



City of Westminster

Committee Agenda

Title: **Housing, Finance and Corporate Services Policy and Scrutiny Committee**

Meeting Date: **Monday 12th September, 2016**

Time: **7.00 pm**

Venue: **Rooms 5, 6 & 7 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP**

Members: **Councillors:**

Brian Connell (Chairman)	Gotz Mohindra
Barbara Arzymanow	Jacqui Wilkinson
Peter Freeman	Adam Hug
Richard Holloway	Tim Roca

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Reuben Segal; Senior Committee and Governance Officer.

**Tel: 020 7641 3160; email: rsegal@westminster.gov.uk
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

The Director of Law to report any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

3. MINUTES

To sign the minutes of the previous meeting as a correct record of proceedings.

4. UPDATE ON WORK PROGRAMME AND ACTIONS

Report of the Director of Policy, Performance and Communications.

(Pages 1 - 12)

5. UPDATE FROM CABINET MEMBERS

An update from the Cabinet Members on key areas within their portfolios are attached.

The Cabinet Member for Housing, Regeneration, Business and Economic Development will be in attendance to answer questions from the Committee.

(Pages 13 - 26)

6. UPDATE FROM CITYWEST HOMES ON THEIR TRANSFORMATION PLAN

Report of Jonathan Cowie, Chief Executive, CityWest Homes.

Tracey Lees, CEO of Wandle and former CEO of Barnet Homes has been invited to the meeting as an expert witness.

(Pages 27 - 48)

7. TREASURY OPPORTUNITIES

Report of the City Treasurer.

(Pages 49 - 56)

8. WESTMINSTER RESIDENTS PANEL

Charlie Parker
Chief Executive
2 September 2016

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Housing, Finance and Corporate Services Policy and Scrutiny Committee

Date:	Monday 12 th September 2016
Classification:	General Release
Title:	Update on work programme and action tracker
Report of:	Julia Corkey-Director of Policy, Performance and Communications
Cabinet Member Portfolio	Cabinet Member for Housing, Regeneration, Business and Economic and Cabinet Member for Finance and Corporate Services
Wards Involved:	All
Policy Context:	City for Choice / Heritage / Aspiration
Report Author and Contact Details:	Tara Murphy x2894 tmurphy@westminster.gov.uk

1. Executive Summary

This report provides an update on the work programme for committee to note and also an update on the action tracker.

2. Key Matters for the Committee's Consideration

Committee is asked to note the updates to the work programme at Appendix 1 and the action tracker at Appendix 2.

3. Background

The work programme is as agreed by Committee in June except that: one report which was due in November has been moved to January due to a delayed policy announcement from central government; and two items scheduled for March have been moved to June 2017, for timing reasons, in order to allow a 1 year review.

**If you have any queries about this Report or wish to inspect any of the
Background Papers please contact Tara Murphy x2894**

tmurphy@westminster.gov.uk

APPENDICES:

Appendix 1-Work Programme

Appendix 2- Action Tracker

Work Programme



Housing, Finance and Corporate Services Committee

ROUND ONE – 13 June 2016 Main Theme – Finance and Corporate Services

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Corporate Services	A Q&A session with the Cabinet Member for Finance and Customer Services	Cllr Mitchell
Employment & Business Support	To provide a critical friend of the operational plans for the new employment service proposed in the Leader's Speech and to support the City for All ambition of reducing long term unemployment. The Plan is due in September and has interwoven links with PH Parental Employment Programme.	Greg Ward Tom Harding
Rationalisation of the Operational Property Portfolio	To analyse the on-going work and the strategy, which is due to be completed in August.	Guy Slocombe
Treasury outturn for 2015/16	Statutory review of the treasury outturn for 2015/16. Report to include an update on progress in signing up to a Municipal Bonds Agency in the Treasury Outturn report for 2014/15 (as per Committee decision of 9 March 2015).	Steve Mair

ROUND TWO - 12 September 2016 Main Theme – Housing, Regeneration, Business and Economic Development

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic Development	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and Economic Development	Cllr Astaire

Work Programme



Housing, Finance and Corporate Services Committee

CWH – Changes to Estates/Changes to Operating Model	To review the changes to the CWH Operating Model.	Jonathan Cowie
Return on Investment	To analyse alternative options for maximising the council's rate of return on its investments.	Steve Mair

ROUND THREE – 7 November 2016 Main Theme – Finance and Corporate Services

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Corporate Services	A Q&A session with the Cabinet Member for Finance and Customer Services	Cllr Mitchell
Rough Sleeping Strategy	To review the responses from the public consultation.	Sarah Monaghan/ Jennifer Travassos
Treasury Performance Half Year Statutory Review	A statutory review of treasury performance.	Steve Mair
Rationalisation of the Operational Property Portfolio	To analyse the strategy, which is due to be completed in August. This will follow up on the discussion at the meeting in June 2016.	Guy Slocombe
Major Projects	To update the Committee on Major Projects taking place in the borough.	Stuart Reilly

ROUND FOUR – 9 January 2017 Main Theme – Housing, Regeneration, Business and Economic Development

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and	Cllr Astaire

Work Programme



Housing, Finance and Corporate Services Committee

Development	Economic Development	
Draft Treasury Management Strategy 2017/18	A statutory assessment of the draft treasury management strategy prior to submission to Council for approval.	Steve Mair
HRA Business Plan	To review and comment upon the annual 30 year HRA business plan for 2017-18. To note the direction of travel and capital investment priorities.	Barbara Brownlee
Housing Options Service Transformation – Homelessness Prevention	To examine the council's response to the national agenda around homelessness prevention and the introduction of the Welsh model. The focus will be on the joined-up approach of housing, employment and children's services.	Barbara Brownlee

ROUND FIVE – 6 March 2017 Main Theme – Finance and Corporate Services

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Finance & Corporate Services	A Q&A session with the Cabinet Member for Finance and Customer Services	Cllr Mitchell
Estate Regeneration Programme Review	A review of the Ebury Bridge Project/Church Street Regeneration Programme	Barbara Brownlee

ROUND SIX – 10 April 2017 Main Theme – Housing, Regeneration, Business and Economic Development

Agenda Item	Reasons & objective for item	Represented by:
Cabinet Member Q&A Housing, Regeneration, Business and Economic	A Q&A session with the Cabinet Member for Housing, Regeneration, Business and	Cllr Astaire

Work Programme



Housing, Finance and Corporate Services Committee

Development	Economic Development	
MSP Review – 1 year on	To analyse the progress of the re-launched Managed Services Programme.	John Quinn
IT/ O365 – review 1 year on	How well supporting agile working is going – change security/privacy; how to enable more customer-centric approach:	John Quinn

Other Committee Events & Task Groups

Briefings	Reason	Date
Budget T/G	Standing task Group to consider the budget of Council	Jan/Feb 2017
City Hall T/G	Taskgroup to analyse the City Hall Refurbishment Programme	June 2016 -

Items for consideration at a later date

Affordable Housing Supply	A review of the delivery of affordable housing supply including social housing and intermediate housing.	Will be placed on June 2017 agenda to allow 1 year review
Supply and Allocation of Social Housing	To scrutinise the supply and allocation of social housing in the City of Westminster.	Will be placed on June 2017 agenda to allow 1 year review

ROUND TWO (16 SEPTEMBER 15)

Agenda Item	Action and responsible officer	Update
Item 7 – Westminster Housing Strategy Consultation Responses & Analysis on Housing Targets	<p>Make explicit in the Direction of Travel Statement that the Council will still accept comments on the Draft Housing Strategy.</p> <p>That officers write to those sectors that were underrepresented in the responses when consulting on a revised draft of the Housing Strategy. (Actions for: Andrew Barry-Purssell/Cecily Herdman)</p>	<p>The direction of travel document will invite comments on what it says, not what's in the draft housing strategy.</p> <p>The Direction of Travel Statement, which invites ongoing comments, was sent to businesses representatives such as,</p> <ul style="list-style-type: none"> • London First • Westminster Business Councils • London Chamber of Commerce • London Federation of British Industry

ROUND THREE (17 NOVEMBER 15)

Agenda Item	Action and responsible officer	Update
Item 5 – Update from Cabinet Members	<p>Provide the committee with details of the alternative accommodation offered to temporary accommodation residents vacated from Tollgate Gardens once all relocations are complete. (Action for: Barbara Brownlee, Director of Housing & Regeneration)</p>	<p>An update has been sent to committee with a full report expected when all the re-locations are complete around March 2016.</p> <p>Outstanding information regarding out of borough placements was circulated to Committee on 11th July 2016.</p>

Action Tracker



Housing, Finance and Corporate Services Committee

ROUND SIX (13 APRIL 16)

Agenda Item	Action and responsible officer	Update
Item 7 – Total Facilities Management: Performance and Contract Support	<p>Provide the Committee with a summary of the results of the annual staff survey to determine whether the perception of the service delivery resonates with members' own experiences.</p> <p>Provide the committee with details of what the additional cost would be to the City Council of paying service provider staff the London Living Wage. (Action for: Debbie Morris, Head of Facilities Management, Tri-Borough)</p>	

