



City of Westminster

# Committee Agenda

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

Meeting Date: **Wednesday 28th November, 2018**

Time: **7.00 pm**

Venue: **Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR**

Members: **Councillors:**

Melvyn Caplan (Chairman)	Pancho Lewis
Antonia Cox	Matt Noble
Richard Elcho	Mark Shearer
Adam Hug	James Spencer

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

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**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, Toby Howes, Senior Committee and Governance Officer.**

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**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 Head of Committee and Governance Services in advance of the meeting please.

## **AGENDA**

### **PART 1 (IN PUBLIC)**

#### **1. MEMBERSHIP**

To note any changes to the membership.

#### **2. DECLARATIONS OF INTEREST**

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

#### **3. MINUTES**

To approve the minutes of the Housing, Finance and Customer Services Policy and Scrutiny meeting held on 27 September 2018.

#### **4. CABINET MEMBER FOR FINANCE, PROPERTY AND REGENERATION UPDATE**

Councillor Rachael Robathan (Cabinet Member for Finance, Property and Regeneration) to update the Committee on current and forthcoming issues in this portfolio.

Report to follow.

#### **5. CABINET MEMBER FOR HOUSING AND CUSTOMER SERVICES UPDATE**

Councillor Andrew Smith (Cabinet Member for Housing and Customer Services) to update the Committee on current and forthcoming issues in his portfolio.

Report to follow.

#### **6. CAPITAL PROGRAMME DELIVERY**

Report to follow.

**(Pages 5 - 14)**

**7. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2018-19** (Pages 15 - 24)

The report is attached.

**8. WORK PROGRAMME AND ACTION TRACKER** (Pages 25 - 32)

The Work Programme for 2018-2019 and the Action Tracker are attached.

**9. ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

To consider any other business which the Chairman considers urgent.

**Stuart Love**  
**Chief Executive**  
**20 November 2018**

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CITY OF WESTMINSTER

## MINUTES

### Housing, Finance and Customer Services Policy and Scrutiny Committee

#### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Housing, Finance and Customer Services Policy and Scrutiny Committee** held on **Thursday 27th September, 2018**, Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR.

**Members Present:** Councillors Melvyn Caplan (Chairman), Elizabeth Hitchcock, Adam Hug, Eoghain Murphy, Matt Noble, Tim Roca, James Spencer and Paul Swaddle OBE.

**Also Present:** Councillor Andrew Smith (Cabinet Member for Housing and Customer Services), Councillor Robert Rigby (Deputy Cabinet Member for Finance, Property and Regeneration), Barbara Brownlee (Executive Director, Growth, Planning and Housing), Izzet Guran (Information Officer), Aaron Hardy (Policy and Scrutiny Manager), Tom McGregor (Director of Housing and Regeneration), Sandra Skeete (Interim Managing Director, CityWest Homes) and Toby Howes (Senior Committee and Governance Officer).

Apologies for Absence: Councillors Pancho Lewis and Mark Shearer.

#### 1 MEMBERSHIP

- 1.1 It was noted that Councillors Tim Roca and Paul Swaddle OBE were replacing Councillors Pancho Lewis and Mark Shearer respectively.

#### 2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

#### 3 MINUTES

##### 3.1 RESOLVED:

1. That the minutes of the meeting held on Wednesday, 20 June 2018 be signed by the Chairman as a correct record of proceedings.
2. That the minutes of the meeting held on Monday, 30 July 2018 be signed by the Chairman as a correct record of proceedings.

#### **4 CABINET MEMBER FOR FINANCE, PROPERTY AND REGENERATION UPDATE**

- 4.1 Councillor Robert Rigby (Deputy Cabinet Member for Finance, Property and Regeneration) presented the report and began by informing Members that the Budget and Performance Task Group was due to consider the Budget for 2019-20 and the Capital Programme. In respect of the programme to replace BT Managed Services with the IBC Solution from Hampshire County Council (HCC), officers were testing the system and feedback received to date was positive. HCC were due to go live with the new payroll system on 1 December 2018. In respect of the Church Street regeneration programme, Members heard that Councillor Robathan had recently visited the site to view progress to date. Councillor Rigby advised that the new Leaseholder Policy for Housing Renewal Areas 2018 had just been published and the options to buy offered were generous in comparison with other local authorities.
- 4.2 Councillor Rigby reported that the business plan for the Wholly Owned Company (WOC) had been well received by the Capital Review Group. He also advised that City Hall works in Victoria Street were on track and within budget. There would be opportunities for Members to visit City Hall before it re-opened. The City Council was seeking to invite local enterprise groups to operate the canteen in City Hall. Members were informed that there had been strong public support to keep St John's Wood Post Office in Circus Road open during a recent public consultation. Councillor Rigby also advised that the City Council was due to take over building facilities services when the Amey contract expires on 31 March 2019.
- 4.3 During Members' discussions, it was commented that it would be useful to see how the City Council compared with others using a league table in respect of Council Tax and National Non-Domestic Rates (NNDR) collection rates. Information was sought on how much had been spent on the Community Contribution to date. In respect of St John's Post Office, a Member asked if there was room for flexibility regarding the rent the Post Office was willing to pay. He also sought details on how the Futures Groups for the Church Street and Ebury Bridge Regeneration schemes were progressing, including who would be chairing these groups in future. Members asked for further information on Marylebone Job Centre's implementation of the transition from Housing Benefit to Universal Credit, progress in sub-letting space at City Hall and what activities would the WOC perform.
- 4.4 The Chairman commented that there needed to be careful consideration of the City Council's needs regarding building facilities services when the Amey contract expires.
- 4.5 In reply to issues raised by Members, Councillor Rigby advised that the Council Tax and NNDR collection target rates were 96.5% and 98.5% respectively. He agreed to provide details of how much had been spent on the Community Contribution to date. In respect of St John's Wood Post Office, the City Council was taking a very flexible approach and the rent was below market value. Officers were making every effort to ensure that the Post Office continued to operate as it played an important role in the community.

