels for 2024/25.

Capital Programme

- 12) Note the Capital Strategy 2024/25 to 2028/29, forecast position for 2023/24 and future years' forecasts summarised up to 2037/38 report also presented to Cabinet on 19 February 2024 that recommends the Council's capital programme and financing.

Reserves, Balances and Budget Estimates

- 13) Agree the reserves policy as set out in section 9 of the Section 151 officer's report;
- 14) Note the opinion of the Section 151 Officer with regards to the robustness of the budget process, the estimates underpinning the budget and the adequacy of the reserves as set out in Appendix 8 of the Section 151 officer's report as required by S25 of the Local Government Act 2003.

Treasury Management and Investment Framework

- 15) Note the Treasury Management Strategy for 2024/25 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 2024/25 Integrated Investment Framework report also concurrently on this agenda, which sets out the policies and framework for future investment decisions for the Council.

Fairer Westminster Delivery Plan

- 17) Note the summary of the delivery actions for the Fairer Westminster Delivery Plan 2024/25 provided in Section 4 of the Section 151 Officer's report. The full approved version of the 2024/25 Delivery Plan will be published in mid-March.

2. Capital Strategy 2024/25 to 2028/29, Forecast Position for 2023/24 and Future Years Forecast to 2037/38

- (a) The report from the Section 151 officer, which we considered and which is attached as Appendix 2 sets out the Council's capital strategy from 2024/25 to 2028/29 and summarises the position up to 2037/38.
- (b) The general fund capital programme as detailed in Appendix A of the Section 151 officer's report, proposes a gross budget of £2.604bn and a net budget of £1.413bn (after taking into account income from grants and 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.
- (c) The long-term capital investment plan is underpinned by the Council's policy objectives. 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 account of the revenue implications of the projects as part of the revenue budget setting process. The Council continues to set aside additional revenue funding each year to cover the financing costs of the programme in accordance with previously stated plans. Earmarked reserves are also maintained to support the financing of the capital programme and provide a sustainable approach to funding through the Medium-Term Financial Plan.

We recommend:

That the full Council:

- 1) Approve the capital strategy as set out in this report.
- 2) Approve the capital expenditure for the General Fund as set out in Appendix A for 2024/25 to 2028/29 and future years to 2037/38.
- 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 of the Section 151 officer's report.
- 4) Approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced.
- 5) Approve the proposed financing of the capital programme and revenue implications as set out in section 12 of the Section 151 officer's report.
- 6) Delegate to the Executive Director of Finance and Resources the decisions surrounding financing of the capital programme to provide sufficient flexibility to allow for the most effective use of the Council's resources.

3. Integrated Investment Framework 2024/2025

- (a) On 3 March 2023, Full Council gave approval to its previous comprehensive strategic integrated investment framework for bringing together and managing its investments with the approval of an Integrated Investment Framework.
- (b) The 2023/24 financial year began with CPI inflation begin at a level of 8.7% at April 2023 before a steady reduction throughout the subsequent months in 2024 to 4.0% in the twelve months as at December 2023.
- (c) Despite a recent fall in inflation the Bank of England (BoE) raised rates in the first five months of the financial year reaching a BoE bank rate of 5.25% at August 2023. Rates are likely to remain at these elevated levels until the BoE see further evidence of the prevailing CPI inflation figures further reducing towards its 2.00% target.
- (d) As the growing drag from higher interest rates intensifies, it is likely the economy will continue to lose momentum in the short to medium term. Strong labour demand, fast wage growth and government support have all helped maintain household incomes over the past year. Given that CPI inflation is expected to decline further with the phasing out of financial support packages that were provided by the government during the energy crisis, real incomes are unlikely to grow strongly.
- (e) The Council holds £1.16bn of short-term high grade, cash investments (as at 31 December 2023), managed under the Council's Treasury Management Strategy, which passes through Audit and Performance Committee, Cabinet and Full Council on an annual basis. The Council also owns a significant number of investment properties, currently valued at £525.10m. It also owns various equity shareholdings, with investments in Westminster Builds of £23.34m and investments in a pooled property fund partnership of £26.83m (31 December 2023 valuation). In addition, the Council is responsible for managing the Westminster City Council Pension Fund which had net assets of £1.91bn (31 December 2023 valuation) and operates under the Fund's Investment Strategy Statement (ISS) set by the Pension Fund Committee.
- (f) The Treasury investment portfolio is currently generating a return of 5.35% (at portfolio date 31 December 2023) in the current financial year 2023/24. The investment properties are currently generating around 5.80%, net of direct costs (based on the final accounts for 2022/23). The latest current CPI inflation rate of 4.0% (as at December 2023) must be considered alongside the current total portfolio yield.