ROUND ONE (13 JUNE 16)

Agenda Item	Action and responsible officer	Update
Item 4 – Work Programme	<p>Provide a briefing note updating the committee on government policy changes to the Private Rented Sector once published. (Action for: Andrew Barry-Purssell)</p>	<p>This will be included in the briefing note on changes being brought in through the Housing and Planning Act in the Autumn</p>
Item 5 – Update from Cabinet Members	<p>Provide Cllr Roca with a note on the Council's work to promote apprenticeships including the number provided within the Council and its contractors. (Action for: Greg Ward, Director of Economy & Infrastructure)</p> <p>Following a recommendation at a previous meeting, provide details of the number of Members that have raised</p>	<p>Information circulated to Cllr Roca & Committee 21st July</p> <p>Information circulated to committee 22nd June.</p>

	<p>housing issues with CWH. (Action for: Barbara Brownlee, Director of Housing & Regeneration and Marc Wolman, Director of Customer Services, CityWest Homes)</p> <p>Provide Councillor Rigby with a note on the results of the CWH annual tenant and lessee satisfaction survey for 2015/16 and how these compare with the previous year's survey results. (Action for: Andrea Luker, Head of Strategy and Quality, CityWest Homes)</p> <p>Provide an update on progress in appointing a private market operator to run Berwick Street Market. (Action for: Greg Ward, Director of Economy & Infrastructure)</p>	<p>Information circulated to committee 22nd June.</p> <p>Information circulated to committee 16th August.</p>
<p>Item 6 – Employment and Business Support Operational Plan</p>	<p>Resolutions: The committee acknowledged that there is no statutory requirement for a local authority to reduce unemployment. However, having heard the evidence from invited witnesses it considered that the Council can make a difference and has a role to play in this matter. The committee heard that the Council is in a unique position of not only having a significant supply chain but is able to pool resources, use its influence to leverage partners and new sources of funding and coordinate other organisations. Given the particular challenges facing those in long term unemployment the committee applauded the ambitions of the service.</p> <p>The committee noted witnesses' observations regarding the</p>	<p>To note.</p>

benefits of co-locating services and the importance of addressing the health barriers that impact many of the people that have been unemployed longer than 2 years. Members were of the opinion that whilst the Council has significant property holdings co-location does not have to be delivered exclusively through Council owned property. For the service to succeed its design needs to incorporate links to the health sector. The committee also agreed with witnesses about the importance of all organisations participating in the management and delivery of employability programmes sharing responsibility for delivery and successes or failures.

Whilst the committee did not come to a view on which if any of the four strategic options was preferable to support the ambition it did request that any option chosen should incorporate an ability to assist those long-term unemployed residents living in temporary accommodation outside of the borough.

The committee suggested that the Council should promote those businesses that work with partners to provide opportunities for the long-term unemployed. Members also suggested that in designing the service the Council should incorporate the lessons learned from other local authorities and previous projects such as Family Recovery. The committee also concluded that given the significant challenges affecting those who have been long-term unemployed providing

Action Tracker



Housing, Finance and Corporate Services Committee

	in-depth targeted help to a smaller number of people would be more beneficial and productive than setting overambitious targets.	
Item 8 – Treasury Outturn for 2015/16	Provide the committee with details of how the Council's Treasury Outturn compares with that of comparable local authorities. (Action for: George Bruce, Tri-Borough Director of Treasury and Pensions)	The information will be provided as part of the Treasury Performance Half Year Statutory Review at the meeting in November

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Housing, Finance and Corporate Services Policy and Scrutiny Committee Briefing

Committee date:	12th September 2016
Author:	Cllr Daniel Astaire
Portfolio:	Cabinet Member for Housing, Regeneration, Business and Economic Development
Please contact:	Madeleine Hale x 2621 mhale@westminster.gov.uk

Please find below an update on key areas of activity from the Housing, Regeneration, Business and Economic Development portfolio since the committee last met.

Housing

1. Church Street renewal - general:

- The Regeneration Base at 99 Church Street is now open and the programme team work there making them more accessible to local stakeholders. This was announced both in the regular newsletter and through a specific mail drop to every address in the ward.
- The recruitment of a new Chair for the Future Steering Group (FSG) is complete and Tom Dacey, Chief Executive of Southern Housing Group, took up his role from 1st August. I am sure the Committee will join me in congratulating Mr Dacey on his appointment and we look forward to working closely with him.
- The review of the FSG and its working groups is underway, a facilitated workshop is planned for 14th September to discuss and finalise the changes agreed in principal at FSG on 20th June. As part of this, a newsletter will be produced on a bi-monthly basis.
- The business case for Cosway Street is complete and being taken through its approval process.
- Green Spine – the design team are due to report back to stakeholders with their proposed solutions in September. Amongst other places these will be displayed in 99 Church Street.

- The results of peer group research programme speaking to over 700 households across the ward are being collated and these will be used to inform the development of the programme going forward.
- The Arts and Culture Fund which awards between £200 and £10,000 for creative projects, has now awarded over £47k in grants with a further £28K pending approval. All of the projects awarded grant money benefit the people of the Church Street area and are rooted in the local region and have strong local connections.
- The previous Neighbourhood Upkeep procurement process was delayed slightly while improvements to the process were made. A revised and enhanced specification will be discussed with residents and taken to market in the autumn with a view to the contract being live in April 2017.

2. Delivering Church Street renewal specific sites

Tresham Crescent: The process of agreeing the final account is now in hand, the building seems to be performing well. Subject to agreement, the FSG AGM will be held there on the 20th September.

Lisson Arches: The work on site to divert services and create a development platform is proving extremely complex. The record drawings for service locations and for the foundation of adjacent structures are not wholly accurate or complete. The project team are in constant dialogue with FM Conway and the utility companies seeking to expedite progress. The team are adapting to the situation as it develops and aim to minimise the impact on the timeline as much as possible while still keeping residents informed of the situation.

Luton Street: Luton Street will provide 162 new homes with 60 new affordable homes (including 14 replacements) and is an important decant site for the next stage of the regeneration programme.

Benefits to the council

- 57 new affordable homes (35% net new affordable) to assist with the decant programme for the Church Street regeneration.
- 3 court Sport England compliant Sports Hall for the local community.
- Project/ Community space – size to be confirmed.
- £3m public realm contribution to go towards improvements such as the Green Spine.
- £2.4m improvement works to 6 existing Council owned blocks surrounding the Luton Street development site.
- £9.7m land receipt (as per 2014 tender bid), which is subject to further negotiation post grant of planning consent.
- £450,000 Council Management Fee.
- An overage provision to allow the Council to split profit with the developer on a 50:50 basis on the private for sale units over £1,240 per square foot.
- Community buy in and support, seeing the first major housing regeneration project for Church Street come forward and delivered on behalf of the community.

Commercial negotiations with the developer have been protracted with offices seeking to maximise the benefits to residents and the Council Residents have had and continue to have a strong voice in the development of the design. Subject to planning and satisfactory conclusion of the negotiations construction work should start in the second half of 2017.

Venables Street: Conways are well advanced with the works and the new stores will be ready in late October.

Orchardson Street: The three flats were formally opened on 24th August and will remain open for residents to view and comment on until 17th September at which time they will be let to local families in acute housing need.

Penn and Lilestone: The occupants of Penn House will move to Lisson Arches when this is completed and dialogue continues on the requirements of the NHS for a floor or floors on the site. The ground floor is planned to be the Community Well Being Hub promised in the vote booklet for Church Street.

Corporate Property are delivering the project as the largest component is new office accommodation and the current intention is that any income obtained from rents will accrue to the General Fund.

District Energy Scheme: Work continues on the development of an outline business case for the project and a clear preferred technical and commercial option for delivery. A number of challenges are being dealt with to ensure that the scheme benefits existing residents and is a net generator of revenue for the Council.

Master plan: Peter Brett Associates, an engineering practice with significant experience of working with the public sector, are appointed to prepare a new and detailed master plan, including a clear delivery strategy for Church Street. The inception meeting was held on 25th August and a detailed work plan is in development. Central to the process is detailed dialogue with stakeholders. Events are planned with market traders and retailers on 17th September and with non-retail businesses on 22nd September. The master plan team will also be presenting at the FSG AGM on 20th September.

Outcomes Framework: Working with residents the programme team has developed a description of the outcomes to be achieved through the Church Street for All programme, including ways to measure progress. This has emerged from discussion of the Health and Well Being Hub. The framework sets out how other aspects of the programme such as the master plan or neighbourhood upkeep relate to each other and informs decisions on projects.

3. Housing Zone:

Dialogue continues with the GLA (Greater London Authority) to ensure that the terms of their investment into Lisson Arches and the wider Church Street for All programme are appropriate and equitable. Regular Housing Zone Board meetings take place and the GLA are active supporters of our programme in Church Street, attending, for example, the initial meeting to discuss the master plan.