Councillor Rigby would feedback to officers the Chairman's thoughts on the need to carefully consider what building facilities services were needed. He advised that the Marylebone Job Centre's implementation of the transition from Housing Benefit to Universal Credit had gone well and the Department for Work and Pensions had stated that it was an example of best practice. Councillor Rigby advised that the City Council was actively marketing space to sub-let in City Hall. He commented that developing the WOC was a time consuming process and he was on the WOC Board with three officers and it was hoped the scheme would be up and running in the next few months. Councillor Rigby acknowledged that it was crucial to have the right chairs in respect of the Futures Groups for the Church Street and Ebury Bridge regeneration schemes.

- 4.6 Barbara Brownlee (Executive Director, Growth, Planning and Housing) added that there was currently a review of the Church Street Futures Group and how the City Council proceeds with this group awaits the outcome of this review. She stated that many other consultation groups are up and running on Church Street dealing with specific projects. In respect of Ebury Bridge, clarification in respect of future arrangements were likely to take longer as there were extensive building works taking place at present. In respect of the WOC, Barbara Brownlee advised that the business plan required formal approval before the scheme would commence. The business plan would need to demonstrate that it was workable, and once this was approved, consideration would then be needed as to how the scheme would start.
- 4.7 The Chairman advised that an update on the WOC was due to be presented at the 14 January 2019 meeting and the input of Members would be important.

4.8 **ACTION:**

Information on how much has been spent on the Community Contribution to be circulated to Members. **(Action for: Councillor Robert Rigby and Steven Mair, City Treasurer.)**

## **5 CABINET MEMBER FOR HOUSING AND CUSTOMER SERVICES UPDATE**

- 5.1 Councillor Andrew Smith (Cabinet Member for Housing and Customer Services) presented the report and began by stating that it was proposed to bring the housing management function back under the City Council from CityWest Homes (CWH). He advised that the performance for CWH's Contact Centre had improved overall, despite a slight decline in August. Tenant satisfaction for repairs had plateaued at around 82% and a review of tenant feedback and the current repairs process was underway. A detailed review of repairs using data going back 5 years had been completed to enable performance to be improved and a more proactive approach would be taken.
- 5.2 Councillor Smith advised that the Council was in the process of drawing up Traffic Management Orders (TMOs) to provide parking restrictions on Housing Revenue Account (HRA) land. The evaluation of tenders for estate services

contracts had been completed by City Council and CWH staff and residents and these were due to be moderated and finalised by the end of September. Councillor Smith advised that a Prevention Team had been set up to bring homelessness and prevention of homelessness services under one team. The aim of the team was to improve and expand the focus on early intervention and to increase links with the community to reduce the number of people who find themselves homeless. The Committee was informed that a decision had also been made to install a fire curtain at Ingestre Court, following a residents' consultation. Councillor Smith added that a review of the 'Report It' and 'My Account' digital services was being undertaken and the web was also being reviewed which was due to undergo re-platforming.

- 5.3 During Members' discussions, the Chairman, in noting the number of estates involved, asked to what extent the implementation of the TMOs would be staggered and when would information on the timetable be provided. He sought further details on progress with regards to CWH's work on leak prevention which was a particular problem in tower blocks.
- 5.4 Members enquired how the TMO would be enforced and would this be carried out by the City Council's own Enforcement Team since CWH was to be brought back in-house. In noting that implementation of the TMOs would take place during October and November, Members asked if undertaking enforcement would be possible at the same time. Clarification was sought as to the reasons why it was proposed to bring the housing management function back under the City Council and would there be costs involved. A Member, in welcoming the move to in-house, stated that there had been concerns about residents' representation under CWH and how would this representation be enhanced under the City Council. In respect of TMOs, he commented that all estates were different and so there should be no one size fits all solution.
- 5.5 In reply to Members' questions, Councillor Smith advised that implementation of TMOs would be staggered and balanced by the need to provide adequate consultation to residents and timely implementation. He agreed to provide further details in respect of the schedule for the roll out of TMOs. Councillor Smith concurred that it would make sense for the enforcement of the TMOs to be undertaken by the City Council's own enforcement team as housing management functions were due to become in-house. Councillor Smith advised that he was working with Councillor Tim Mitchell, Cabinet Member for Environment and City Management on the mechanisms to enforce the TMOs.
- 5.6 Councillor Smith stated that addressing leaks was a key priority and a task force had been created that was tracking why so many leaks were occurring. Pro-active maintenance would also be undertaken, however sometimes access to property was an issue, including where properties were vacant. Councillor Smith stated that the option of bringing the housing management function back under the City Council was proposed as it was felt that this option would enable more pro-active engagement with residents through a number of means, including through both digital and face to face contact. Councillor Smith stated that whilst there would be costs in returning the function under the City Council, the move would bring savings in the longer



term. He emphasised that resident engagement was key to improving services and a separate structure needed to be created to engage with residents.