We recommend:

That the full Council:

- 1) Approve and implement the Integrated Investment Framework set out in the report at Appendix 3.

- 2) Approve that the target for the overall return on Council investments should aspire to at least meet forecasts for inflation over the medium term.
- 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 percentage ranges 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, matching CPI inflation over the medium term, and to reduce costs and liabilities, while maintaining adequate cash balances for operational purposes, and not exposing the capital value of investments to unnecessary risk.
- 6) Agree that assets must only be acquired for strategic purposes. Such prospective acquisitions must be considered individually, with the reasons for investment limited to regeneration or development of the location, or other strategic purposes in which the asset is established. Out-of-borough acquisitions may also be considered by exception.
- 7) Agree the Investment Executive to implement, monitor and report on the investment strategy.

4. Treasury Management Strategy Statement for 2024/25 to 2028/29

- (a) The Local Government Act 2003 (“the Act”) 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 of the Section 151 officer’s report). 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 Department for Levelling Up, Housing and Communities (DLUHC) and must be agreed by Full Council.
- (c) The report proposes an updated Treasury Management Strategy Statement (TMSS) for the period 2024/25 to 2028/29, and Annual Investment Strategy (AIS) for the year ended 31 March 2025, together with supporting information.

We therefore recommend:

That the full Council:

- 1) Approve the Treasury Management Strategy Statement.
- 2) Approve the borrowing strategy and borrowing limits for 2024/25 to 2028/29 set out in section 6 of the Section 151 officer's report.
- 3) Approve the Prudential Indicators set out in section 8 of the Section 151 officer's report.
- 4) Approve the Annual Investment Strategy and approved investments set out in Appendix 1 of the Section 151 officer's report.
- 5) Approve the Minimum Revenue Provision Policy set out in Appendix 2 of the Section 151 officer's report.
- 6) Approve the Delegation of authority to the Executive Director of Finance and Resources to proceed with: (a) the obtaining of a credit rating as set out in the report; and 3 (b) to appoint Link Group, a Treasury consultant, for the purposes of obtaining that rating.

5. Housing Revenue Account 30-Year Business Plan and Housing Investment Plan 2024/25

- (a) We considered a report from the Strategic Director of Housing and Commercial Partnerships (Appendix 5) which updates the Housing Revenue Account Business Plan and Housing Investment Plan agreed last year. The report provided an overview of the financial planning that supports the management of the 21,160 homes operated by the Council's HRA. This covers both revenue and capital expenditure and therefore incorporates the extensive Housing Investment Plan.
- (b) Despite a volatile economic backdrop that continues to present the HRA with significant financial challenges (see Section 7 of the report from the Strategic Director of Housing and Commercial Partnerships), the Council has delivered a sustainable HRA Business Plan from 2024/25 onwards. In doing so, it has managed to safeguard all planned housing investment whilst also adding two new schemes. This is significant in the context of the Council's Fairer Westminster vision and the delivery of more social housing within Westminster.
- (c) Housing is a significant pillar within this vision and the HRA Business Plan is therefore a critical enabler for Council in delivering key strategic outcomes. As well as maximising the delivery of social housing, the plan supports investment in several other important objectives which are covered in Section 5 of the report from the Strategic Director of Housing and Commercial Partnerships. This includes increasing frontline staff, improving the condition

and safety of existing stock, and investment to both retrofit homes and replace the Pimlico District Heating Undertaking (PDHU) in support of achieving net zero carbon emissions by 2030.