4. Ebury Bridge:

Dialogue is continuing with residents and others interested in the delivery of new and improved homes at Ebury Bridge. The project team have two overriding objectives to deliver as far as is possible the commitments made to residents in the vote booklet whilst delivering a scheme that is financially viable for the Council. A detailed options review is taking place to examine ways to achieve this.

The first of the Soho Housing blocks has been acquired; negotiations are well advanced on the second block. When these are acquired and the tenants rehoused they, along with Edgson House, will be demolished.

5. Affordable Housing

Dolphin Square have recently launched the Westminster Home Ownership Accelerator (WFOA), a new intermediate housing scheme jointly developed by Dolphin and Westminster that helps eligible households who live or work in Westminster to build up a deposit while renting a sub market rented property before moving on into home ownership.

The first 16 of 50 intermediate homes are currently being made available for letting at Dibun House in Maida Vale and applicants for the scheme are currently being interviewed prior to direct offers of accommodation.

Great Portland Estates (GPE) have completed the first 3 of 9 new affordable homes in Great Portland Street and Ridding House Street linked to GPE S106 obligations on a number of their new developments in the West End. The remaining 6 affordable homes are expected to be handed over in September. These affordable homes will be transferred to A2Dominion to which the City Council has 100% nomination rights.

Completion of a new build scheme located at Thorney Street SW1 (Clelland House) and delivering 67 affordable homes is anticipated shortly. This scheme that will deliver 37 social and 30 intermediate homes is being provided under a S106 agreement with Berkeley Homes. These affordable homes will be transferred to Dolphin Square. Nominations from the Council's waiting lists are currently being made to this new development.

Schemes that have recently secured planning consents that will deliver on site affordable housing include:

- 12 - 14 Greek Street W1 (Soho Estates) - 8 affordable homes;
- 59 Greek Street W1 (Soho HA) – 9 affordable homes
- Dean Bradley House, 46 Horseferry Road SW1 (Mayfair Charities Limited) - 3 affordable homes

Those planning applications pending that will deliver new affordable homes include:

- Hathaway House, 7D Woodfield Road (Meadow Residential) - 19 new affordable homes
- West End Green NW8 (Berkeley Homes) – variation to existing planning permission that will increase the number of affordable homes from 126 to 130
- Dora House, 60 St John's Wood Road, London (Central and Cecil) – Revised planning application for 139 affordable homes for use as sheltered housing

6. Housing & Planning Act update

The Act received Royal Assent in May. Much of the detail to support implementation required regulations, which were expected to appear summer or autumn this year – but so far have not been published. June's referendum and ministerial changes may impact on the timetable for some regulations, although this has not been confirmed. The regulations are to come back to both Houses of Parliament for approval, so we will have opportunities to continue to shape them. Once more details are available, further work will be done to identify impacts and prepare for implementation.

7. Homelessness Legislation

Bob Blackman MP (Conservative, Harrow East), who came second in the Private Members' Bill ballot, has introduced a Homelessness Reduction Bill 2016. It will have its Second Reading at the end of October. The Commons Communities and Local Government Select Committee will be conducting pre-legislative scrutiny of the Bill. The Bill places a greater emphasis on homelessness prevention and extends a duty to provide accommodation to the single homeless. The Bill is based on recommendations made by Crisis earlier this year and

its principles have been supported by the [CLG Select Committee](#), who recently published a report following its nine-month inquiry into homelessness (to which the council gave evidence).

8. CityWest Homes

Performance - CityWest Homes performed well in Quarter 1 against its management agreement targets. Of particular note are rent collection and complaints handling. Rent collection performance is at the highest level on record for quarter one (98.6%). Complaints performance has also improved and satisfaction with complaint handling increased from 63% to 76% over the quarter.

Customer Satisfaction - This year CityWest Homes are working with the Institute of Customer Services to measure customer satisfaction independently. The ICS are now in the process of surveying a sample of tenants and lessees and the results will provide a benchmark on customer satisfaction against other service organisations across the UK, including John Lewis, First Direct and M&S.

Service Transformation - 2016/17 is a busy year for CityWest Homes as it works towards implementing a new target operating model for service delivery (to be presented to this committee); procuring digital technology to support service delivery structures and letting new repairs and major works contracts (to start in Summer 2017).

Joint work with the Council - CityWest Homes strategy has aligned its work closely to that of the Council and joint working continues on the digital and service transformation programme including joint procurement of CRM software and sharing IT infrastructure.

Work is ongoing in other areas across the Council, including environmental services, management of parking on housing estates, public health - keeping tenants in their home for longer; employment; homelessness from CWH households and rough sleeping on estates.

Annual HRA business planning cycle - CityWest Homes has prepared detailed projections for the 5-year and 30-year investment plans for existing stock. CityWest Homes are coordinating the programme and cashflow forecasts for HRA and housing regeneration and development projects.

Resident Engagement - The new local panels and Residents' Council have now all met and agreed priorities. The Residents Council has started the process to appoint a chair, who will also attend the Board meetings. This is expected to be confirmed by early October.

Board Recruitment - Two resident board members and an independent member are due to step down this year and recruitment is underway with the aim of selecting replacements by the end of October.

Implementation of Housing & Planning Act 2016 – CityWest Homes has responsibility for implementing higher rents for high earning tenants ('Pay to Stay') and the sale of high value voids. Detailed regulations were due before the parliamentary recess but have now been delayed to the autumn. The planned implementation date remains April 2017 but with no clear details, this is expected to change.

9. Rough Sleepers' accommodation services

In 2010 Westminster launched a literacy strategy in rough sleeping accommodation services. The pilot was hugely successful with 26 learners (and their corresponding 26 coaches) recruited in the first 6 months of the pilot. In mid-2016 the toolkit was re launched

in the rough sleeping pathway and a call for peer coaches and a new “Teach a Friend to Read” campaign was launched at the Homeless Health Conference. Since the re-launch, we have many learners and their peers taking this up.

The Council Rough Sleeping Team officers have been working with a number of providers on transformation of their services and developing new pathways into supported accommodation for those who present at Housing Options. This programme has encompassed developing more specialist resource in our accommodation services, developing systems to better demonstrate outcomes/value for money by providers, joint work with Housing options to identify those who have complex needs and offering them supported accommodation and in some cases, intensive support from officers to build in resilience to our services pending further funding pressures.

There has been a significant increase in rough sleepers using Novel Psychoactive Substances (NPS) – sometimes referred to as ‘Spice’; the result has been increases in anti-social behaviour, violence within services and service users refusing to engage with support because of the effects of these drugs. To address this, officers and commissioned services have teamed up with treatment services to educate staff and develop outreach programmes and treatment pathways. This is still a relatively new phenomenon but one that we are working hard to address.

Economic Development and Growth

10. Markets

The council continues to engage with the local community on the procurement of a market operator for Berwick Street. There has been further dialogue with the traders, including meetings on the 26th July and 10th August. Officers have received feedback from the traders on the potential for the future of the market and this will be fed into the tender process.

11. Business Improvement Districts (BIDs)

Following the successful Marble Arch BID ballot outcome reported in the April report, The Fitzrovia Partnership has proposed to Westminster that a joint BID with Camden is considered as part of their new business plan which goes to ballot next year. Meanwhile HOLBA propose going to a second ballot in February and March next year.

12. Employment & Skills

The council is working closely with the District Job Centre Plus to plan and implement a strategy to support residents who will be affected by the next phase of the DWP Welfare Reform programme due in the Autumn. The aim of this collaboration is to increase the level of support and employment outcomes for unemployed residents affected by the housing benefit cap. This is likely to reduce the expenditure of the council's discretionary housing payment budget.

The Economy Team is leading on a Borough wide revision of the measurement system for supported employment. A new internet based system is being designed to create more consistent and accurate reporting, with a strong focus on the long term unemployed.

Together with the virtual school, a new post is to be created to provide housing and employment advice to Looked After Children. This is a tripartite collaboration between Children's Services, Housing and Economy. This initiative is anticipated to lead more of Westminster's looked after young people to productive, working lives.

A plan has been developed to promote apprenticeship growth. As well as the internal apprenticeship targets, the aim is to support the business community to recruit 100 apprentices.

An Apprenticeship Careers Fair is being planned. It will be hosted by the City of Westminster College on the 16th November as part of Westminster Enterprise Week. The event aims to attract 60 exhibitors and 500 Westminster college and school students looking for work.

13. Enterprise

The Business Unit has broken an interim target for 100 business requests for assistance since March. This is without significant advertising or promotion. The current clear up rate for business problems is over 90%. A new internal network of over 40 business champions across the council will assist with enquiries to the Business Unit.

Now in its second year, the council is working with businesses and entrepreneurs to bring an exciting schedule of activities and experiences across the 14th – 18th November. Westminster Enterprise Week is an official partner of Global Entrepreneurship Week, the world's largest entrepreneurship campaign.