#### 5.7 **ACTION:**

Schedule of TMO rollout on HRA properties to be circulated to Members.  
**(Action for: Councillor Andrew Smith, Cabinet Member for Housing and Customer Services and Barbara Brownlee, Executive Director, Growth, Planning and Housing.)**

## 6 **DIGITAL TRANSFORMATION STRATEGY**

- 6.1 Izzet Guran (Information Officer) presented the report and advised that work on restructuring digital delivery to be City Council driven had commenced in May 2017. The 'Report It' function had seen significant uptake, with around 8,000 residents registered to use the service and around 16,000 cases created. Since 'Report It' had been created, there had been a number of improvements to the service, with all but two journeys now not requiring users to register with the service and to be able to access services as guests. Improvements were also being made to on-mapping services, with unnecessary maps being removed. Izzet Guran advised that steps were being made to place the Contact Centre on the same web platform as the Council's website. This would bring the same customer database across the Contact Centre and the website and bring an 'omni-channel' experience to customers.
- 6.2 Izzet Guran advised that an external agency had been commissioned to review the City Council's website and had undertaken a number of 'light sprints' covering the following functions:
- Homepage
  - Find it
  - Apply and pay
  - What's new in Westminster
  - Life stage – moving into Westminster
- 6.3 Izzet Guran informed Members that in the longer term, a procurement for a new web platform would be undertaken and implementation timescales would be based on other local authorities' experiences, including looking at how these transpired at Manchester City Council and Birmingham City Council.
- 6.4 During discussions, a Member emphasised the need to ensure that digital services were 'mobile first' so that customers could access and use them on their mobile phones. He felt that some customer journeys were still too long and he suggested that commercial organisations offering good mobile services be approached for ideas. Members commented that they would be happy to help test mobile digital services. It was asked who reviewed changes to the website to assess whether they offered improvements. A Member queried when would it be possible to upload photographs on 'Report It' forms. Another Member requested that 'councillor' be added as an option to the

'Report It' forms and asked what steps were being made to make customer journeys faster. Members also expressed a desire to be more fully engaged in developing the Digital Transformation Strategy.

6.5 The Chairman concurred that it was important that services could be accessed by mobile devices as otherwise there was a danger that the City Council would fall behind the technology other organisations were offering. He emphasised the importance of digital services being able to work well on popular mobile platforms such as Apple and Android. He sought details of the timescale by which time most services could be used through mobile phones. The Chairman welcomed the progress on mapping.

6.6 In reply to issues raised by Members, Izzet Guran acknowledged that progress needed to be made in making digital services accessible to mobile devices, and there would be recognisable improvements in respect of this by November/December 2018. Testing was currently being undertaken on a number of different types of devices, including mobile phones. With regard to the City Council's website, Izzet Guran advised that the design had initially been service led. This approach was now being changed and customer focus groups were being used to provide their views on the website. The post of Head of Customer Experience had been created and was responsible for liaising with the focus groups. In respect of uploading photographs on 'Report It', Izzet Guran advised that there was already some functionality, although this needed to be developed more widely. Efforts were also being made to make customer journeys faster, although mapping was the biggest obstacle to this because of the complexities involved and alternatives were being looked at.

6.7 The Chairman thanked officers for the progress made to date and encouraged there to be more dialogue with Members and customers on this. However, it was important that progress continue to be made in improving digital services. The Chairman requested that councillors be sent details of officers they could contact for ideas about the website. He also requested that the Digital Strategy be included in the next Cabinet Member for Housing and Customer Services update.

6.8 **ACTIONS:**

1. Add 'councillor' as an option to the 'Report It' function. **(Action for: Ben Goward, Chief Information Officer.)**
2. Details to be provided on photograph upload capability on all Report It forms and when this will be. **(Action for: Ben Goward, Chief Information Officer.)**
3. Councillors to be sent details of officers they could contact for ideas about the website. **(Action for: Ben Goward, Chief Information Officer.)**
4. Digital Strategy to be included in the next Cabinet Member for Housing and Customer Services. **(Action for: Ben Goward, Chief Information Officer and David Lee, Cabinet Officer.)**

## **7 CITYWEST HOMES TASK GROUP REPORT**

- 7.1 The Chairman introduced the report and advised that the Task Group was unanimous in making the recommendations included in the report. The report was comprehensive and the Chairman thanked officers for the diligence shown. He then invited officers to make any observations and suggestions.
- 7.2 Sandra Skeete (Interim Managing Director, CityWest Homes) stated that she felt the whole process had been constructive and plans were in place for improvements. There were three broad areas the Task Group report had captured that needed to be addressed. Sandra Skeete advised that potentially some recommendations may lead to increased costs, whilst others may not be popular with all customers. Assessments would be carried out to ensure that the recommendations and steps made for improvement have had the desired effects.
- 7.3 Barbara Brownlee also felt that the process had proved extremely useful and every effort would be made to put residents at the heart of future ways of working. She also emphasised the importance of ensuring staff stability during the changes and to not lose sight of the existing improvement process. Tom McGregor (Director of Housing and Regeneration) also acknowledged the thorough process that had been undertaken and the need for staff stability, adding that it was important to maintain staff morale.
- 7.4 Councillor Smith welcomed the report and stated that he had encouraged the Committee to take on this piece of work. He welcomed the invaluable input and insight that Members had provided and acknowledged that the culture issue had been highlighted as a major area needing change.
- 7.5 During Members' discussions, a Member commented that there was still plenty of work to do. Consideration needed to be given as to working arrangements when the housing management function was returned to the City Council. The right mechanisms needed to be in place to address the culture issue, whilst also ensuring staff morale did not suffer. The move also offered the opportunity to integrate housing with other services. Another Member emphasised the need for good staff and resident relations and there also needed to be changes in respect of governance and accountability. It was asked what steps were to be taken in respect of changing the culture.
- 7.6 Members asked whether all CWH staff would be transferred to the City Council, or would they need to re-apply for their positions. It was also asked whether there would be any financial impact with regard to additional pensions coming under the City Council and how would this be modelled. It was suggested that residents could also be included in any future task groups. Further observations were sought as to what recommendations may not be popular with all residents. Members commented that the City Council should take some responsibility for the problems experienced as well as CWH. Proposals to increase engagement with residents was welcomed, however in respect of previous consultations, residents sometimes felt that they had not been provided with all the necessary information.