- (d) In April 2023, a council-wide Housing Improvement Programme was introduced to improve the delivery of housing services in Westminster. This programme involves a thorough review of all areas of the service, to identify both the areas that are working well and the areas in which the Council needs to deliver improvements for residents. The HRA Business Plan provides the platform for the investment required to support this transformation programme and one-off funding of £4.550m has been earmarked to support the delivery of important service outcomes.
- (e) The report sought approval for the HRA revenue budget for 2024/25 (see Section 8 of the report from the Strategic Director of Housing and Commercial Partnerships). This included approval for the proposed uplifts to both HRA rents and non-dwelling charges to take effect from 1st April 2024. The Council is proposing to adopt a 7.7% rent increase for 2023/24 (in line with the maximum limit set by the national rent policy), along with 6.7% increases to non-dwelling charges (in line with CPI as per its wider fee & charges policy). It is acutely aware of the current pressure on household incomes and proposes to extend the Rent Support Fund by 12 months to provide targeted support to tenants (earmarking a further £1.050m within HRA reserves).

Based on these proposals, the HRA will generate £134.84m across a range of income streams in 2024/25 (of which £93.35m, or 69%, comes from tenant rents). The 2024/25 expenditure budget is £127.98m, which leaves an operating surplus of £6.855m (which will be used to fund the capital and manage debt levels).

- (f) The report also sought approval for the 5-year HRA capital programme which included planned capital expenditure of £920.52m (see Section 9 of the report from the Strategic Director of Housing and Commercial Partnerships). The 30-year programme totals £2.493bn. Approximately 35% of the programme is funded from external sources (£0.863bn) with the remainder supported by the HRA itself. This includes a requirement to borrow an additional £597m over the next 15 years (an increase of £118m on the previous iteration). The business plan ensures this is prudent by setting minimum reserve levels, applying a minimum interest cover ratio, and creating appropriate contingencies to manage risk (see Section 12 of the report from the Strategic Director of Housing and Commercial Partnerships).

We recommend:

That the full Council:

- 1) Approve the HRA revenue budget for 2024/25 (Table 1 and Appendix 3 of the Strategic Director of Housing and Commercial Partnerships' report).

- 2) Note the HRA 5-year revenue budgets for 2024/25 to 2028/29 (Appendix 3 of the Strategic Director of Housing and Commercial Partnerships' report) and HRA 30-year revenue budgets for 2024/25 to 2053/54 (Appendix 4a of the Strategic Director of Housing and Commercial Partnerships' report).
- 3) Approve the HRA 5-year Capital Programme totalling £920.52m (Table 4 of the Strategic Director of Housing and Commercial Partnerships' report)
- 4) Note the 30-year Capital Programme for 2024/25 to 2053/54 totalling £2.493bn (Appendix 5 of the Strategic Director of Housing and Commercial Partnerships' report).
- 5) Approve the inclusion of all Fairer Westminster investments, including the extension of the HRA Rent Support Fund by £1.050m for 2024/25 (to be earmarked to support tenants experiencing financial difficulty during the cost-of-living crisis).
- 6) Approve a rent increase of 7.7% from 1st April 2024 in line with the maximum increase for social rent set by the national rent policy, whilst noting that the Council continues to exercise its discretion under the rent restructuring policy to set rents for re-lets (both new tenants and transfers) up to formula target rent.
- 7) Approve an increase of 6.7% to the fees charged for garages, sheds and parking (in line with CPI at September 2023) from 1st April 2024.
- 8) Approve that tenant service charges be varied in line with estimated actual costs for 2024/25 from 1st April 2023.
- 9) Note the HRA reserves and balances for the 5-year Business Plan (Table 5 of the Strategic Director of Housing and Commercial Partnerships' report).

6. Pay Policy 2024-2025

- (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.
- (c) This report appends the proposed Pay Policy Statement for 2024-25. All pay data in the Pay Policy Statement uses the snapshot date as of 31 March 2023 unless stated otherwise.
- (d) The report we received, from the Executive Director of Democracy, Law and People (attached as Appendix 6) outlined no major changes compared to last year's policy.

We recommend:

That the full Council:

Approve the Pay Policy for 2024 – 2025 as attached as Appendix 1 to the report of the Executive Director of Democracy, Law and People.

Cllr Adam Hug, Leader of the Council

Background Papers

Reports and Minutes of Cabinet Meeting: 19 February 2024