To ensure The Week continues to develop, a bid will be entered to access Erasmus+ funding in return for sharing the Westminster Enterprise Week model with partners in Europe. The deadline for bid submission is the 4th October. If successful, this could secure 100% funding to deliver the programme for the years 2017/2019. This would enable an expansion of the activities of Westminster Enterprise Week to ensure the impact is experienced all year round. The bid would also benefit more young people including those not in Education, Employment or Training (NEET) and groups underrepresented in the Enterprise landscape such as Looked After Children and Care Leavers and young people with Learning Difficulties & Disabilities

14. Broadband

BT have announced the first nine locations across the UK to benefit from a new Fibre to the Premises (FTTP) broadband product specifically designed for SMEs, offering ultrafast speeds of up to 1Gbps. Areas of Westminster will be some of the first in the UK to get access to this new capability. BT will be targeting business parks and high streets that do not currently have access to Openreach fibre broadband.

The new network will be rolled out over the course of the next few months, with communications providers able to offer ultrafast speeds to businesses from the end of December.

A £3m ERDF Bid to deliver a connection voucher scheme in Westminster has been submitted. Again, a City for All priority, the scheme will provide SME's with up to £1,000 toward the cost of a superfast broadband connection. This grant is at a 40% intervention rate, meaning the business will contribute 60%. It will provide £1,000,000 in investment and support a minimum of 1,000 businesses.

The application has been since accepted at outline stage and may progress to the submission of a Full Application. It is hoped a positive response to this application will be provided by the end of this calendar year.

1st September 2016

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Housing, Finance & Corporate Services Policy and Scrutiny Committee Briefing

Date: 12th September 2016

Author: Cllr Tim Mitchell

Portfolio: Cabinet Member for Finance & Corporate Services

Please contact: Madeleine Hale x 2621
mhale@westminster.gov.uk

1. Finance

1.1 Business Rates

Westminster hosted an additional, local authority only, session of the combined DCLG (Department for Communities and Local Government) and LGA (Local Government Association) Business Rates System Design Working Group on the 17th August. The Council presented a single document that addressed all the issues being considered by the group and the group largely reached unanimous agreement on most of the proposals put forward. A formal submission is being prepared for the next GLA/DCLG hosted working group to which all representatives attending the meeting can sign up to

1.2 No PO NO Pay and Sundry Debtor Recovery

As part of the programme of continuous improvement and the efficiencies designed into the BT managed service programme's Agresso system, one of the next steps in implementing "business as usual" for the Accounts Payable module is to make use of purchase orders (POs) as the principle means of requisitioning supplies and pay invoices. This promotes the automated matching of compliant invoices to purchase orders and facilitates the prompt processing and payment of invoices.

Reintroduction of No PO No Pay is being commenced in September 2016, with the aim of "No PO, No Pay" fully implemented by the 1st December 2016.

There has been a programme of debt management in place in the last period encompassing issuing adult social care statements, prioritised debt recovery led by Finance Managers working with service areas. Invoices have continued to be raised promptly and monies received are being allocated by BT and the Council. To enhance this, the Council will now be undertaking its own automated recovery of sundry debt with BT being responsible for running the automated and scheduled batch programmes on Agresso and the subsequent printing and mailing of the recovery documentation commencing in a similar time scale. The Council will be responsible all other elements of the recovery process, including the handling of payment and service enquiries and the updating of sundry debtor accounts.

1.3 Budget

Work has continued on analysing the Council's budget position for 2017/18 to 2018/19, identifying where we are in relation to the estimated gaps and action that will be taken to prepare the estimates (capital and revenue) for these years, and beyond. This will be provided to Policy and Scrutiny, Cabinet and Council in the usual cycle in January 2017 to March 2017.

1.4 Budget Monitoring

The roll out of the budget monitoring tool continues to progress and training will be delivered throughout the year. Currently the budget is in balance with an underspend forecast for the full financial year.

1.5 Council Tax and National Non Domestic Rates (NNDR)

Council Tax and NNDR collection are both performing well as at the end of 2016/17 period 4 with Council Tax exceeding last year's performance at the same stage last year by 1.06% and NNDR collecting 42.37% which is marginally down on the same point last year by 0.75%. The slight decrease in NNDR collection is due to an increase in the number of Businesses spreading their instalments over 12 months rather than 10 months.

1.6 Discretionary Housing Payment Fund

The Council's £2.6m Discretionary Housing Payment fund, which assists Housing Benefit claimants who have a shortfall between the Housing Benefit they receive and their rent, is currently projected to spend £755,000 but this figure is based on claims that have already been agreed. Demand is expected to increase significantly when the upcoming overall Benefit cap is introduced in November. It is however expected that the £2.6 million will be sufficient to meet the estimated increase in demand.

2 Corporate Property

2.2 Investment Programme

Corporate Property has embarked on an investment programme using the funds allocated in the Council's budget for strategic commercial property acquisitions. As previously reports the investment programme is intended to provide secure, long term income streams for the Council to support provision of front line services.

The Council completed their first acquisition on 9th August. The acquisition of 10 Orange St, WC2 completed for a price of £11.8m plus transaction costs. The building is let out and generates £500,000 per year of new revenue for the Council. The acquisition meets the investment criteria that were determined in the strategy set out at the end of last year and provides a broader opportunity in that it sits adjacent to a potential development project at Huguenot House.

The Council was required to exchange and complete the deal in 10 working days, with Officers pulling the deal together amidst strong competition from market leading investors.

2.3 Operational Property Strategy

BNP Paribas has produced an initial draft report that is being reviewed with their final report due to be produced in September.

3 Corporate Services

3.1 MSP

An enhanced Framework Intelligent Client Function (ICF) is now in place. A detailed project plan for the delivery of all functionality by 17th January had been developed by the ICF with BT following workshops with the Directors of Finance and HR to ensure alignment with their priorities.

We have specified 130 high priority items and some 200 medium and low priority items. Work packages have been created for Payroll, which we are treating as the top priority, Finance, HR, Governance and Support and cross cutting Enterprise Resource Planning issues.

Governance of the plan will be through HR and Finance business change meetings at which satisfactory completion of activities will be confirmed. Overall responsibility for confirming and managing progress will rest with the Operational Framework Board (OFB) and the Strategic Framework Board (SFB).

There are still risks the most significant of which is the availability of sufficient BT and council resource with the right knowledge, skill and experience to deliver the remaining activity within the agreed timescales.

Operational performance deals with incident management, payroll accuracy and BT Shared Service Centre (BT SSC) resourcing.

On average over the last 13 weeks, 57% of incidents are being resolved at first contact. The current payroll accuracy figures for August to date are: Royal Borough of Kensington and Chelsea (RBKC) 99.5%, Westminster City Council (WCC) 98.9% and London Borough of Hammersmith and Fulham (H&F) 99.1%. The overall accuracy for August is 99.2%.

3.2 IT

Phase 2 of the ICT restructure

Consultation for this phase, which involves bringing together the RBKC and WCC IT staff into a single team, went into formal staff consultation on Friday 5 August. The new structure is scheduled for introduction in October 2016 and will provide a strategic integrated team to deliver the objectives of the RBKC and WCC, whilst also preserving shared “Tri-borough” services where required.

Digital Workforce/datacentre migration

The new Office 365 intranet/collaboration platform continues to see excellent adoption levels by staff at all levels within the Council, supported by a comprehensive communications and training programme. Following migration from WCC CapGemini datacentre services at end of June 2016 the current phase includes completion of end user migrations and software upgrades, and transition of legacy on-premise services to new BT “SIP” datacentres, ahead of City Hall vacation in 2017.

Customer Digital

The shared IT service has worked with the PPC Digital team to support the procurement and implementation of a common enabling Web/CRM platform which can be exploited by WCC and (subject to agreement) RBKC also. This G-Cloud procurement is due to commence w/c 30 August and will start to deliver new transactional services by late 2016/early 2017 in support of WCC savings objectives. A new shared Geographical Information (GIS) System and Web search platform (covering all three Councils) will be launched in autumn 2017.

City Hall refurbishment programme

The IT team is progressing plans for City Hall exit and mobilisation of decant sites in earnest. Datacentre decommissioning and migration works are underway, and new circuits ordered for the decant locations. Following Cabinet Member approval, existing WCC telephony and network contracts have been extended to April 2018 limit disruption during City Hall refurbishment.

Information Security

The shared IT service will shortly make it's next "PSN" certification submission (PSN being their Public Services Network security standard which WCC must meet in order to access DWP and DVLA data) for the Councils. The submission ensures security of our most sensitive data, whilst also providing flexibility to exploit the potential for open data access, transparency and internal/external (multi-agency) collaborations around less sensitive data. A major Information Governance training programme is being deployed to staff to support this.

3.3 People Services

Working the Westminster Way

250 colleagues have now been through Working the Westminster Way Band 3 programme. This will continue until March next year to ensure all staff have this opportunity.

Leading the Westminster way evaluation

The evaluation of the Leadership Academy is in progress. We sent out a survey to 360 individuals who had completed the Leading the Westminster Way programme, and had a response from 196 people. A series of interviews were conducted with a varied pool of Executive Directors, Senior Leaders and Band 4 managers. A number of Band 3 and 4 managers also took part in focus groups, which were looking at what change they have seen from senior leaders. The themes are currently being collated and there will be a report produced within the next few weeks.