- 7.7 In reply to the issues raised by Members, Sandra Skeete stated that every effort needed to be made to reassure staff and it was recognised that some did have concerns. It was also important to retain as many staff as possible. In respect of engagement with residents, steps were being taken to obtain the views of residents who were currently not in residents' groups.
- 7.8 Barbara Brownlee stated that changing the culture was a key issue and would not be straightforward. However, co-locating staff on the same site would be helpful and staff would receive City Council training and be immersed in its values. She also advised that pension arrangements were tightly bound by law.
- 7.9 Councillor Smith commented that having CWH staff back in house would facilitate changing the culture and he confirmed that TUPE arrangements would apply.
- 7.10 In respect of the task group recommendations, Sandra Skeete suggested that with regard to recommendation 22, it may not be practical to ensure that all repairs were inspected upon completion. The Committee agreed to the Chairman's suggestion that this be appropriately re-worded so that there be an appreciable increase in the proportion of repairs inspected compared to what was currently undertaken. Barbara Brownlee suggested that it may also not be practical to ensure that all residents' communications were reviewed by councillors before issue. Members agreed to the Chairman's suggestion that this be re-worded so that it includes major communications, or meetings involving contractors when councillors were otherwise engaged at City Council meetings, or where there had been major incidents.
- 7.11 The Chairman stated that there was no intention to place blame on hard working staff and their dedication to their roles was recognised. It was understood that the changes could be unsettling and every effort should be made to address this. The main intention of the task group's recommendations was to improve the residents' experiences. The Chairman suggested that the implementation of the task group's recommendations be reviewed in around 6 months' time.

7.12 **RESOLVED:**

That the recommendations of the CityWest Homes Task Group report be agreed, subject to the comments set out above.

## **8 SPRINKLERS TASK GROUP REPORT**

- 8.1 The Chairman introduced the report and acknowledged that the recommendations in the report put forward will have cost implications and logistical challenges, although the general direction of travel set out in the recommendations should be progressed.
- 8.2 Members commented that the recommendations were designed to ensure the best outcomes for residents. A number of lessons could be learnt in respect of works to be undertaken in Glastonbury House, which was the first site due to

have sprinklers installed. It was asked what the unit cost per flat and legal implications are in respect of Glastonbury House. Members also asked what would happen in respect of buildings that may face demolition in future.

8.3 In reply to issues raised by Members, Barbara Brownlee advised that there was a large proportion of older residents in Glastonbury House. Every effort would be made to find workable solutions, whilst taking into account financial limitations. In respect of buildings that may face demolition in future, consideration needed to be given regarding the implementation timetable. Councillor Smith added that the task group built on the lessons learnt and that the City Council was honest in the challenges it faced.

8.4 The Chairman requested that a briefing note be circulated in respect of the lessons learnt in installing sprinklers at Glastonbury House.

8.5 **RESOLVED:**

That the recommendations of the Sprinklers Task Group be agreed.

8.6 **ACTIONS:**

1. Briefing note to be circulated on lessons learnt in installing sprinklers at Glastonbury House. **(Action for: Barabara Brownlee, Executive Director, Growth, Planning and Housing.)**
2. Aaron Hardy to provide Councillor Andrew Hug with information on the legal implications in respect of CityWest Homes staff moving back in-house. **(Action for: Aaron Hardy, Policy and Scrutiny Manager.)**

## **9 WORK PROGRAMME AND ACTION TRACKER**

9.1 A Member requested an update in respect of CWH for the March 2019 meeting. Members noted that there would be a review of property at a future meeting.

9.2 **ACTION:**

Update on CWH to be provided at the 18 March 2018 meeting. **(Action for: Barbara Brownlee, Executive Director, Growth, Planning and Housing.)**

## **10 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

10.1 There was no other business.

The Meeting ended at 8.52 pm.

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_



City of Westminster

## Housing, Finance and Customer Services Policy and Scrutiny Committee

<b>Date:</b>	28 <sup>th</sup> November 2018
<b>Classification:</b>	General Release
<b>Title:</b>	Treasury Management Strategy Mid-Year Review 2018-19
<b>Wards Affected:</b>	All
<b>Policy Context:</b>	To manage the Council's finances prudently and efficiently
<b>Cabinet Member</b>	Cabinet Member for Finance, Property and Corporate Services
<b>Financial Summary:</b>	This report forms part of the monitoring of the treasury function as recommended in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice. It reviews the implementation of the strategy to date and allows for any changes to be made depending on market conditions.
<b>Report of:</b>	Phil Triggs, Tri-Borough Director of Treasury and Pensions

### 1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to:

- update Members on the delivery of the 2018/19 Treasury Management Strategy approved by Council on 7 March 2018; and
- approve the recommendations in paragraph 2.1.