Corporate induction

A brand new corporate induction programme will be launched in October. This will comprise of two half days as opposed to one full day. The first half day session will include a high impact video showing what Westminster is all about including snippets of Westminster locations, cross-section of Westminster employees including EMT (Executive Management Team). Furthermore the style will be more interactive and the session will be hosted by two facilitators. We will incorporate the use of latest technology to engage delegates throughout the day such as Q & A and voting apps that will be used throughout the session. The market place will be re-branded into "Exploring the Westminster Way" and delegates will be encouraged to collect stamps from each stall to complete the Westminster way. The session will conclude with a quiz and a prize draw. The second half day will comprise of the bus tour which will take place quarterly.

Your Voice survey

Peoples Services are working closely with internal communications to ensure the smooth launch of the Your Voice on 5th September which will remain open until the 23rd of September.

360

EMT have signed off a pilot for 360 degree feedback for a sample of 50 employees across the council. The Organisational development team will be working with an external partner to design the approach and deliver the pilot over Autumn.

Graduate placements

Four graduates will be joining Westminster City Council in October as part of the 2016 graduate programme. The placements have been confirmed with Legal, Registrars and Public Protection & Licensing.

Graduates from 2015 graduate programme will be moving onto Corporate property, Placeshaping team and Organisational Development.

A comprehensive induction plan is being put in place for the new cohort and they will be paired with the graduates from last year. In addition to their immediate line managers, mentors have also been assigned.

3.4 Procurement

3.4.1 Westminster Procurement Services

Westminster Procurement Services Limited was incorporated as a company on 27th July 2016. This now provides the Council with the commercial vehicle to proceed with a joint venture for the delivery of procurement consultancy services.

We are aiming to complete the Joint Venture Shareholder Agreement with an external provider within the next three weeks subject to completing the agreement, Business Plan and Service Level Agreement.

3.4.2 Chartered Institute of Procurement & Supply (CIPS)

Following our recent Corporate Certification Standard submission, the Chartered Institute of Procurement & Supply has agreed that Westminster City Council has successfully achieved the CIPS Corporate Certification Standard.

Procurement Services can be proud of the commitment and dedication they make to procurement in Westminster which is recognised in part with this award.

There will be a plan for an award ceremony at Westminster City Hall attended by a representative from the Chartered Institute of Procurement & Supply.

1st September 2016



Housing, Finance and Corporate Services Policy and Scrutiny Committee

Date:	Monday 12 th September 2016
Classification:	General Release
Title:	Update from CityWest Homes on their Transformation Plan
Report of:	Jonathan Cowie, Chief Executive, CityWest Homes
Cabinet Member Portfolio	Cabinet Member for Housing, Regeneration, Business & Economic Development
Wards Involved:	All
Policy Context:	City for Choice / Heritage / Aspiration
Report Author and Contact Details:	Martin Edgerton, Executive Director of Customer Services, CityWest Homes medgerton@cwh.org.uk

1. Executive Summary

- The independent Altair review of CityWest Homes (CWH) in 2015 – as previously discussed with this committee – whilst recognising a high level of service, identified opportunities to: modernise services, operate more efficiently, and to reduce cost
- As a result, CWH are undergoing a whole business transformation programme which will modernise and simplify all aspects of service delivery
- New service standards reflecting those things most important for residents have been developed and launched
- CWH and WCC have agreed the vision for a new operating model
- We are in the process of: mapping activity levels; understanding how the services are delivered, who by, and when; and developing the target operating model.

2. Key Matters for the Committee's Consideration

- I. Is the committee satisfied that the planned target operating model has the potential to achieve its objective to improve consistency of housing service delivery across the city?
- II. What opportunities might the target operating model create for greater integration with WCC services?
- III. Could the committee bring to our attention any potential risks for the Council, posed by the planned changes?

3. Background

The presentation (attached in Appendix 1) sets out:

- the wider context for CWH transformation agenda
- some of the key challenges faced
- the outcomes the transformation will deliver
- the vision, how the new approach will work
- a high level timeline for delivery

As part of this, CWH now have a clear set of service standards.

The key changes are:

- That a Multichannel Contact Centre will be the first point of contact for residents, resolving queries simply, effectively and in an efficient way
- Technologies will be developed and procured that enable self-service for customers that want to operate online
- There will be a far clearer level of accountability and responsibility for delivery, with a more consistent service across Westminster
- The City for All ambitions have also been included in the strategy
- We will deliver c£5m pa saving by year five

In order to deliver this, we have:

- Engaged with residents, to understand what matters most to them
- Established a Programme Office to oversee governance, planning etc
- Appointed dedicated project management resource to lead changes
- Brought in expertise to help challenge the status quo – and redesign our operating processes
- Reviewed where there are opportunities to link to other WCC initiatives to reduce duplication and link service delivery

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Report Author medgerton@cwh.org.uk

APPENDICES:

Appendix 1: CityWest Homes 2020 Strategy & Target Operating Model Presentation

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CityWest Homes 2020 Strategy and Target Operating Model

Jonathan Cowie, Chief Executive

Martin Edgerton, Executive Director of Customer Services

September 2016



Index

- Priorities for CityWest Homes
- UK service trends
- CWH Strategy 2015-2020
- Target operating model
- Three questions for P&S Committee



CityWest Homes - summary



CITYWEST HOMES

As the ALMO of WCC for Housing:

- Support 30% of resident population
- Manage 21,000 homes
- 1:7 are listed and 25% over 100 years old

Diverse customer base:

- 60% social tenants (50%B&ME)
- 40% leaseholders (39% right to buy, 61% open market)

Manage £6billion assets

- Development pipeline of £400m
- High satisfaction (tenants 89%, leaseholders 70%)



Priorities for CWH– key challenges

- Need to move away from responsive culture to greater ownership and responsibility
- View services from resident perspective
- No digital offer or self-serve capability
- We have a complex operating model – need to simplify delivery and reduce cost

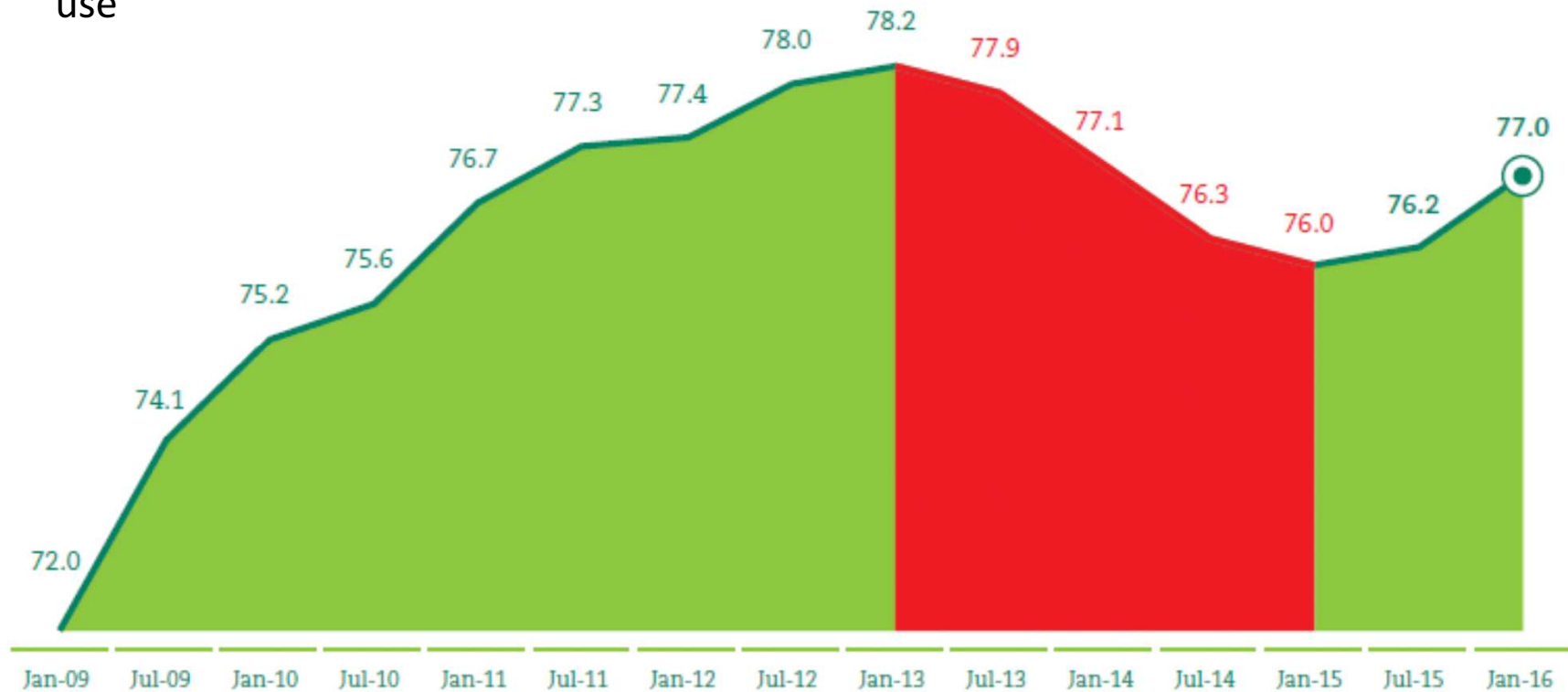


UK Service Trends



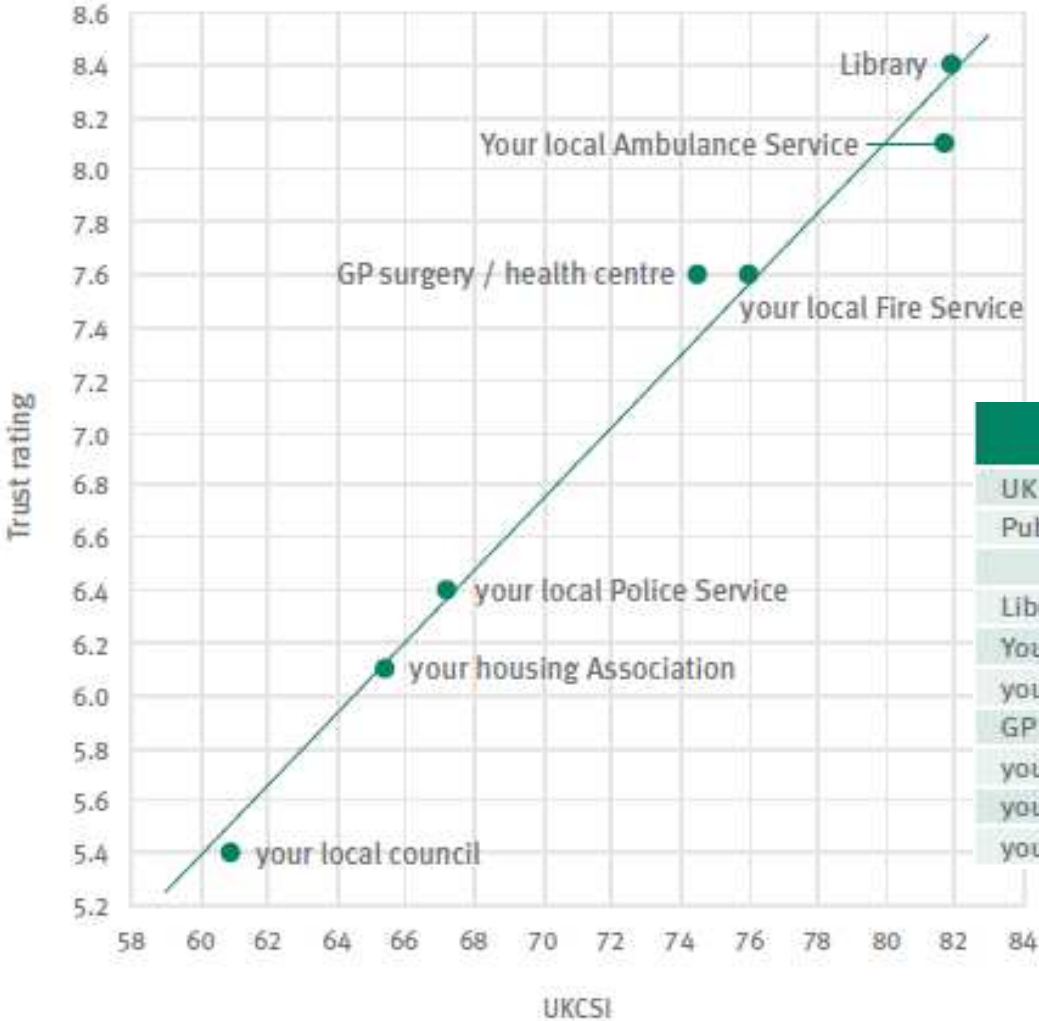
Service trends - UKCSI January 2016

Local Public sector at 73% - Need to focus on behavioural attitude & ease of use



Service drives trust

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	Jan 15 UKCSI	Trust*
UK all-sector average	76.0	7.3
Public Services (Local)	72.1	7.1
Library	81.9	8.4
Your local Ambulance Service	81.7	8.1
your local Fire Service	76.0	7.6
GP surgery / health centre	74.5	7.6
your local Police Service	67.2	6.4
your housing Association	65.4	6.1
your local council	60.9	5.4

CWH Strategy 2015 – 2020

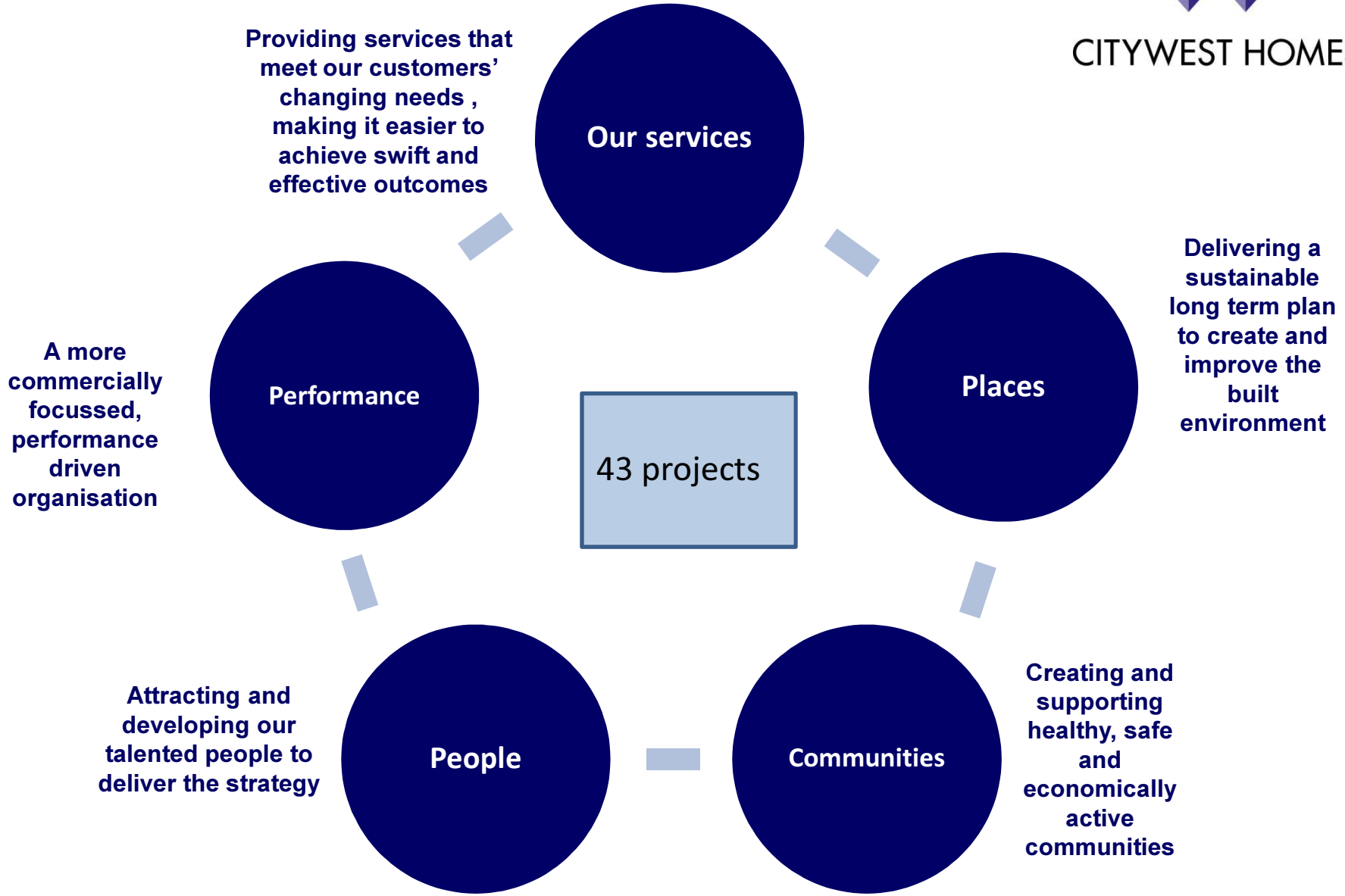
- **Our mission:** Creating places where people are proud to live
- **Our vision:** To be trusted and recommended by our customers in Westminster, based on our reputation for quality, value and service



Strategic objectives – 2020



CITYWEST HOMES



Improvements focused on...