1.2. Treasury management comprises:

- managing the City Council's borrowing to ensure funding of the Council's future capital programme is at optimal cost;

- investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security and liquidity.

1.3. This report complies with CIPFA's Code of Practice on Treasury Management, and covers the following:

- a six-monthly review of the Council's investment portfolio for 2018/19 to include the treasury position as at 30 September 2018;
- a review of the Council's borrowing strategy for 2018/19;
- a review of compliance with Treasury and Prudential Limits for the first six months of 2018/19;
- an economic update for the first part of the 2018/19 financial year.

1.4. The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) apart from two instances, which arose because of exceptional banking receipts which were received too late in the day to be moved from the bank until the following day:

- £1.171m on 3 April 2018
- £23.686m on 25 May 2018

## 2. RECOMMENDATIONS

2.1. To note:

- the Treasury Management Strategy 2018-19 mid-year review, noting the cases of non-compliance and the action taken to rectify this.

## 3. TREASURY POSITION AS AT 30 SEPTEMBER 2018

3.1. As at 30 September 2018 net cash invested was £920m, an increase of £179m on the position at 31 March 2018 as shown below:

	30 September 2018	31 March 2018
	£m	£m
Total borrowing	(221)	(251)
Total cash invested	1,141	992
<b>Net cash invested</b>	<b>920</b>	<b>741</b>

3.2. During the first six months of the year, net cash inflows of £179m have been received. The significant increase reflects the forecast pattern of the Council's cashflows and largely relates to the timing of grants, council tax and business rates received.

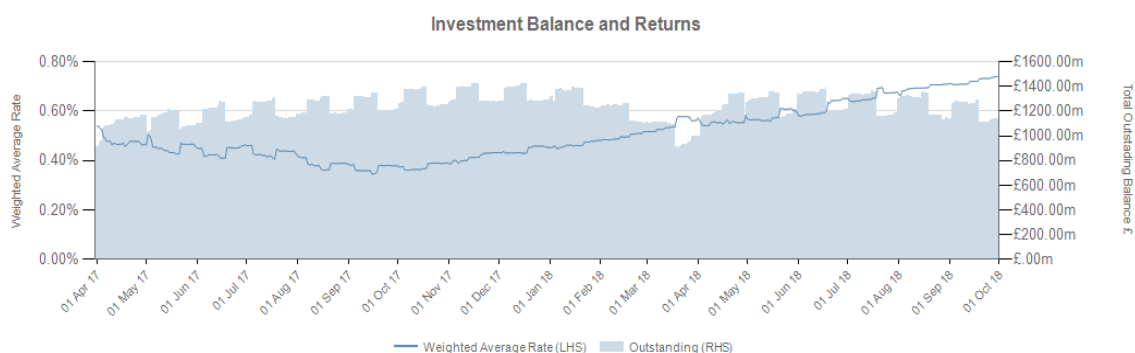


## Investments

- 3.3. The Council's Annual Investment Strategy which forms part of the annual Treasury Management Strategy Statement (TMSS) for 2018-19 was approved by the Council on 7 March 2018. The Council's policy objective is the prudent investment of balances to achieve optimum returns on investments, subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.
- 3.4. The table below provides a breakdown of investments, together with comparisons for the last financial year end.

	30 September 2018	31 March 2018
	£m	£m
Money Market Funds	142	130
Notice Accounts	90	89
Term Deposits	455	385
Tradable Securities	422	336
Enhanced Cash Funds	32	52
<b>Total cash invested</b>	<b>1,141</b>	<b>992</b>

- 3.5. Liquid balances are managed through Money Market Funds providing same day liquidity. Cash has been invested in alternative and less liquid instruments, particularly term deposits and tradable securities. The average level of funds available for investment in the first six months of 2018-19 was £1,252m.
- 3.6. The shaded area in the chart below shows the daily investment balance from 1 April 2017 to 30 September 2018. The line shows the weighted average return of the investment portfolio, which has fallen during the first half of the 2017/18 financial year, but has then steadily increased since October 2017.
- 3.7. Daily investment balances have steadily increased from £909m at 1 April 2017 to the current level at 30 September 2018 of £1,141m, as shown by the shaded area in the chart overleaf. At the same time, average returns have risen by 0.20% as shown by the solid line in the chart. This reflects the increasing of the base rate by the Bank of England on 2 November 2017 and 2 August 2018.



3.8. All investments limits specified in the 2018/19 investment strategy have been complied with, except for:

- Two occasions of excess cash balances due to unexpected banking receipts being received after close of business.

3.9. Appendix 1 provides a full list of the Council's limits and exposures as at 30 September 2018.

### **Borrowing**

3.10. At the maximum level of £251m, the Council's borrowing was well within the Prudential Indicator for external borrowing, namely that borrowing should not exceed the capital financing requirement (CFR) for 2018/19 of £855m.<sup>1</sup>

3.11. Currently the Council is internally borrowed by £455m because it has used internal cash resources to fund capital expenditure.

3.12. As anticipated in the TMSS for 2018/19, to date, the Council has undertaken no new borrowing due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need for borrowing at current low rates as future requirements have been identified for the General Fund and the Housing Revenue Account (HRA).