Customer access: A choice of customer contact channels including self-service capability

Organisational culture: The customer and performance being at the core of CWH

Service standards: Clarity of service offer

Structure and functions: Clarity on service and performance accountabilities

Cost Reduction : Target over £5m out (£1m planned in 2016/17)

Transformation programmes

- A new target operating model to transform service delivery
- Digital Programme to support target operating model
- 30 year plan for asset strategy and regeneration
- A future ready VFM building and maintenance service



Target Operating Model: Redefining our relationship with customers - Redefining Service Delivery

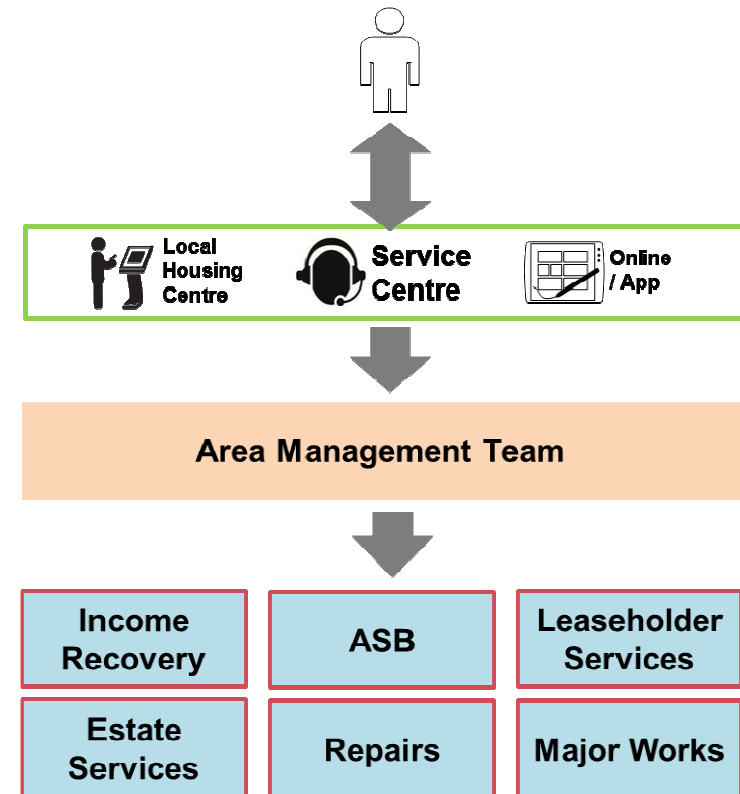
How it will be better for our residents

- Simpler and easier to interact with us
- Customers can self-serve if they choose to
- A consistent experience and set of standards across Westminster
- We focus on what we are meant to do – and do it better



Transformation programmes – the vision

- Clarify our service standards
- Review and update our processes and ways of working
- Review and update our ‘operating model’ – who does what, where and how
- Upgrade our IT: Website, CRM etc
- Launch a Multichannel Service Centre front end:
 - Digital, including self service
 - Queries routed to the most appropriate team
 - Forward looking – trends and patterns!
- Review role of offices – link to WCC ‘Hubs’



Key outcomes



- Clearer ownership for all actions in a specified area
- Residents access/own information important to them
- Easier and faster resolutions
- Reduction of operating costs by £5m by 2020
- Comparison of service delivery with private/public sector across UK

CWH Strategy 2015 – 2020

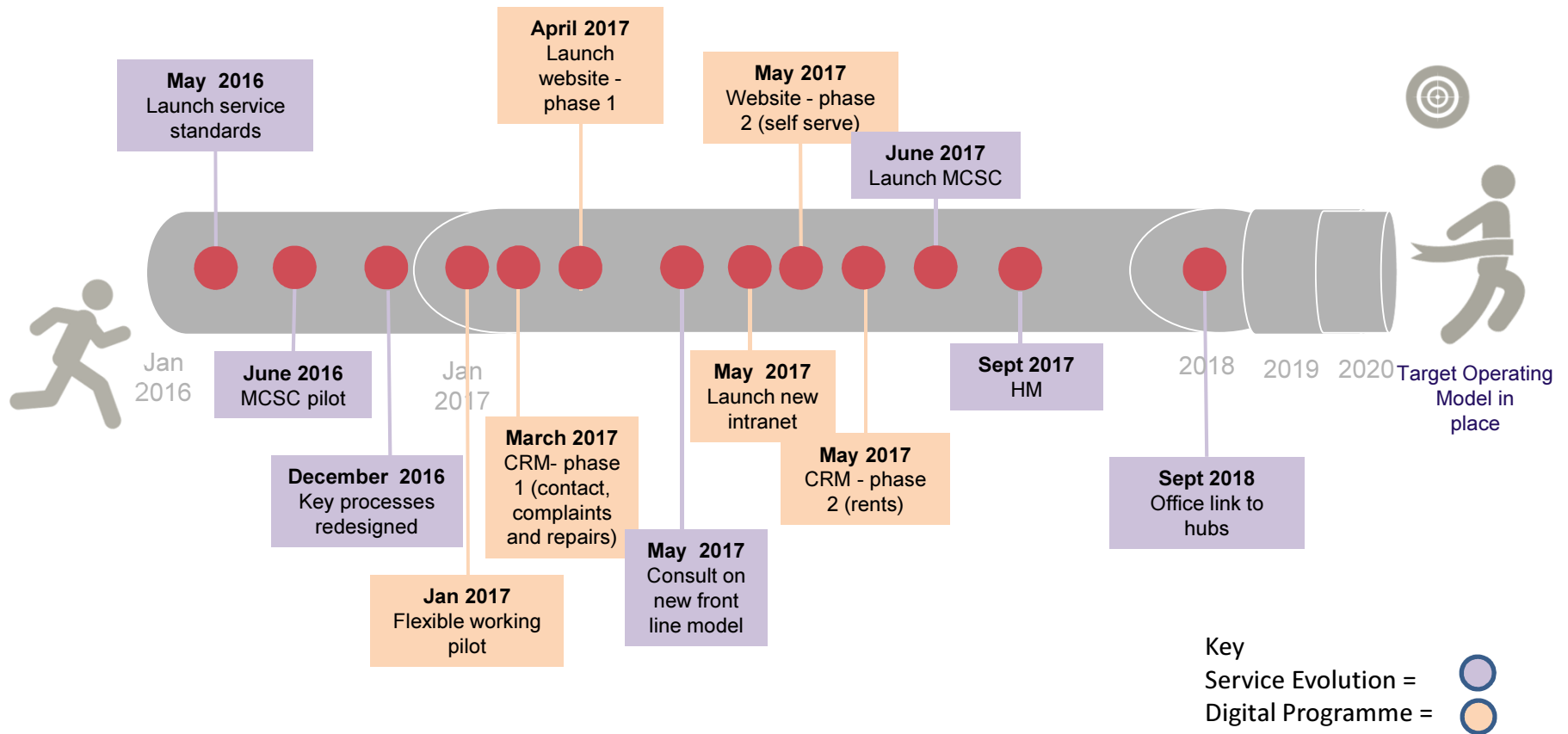
How we are supporting the City for All agenda

- Employment with 1000 supported to workplace
- Support health interventions (plus elderly care)
- Developing joint services in hubs
- Joint working on digital delivery
- Telecomms and parking



High Level Implementation plan

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Creating places where people are proud to live



Key risks



- Brexit
- Housing and Planning Act
- Managing change and maintaining BAU, whilst delivering savings

Questions for P&S Committee

1. Is the committee satisfied that the planned target operating model has the potential to achieve its objective to improve consistency of housing service delivery across the city?
2. What opportunities might the target operating model create for greater integration with WCC services?
3. Could the committee bring to our attention any potential risks for the Council, posed by the planned changes?



Housing, Finance and Corporate Services Policy and Scrutiny Committee

Date:	12 th September 2016
Classification:	General Release
Title:	Treasury Opportunities
Report of:	Steven Mair, City Treasurer
Cabinet Member Portfolio	Finance and Corporate Services
Wards Involved:	All
Policy Context:	Better City Better Lives Priority
Report Author and Contact Details:	George Bruce, Tri-Borough Director Treasury & Pensions x2258 gbruce@westminster.gov.uk

1. Executive Summary

Westminster holds short-term cash balances projected to average £728 million in 2016-17. In the prior year income of £4.8 million was earned at an average rate of 0.59%. This note details initiatives being considered with the potential to optimise the return earned on cash investments, including a number of projects being evaluated.

2. Key Matters for the Committee's Consideration

The Committee are invited to provide a view on:

- the risk appetite for the treasury portfolio,
- the appropriate process for approving special projects that are seen as non-standard treasury.

3. Background

3.1 Short term cash balances arise from a number of sources, principally,

- Reserve generation,
- Income collected in advance of expenditure

- Long term borrowing to fund the capital programme
- Provisions

3.2 The predictability of the timing of income and receipts is variable. Some elements are fairly certain e.g. council tax receipts and salaries, while others are unpredictable both in scale and timing e.g. the capital programme. Cash forecasting is important both to time borrowing decisions and to facilitate the investment of cash balances. A certain amount of cash is held for liquidity purposes e.g. to pay the bills, but in general holding large amounts of cash is not a policy and balances represent anticipated future expenditure or debt repayments.

3.3 Since 2008, the income generated from cash balances has plummeted as returns are closely related to Bank of England base rates. Thus when the BoE base rate dropped from 5.5% at the start of 2008 to 0.5% in March 2009, the revenue expectation from cash was reduced by 90%. The recent base rate cut to 0.25% and the projections that rates will continue to stay around current levels for 2-3 years has further challenged income potential.