3.13. In order to achieve the best balance, it would be prudent for the Council to lock in affordability by placing some forward borrowing for the amounts it can be relatively certain it will need, whilst maintaining some forward flexibility as projects may or may not get of the ground within the expected timeframes. Such a forward borrowing strategy is currently under consideration.

3.14. The table below shows the details around the Council's external borrowing as at 30 September 2018, split between the General Fund and HRA.

External borrowing	30 September 2018		31 March 2018	
	Balance £m	Rate %	Balance £m	Rate %
HRA	196	4.2%	226	4.9%
General Fund	25	4.1%	25	4.1%
<b>Total borrowing</b>	<b>221</b>	<b>4.2%</b>	<b>251</b>	<b>4.8%</b>

3.15. No new borrowing was incurred in the first half of 2018-19. General Fund external borrowing reduced by £20,000 from repaying the principal on General Fund annuity loans. HRA external borrowing reduced by £30m due to the repayment on maturity of a PWLB long term loan.

<sup>1</sup> The CFR measures the Council's underlying need to borrow for capital purposes.

#### 4. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

- 4.1. During the financial year to 30 September 2018, the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 7 March 2018 as set out below.

PI ref	Indicator	2018/19 indicator	2018/19 forecast	Indicator met?
1	Capital expenditure	£570m	£393m	Met
2	Capital Financing Requirement (CFR)	£855m	£676m	Met
3	Net debt vs CFR	£634m underborrowing	£455m underborrowed	Met
4	Ratio of financing costs to revenue stream	GF (2.71%) HRA 28.68%	GF (3.38%) HRA 30.31%	Met
5	Incremental impact of new capital investment decisions on council tax	£17.65 decrease in Band D council tax charge per annum	£57.16 decrease	Met
6	Impact of new capital investment decisions on housing rents	£0.64 decrease in average rent per week	£2.40 increase	Met
7a	Authorised limit for external debt	£855m	£221m	Met
7b	Operational debt boundary	£253m	£221m	Met
7c	HRA debt limit	£334m		
8	Working capital balance	£0m	£142m	Met
9	Limit on surplus funds invested for more than 364 days (i.e. non-specified investments)	£450m	£0m	Met
10	Maturity structure of borrowing	Upper limit under 12 months - 40%	0%	Met
		Lower limit 10 years and above - 35%	75%	Met

#### Capital expenditure and borrowing limits

- 4.2. Capital expenditure to 30 September 2018 was £142m for both the General Fund and the HRA against a forecast for the whole year of £393m. This relates to a number of large development projects and related acquisitions. The forecast for development projects are contingent on progress by developers which, it is anticipated, will improve over the remainder of the year. Acquisitions are reactive and depend on properties becoming available on the market and, as such, the forecast can be volatile but will continue to be monitored by officers. The £142m capital expenditure incurred to date is well within the forecast use of capital resources of £326m, hence the net financing need to date is nil.

4.3. External borrowing was well within the Capital Financing Requirement, Authorised Borrowing Limit and the Operational Boundary as shown in the table above:

- The Authorised Limit is a level for which the external borrowing cannot be exceeded without reporting back to Full Council. It therefore provides sufficient headroom such that, in the event that the planned capital programme required new borrowing to be raised over the medium term, if interest rates were deemed favourable, a thorough risk analysis was determined, the cost of carry was appropriate, then this borrowing could be raised ahead of when the spend took place.
  
- The Operational Boundary is set at a lower level and should take account of the most likely level of external borrowing. Operationally, in accordance with CIPFA best practice for Treasury Risk Management, a liability benchmark is used to determine the point at which any new external borrowing should take place.

4.4. The Council currently has substantial cash balances, but these balances are expected to reduce over the next five years, with increased capital spending and the release of surplus collection fund cash, meaning the Council will need to borrow at some point in the future. The Council will need to consider whether it would be prudent to arrange some or all of the required borrowing now and this process is currently underway. This will lock in affordability and protect against interest rate risk.

4.5. The purpose of the maturity structure of borrowing indicator is to highlight any potential refinancing risk that the Council may be facing if, in any one particular period, there was a disproportionate level of loans maturing. The table below shows that the maturity structure of the Council's borrowing as at 30 September 2018 was within the limits set and does not highlight any significant issues.

Maturity structure of borrowing	Upper Limit (%)	Lower Limit (%)	Actual as at 30 September 2018 (%)
Under 12 months	40	0	0
12 months and within 24 months	35	0	0
24 months and within 5 years	35	0	9
5 years and within 10 years	50	0	16
10 years and above	100	35	75

- 4.6. The purpose of the interest rate exposure indicators is to demonstrate the extent of exposure to the Council from any adverse movements in interest rates. The table at paragraph 4.1 shows that the Council is not subject to any adverse movement in interest rates as it only holds fixed interest borrowing.
- 4.7. The average rate on the fixed interest borrowing is 4.24% with an average redemption period of 19 years. This reflects the historical legacy of borrowing taken out some years ago which is now higher than PWLB interest rates for comparable loans if they were taken out now. Officers have considered loan refinancing but premiums for premature redemption are prohibitively high, making this option poor value for money.
- 4.8. The Council's borrowing portfolio contains £70m of Lender Option Borrower Option loans (LOBOs). There are long-term loans of up to 48 years, which are subject to periodic rate re-pricing. The rates are comparable with loans for similar durations provided by the PWLB. There is some re-financing risk associated with these loans because of the lender option to increase interest rates. Some banks are offering premature repayment or loan conversion for LOBOs and officers will remain alert to such opportunities as they arise.