3.4 This report details current initiatives to increase revenue generation through making greater use of existing opportunities, widening the scope of permitted investments and special projects currently being evaluated. Work is continuing on this and will continue to develop over the coming months before being refined for the budget and then developed continuously throughout the MTP period. Clearly the earnings that can be realised are heavily dependent on the cash balances and the interest rates prevalent during the period and thus may vary significantly

4. **Treasury Guidelines**

4.1 There are no legislative restrictions on the selection of treasury investments. Rather, regulations require a reporting cycle to ensure that treasury activity is scrutinised by Members. Investment of cash balances is controlled by the annual treasury management strategy statement (TMSS) that includes the annual investment strategy. Within this are set out eligible counterparties, maximum duration and various limits on individual and classes of investments, all designed to ensure that the cash balance is invested with high quality counterparties and highly diversified. The TMSS is prepared by the City Treasurer, being approved by EMT, Cabinet, this Committee and finally by Full Council. Mid-year and annual reports on activity enable Members to ensure that the agreed strategy is being followed, in particular that priority is given to security, liquidity and then income.

5. **Future Income Opportunities**

5.1 This note considers future income opportunities at four levels:

- Yields based on treasury advisor guidance
- Utilising the current TMSS to its full potential
- Modestly widening the scope of the TMSS

- Special projects

6. Yields Based on Treasury Advisor Guidance

- 6.1 Westminster treasury advisor, Capita, provide a 'prudent' average yield for treasury budgeting purposes. This rate has been reduced following the recent cut in base rates and an expectation of another cut to follow. Using Capita's budgeting rate and assuming cash balances remain largely unchanged in the MTP period then this provides a base income of circa £1.8m in 2016/17, reducing to £700k in 2017/18 and increasing back to £1.8m in 2018/19

7 Working within the existing TMSS

- 7.1 Westminster treasury is able to add value above the Capita suggested budgeting yield through selective use of longer maturity deposits, both directly and in-directly through managed fund investments. These longer term investments have protected Westminster's income projections in 2016-17 and will enable higher yields on new investments. With most investments still relatively short term, there are further opportunities to gradually extend duration. Working within the current TMSS, income projections for future years increase by £2.9m in 2016/17 and 2017/18 and £1.5m in 2018/19

8 Modest Widening the Opportunity Set within the TMSS

- 8.1 There are a various areas that the TMSS can be widened to increase the opportunities available while still investing in traditional financial instruments and retaining the emphasis on security and liquidity. These include:

- Building societies
- Challenger banks
- Wider range of non UK banks
- Corporate bonds
- Short-dated bond funds

- 8.2 These are all traditional opportunities for treasury portfolios. For example building societies were one of the main classes of counterparty pre 2008, but their use fell away with increased emphasis on credit ratings as many are unrated. Credit quality of building societies and smaller banks can be assessment using financial ratios that will support modest deposits.

- 8.3 Westminster has made limited use of non-UK banks. Following the problems encountered by local authorities investing in Iceland, caution in assessing the robustness of overseas financial markets is justified. However, there are banks and jurisdictions that offer greater security than UK banks and can be justified for inclusion in the TMSS.

- 8.4 Most treasury investments are with banks and other financial entities. Non-financial corporates also borrow short-term and offer a diversification benefits and yield enhancement.

- 8.5 Short-dated bond funds invest in the types of counterparties described above but for longer durations than Westminster would directly consider. However, these funds are highly diversified and offer short term (weekly) liquidity, together with a significant yield pick up over short-term deposits.
- 8.6 Combining all these opportunities, indicated potential additional income of 0.25% p.a. (equivalent to £1/4 million for every £100 million of investments). In monetary terms this is £1.8m in 2017/18 and 2018/19
- 8.7 Amending the TMSS to include these opportunities will not take full effect until 2017-18.
- 8.8 There is evidence that other local authorities treasury teams have tapped into these opportunities. Capita, Westminster's treasury advisor, provide a benchmarking service that compares Westminster's treasury portfolio with 15 other London funds. The London average returns of 0.85% for June compared with Westminster's 0.68%, with four Council's having returns in excess of 1% (highest 1.4%).

9. Special Projects

- 9.1 In addition to core treasury investments, there are a number of interesting opportunities that have arisen that can make a substantial contribution to Westminster's income. Each of these is described below.

Lending Against LOBO Loans

- 9.2 Lender Option Borrower Option debt was popular in the 2000s as they offered cheaper finance compared with PWLB loans. These were structured as flat rate debt with options after five years (and six monthly thereafter) for the lender to reset (increase) the rate of interest but the borrower (the Council) able to repay at no additional cost.
- 9.3 Westminster borrowed £10 million from Dexia in 2005 for 50 years at 3.66%. This loan is expensive to finance for Dexia due to its current status and there is an opportunity to lend against the security of Westminster's own borrowing. Dexia is not an approved counterparty, however by having the loan secured on Westminster's own debt there is 100% security of capital as any default by Dexia will be offset against Westminster's loan from Dexia by way of a netting agreement.
- 9.4 The prospective return is UK 10 year gilts plus 80bps or libor (0.6%) plus 80bps. The income option is based on floating which generates 1.32% (52bps libor + 80bps uplift) in the first year, adjusted in line with market rates each six months.

- 9.5 Westminster has £70 million of LOBO loans in aggregate, and one other lender, FMS (debt £15 million), has expressed an interest in a similar arrangement. In addition, both banks have proposed lending against the security of loans to other UK Council's. No income has been projected for the latter opportunity.

Solar Farm

- 9.6 A consortium of local authorities including Warrington, Thurrock, Newham are proposing to invest £80 million in a solar farm based in Swindon. The solar farm is newly constructed and the developer has signed a 15 year power sale agreement with HSBC. The solar panels have an estimated life of over 30 years. The investment will generate a 5% return in the first four years and 8% thereafter reflecting the contractual prices agreed with HSBC. The bond can be called after 5 years but also has the option of being extended.
- 9.7 The scale of the investment shown is £18 million. The security of the project is akin to a direct loan to HSBC, for whom the Council's current counterparty limit is £75 million.

Local Government Association

- 9.8 The LGA approached Westminster to act as an intermediary to enable the LGA to effectively borrow from the soon to be operational Municipal Bond Agency. The LGA is unable to borrow directly, as it is not a local authority, and in thus seeking to use three local authorities to borrow from the MBA agency and on lend. The LGA is offering 0.25% to 0.5% above PWLB rates. The borrowing will be secured on properties owned by the LGA and is to be used to refurbish the properties. The loan is for a term of 10-12 years. A total of £20 million is required, of which Westminster's share is £7 million.
- 9.9 As an alternative the LGA is seeking to direct borrowing from the Council. The income projection used is based on 10 year PWLB (1.75%) plus 0.25% margin i.e. 2%.

Loan to Leisure Centre Operator

- 9.10 The operator of Westminster's leisure centres is seeking to borrow £1.25 million to finance a refurbishment of the leisure centres at an interest rate of 6.8%. As the funds will be expended on Westminster owned buildings, the Council directly benefits from the expenditure. Similar opportunities are also progressing for larger sums.
- 9.11 These are a flavour of the opportunities that have recently been identified. If these can be successfully closed, it is likely that further opportunities will arise.

9.12 In summary, these additional opportunities, are projected to earn at least £1.75 million in 2017/18 and 2018-19. As these are current opportunities further options will be explored in the coming months and may lead to additional income which it has been assumed for 2018/19 only could produce a further notional £1.75m

9.13 Interest rates and cash balances are volatile and the exact income that will be earned from these opportunities is subject to alteration prior to the projects being finalised.

10 Aggregate Income Projections

10.1 Aggregating the above opportunities provides income estimates for future years of £4.7m for 2016/17, £7.15m for 2017/18 and £8.6m in 2018/19

10.2 This indicates that treasury can continue to contribute to Council income even in an environment in which interest rates are at historic lows and liable to fall further and stay low for longer. Looking further into the future, interest income will benefit when interest rates do eventually normalize.

11 Conclusion

11.1 Local Government treasury functions have historically adopted a narrow scope of activity. The above examples indicate that there are opportunities in non-traditional areas to contribute to the Westminster's overall income while maintaining security of capital.

12 Financial Implications

Financial implications are central to the report, which considers the ability to generate revenue from the treasury short-term cash balances.

13. Risks and Mitigations

Risk management is central to treasury operations. Permitted counterparties, individual and class limitations (minimum credit quality, scale and maturity) are set out in the annual TMSS. Daily reports on credit ratings with suggested maturity limits are received from the Council's treasury advisor.

Treasury activity is scrutinised quarterly by Members and weekly by the City Treasurer.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact George Bruce x2258
gbruce@westminster.gov.uk**

BACKGROUND PAPERS

There are no background papers. The 2016-17 TMSS provides additional guidance as to best practice when setting and monitoring treasury strategy.

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