#### **Investment limits**

- 4.9. Investment in non-specified investments of nil compares with the limit of £450m for such investments. This reflects the fact that all of the Council's investments have a life of less than 12 months.

### **5. THE ECONOMY AND INTEREST RATES**

- 5.1. The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee (MPC) to unanimously increase the Bank Rate on 2 August from 0.50% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August 2018 Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union on 29 March 2019.
- 5.2. Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly to 2.7% in August 2018 due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in the Bank Rate. The MPC has indicated that the Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

- 5.3. As for the labour market, unemployment has continued at a 43-year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July 2018, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9% (3-month average regular pay, excluding bonuses) and to a one-month figure in July 2018 of 3.1%. This meant that in real terms i.e., wage rates higher than CPI inflation, earnings grew by about 0.4%, near to the joint high of 0.5% since 2009 the previous high point was in July 2015).
- 5.4. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August 2018 as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing the Bank Rate again, especially given all the uncertainties around Brexit.
- 5.5. In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, the central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

## **6. PRUDENTIAL INDICATORS**

- 6.1. The Local Government Act 2003 requires the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

## **7. FINANCIAL IMPLICATIONS**

- 7.1. Financial implications contained in the body of this report.

## **8. LEGAL IMPLICATIONS**

- 8.1. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

## 9. BACKGROUND PAPERS

### Full Council Report

Treasury Management Strategy Statement for 2018/19 to 2022/23 on 7 March 2018

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

Phil Triggs, Tri-Borough Director of Treasury and Pensions

Tel: 0207 641 4136

Email: ptriggs@westminster.gov.uk

### Appendix 1

#### Limits and Exposures as at 30 September 2018

Category	Maximum Individual Counterparty Investment Limit (£m)	Maximum Tenor	Counterparty Name	Current Exposure (£m)
UK Government (Gilts/ T-Bills/ Repos)	Unlimited	Unlimited	UK Treasury Bills	259.3
European Agencies	£200m	5 years	European Investment Bank	72.7
UK Local Authorities	£100m per local authority; £500m in aggregate	3 years	Canterbury City Council	25.0
			Leeds City Council	40.0
			London Borough of Croydon	10.0
			London Borough of Enfield	20.0
			London Borough of Hackney	15.0
			London Borough of Southwark	20.0
			Medway Council	10.0
			North Lanarkshire Council	5.0
			Reading Borough Council	10.0
			Rhondda Cynon Taff Council	15.0
South Ayrshire Council	10.0			

			Stockport Borough Council	15.0
			Surrey County Council	10.0
Money Market Funds	£70m per fund. £300m Total	Three day notice	Federated Sterling Liquidity Fund	65.5
			HSBC Global Liquidity Fund	5.0
			JP Morgan Sterling Liquidity Fund	5.0
			Morgan Stanley Sterling Liquidity Fund	66.7
Enhanced Cash Funds	£25m per fund £75m Total	Up to seven day notice	Payden & Rygel Sterling Reserve	16.8
			Federated Prime Rate Cash Plus	15.4
UK Banks (AA- / Aa3/ AA-)	£75m	5 years	HSBC Bank	49.2
UK Banks (A- /A3/A)	£50m	3 years	Goldman Sachs International Bank	50.0
			Lloyds Bank	30.0
			Santander UK Plc	50.0
			Standard Chartered	50.0
Non-UK Banks (AA- / Aa2/ AA-)	£50m	5 years	Svenska Handelsbanken	40.1
			Toronto Dominion Bank	30.0
Non-UK Banks (A/ A2/ A)	£35m	3 years	Canadian Imperial Bank of Commerce	25.0
			Commonwealth Bank of Australia	35.0
			Cooperatieve Rabobank	35.0
			Hessen-Thuringen Girozentrale	35.0
<b>TOTAL</b>				<b>1140.7</b>





## Housing, Finance and Customer Services Policy & Scrutiny Committee

<b>Date:</b>	28 <sup>th</sup> November 2018
<b>Classification:</b>	General Release
<b>Title:</b>	<b>2018/19 Work Programme and Action Tracker</b>
<b>Report of:</b>	Director of Policy, Performance & Communications
<b>Cabinet Member Portfolio</b>	Cabinet Member for Finance Property and Regeneration Cabinet Member for Housing and Customer Services
<b>Wards Involved:</b>	All
<b>Policy Context:</b>	All
<b>Report Author and Contact Details:</b>	<b>Scrutiny Officer x 2894</b> <b>Ahardy1@westminster.gov.uk</b>

### 1. Executive Summary

1. This report presents the current version of the work programme for 2018/19 and also provides an update on the action tracker.

### 2. Key Matters for the Committee's Consideration

- 2.1 The Committee is asked to:

- Review and approve the draft list of suggested items (appendix 1) and prioritise where required
- Note the action tracker (appendix 2)

### 3. Changes to the work programme following the last meeting

- 3.1 The committee's work programme has been produced taking into account the committee's comments at previous meetings.

**If you have any queries about this Report or wish to inspect any of the  
Background Papers please Aaron Hardy**

**[ahardy1@westminster.gov.uk](mailto:ahardy1@westminster.gov.uk)**

**APPENDICES:**

**Appendix 1-** Suggested work programme

**Appendix 2-** Action Tracker

ROUND ONE 20 JUNE 2018		
Agenda Item	Reasons & objective for item	Represented by:
<b>Cabinet Member Q&amp;A</b>	To update the committee on key areas of work within its remit and the Cabinet Member's priorities	Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration
<b>Cabinet Member Q&amp;A</b>	To update the committee on key areas of work within its remit and the Cabinet Member's priorities	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services

ROUND TWO 27 SEPTEMBER 2018		
Agenda Item	Reasons & objective for item	Represented by:
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services
<b>CityWest Homes Task Group</b>	To receive the report of the CityWest Homes Task group and comment on the proposed recommendations.	CityWest Homes Task Group
<b>Sprinklers Task Group</b>	To receive the report of the Sprinklers Task group and comment on the proposed recommendations.	Sprinklers Task Group
<b>Digital Transformation Strategy</b>	To receive an update on the council's digital transformation plan.	John Quin - Bi-borough Executive Director of Corporate Services

ROUND THREE 28 NOVEMBER 2018		
Agenda Item	Reasons & objective for item	Represented by:
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services

<b>Capital Programme Strategy</b>	To review the corporate programme strategy.	Steve Muldoon, Assistant City Treasurer (Commercial and Financial Management)
<b>Treasury Management Strategy Mid-Year Review 2018-19</b>	To review the implementation of the strategy to date.	Phil Triggs, TriBorough Director of Treasury and Pensions

<b>ROUND FOUR 14 JANUARY 2019</b>		
<b>Agenda Item</b>	<b>Reasons &amp; objective for item</b>	<b>Represented by:</b>
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services
<b>Response to the recommendations of the Sprinklers Task group</b>	To receive the Cabinet Member’s response to the recommendations of the Sprinklers Task Group	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services
<b>Response to the recommendations of the CityWest Homes Task group</b>	To receive the Cabinet Member’s response to the recommendations of the CityWest Homes Task Group	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services
<b>Wholly Owned Housing Company (WOC)</b>	To review the progress of the wholly owned housing company	Steve Muldoon, Assistant City Treasurer (Commercial and Financial Management)

<b>ROUND FIVE 18 MARCH 2019</b>		
<b>Agenda Item</b>	<b>Reasons &amp; objective for item</b>	<b>Represented by:</b>
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration
<b>Cabinet Member Q&amp;A</b>	To receive an update	Councillor Andrew Smith – Cabinet Member for Housing and Customer Services
<b>Westco</b>		Ian Farrow, Managing Director of Westco Trading Ltd

<b>CityWest Homes Update</b>		
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<b>UNALLOCATED ITEMS</b>		
<b>Agenda Item</b>	<b>Reasons &amp; objective for item</b>	<b>Represented by:</b>
Regeneration	To review the council's regeneration programmes	Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration
Corporate Property		Councillor Rachel Robathan – Cabinet Member for Finance, Property and Regeneration

<b>TASK GROUPS AND STUDIES</b>		
<b>Subject</b>	<b>Reasons &amp; objective</b>	<b>Type</b>
2019/20 Budget	Standing task Group to consider the budget of Council	Task Group September 2018 Completed
CityWest Homes	To review the experience of CityWest Homes' customers	Task Group July – September 2018 Completed
Sprinklers	To examine the legal and practical issues surrounding retrofitting sprinklers in buildings	Task Group July 2018 Completed

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Housing, Finance and Customer Services Policy and Scrutiny Committee Action Tracker

ROUND TWO 27 <sup>th</sup> SEPTEMBER 2018		
Agenda Item	Action	Update
Item 4: Policy and Scrutiny Portfolio: Cabinet Member for Finance, Property and Regeneration	Circulate costs associated with the community contribution	In progress
Item 5: Policy and Scrutiny Portfolio: Cabinet Member for Housing and Customer Services	Circulate schedule for traffic management order rollout	In progress, expected November 2018
Item 6: Digital Transformation Strategy	Circulate details of the plans for photo upload ability on report it	Completed
	Circulate details to the committee of who Councilors should contact with suggestions for the website	Completed
	Update the committee on the digital strategy via Cabinet Member Update	In progress
	Add Councilors as an option on report it	Completed
Item 8: Sprinklers Task Group Report	Circulate a briefing note on lessons learnt from installing sprinklers in Glastonbury House	In progress. Work expected to be completed summer 2019.

ROUND ONE 20 <sup>th</sup> JUNE 2018		
Agenda Item	Action	Update
Item 4: Policy and Scrutiny Portfolio: Cabinet Member for Finance, Property and Regeneration	Update on City Hall be included in the next Cabinet Member for Finance, Property and Regeneration update.	Completed
	Next update to also include financial details and figures for the Budget and the Capital Programme	Completed
	Information to be circulated to Members in respect of disabled parking spaces in	Completed

	regeneration areas and included in the next update	
Item 4: Policy and Scrutiny Portfolio: Cabinet Member for Housing and Customer Services	Task group to be created to consider CWH's structure and the ways in which it works in the various services that it provides to report back to the Committee.	Completed
	Next Cabinet Member for Housing and Customer Services update to include details on supply and allocation.	In progress
Item 5: 2018/19 Work Programme	Regeneration to be added as a topic to the work programme.	In progress
	Chairman to be advised as to when Business Rates can be considered by the Committee.	In progress
	Briefing note on the implementation of Universal Credit, including timescales, be provided.	Completed